

# Canadian REITS

By Andrew Harris  
Rajan Hans  
Hanwen Zhu

# What are REITs?

1. REIT: Real Estate Investment Trusts
  - a. A real estate investment trust (REIT) is a company owning and typically operating real estate which generates income.
2. Similar to Mutual Funds
  - a. Pool capital into real estates → regular income streams, diversification, long-term capital appreciation
  - b. investors: be able to invest in large-scale properties: purchase of stocks
3. Typically pay-out a majority of their taxable income as dividend
  - a. 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

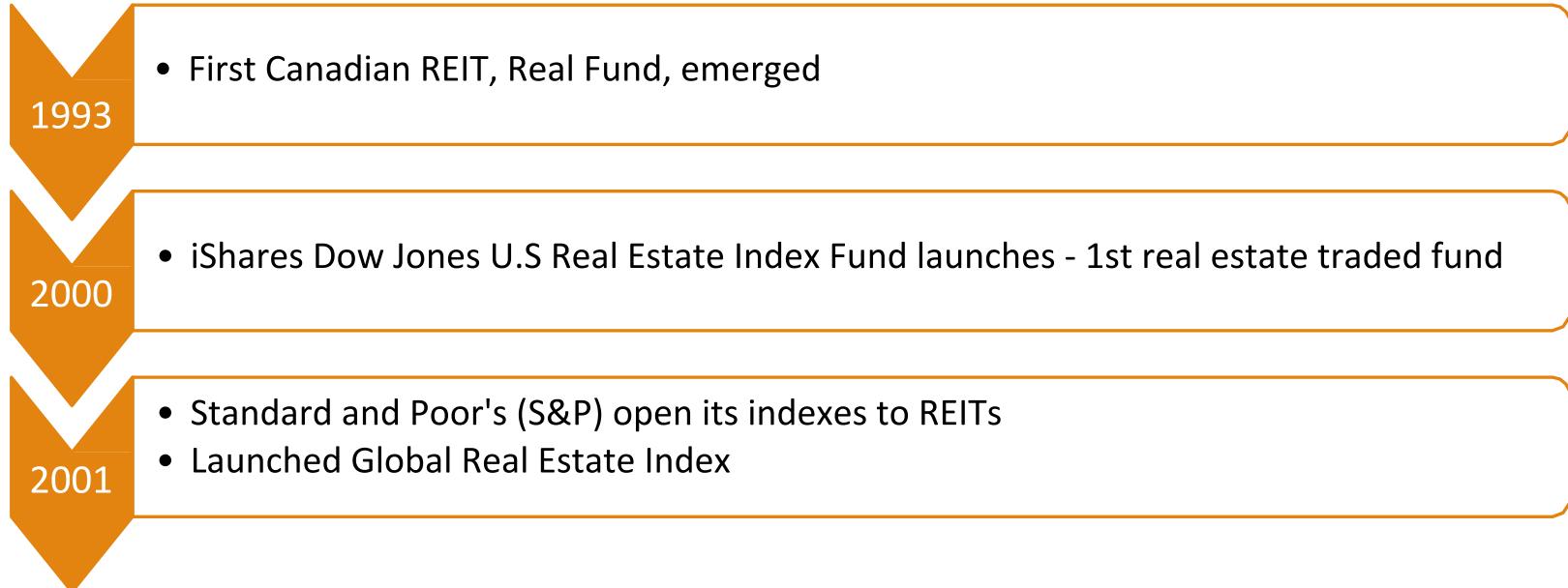
1986

- 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

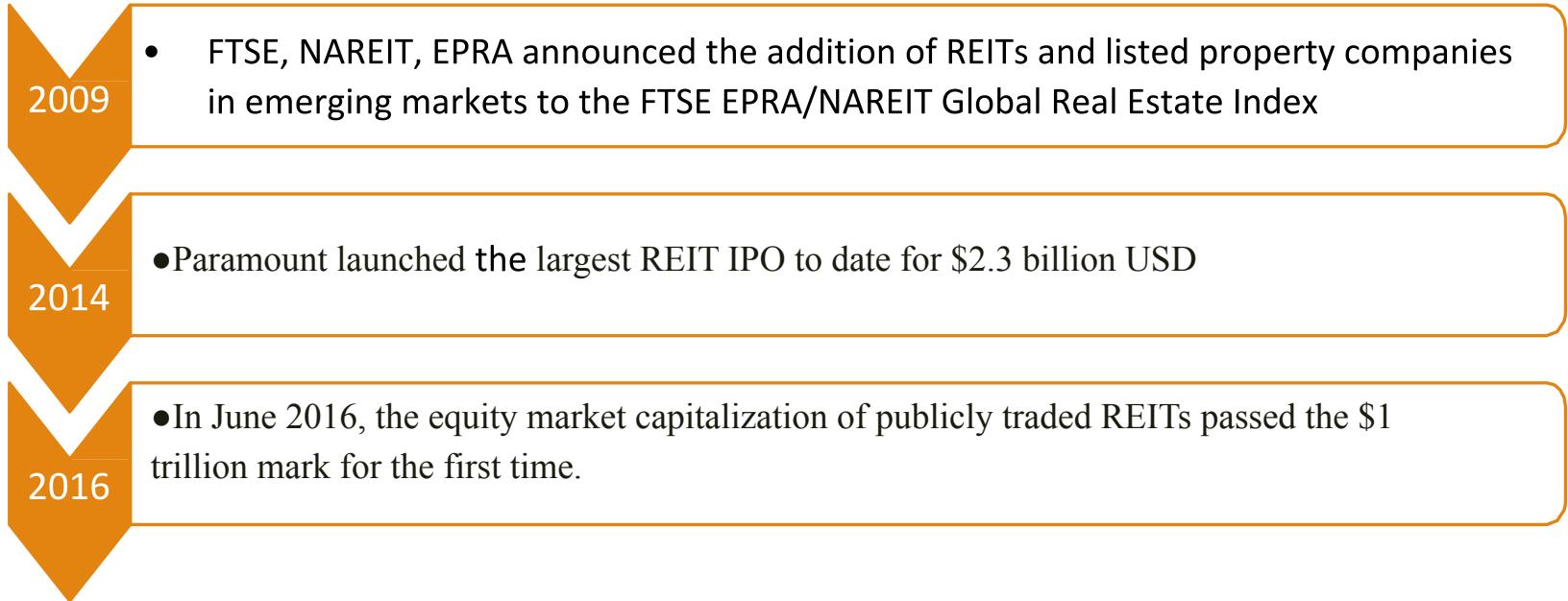
1991

- NAREIT adopts FFO

# Evolution of REITs Cont.



# Evolution of REITs Cont.



- 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
- 2014
  - Paramount launched the largest REIT IPO to date for \$2.3 billion USD
- 2016
  - In June 2016, the equity market capitalization of publicly traded REITs passed the \$1 trillion mark for the first time.

# How REITs Operate

Investors purchase shares in REITs

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. Distributed 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

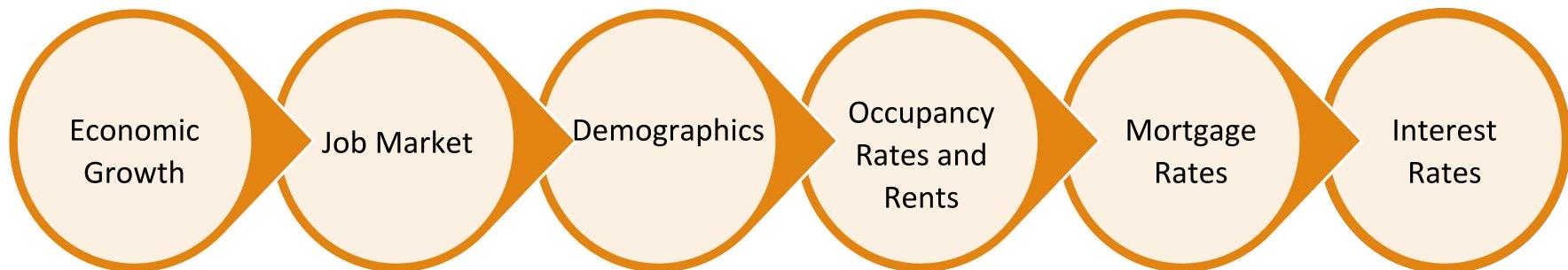
## Non-Exchange Traded

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

## Private

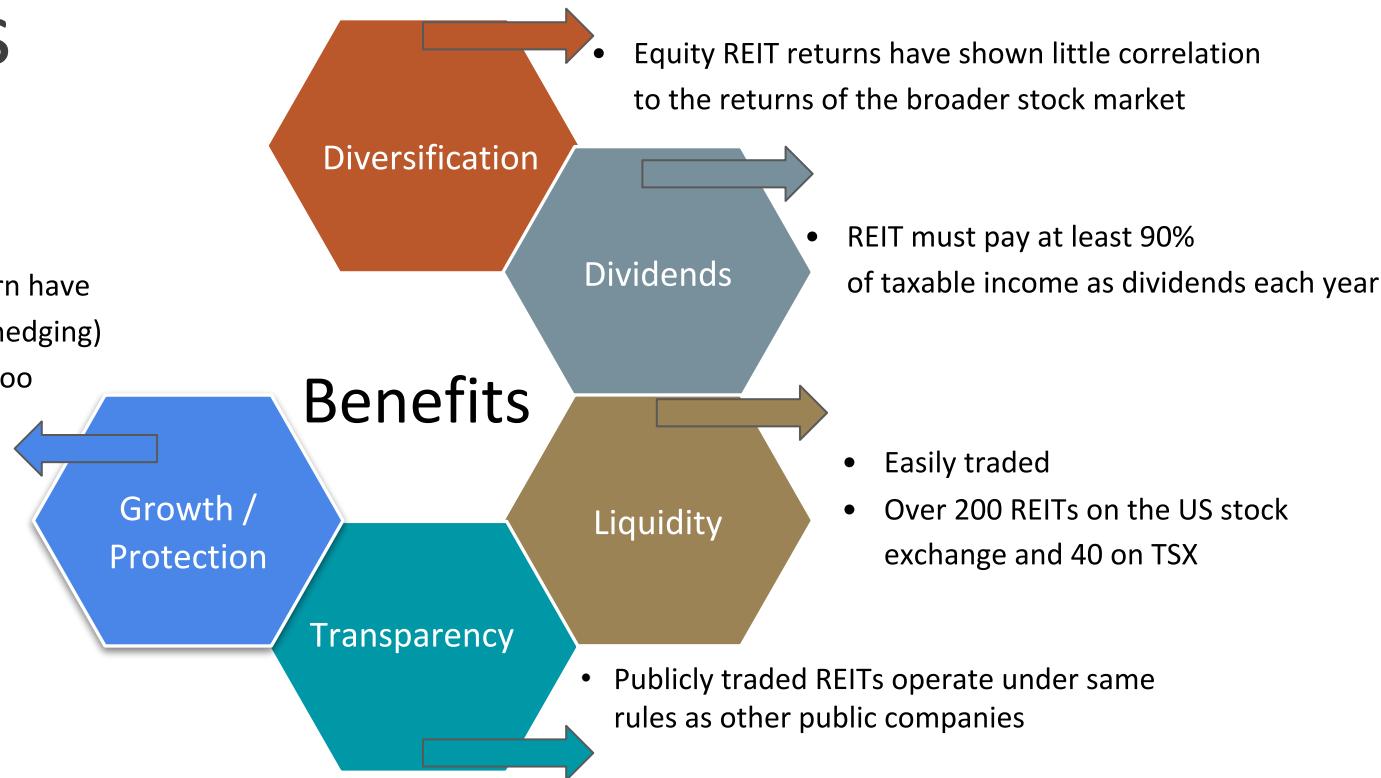
- Neither registered nor traded on SEC
- Raise equity from individuals, trusts, or other entities ( accredited under federal securities law)
- Less regulations – only guidelines to maintain REIT status

# Factors Driving REIT Earnings



# REITs: Investment Advantages

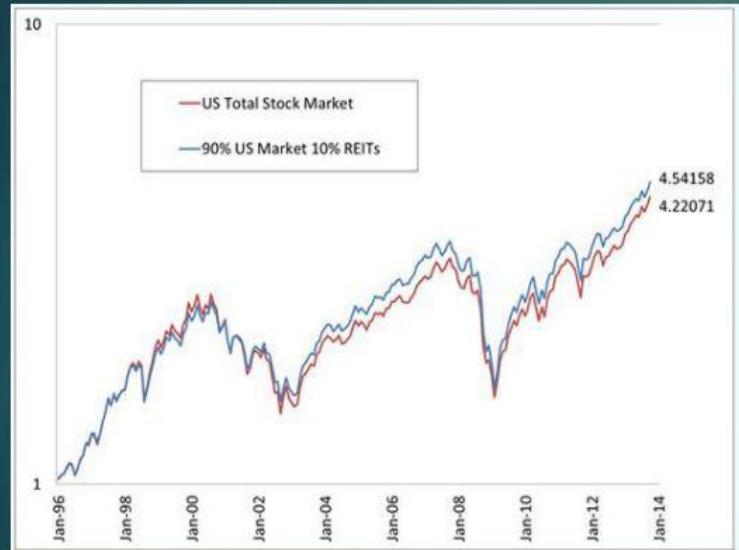
- Over long holding periods, EREIT return have tended to outpace rates of inflation (hedging)
- As inflation increases, rent increases too



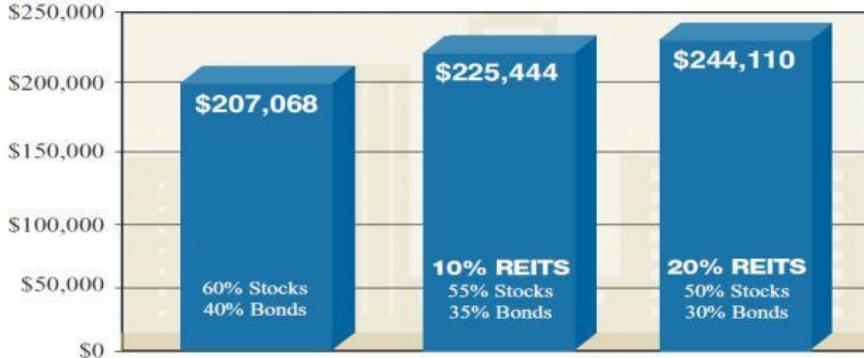
# Benefits of Diversification



# Benefits of Diversification



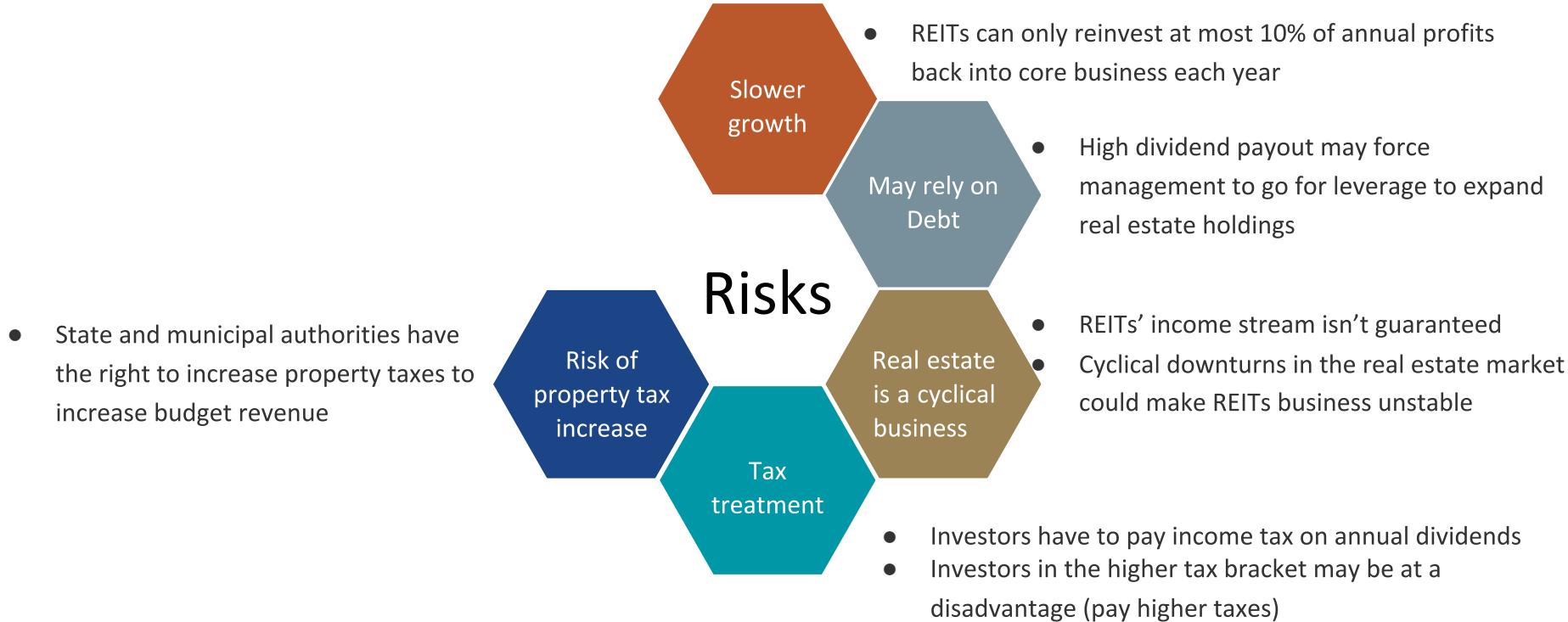
**What \$10,000 Invested on 8/31/1982  
Would be worth on 8/31/2012**



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

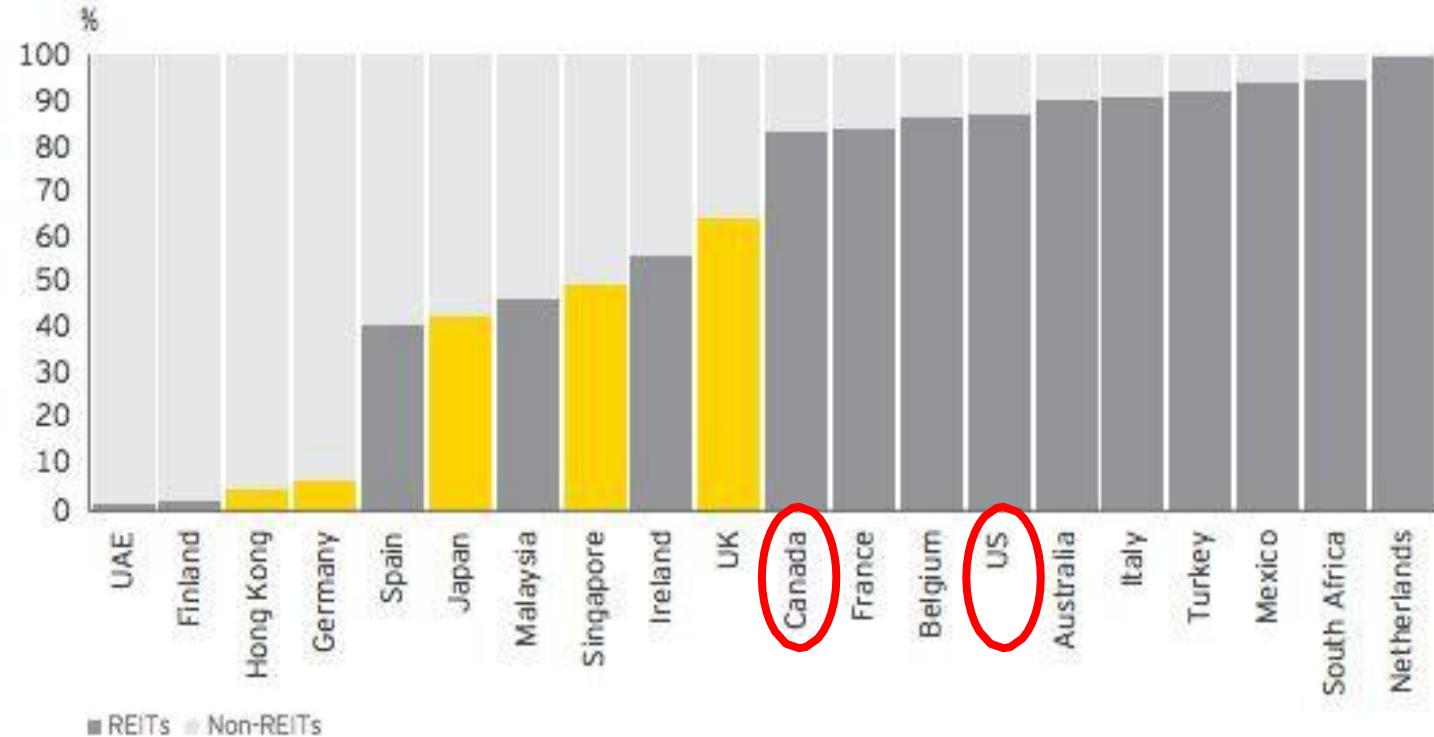
## Countries and Regions that Have Adopted the U.S. REIT Approach



- The major growth of REITs happened only after 2000
- Every country has its own set of rules to govern REIT's

# Global – Market Cap (2016)

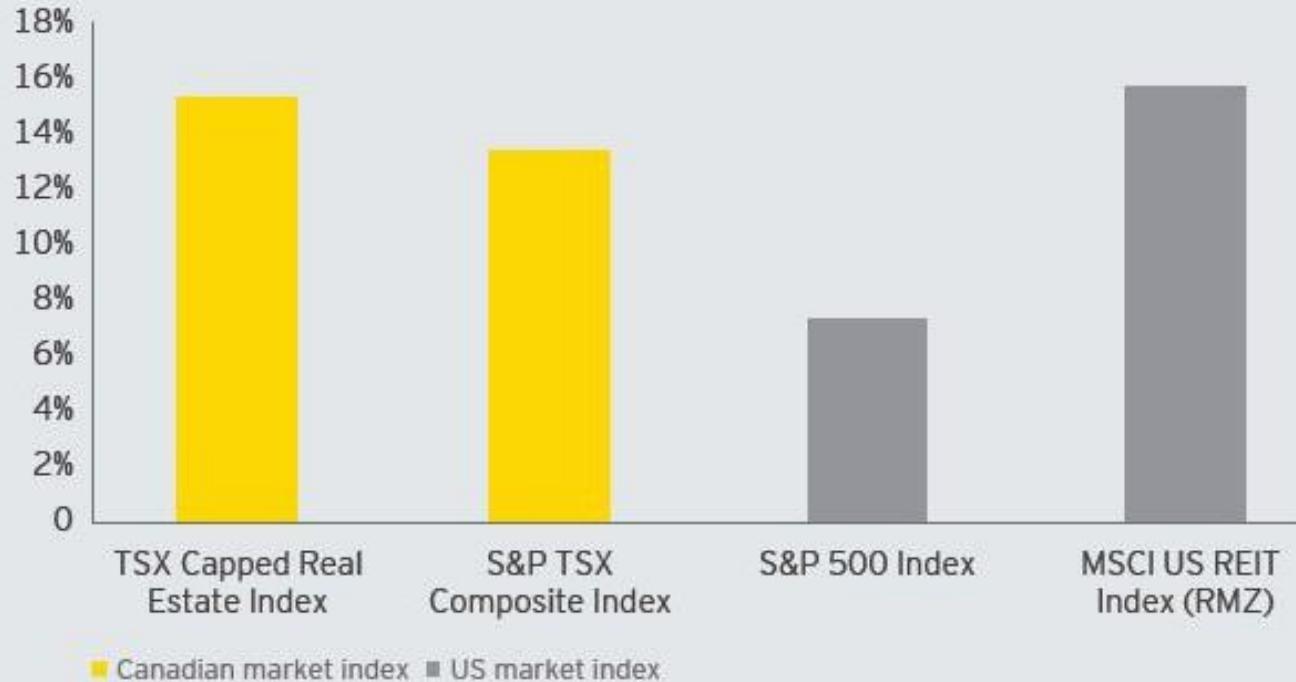
Figure 6: REIT market cap as a percentage of listed real estate market cap



Source: SNL Financial

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

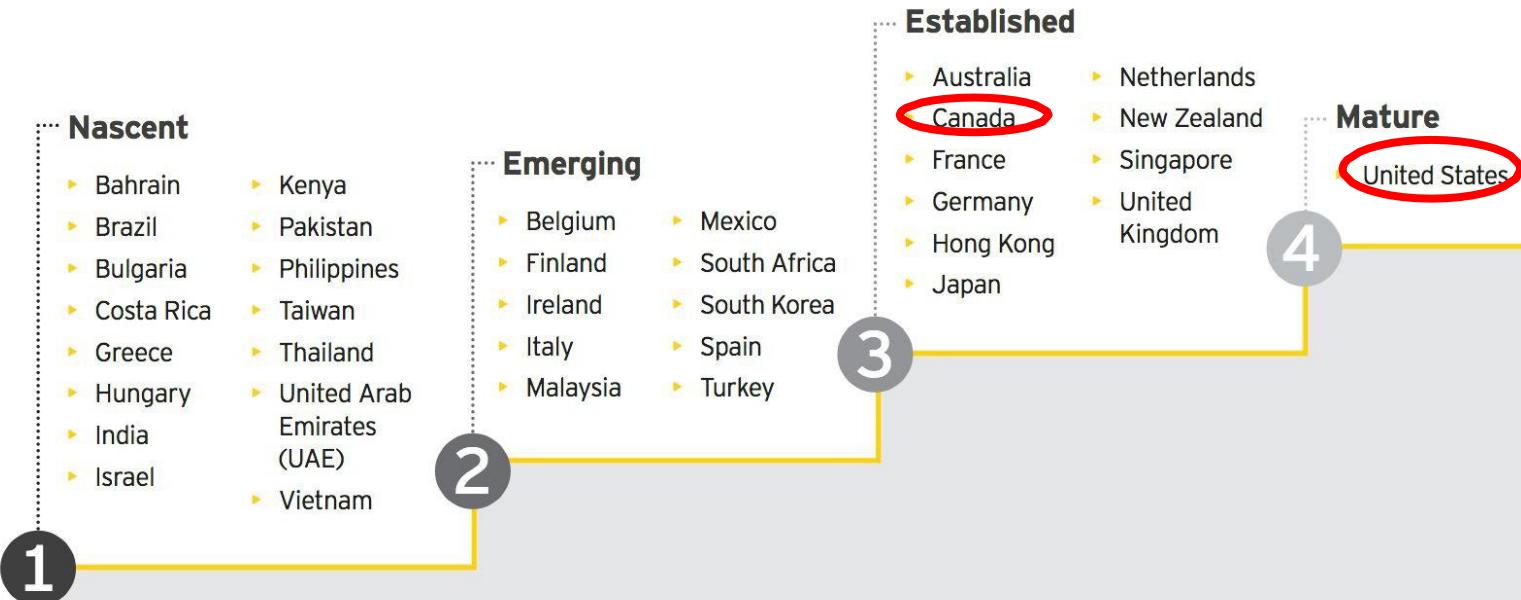
Figure 2: Canada REIT total returns vs. broad markets  
(YTD through July 2016)



Source: Thomson Reuters

# REITS JURISDICTION DEVELOPMENT

Figure 3: REIT jurisdictions – maturity\*



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

# Rules & Regulations

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

# Rules & Regulations

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

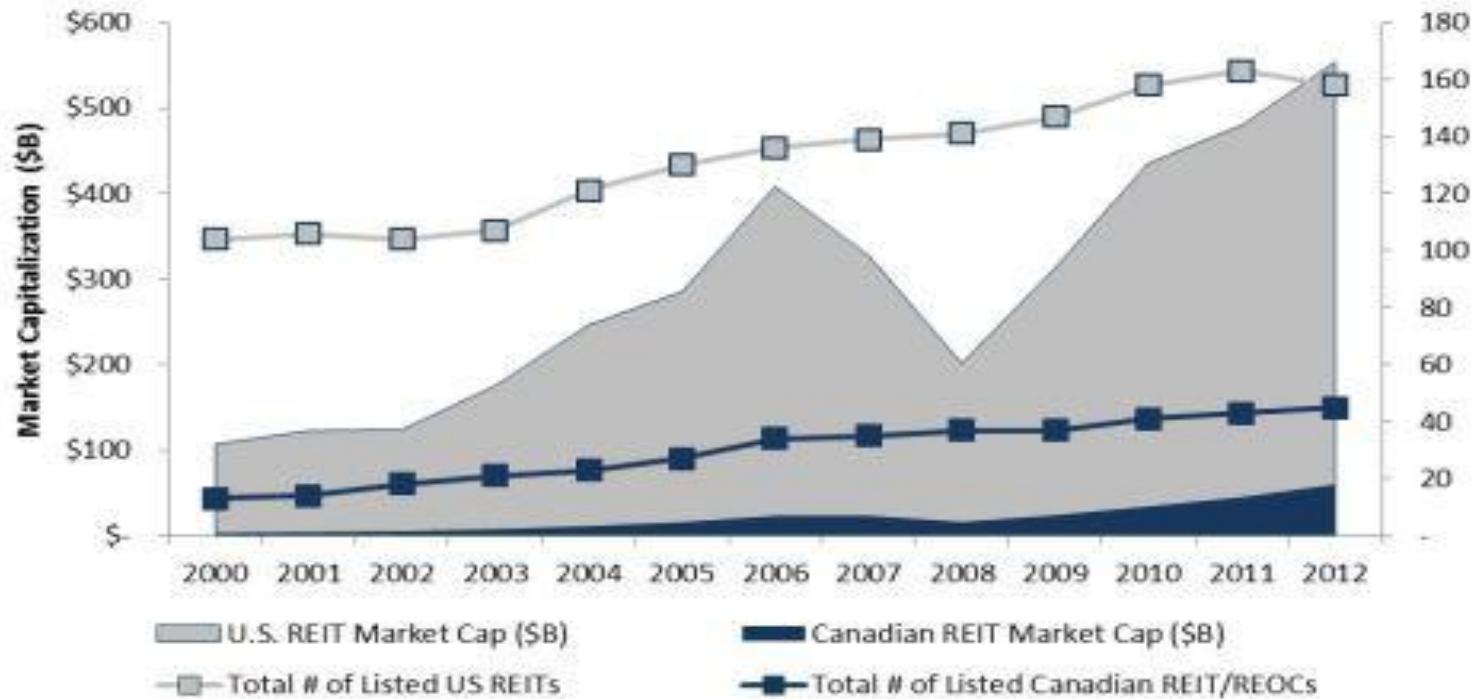
High dividend yield!

