

Canadian REITS

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What are REITs?

1. REIT: ReaEstaIntestment 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.

1993

- First Canadian REIT, Real Fund, emerged

2000

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

2001

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

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

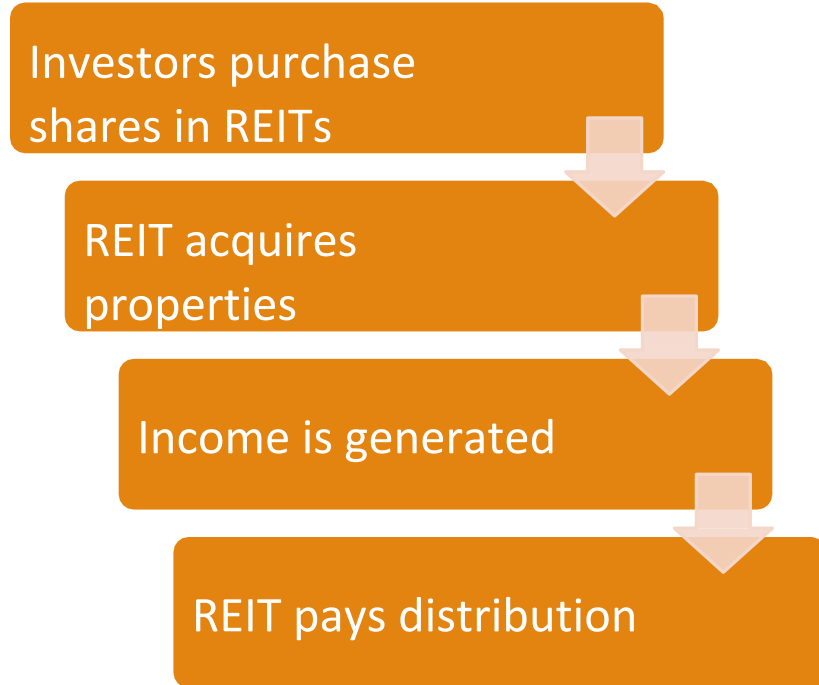
2014

- 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



- 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

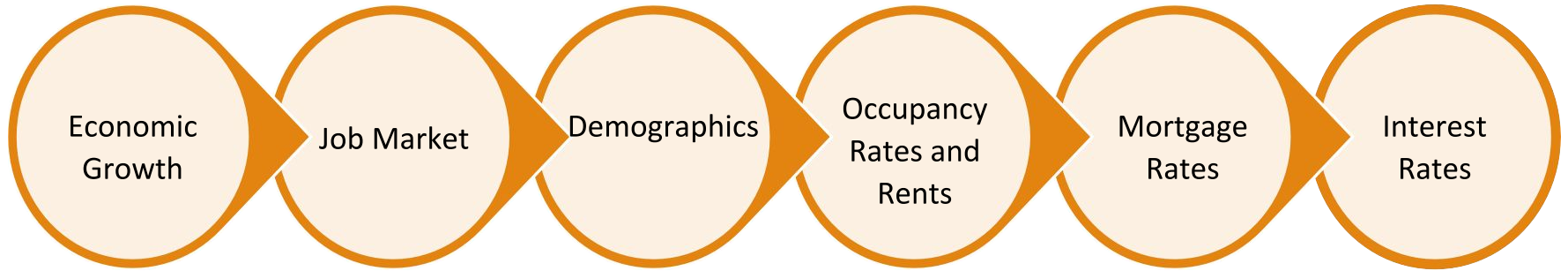
Non-Exchange Traded

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

Private

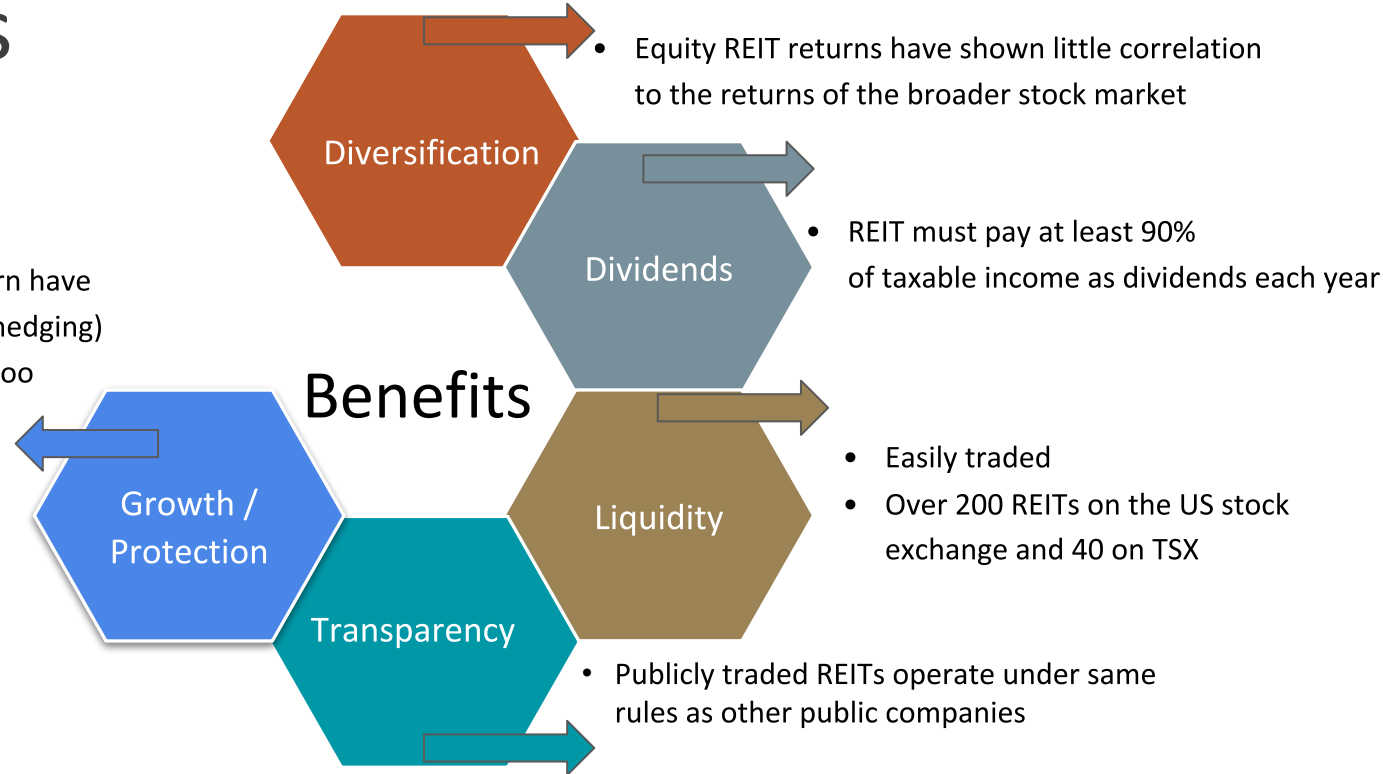
- Neither registered nor traded on SEC
- Raise equity from individuals, trusts, or other entities (accredited under federal securities law)
- Less regulations – only guidelines to maintain REIT status

Factors Driving REIT Earnings



REITs: Investment Advantages

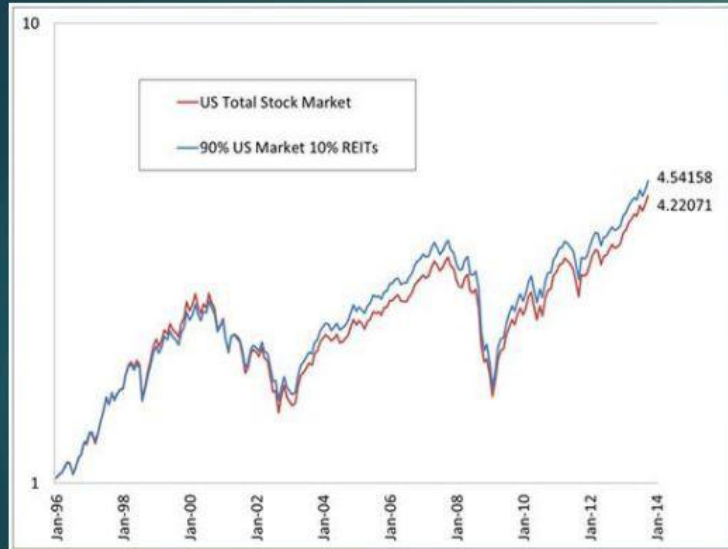
- Over long holding periods, REIT return have tended to outpace rates of inflation (hedging)
- As inflation increases, rent increases too



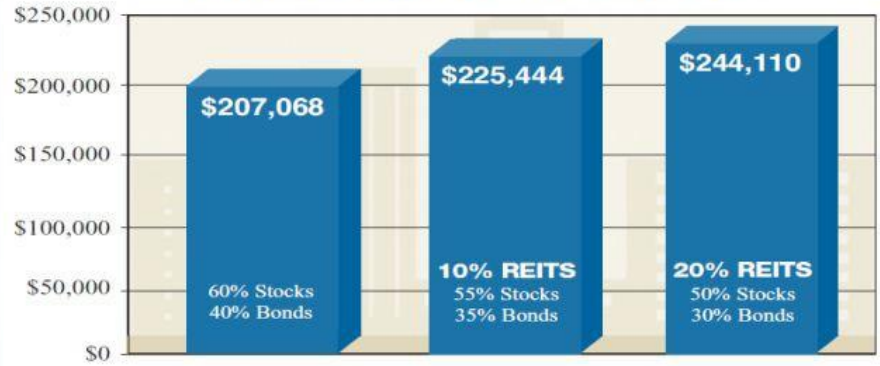
Benefits of Diversification



Benefits of Diversification



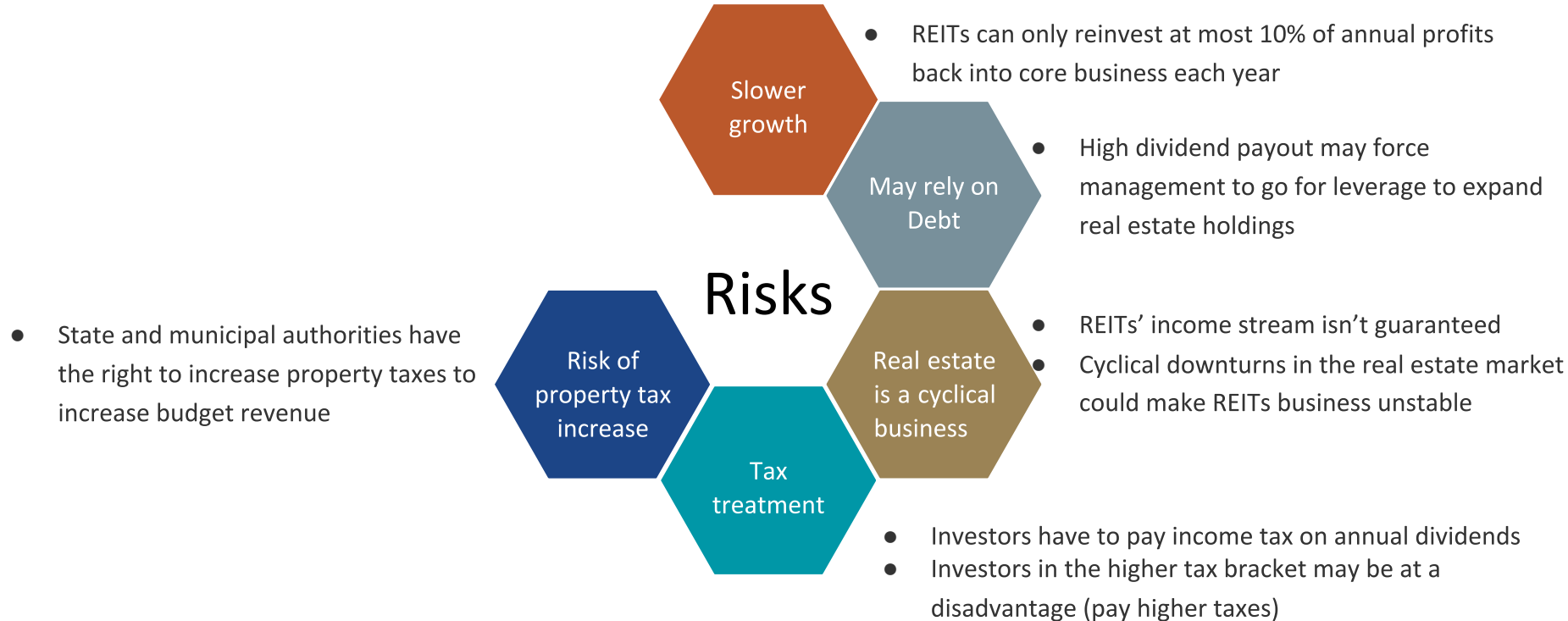
What \$10,000 Invested on 8/31/1982 Would be worth on 8/31/2012



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.

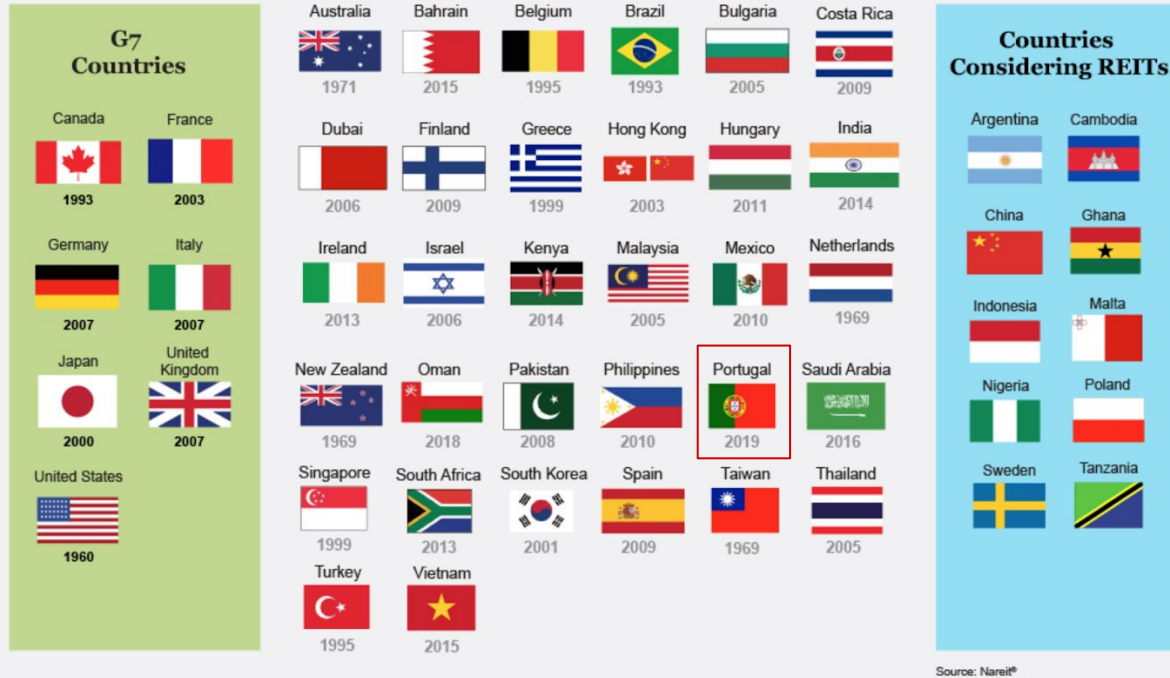
<http://www.forbes.com/sites/rickferri/2014/01/07/reits-and-your-portfolio/>

Risks of Investing in REITs



Globalization

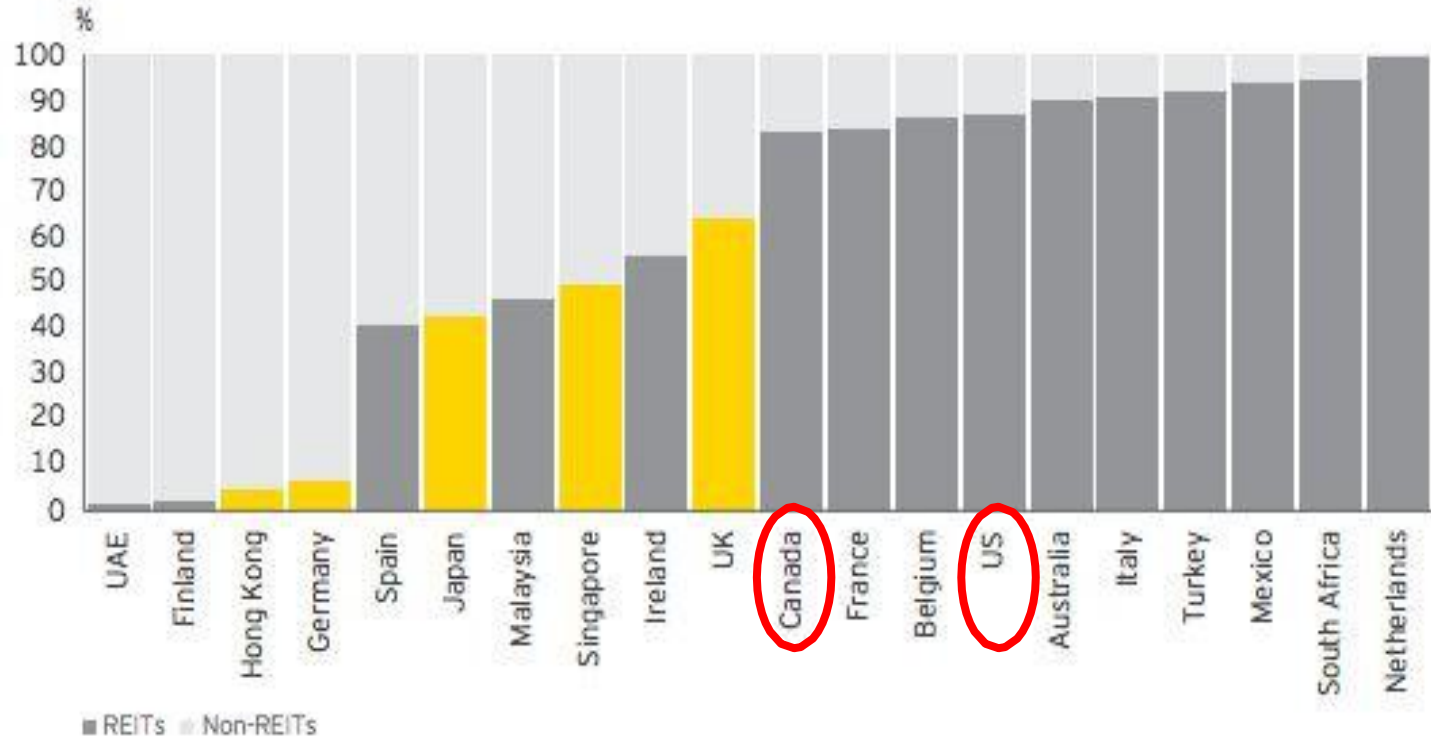
Countries and Regions that Have Adopted the U.S. REIT Approach