# Rules & Regulations

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

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

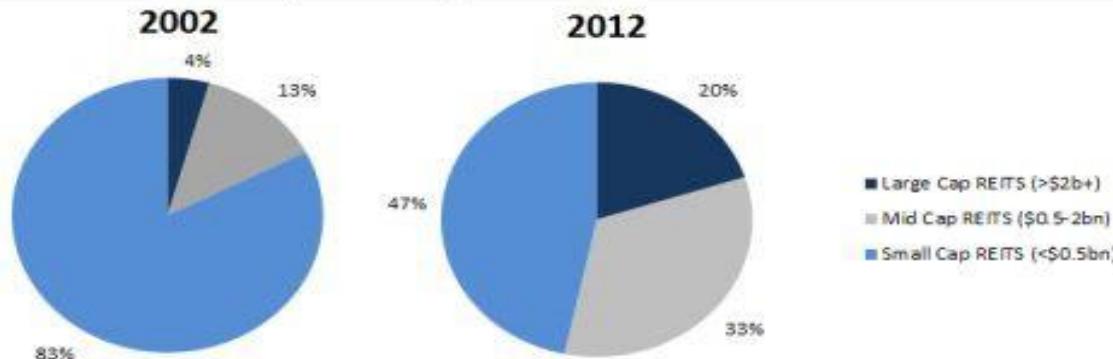
Exhibit 3: Market Capitalization and Number of Canadian and US REITs



Source: Capital IQ, Raymond James & Associates

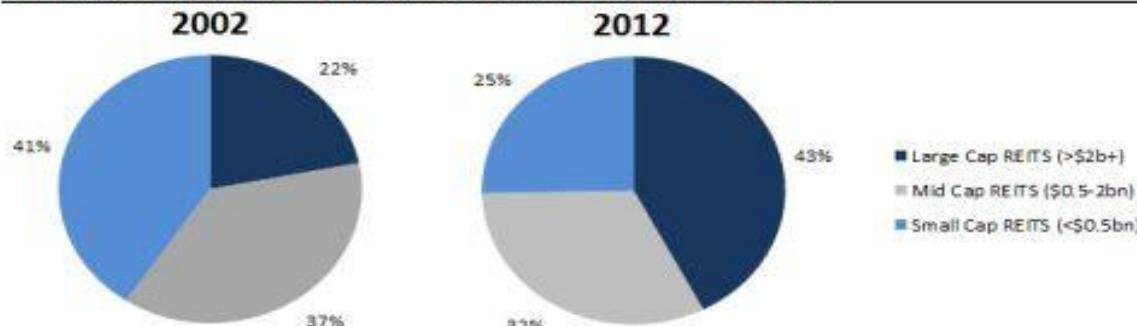
# MARKET CAP. DISTRIBUTION OF CAN. & US REITS

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



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

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



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

# US: Key Statistics Snapshot

## Key Statistics Snapshot

Revenue

**\$213.4bn**

Annual Growth 14–19

**2.2%**

Annual Growth 19–24

**2.9%**

Profit

**\$34.6bn**

Wages

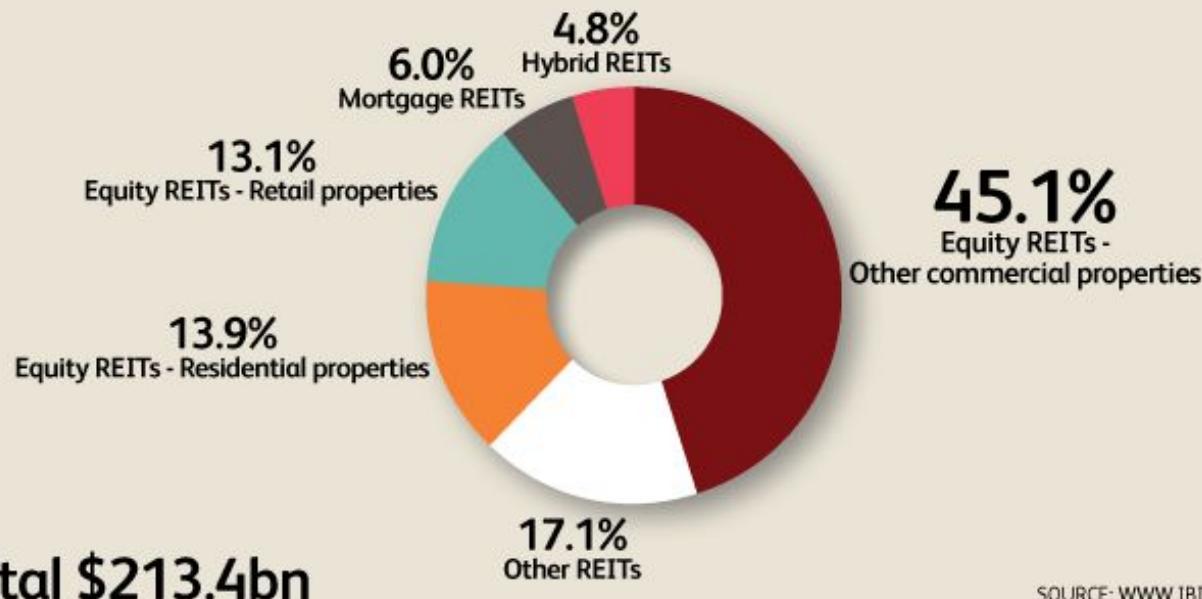
**\$17.0bn**

Businesses

**2,841**

# US: Product & Service Segmentation

## Products and services segmentation (2019)



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: Key Statistics Snapshot

## Key Statistics Snapshot

Revenue

**\$10.0bn**

Annual Growth 14-19

**3.1%**

Annual Growth 19-24

**2.6%**

Profit

**\$4.6bn**

Wages

**\$569.9m**

Businesses

**158**

## Major Players

(Market Share)

CAPREIT 6.2%

H&R Real Estate Investment Trust 9.3%

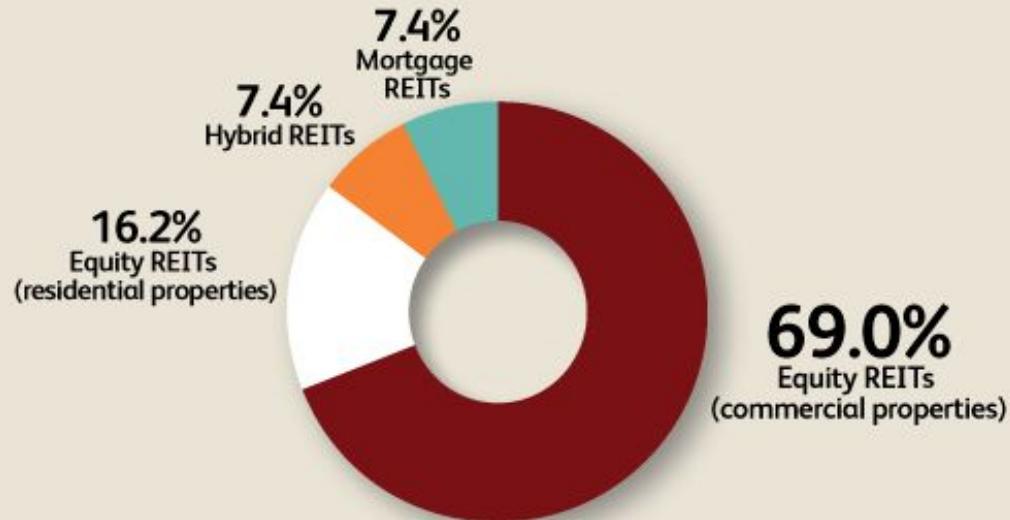
(Market Share)



SOURCE: IBISWORLD

# Canada: Product & Service Segmentation

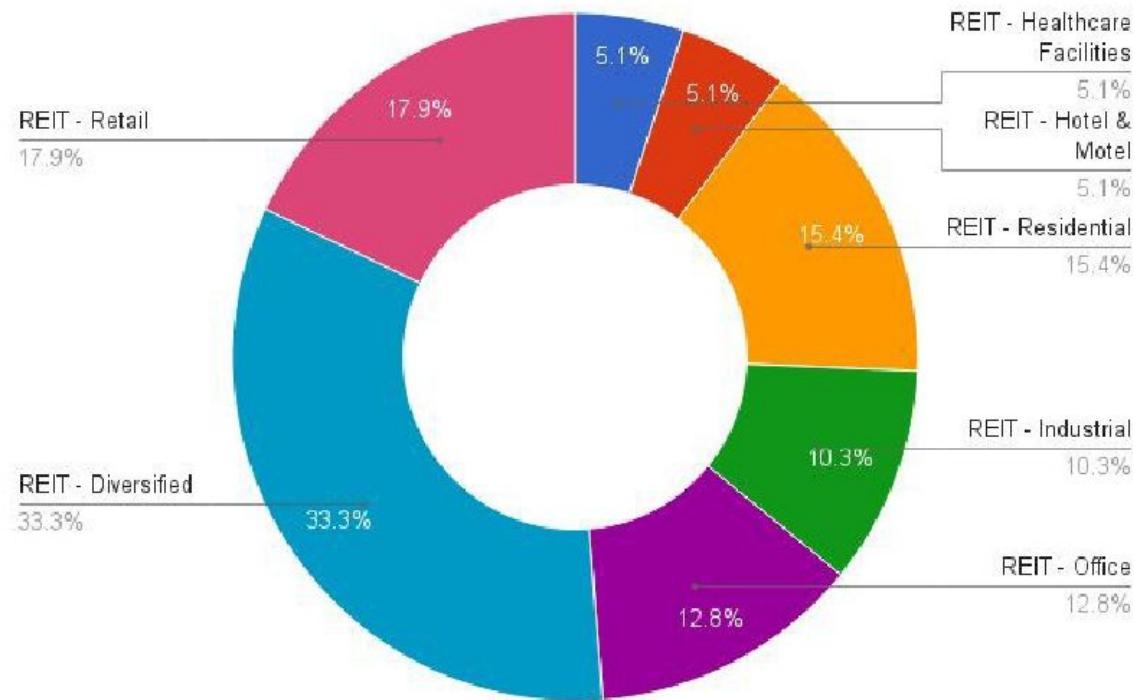
## Products and services segmentation (2019)



**Total \$10.0bn**

SOURCE: IBISWORLD

# Canada: REITs by Market Segmentation



# Canadian REITs Market Cap

## Exhibit 53. Canadian Large-capitalization REITs

Ticker	Name	Mkt. Cap. (\$millions.)	Last Price 9/26/2019	2019E FD FFO		
				Per Share	% Change	Per
<b>Canadian Shopping Centre REITs</b>						
REI.UN	RioCan REIT	\$8,126	\$26.65	\$1.88	1.6%	
SRU.UN	SmartCentres REIT	\$5,588	\$32.85	\$2.24	(2.6%)	
CRR.UN	Crombie REIT	\$2,442	\$16.10	\$1.19	(1.7%)	
CHP.UN	Choice Properties	\$10,263	\$14.67	\$1.00	(3.0%)	
CRT.UN	CT REIT	\$3,348	\$14.74	\$1.17	2.6%	
FCR	First Capital Realty	\$4,888	\$22.31	\$1.22	0.8%	
<b>Average</b>		<b>\$34,655</b>	<b>(Total)</b>		<b>(0.0%)</b>	
<b>Apartment REITs</b>						
BEI.UN	Boardwalk REIT	\$2,256	\$44.32	\$2.50	13.1%	
CAR.UN	CAP REIT	\$8,829	\$54.94	\$2.12	5.5%	
NVU.UN	Northview REIT	\$2,035	\$29.41	\$2.09	(0.9%)	
<b>Average</b>		<b>\$13,120</b>	<b>(Total)</b>		<b>5.9%</b>	
<b>Canadian Diversified Commercial (Office/Industrial/Retail)</b>						
BPY	Brookfield Property Partners*	\$19,195	\$20.19	\$1.48	(0.7%)	
HR.UN	H&R REIT	\$7,046	\$23.33	\$1.73	0.0%	
AX.UN	Artis REIT	\$1,785	\$12.66	\$1.38	6.2%	
MRT.UN	Morguard REIT	\$707	\$11.65	\$1.44	(2.7%)	
AP.UN	Allied Properties REIT	\$6,310	\$54.26	\$2.30	6.0%	
CUF.UN	Cominar REIT	\$2,391	\$13.14	\$1.11	(4.3%)	
D.UN	Dream Office REIT	\$1,875	\$29.48	\$1.72	3.6%	
<b>Average</b>		<b>\$39,308</b>	<b>(Total)</b>		<b>1.2%</b>	
<b>Overall Average – Canada</b>						
		<b>\$87,083</b>	<b>(Total)</b>		<b>1.6%</b>	

Source: FactSet and CIBC World Markets Inc.

# Canadian REITs Dividend Yield

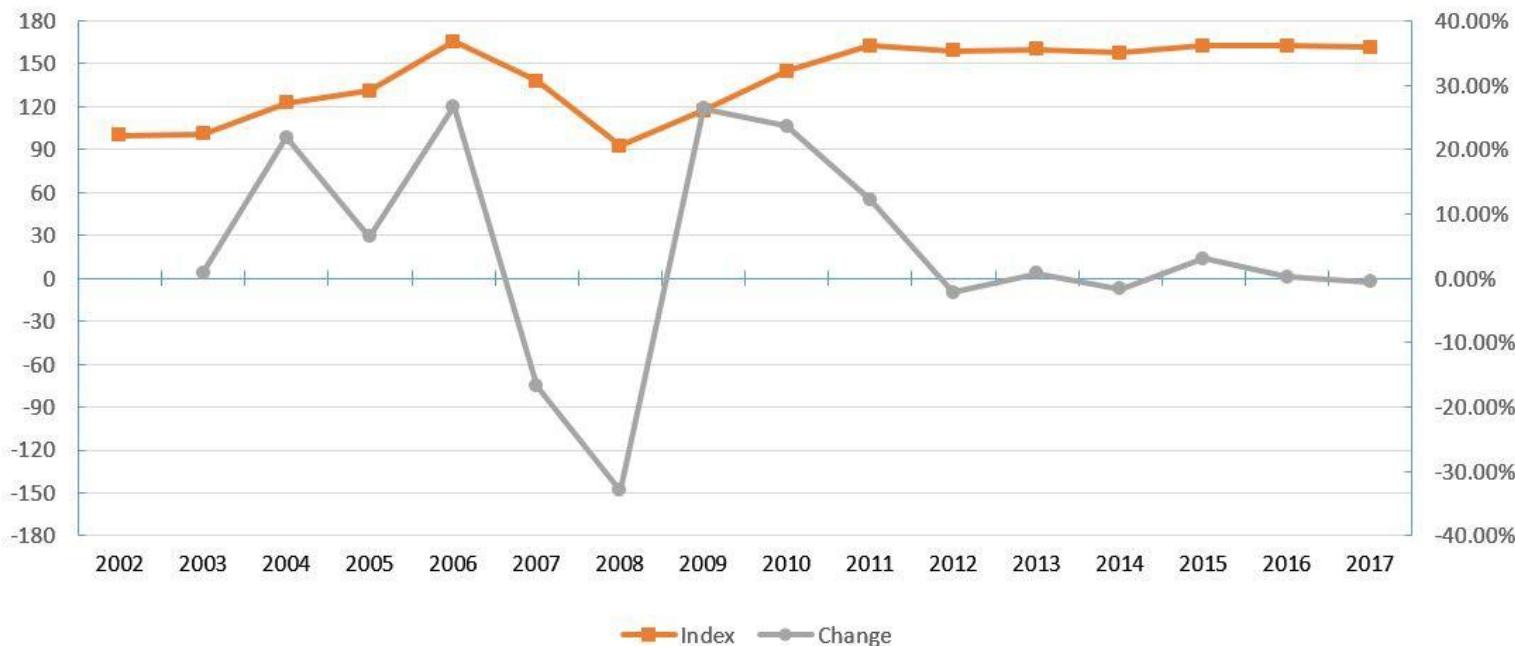
Exhibit 61. Canadian REIT Estimates And Statistics (cont'd.)

	Distributions (\$)										Est. NAV Per Unit (\$)	Est. NAV Cap Rate (%)	Unit Price (Discount)/ Premium To Est. NAV (%)	Sensitivity Of NAV To +/-50 bps In Cap Rate (%)				
	Current Annualized			Current AFFO			P/FFO <sup>1</sup> 2018A 2019E 2020E											
	% Of 2019E	2018A	2019E	2020E	2018A	2019E	2020E	2018A	2019E	2020E								
<b>Shopping Centre</b>																		
RioCan	\$1.44	5.4%	84%	14.4	14.2	13.9	16.0	15.5	15.3	\$27.00	5.50%	(1.1%)	15.3%					
SmartCentres	1.85	5.6%	87%	14.3	14.7	13.6	15.2	15.5	14.4	34.00	5.50%	(3.2%)	15.0%					
First Capital Realty	0.86	3.9%	77%	18.4	18.3	17.8	20.3	20.1	19.4	23.00	5.25%	(3.0%)	17.2%					
Crombie	0.89	5.5%	87%	13.3	13.5	13.1	15.6	15.8	15.5	16.50	6.00%	(2.4%)	15.7%					
Choice Properties	0.74	5.0%	88%	14.2	14.7	14.2	17.7	17.5	17.2	14.00	5.75%	4.7%	15.1%					
CT REIT	0.76	5.1%	78%	13.0	12.6	12.1	15.7	15.2	14.6	15.00	6.00%	(1.4%)	15.1%					
<b>Shopping Centre Average</b>	<b>5.1%</b>	<b>84%</b>	<b>14.6</b>	<b>14.6</b>	<b>14.1</b>	<b>16.7</b>	<b>16.6</b>	<b>16.0</b>			<b>5.67%</b>	<b>(0.4%)</b>	<b>15.6%</b>					
<b>Diversified (Office/Retail/Industrial)</b>																		
Brookfield Property Partners <sup>6</sup>	1.32	6.5%	120%	13.5	13.6	12.4	18.9	18.3	16.0	29.50	5.50%	(31.6%)	20.9%					
H&R	1.38	5.9%	94%	13.5	13.5	12.6	16.7	15.9	14.6	26.50	6.00%	(12.0%)	14.2%					
Cominar	0.72	5.4%	89%	11.4	11.9	11.2	14.7	16.3	14.4	15.25	6.00%	(13.2%)	18.4%					
Artis	0.54	4.3%	50%	9.8	9.2	9.3	11.3	11.9	11.8	14.00	6.50%	(9.4%)	20.4%					
Morguard REIT	0.96	8.2%	91%	7.9	8.1	8.0	10.4	11.0	10.8	16.50	6.75%	(29.3%)	15.1%					
Melcor	0.68	8.7%	99%	8.3	8.5	8.5	11.4	11.4	11.2	8.50	6.75%	(8.8%)	20.4%					
PRO REIT	0.63	8.8%	128%	15.7	14.2	11.2	13.4	14.6	11.8	6.50	7.25%	N/A	N/A					
<b>Diversified Commercial Sector Average</b>	<b>6.8%</b>	<b>96%</b>	<b>11.4</b>	<b>11.3</b>	<b>10.4</b>	<b>13.8</b>	<b>14.2</b>	<b>12.9</b>			<b>6.39%</b>	<b>(17.4%)</b>	<b>18.2%</b>					
<b>Office</b>																		
Allied Properties	1.60	2.9%	84%	25.0	23.6	22.4	30.3	28.4	27.4	45.00	5.30%	20.6%	10.6%					
Dream Office	1.00	3.4%	81%	17.8	17.1	16.6	26.5	24.0	23.0	26.25	5.50%	12.3%	12.9%					
Slate Office	0.40	6.4%	63%	8.0	8.3	8.1	9.7	9.8	9.4	8.00	6.60%	(21.4%)	21.9%					
True North Commercial	0.59	8.3%	105%	12.0	12.2	11.2	12.6	12.6	12.0	6.25	6.60%	13.1%	16.0%					
Dream Global	0.53	3.2%	56%	16.0	16.0	15.2	17.5	17.5	16.8	16.00	5.25%	3.8%	17.8%					
NorthWest Healthcare	0.80	6.7%	95%	15.1	13.4	12.5	15.1	14.2	13.7	11.75	6.40%	1.4%	14.9%					
Inovalis <sup>5</sup>	0.83	7.9%	113%	10.6	13.5	12.9	12.1	14.2	13.9	10.50	6.00%	(0.8%)	N/A					
<b>Office Sector Average</b>	<b>5.6%</b>	<b>85%</b>	<b>14.9</b>	<b>14.9</b>	<b>14.1</b>	<b>17.7</b>	<b>17.2</b>	<b>16.6</b>			<b>5.95%</b>	<b>4.1%</b>	<b>15.7%</b>					

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



# S&P/ TSX Capped REIT Index and Change



# How to Evaluate a REIT

# Net Income

Real Estate Revenue  
– Real Estate Expense  
– Depreciation

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

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= **Net Income per GAAP**

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

# Net Asset Value (NAV)

Total Assets

- Intangible Assets
- Liabilities

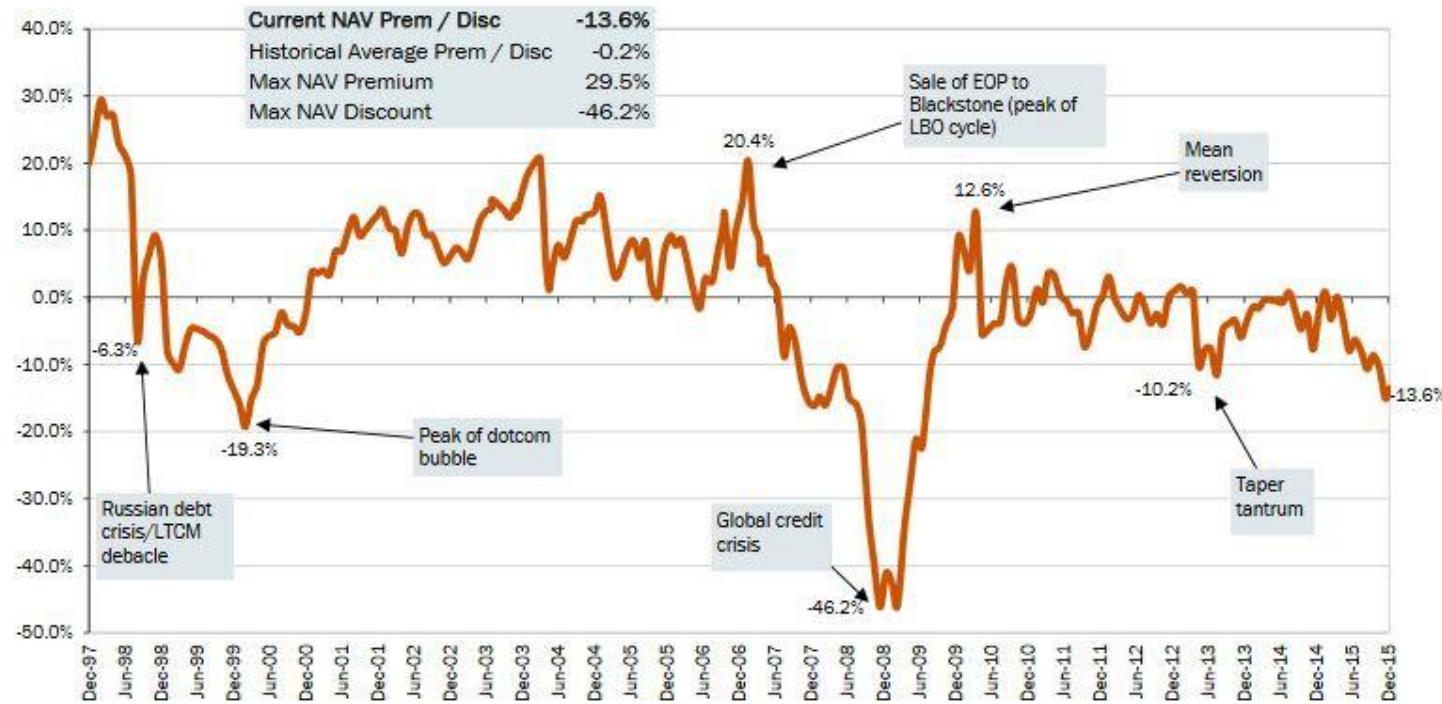
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Net Asset Value



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

# Historical Price to NAV to REIT



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

# Funds From Operations (FFO)

Net Income per GAAP

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

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= **Funds from Operations**

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

# Adjusted Funds From Operations (AFFO)

Funds from Operations

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

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**= 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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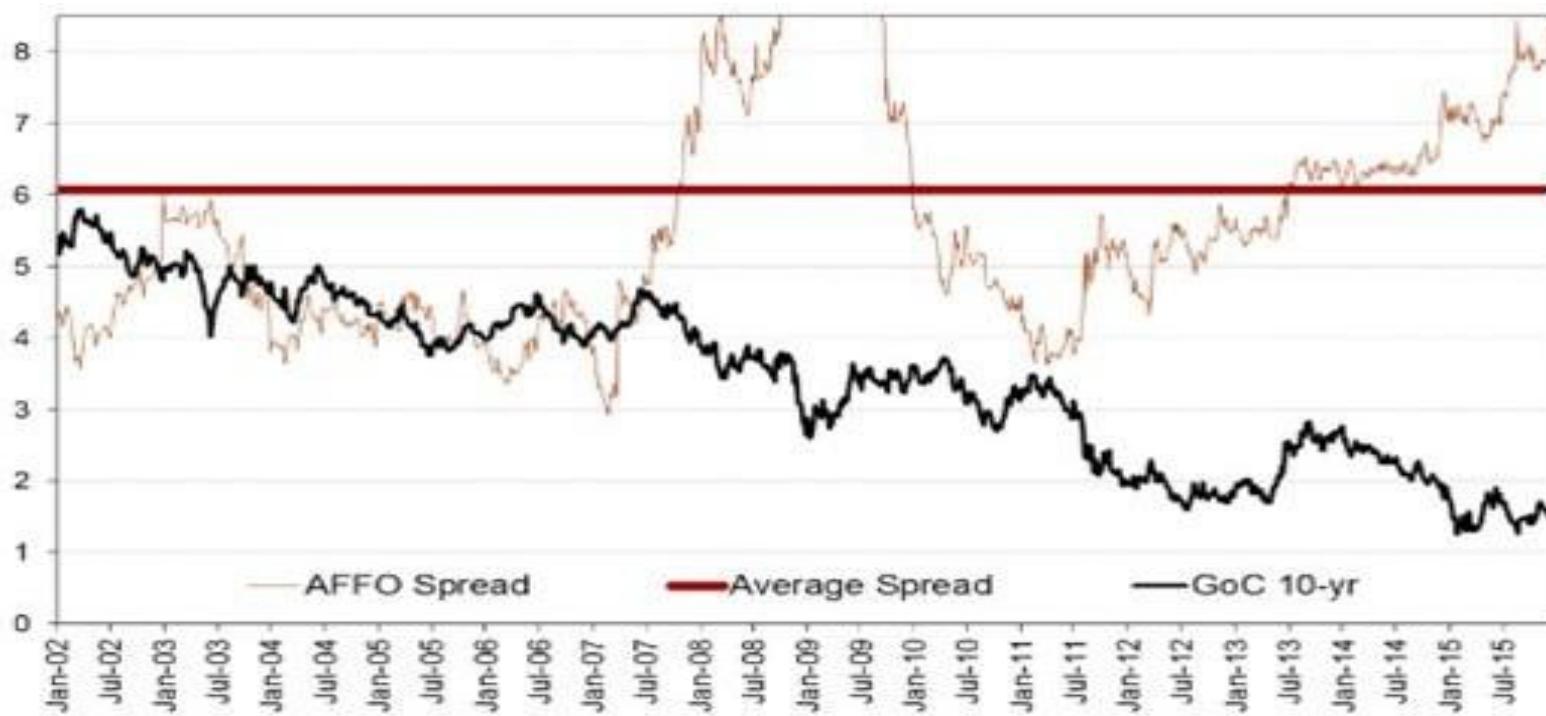
AFFO per Unit

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**AFFO Payout Ratio**

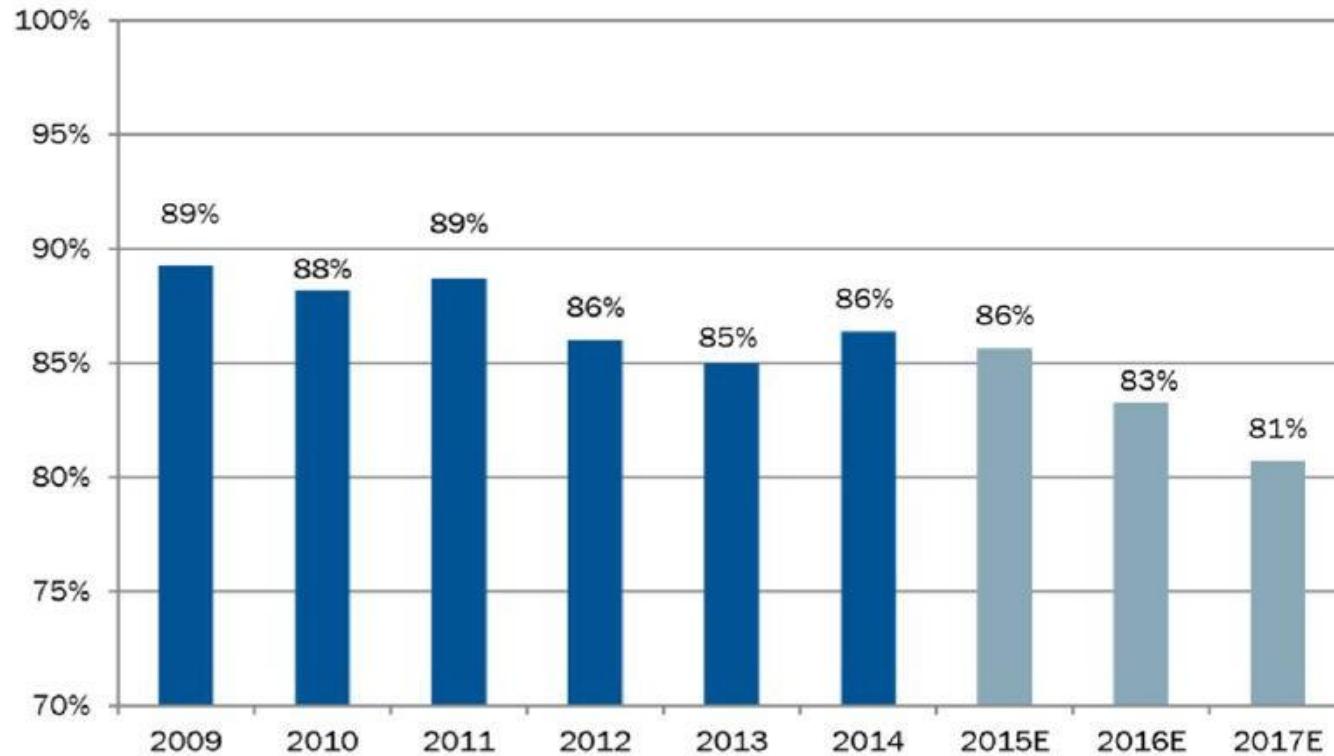
- Amount of money paid to unitholders relative to its earnings
- Lower % means that it is hanging on to its cash

# REIT AFFO Yield Spread History



Source: CIBC World Markets Inc.