- 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)

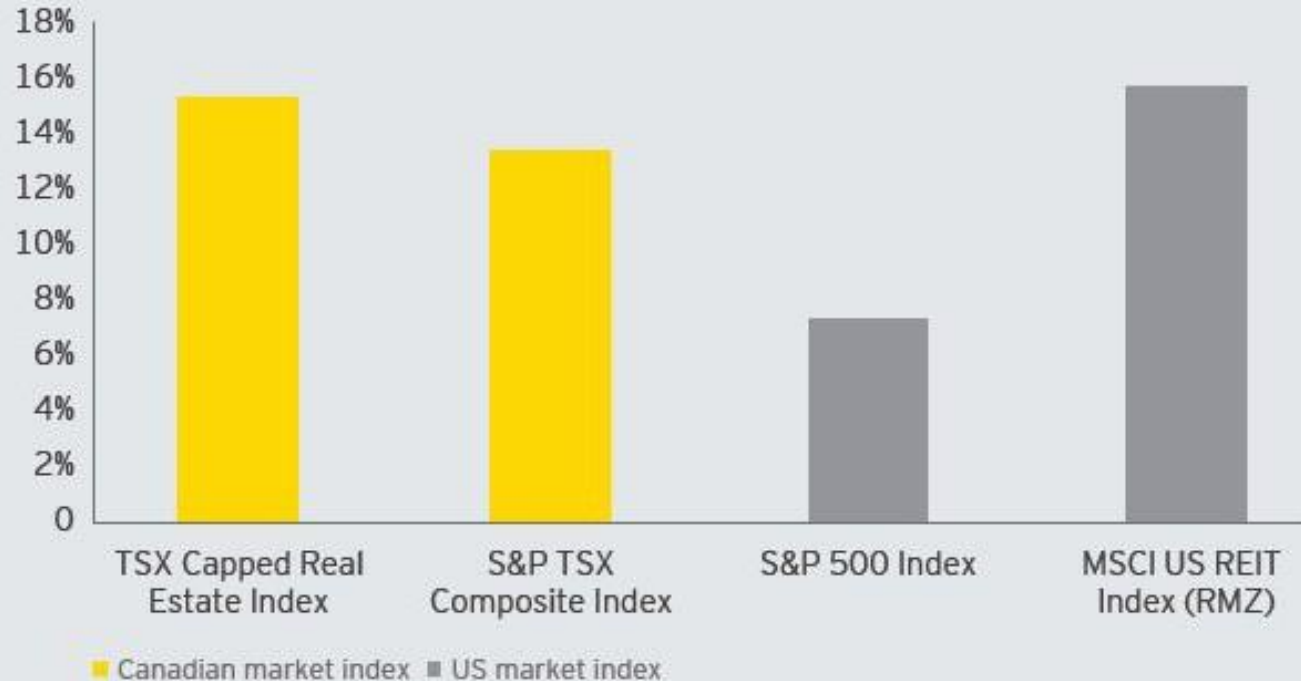
Figure 6: REIT market cap as a percentage of listed real estate market cap



Source: SNL Financial

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

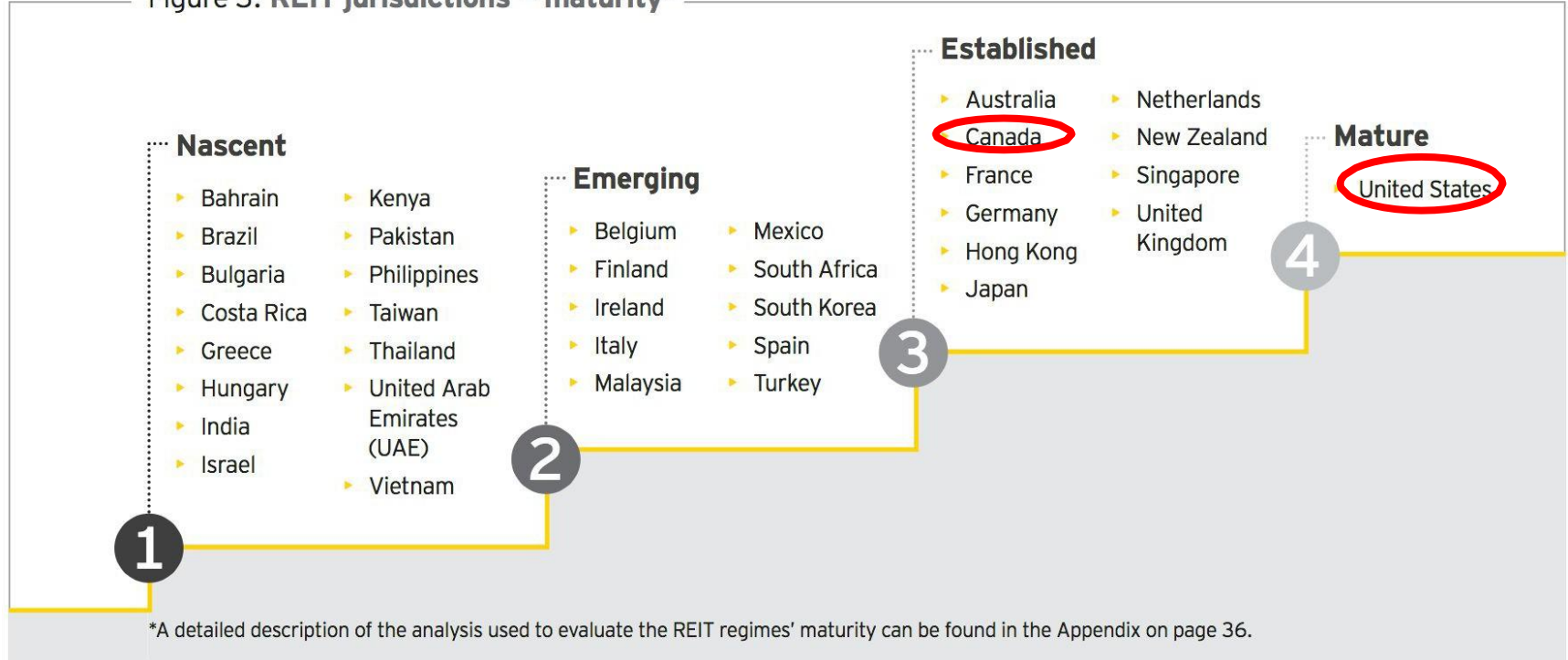
Figure 2: Canada REIT total returns vs. broad markets
(YTD through July 2016)



Source: Thomson Reuters

REITS JURISDICTION DEVELOPMENT

Figure 3: REIT jurisdictions – maturity*



Rules & Regulations

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

Rules & Regulations

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

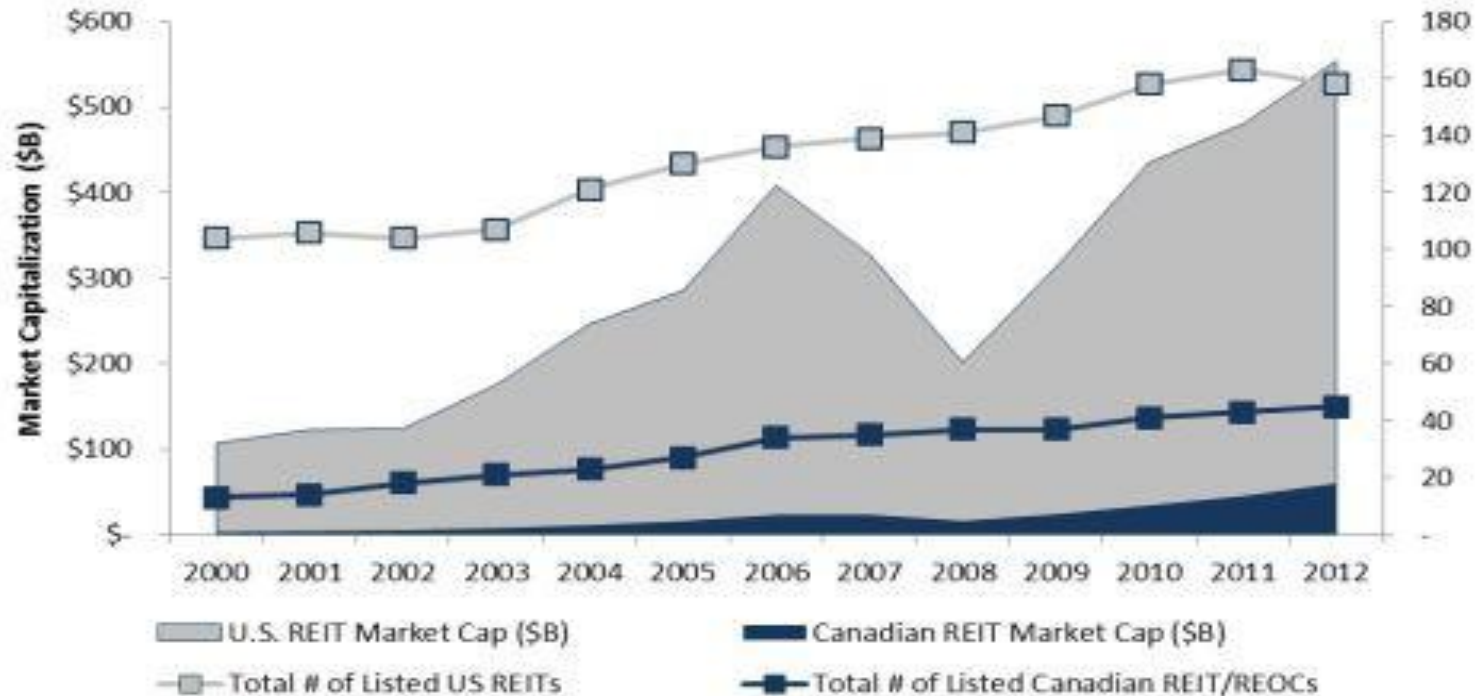
High dividend yield!

Rules & Regulations

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

MARKET CAP. & NUMBER OF CAN. & US REITS

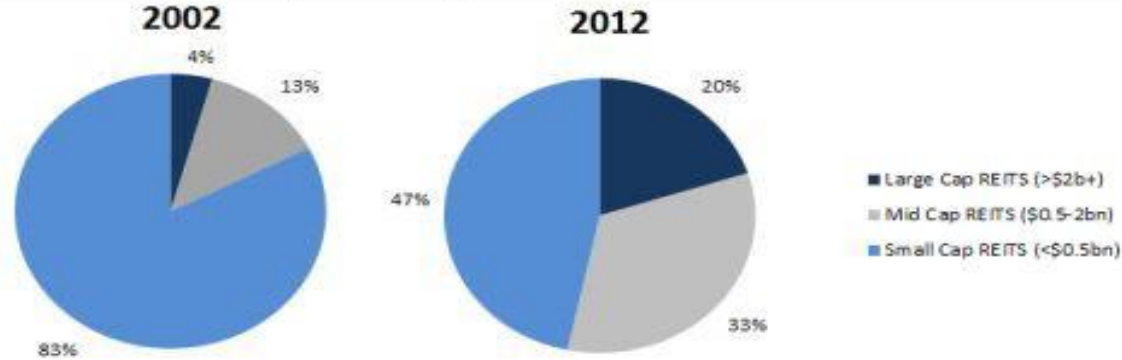
Exhibit 3: Market Capitalization and Number of Canadian and US REITs



Source: Capital IQ, Raymond James & Associates

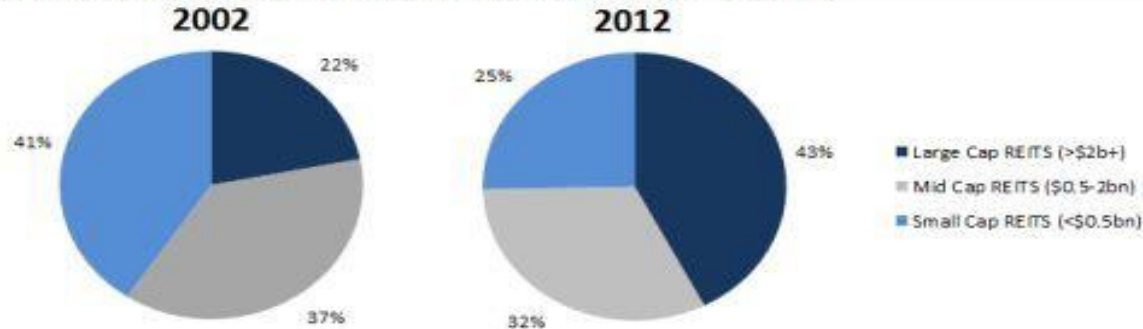
MARKET CAP. DISTRIBUTION OF CAN. & US REITS

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



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

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



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

US: Key Statistics Snapshot

Key Statistics Snapshot

Revenue

\$213.4bn

Profit

\$34.6bn

Annual Growth 14–19

2.2%

Wages

\$17.0bn

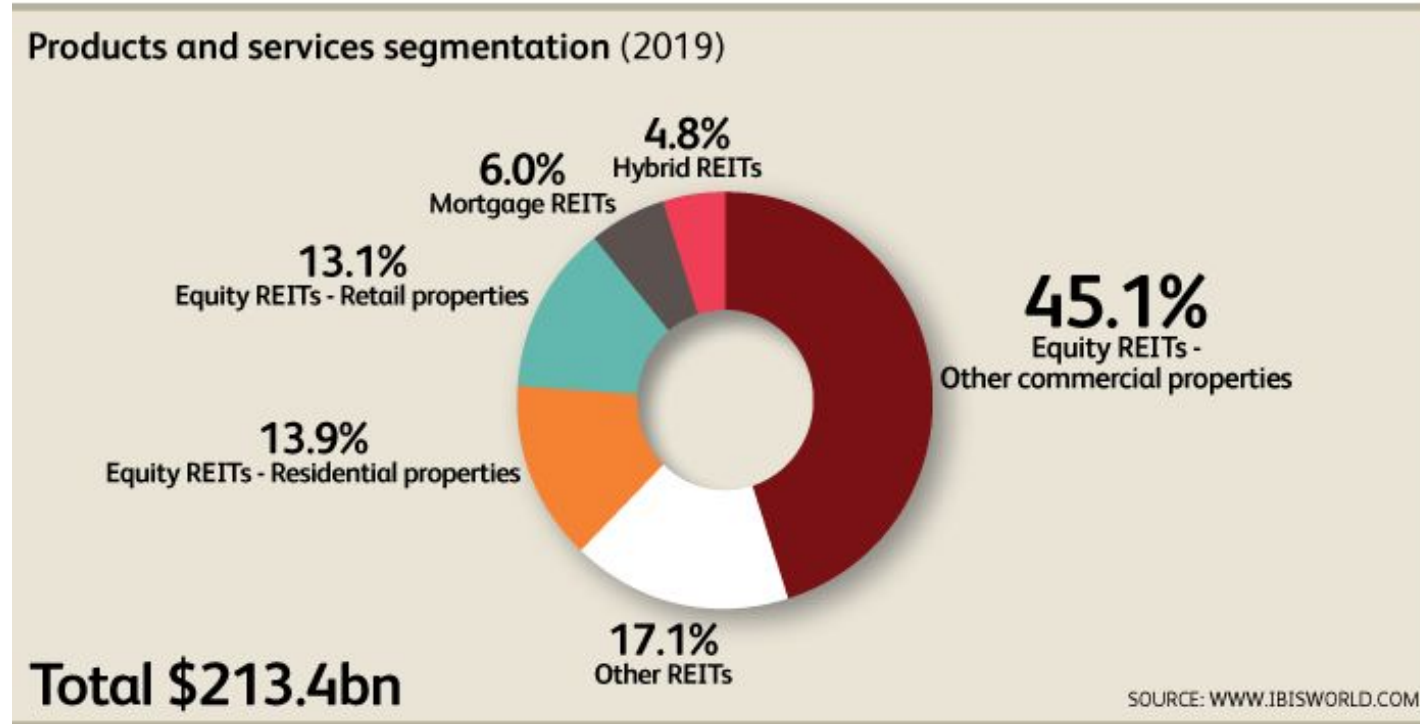
Annual Growth 19–24

2.9%

Businesses

2,841

US: Product & Service Segmentation



Canadian REITs

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

Canada: Key Statistics Snapshot

Key Statistics Snapshot

Revenue

\$10.0bn

Profit

\$4.6bn

Annual Growth 14–19

3.1%

Wages

\$569.9m

Annual Growth 19–24

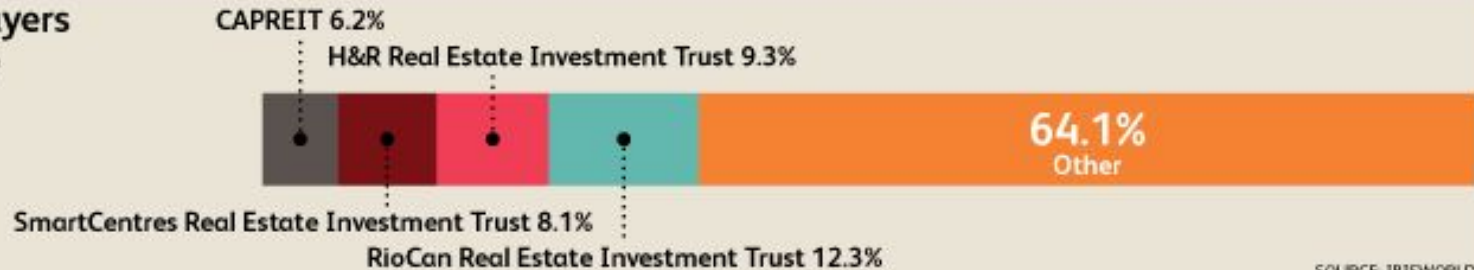
2.6%

Businesses

158

Major Players

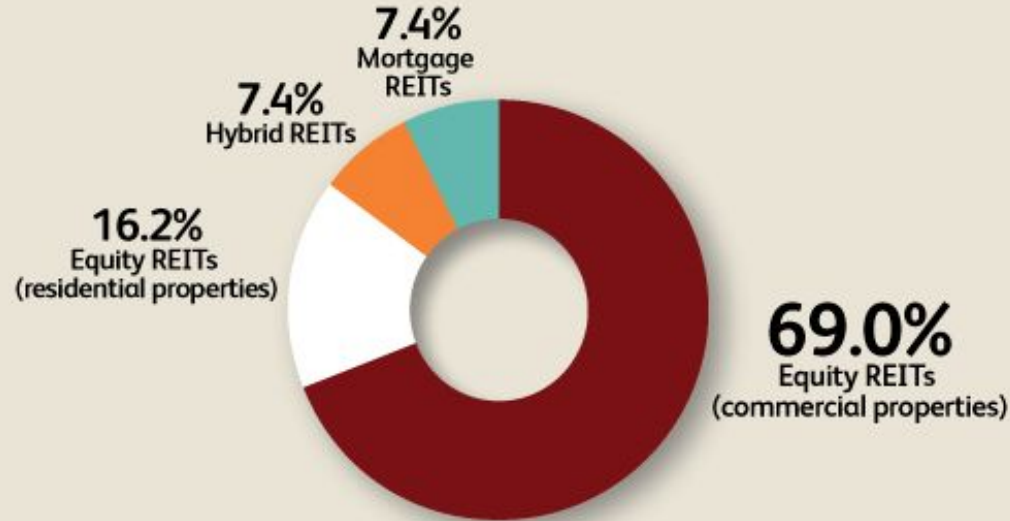
(Market Share)



SOURCE: IBISWORLD

Canada: Product & Service Segmentation

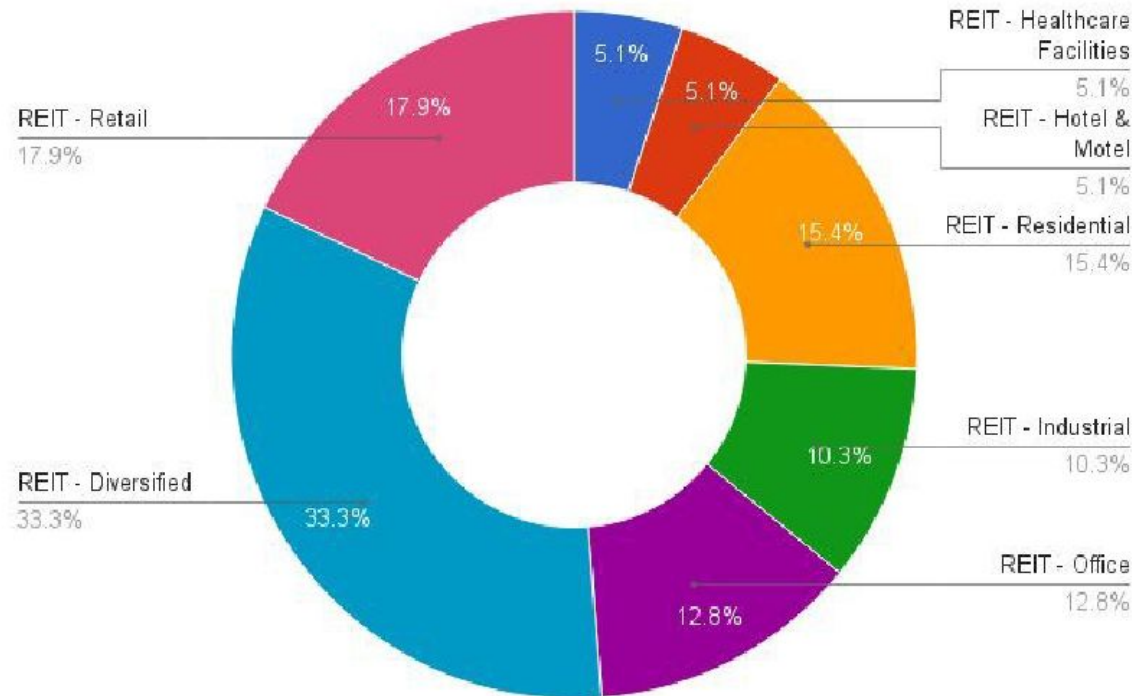
Products and services segmentation (2019)



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
				Per Share	% Change	
Canadian Shopping Centre REITs						
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%	
Average		\$34,655	(Total)		(0.0%)	
Apartment REITs						
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%)	
Average		\$13,120	(Total)		5.9%	
Canadian Diversified Commercial (Office/Industrial/Retail)						
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%	
Average		\$39,308	(Total)		1.2%	
Overall Average – Canada		\$87,083	(Total)		1.6%	

Source: FactSet and CIBC World Markets Inc.

Canadian REITs Dividend Yield

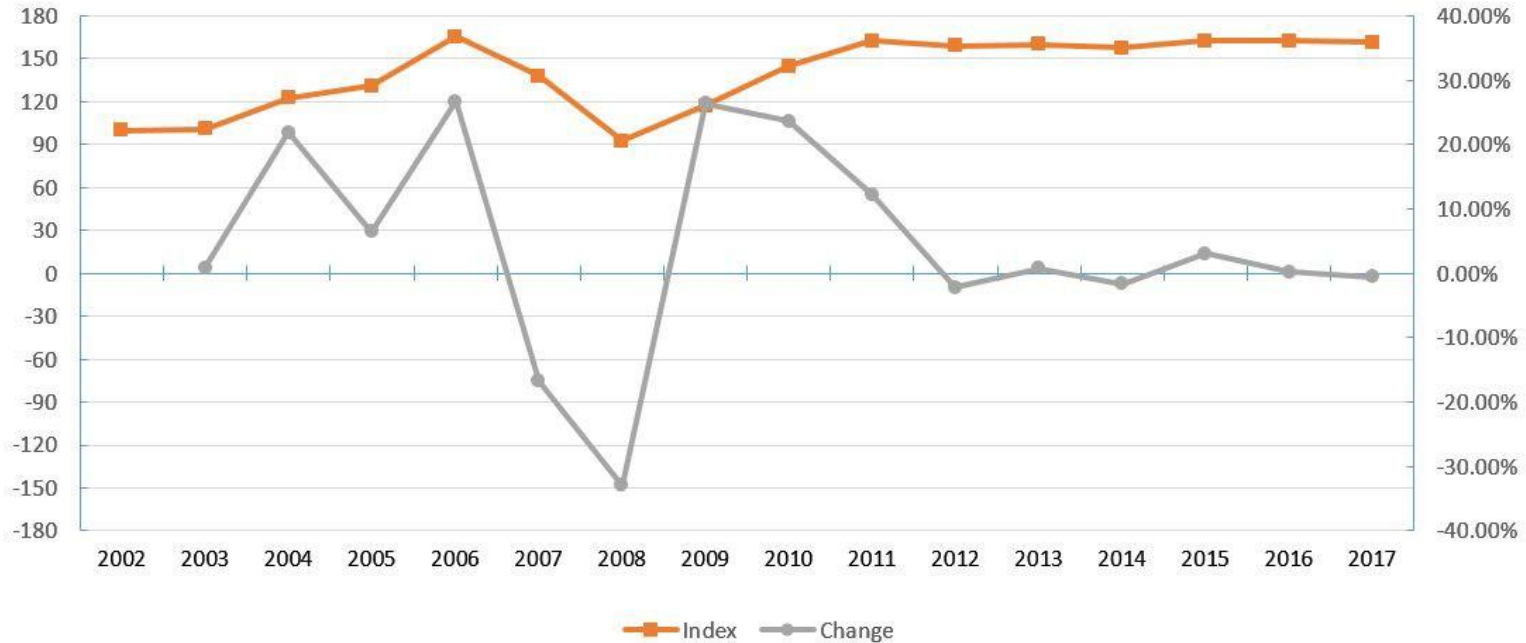
Exhibit 61. Canadian REIT Estimates And Statistics (cont'd.)

	Distributions (\$)			P/FFO ¹			P/AFFO ²			Est. NAV	Est. NAV	Unit Price	Sensitivity
	Current Annualized	Current Yield	% Of 2019E AFFO	2018A	2019E	2020E	2018A	2019E	2020E	Per Unit (\$)	Cap Rate (%)	(Discount)/Premium To Est. NAV (%)	Of NAV To +/-50 bps In Cap Rate (%)
Shopping Centre													
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%
Shopping Centre Average		5.1%	84%	14.6	14.6	14.1	16.7	16.6	16.0		5.67%	(0.4%)	15.6%
Diversified (Office/Retail/Industrial)													
Brookfield Property Partners ⁶	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
Diversified Commercial Sector Average		6.8%	96%	11.4	11.3	10.4	13.8	14.2	12.9		6.39%	(17.4%)	18.2%
Office													
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 ⁵	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
Office Sector Average		5.6%	85%	14.9	14.9	14.1	17.7	17.2	16.6		5.95%	4.1%	15.7%

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



S&P/ TSX Capped REIT Index and Change



How to Evaluate a REIT

Net Income

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


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

Net Asset Value (NAV)

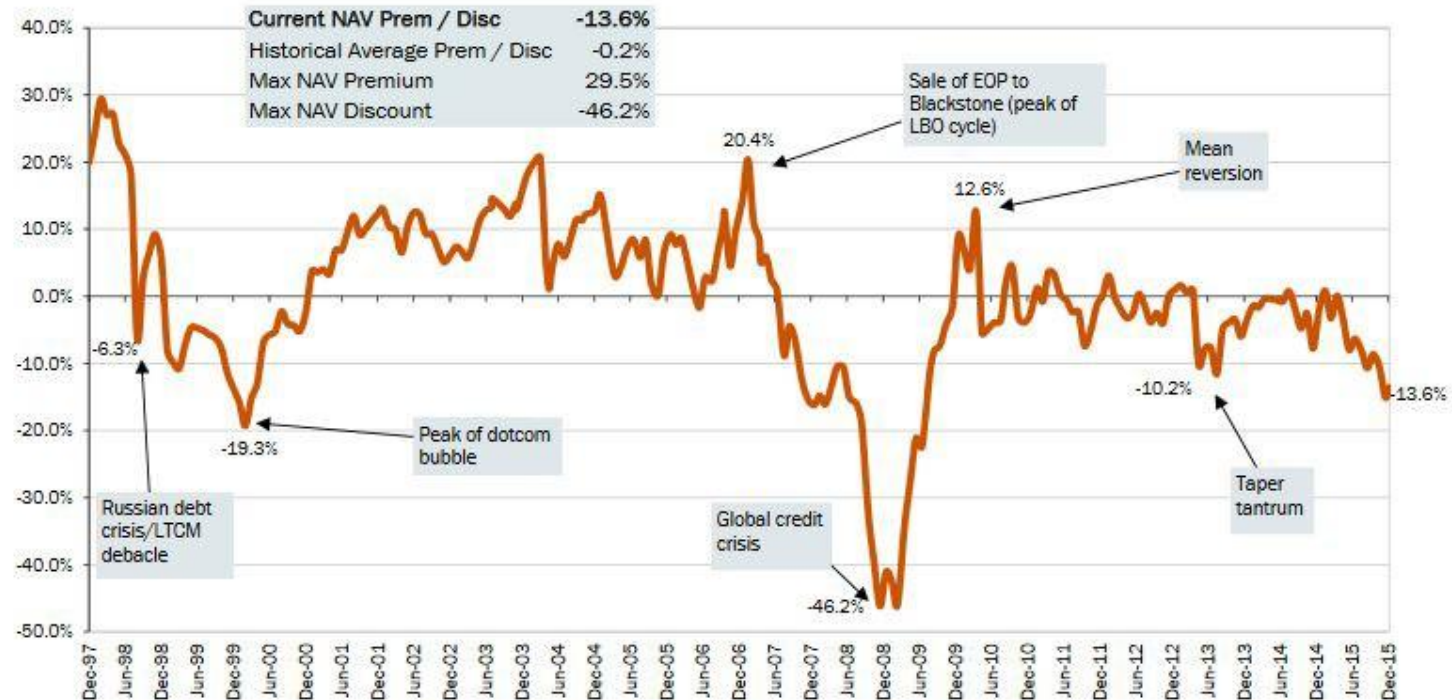
Total Assets

- Intangible Assets
 - Liabilities
-

Net Asset Value

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

Historical Price to NAV to REIT



*Canaccord research coverage is currently suspended for a number of REITs/REOCs. NAV estimates for those REITs/REOCs used in this figure reflect consensus estimates per FactSet.

Source: FactSet, REIT/REOC Reports, Canaccord Genuity Estimates

Funds From Operations (FFO)

Net Income per GAAP

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

= **Funds from Operations**

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

Adjusted Funds From Operations (AFFO)

Funds from Operations

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

= Adjusted Funds from Operations

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

AFFO Payout Ratios

Dividend per unit

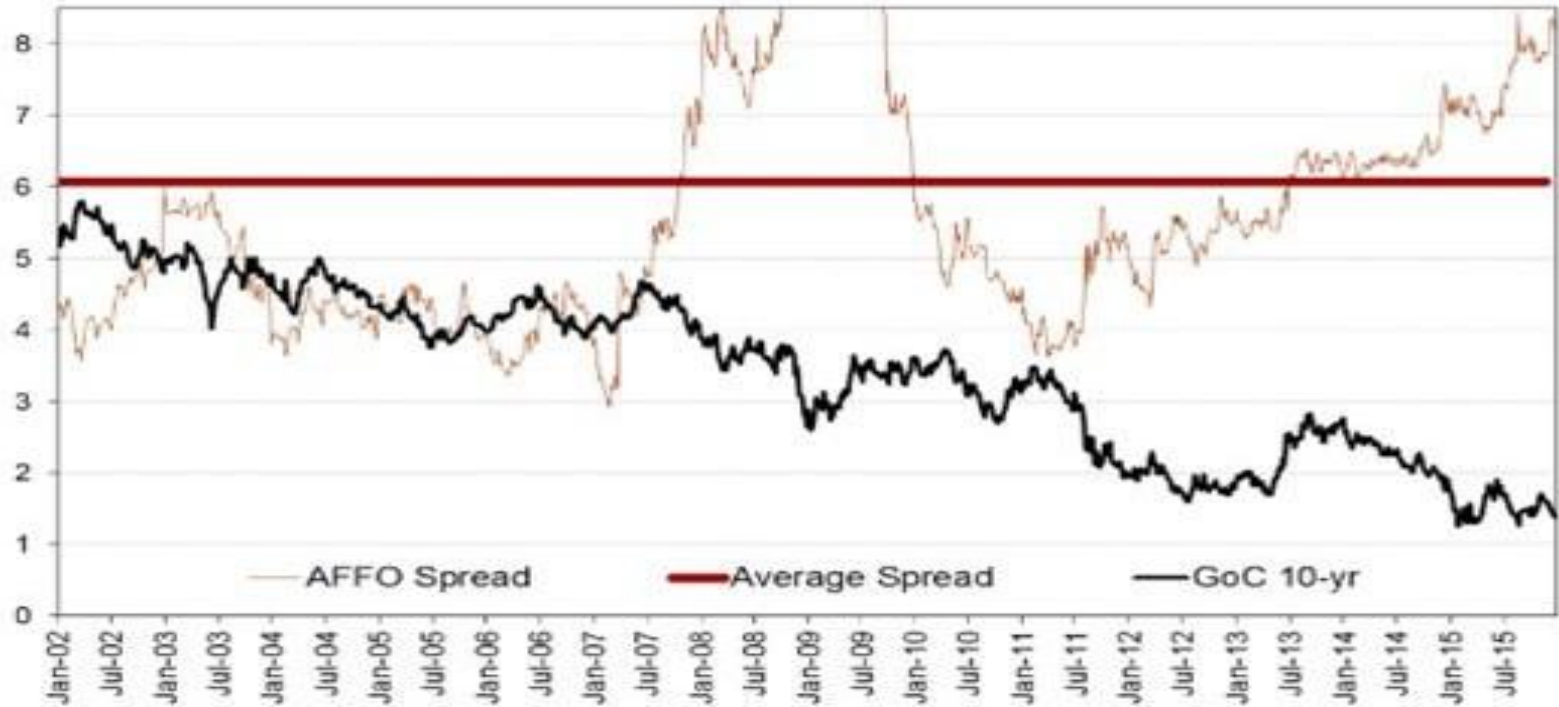
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AFFO per Unit

AFFO Payout Ratio

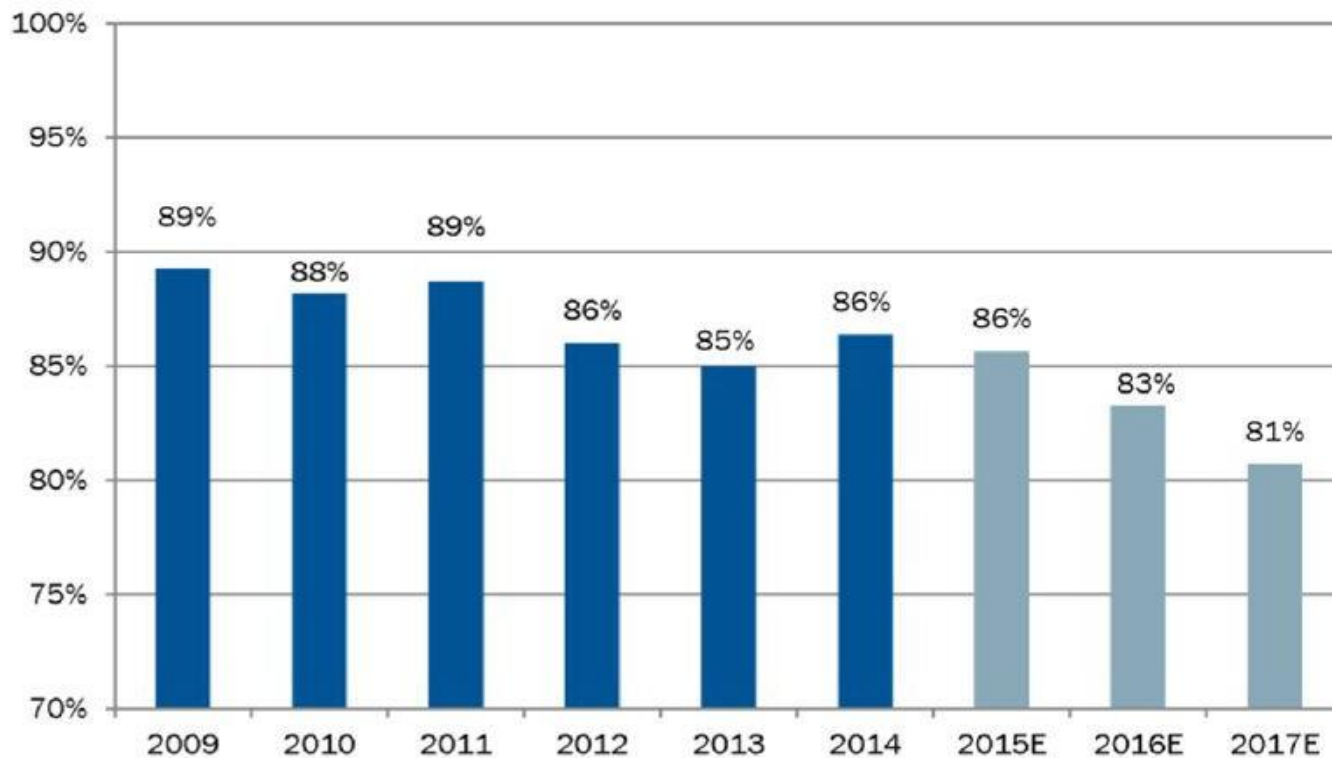
- Amount of money paid to unitholders relative to its earnings
- Lower % means that it is hanging on to its cash

REIT AFFO Yield Spread History



Source: CIBC World Markets Inc.