# Weighted Average AFFO Payout Ratio



# Funds Available for Distribution (FAD)

Funds from Operation  
+ Rent Adjustments  
- Capital Improvements

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= **Funds Available for Distribution**

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

# Capitalization Rate (Cap Rate)

Annual Net Operating Income from  
~~Property~~

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Acquisition Cost of Property

- Rise in Cap Rate indicate a rise in income from the property relative to its price
- The higher the cap rate the less your property is “worth”

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# RIO CAN

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REAL ESTATE INVESTMENT TRUST



# Company Snapshot

## Riocan Real Est Un (TSX: REI-UN-T)

TSX REAL-TIME LAST SALE

↑ 26.67 CAD

TODAY'S CHANGE

+0.37 (+1.41%)

VOLUME

812,371

PRICE QUOTE AS OF

11/06/19

### TODAY'S TRADING

Day Low  
26.26

Day High  
26.71

OPEN: 26.44

Previous Close 26.30

52-Week High/Low 27.08 - 23.37

Volume 812,371

Average Volume 669,279

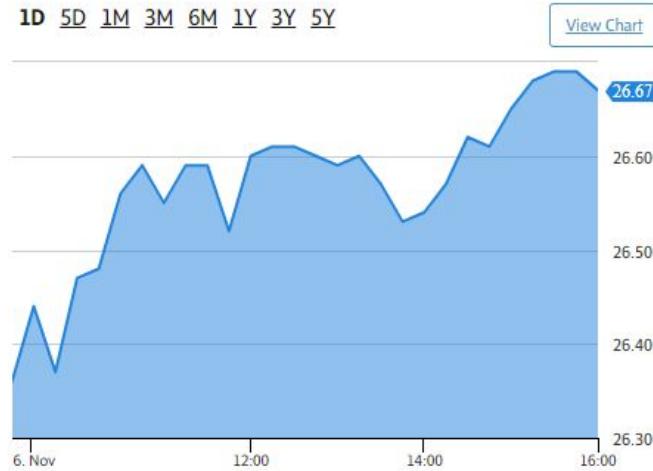
Price/Earnings (TTM) 11.10

Forward Annual Dividend & Yield 1.44 (5.48%)

Market Capitalization, \$M 8,254

1D 5D 1M 3M 6M 1Y 3Y 5Y

[View Chart](#)



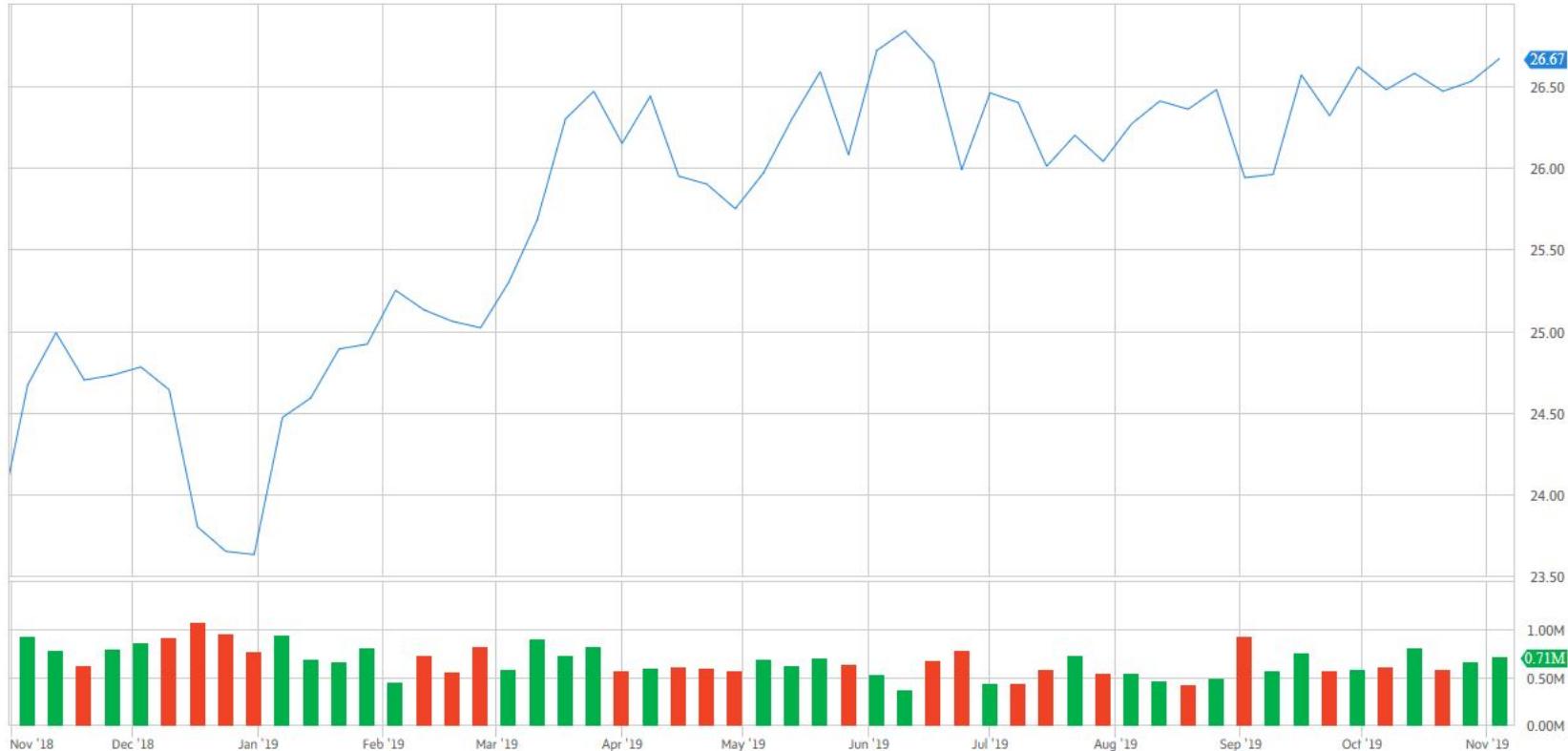
5-Day Change +0.37 (+1.41%)

# Company Snapshot

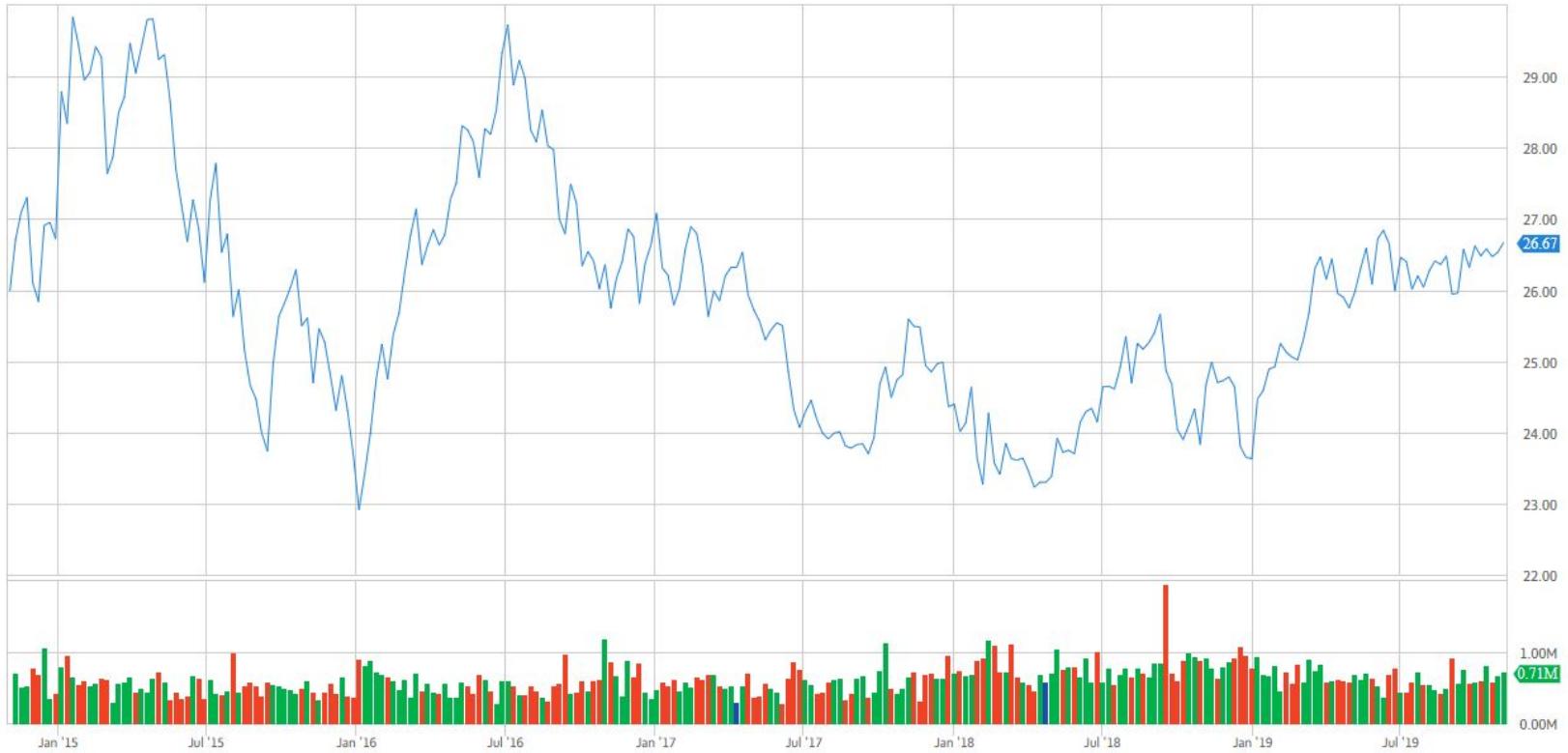
## FUNDAMENTALS

Market Capitalization, \$M	8,254 M	Price/Earnings (TTM)	11.10
Shares Outstanding, M	314 M	Price/Earnings (Forward)	N/A
36-Month Beta	0.46	Trailing Annual Dividend & Yield	1.44 (5.48%)
Earnings Per Share (TTM)	2.37	Forward Annual Dividend & Yield	1.44 (5.48%)
Revenue Growth YoY	-11.91%	Most Recent Dividend	0.120
Profit Margin	N/A	Ex-Div Date	10/30/19
5-Year Avg. Revenue Growth	-3.07%	Most Recent Split	1-2 (02/10/98)
5-Year Avg. Profit Growth	-5.72%	Return on Common Equity	6.72%
1-Year Total Return	9.44%	Return-on-Assets (Before Tax)	4.90%
3-Year Total Return	2.14%	Debt-to-Equity Ratio	0.77
5-Year Total Return	-1.54%	Price/Book	1.05

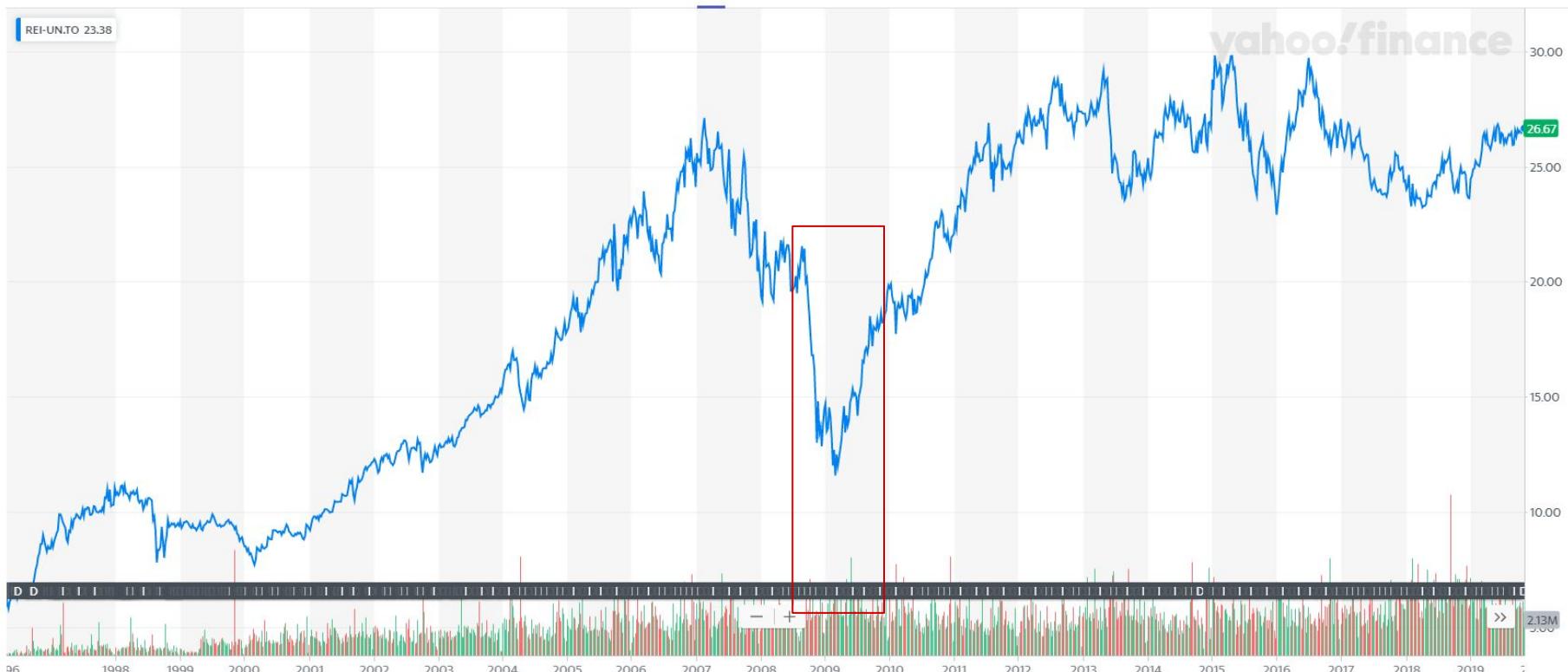
# RioCan: Performance (1)



# RioCan: Performance (5)



# RioCan: Performance (Maximum)



# 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 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\$930M** 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

## 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)
- ❖ **Repurposed from retail to residential market in 2015** due to online threat to traditional retail
- ❖ Currently, One of Canada's largest REITs



# Canadian Markets

## DEVELOPMENT PIPELINE

**26.2M SF**

development pipeline

**11.2M SF**

with zoning approved

**100%**

located in Canada's six major markets

**2,100**

residential units under construction with an additional **2,200** residential units underway by 2021

## DEVELOPMENT RECENTLY OR NEARLY COMPLETED

Total project costs:

**\$574M**

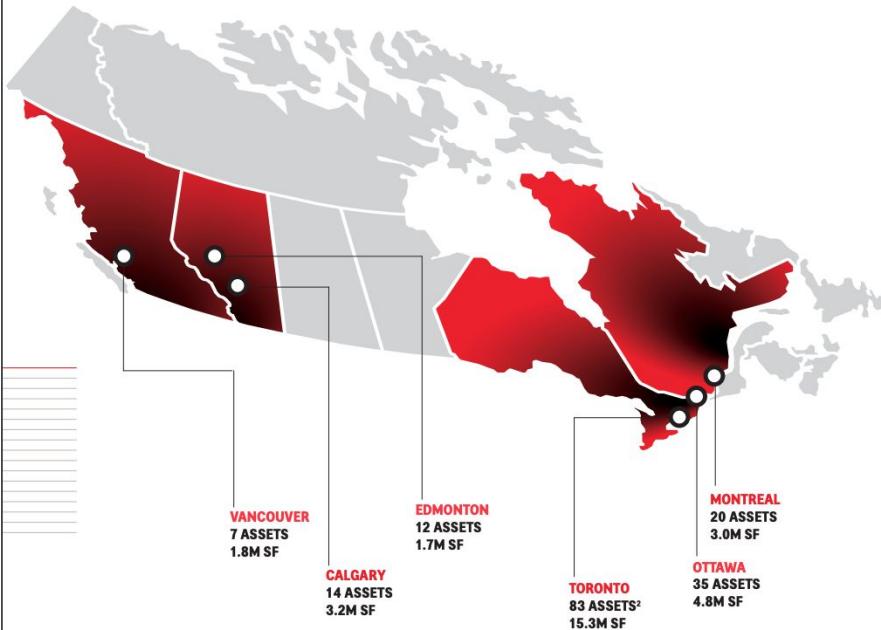
Estimated development yield:

**5.7%**

Estimated value creation:

**\$231M**

## Strategic Canadian Major Market Positioning



## Key Metrics in Canada's Six Major Markets<sup>3</sup>

171 ASSETS<sup>1</sup>  
29.8M SF

85.4% OF  
ANNUALIZED  
REVENUE

2.6% SPNOI  
GROWTH

11M+ SF  
ZONED FOR  
DEVELOPMENT

97.7%  
COMMITTED  
OCCUPANCY

# Portfolio Key Facts

## REAL ESTATE PORTFOLIO KEY FACTS *as at September 30, 2019 (all metrics stated at RioCan's interest unless otherwise noted)*

Net Leasable Area (NLA) (thousands of sq.ft.):	Retail	Office	Total Commercial
Income Producing Properties (i)	34,321	2,272	36,593
Properties Under Development (ii)	845	520	1,365
<b>Total NLA</b>	<b>35,166</b>	<b>2,792</b>	<b>37,958</b>

(i) Includes NLA which has a rent commencement date on or before September 30, 2019.

(ii) Includes the NLA only for active projects with detailed costs estimates, but excludes NLA for air rights sales, condominium/townhouse developments (residential inventory), and residential rental properties. Includes completed commercial Properties Under Development NLA that have a rent commencement date after September 30, 2019.

# Growth Strategy

- ❖ Acceleration of Canadian Major Market Focus
- ❖ Strategic Acquisitions
- ❖ Mixed-use Building
- ❖ Driving Organic Growth

# Strategy (i) : Acceleration of Canadian Major Market Focus

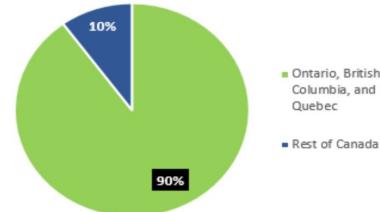
## TORONTO CORE Presence

4.7M sf in the Toronto Core

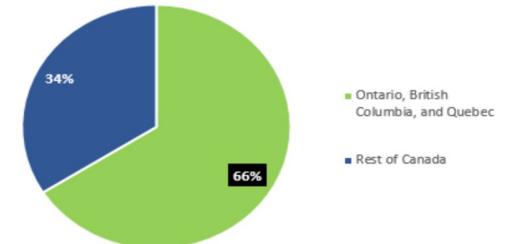


Destination of immigrants across Canada

Economic Immigrant Destinations - 1997



Economic Immigrant Destinations - 2017

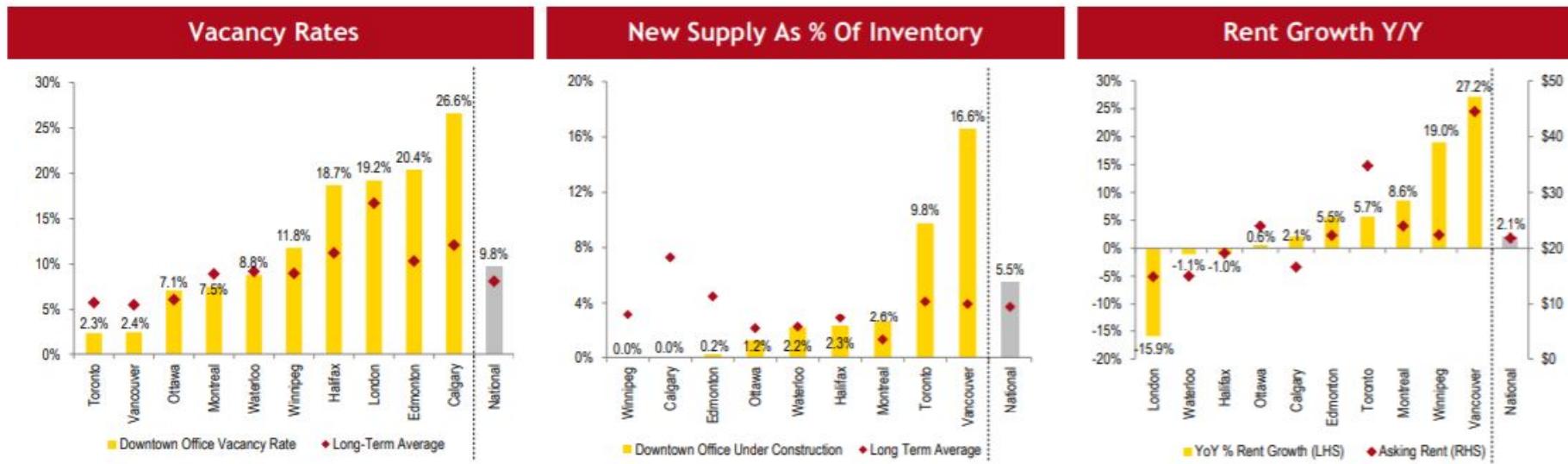


Data from Government of Canada

# Strategy (i) :

## Acceleration of Canadian Major Market Focus

Exhibit 41. Canadian Downtown Office Market Fundamentals (As of Q3/19)



Source: CBRE and CIBC World Markets Inc.

# Strategy (i) :

## Acceleration of Canadian Major Market Focus

### Geographic Diversification

	Income producing properties		Number of properties			Total
	NLA at RioCan's Interest (thousands of sq.ft.)	Percentage of annualized rental revenue	Income producing properties	Properties under development (i)		
Greater Toronto Area	16,355	49.5%	target: 50%	89	10	99
Ottawa	4,738	12.4%		35	1	36
Calgary	3,421	10.3%		14	3	17
Montreal	2,946	5.1%		20	—	20
Edmonton	2,021	6.4%		12	—	12
Vancouver	1,790	5.0%		7	—	7
<b>Total Six Major Markets</b>	<b>31,271</b>	<b>88.7%</b>	<b>target: 90%</b>	<b>177</b>	<b>14</b>	<b>191</b>
Total Secondary Markets	5,322	11.3%		34	—	34
<b>Total Portfolio</b>	<b>36,593</b>	<b>100.0%</b>		<b>211</b>	<b>14</b>	<b>225</b>

(i) Given the multi-phase nature of certain development projects, a single investment property could have more than one project, as discussed in the *Properties Under Development* section of this MD&A. Therefore, the number of projects should not be viewed as equivalent to number of properties under development.

# Strategy (ii): Strategic Acquisitions



During the 3rd quarter of 2019, the Trust completed three strategic acquisitions,

- the remaining 50% interest in Yonge Sheppard Centre,
- the remaining 50% interest in eCentral
- a 50% co-ownership interest in 2323 Yonge Street

# Income Property Acquisitions During 2019

Property name and location	Interest acquired	Capitalization rate	Gross Purchase price incl. Transaction Costs (i)	Debt and other liabilities assumed	NLA at interest acquired (thousands of sqft)	RioCan's ending interest
<b>Q3 2019</b>						
Jasper Gates, Edmonton, AB (ii)	100.0%	n/a	\$ 8,911	\$ —	11	100.0%
Yonge Sheppard Centre, Toronto, ON (iii)	50.0%	n/a	279,311	81,226	314	100.0%
2323 Yonge Street, Toronto, ON (iv)	50.0%	n/a	28,322	—	34	50.0%
ePlace, Toronto, ON (v)	50.0%	n/a	118,588	—	155	100.0%
Erskine, Toronto, ON	50.0%	5.74%	3,144	—	7	100.0%
<b>Total Q3 2019 Acquisitions</b>			<b>\$ 438,276</b>	<b>\$ 81,226</b>	<b>521</b>	
<b>Q2 2019</b>						
Stock Yards Village, Toronto, ON	50.0%	6.06%	\$ 92,071	\$ —	255	100.0%
2969 Bloor Street West, Toronto, ON	100.0%	3.40%	2,129	—	3	100.0%
Mill Woods Town Centre, Edmonton, AB (vi)	59.7%	6.85%	66,894	33,410	272	100.0%
Garden City Shopping Centre, Winnipeg, MB (vii)	70.0%	7.00%	49,044	33,929	254	100.0%
Shoppers City East, Gloucester, ON	17.2%	5.90%	3,794	—	7	100.0%
<b>Total Q2 2019 Acquisitions</b>			<b>\$ 213,932</b>	<b>\$ 67,339</b>	<b>791</b>	
<b>Q1 2019</b>						
Upper James Square, Hamilton, ON	100.0%	6.21%	\$ 36,010	\$ 14,193	114	100.0%
Sage Hill Crossing, Calgary, AB	50.0%	5.83%	70,477	45,120	188	100.0%
<b>Total Q1 2019 Acquisitions</b>			<b>\$ 106,487</b>	<b>\$ 59,313</b>	<b>302</b>	
<b>Total 2019 Acquisitions</b>			<b>\$ 758,695</b>	<b>\$ 207,878</b>	<b>1,614</b>	

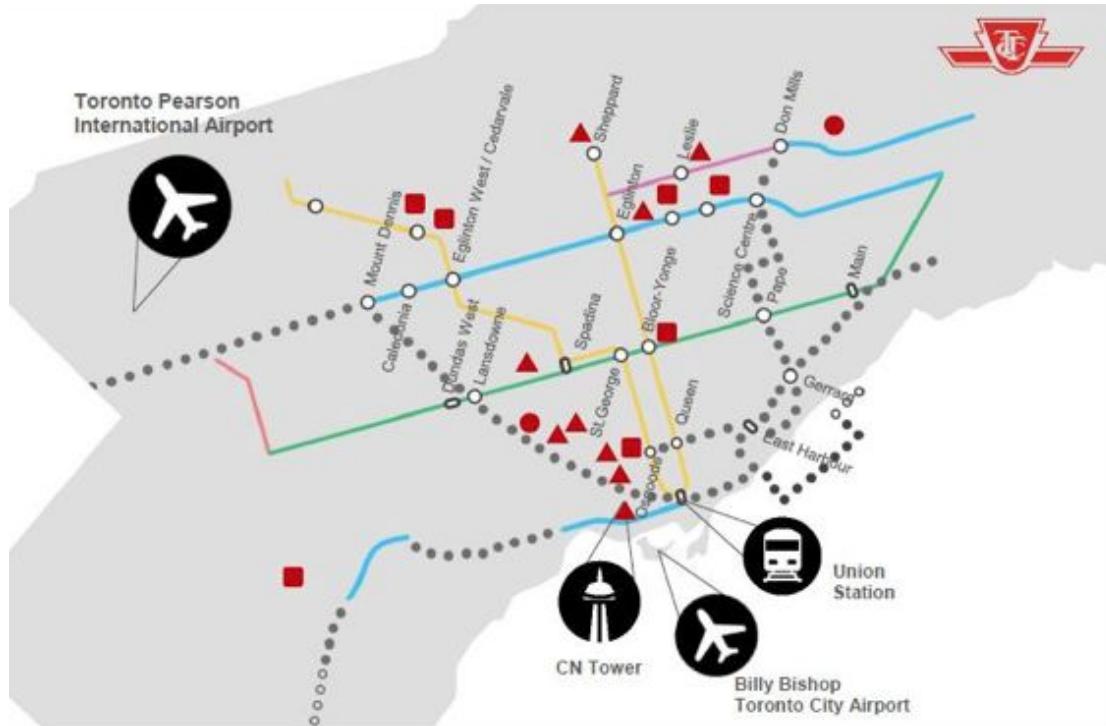
# Income Property Dispositions During 2019

Property name and location	Capitalization rate (i)	Sales proceeds (thousands of dollars)	Debt assumed by purchaser(s) (thousands) (ii)	GLA disposed of at RioCan's interest (thousands of sqft)	Ownership interest disposed of by RioCan
<b>Q3 2019</b>					
Innes Road Plaza, Ottawa, ON	6.57%	\$ 13,900	\$ —	48	100.0%
Windsor Portfolio, Windsor, ON (iii)	10.47%	\$ 29,894	\$ —	279	100.0%
Kildonan Crossing, Winnipeg, MB	6.90%	\$ 43,500	\$ —	179	100.0%
Goderich Walmart Centre, Goderich, ON	7.04%	\$ 12,000	\$ —	94	100.0%
RioCan Renfrew Centre, Renfrew, ON	6.68%	\$ 6,261	\$ —	58	100.0%
Niagara Square, Niagara Falls, ON (iv)	10.19%	\$ 7,500	\$ —	60	30.0%
<b>Total Q3 2019</b>		<b>\$ 113,055</b>	<b>\$ —</b>	<b>718</b>	
<b>Q2 2019</b>					
Charlottetown Mall, Charlottetown, PE	7.04%	\$ 23,750	\$ —	178	50.0%
Tanger Outlets Bromont, Montreal, QC	13.47%	\$ 4,450	\$ —	81	50.0%
<b>Total Q2 2019</b>		<b>\$ 28,200</b>	<b>\$ —</b>	<b>259</b>	
<b>Q1 2019</b>					
Shoppers on Topsail, St. John's, NL	7.65%	\$ 5,850	\$ —	30	100.0%
Tillicum Centre, Victoria, BC	6.41%	\$ 109,975	\$ —	476	100.0%
RioCan Gravenhurst, Gravenhurst, ON	6.89%	\$ 29,400	\$ —	150	100.0%
<b>Total Q1 2019</b>		<b>\$ 145,225</b>	<b>\$ —</b>	<b>656</b>	
<b>Total 2019 Dispositions</b>	<b>7.28%</b>	<b>\$ 286,480</b>	<b>\$ —</b>	<b>1,633</b>	

# Strategy (iii): Urban Mixed-use Building

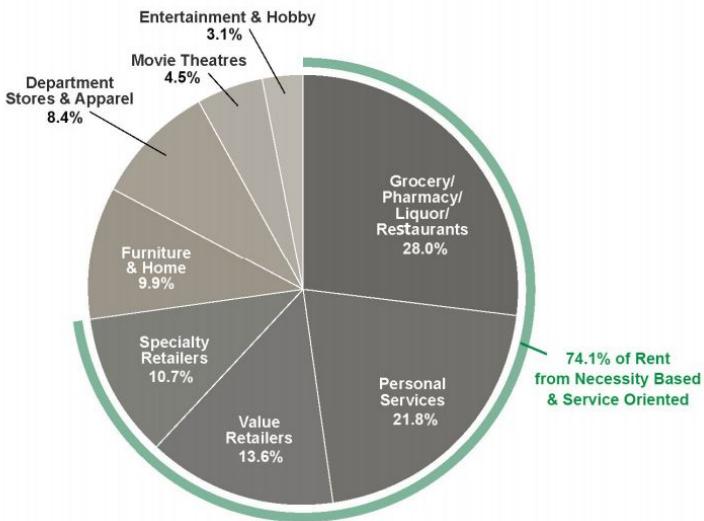


# Strategy (iii): Mixed-use Building



# Strategy (iv): Driving Organic Growth

## High Quality Tenants and Partners



Retailer Category	% of Rent	Key Brands (i)
Grocery/ Pharmacy Liquor/Restaurants	28.0%	
Personal Services	21.8%	
Value Retailers	13.6%	
Specialty Retailers	10.7%	
Furniture and Home	9.9%	
Department Stores and Apparel	8.4%	
Movie Theatres	4.5%	
Entertainment/Hobby	3.1%	

# Top 10 Tenants by Revenue

## Top Ten Sources of Revenue by Property Tenant (commercial only)

Rank	Tenant	Percentage of annualized rental revenue	Weighted average remaining lease term (yrs)
1	Loblaw's/Shoppers Drug Mart (i)	4.5%	7.9
2	Canadian Tire Corporation (ii)	4.2%	6.0
3	Cineplex/Galaxy Cinemas	4.2%	8.0
4	The TJX Companies, Inc. (iii)	4.1%	6.1
5	Metro/Super C/Loeb/Food Basics	2.8%	7.4
6	Walmart	2.7%	9.3
7	Sobeys/Safeway	1.7%	8.0
8	Recipe Unlimited (iv)	1.6%	7.4
9	Lowe's	1.6%	9.9
10	Dollarama	1.5%	5.4
		28.9%	7.4

# Management Team



# Management Team



## Edward Sonshine

*Chief Executive Officer/ Founder*

- ❖ **Founded RioCan in 1993 and has been CEO since, President until January 1, 2012**
- ❖ **Converted Real Estate Mutual Fund Trust into one of Canada's first REITs in late 1993**
- ❖ Law Degree from Osgoode Hall Law School
- ❖ Bachelor of Arts from the University of Toronto
- ❖ Member of the Boards of RBC 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, 2013
- ❖ **will retire from his position in 2021 or 2022 (announced in March 2019)**

# Management Team



**Jonathan Gitlin** (since 2005)  
*President and Chief Operating Officer*

- ❖ Chief Operating Officer since August 1, 2018
- ❖ Riocan succession planning: Gitlin will take over as CEO when Ed Sonshine retires
- ❖ Previously held positions in Riocan :
  - ❖ Senior Vice President of Investments & Residential (2015 to 2018)
  - ❖ Senior Vice President of Investments ( 2011 to 2014)
  - ❖ Vice President of Investments (2007 to 2010)
  - ❖ Assistant Vice President of Investments (2007)
  - ❖ Director of Investments (2005 to 2006).
  - ❖ Bachelor of Arts from Western University
  - ❖ Bachelor of Laws from York University

# Management Team



**Qi Tang** (since Sep 2013)

*Senior Vice President & Chief Financial Officer*

- ❖ Appointed as CFO on **April 3rd, 2017**
- ❖ Started her career at KPMG
- ❖ 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
- ❖ Bachelor of Economics in Western Accounting from Central University of Finance and Economics
- ❖ CPA, CA, CFA

# Management Team



**John Ballantyne, Ph.D (since 1994)**

*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)
- ❖ Bachelor' s degree in Economics and Political Science from University of Toronto
- ❖ Ph.D. in Pharmaceutical Science from North Dakota State University

# Management Team



**Andrew Duncan (since 2013)**  
*Senior Vice President, Development*

- ❖ Senior Vice President of Developments since **May 2016**
- ❖ 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)

# Management Team



**Oliver Harrison (since 1999)**

*Senior Vice President, Operations*

- ❖ Senior Vice President of Operations since **May 2019**
- ❖ Vice President, National Operations since **Nov 2018**
- ❖ Bachelor of Arts from McMaster University

# Management Team

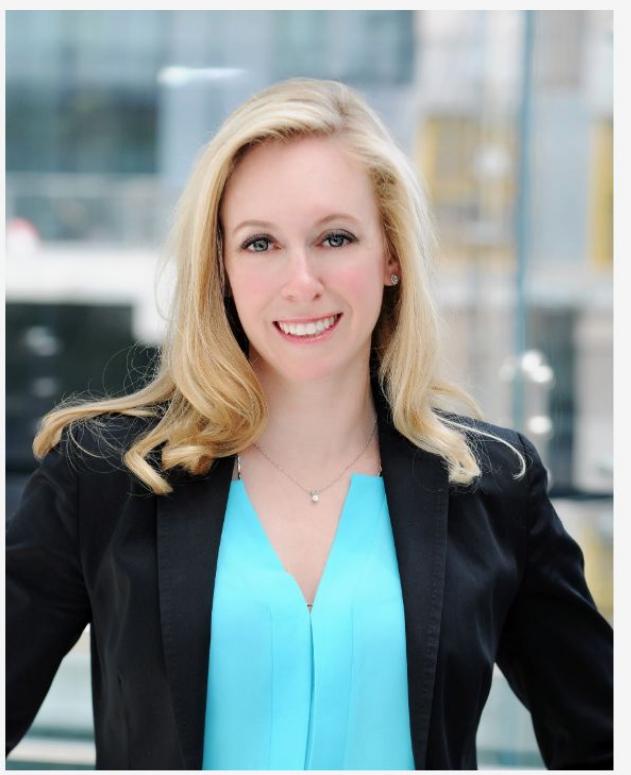


**Jeff Ross (since 1996):**

*Senior Vice President, Leasing & Tenant Coordination*

- ❖ Senior Vice President of Leasing & Tenant Coordination **since January 2008**
- ❖ Served as Vice President of Leasing at Riocan **from January 1999 to December 2007**
- ❖ Bachelor Degree from York University

# Management Team



**Jennifer Suess**(since 2017)

*Senior Vice President, General Counsel & Corporate Secretary*

- ❖ Senior Vice President since Aug 2017
- ❖ Head of Legal & Compliance and Chief Privacy Officer of **Alcon** Canada Inc. from 2013 to 2017
- ❖ Director (Law) of **Janseen** from 2011 to 2013
- ❖ Director (Legal and Business Affairs) of Biovail from 2009 to 2011
- ❖ Bachelor of Laws from University of Windsor
- ❖ Bachelor of Science in Psychology from University of Toronto

# Financials



**RIOCAN REAL ESTATE INVESTMENT TRUST**  
**UNAUDITED INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS**

(In thousands of Canadian dollars)

As at	Note	September 30, 2019	December 31, 2018
<b>Assets</b>			
Investment properties	3, 7	\$ 14,151,964	\$ 13,009,421
Deferred tax assets		11,459	13,339
Equity-accounted investments	4	194,471	189,817
Mortgages and loans receivable		170,188	164,014
Residential inventory	5	98,829	206,123
Assets held for sale	3	172,030	194,227
Receivables and other assets	6, 7	263,131	152,126
<b>Cash and cash equivalents</b>		<b>107,257</b>	<b>74,698</b>
<b>Total assets</b>		<b>\$ 15,169,329</b>	<b>\$ 14,003,765</b>
<b>Liabilities</b>			
Debentures payable	10	\$ 2,890,982	\$ 2,742,633
Mortgages payable	9	2,455,199	2,218,270
Lines of credit and other bank loans	8	1,266,549	913,130
Accounts payable and other liabilities	7, 11	525,595	463,342
<b>Total liabilities</b>		<b>\$ 7,138,325</b>	<b>\$ 6,337,375</b>
<b>Equity</b>			
Unitholders' equity:			
Common	12	8,031,004	7,666,390
<b>Total equity</b>		<b>8,031,004</b>	<b>7,666,390</b>
<b>Total liabilities and equity</b>		<b>\$ 15,169,329</b>	<b>\$ 14,003,765</b>

The accompanying notes are an integral part of the unaudited interim condensed financial statements.

# Balance Sheet

## • 2019 Q3

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

(In thousands of Canadian dollars)

As at	Note	<b>December 31, 2018</b>		December 31, 2017
<b>Assets</b>				
Investment properties	5	\$ 13,009,421	\$	13,160,244
Deferred tax assets		13,339		11,929
Equity-accounted investments	6	189,817		176,256
Mortgages and loans receivable	7	164,014		145,873
Residential inventory	8	206,123		132,003
Assets held for sale	4,5	194,227		410,178
Receivables and other assets	9	152,126		269,870
Cash and cash equivalents		74,698		70,225
<b>Total assets</b>		<b>\$ 14,003,765</b>	<b>\$</b>	<b>14,376,578</b>
<b>Liabilities</b>				
Debentures payable	13	\$ 2,742,633	\$	2,694,619
Mortgages payable	12	2,218,270		2,300,247
Lines of credit and other bank loans	11	913,130		904,429
Liabilities associated with assets held for sale	4,12	—		32,670
Accounts payable and other liabilities	14	463,342		399,927
<b>Total liabilities</b>		<b>\$ 6,337,375</b>	<b>\$</b>	<b>6,331,892</b>
<b>Equity</b>				
Unitholders' equity:				
Common	15	7,666,390		8,044,686
<b>Total equity</b>		<b>7,666,390</b>		<b>8,044,686</b>
<b>Total liabilities and equity</b>		<b>\$ 14,003,765</b>	<b>\$</b>	<b>14,376,578</b>

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

# Balance Sheet

## •2018 Annual

**RIOCAN REAL ESTATE INVESTMENT TRUST**  
**CONSOLIDATED STATEMENTS OF INCOME**  
(In thousands of Canadian dollars, except per unit amounts)

Years ended December 31,	Note	2018	2017
<b>Revenue</b>			
Rental revenue	18	\$ 1,110,160	\$ 1,140,665
Residential inventory sales		22,264	—
Property management and other service fees	18	15,418	14,554
		1,147,842	1,155,219
<b>Operating costs</b>			
Rental operating costs			
Recoverable under tenant leases		389,285	399,580
Non-recoverable costs		17,384	18,270
Residential inventory cost of sales		20,882	—
		427,551	417,850
<b>Operating income</b>		720,291	737,369
<b>Other income</b>			
Interest income	20	11,452	7,586
Income from equity-accounted investments	6	11,174	15,719
Fair value gains on investment properties, net	5	18,304	136,942
Investment and other income	19	20,316	57,014
		61,246	217,261
<b>Other expenses</b>			
Interest costs	21	168,299	171,418
General and administrative	22	55,999	52,560
Internal leasing costs		11,294	10,882
Transaction and other costs	23	20,023	11,825
		255,615	246,685
<b>Income before income taxes</b>		525,922	707,945
Deferred income tax recovery		(1,440)	(320)
<b>Net income from continuing operations</b>		\$ 527,362	\$ 708,265
Net income from discontinued operations	4	741	7,021
<b>Net income</b>		\$ 528,103	\$ 715,286
<b>Net income attributable to:</b>			
Unitholders		\$ 528,103	\$ 715,286
		\$ 528,103	\$ 715,286
Net income per unit - basic:			
From continuing operations	24	\$ 1.68	\$ 2.16
From discontinued operations	24	—	0.02
Net income per unit - basic		\$ 1.68	\$ 2.18
Net income per unit - diluted:			
From continuing operations	24	\$ 1.68	\$ 2.16
From discontinued operations	24	—	0.02
Net income per unit - diluted		\$ 1.68	\$ 2.18
Weighted average number of units (in thousands):			
Basic	24	313,936	326,805
Diluted	24	314,024	326,929

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

# Income Statement

## • 2018 Annual

**RIOCAN REAL ESTATE INVESTMENT TRUST**  
**UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME**  
 (In thousands of Canadian dollars, except per unit amounts)

Note	Three months ended September 30			Nine months ended September 30	
	2019	2018	2019	2018	
<b>Revenue</b>					
Rental revenue	15	\$ 272,141	\$ 274,488	\$ 814,675	\$ 835,385
Residential inventory sales	15	73,767	—	170,325	—
Property management and other service fees	15	7,969	4,420	20,594	11,451
		<b>353,877</b>	278,908	<b>1,005,594</b>	846,836
<b>Operating costs</b>					
Rental operating costs					
Recoverable under tenant leases		94,170	93,530	286,615	293,315
Non-recoverable costs		5,482	4,128	14,871	12,924
Residential inventory cost of sales		61,465	—	145,084	—
		<b>161,117</b>	97,658	<b>446,570</b>	306,239
<b>Operating income</b>					
		<b>192,760</b>	181,250	<b>559,024</b>	540,597
<b>Other income</b>					
Interest income	17	4,684	2,600	12,478	8,591
Income from equity-accounted investments	4	2,012	1,967	12,867	5,326
Fair value gains (losses) on investment properties, net	3	39,475	(870)	224,350	(10,926)
Investment and other income	16	3,095	8,509	7,786	23,336
		<b>49,266</b>	12,206	<b>257,481</b>	26,327
<b>Other expenses</b>					
Interest costs	18	46,574	42,572	137,565	125,858
General and administrative	19	10,600	12,566	34,527	41,316
Internal leasing costs		2,896	2,888	8,292	8,432
Transaction and other costs	20	4,235	6,661	9,219	14,815
		<b>64,305</b>	64,687	<b>189,603</b>	190,421
<b>Income before income taxes</b>					
		<b>177,721</b>	128,769	<b>626,902</b>	376,503
Current income tax expense (recovery)		167	—	(426)	—
Deferred income tax expense (recovery)		—	(100)	2,280	(900)
<b>Net income from continuing operations</b>					
		<b>\$ 177,554</b>	\$ 128,869	<b>\$ 625,048</b>	\$ 377,403
Net income from discontinued operations		—	1,449	—	1,535
<b>Net income</b>					
		<b>\$ 177,554</b>	\$ 130,318	<b>\$ 625,048</b>	\$ 378,938
<b>Net income attributable to:</b>					
Unitholders		<b>\$ 177,554</b>	\$ 130,318	<b>\$ 625,048</b>	\$ 378,938
		<b>\$ 177,554</b>	\$ 130,318	<b>\$ 625,048</b>	\$ 378,938
<b>Net income per unit:</b>					
Basic	21	\$ 0.58	\$ 0.41	\$ 2.05	\$ 1.19
Diluted	21	\$ 0.58	\$ 0.41	\$ 2.05	\$ 1.19

# Income Statement

## •2019 Q3

**RIOCAN REAL ESTATE INVESTMENT TRUST**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
 (In thousands of Canadian dollars)

Years ended December 31,	Note	2018	2017
<b>Operating activities</b>			
Net income from:			
Continuing operations	4	\$ 527,362	\$ 708,265
Discontinued operations		741	7,021
Net income		<b>528,103</b>	<b>715,286</b>
Items not affecting cash:			
Depreciation and amortization	22	4,575	9,865
Amortization of straight-line rent	18	(8,563)	(7,806)
Unit-based compensation expense	15	6,826	4,757
Income from equity-accounted investments	6	(11,174)	(15,719)
Fair value gains on investment properties, net	5	(18,304)	(136,942)
Deferred income tax recovery		(1,440)	(320)
Fair value gains on marketable securities	19, 37	(16,472)	—
Fair value loss on loans receivable		—	2,550
Transaction gains, net on disposition of:			
Realized gain on marketable securities	19, 37	—	(45,981)
Canadian investment properties		(78)	(971)
Adjustments for changes in other working capital items	31	(79,468)	(170,691)
<b>Cash provided by operating activities</b>		<b>404,005</b>	<b>354,028</b>
<b>Investing activities</b>			
Acquisitions of investment properties		(63,181)	(46,137)
Construction expenditures on properties under development		(362,359)	(312,237)
Capital expenditures on income properties:			
Recoverable and non-recoverable costs		(25,541)	(33,683)
Tenant improvements and external leasing commissions		(34,032)	(35,500)
Proceeds from sale of investment properties		917,573	381,579
Earn-outs on investment properties		(930)	(1,567)
Contributions to equity-accounted investments	6	(11,533)	(18,475)
Distributions received from equity-accounted investments	6	9,180	44,415
Advances of mortgages and loans receivable		(45,964)	(60,396)
Repayments of mortgages and loans receivable		20,091	14,221
Investment in bonds, net of maturities		(2,880)	—
Proceeds from sale of marketable securities, net of selling costs	19	142,812	153,696
<b>Cash provided by investing activities</b>		<b>543,236</b>	<b>85,916</b>
<b>Financing activities</b>			
Proceeds from mortgage financing, net of issue costs		496,860	334,875
Repayments of mortgage principal		(586,511)	(719,719)
Advances from bank credit lines, net of issue costs		371,650	563,198
Repayment of bank credit lines		(363,140)	(362,265)
Proceeds from issuance of debentures, net of issue costs	13	298,323	596,948
Repayment of unsecured debentures	13	(250,000)	(150,000)
Distributions to common trust unitholders, net of distributions reinvested	30	(452,170)	(435,671)
Distributions to preferred trust unitholders	17	—	(3,514)
Units repurchased under normal course issuer bid		(461,814)	(99,575)
Proceeds received from issuance of common units, net		4,034	1,138
Redemption of preferred units		—	(149,500)
<b>Cash used in financing activities</b>		<b>(942,768)</b>	<b>(424,085)</b>
<b>Net change in cash and cash equivalents</b>		<b>4,473</b>	<b>15,859</b>
Cash and cash equivalents, beginning of year		<b>70,225</b>	<b>54,366</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 74,698</b>	<b>\$ 70,225</b>	
Supplemental cash flow information		30	

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

# Cash Flow Statement

## •2018 Annual

# Cash Flow Statement

## •2019 Q3

	Note	Three months ended September 30		Nine months ended September 30	
		2019	2018	2019	2018
<b>Operating activities</b>					
Net income from:					
Continuing operations		<b>\$ 177,554</b>	\$ 128,869	<b>\$ 625,048</b>	\$ 377,403
Discontinued operations		—	1,449	—	1,535
Net income		<b>177,554</b>	130,318	<b>625,048</b>	378,938
Items not affecting cash:					
Depreciation and amortization	19	<b>1,105</b>	1,150	<b>3,257</b>	3,431
Amortization of straight-line rent	15	(1,671)	(2,630)	(6,504)	(5,224)
Unit-based compensation expense	12	<b>1,681</b>	1,793	<b>4,778</b>	5,366
Income from equity-accounted investments	4	(2,012)	(1,967)	(12,867)	(5,326)
Fair value (losses) gains on investment properties, net	3	(39,475)	870	(224,350)	10,926
Deferred income tax expense (recovery)		—	(100)	2,280	(900)
Fair value (gains) losses on marketable securities	16	(3,522)	(8,413)	(8,210)	(21,276)
Transaction (gains) losses, net on disposition of investment properties	16	<b>612</b>	(232)	<b>1,163</b>	(132)
Adjustments for changes in other working capital items		<b>100,308</b>	(19,423)	<b>13,898</b>	(90,123)
<b>Cash provided by operating activities</b>		<b>234,580</b>	101,366	<b>398,493</b>	275,680
<b>Investing activities</b>					
Acquisitions of investment properties		(298,226)	(12,297)	(498,361)	(63,181)
Construction expenditures on properties under development		(120,258)	(82,960)	(307,206)	(267,580)
Capital expenditures on income properties:					
Recoverable and non-recoverable costs		(9,556)	(5,731)	(18,994)	(12,281)
Tenant improvements and external leasing commissions		(12,735)	(9,455)	(29,987)	(24,503)
Proceeds from sale of investment properties		<b>120,035</b>	286,006	<b>315,059</b>	690,768
Earn-outs on investment properties		(333)	—	(946)	(930)
Contributions to equity-accounted investments	4	—	(6,579)	(5,518)	(9,950)
Distributions received from equity-accounted investments	4	<b>1,486</b>	1,928	<b>13,670</b>	7,334
Advances of mortgages and loans receivable		(36,837)	(1,573)	(41,214)	(40,922)
Repayments of mortgages and loans receivable		<b>29,720</b>	20,091	<b>31,375</b>	20,091
Investment in bonds, net of maturities		40	(2,987)	119	(2,987)
Proceeds from sale of marketable securities, net of selling costs	16	<b>1,298</b>	33,461	<b>31,697</b>	124,400
Lease payments received from finance lease		536	—	1,468	—
<b>Cash provided by (used in) investing activities</b>		(324,830)	219,904	(508,838)	420,259
<b>Financing activities</b>					
Proceeds from mortgage financing, net of issue costs		<b>182,000</b>	136,500	<b>452,000</b>	255,860
Repayments of mortgage principal		(168,508)	(151,033)	(406,826)	(373,301)
Advances from bank credit lines, net of issue costs		<b>22,917</b>	45,099	<b>879,401</b>	334,440
Repayment of bank credit lines		(278,119)	(28,000)	(590,993)	(154,697)
Proceeds from issuance of debentures, net of issue costs	10	<b>497,595</b>	—	<b>497,595</b>	298,323
Repayment of unsecured debentures	10	—	—	(350,000)	(250,000)
Distributions to common trust unitholders, net of distributions reinvested	25	(110,224)	(112,370)	(329,668)	(341,804)
Units repurchased under normal course issuer bid		—	(135,888)	(24,996)	(402,518)
Proceeds received from issuance of common units, net of units repurchased for settlement of unit compensation exercises		(863)	5	<b>17,859</b>	1,524
Repayment of finance lease liabilities		(463)	—	(1,468)	—
<b>Cash provided by (used in) financing activities</b>		<b>144,335</b>	(245,687)	<b>142,904</b>	(632,173)
<b>Net change in cash and cash equivalents</b>		<b>54,085</b>	75,583	<b>32,559</b>	63,766
Cash and cash equivalents, beginning of period		<b>53,172</b>	58,408	<b>74,698</b>	70,225
<b>Cash and cash equivalents, end of period</b>		<b>\$ 107,257</b>	\$ 133,991	<b>\$ 107,257</b>	\$ 133,991

# RESULTS OF OPERATIONS

## 2018 Annual

### RESULTS OF OPERATIONS

#### Selected Annual Information

<i>(thousands of dollars, except where otherwise noted)</i>	2018	2017	2016
Revenue	1,147,842	1,155,219	1,133,332
Net income from continuing operations	527,362	708,265	683,151
Net income	528,103	715,286	830,838
FFO (i)	580,223	584,597	547,879
ACFO (i)	527,347	588,462	484,185
Weighted average common units outstanding – diluted (in thousands)	314,024	326,929	325,665
<b>Per unit basis (diluted)</b>			
Net income from continuing operations	\$ 1.68	\$ 2.16	\$ 2.06
Net income	\$ 1.68	\$ 2.18	\$ 2.51
FFO (i)	\$ 1.85	\$ 1.79	\$ 1.68
Common unitholder distributions	\$ 1.44	\$ 1.41	\$ 1.41
<b>Key Ratios</b>			
Same property NOI growth% (i)	2.2%	2.1%	0.5%
Payout ratios for the twelve months ended December 31:			
FFO (i) (iv)	77.9%	78.8%	83.6%
ACFO (i) (iv)	85.7%	78.3%	94.6%

# RESULTS OF OPERATIONS

## 2019 Q3

### Selected Financial and Operational Information

(thousands of dollars, except where otherwise noted)	Three months ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
Revenue	353,877	278,908	1,005,594	846,836
Net income from continuing operations	177,554	128,869	625,048	377,403
Net income	177,554	130,318	625,048	378,938
FFO (i)	142,816	147,294	429,743	441,791
ACFO (i)	144,864	127,988	391,786	392,258
Weighted average common units outstanding – diluted (in thousands)	306,280	311,687	305,317	316,629

### Per unit basis (diluted)

Net income from continuing operations	\$ 0.58	\$ 0.41	\$ 2.05	\$ 1.19
Net income	\$ 0.58	\$ 0.41	\$ 2.05	\$ 1.19
FFO (i)	\$ 0.47	\$ 0.47	\$ 1.41	\$ 1.40
Common unitholder distributions	\$ 0.36	\$ 0.36	\$ 1.08	\$ 1.08

### Key Ratios

Same property NOI growth % - six major markets (i)	2.3%	2.1%	2.4%	2.8%
Same property NOI growth % - overall portfolio (i)	2.1%	1.6%	2.0%	2.3%

Payout ratios for the twelve months ended September 30:

FFO (i) (iv)	77.4%	78.0%	77.4%	78.0%
ACFO (i) (iv)	83.5%	79.0%	83.5%	79.0%

# Funds From Operations

## •2018 Annual

	Three months ended December 31		Year ended December 31	
(thousands of dollars, except per unit amounts)	2018	2017	2018	2017
<b>Net income from continuing operations attributable to unitholders</b>	<b>\$ 149,959</b>	<b>\$ 209,735</b>	<b>\$ 527,362</b>	<b>\$ 708,265</b>
<i>Add back/(Deduct):</i>				
Fair value (gains) losses, net	(29,230)	(71,013)	(18,304)	(136,942)
Fair value (gains) losses included in equity accounted investments	(3,258)	2,472	(1,222)	408
Deferred income tax expense (recovery)	(540)	(1,320)	(1,440)	(320)
Internal leasing costs	2,862	3,265	11,294	10,882
Transaction (gains) losses on investment properties, net (i)	54	—	(78)	(1,275)
Transaction costs on sale of investment properties	4,655	993	17,760	5,136
Change in unrealized fair value on marketable securities (ii)	13,965	—	42,767	—
Preferred unit distributions	—	—	—	(3,514)
<b>FFO from continuing operations</b>	<b>\$ 138,467</b>	<b>\$ 144,132</b>	<b>\$ 578,139</b>	<b>\$ 582,640</b>
<b>Net income from discontinued operations attributable to unitholders</b>	<b>\$ (794)</b>	<b>\$ (62)</b>	<b>\$ 741</b>	<b>\$ 7,021</b>
<i>Add back/(Deduct):</i>				
Transaction costs (recoveries) on sale of U.S. investment properties (iii)	14	73	155	(549)
Current tax expense (recovery) on U.S. income properties sold	745	75	1,188	(2,871)
Transaction gains on sale of U.S. investment properties, net (iii)	—	—	—	(1,644)
<b>FFO from discontinued operations</b>	<b>\$ (35)</b>	<b>\$ 86</b>	<b>\$ 2,084</b>	<b>\$ 1,957</b>
<b>FFO</b>	<b>\$ 138,432</b>	<b>\$ 144,218</b>	<b>\$ 580,223</b>	<b>\$ 584,597</b>
<b>FFO per unit - basic</b>	<b>\$ 0.45</b>	<b>\$ 0.44</b>	<b>\$ 1.85</b>	<b>\$ 1.79</b>
<b>FFO per unit - diluted</b>	<b>\$ 0.45</b>	<b>\$ 0.44</b>	<b>\$ 1.85</b>	<b>\$ 1.79</b>
<b>Weighted average number of units - basic (in thousands)</b>	<b>306,225</b>	<b>326,040</b>	<b>313,936</b>	<b>326,805</b>
<b>Weighted average number of units - diluted (in thousands)</b>	<b>306,295</b>	<b>326,155</b>	<b>314,024</b>	<b>326,929</b>
<b>FFO payout ratio (iv)</b>			<b>77.9%</b>	<b>78.8%</b>

# Funds From Operations

## •2019 Q3

<i>(thousands of dollars, except per unit amounts)</i>	Three months ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
<b>Net income from continuing operations attributable to unitholders</b>	<b>\$ 177,554</b>	\$ 128,869	<b>\$ 625,048</b>	\$ 377,403
<i>Add back/(Deduct):</i>				
Fair value (gains) and losses, net	(39,475)	870	(224,350)	10,926
Fair value losses included in equity accounted investments	769	564	2,725	2,036
Deferred income tax expense (recovery)	—	(100)	2,280	(900)
Internal leasing costs	2,896	2,888	8,292	8,432
Transaction (gains) losses on investment properties, net (i)	612	(232)	1,163	(132)
Transaction costs on sale of investment properties	2,560	6,121	5,394	13,105
Change in unrealized fair value on marketable securities (ii)	(2,802)	7,010	8,242	28,802
Current income tax (expense) recovery	167	—	(426)	—
Operational lease revenue and expenses from ROU assets (iii)	541	—	1,393	—
Operational lease revenue and expenses from ROU assets in equity accounted investments (iii)	(6)	—	(18)	—
<b>FFO from continuing operations</b>	<b>\$ 142,816</b>	\$ 145,990	<b>\$ 429,743</b>	\$ 439,672
<b>Net income from discontinued operations attributable to unitholders</b>	<b>\$ —</b>	\$ 1,449	<b>\$ —</b>	\$ 1,535
<i>Add back/(Deduct):</i>				
Transaction costs (recoveries) on sale of U.S. investment properties (iv)	—	92	—	141
Current income tax expense on U.S. income properties sold	—	(237)	—	443
<b>FFO from discontinued operations</b>	<b>\$ —</b>	\$ 1,304	<b>\$ —</b>	\$ 2,119
<b>FFO</b>	<b>\$ 142,816</b>	\$ 147,294	<b>\$ 429,743</b>	\$ 441,791
<b>FFO per unit - basic</b>	<b>\$ 0.47</b>	\$ 0.47	<b>\$ 1.41</b>	\$ 1.40
<b>FFO per unit - diluted</b>	<b>\$ 0.47</b>	\$ 0.47	<b>\$ 1.41</b>	\$ 1.40
<b>Weighted average number of units - basic (in thousands)</b>	<b>306,196</b>	311,575	<b>305,233</b>	316,534
<b>Weighted average number of units - diluted (in thousands)</b>	<b>306,280</b>	311,687	<b>305,317</b>	316,629
<b>FFO payout ratio (v)</b>			<b>77.4%</b>	78.0%

# Adjusted Cashflow from Operations

## 2018 Annual

### Adjusted Cashflow from Operations (ACFO)

RioCan's method of calculating ACFO is in accordance with the REALPAC whitepaper issued in February 2018. The following table presents a reconciliation of cash provided by operating activities to ACFO:

(thousands of dollars)	Three months ended December 31		Year ended December 31	
	2018	2017	2018	2017
Cash provided by operating activities	\$ 128,325	\$ 159,155	\$ 404,005	\$ 354,028
Adjustments to working capital changes for ACFO (i)	1,065	(6,898)	78,736	192,813
Distributions received from equity accounted investments	1,846	34,883	9,180	44,415
Transaction costs on sale of investment properties	4,669	1,066	17,915	4,587
Normalized capital expenditures (ii):				
Leasing commissions and tenant improvements	(6,000)	(6,875)	(24,000)	(27,500)
Maintenance capital expenditures recoverable from tenants	(3,250)	(3,750)	(13,000)	(15,000)
Maintenance capital expenditures not recoverable from tenants	(2,000)	(2,500)	(8,000)	(10,000)
Realized gain on disposition of marketable securities	9,161	10,504	59,239	45,981
Internal leasing costs related to development properties	528	602	2,084	2,009
Taxes related to non-operating activities (iii)	745	75	1,188	(2,871)
<b>ACFO (iv)</b>	<b>\$ 135,089</b>	<b>\$ 186,262</b>	<b>\$ 527,347</b>	<b>\$ 588,462</b>

# Adjusted Cashflow from Operations

## 2019 Q3

### Adjusted Cashflow from Operations (ACFO)

RioCan's method of calculating ACFO is in accordance with the REALPAC whitepaper issued in February 2019. The following table presents a reconciliation of cash provided by operating activities to ACFO:

(thousands of dollars)	Three months ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
Cash provided by operating activities	\$ 234,580	\$ 101,366	\$ 398,493	\$ 275,680
Adjustments to working capital changes for ACFO (i)	(85,724)	14,012	(14,720)	77,671
Distributions received from equity accounted investments	1,486	1,928	13,670	7,334
Transaction costs on sale of investment properties	2,560	6,213	5,394	13,246
Normalized capital expenditures (ii):				
Leasing commissions and tenant improvements	(4,000)	(6,000)	(12,000)	(18,000)
Maintenance capital expenditures recoverable from tenants	(4,500)	(3,250)	(13,500)	(9,750)
Maintenance capital expenditures not recoverable from tenants	(1,500)	(2,000)	(4,500)	(6,000)
Realized gain on disposition of marketable securities	720	15,423	16,452	50,078
Internal leasing costs related to development properties	534	533	1,530	1,556
Taxes related to non-operating activities (iii)	167	(237)	(426)	443
Operational lease revenue and expenses from ROU assets (iv)	541	—	1,393	—
<b>ACFO</b>	<b>\$ 144,864</b>	<b>\$ 127,988</b>	<b>\$ 391,786</b>	<b>\$ 392,258</b>

# RECOMMENDATION:

# HOLD

Buy if the price drops below \$25.5 or after  
more news about Ed retirement plan



A strategic creator of value



# Stock Information

# H&R Snapshot (November 2, 2019)

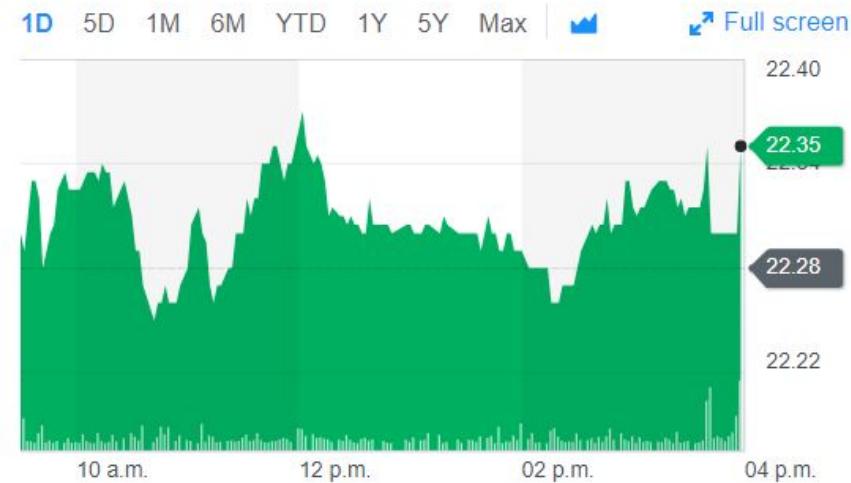
## H&R Real Estate Investment Trust (HR-UN.TO)