Weighted Average AFFO Payout Ratio



Funds Available for Distribution (FAD)

$$\begin{aligned} & \text{Funds from Operation} \\ & + \text{Rent Adjustments} \\ & - \text{Capital Improvements} \\ \hline & = \textbf{Funds Available for Distribution} \end{aligned}$$

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

Capitalization Rate (Cap Rate)

Annual Net Operating Income from
~~Property~~

Acquisition Cost of Property

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

RIO CAN

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

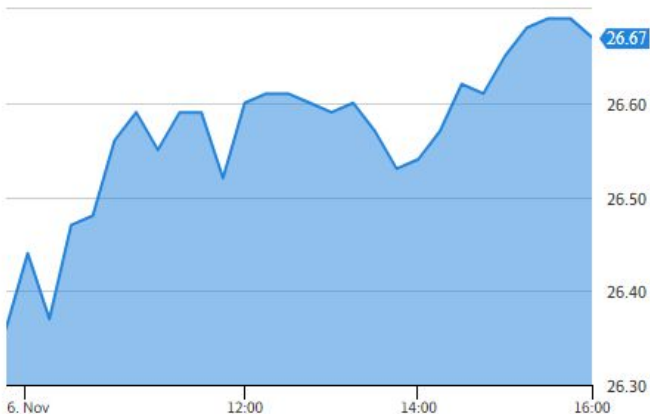
8,254

5-Day Change

+0.37 (+1.41%)

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

[View Chart](#)

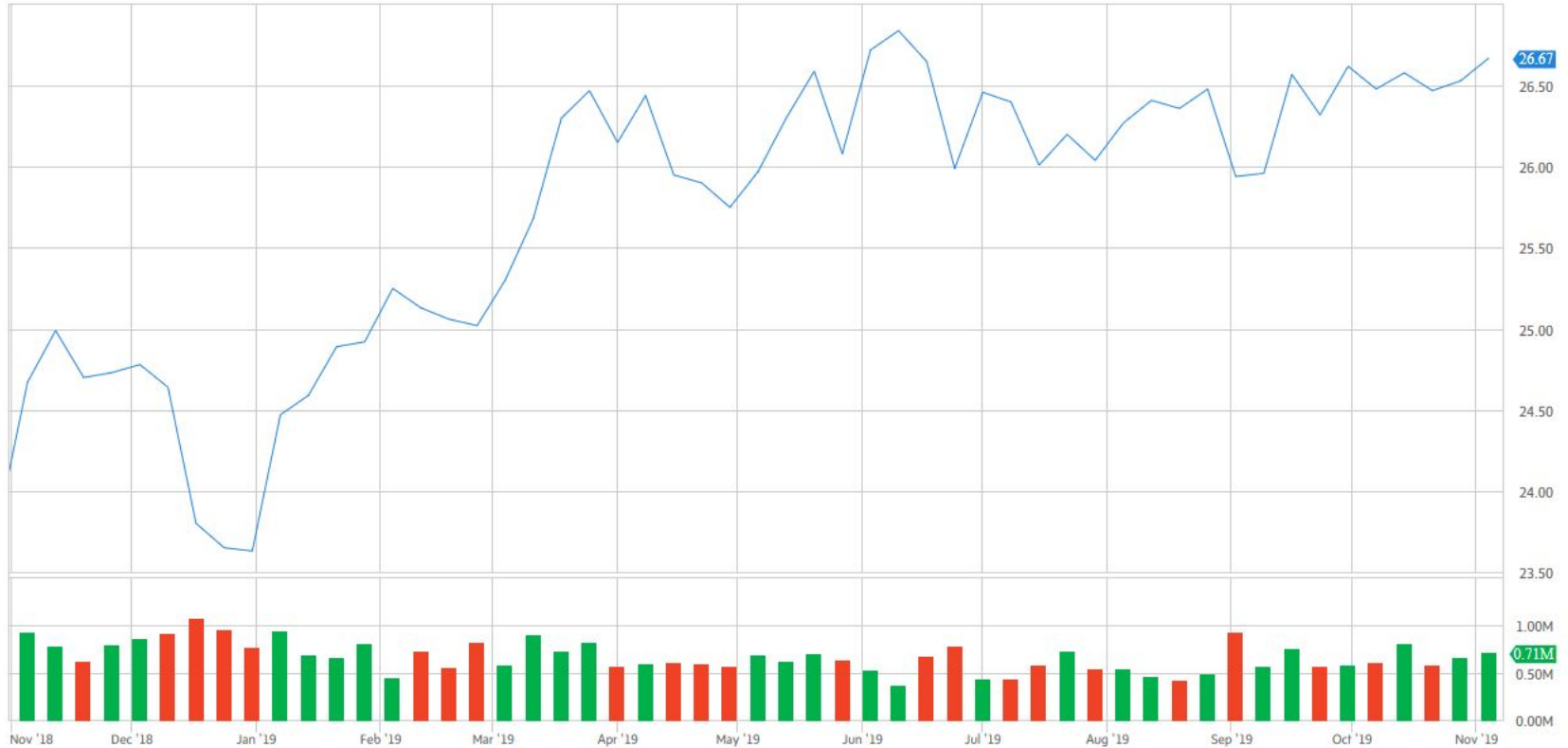


Company Snapshot

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

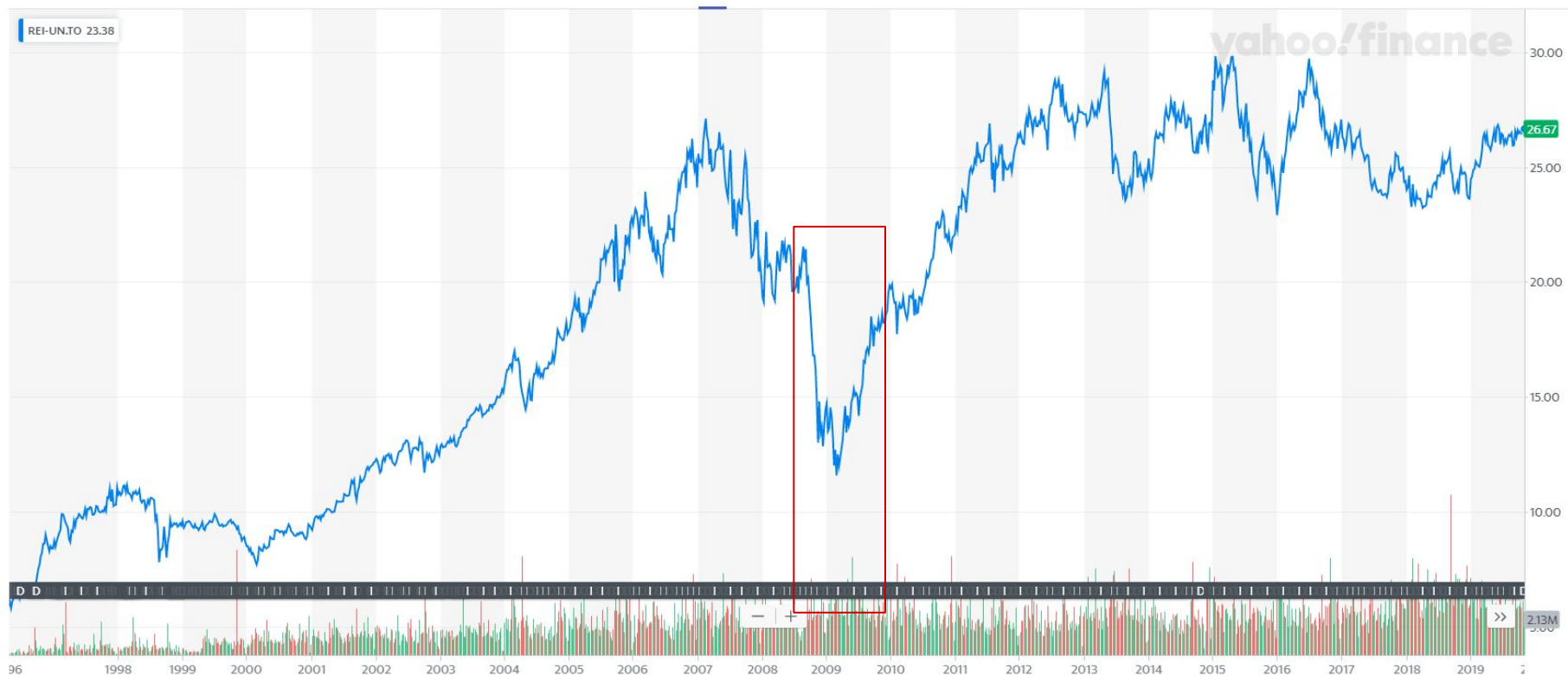
RioCan: Performance (1)



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

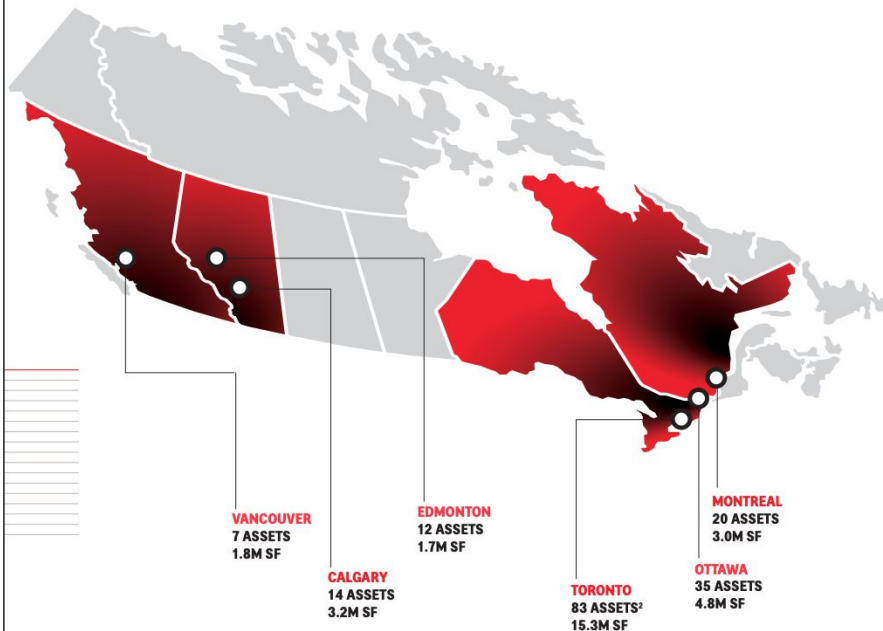
Estimated development yield:

5.7%

Estimated value creation:

\$231M

Strategic Canadian Major Market Positioning



Key Metrics in Canada's Six Major Markets³

171 ASSETS¹
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
Total NLA	35,166	2,792	37,958

(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.

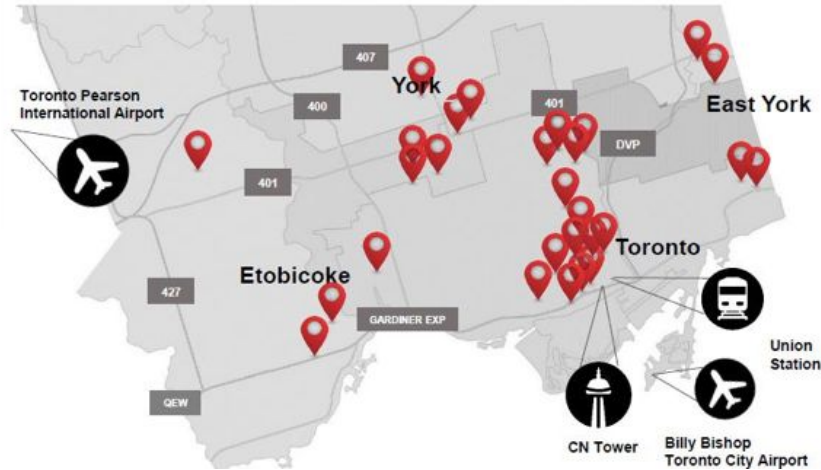
Growth Strategy

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

Strategy (i) : Acceleration of Canadian Major Market Focus

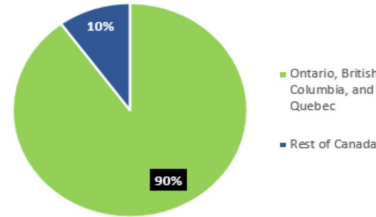
TORONTO CORE Presence

4.7M sf in the Toronto Core

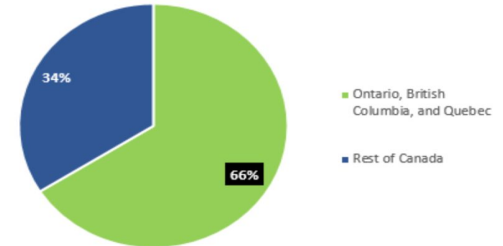


Destination of immigrants across Canada

Economic Immigrant Destinations - 1997



Economic Immigrant Destinations - 2017

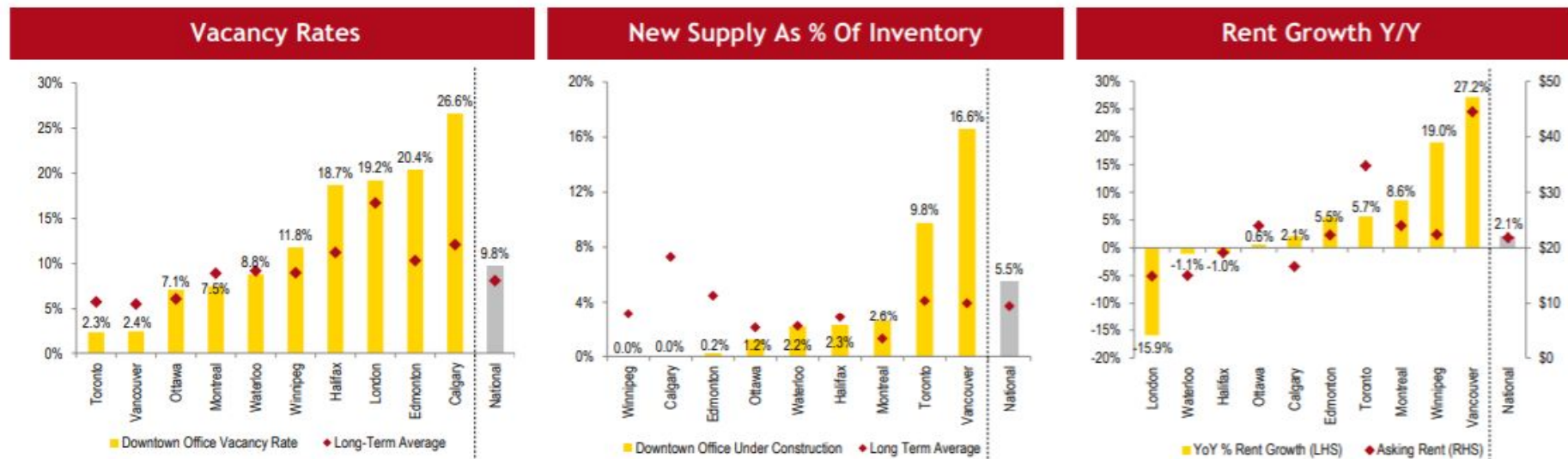


Data from Government of Canada

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		
	NLA at RioCan's Interest (thousands of sq.ft.)	Percentage of annualized rental revenue	Income producing properties	Properties under development (i)	Total
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
Total Six Major Markets	31,271	88.7%	target: 90% 177	14	191
Total Secondary Markets	5,322	11.3%	34	—	34
Total Portfolio	36,593	100.0%	211	14	225

- (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
Q3 2019						
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%
Total Q3 2019 Acquisitions			\$ 438,276	\$ 81,226	521	
Q2 2019						
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%
Total Q2 2019 Acquisitions			\$ 213,932	\$ 67,339	791	
Q1 2019						
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%
Total Q1 2019 Acquisitions			\$ 106,487	\$ 59,313	302	
Total 2019 Acquisitions			\$ 758,695	\$ 207,878	1,614	

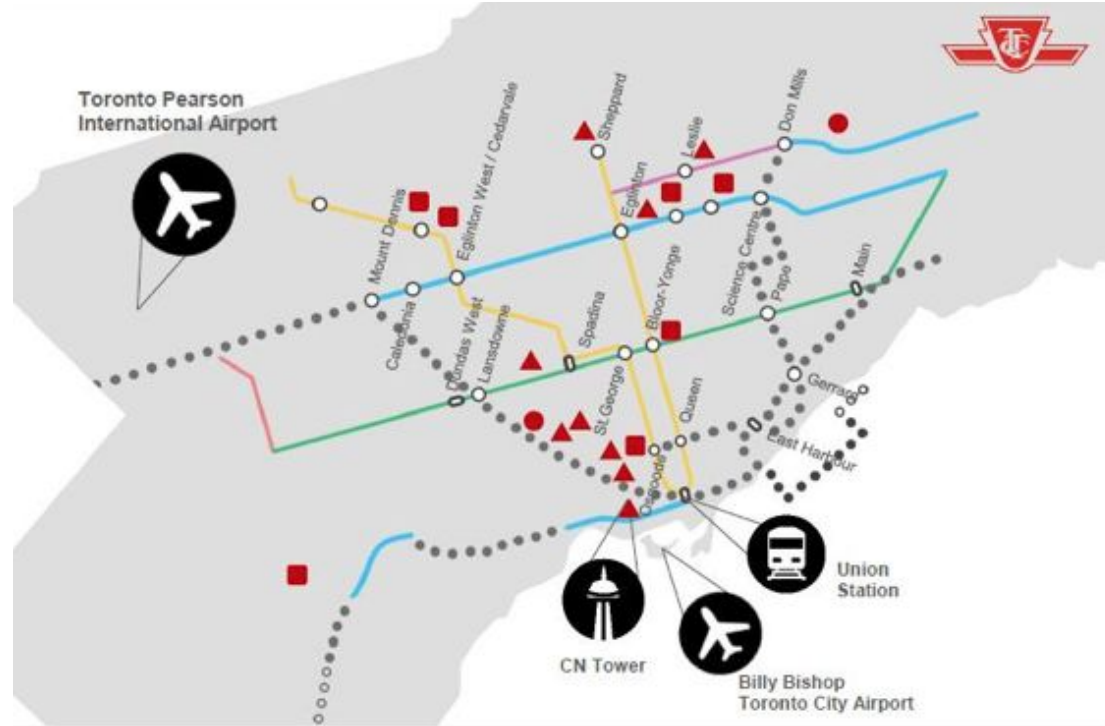
Income Property Dispositions During 2019

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
Q3 2019					
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%
Total Q3 2019		\$ 113,055	\$ —	718	
Q2 2019					
Charlottetown Mall, Charlottetown, PE	7.04%	\$ 23,750	\$ —	178	50.0%
Tanger Outlets Bromont, Montreal, QC	13.47%	4,450	—	81	50.0%
Total Q2 2019		\$ 28,200	\$ —	259	
Q1 2019					
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%
Total Q1 2019		\$ 145,225	\$ —	656	
Total 2019 Dispositions	7.28%	\$ 286,480	\$ —	1,633	