Toronto - Toronto Delayed Price. Currency in CAD

**22.35 +0.07 (+0.31%)**

At close: November 1 4:00PM EDT

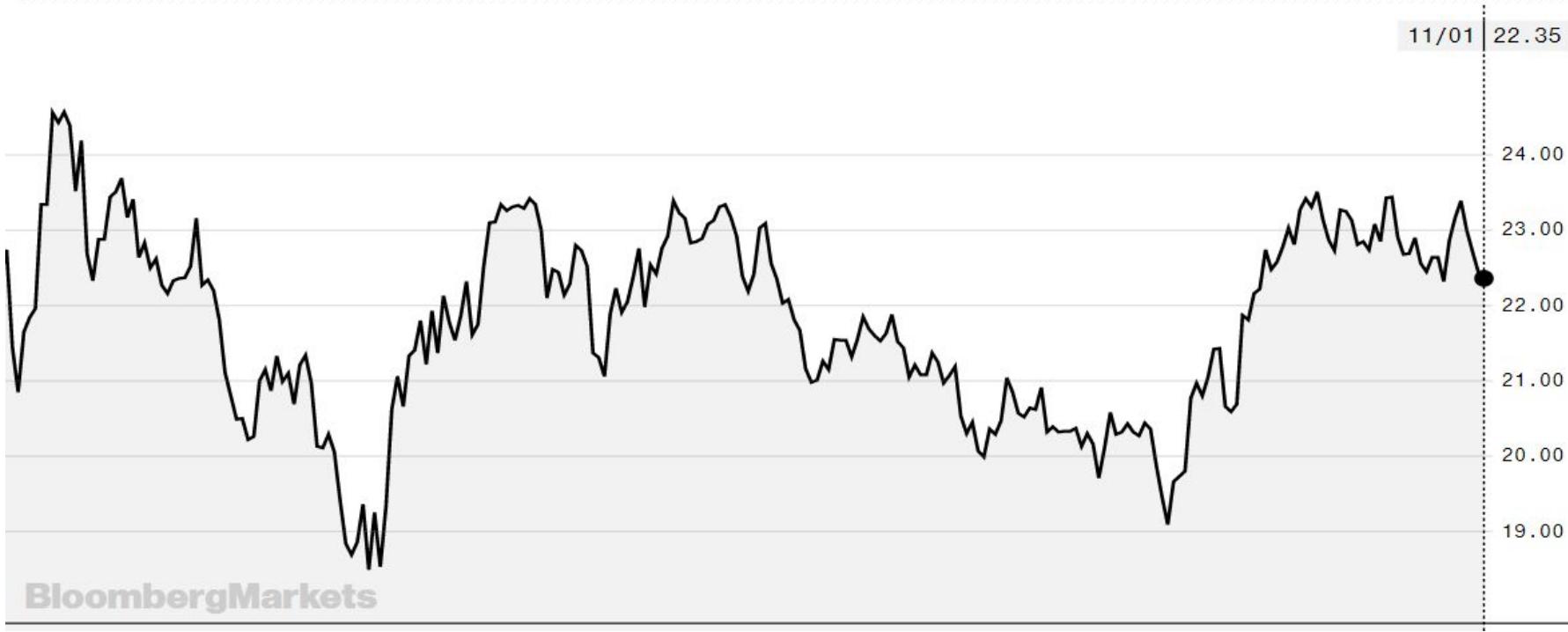
Previous Close	<b>22.28</b>	Market Cap	<b>6.393B</b>
Open	<b>22.30</b>	Beta (3Y Monthly)	<b>0.41</b>
Bid	<b>22.32 x N/A</b>	PE Ratio (TTM)	<b>23.28</b>
Ask	<b>22.35 x N/A</b>	EPS (TTM)	<b>0.96</b>
Day's Range	<b>22.25 - 22.38</b>	Earnings Date	<b>N/A</b>
52 Week Range	<b>22.22 - 23.63</b>	Forward Dividend & Yield	<b>1.38 (6.19%)</b>
Volume	<b>283,743</b>	Ex-Dividend Date	<b>2019-11-14</b>
Avg. Volume	<b>451,841</b>	1y Target Est	<b>25.03</b>



# 1 Year Chart



# 5 Years Chart



# HR: Maximum Time Frame Performance



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





# Portfolio Summary

# Company Overview

- IPO: 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 – \$6.385 B market cap
- Occupancy exceeding 95% since 1997
- 10 Year lease term length
- Over 90% of top 15 clients have investment grade credit
- 75% FFO payout ratio at December 31, 2018
- 46.3% debt to asset ratio at December 31, 2018

# 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



# Office Portfolio

- Total value: \$6.0 billion (weighted average cap rate: 5.56%)
- Average remaining lease term to maturity: 12.9 years
- Occupancy: 99.3%
- Revenue from tenants with investment grade ratings: 86.7%

	Canada				United States	Total
	Ontario	Alberta	Other	Subtotal		
Number of properties	19	4	4	27	6	33
Square feet (in thousands)	5,354	2,607	894	8,855	1,944	10,799
Fair value (in millions)	2,169	1,856	224	4,249	1,731	5,980



310-320-330 Front St. | Toronto



Corus Quay | Toronto



Hess Tower | Houston



2 Gotham Centre | New York

# Retail Portfolio

- Total value: \$4.2 billion (weighted average cap rate: 6.29%)
- Average remaining lease term to maturity: 6.7 years
- Occupancy: 88.7%; committed occupancy 93.2%

	Canada				United States			Total
	Ontario	Alberta	Other	Subtotal	ECHO	Other	Subtotal	
Number of properties	39	18	14	71	230	16	246	317
Square feet (in thousands)	3,726	4,000	2,797	10,523	3,142	219	3,361	13,884
Fair value (in millions)	1,121	1,210	866	3,197	878	118	996	4,193



Orchard Park | Kelowna



Dufferin Mall | Toronto



Stone Road Mall | Guelph

# Industrial Portfolio

- Total value: \$1.0 billion (weighted average cap rate: 5.68%)
- Average remaining lease term to maturity: 6.8 years
- Occupancy: 97.5%

	Canada				United States	Total <sup>(1)</sup>
	Ontario	Alberta	Other	Subtotal		
Number of properties	36	19	29	84	4	88
Square feet (in thousands)	4,604	2,030	2,012	8,646	673	9,319
Fair value (in millions)	577	251	155	983	33	1,016

- H&R has a 50% ownership interest in 80 of the 88 properties through a joint venture partnership with PSP Investment Board and Crestpoint Real Estate Investments Ltd.



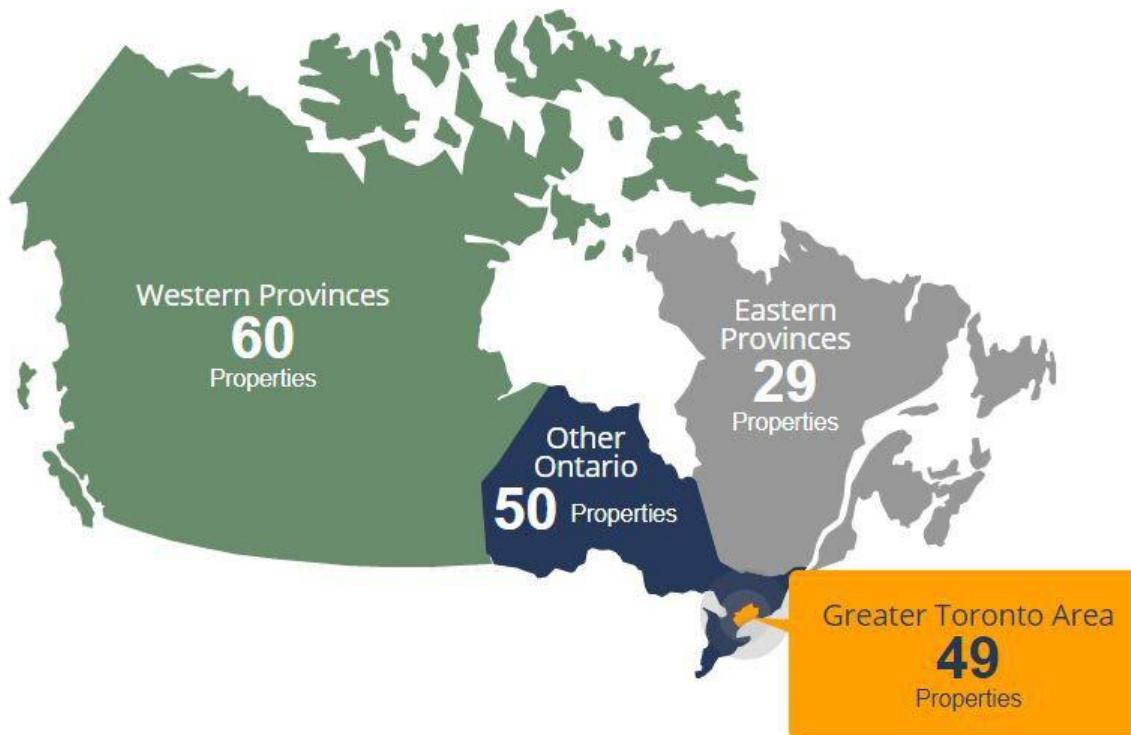
Sleep Country | GTA



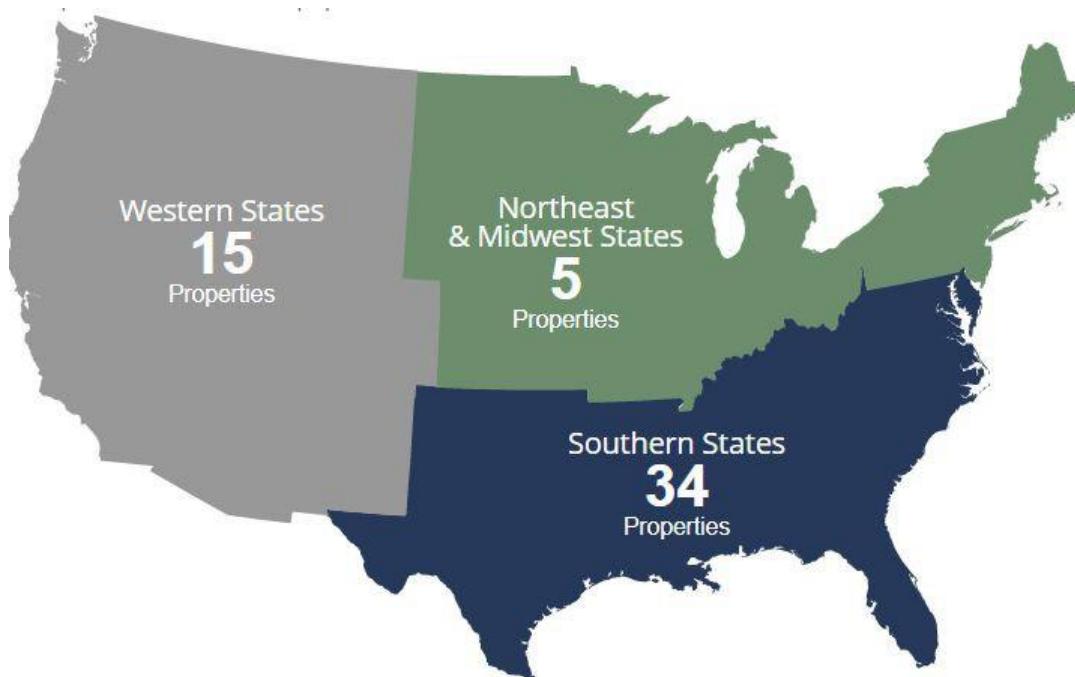
Canadian Tire | GTA

(1) Includes H&R's proportionate share of equity accounted investments.

# Canadian Properties Owned



# US Properties Owned



# Top 15 Tenants (by Revenue)

Predictable and stable income from long-term leases with high quality investment grade tenants

Tenant	% of rental income from investment properties <sup>(2)</sup>	Number of locations	H&R owned sq.ft. (in 000's)	Average lease term to maturity (years) <sup>(3)</sup>	Credit Ratings (S&P)
Encana Corporation <sup>(4)</sup>	11.9%	1	1,997	18.9	BBB Stable
Bell Canada	8.1	23	2,533	15.3	BBB+ Stable
Hess Corporation	5.4	1	845	(8)	BBB- Stable
New York City Department of Health	3.8	1	660	11.4	AA Stable
Giant Eagle, Inc.	3.4	192	1,682	11.7	Not Rated
Canadian Tire Corporation <sup>(5)</sup>	2.7	20	2,620	6.9	BBB+ Stable
TC Energy Corporation	1.9	1	466	11.8	BBB+ Stable
Lowe's Companies, Inc. <sup>(6)</sup>	1.8	15	1,750	12.1	BBB+ Stable
Corus Entertainment Inc.	1.7	1	472	13.7	BB Negative
Telus Communications	1.3	17	356	6.0	BBB+ Stable
Shell Oil Products	1.2	17	223	3.0	AA- Stable
Public Works and Government Services, Canada	1.1	5	338	4.4	AAA Stable
Toronto-Dominion Bank	1.0	7	286	7.6	AA- Stable
Loblaw Companies Limited <sup>(7)</sup>	1.0	20	287	9.1	BBB Stable
Royal Bank of Canada	0.9	5	247	5.9	AA- Stable
	<b>47.2%</b>	<b>326</b>	<b>14,762</b>	<b>12.4</b>	

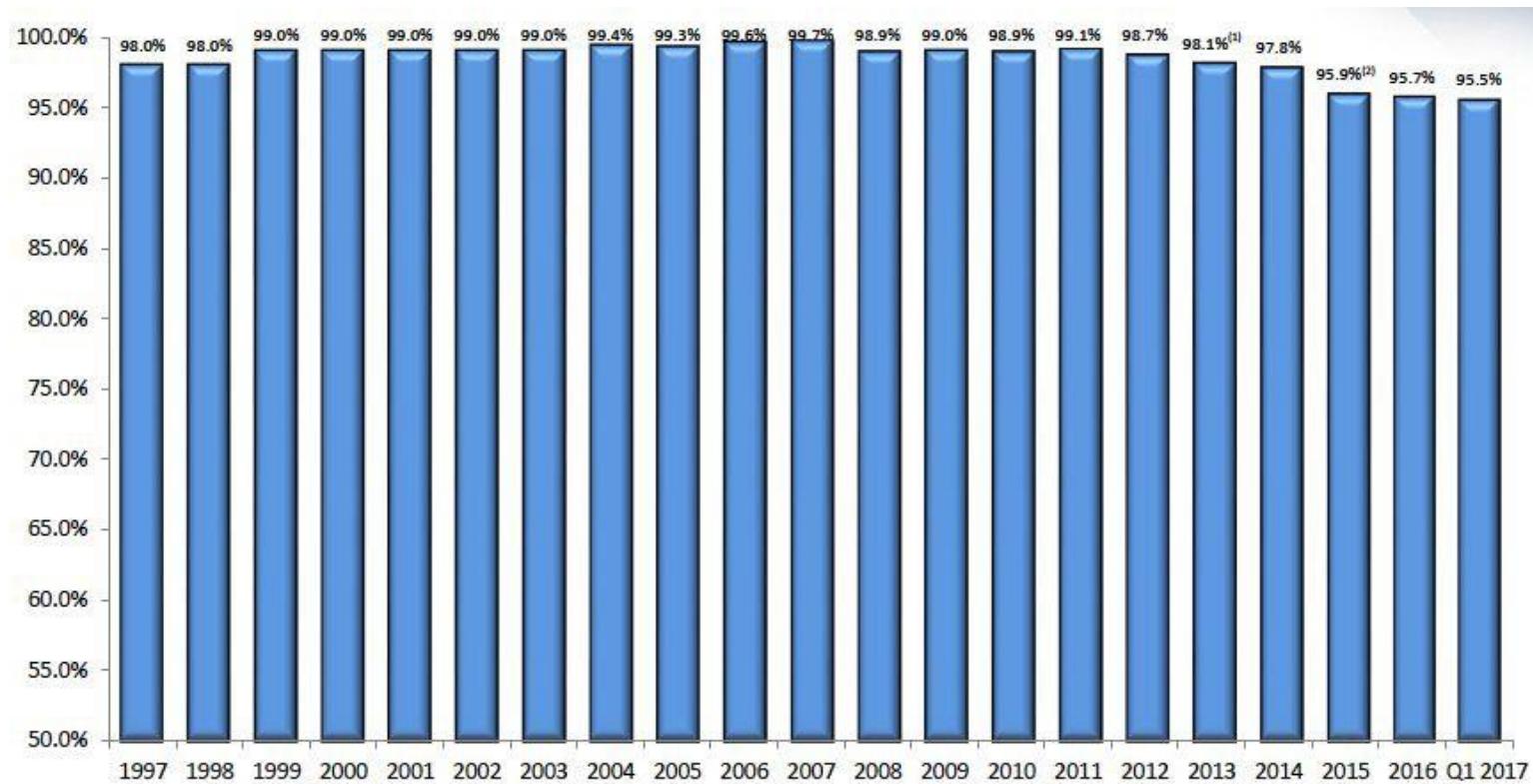
# OTHER STRONG TENANTS



R E I



# 21 Years of Stable Occupancy





# Capital Allocation and Growth Investments

# M&A: *Primaris Retail REIT*

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

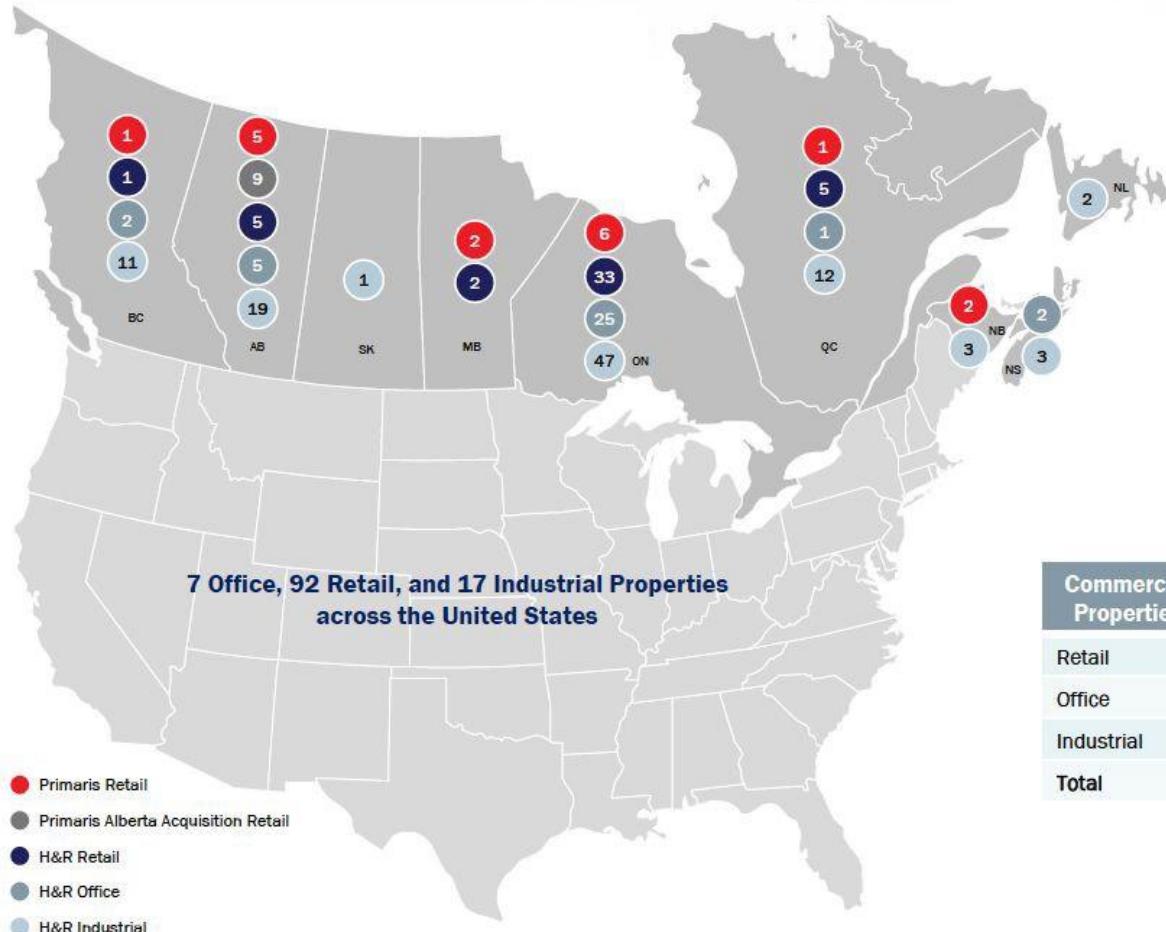


# NEW STRUCTURE



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

# ENRICHED REIT DISTRIBUTION (2013)

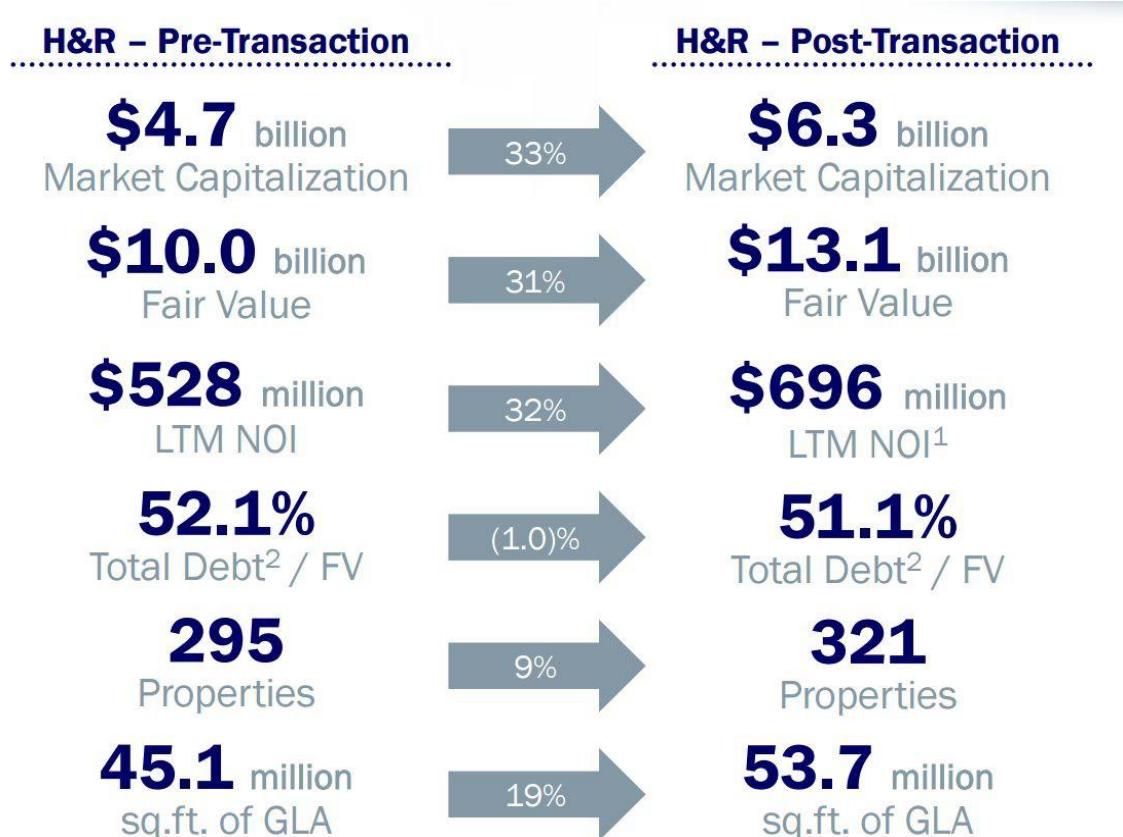


**321**  
Properties

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

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

# H&R Post *Primaris* Acquisition



# Primaris Portfolio Summary 1

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

# Primaris Portfolio Summary 2

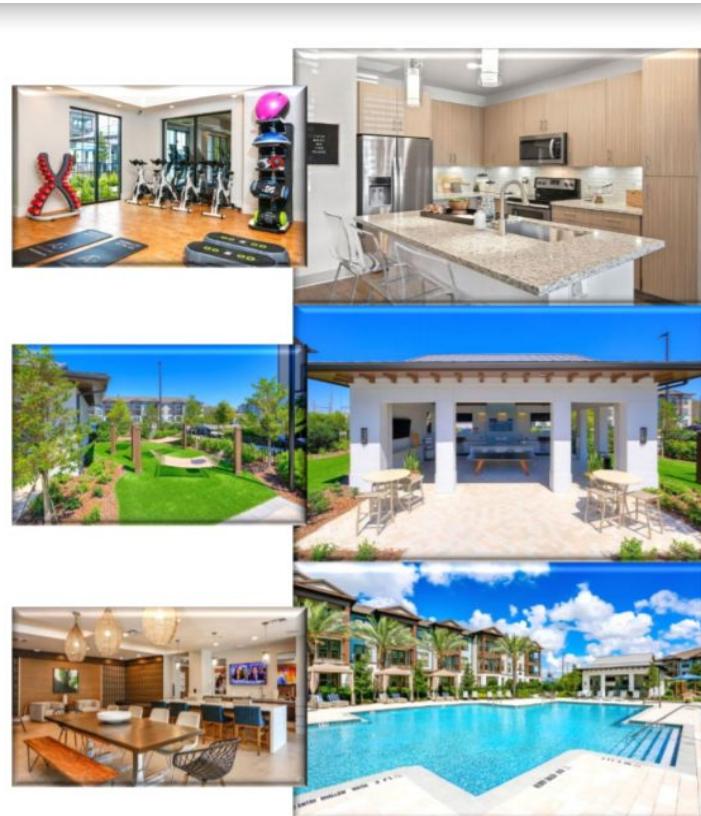
Property	Location	Major Tenants	GLA (sq.ft.)	Same Store Sales per sq.ft. (\$) <sup>(2)</sup>	Occupancy
<b>Other Properties</b>					
Northpointe Towne Centre	Calgary, AB	Canadian Tire, Landmark Cinemas	199,502	-	100%
Canada One Outlets	Niagara Falls, ON	Urban Planet, Tommy Hilfiger, Roots Canada, Nike,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

# US Real Estate Acquisition Plan

“...to acquire or develop a portfolio of class A properties in U.S. Sun Belt cities where there is strong population and employment growth and to develop properties with partners in Gateway cities” – Q3 Earnings Call

# US Acquisition- Lantower Grande Flats

- Acquired June 13, 2019
- Class A Units: 314
- Year Built: 2018
- Occupancy upon Acquisition: 94.3%
- Purchase Price: U.S. \$74,732,000
- Purchase Price/Unit: \$238,000
- Average Rent: U.S. \$1,571 per month
- Rationale: New construction located in Orlando's coveted I-4 Tourism Corridor that is anchored by major employers and a \$50B tourism industry.



# Ongoing Developments: US Properties

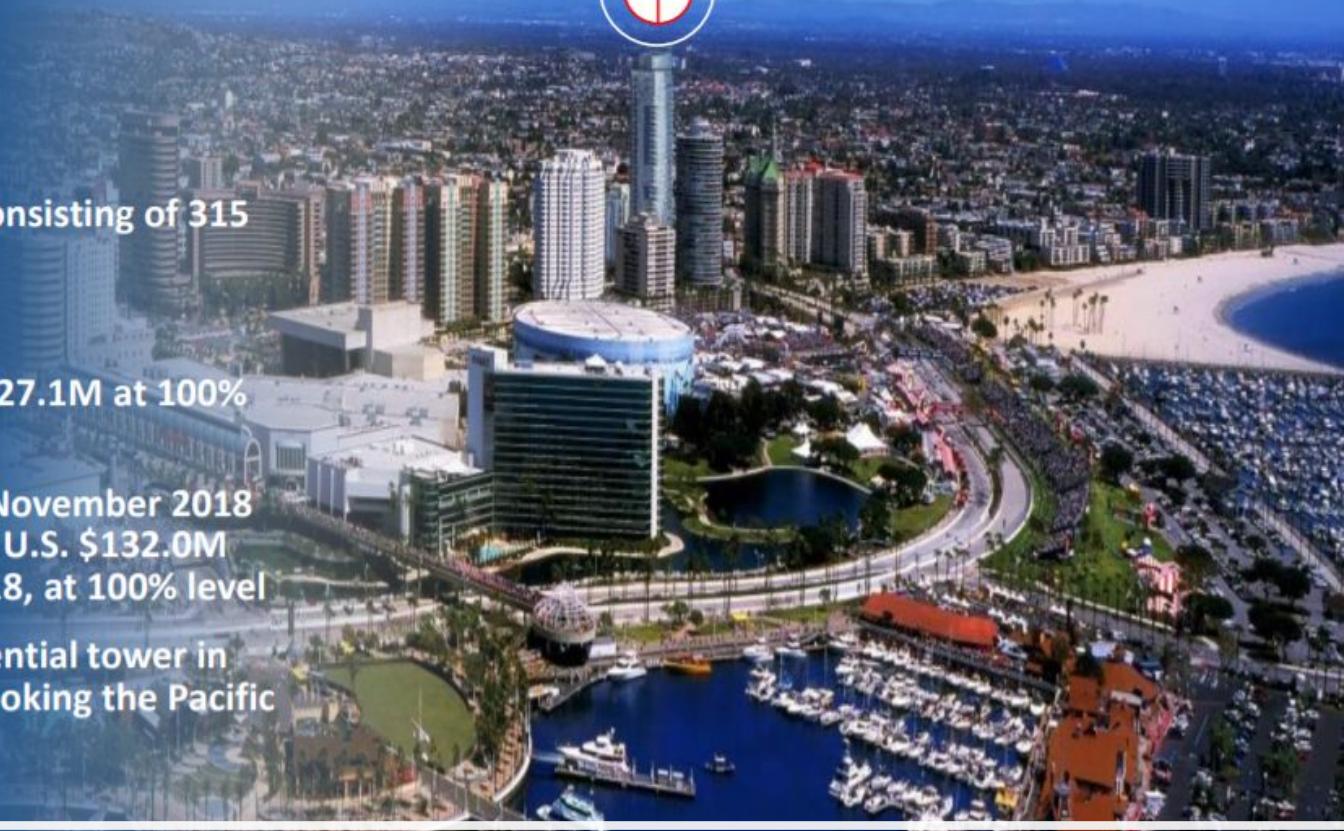
Development Name	Ownership Interest	Number of Acres	At H&R Ownership Interest			Expected Yield on Cost	Expected Completion Date
			Total Development Budget	Properties Under Development	Remaining to Complete		
<b>Current Developments:</b>							
River Landing, Miami, FL <sup>(1)</sup>	100.0%	8.1	\$424,815	\$276,942	\$147,873	5.7%	Q2 2020
Shoreline, Long Beach, CA <sup>(2)</sup>	30.9%	0.9	70,096	15,405	54,691	6.2%	Q2 2021
Hercules Project (Phase 1), Hercules, CA <sup>(3)</sup>	31.7%	2.2	26,041	13,575	12,466	6.5%	Q2 2020
Hercules Project (Phase 2), Hercules, CA <sup>(3)</sup>	31.7%	2.8	31,186	4,741	26,445	6.6%	Q1 2021
The Pearl, Austin, TX <sup>(4)</sup>	33.3%	5.0	23,201	9,074	14,127	6.2%	Q3 2020
Esterra Park, Seattle, WA <sup>(5)</sup>	33.3%	1.1	31,859	9,733	22,126	0.0%	Q1 2021
<b>Total</b>			<b>\$607,198</b>	<b>\$329,470</b>	<b>\$277,728</b>		
<b>Future Developments:</b>							
Sunrise, Orlando, FL <sup>(6)(7)</sup>	100.0%	24.0	57,854	-	57,854	6.1%	Q2 2021
Prosper, Dallas, TX <sup>(7)</sup>	100.0%	20.3		15,120			
2214 Bryan St., Dallas, TX <sup>(8)</sup>	100.0%	3.3		23,616			
Hercules Project (Remaining Phases), Hercules, CA <sup>(3)(8)</sup>	31.7%	33.4		10,440			
<b>Total per the REIT's Proportionate Share (excluding ECHO)</b>	<b>101.1</b>		<b>\$665,052</b>	<b>\$378,646</b>	<b>\$335,582</b>		