Strategy (iii): Urban Mixed-use Building

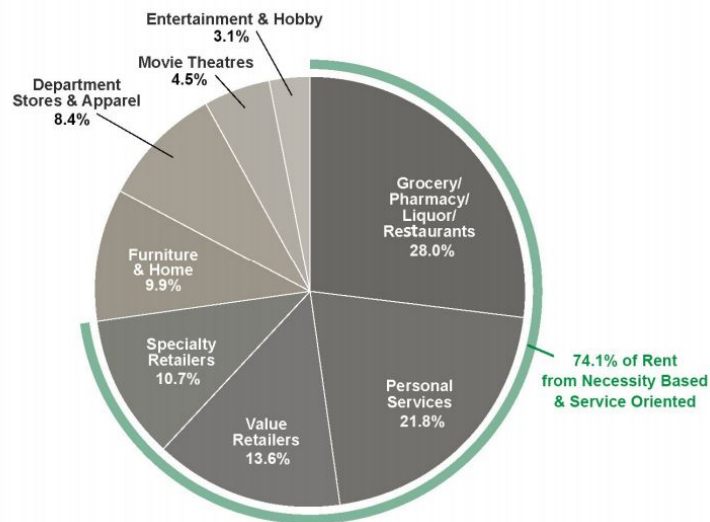


Strategy (iii): Mixed-use Building



Strategy (iv): Driving Organic Growth

High Quality Tenants and Partners



Retailer Category	% of Rent	Key Brands (i)
Grocery/ Pharmacy Liquor/Restaurants	28.0%	Loblaws metro sobeys SHOPPERS DRUG MART Rexall LCBO
Personal Services	21.8%	TD Canada Trust RBC RBC Royal Bank BMO LA FITNESS GoodLife FITNESS
Value Retailers	13.6%	WAL-MART COSTCO DOLLARAMA WINNERS Marshalls
Specialty Retailers	10.7%	SPORTCHEK PETSMART Michaels STAPLES
Furniture and Home	9.9%	LOWE'S THE TRAVEL TRUNK HOMESENSE BED BATH & BEYOND Pier 1 imports JYSK
Department Stores and Apparel	8.4%	HUDSON'S BAY H.M. carter's OSHKOSH Gap OLD NAVY Reitmans
Movie Theatres	4.5%	CINEPLEX LANDMARK THEATRES
Entertainment/ Hobby	3.1%	Indigo BEST BUY SOURCE EB GAMES

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	Loblaws/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 from 2013 to 2017
- ❖ Director (Law)of **Janseen** from 2011 to 2013
- ❖ Director (Legal and Business Affaors) of Biovail from 2009 to 2011
- ❖ Bachelor of Laws from University of Windsor
- ❖ Bachelor of Science in Phychology from University of Toronto

Financials



Balance Sheet

• 2019 Q3

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
Assets			
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
Cash and cash equivalents		107,257	74,698
Total assets		\$ 15,169,329	\$ 14,003,765
Liabilities			
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
Total liabilities		\$ 7,138,325	\$ 6,337,375
Equity			
Unitholders' equity:			
Common	12	8,031,004	7,666,390
Total equity		8,031,004	7,666,390
Total liabilities and equity		\$ 15,169,329	\$ 14,003,765

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

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

(In thousands of Canadian dollars)

As at	Note	December 31, 2018	December 31, 2017
Assets			
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
Total assets		\$ 14,003,765	\$ 14,376,578
Liabilities			
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
Total liabilities		\$ 6,337,375	\$ 6,331,892
Equity			
Unitholders' equity:			
Common	15	7,666,390	8,044,686
Total equity		7,666,390	8,044,686
Total liabilities and equity		\$ 14,003,765	\$ 14,376,578

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

Balance Sheet **•2018 Annual**

Income Statement

• 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
Revenue			
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
Operating costs			
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
Operating income		720,291	737,369
Other income			
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
Other expenses			
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
Income before income taxes		525,922	707,945
Deferred income tax recovery		(1,440)	(320)
Net income from continuing operations		\$ 527,362	\$ 708,265
Net income from discontinued operations	4	741	7,021
Net income		\$ 528,103	\$ 715,286
Net income attributable to:			
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.

RIOCAN REAL ESTATE INVESTMENT TRUST
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(In thousands of Canadian dollars, except per unit amounts)

		Three months ended September 30		Nine months ended September 30	
	Note	2019	2018	2019	2018
Revenue					
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
		353,877	278,908	1,005,594	846,836
Operating costs					
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	—
		161,117	97,658	446,570	306,239
Operating income		192,760	181,250	559,024	540,597
Other income					
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
		49,266	12,206	257,481	26,327
Other expenses					
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
		64,305	64,687	189,603	190,421
Income before income taxes		177,721	128,769	626,902	376,503
Current income tax expense (recovery)		167	—	(426)	—
Deferred income tax expense (recovery)		—	(100)	2,280	(900)
Net income from continuing operations		\$ 177,554	\$ 128,869	\$ 625,048	\$ 377,403
Net income from discontinued operations		—	1,449	—	1,535
Net income		\$ 177,554	\$ 130,318	\$ 625,048	\$ 378,938
Net income attributable to:					
Unitholders		\$ 177,554	\$ 130,318	\$ 625,048	\$ 378,938
		\$ 177,554	\$ 130,318	\$ 625,048	\$ 378,938
Net income per unit:					
Basic	21	\$ 0.58	\$ 0.41	\$ 2.05	\$ 1.19
Diluted	21	\$ 0.58	\$ 0.41	\$ 2.05	\$ 1.19

Income Statement

•2019 Q3

Cash Flow Statement

•2018 Annual

RIOCAN REAL ESTATE INVESTMENT TRUST CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands of Canadian dollars)

Years ended December 31,	Note	2018	2017
Operating activities			
Net income from:			
Continuing operations		\$ 527,362	\$ 708,265
Discontinued operations	4	741	7,021
Net income		528,103	715,286
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)
Cash provided by operating activities		404,005	354,028
Investing activities			
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
Cash provided by investing activities		543,236	85,916
Financing activities			
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)
Cash used in financing activities		(942,768)	(424,085)
Net change in cash and cash equivalents		4,473	15,859
Cash and cash equivalents, beginning of year		70,225	54,366
Cash and cash equivalents, end of year		\$ 74,698	\$ 70,225
Supplemental cash flow information	30		

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

Cash Flow Statement

•2019 Q3

		Three months ended September 30		Nine months ended September 30	
	Note	2019	2018	2019	2018
Operating activities					
Net income from:					
Continuing operations		\$ 177,554	\$ 128,869	\$ 625,048	\$ 377,403
Discontinued operations		—	1,449	—	1,535
Net income		177,554	130,318	625,048	378,938
Items not affecting cash:					
Depreciation and amortization	19	1,105	1,150	3,257	3,431
Amortization of straight-line rent	15	(1,671)	(2,630)	(6,504)	(5,224)
Unit-based compensation expense	12	1,681	1,793	4,778	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	612	(232)	1,163	(132)
Adjustments for changes in other working capital items		100,308	(19,423)	13,898	(90,123)
Cash provided by operating activities		234,580	101,366	398,493	275,680
Investing activities					
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		120,035	286,006	315,059	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	1,486	1,928	13,670	7,334
Advances of mortgages and loans receivable		(36,837)	(1,573)	(41,214)	(40,922)
Repayments of mortgages and loans receivable		29,720	20,091	31,375	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	1,298	33,461	31,697	124,400
Lease payments received from finance lease		536	—	1,468	—
Cash provided by (used in) investing activities		(324,830)	219,904	(508,838)	420,259
Financing activities					
Proceeds from mortgage financing, net of issue costs		182,000	136,500	452,000	255,860
Repayments of mortgage principal		(168,508)	(151,033)	(406,826)	(373,301)
Advances from bank credit lines, net of issue costs		22,917	45,099	879,401	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	497,595	—	497,595	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	17,859	1,524
Repayment of finance lease liabilities		(463)	—	(1,468)	—
Cash provided by (used in) financing activities		144,335	(245,687)	142,904	(632,173)
Net change in cash and cash equivalents		54,085	75,583	32,559	63,766
Cash and cash equivalents, beginning of period		53,172	58,408	74,698	70,225
Cash and cash equivalents, end of period		\$ 107,257	\$ 133,991	\$ 107,257	\$ 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

Per unit basis (diluted)

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

Key Ratios

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	
<i>(thousands of dollars, except per unit amounts)</i>	2018	2017	2018	2017
Net income from continuing operations attributable to unitholders	\$ 149,959	\$ 209,735	\$ 527,362	\$ 708,265
<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)
FFO from continuing operations	\$ 138,467	\$ 144,132	\$ 578,139	\$ 582,640
Net income from discontinued operations attributable to unitholders	\$ (794)	\$ (62)	\$ 741	\$ 7,021
<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)
FFO from discontinued operations	\$ (35)	\$ 86	\$ 2,084	\$ 1,957
FFO	\$ 138,432	\$ 144,218	\$ 580,223	\$ 584,597
FFO per unit - basic	\$ 0.45	\$ 0.44	\$ 1.85	\$ 1.79
FFO per unit - diluted	\$ 0.45	\$ 0.44	\$ 1.85	\$ 1.79
Weighted average number of units - basic (in thousands)	306,225	326,040	313,936	326,805
Weighted average number of units - diluted (in thousands)	306,295	326,155	314,024	326,929
FFO payout ratio (iv)			77.9%	78.8%

Funds From Operations

•2019 Q3

	Three months ended September 30		Nine months ended September 30	
<i>(thousands of dollars, except per unit amounts)</i>	2019	2018	2019	2018
Net income from continuing operations attributable to unitholders	\$ 177,554	\$ 128,869	\$ 625,048	\$ 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)	—
FFO from continuing operations	\$ 142,816	\$ 145,990	\$ 429,743	\$ 439,672
Net income from discontinued operations attributable to unitholders	\$ —	\$ 1,449	\$ —	\$ 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
FFO from discontinued operations	\$ —	\$ 1,304	\$ —	\$ 2,119
FFO	\$ 142,816	\$ 147,294	\$ 429,743	\$ 441,791
FFO per unit - basic	\$ 0.47	\$ 0.47	\$ 1.41	\$ 1.40
FFO per unit - diluted	\$ 0.47	\$ 0.47	\$ 1.41	\$ 1.40
Weighted average number of units - basic (in thousands)	306,196	311,575	305,233	316,534
Weighted average number of units - diluted (in thousands)	306,280	311,687	305,317	316,629
FFO payout ratio (v)			77.4%	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:

<i>(thousands of dollars)</i>	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)
ACFO (iv)	\$ 135,089	\$ 186,262	\$ 527,347	\$ 588,462

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:

<i>(thousands of dollars)</i>	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	—
ACFO	\$ 144,864	\$ 127,988	\$ 391,786	\$ 392,258

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)

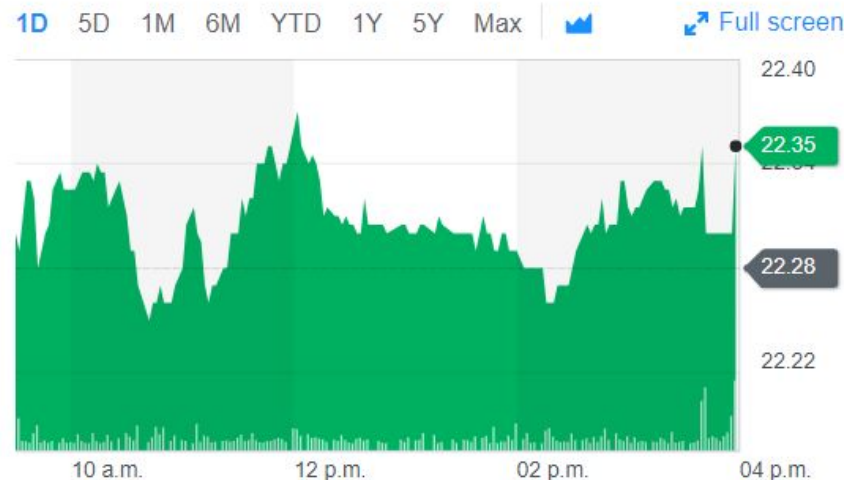
H&R Real Estate Investment Trust (HR-UN.TO)

Toronto - Toronto Delayed Price. Currency in CAD

22.35 +0.07 (+0.31%)

At close: November 1 4:00PM EDT

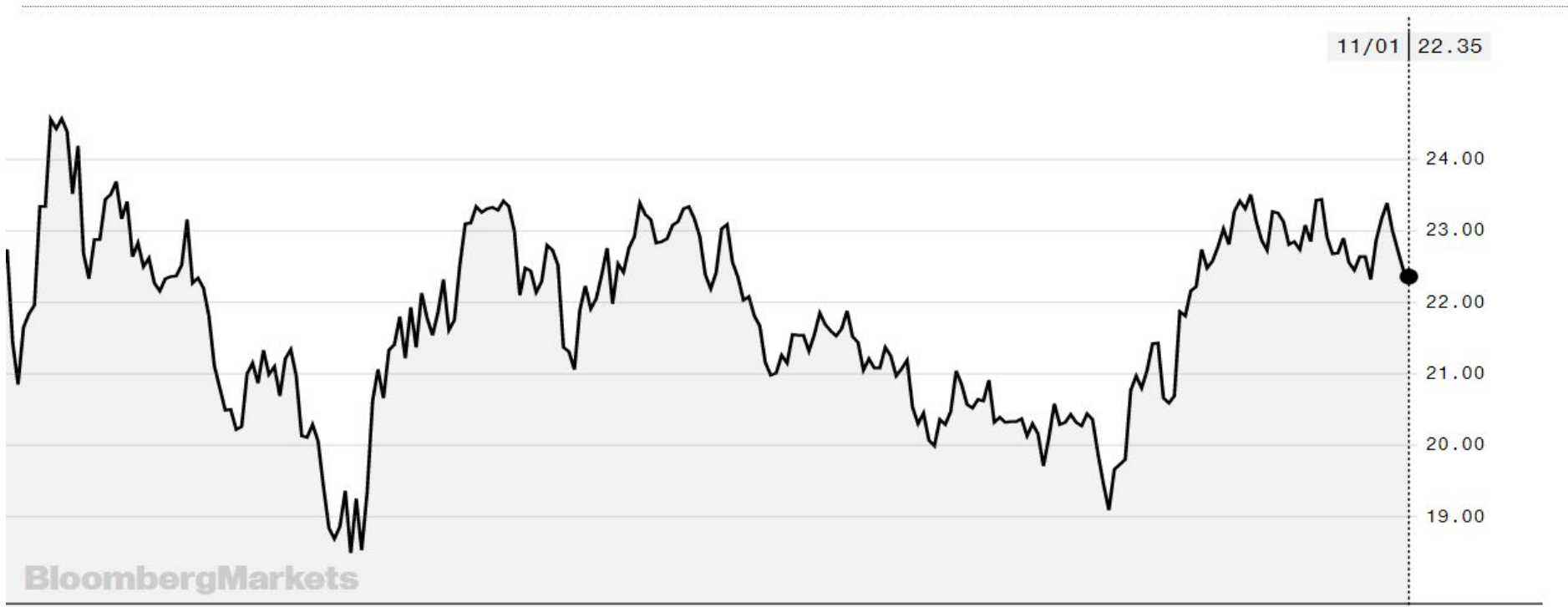
Previous Close	22.28	Market Cap	6.393B
Open	22.30	Beta (3Y Monthly)	0.41
Bid	22.32 x N/A	PE Ratio (TTM)	23.28
Ask	22.35 x N/A	EPS (TTM)	0.96
Day's Range	22.25 - 22.38	Earnings Date	N/A
52 Week Range	22.22 - 23.63	Forward Dividend & Yield	1.38 (6.19%)
Volume	283,743	Ex-Dividend Date	2019-11-14
Avg. Volume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



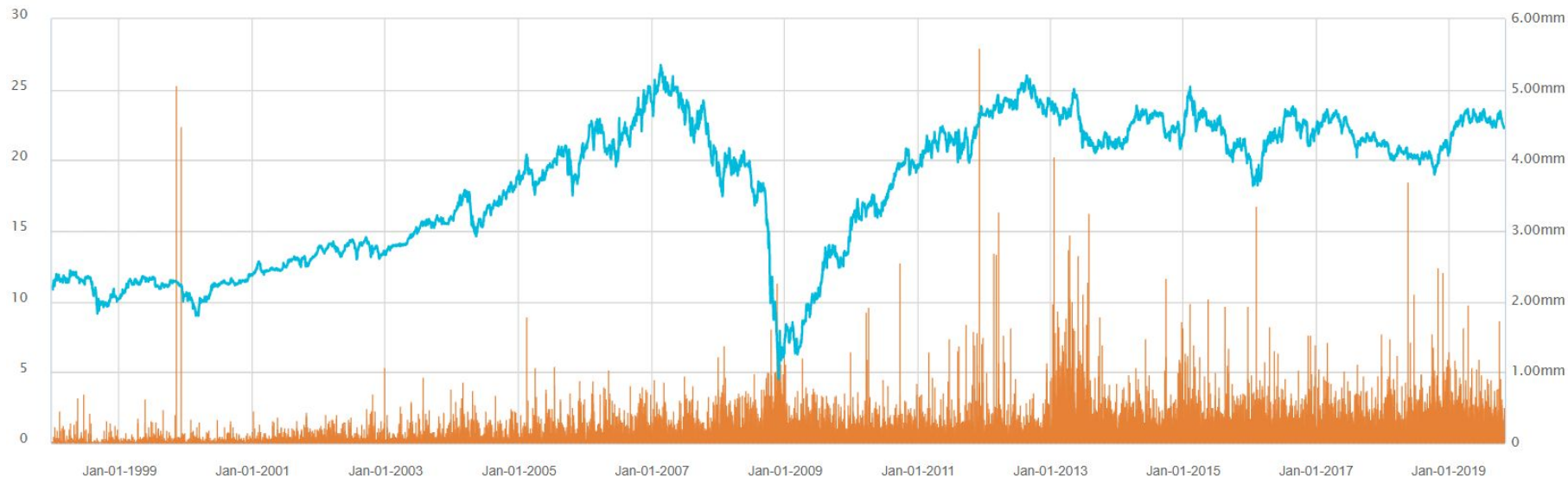
1 Year Chart



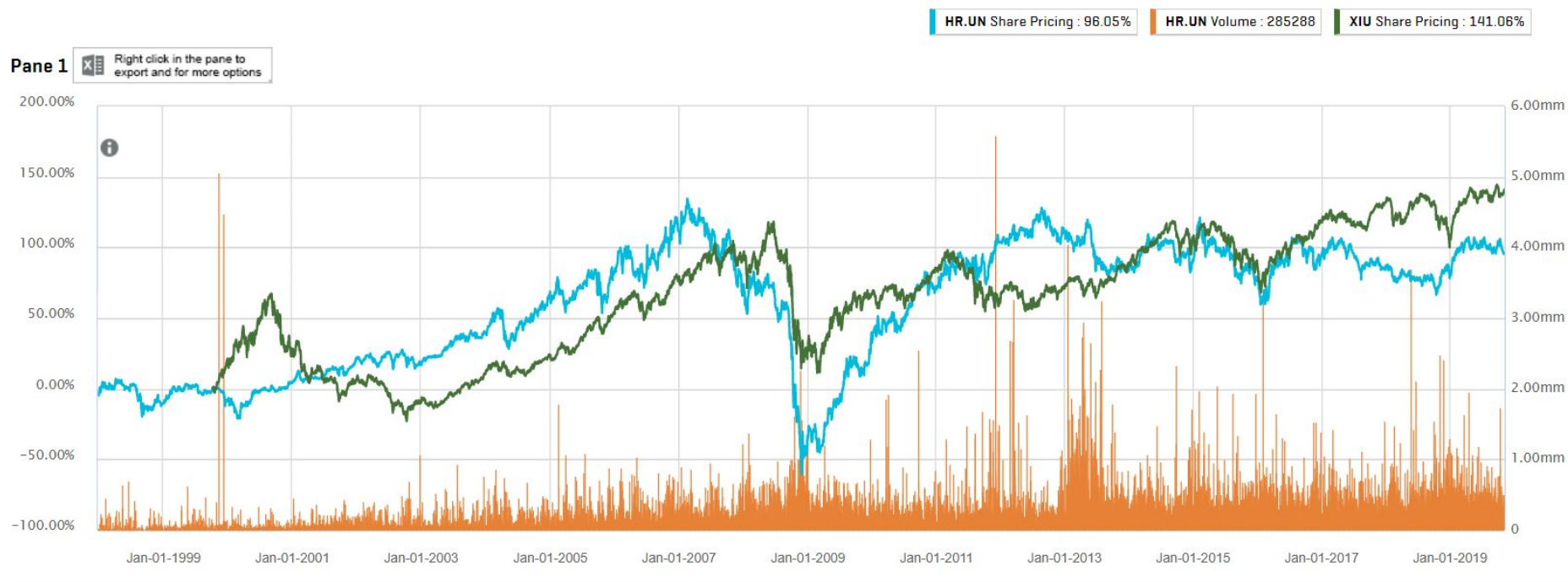
5 Years Chart



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 ⁽¹⁾
	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.