- **1,000 feet of waterfront on the Miami river**
  - **Adjacent to the Health District**
  - **Close proximity to downtown Miami**
- **Major tenants: Publix, TJ Maxx, Hobby Lobby, Burlington, Ross, Old Navy**
- **Construction has commenced and is expected to be completed in Q2 2020**
- **Total cost of project: U.S. \$424.8M**
- **U.S. \$276.9M cost spent at June 30, 2019**
- **Unlevered return on cost: 5.7%**



Ongoing Project: River Landing – Miami, FL

- Land acquired July 16, 2018
- H&R ownership: 30.9%
- 35-storey residential tower consisting of 315 residential rental units
- 6,450 sf of retail space
- Development budget: U.S. \$227.1M at 100% level
- Construction commenced in November 2018 and construction financing of U.S. \$132.0M was secured in December 2018, at 100% level
- Will become the tallest residential tower in Long Beach with views overlooking the Pacific Ocean



Ongoing Development: Shoreline Gateway – Long Beach, CA

- H&R ownership: 31.7%
- 38.4 acres of land to be developed into a waterfront master planned community which will be surrounded by a future intermodal transit centre
- Phase 1 known as “The Exchange at Bayfront” will consist of 172 residential rental units including lofts and townhomes and 13,979 square feet of ground level retail
- Phase 1 construction commenced in June 2018, with a total development budget of U.S. \$82.1M and construction financing of U.S. \$57.5M was secured in July 2018, both at 100% level
- U.S. \$19.3 million has been invested as at June 30, 2019



**Ongoing Project: Hercules Bayfront - San Francisco, CA**

# 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





# Financials

# Financial Highlights

## FINANCIAL HIGHLIGHTS

(in thousands of Canadian dollars except per Unit amounts)	December 31, 2018	December 31, 2017	December 31, 2016
Total assets	\$14,691,009	\$14,558,863	\$14,155,012
Debt to total assets per the REIT's Financial Statements <sup>(1)</sup>	44.6%	44.6%	44.3%
Debt to total assets at the REIT's proportionate share <sup>(1)(2)</sup>	47.1%	46.6%	46.0%
Unitholders' equity	7,200,100	7,179,763	6,912,650
Units outstanding	285,678	291,320	285,280
Unitholders' equity per Unit	\$25.20	\$24.65	\$24.23
NAV per Unit <sup>(2)(3)</sup>	\$26.30	\$25.57	\$25.45
Unit price	\$20.65	\$21.36	\$22.37

	Three months ended			Year ended		
	Dec. 31, 2018	Dec. 31, 2017	% Change	Dec. 31, 2018	Dec. 31, 2017	% Change
Rentals from investment properties	\$297,416	\$298,042	(0.2%)	\$1,176,558	\$1,168,454	0.7%
Property operating income	192,009	199,414	(3.7%)	733,932	741,441	(1.0%)
Same-Asset property operating income (cash basis) - Canada <sup>(2)</sup>	137,493	134,546	2.2%	535,621	528,285	1.4%
Same-Asset property operating income (cash basis) - U.S. in U.S. dollars <sup>(2)</sup>	37,203	36,330	2.4%	150,158	149,106	0.7%
Same-Asset property operating income (cash basis) total in Canadian dollars <sup>(2)</sup>	186,987	180,646	3.5%	730,826	722,122	1.2%
Net income from equity accounted investments	148,165	118,337	25.2%	169,409	167,407	1.2%
Net income	61,115	325,213	(81.2%)	337,918	667,870	(49.4%)
FFO <sup>(2)</sup>	130,470	137,447	(5.1%)	525,696	560,090	(6.1%)
Weighted average number of basic Units for FFO <sup>(2)</sup>	301,200	306,629	(1.8%)	302,605	304,462	(0.6%)
FFO per basic Unit <sup>(2)</sup>	0.433	0.448	(3.3%)	1.737	1.840	(5.6%)
Distributions paid per Unit	0.345	0.345	-%	1.380	1.380	-%
Payout ratio per Unit as a % of FFO <sup>(2)</sup>	79.7%	77.0%	2.7%	79.4%	75.0%	4.4%
Interest coverage ratio <sup>(2)</sup>	3.06	2.99	2.3%	3.03	3.00	1.0%

# 2019 Q2 Balance Sheet

## H&R REAL ESTATE INVESTMENT TRUST

Condensed Consolidated Interim Statements of Financial Position  
(In thousands of Canadian dollars)

		June 30 2019	December 31 2018
			(Unaudited)
<b>Assets</b>			
Real estate assets:			
Investment properties	3	\$ 12,083,928	\$ 12,683,709
Properties under development	3	544,971	404,814
		12,628,899	13,088,523
Equity accounted investments	4	1,251,267	1,284,985
Assets classified as held for sale	5	17,100	110,940
Other assets	6	409,719	153,488
Cash and cash equivalents	7	119,066	53,073
		\$ 14,426,051	\$ 14,691,009
<b>Liabilities and Unitholders' Equity</b>			
Liabilities:			
Debt	8	\$ 6,348,889	\$ 6,546,072
Exchangeable units	9	364,425	329,482
Deferred tax liability	18	400,490	392,214
Accounts payable and accrued liabilities	10	294,497	223,141
		7,408,301	7,490,909
Unitholders' equity		7,017,750	7,200,100
Commitments and contingencies	20		
Subsequent events	21		
		\$ 14,426,051	\$ 14,691,009

# FY 2018 : Balance Sheet

		Note	December 31 2018	December 31 2017
<b>Assets</b>				
Real estate assets:				
Investment properties	3		\$ 12,683,709	\$ 13,074,123
Properties under development	3		404,814	83,132
			<u>13,088,523</u>	13,157,255
Equity accounted investments	4		1,284,985	1,125,135
Assets classified as held for sale	5		110,940	-
Other assets	6		153,488	234,189
Cash and cash equivalents	7		53,073	42,284
			<u>\$ 14,691,009</u>	<u>\$ 14,558,863</u>
<b>Liabilities and Unitholders' Equity</b>				
Liabilities:				
Debt	8		\$ 6,546,072	\$ 6,493,617
Exchangeable units	9		329,482	341,321
Deferred tax liability	21		392,214	325,131
Accounts payable and accrued liabilities	10		223,141	219,031
			<u>7,490,909</u>	<u>7,379,100</u>
Unitholders' equity			<u>7,200,100</u>	<u>7,179,763</u>
Commitments and contingencies	23			
Subsequent events	25			
			<u>\$ 14,691,009</u>	<u>\$ 14,558,863</u>

# FY 2018 Income Statement

	Note	2018	2017
<u>Property operating income:</u>			
Rentals from investment properties	14	\$ 1,176,558	\$ 1,168,454
<u>Property operating costs</u>		<u>(442,626)</u>	<u>(427,013)</u>
		733,932	741,441
 Net income from equity accounted investments	4	169,409	167,407
Other income		-	1,040
Finance cost - operations	15	(267,087)	(270,358)
Finance income	15	8,638	4,999
Trust expenses		(18,271)	(18,111)
Fair value adjustments on financial instruments	15	11,197	27,049
Fair value adjustment on real estate assets	3	(246,967)	1,796
Loss on sale of real estate assets, net of related costs	3	(19,602)	(7,729)
<u>Gain (loss) on foreign exchange</u>		6,886	(17,903)
Net income before income taxes		378,135	629,631
 <u>Income tax recovery (expense)</u>	21	(40,217)	38,239
Net income		337,918	667,870
 <u>Other comprehensive income (loss):</u>			
<u>Items that are or may be reclassified subsequently to net income</u>	13	194,876	(131,272)
<u>Total comprehensive income attributable to unitholders</u>		<u>\$ 532,794</u>	<u>\$ 536,598</u>

# Q2 2019: Income Statement

	Note	Three months ended June 30		Six months ended June 30	
		2019	2018	2019	2018
<b>Property operating income:</b>					
Rentals from investment properties	14	\$ 286,972	\$ 294,302	\$ 585,658	\$ 592,919
<u>Property operating costs</u>		<u>(99,838)</u>	<u>(93,246)</u>	<u>(244,702)</u>	<u>(237,371)</u>
		187,134	201,056	340,956	355,548
Net income from equity accounted investments	4	3,556	6,864	12,657	13,101
Finance cost - operations	15	(66,282)	(67,799)	(131,173)	(137,015)
Finance income	15	2,449	2,138	4,075	3,783
Trust expenses		(3,363)	(2,445)	(27,242)	(5,033)
Fair value adjustments on financial instruments	15	131	14,555	(57,330)	24,904
Fair value adjustment on real estate assets	3	(27,277)	(30,556)	(34,956)	(78,120)
Gain (loss) on sale of real estate assets, net of related costs	3	34,035	(24,837)	23,843	(20,443)
<u>Gain on foreign exchange</u>		-	4,496	-	11,239
Net income before income taxes		130,383	103,472	130,830	167,964
Income tax (expense) recovery	18	(20,800)	4,722	(23,244)	3,330
Net income		109,583	108,194	107,586	171,294
<b>Other comprehensive income (loss):</b>					
Items that are or may be reclassified subsequently to net income	13	(41,770)	36,135	(101,565)	89,985
<u>Total comprehensive income attributable to unitholders</u>		<u>\$ 67,813</u>	<u>\$ 144,329</u>	<u>\$ 6,021</u>	<u>\$ 261,279</u>

# FY 2018: Cash from Operations

	Note	2018	2017
Cash provided by (used in):			
Operations:			
Net income		\$ 337,918	\$ 667,870
Finance cost - operations	15	267,087	270,358
Interest paid		(268,156)	(258,328)
Items not affecting cash:			
Net income from equity accounted investments	4	(169,409)	(167,407)
Rent amortization of tenant inducements	14	1,988	2,354
(Gain) loss on foreign exchange		(6,886)	17,903
Fair value adjustment on real estate assets	3	246,967	(1,796)
Loss on sale of real estate assets, net of related costs	3	19,602	7,729
Fair value adjustments on financial instruments	15	(11,197)	(27,049)
Unit-based compensation	12(b)	2,413	4,869
Deferred income taxes (recovery)	21	39,457	(39,777)
Change in other non-cash operating items	16	2,339	2,513
		462,123	479,239

# FY 2018: Cash from Investing

	Note	2018	2017
<b>Investing:</b>			
Properties under development:			
Acquisition	3, 16	(31,876)	(71,260)
Additions	3, 16	(115,491)	(14,479)
Investment properties:			
Net proceeds on disposition of real estate assets		879,347	115,432
Acquisitions	3	(463,299)	(417,428)
Redevelopment	3, 16	(58,121)	(111,986)
Capital expenditures	3	(57,825)	(51,845)
Leasing expenses and tenant inducements	3	(32,441)	(28,722)
Equity accounted investments, net		110,603	6,169
Mortgages receivable		(68,150)	(107,233)
Proceeds from sale of investments		-	56,597
Restricted cash	6	12,439	(880)
		<b>175,186</b>	<b>(625,635)</b>

# FY 2018 Cash from Financing & Changes

	Note	2018	2017
<b>Financing:</b>			
Unsecured term loans	8(c)	250,000	-
Lines of credit	8(d)	(196,323)	69,704
<b>Mortgages payable:</b>			
New mortgages payable	8(a)	619,788	588,094
Principal repayments	8(a)	(536,908)	(585,659)
Redemption of debentures payable	8(b)(iii)	(657,082)	(249,394)
Proceeds from issuance of debentures payable	8(b)(iii)	409,205	619,299
Proceeds from issuance of Units, net of issue costs		8	5,051
Units repurchased and cancelled	12(d)	(136,272)	(15,939)
Distributions to unitholders	12(c)	(378,936)	(290,497)
		(626,520)	140,659
Increase (decrease) in cash and cash equivalents		10,789	(5,737)
<u>Cash and cash equivalents, beginning of year</u>	7	42,284	48,021
<u>Cash and cash equivalents, end of year</u>	7	<b>\$ 53,073</b>	<b>\$ 42,284</b>

# Q2 2019: Cash from Operations

		Six months ended June 30	
	Note	2019	2018
<b>Cash provided by (used in):</b>			
<b>Operations:</b>			
Net income		\$ 107,586	\$ 171,294
Finance cost - operations	15	131,173	137,015
Interest paid		(139,198)	(133,957)
<b>Items not affecting cash:</b>			
Net income from equity accounted investments	4	(12,657)	(13,101)
Rent amortization of tenant inducements	14	1,120	983
Gain on foreign exchange		-	(11,239)
Fair value adjustment on real estate assets	3	34,956	78,120
IFRIC 21 realty tax adjustment	3	22,328	18,999
(Gain) loss on sale of real estate assets, net of related costs	3	(23,843)	20,443
Fair value adjustments on financial instruments	15	57,330	(24,904)
Unit-based compensation expense (recovery)	12(a)	17,893	(2,232)
Deferred income taxes (recovery)	18	23,043	(3,810)
<u>Change in other non-cash operating items</u>	16	(14,334)	(42,796)
		<b>205,397</b>	<b>194,815</b>

# 2019 Q2: Cash from Investing

		Six months ended June 30	
	Note	2019	2018
<b>Investing:</b>			
Properties under development:			
Acquisition	3, 16	-	(19,531)
Additions	3, 16	(107,967)	(8,856)
Investment properties:			
Net proceeds on disposition of real estate assets		490,633	859,346
Acquisitions	3	(105,463)	(178,907)
Redevelopment	3, 16	(59,201)	(20,523)
Capital expenditures	3	(29,287)	(23,081)
Leasing expenses and tenant inducements	3	(19,991)	(18,343)
Equity accounted investments, net		(1,631)	106,327
Mortgages receivable		(2,200)	(60,387)
Restricted cash	6	4,199	(145,305)
		169,092	490,740

# 2019 Q2: Cash from Financing & Changes

		Six months ended June 30	
	Note	2019	2018
<b>Financing:</b>			
Unsecured term loans	8(d)	250,000	-
Lines of credit	8(d)	(93,535)	(29,877)
Mortgages payable:			
New mortgages payable	8(a)	109,667	236,665
Principal repayments	8(a)	(183,966)	(455,641)
Redemption of debentures payable	8(b)	(200,000)	(532,082)
Proceeds from issuance of debentures payable	8(b)	-	409,205
Proceeds from issuance of Units		6,296	8
Units repurchased and cancelled	12(c)	-	(136,272)
Distributions to unitholders	12(b)	(196,958)	(182,131)
		(308,496)	(690,125)
Increase (decrease) in cash and cash equivalents		65,993	(4,570)
Cash and cash equivalents, beginning of year	7	53,073	42,284
Cash and cash equivalents, end of period	7	\$ 119,066	\$ 37,714

# FY 2018 Funds From Operations (FFO)

## FFO AND AFFO

(in thousands of Canadian dollars except per Unit amounts)	Three Months Ended December 31		Year ended December 31	
	2018	2017	2018	2017
<b>Net income per the REIT's Financial Statements</b>	<b>\$61,115</b>	<b>\$325,213</b>	<b>\$337,918</b>	<b>\$667,870</b>
Realty taxes in accordance with IFRIC 21	(9,914)	(10,697)	-	-
FFO adjustments from equity accounted investments (page 27)	(138,113)	(105,226)	(128,678)	(104,539)
Exchangeable unit distributions	5,511	5,464	22,050	22,254
Fair value adjustments on real estate assets and financial instruments <sup>(1)</sup>	169,216	(13,537)	235,770	(19,910)
Fair value adjustment to unit-based compensation	3,291	(317)	(1,493)	1,307
Loss on sale of real estate assets	267	70	19,602	7,729
(Gain) loss on foreign exchange	-	(2,263)	(6,886)	17,903
Deferred income taxes applicable to U.S. Holdco	37,206	(63,047)	39,457	(39,777)
Incremental leasing costs	1,891	1,787	7,956	7,253
<b>FFO</b>	<b>\$130,470</b>	<b>\$137,447</b>	<b>\$525,696</b>	<b>\$560,090</b>

# FY 2018 Working Capital Adjustment

	Three Months Ended December 31		Year ended December 31	
	2018	2017	2018	2017
Straight-lining of contractual rent	1,356	894	4,113	6,818
Capital expenditures	(23,330)	(14,874)	(57,825)	(51,845)
Leasing expenses and tenant inducements	(9,575)	(9,394)	(32,441)	(28,722)
Incremental leasing costs	(1,891)	(1,787)	(7,956)	(7,253)
AFFO adjustments from equity accounted investments (page 27)	(2,045)	(5,155)	(6,145)	(14,847)
<b>AFFO</b>	<b>\$94,985</b>	<b>\$107,131</b>	<b>\$425,442</b>	<b>\$464,241</b>

# FY 2018 FFO Payout Ratio

	Three Months Ended December 31		Year ended December 31	
	2018	2017	2018	2017
Weighted average number of Units (in thousands of basic Units adjusted for conversion of exchangeable Units) <sup>(2)</sup>	301,200	306,629	302,605	304,462
Diluted weighted average number of Units (in thousands of Units) for the calculation of FFO <sup>(2)(3)(4)(5)(6)</sup>	301,881	311,836	304,131	312,433
Diluted weighted average number of Units (in thousands of Units) for the calculation of AFFO <sup>(2)(3)(4)(6)</sup>	301,881	307,595	304,131	312,433
FFO per basic Unit (adjusted for conversion of exchangeable units)	\$0.433	\$0.448	\$1.737	\$1.840
FFO per diluted Unit	\$0.432	\$0.445	\$1.732	\$1.821
AFFO per basic Unit (adjusted for conversion of exchangeable units)	\$0.315	\$0.349	\$1.406	\$1.525
AFFO per diluted Unit	\$0.315	\$0.348	\$1.403	\$1.514
Distributions per Unit	\$0.345	\$0.345	\$1.380	\$1.380
Payout ratio per Unit as a % of FFO	79.7%	77.0%	79.4%	75.0%

# Q2 2019 FFO

## FFO AND AFFO

(in thousands of Canadian dollars except per Unit amounts)	Three Months Ended June 30		Six Months ended June 30	
	2019	2018	2019	2018
<b>Net income per the REIT's Financial Statements</b>	<b>\$109,583</b>	<b>\$108,194</b>	<b>\$107,586</b>	<b>\$171,294</b>
Realty taxes in accordance with IFRIC 21	(9,922)	(15,031)	22,328	18,999
FFO adjustments from equity accounted investments (page 25)	9,700	2,650	13,784	7,829
Exchangeable unit distributions	5,504	5,513	11,009	11,026
Fair value adjustments on financial instruments and real estate assets	27,146	16,001	92,286	53,216
Fair value adjustment to unit-based compensation	(2,475)	(2,778)	15,256	(4,157)
(Gain) loss on sale of real estate assets	(34,035)	24,837	(23,843)	20,443
(Gain) on foreign exchange	-	(4,496)	-	(11,239)
Deferred income taxes applicable to U.S. Holdco	20,843	(5,013)	23,043	(3,810)
Incremental leasing costs	1,820	2,052	3,695	4,030
<b>FFO</b>	<b>\$128,164</b>	<b>\$131,929</b>	<b>\$265,144</b>	<b>\$267,631</b>

# Q2 2019 AFO

	Three Months Ended June 30		Six Months ended June 30	
	2019	2018	2019	2018
Straight-lining of contractual rent	(2,135)	695	(3,515)	1,483
Capital expenditures	(18,207)	(13,109)	(29,287)	(23,081)
Leasing expenses and tenant inducements	(14,882)	(13,363)	(19,991)	(18,343)
Incremental leasing costs	(1,820)	(2,052)	(3,695)	(4,030)
AFFO adjustments from equity accounted investments (page 25)	(2,220)	(1,244)	(3,070)	(2,586)
<b>AFFO</b>	<b>\$88,900</b>	<b>\$102,856</b>	<b>\$205,586</b>	<b>\$221,074</b>

# Q2 2019 FFO Payout Ratio

	Three Months Ended June 30		Six Months ended June 30	
	2019	2018	2019	2018
Weighted average number of Units (in thousands of basic Units adjusted for conversion of exchangeable Units) <sup>(1)</sup>	301,539	302,684	301,399	304,033
Diluted weighted average number of Units (in thousands of Units) for the calculation of FFO and AFFO <sup>(1)(2)(3)</sup>	302,990	303,311	302,785	306,350
FFO per basic Unit (adjusted for conversion of exchangeable units)	\$0.425	\$0.436	\$0.880	\$0.880
FFO per diluted Unit	\$0.423	\$0.435	\$0.876	\$0.877
AFFO per basic Unit (adjusted for conversion of exchangeable units)	\$0.295	\$0.340	\$0.682	\$0.727
AFFO per diluted Unit	\$0.293	\$0.339	\$0.679	\$0.725
Distributions per Unit	\$0.345	\$0.345	\$0.690	\$0.690
<u>Payout ratio per Unit as a % of FFO</u>	<u>81.2%</u>	<u>79.1%</u>	<u>78.4%</u>	<u>78.4%</u>

Sell



# Stock Snapshot



## Boardwalk Real Estate Investment Trust (TSX: BEI-UN-T)

TSX REAL-TIME LAST SALE

↑ 43.58 CAD

TODAY'S CHANGE

+0.08 (+0.18%)

VOLUME

224,160

PRICE QUOTE AS OF

16:00 ET

### TODAY'S TRADING

Day Low  
43.31

Day High  
43.93

OPEN: 43.55

Previous Close 43.50

52-Week High/Low 50.27 - 36.47

Volume 224,160

Average Volume 117,945

Price/Earnings (TTM) 20.81

Forward Annual Dividend & Yield 1.00 (2.30%)

Market Capitalization, \$M 2,213

5-Day Change -0.10 (-0.23%)

1D 5D 1M 3M 6M 1Y 3Y 5Y

[View Chart](#)



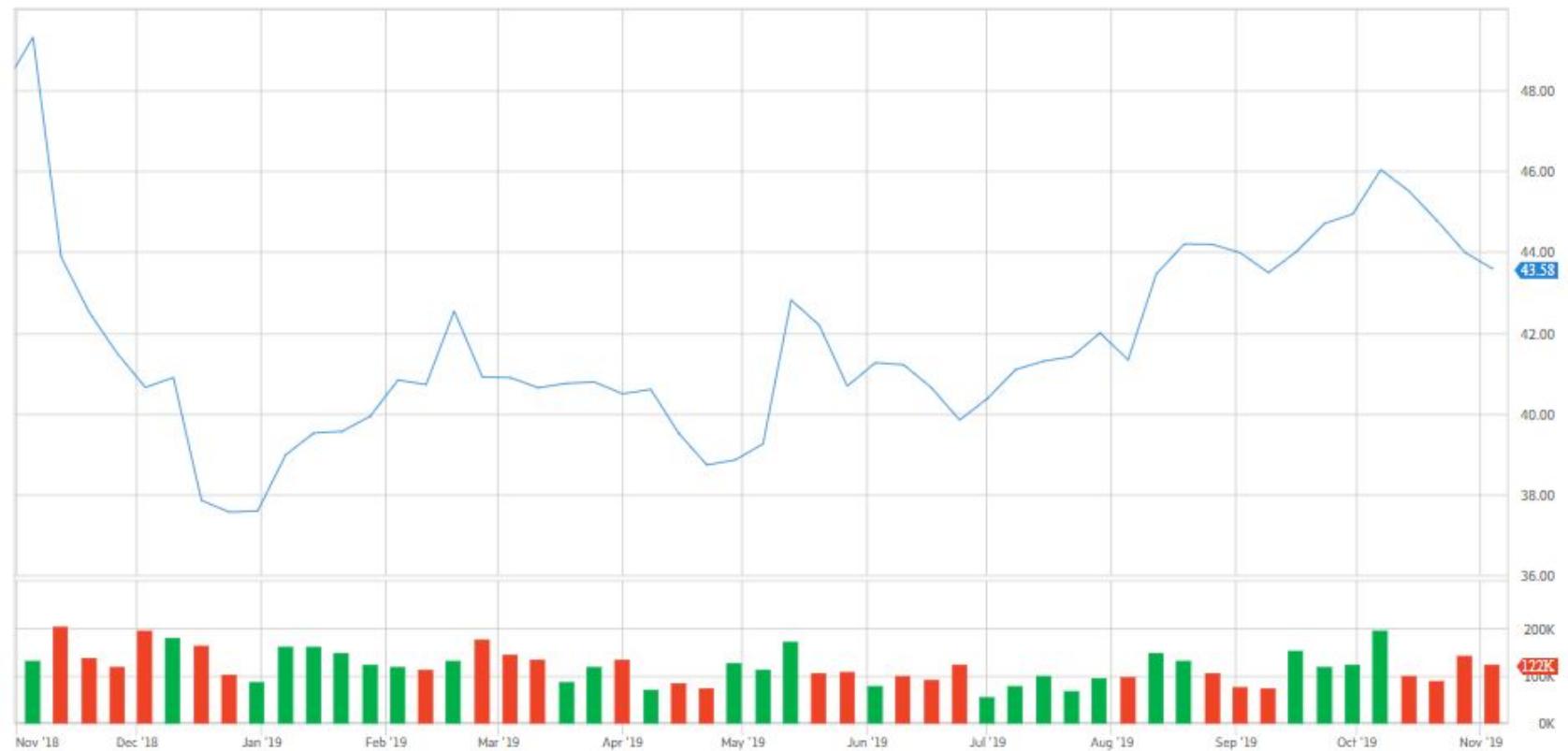
# Stock Snapshot



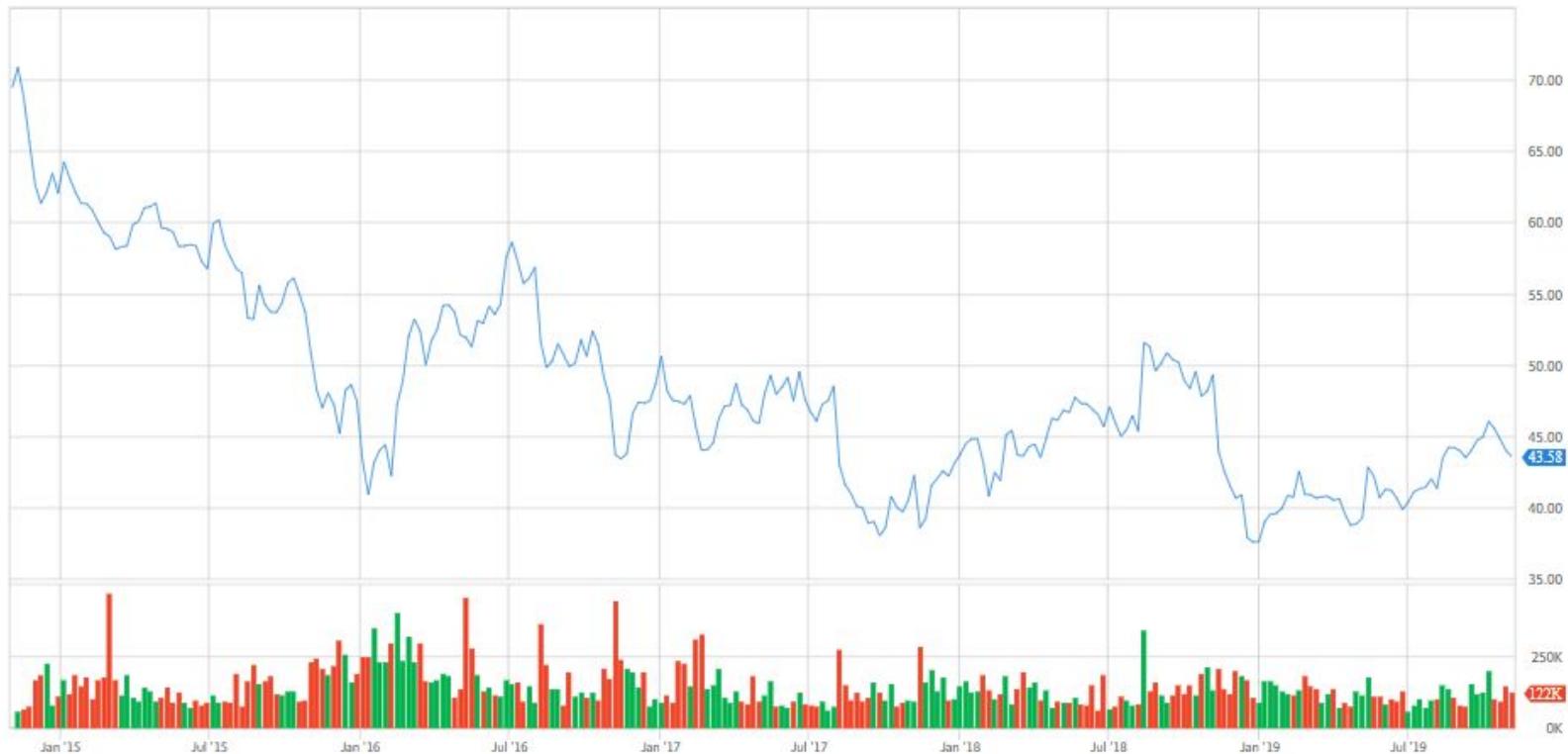
## FUNDAMENTALS

Market Capitalization, \$M	2,213 M	Price/Earnings (TTM)	20.81
Shares Outstanding, M	51 M	Price/Earnings (Forward)	16.29
36-Month Beta	0.24	Trailing Annual Dividend & Yield	1.00 (2.30%)
Earnings Per Share (TTM)	2.09	Forward Annual Dividend & Yield	1.00 (2.30%)
Revenue Growth YoY	2.11%	Most Recent Dividend	0.083
Profit Margin	N/A	Ex-Div Date	10/30/19
5-Year Avg. Revenue Growth	-0.83%	Most Recent Split	1-2 (11/27/97)
5-Year Avg. Profit Growth	-10.57%	Return on Common Equity	6.33%
1-Year Total Return	-11.22%	Return-on-Assets (Before Tax)	4.50%
3-Year Total Return	-0.41%	Debt-to-Equity Ratio	0.87
5-Year Total Return	-38.61%	Price/Book	0.70

# 1 Year Performance



# 5 Year Performance



# 20 Year Performance



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



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



# 5 Year Comparison



# 10 Year Comparison



# Company History

## Where It All Started

Boardwalk Rental Communities began as a private company in 1984 when brothers Sam and Van Klias 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

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.

2002

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

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 Profile



**TSX: BEI.UN**

Shares Outstanding	50.8 million
IFRS Fair Value	\$6.0 billion
Total Debt	\$2.7 billion
Net Debt % of FV	48%
Annual Distribution	\$1.00 per trust unit

Boardwalk REIT is a Canadian multi-family residential real estate owner and operator, currently with over 33,000 units in four provinces

**1996 – 2004**  
Significant portfolio growth driven by recycling capital

**2004**  
REIT Conversion  
Unit price of \$15.95

**2019**  
Current unit price of \$44.00.  
**10.7% Annualized Total Return since REIT Conversion**

**Future**  
Development & growth focused in high growth markets



# Company Profile



Canada's leading owner/operator of multi-family communities with over 1,700 associates.