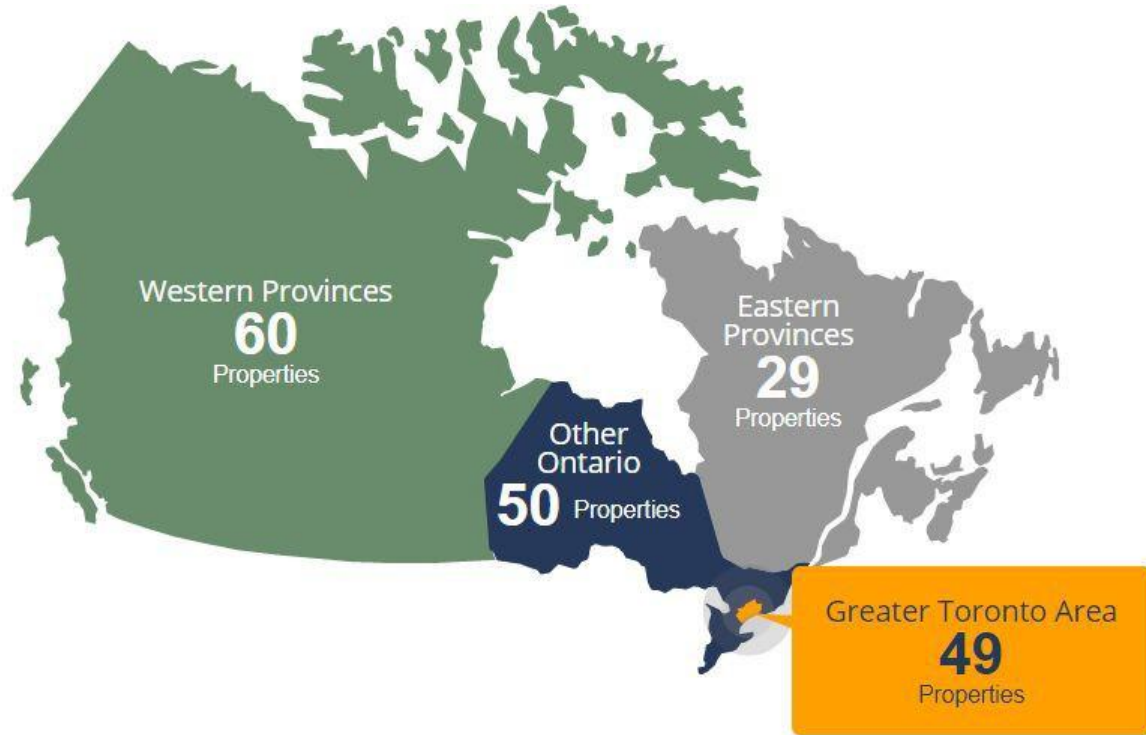
Sleep Country | GTA



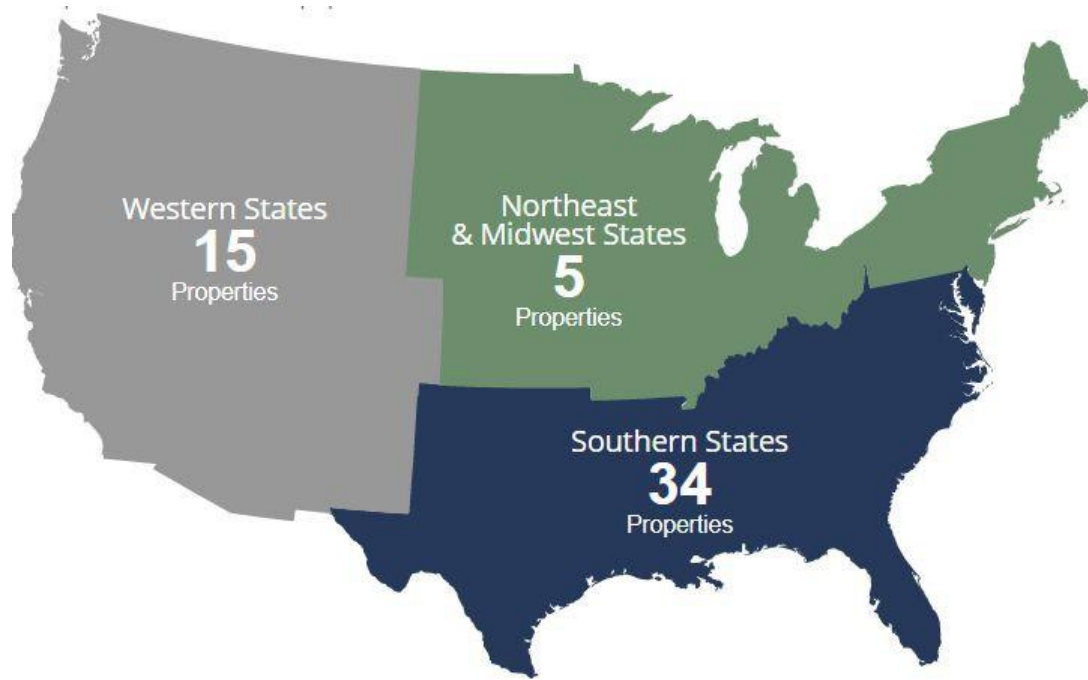
Canadian Tire | GTA

(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 ⁽²⁾	Number of locations	H&R owned sq.ft. (in 000's)	Average lease term to maturity (years) ⁽³⁾	Credit Ratings (S&P)
Encana Corporation ⁽⁴⁾	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 ⁽⁵⁾	2.7	20	2,620	6.9	BBB+ Stable
TC Energy Corporation	1.9	1	466	11.8	BBB+ Stable
Lowe's Companies, Inc. ⁽⁶⁾	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 ⁽⁷⁾	1.0	20	287	9.1	BBB Stable
Royal Bank of Canada	0.9	5	247	5.9	AA- Stable
	47.2%	326	14,762	12.4	

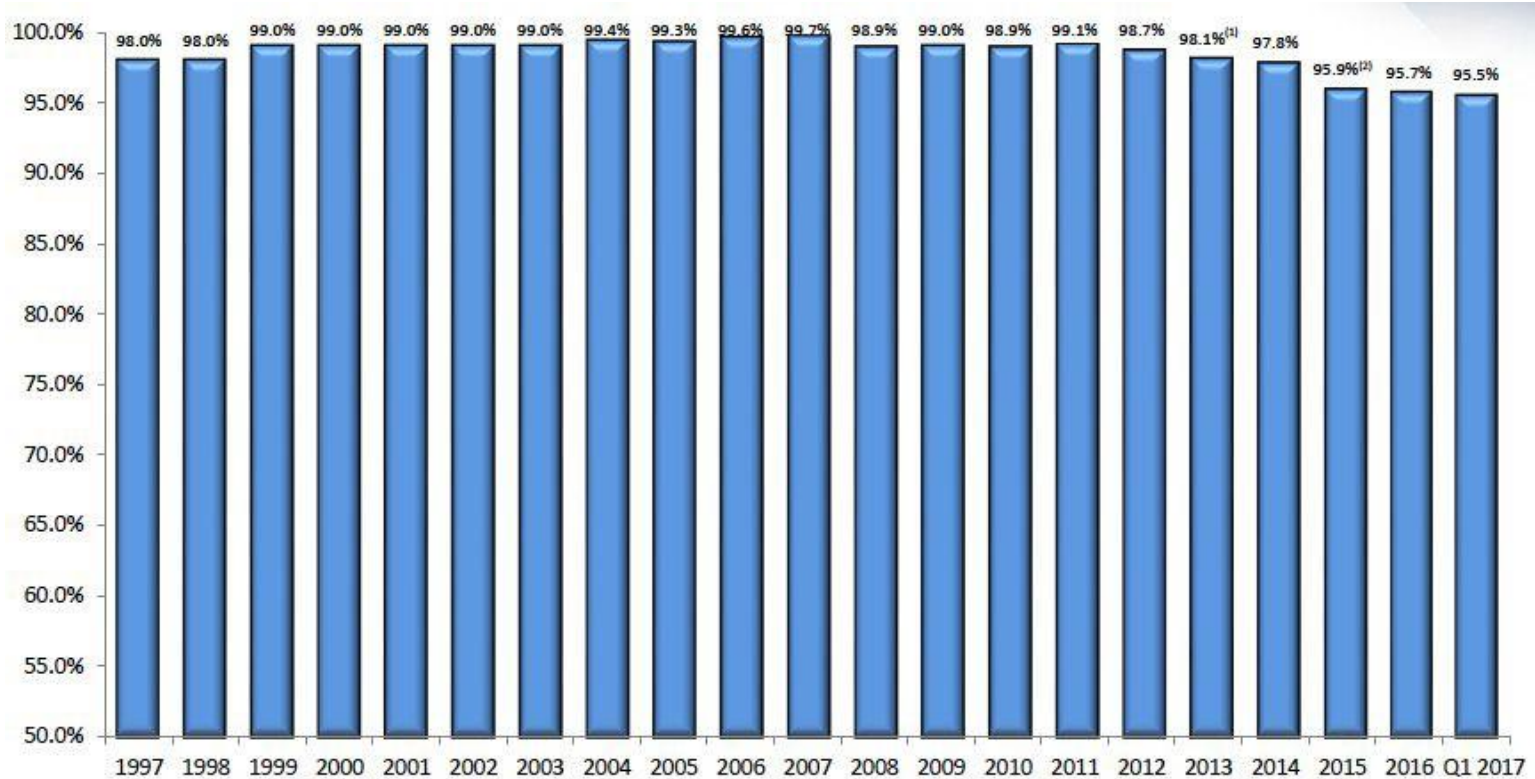
OTHER STRONG TENANTS



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

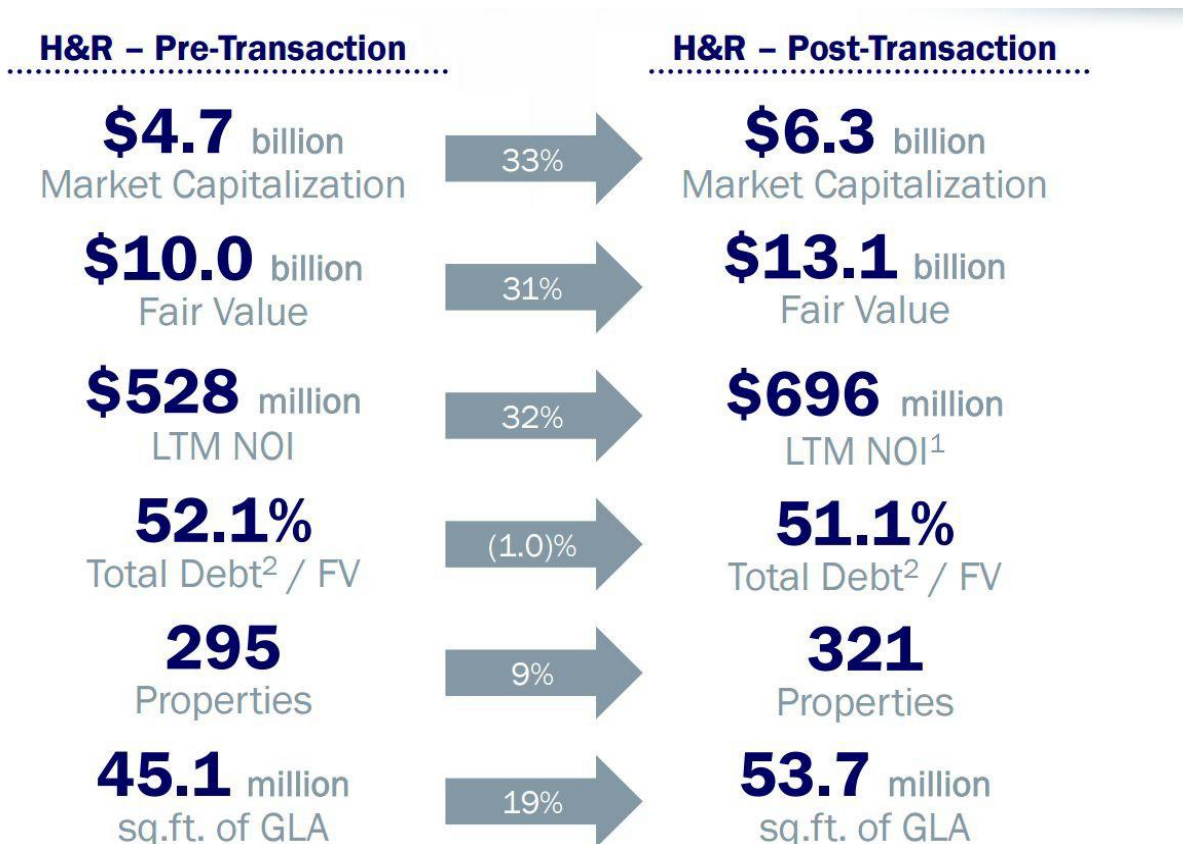


Fully diversified commercial portfolio emulating the real estate investment model adopted by Canadian pension funds

ENRICHED REIT DISTRIBUTION (2013)



H&R Post *Primaris* Acquisition



Primaris Portfolio Summary 1

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

Primaris Portfolio Summary 2

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

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

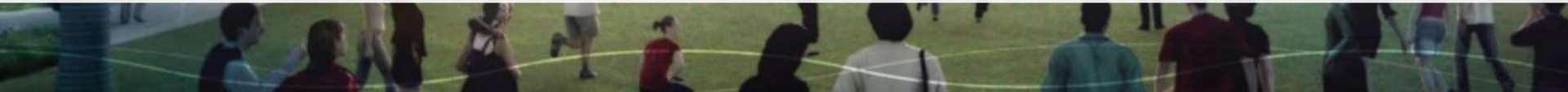
			At H&R Ownership Interest				
			Total		Costs	Expected	Expected
Development Name	Ownership Interest	Number of Acres	Development Budget	Properties Under Development	Remaining to Complete	Yield on Cost	Completion Date
Current Developments:							
River Landing, Miami, FL ⁽¹⁾	100.0%	8.1	\$424,815	\$276,942	\$147,873	5.7%	Q2 2020
Shoreline, Long Beach, CA ⁽²⁾	30.9%	0.9	70,096	15,405	54,691	6.2%	Q2 2021
Hercules Project (Phase 1), Hercules, CA ⁽³⁾	31.7%	2.2	26,041	13,575	12,466	6.5%	Q2 2020
Hercules Project (Phase 2), Hercules, CA ⁽³⁾	31.7%	2.8	31,186	4,741	26,445	6.6%	Q1 2021
The Pearl, Austin, TX ⁽⁴⁾	33.3%	5.0	23,201	9,074	14,127	6.2%	Q3 2020
Esterra Park, Seattle, WA ⁽⁵⁾	33.3%	1.1	31,859	9,733	22,126	6.0%	Q1 2021
Total			\$607,198	\$329,470	\$277,728		
Future Developments:							
Sunrise, Orlando, FL ⁽⁶⁾⁽⁷⁾	100.0%	24.0	57,854	-	57,854	6.1%	Q2 2021
Prosper, Dallas, TX ⁽⁷⁾	100.0%	20.3		15,120			
2214 Bryan St., Dallas, TX ⁽⁸⁾	100.0%	3.3		23,616			
Hercules Project (Remaining Phases), Hercules, CA ⁽³⁾⁽⁸⁾	31.7%	33.4		10,440			
Total per the REIT's Proportionate Share (excluding ECHO)		101.1	\$665,052	\$378,646	\$335,582		

- 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

AS VIBRANT BY NIGHT AS BY DAY



- 
- 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

	December 31, 2018	December 31, 2017	December 31, 2016
(in thousands of Canadian dollars except per Unit amounts)			
Total assets	\$14,691,009	\$14,558,863	\$14,155,012
Debt to total assets per the REIT's Financial Statements ⁽¹⁾	44.6%	44.6%	44.3%
Debt to total assets at the REIT's proportionate share ⁽¹⁾⁽²⁾	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 ⁽²⁾⁽³⁾	\$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 ⁽²⁾	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 ⁽²⁾	37,203	36,330	2.4%	150,158	149,106	0.7%
Same-Asset property operating income (cash basis) total in Canadian dollars ⁽²⁾	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 ⁽²⁾	130,470	137,447	(5.1%)	525,696	560,090	(6.1%)
Weighted average number of basic Units for FFO ⁽²⁾	301,200	306,629	(1.8%)	302,605	304,462	(0.6%)
FFO per basic Unit ⁽²⁾	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 ⁽²⁾	79.7%	77.0%	2.7%	79.4%	75.0%	4.4%
Interest coverage ratio ⁽²⁾	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	December 31
	Note	2019	2018
		(Unaudited)	
Assets			
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
Liabilities and Unitholders' Equity			
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

		December 31	December 31
	Note	2018	2017
Assets			
Real estate assets:			
Investment properties	3	\$ 12,683,709	\$ 13,074,123
Properties under development	3	404,814	83,132
		13,088,523	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
		\$ 14,691,009	\$ 14,558,863
Liabilities and Unitholders' Equity			
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
		7,490,909	7,379,100
Unitholders' equity		7,200,100	7,179,763
Commitments and contingencies	23		
Subsequent events	25		
		\$ 14,691,009	\$ 14,558,863