Headquarters in Calgary, Canada primary holdings 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 Golden Rules



Boardwalk is built upon its Golden Foundation:

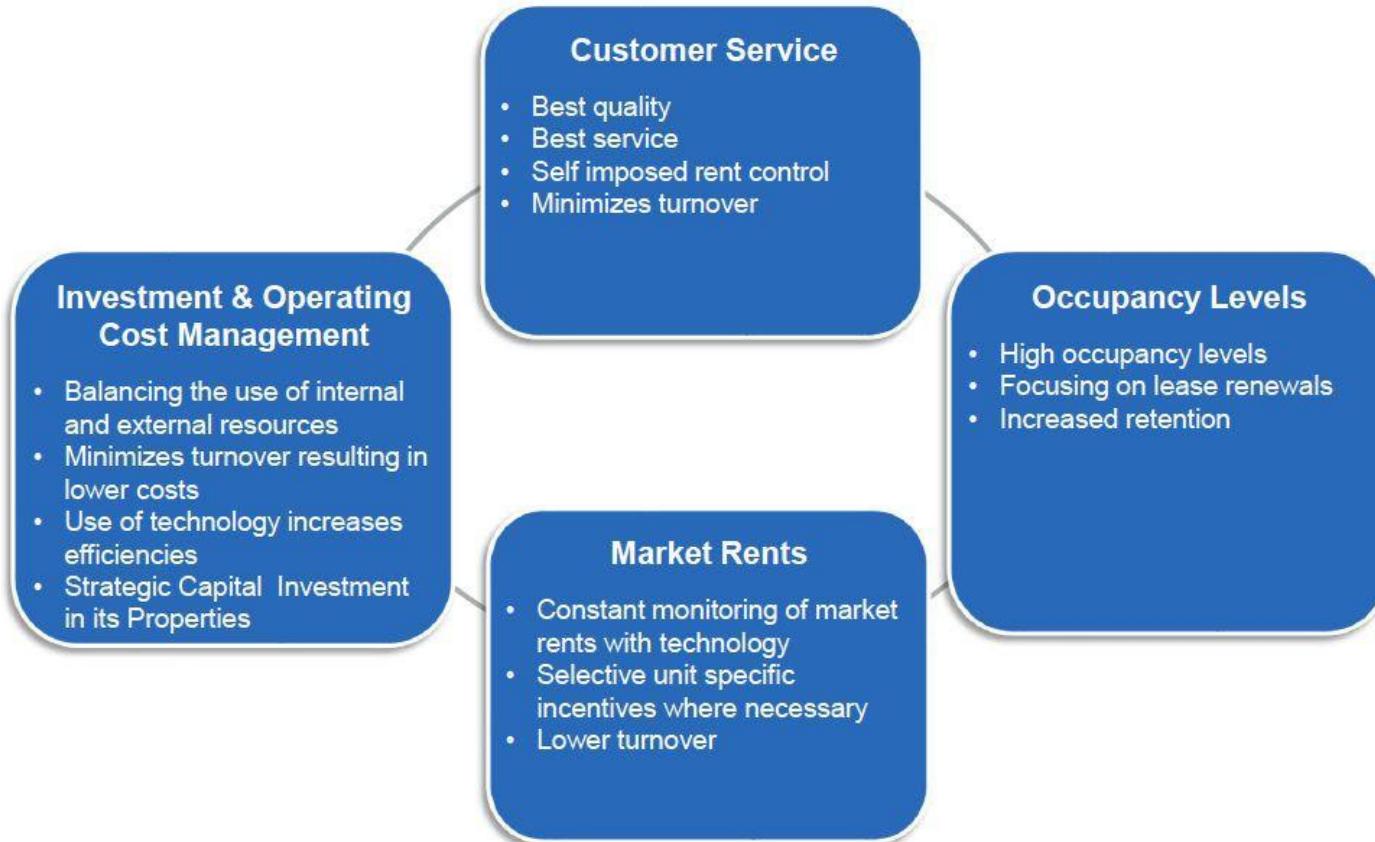
**GOLDEN RULE:** Treat others as you want to be treated

**GOLDEN GOAL:** Be good

**GOLDEN VISION:** Love community

**GOLDEN MISSION:** Have fun

# Four Areas of Focus



# Corporate Strategy

Striving for the Best Brand and Culture

Organic Growth

Brand Diversification

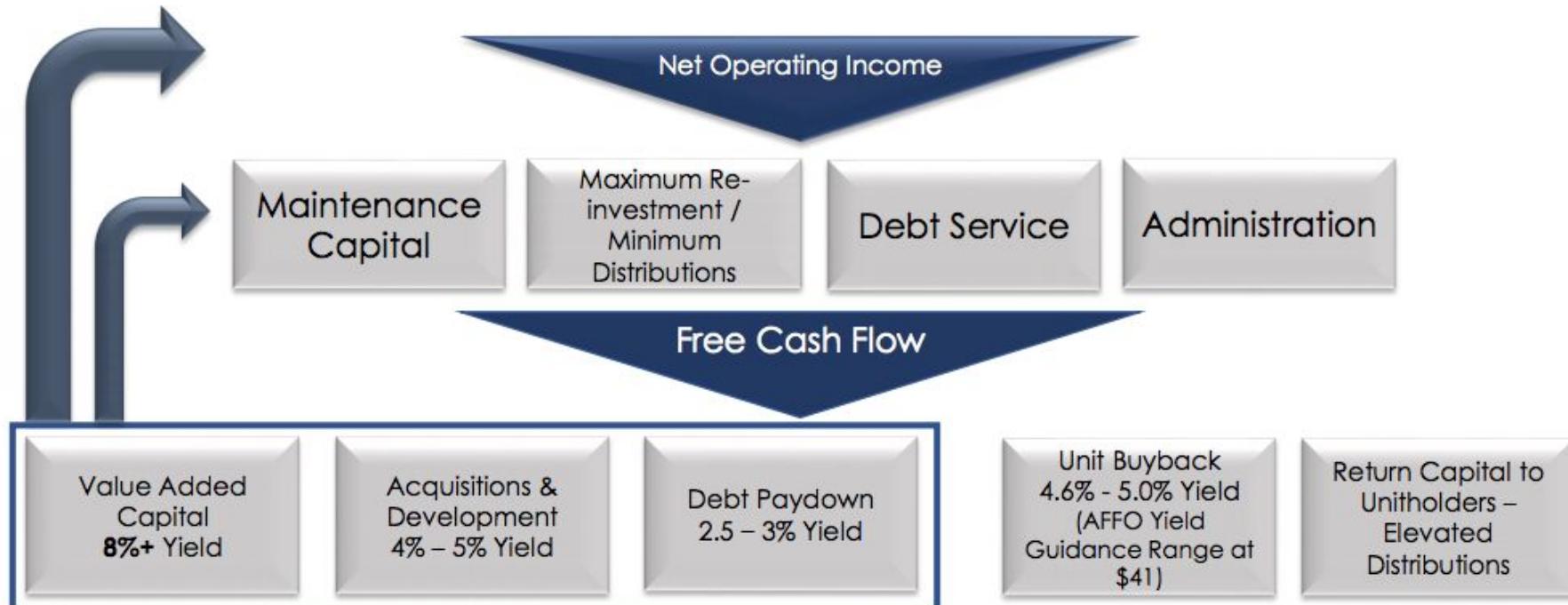
Expansion & High-Grading

Solid Financial Foundation

=

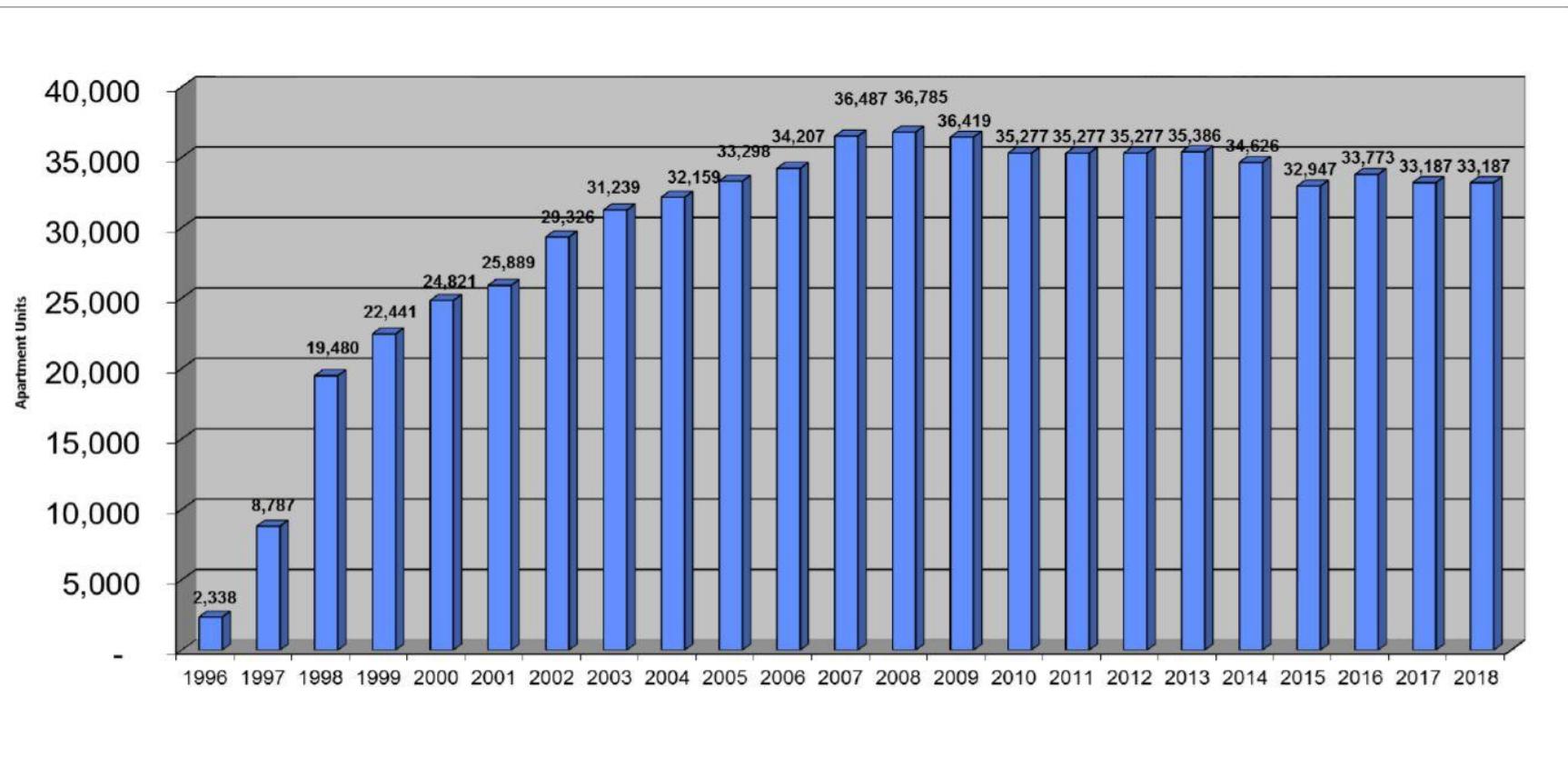
Unitholder Value

# Capital Allocation Framework



Maximize Short & Long-Term Total Funds from Operations & Increase Asset Value

# Number of Units in Portfolio by Year



# Fair Value of Investment Assets (- sold)

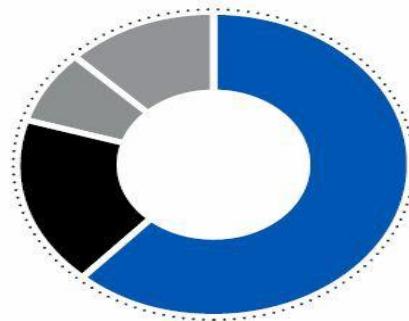


# Portfolio - Geographic Breakdown



## UNIT BREAKDOWN BY PROVINCE

As at December 31, 2017



AB 61.7%

QC 18.1%

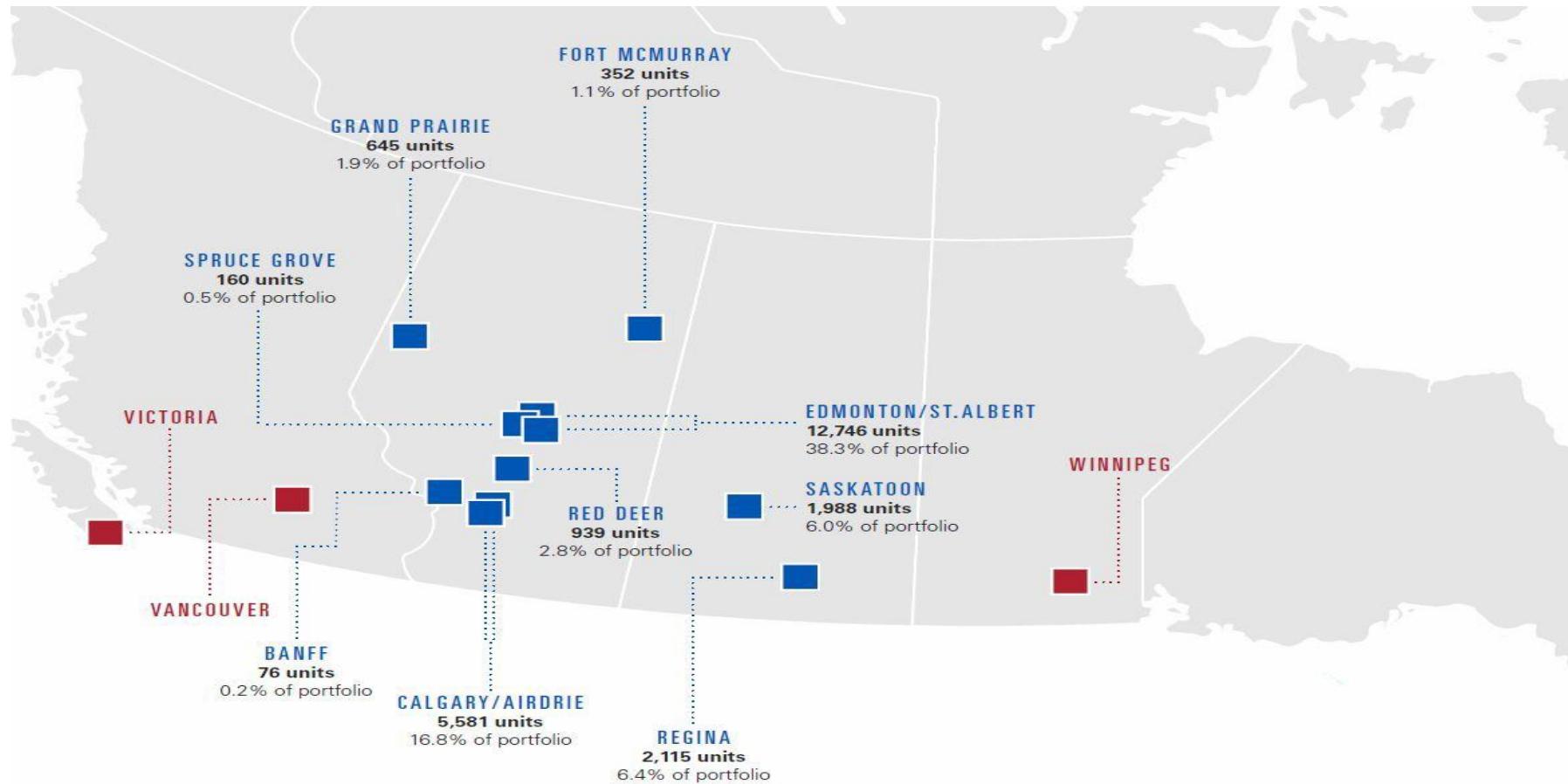
ON 7.8%

SK 12.4%

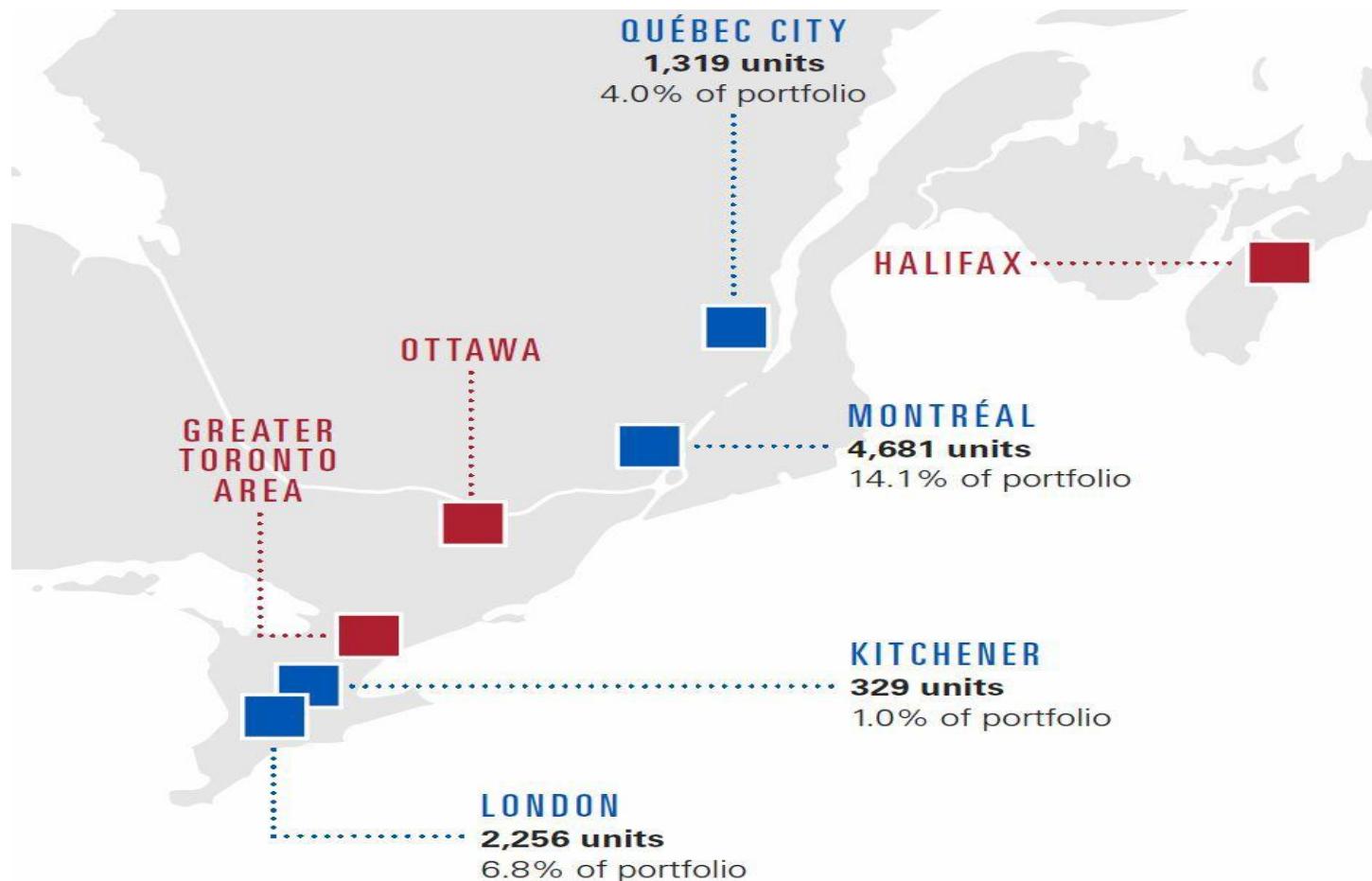
## By Province

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

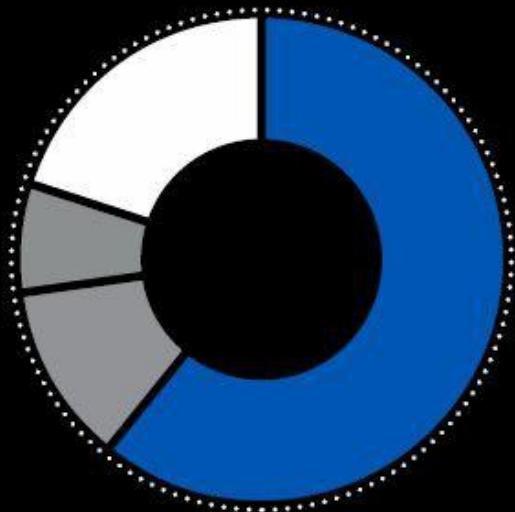


# NOI - Geographic Breakdown



## NOI BREAKDOWN BY PROVINCE

As at December 31, 2017



AB 61%

QC 20%

ON 7%

SK 12%

# NOI - Geographic Breakdown



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

# Geographic Revenue Growth



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

# 2018 Financial Guidance



## 2018 OUTLOOK

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

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

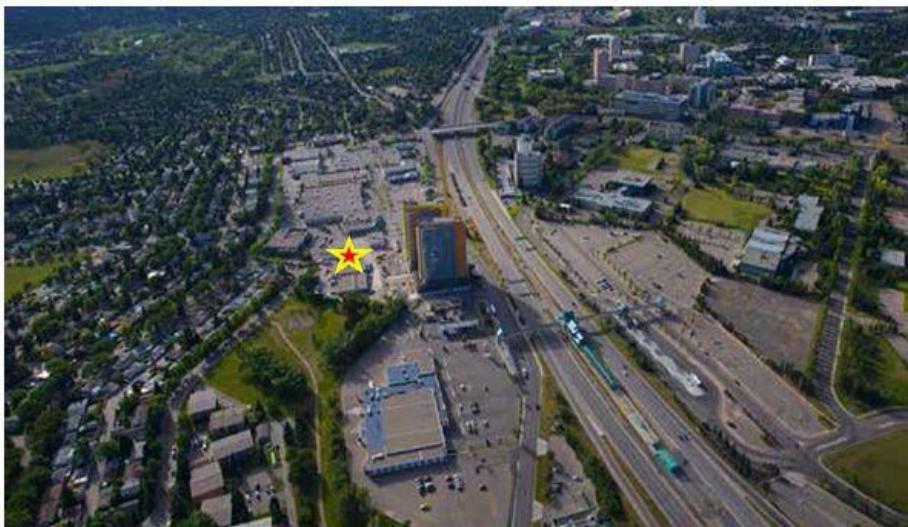
Description	2018 Actual	Q3 2018 Revised Objectives	Q2 2018 Revised Objectives	2018 Original Objectives
Stabilized Building NOI Growth	5.5%	4.5%-6.0%	3%-7%	2%-7%
FFO Per Unit	\$2.21	\$2.20-\$2.30	\$2.20-\$2.35	\$2.15-\$2.35
AFFO Per Unit	\$1.75	\$1.75-\$1.85 utilizing a Maintenance CAPEX of \$695/suite/year	\$1.75-\$1.90 utilizing a Maintenance CAPEX of \$695/suite/year	\$1.70-\$1.90 utilizing a Maintenance CAPEX of \$695/suite/year

# 2019 Market Objectives



Description	2019 Objectives	2018 Actual
Stabilized Building NOI Growth	4%-9%	5.5%
FFO Per Unit	\$2.35-\$2.50	\$2.21
AFFO Per Unit	\$1.88-\$2.03 utilizing a Maintenance CAPEX of \$717/suite/year	\$1.75

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



Brentwood Village, Calgary, Alberta

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



Located close to downtown along the LRT, near the U of C, Foothills Hospital and Boardwalk assets

130,000 sqft. NRLA (~ 162 units) managed by Boardwalk at cost

10,000 sqft. of retail managed by RioCan at cost

Total estimated construction cost: \$75-\$80 million (\$6.5 million for land)  
Boardwalk's 50% portion: \$37.5-\$40 million

Excavation, 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 - 1 bedroom and 58 - 2 bedroom (52 units with 2 baths)
- Building permit has been approved
- Tender process is complete, once construction drawings are finalized, excavation could begin as early as Q3 of 2018
- Construction is projected to be 14 months with occupancy anticipated for

Q3 of 2018

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

# Sarcee Trail, Calgary (Under Review)



## Duo at Sarcee Trail

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



# Development Pipeline



## Viking Arms, Edmonton

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



## West Edmonton Village, Edmonton

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



# Development Pipeline



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

# Development opportunities



## Development Opportunities

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

# 2018 Budget



Q1

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

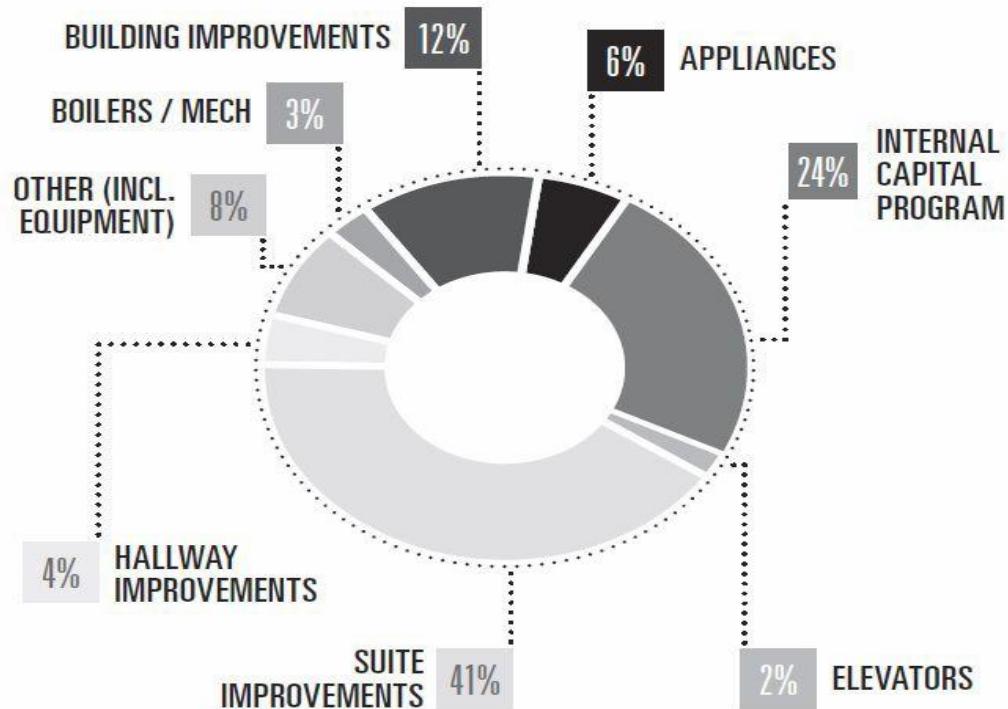
Q2

Capital Budget (\$000's)	2018 Budget		Six Months Ended, Jun. 30, 2018 Actual		Per Suite
	2018 Budget	Per Suite	2018 Actual	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	
<b>Total Property Capital</b>	<b>\$ 136,294</b>	<b>\$ 4,107</b>	<b>\$ 55,960</b>	<b>\$ 1,686</b>	
Total Property Capital	\$ 136,294		\$ 55,960		
Development	30,000		11,633		
<b>Total Capital Investment</b>	<b>\$ 166,294</b>		<b>\$ 67,593</b>		

# 2018 Capital Investment



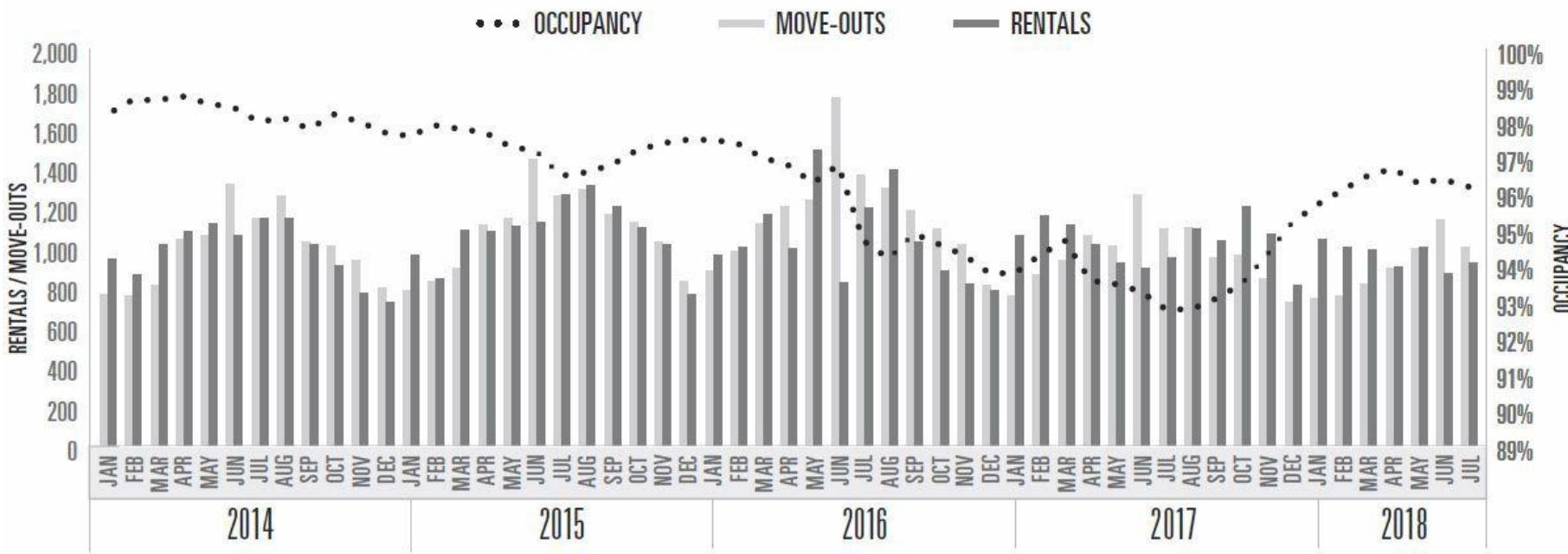
## 2018 6M Capital Investment



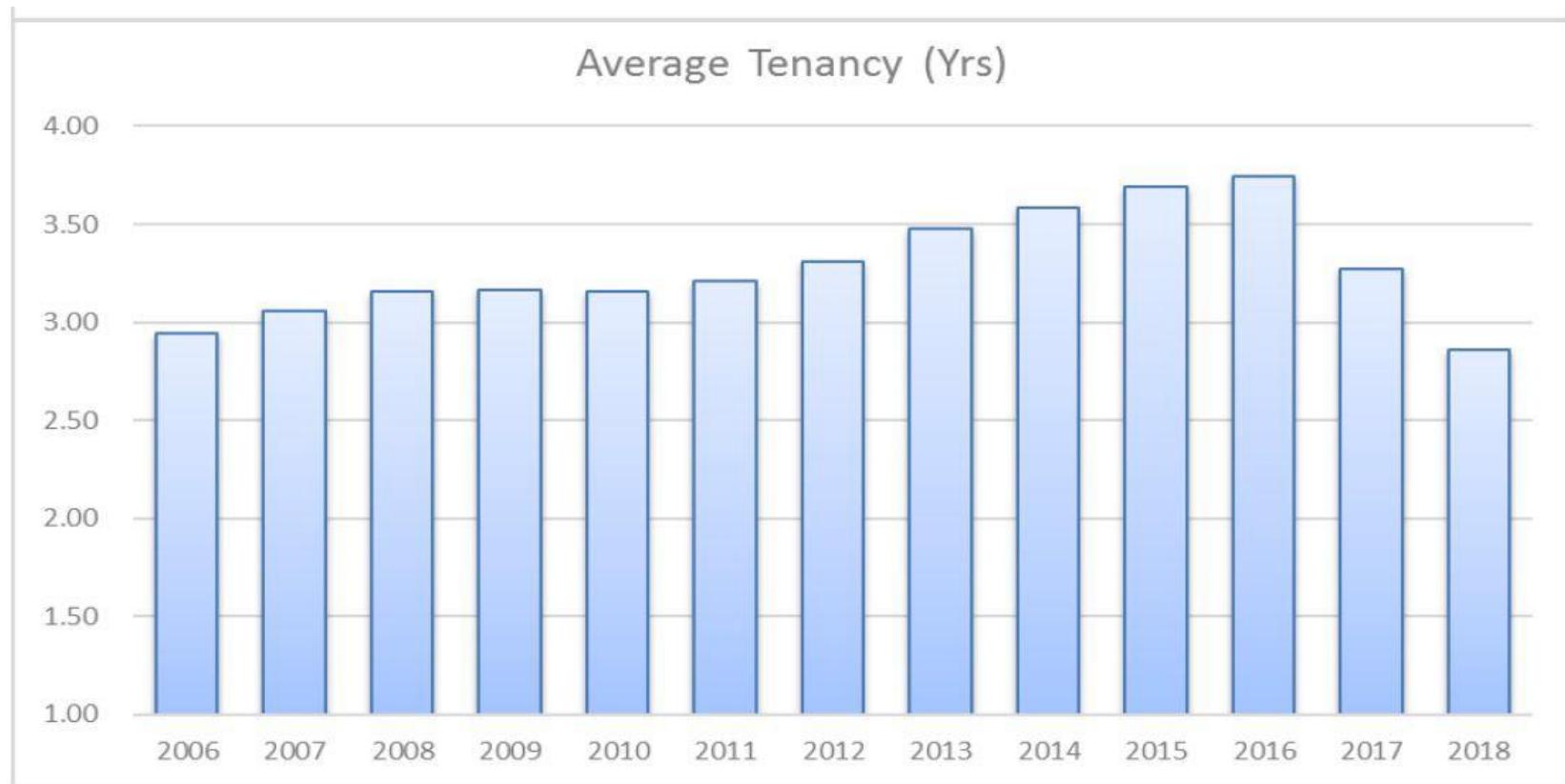
# Occupancy VS. Availability



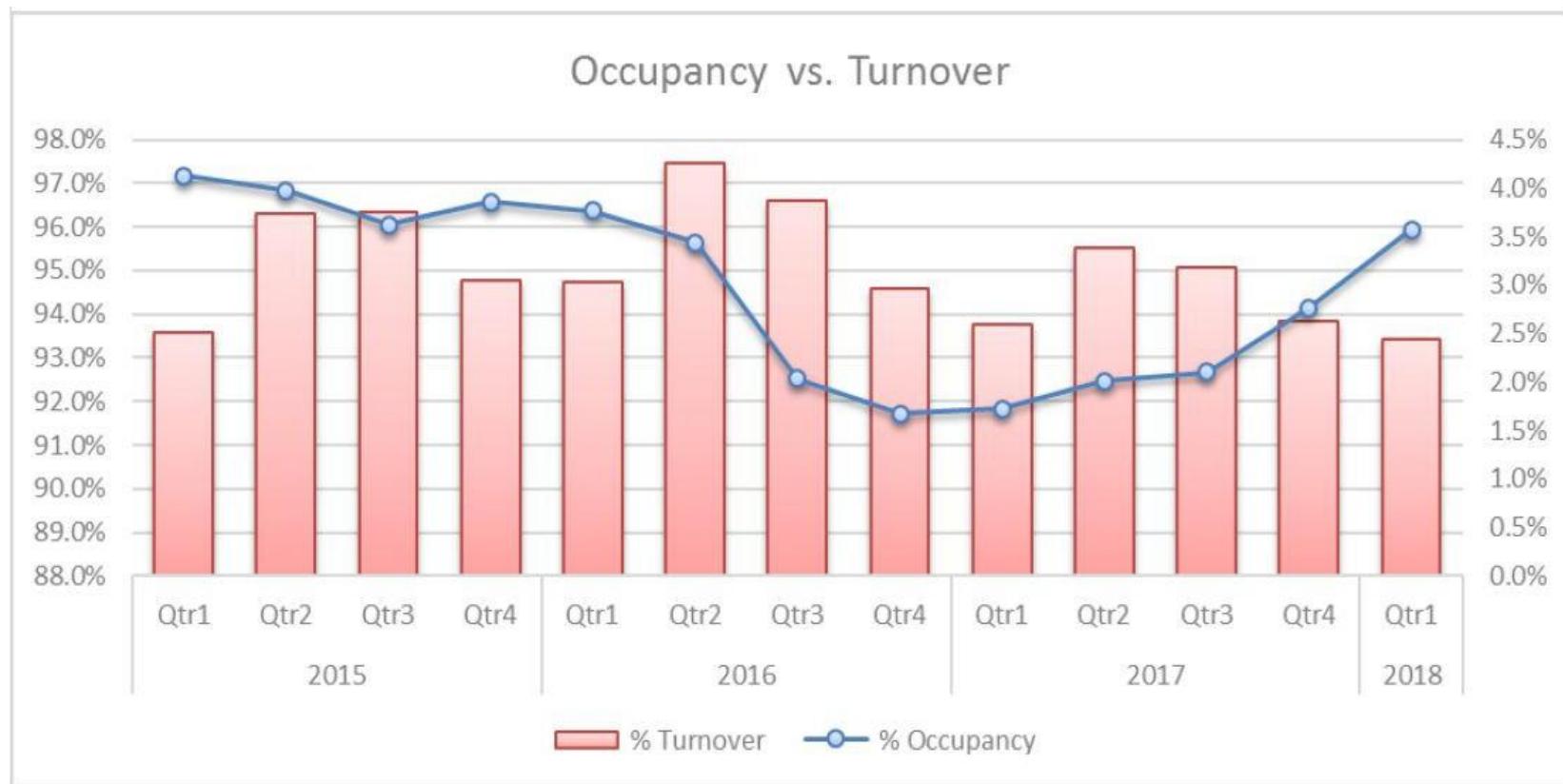
# Supply versus Demand & Impact on Occupancy



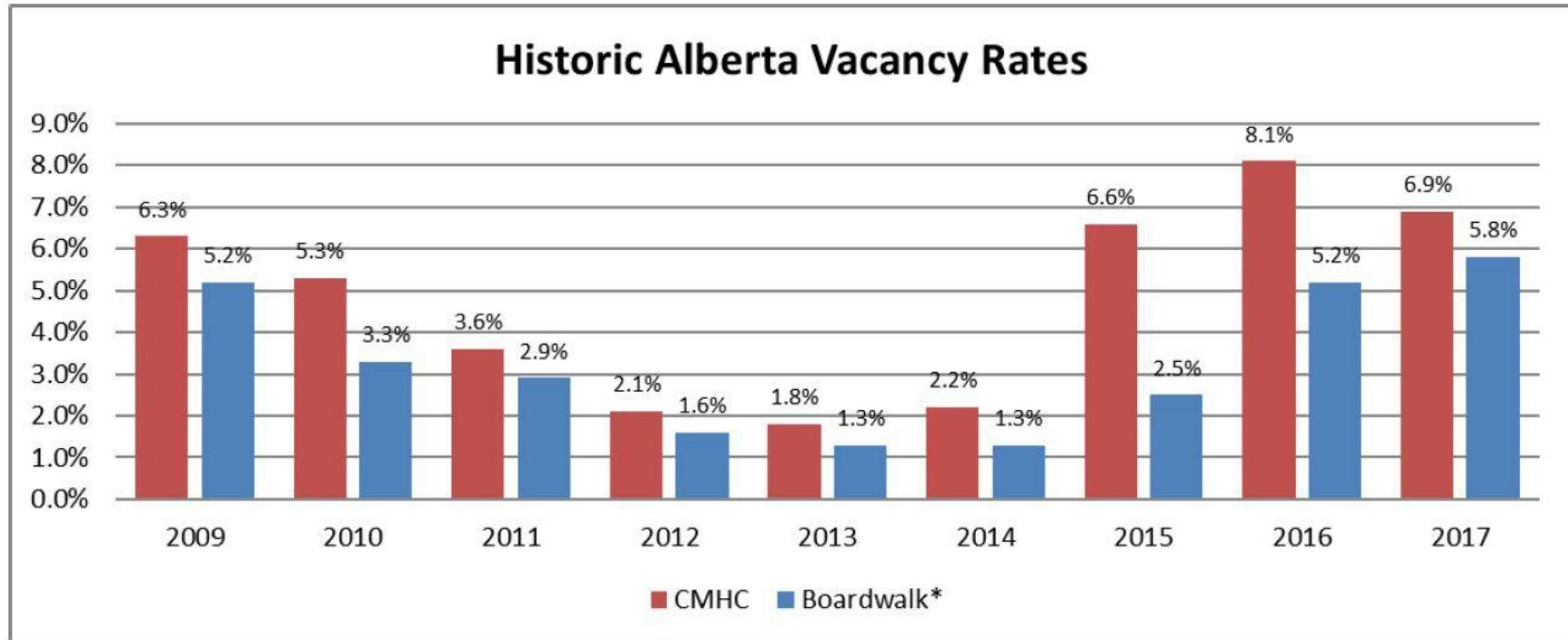
# Average Tenancy (Years)



# Occupancy VS. Turnover

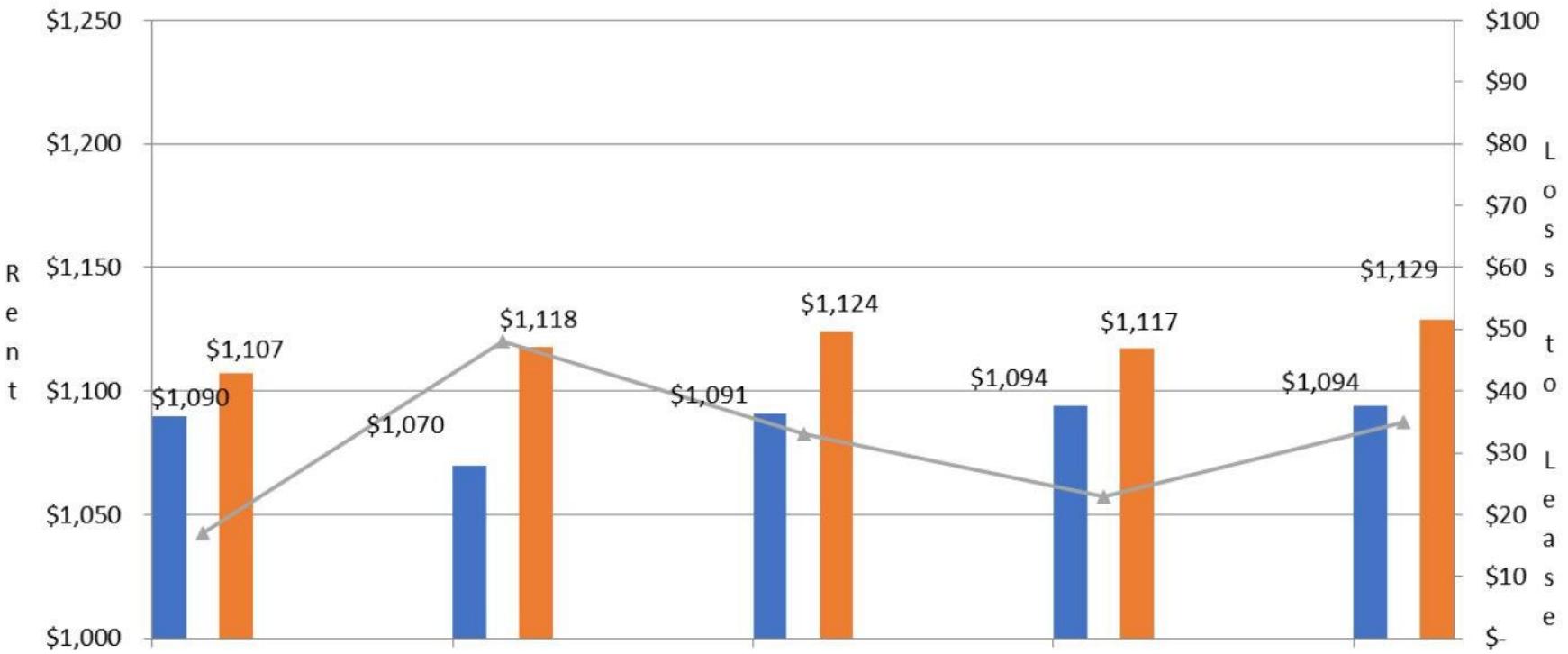


# Historic Alberta Vacancy Rates



\* Boardwalk average annual vacancy rate on stabilized properties

# Rent Statistics





# Sam Koliass

## Chief Executive Officer, Chairman of the Board

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



# Van Kolia



## Senior Vice President, Quality Control

- Brother of Sam Kolia
- Been Vice President since 2004

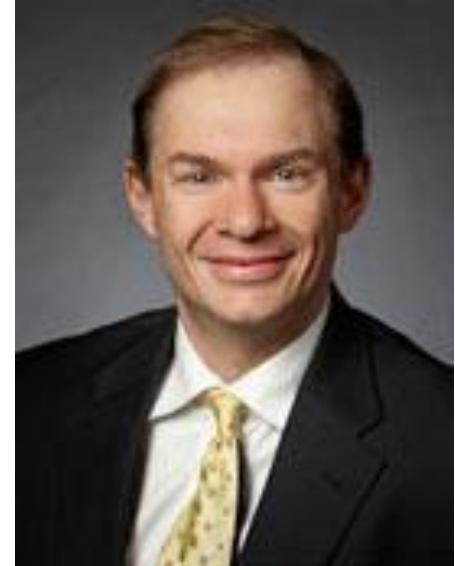


# Roberto A. Geremia



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

# Five Year Summary



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

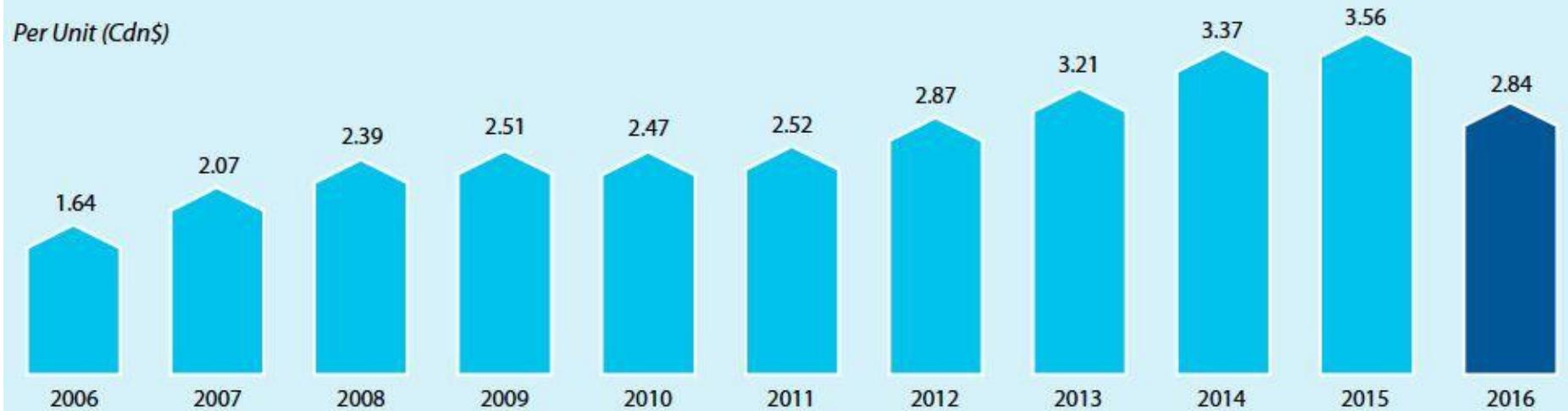
Fiscal year ended December 31, 2013 has been restated to present discontinued operations consistent with fiscal year ended December 31, 2014.

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

# Funds From Operations YOY



Per Unit (Cdn\$)



# Financial Performance



# Balance Sheet - Q2 2019



(unaudited, CDN \$ THOUSANDS)

As at	Note	Jun. 30, 2019	Dec. 31, 2018
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment properties	3	<b>\$ 6,123,055</b>	\$ 5,943,969
Property, plant and equipment	5	<b>37,657</b>	31,463
Equity accounted investments	6	<b>20,032</b>	19,724
Investment in private technology venture fund		<b>1,056</b>	652
Mortgage receivable	7	<b>7,151</b>	6,877
Deferred tax assets		<b>552</b>	64
		<b>6,189,503</b>	6,002,749
<b>Current assets</b>			
Inventories		<b>9,012</b>	9,994
Prepaid assets		<b>8,604</b>	9,163
Mortgage receivable	7	<b>31,596</b>	31,596
Trade and other receivables		<b>5,946</b>	8,213
Segregated tenants' security deposits		<b>8,752</b>	9,290
Cash and cash equivalents	8	<b>19,394</b>	38,086
Assets classified as held for sale	4	<b>20,751</b>	-
		<b>104,055</b>	106,342
<b>Total Assets</b>		<b>\$ 6,293,558</b>	\$ 6,109,091

# Balance Sheet - Q2 2019



LIABILITIES			
<b>Non-current liabilities</b>			
Mortgages payable	9	<b>\$ 2,127,445</b>	\$ 2,130,590
LP Class B Units	10	<b>178,284</b>	169,200
Lease liabilities	11	<b>111,788</b>	-
Construction loan payable	12	<b>6,237</b>	-
Deferred unit-based compensation	13	<b>1,748</b>	2,419
Deferred tax liabilities		<b>18</b>	68
Deferred government grant	14	<b>5,074</b>	5,263
		<b>2,430,594</b>	2,307,540
<b>Current liabilities</b>			
Mortgages payable	9	<b>606,492</b>	588,605
Lease liabilities	11	<b>3,164</b>	-
Deferred unit-based compensation	13	<b>3,215</b>	1,586
Deferred government grant	14	<b>378</b>	378
Refundable tenants' security deposits		<b>11,477</b>	12,030
Trade and other payables		<b>58,062</b>	72,267
Liabilities directly associated with assets classified as held for sale	4	<b>12,228</b>	-
		<b>695,016</b>	674,866
<b>Total Liabilities</b>		<b>3,125,610</b>	2,982,406
<b>Equity</b>			
Unitholders' equity	15	<b>3,167,948</b>	3,126,685
<b>Total Equity</b>		<b>3,167,948</b>	3,126,685
<b>Total Liabilities and Equity</b>		<b>\$ 6,293,558</b>	\$ 6,109,091

# Balance Sheet Annual 2018



(CDN \$ THOUSANDS)

As at	Note	Dec. 31, 2018	Dec. 31, 2017
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment properties	4	<b>\$ 5,943,969</b>	\$ 5,688,125
Property, plant and equipment	5	<b>31,463</b>	30,221
Equity accounted investments	6	<b>19,724</b>	-
Investment in private technology venture fund	7	<b>652</b>	-
Mortgage receivable	8	<b>6,877</b>	38,280
Deferred tax assets	18	<b>64</b>	74
		<b>6,002,749</b>	5,756,700
<b>Current assets</b>			
Inventories	9	<b>9,994</b>	14,870
Prepaid assets	10	<b>9,163</b>	7,824
Mortgage receivable	8	<b>31,596</b>	-
Trade and other receivables	11	<b>8,213</b>	5,218
Segregated tenants' security deposits	12	<b>9,290</b>	9,629
Cash and cash equivalents	13	<b>38,086</b>	70,834
		<b>106,342</b>	108,375
<b>Total Assets</b>		<b>\$ 6,109,091</b>	\$ 5,865,075

# Balance Sheet Annual 2018



## LIABILITIES

### Non-current liabilities

Mortgages payable	14	\$ 2,130,590	\$ 2,334,035
LP Class B Units	15	169,200	192,828
Deferred unit-based compensation	16	2,419	2,856
Deferred tax liabilities	18	68	55
Deferred government grant	19	5,263	5,641
		<b>2,307,540</b>	<b>2,535,415</b>

### Current liabilities

Mortgages payable	14	588,605	259,945
Deferred unit-based compensation	16	1,586	1,724
Deferred government grant	19	378	378
Refundable tenants' security deposits		12,030	12,346
Trade and other payables	17	72,267	77,660
		<b>674,866</b>	<b>352,053</b>

### Total Liabilities

**2,982,406**

2,887,468

### Equity

Unitholders' equity	20	3,126,685	2,977,607
<b>Total Equity</b>		<b>3,126,685</b>	<b>2,977,607</b>
<b>Total Liabilities and Equity</b>		<b>\$ 6,109,091</b>	<b>\$ 5,865,075</b>

# Income Statement Annual 2018



(CDN \$ THOUSANDS)

	Note	Year Ended Dec. 31, 2018	Year Ended Dec. 31, 2017
<b>Rental revenue</b>			
Ancillary rental income	22	<b>6,618</b>	6,422
<b>Total rental revenue</b>		<b>434,616</b>	422,926
<b>Rental expenses</b>			
Operating expenses		<b>114,990</b>	113,986
Utilities		<b>47,628</b>	47,967
Property taxes		<b>45,966</b>	44,890
<b>Net operating income</b>		<b>226,032</b>	216,083
Financing costs	23	<b>80,586</b>	85,763
Administration		<b>37,813</b>	33,402
Depreciation	24	<b>6,754</b>	5,586
<b>Profit before the undernoted</b>		<b>100,879</b>	91,332
Proceeds on insurance settlement	25	-	3,162
Loss on sale of assets	26	<b>(27)</b>	(1,678)
Fair value gains (losses)	27	<b>92,371</b>	(35,418)
<b>Profit before income tax</b>		<b>193,223</b>	57,398
Income tax expense	18	<b>(23)</b>	(140)
<b>Profit for the year</b>		<b>193,200</b>	57,258
Other comprehensive income		-	-
<b>Total comprehensive income</b>		<b>\$ 193,200</b>	\$ 57,258

# Income Statement - Q2 2019



(unaudited, CDN \$ THOUSANDS)

	Note	3 Months Ended Jun. 30, 2019	3 Months Ended Jun. 30, 2018	6 Months Ended Jun. 30, 2019	6 Months Ended Jun. 30, 2018
<b>Rental revenue</b>	16	<b>\$ 111,432</b>	\$ 106,721	<b>\$ 221,574</b>	\$ 212,062
Ancillary rental income		<b>1,951</b>	1,667	<b>3,701</b>	3,387
<b>Total rental revenue</b>		<b>113,383</b>	108,388	<b>225,275</b>	215,449
<b>Rental expenses</b>					
Operating expenses		<b>24,791</b>	27,176	<b>50,383</b>	55,803
Utilities		<b>10,799</b>	10,549	<b>25,572</b>	25,058
Property taxes		<b>11,590</b>	11,286	<b>23,172</b>	22,440
<b>Net operating income</b>		<b>66,203</b>	59,377	<b>126,148</b>	112,148
Financing costs	17	<b>22,141</b>	20,165	<b>44,015</b>	39,975
Administration		<b>9,495</b>	9,686	<b>19,542</b>	19,461
Depreciation		<b>2,157</b>	1,609	<b>4,205</b>	3,077
<b>Profit before the undernoted</b>		<b>32,410</b>	27,917	<b>58,386</b>	49,635
Loss on sale of assets	18	<b>(277)</b>	-	<b>(277)</b>	-
Fair value gains	19	<b>39,366</b>	28,895	<b>5,212</b>	76,397
<b>Profit before income tax</b>		<b>71,499</b>	56,812	<b>63,321</b>	126,032
Income tax recovery (expense)		<b>102</b>	(40)	<b>536</b>	(10)
<b>Profit for the period</b>		<b>71,601</b>	56,772	<b>63,857</b>	126,022
Other comprehensive income		-	-	-	-
<b>Total comprehensive income</b>		<b>\$ 71,601</b>	\$ 56,772	<b>\$ 63,857</b>	\$ 126,022

# Statements of Cash Flows Annual 2018



(CDN \$ THOUSANDS)

	Note	Year Ended Dec. 31, 2018	Year Ended Dec. 31, 2017
<b>Operating activities</b>			
Profit for the year		<b>\$ 193,200</b>	\$ 57,258
Loss on sale of assets	26	<b>27</b>	1,678
Financing costs	23	<b>80,586</b>	85,763
Interest paid		<b>(74,328)</b>	(79,907)
Fair value (gains) losses	27	<b>(92,371)</b>	35,418
Income tax expense	18	<b>23</b>	140
Income tax paid		-	-
Amortization of mortgage receivable discount		-	(10)
Government grant amortization	19	<b>(378)</b>	(378)
Depreciation	24	<b>6,754</b>	5,586
		<b>113,513</b>	105,548
Net change in operating working capital	35	<b>(6,209)</b>	(3,485)
		<b>107,304</b>	102,063
<b>Investing activities</b>			
Purchase of investment properties	4	<b>(66,767)</b>	-
Improvements to investment properties	4	<b>(117,914)</b>	(190,203)
Development of investment properties	4	<b>(18,884)</b>	(17,888)
Additions to property, plant and equipment	5	<b>(8,008)</b>	(11,728)
Net cash proceeds from sale of investment properties	26	<b>15,863</b>	8,232
Capital contribution in equity accounted investments	6	<b>(9,862)</b>	-
Capital contribution in private technology venture fund	7	<b>(652)</b>	-
Net change in investing working capital	35	<b>(1,102)</b>	9,418
		<b>(207,326)</b>	(202,169)

# Statements of Cash Flows Annual 2018



<b>Financing activities</b>				
Distributions paid	35	<b>(51,216)</b>		(104,155)
Proceeds from mortgage financings		<b>221,265</b>		287,996
Mortgage payments upon refinancing		<b>(29,271)</b>		(32,538)
Scheduled mortgage principal repayments		<b>(63,726)</b>		(60,399)
Deferred financing costs incurred		<b>(9,573)</b>		(18,990)
Net change in financing working capital	35	<b>(205)</b>		(76)
		<b>67,274</b>		71,838
Net decrease in cash		<b>(32,748)</b>		(28,268)
Cash and cash equivalents, beginning of year		<b>70,834</b>		99,102
<b>Cash and cash equivalents, end of year</b>	13	<b>\$ 38,086</b>		\$ 70,834

# Statements of Cash Flows - Q2 2019



(unaudited, CDN \$ THOUSANDS)

	Note	3 Months Ended Jun. 30, 2019	3 Months Ended Jun. 30, 2018	6 Months Ended Jun. 30, 2019	6 Months Ended Jun. 30, 2018
<b>Operating activities</b>					
Profit for the period		\$ 71,601	\$ 56,772	\$ 63,857	\$ 126,022
Loss on sale of assets	18	277	-	277	-
Financing costs	17	22,141	20,165	44,015	39,975
Interest paid		(20,564)	(18,504)	(40,728)	(37,181)
Fair value gains	19	(39,366)	(28,895)	(5,212)	(76,397)
Income tax (recovery) expense		(102)	40	(536)	10
Income tax paid		-	-	-	-
Government grant amortization	14	(94)	(94)	(189)	(189)
Depreciation		2,157	1,609	4,205	3,077
		36,050	31,093	65,689	55,317
Net change in operating working capital	25	8,023	1,858	16,140	26
		44,073	32,951	81,829	55,343
<b>Investing activities</b>					
Purchase of investment properties	3	(36,842)	-	(36,842)	-
Improvements to investment properties	3	(28,042)	(24,059)	(52,275)	(52,327)
Development of investment properties	3	(3,079)	(5,947)	(7,960)	(11,633)
Additions to property, plant and equipment	5	(1,230)	(1,997)	(2,867)	(3,633)
Net cash proceeds from sale of investment properties	18	14,697	-	14,697	-
Capital contribution in equity accounted investments	6	(3,223)	-	(10,170)	-
Capital contribution in private technology venture fund		(404)	-	(404)	-
Net change in investing working capital	25	(5,628)	(3,379)	(15,247)	(11,960)
		(63,751)	(35,382)	(111,068)	(79,553)

# Statements of Cash Flows - Q2 2019



<b>Financing activities</b>						
Distributions paid	25	(11,611)	(11,598)	(23,219)		(28,015)
Proceeds from mortgage financings		40,853	45,910	90,216		121,817
Mortgage payments upon refinancing		(3,249)	(22,397)	(25,837)		(22,397)
Scheduled mortgage principal repayments		(16,354)	(15,948)	(32,538)		(31,552)
Proceeds from construction loan financing		6,237	-	6,237		-
Deferred financing costs incurred		(1,313)	(1,971)	(2,266)		(5,256)
Principal repayments on lease liabilities		(899)	-	(1,794)		-
Net change in financing working capital	25	(53)	5	(252)		(17)
		13,611	(5,999)	10,547		34,580
Net (decrease) increase in cash		(6,067)	(8,430)	(18,692)		10,370
Cash and cash equivalents, beginning of period	8	25,461	89,634	38,086		70,834
<b>Cash and cash equivalents, end of period</b>		<b>\$ 19,394</b>	<b>\$ 81,204</b>	<b>\$ 19,394</b>	<b>\$ 81,204</b>	

# Funds From Operations Annual 2018



FFO Reconciliation (In \$000's, except per Unit amounts)	12 Months Dec. 31, 2018	12 Months Dec. 31, 2017	% Change
Profit for the year	\$ 193,200	\$ 57,258	
Adjustments			
Proceeds on insurance settlement	-	(3,162)	
Loss on sale of assets	27	1,678	
Fair value (gains) losses <sup>(1)</sup>	(92,371)	35,418	
Add back distributions to LP Class B Units recorded as financing charges <sup>(2)</sup>	4,479	10,069	
Deferred income tax expense	23	140	
Depreciation expense on Property Plant & Equipment	6,754	5,586	
Funds from operations	\$ 112,112	\$ 106,987	4.8%
Funds from operations – per Unit	\$ 2.21	\$ 2.11	4.7%

# Adj. Funds From Operations Annual 2018



(000's)	12 Months Dec. 31, 2018	12 Months Dec. 31, 2017
Funds From Operations (FFO)	\$ 112,112	\$ 106,987
Maintenance Capital Expenditures <sup>(1)</sup>	23,112	21,737
Adjusted Funds From Operations (AFFO)	\$ 89,000	\$ 85,250
FFO per Unit (Trust and LP B Units)	\$ 2.21	\$ 2.11
AFFO per Unit (Trust and LP B Units)	\$ 1.75	\$ 1.68
Unitholder Distributions-Regular (Trust Units and LP B Units)	\$ 50,876	\$ 114,238
Distribution as a % of FFO	45.4%	106.8%
Distribution as a % of AFFO	57.2%	134.0%

# Funds From Operations - Q2 2019



FFO Reconciliation (In \$000's, except per Unit amounts)	3 Months Jun. 30, 2019		3 Months Jun. 30, 2018	% Change	6 Months Jun. 30, 2019		6 Months Jun. 30, 2018	% Change		
	\$	71,601			\$	63,857				
Profit for the period	\$	71,601	\$	56,772	\$	63,857	\$	126,022		
<b>Adjustments</b>										
Loss on sale of assets		277		-		277		-		
Fair value gains <sup>(1)</sup>		(39,366)		(28,895)		(5,212)		(76,397)		
Add back distributions to LP Class B Units recorded as financing charges <sup>(2)</sup>		1,120		1,120		2,240		2,240		
Deferred income tax (recovery) expense		(102)		40		(536)		10		
Depreciation expense on Property Plant & Equipment		2,157		1,609		4,205		3,077		
Principal portion of lease liabilities		(899)		-		(1,794)		-		
Funds from operations	\$	34,788	\$	30,646	13.5%	\$	63,037	\$	54,952	14.7%
Funds from operations – per Unit	\$	0.68	\$	0.60	13.3%	\$	1.24	\$	1.08	14.8%

# Adj. Funds From Operations - Q2 2019



(000's)	3 Months Jun. 30, 2019	3 Months Jun. 30, 2018	6 Months Jun. 30, 2019	6 Months Jun. 30, 2018
Funds From Operations (FFO)	<b>\$ 34,788</b>	\$ 30,646	<b>\$ 63,037</b>	\$ 54,952
Maintenance Capital Expenditures <sup>(1)</sup>	<b>5,996</b>	5,766	<b>11,986</b>	11,532
Adjusted Funds From Operations (AFFO)	<b>\$ 28,792</b>	\$ 24,880	<b>\$ 51,051</b>	\$ 43,420
FFO per Unit (Trust and LP B Units)	<b>\$ 0.68</b>	\$ 0.60	<b>\$ 1.24</b>	\$ 1.08
AFFO per Unit (Trust and LP B Units)	<b>\$ 0.57</b>	\$ 0.49	<b>\$ 1.00</b>	\$ 0.85
Unitholder Distributions-Regular (Trust Units and LP B Units)	<b>\$ 12,731</b>	\$ 12,718	<b>\$ 25,459</b>	\$ 25,433
Distribution as a % of FFO	<b>36.6%</b>	41.5%	<b>40.4%</b>	46.3%
Distribution as a % of AFFO	<b>44.2%</b>	51.1%	<b>49.9%</b>	58.6%

# RECOMMENDATION



**Sell**