FY 2018 Income Statement

	Note	2018	2017
Property operating income:			
Rentals from investment properties	14	\$ 1,176,558	\$ 1,168,454
Property operating costs		(442,626)	(427,013)
		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)
Gain (loss) on foreign exchange		6,886	(17,903)
Net income before income taxes		378,135	629,631
Income tax recovery (expense)	21	(40,217)	38,239
Net income		337,918	667,870
Other comprehensive income (loss):			
Items that are or may be reclassified subsequently to net income	13	194,876	(131,272)
Total comprehensive income attributable to unitholders		\$ 532,794	\$ 536,598

Q2 2019: Income Statement

		Three months ended June 30		Six months ended June 30	
	Note	2019	2018	2019	2018
Property operating income:					
Rentals from investment properties	14	\$ 286,972	\$ 294,302	\$ 585,658	\$ 592,919
Property operating costs		(99,838)	(93,246)	(244,702)	(237,371)
		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)
Gain on foreign exchange		-	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
Other comprehensive income (loss):					
Items that are or may be reclassified subsequently to net income	13	(41,770)	36,135	(101,565)	89,985
Total comprehensive income attributable to unitholders		\$ 67,813	\$ 144,329	\$ 6,021	\$ 261,279

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
Investing:			
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)
		175,186	(625,635)

FY 2018 Cash from Financing & Changes

	Note	2018	2017
Financing:			
Unsecured term loans	8(c)	250,000	-
Lines of credit	8(d)	(196,323)	69,704
Mortgages payable:			
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)
Cash and cash equivalents, beginning of year	7	42,284	48,021
Cash and cash equivalents, end of year	7	\$ 53,073	\$ 42,284

Q2 2019: Cash from Operations

		Six months ended June 30	
	<i>Note</i>	2019	2018
Cash provided by (used in):			
Operations:			
Net income		\$ 107,586	\$ 171,294
Finance cost - operations	15	131,173	137,015
Interest paid		(139,198)	(133,957)
Items not affecting cash:			
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)
Change in other non-cash operating items	16	(14,334)	(42,796)
		205,397	194,815

2019 Q2: Cash from Investing

		Six months ended June 30	
	<i>Note</i>	2019	2018
Investing:			
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	
	<i>Note</i>	2019	2018
Financing:			
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

	Three Months Ended December 31		Year ended December 31	
(in thousands of Canadian dollars except per Unit amounts)	2018	2017	2018	2017
Net income per the REIT's Financial Statements	\$61,115	\$325,213	\$337,918	\$667,870
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 ⁽¹⁾	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
FFO	\$130,470	\$137,447	\$525,696	\$560,090

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)
AFFO	\$94,985	\$107,131	\$425,442	\$464,241

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) ⁽²⁾	301,200	306,629	302,605	304,462
Diluted weighted average number of Units (in thousands of Units) for the calculation of FFO ⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾⁽⁶⁾	301,881	311,836	304,131	312,433
Diluted weighted average number of Units (in thousands of Units) for the calculation of AFFO ⁽²⁾⁽³⁾⁽⁴⁾⁽⁶⁾	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

	Three Months Ended June 30		Six Months ended June 30	
(in thousands of Canadian dollars except per Unit amounts)	2019	2018	2019	2018
Net income per the REIT's Financial Statements	\$109,583	\$108,194	\$107,586	\$171,294
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
FFO	\$128,164	\$131,929	\$265,144	\$267,631

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)
AFFO	\$88,900	\$102,856	\$205,586	\$221,074

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) ⁽¹⁾	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 ⁽¹⁾⁽²⁾⁽³⁾	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
Payout ratio per Unit as a % of FFO	81.2%	79.1%	78.4%	78.4%

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

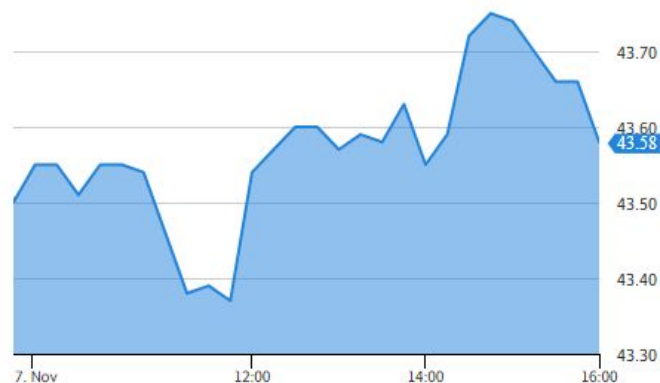
Forward Annual Dividend & Yield 1.00 (2.30%)

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
----------------------------	---------

Shares Outstanding, M	51 M
-----------------------	------

36-Month Beta	0.24
---------------	------

Earnings Per Share (TTM)	2.09
--------------------------	------

Revenue Growth YoY	2.11%
--------------------	-------

Profit Margin	N/A
---------------	-----

5-Year Avg. Revenue Growth	-0.83%
----------------------------	--------

5-Year Avg. Profit Growth	-10.57%
---------------------------	---------

1-Year Total Return	-11.22%
---------------------	---------

3-Year Total Return	-0.41%
---------------------	--------

5-Year Total Return	-38.61%
---------------------	---------

Price/Earnings (TTM)	20.81
----------------------	-------

Price/Earnings (Forward)	16.29
--------------------------	-------

Trailing Annual Dividend & Yield	1.00 (2.30%)
----------------------------------	--------------

Forward Annual Dividend & Yield	1.00 (2.30%)
---------------------------------	--------------

Most Recent Dividend	0.083
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Ex-Div Date	10/30/19
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Most Recent Split	1-2 (11/27/97)
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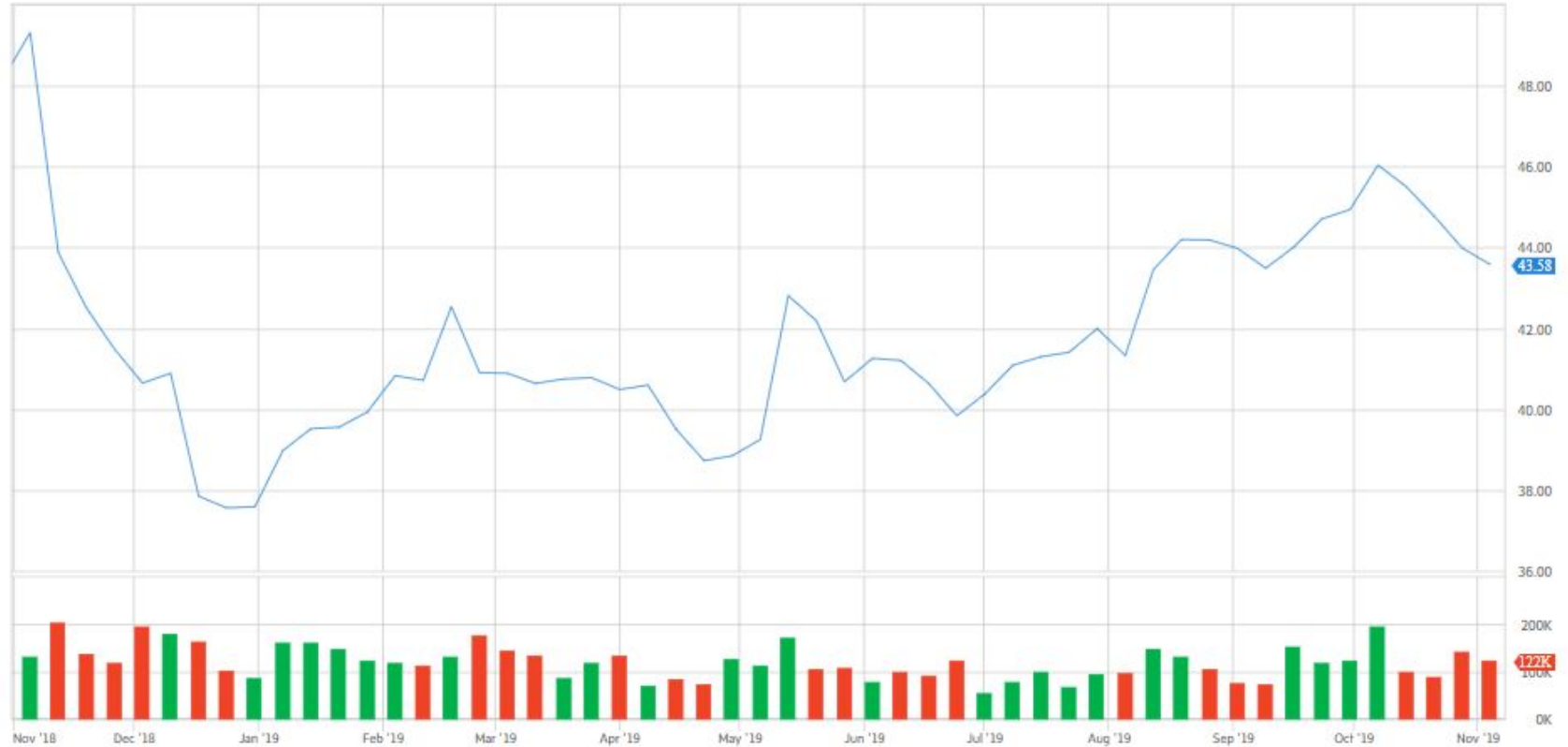
Return on Common Equity	6.33%
-------------------------	-------

Return-on-Assets (Before Tax)	4.50%
-------------------------------	-------

Debt-to-Equity Ratio	0.87
----------------------	------

Price/Book	0.70
------------	------

1 Year Performance



5 Year Performance



20 Year Performance



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

ALGUS: 4.00PM EST

⊕ Indicators ⊕ Comparison ⚡ Events **P** | 📅 Date Range 1D 5D 1M 3M 6M YTD 1Y 2Y 5Y **Max** | 📊 Interval 1W ▾ 📈 Line ▾ 📏 Draw



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 Kolas 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



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

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



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:

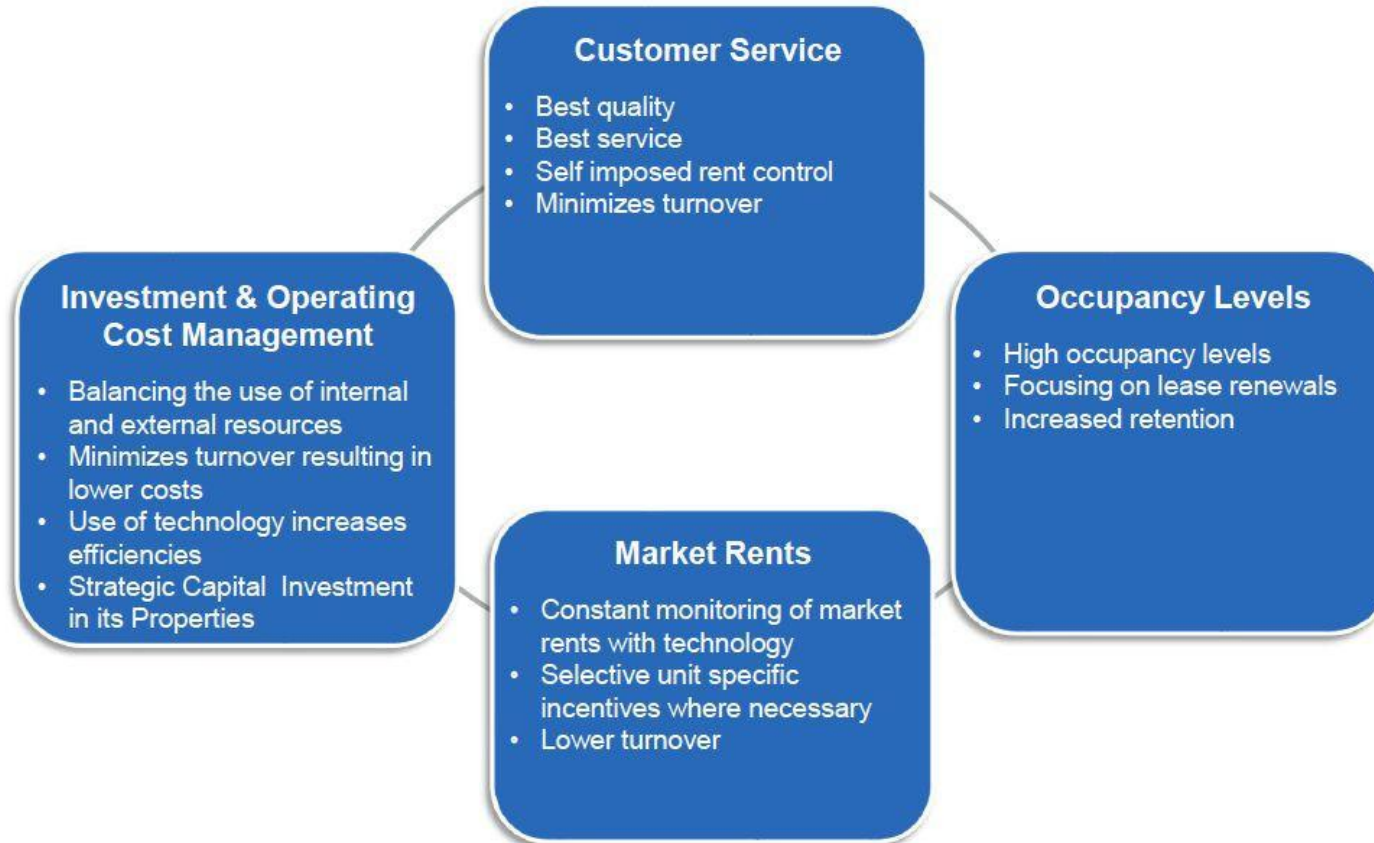
GOLDEN RULE: Treat others as you want to be treated

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

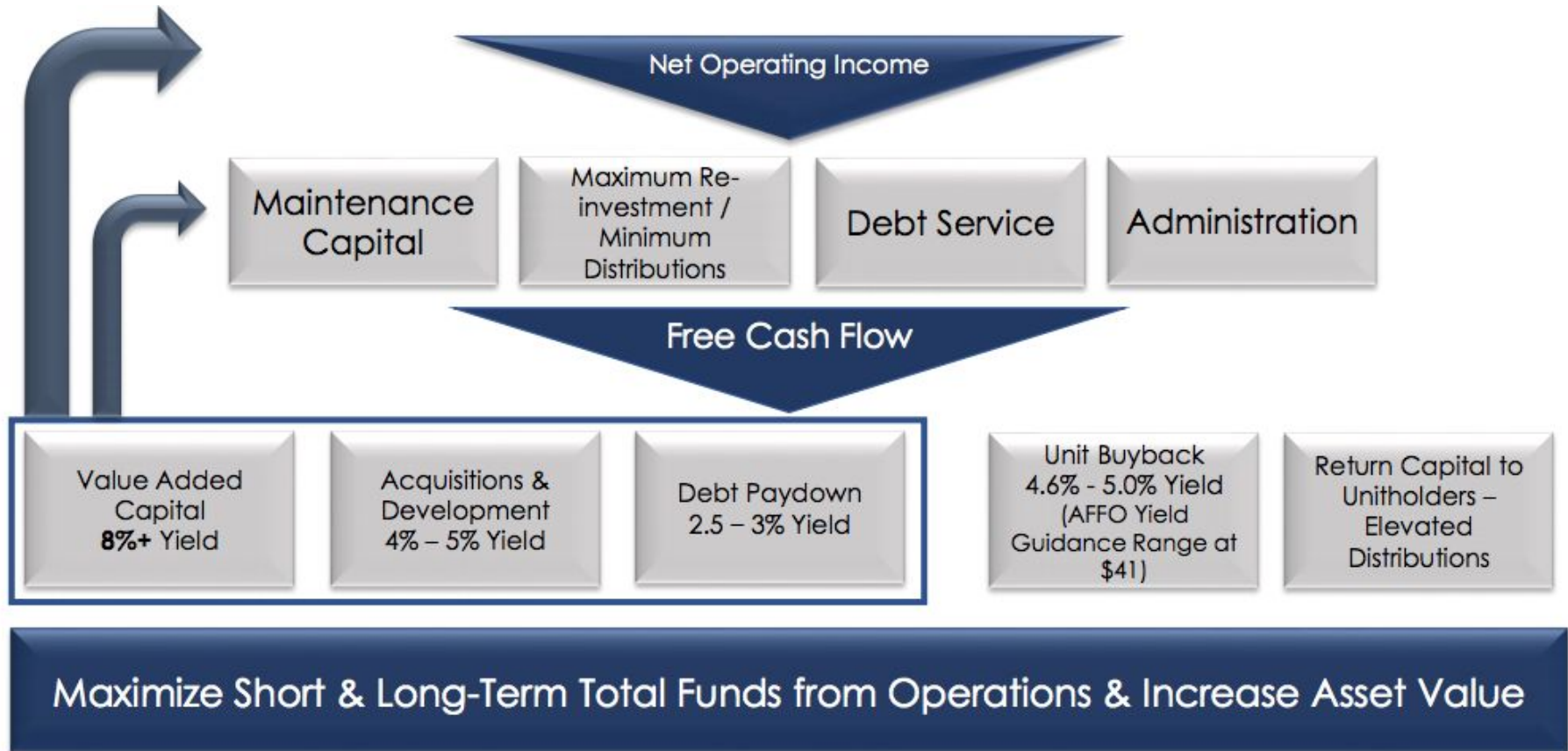
Expansion &
High-Grading

Solid Financial Foundation

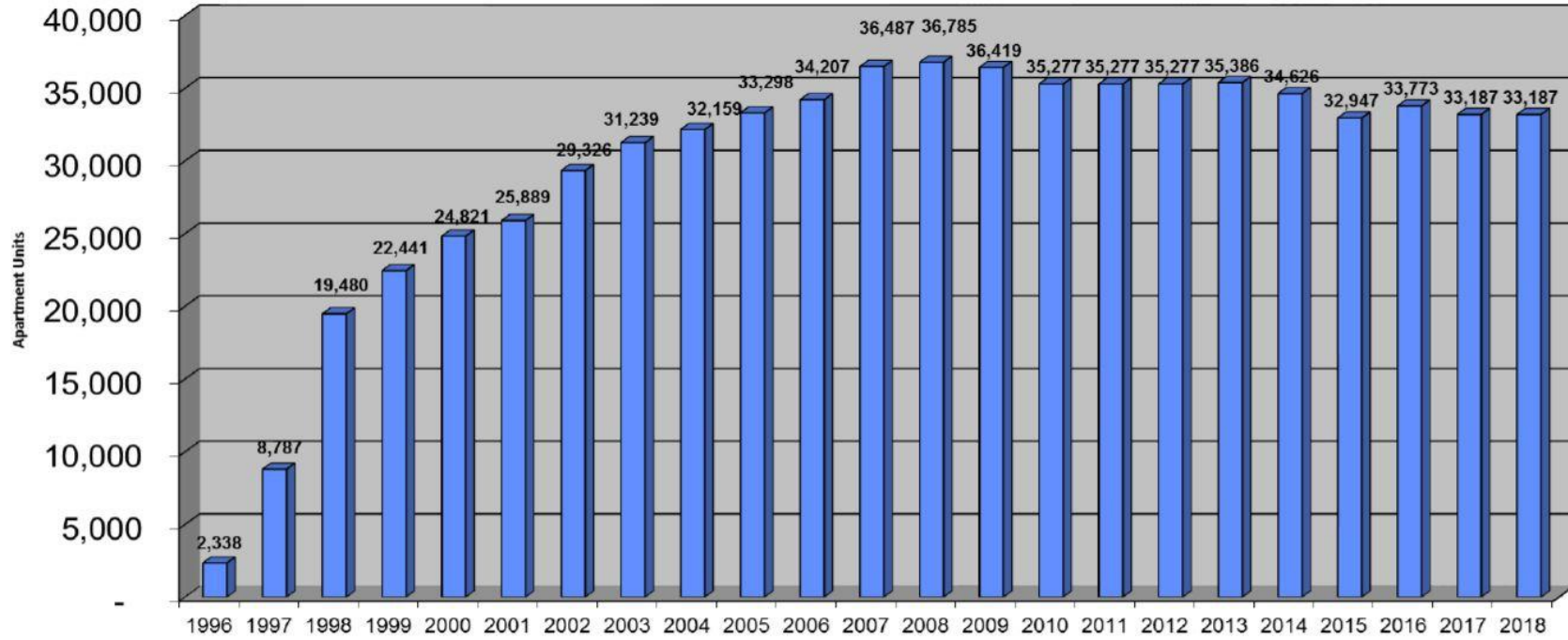
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Unitholder Value

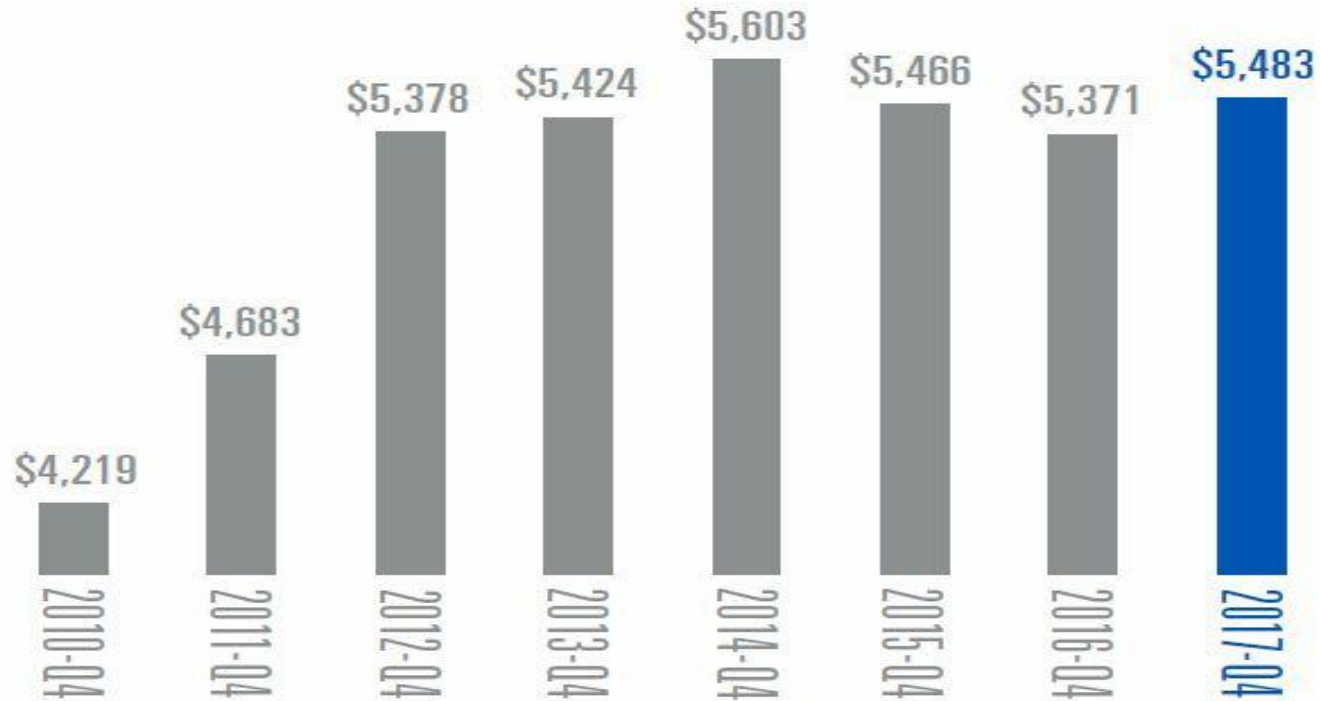
Capital Allocation Framework



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%

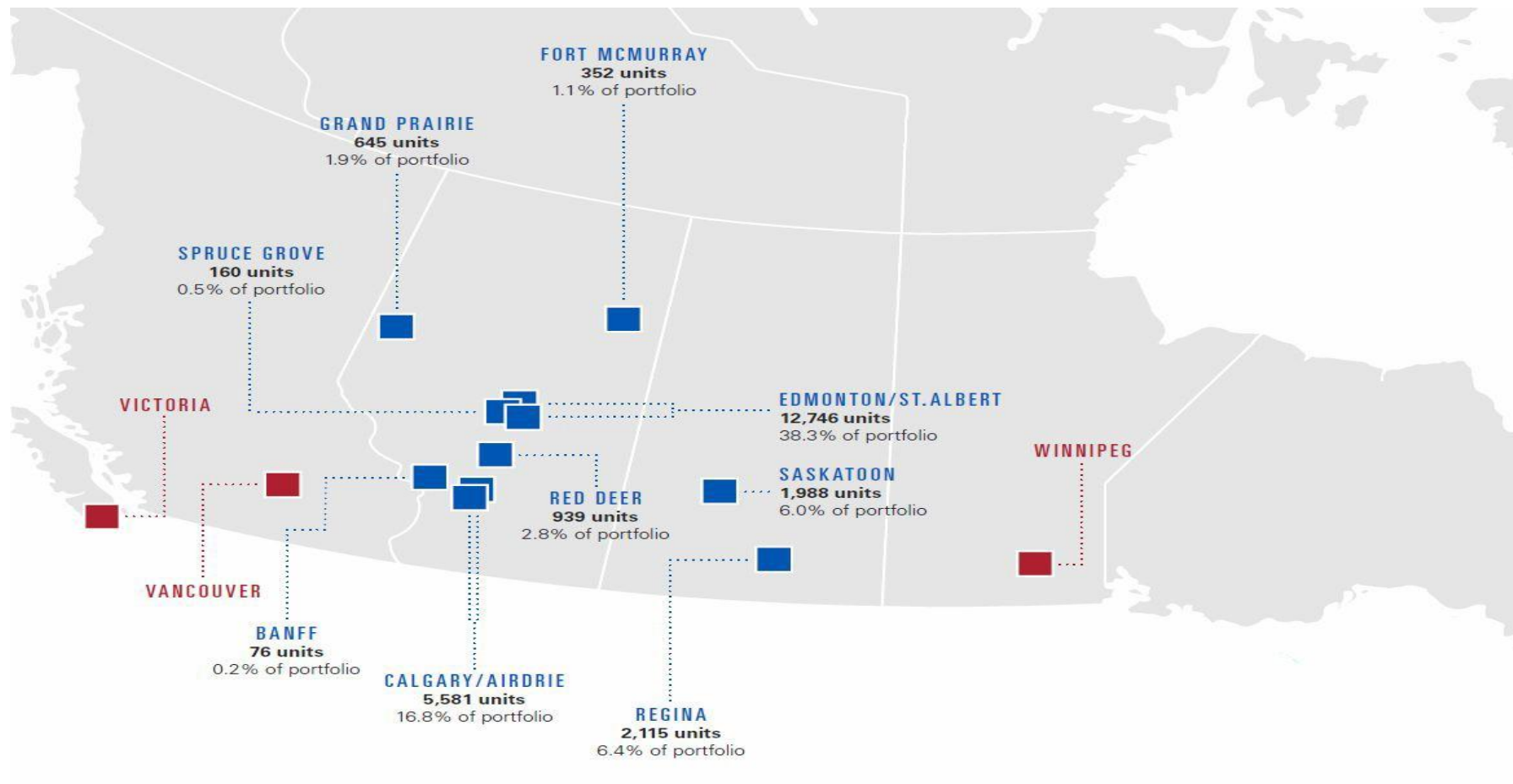
ON 7.8%

SK 12.4%

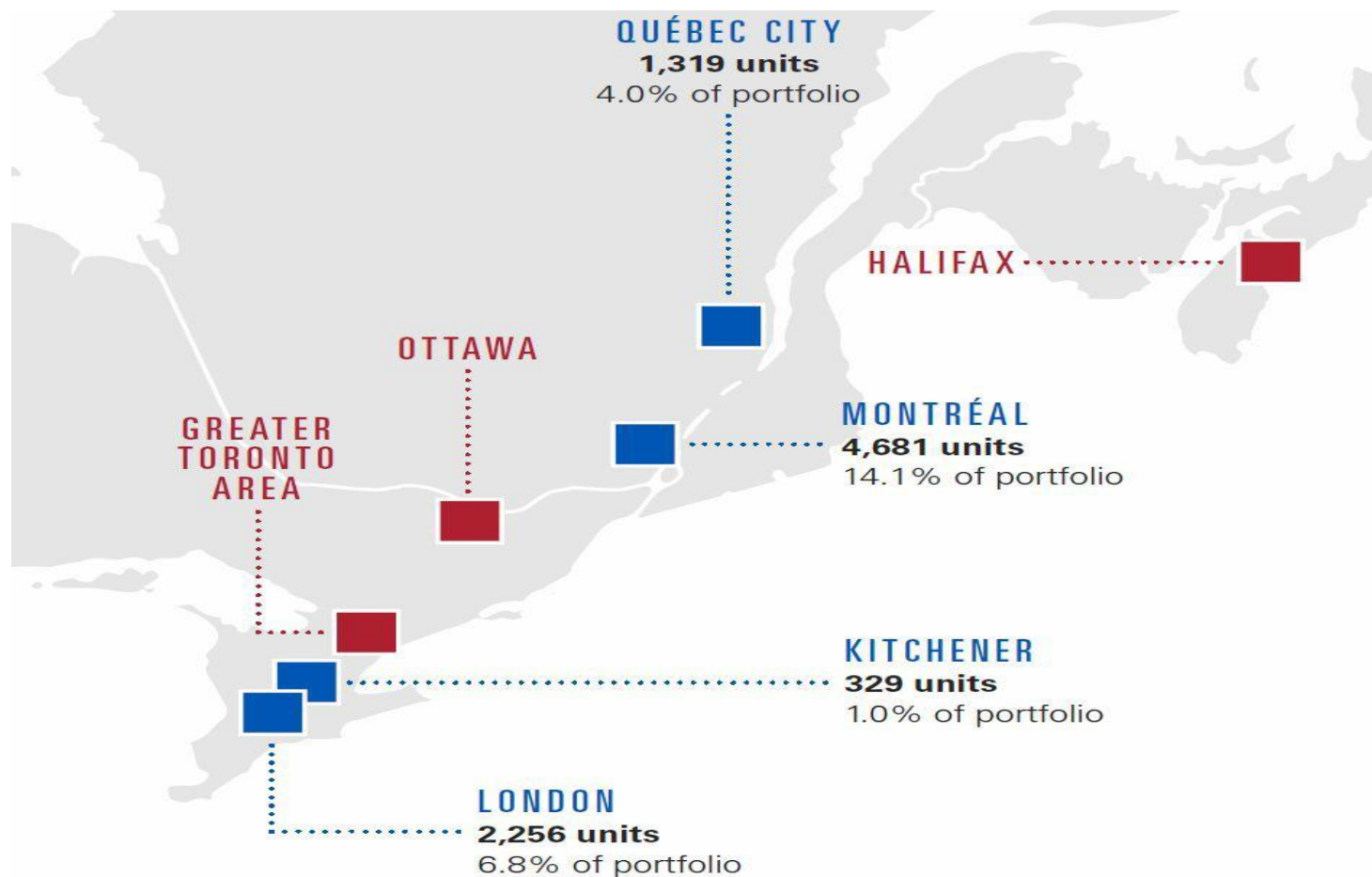
By Province

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



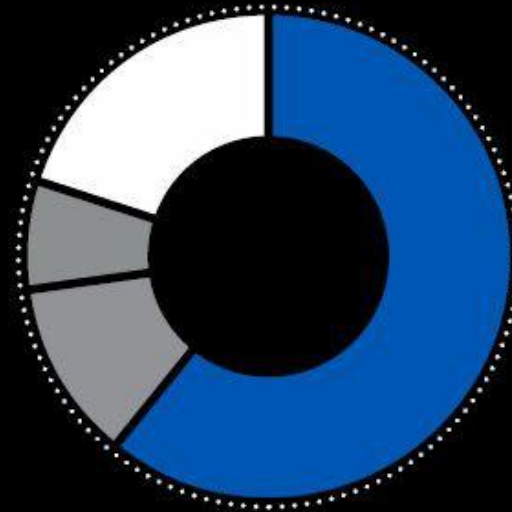
Portfolio - Geographic Breakdown



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

Geographic Revenue Growth

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

2018 Financial Guidance



2018 OUTLOOK

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

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

Description	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

Wascana Park Estates, Regina

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



Russet Court

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



Development opportunities

Development Opportunities

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

2018 Budget



Q1

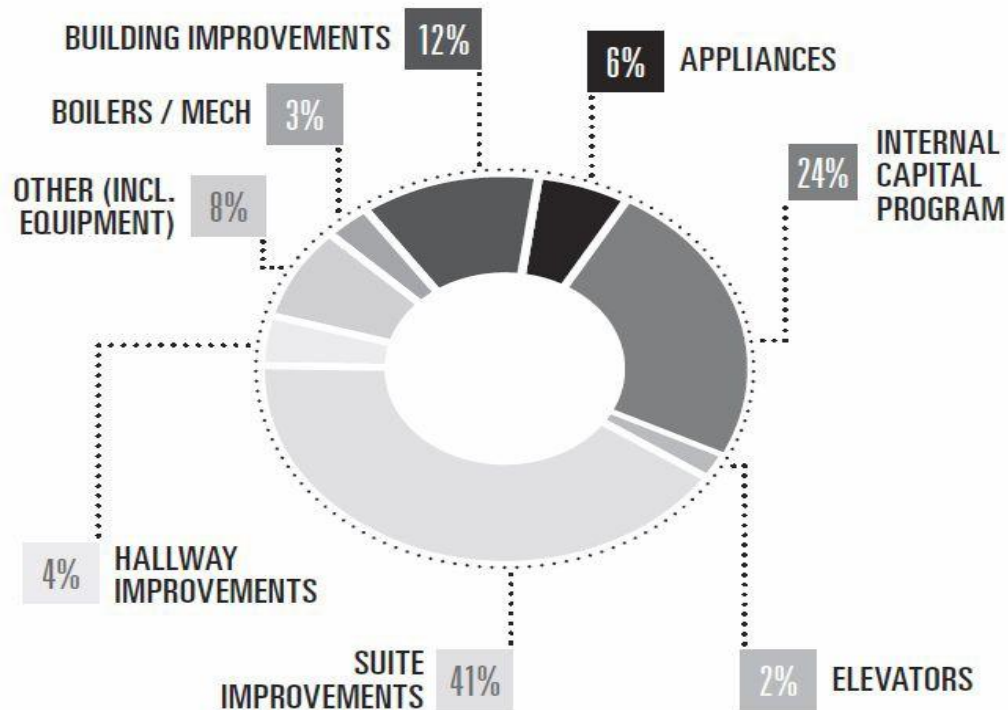
Capital Budget (\$000's)	2018 Budget	Per Suite	Three Months Ended, Mar. 31, 2018 Actual	Per Suite
Maintenance Capital	\$ 23,065	\$ 695	\$ 5,766	\$ 174
Value-added Capital (including suite upgrades)	113,229	3,412	24,138	727
Total Property Capital	\$ 136,294	\$ 4,107	\$ 29,904	\$ 901
Total Property Capital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

Q2

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

2018 Capital Investment

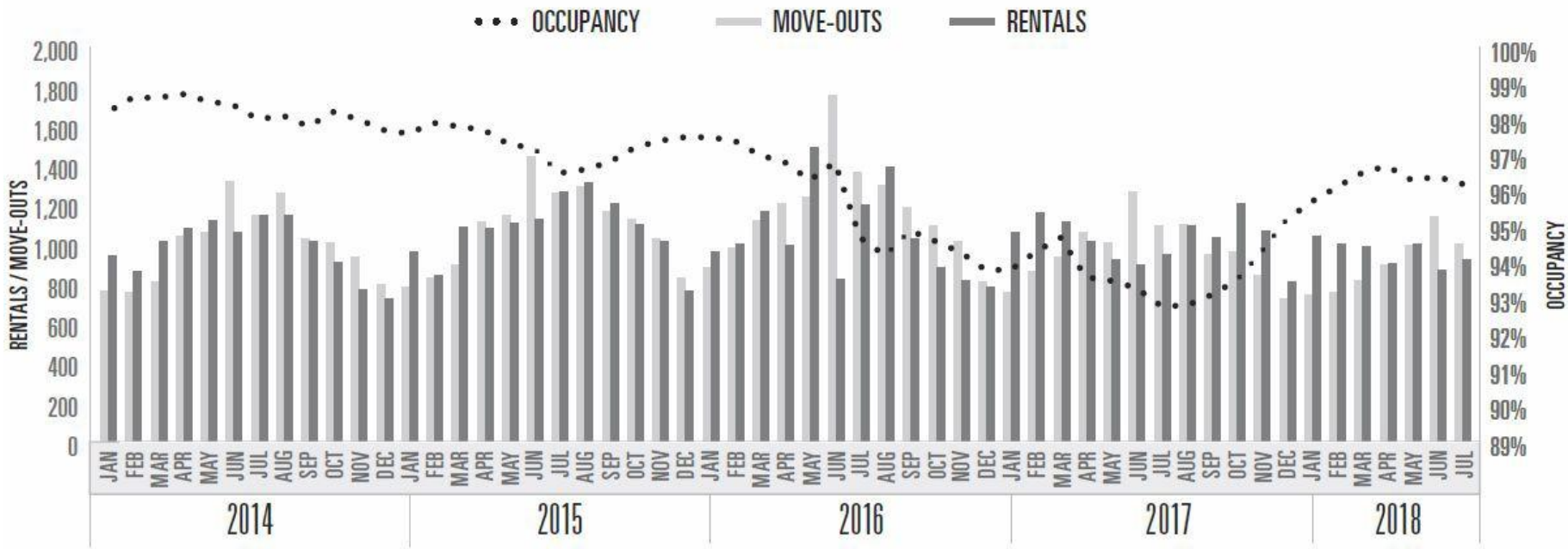
2018 6M Capital Investment



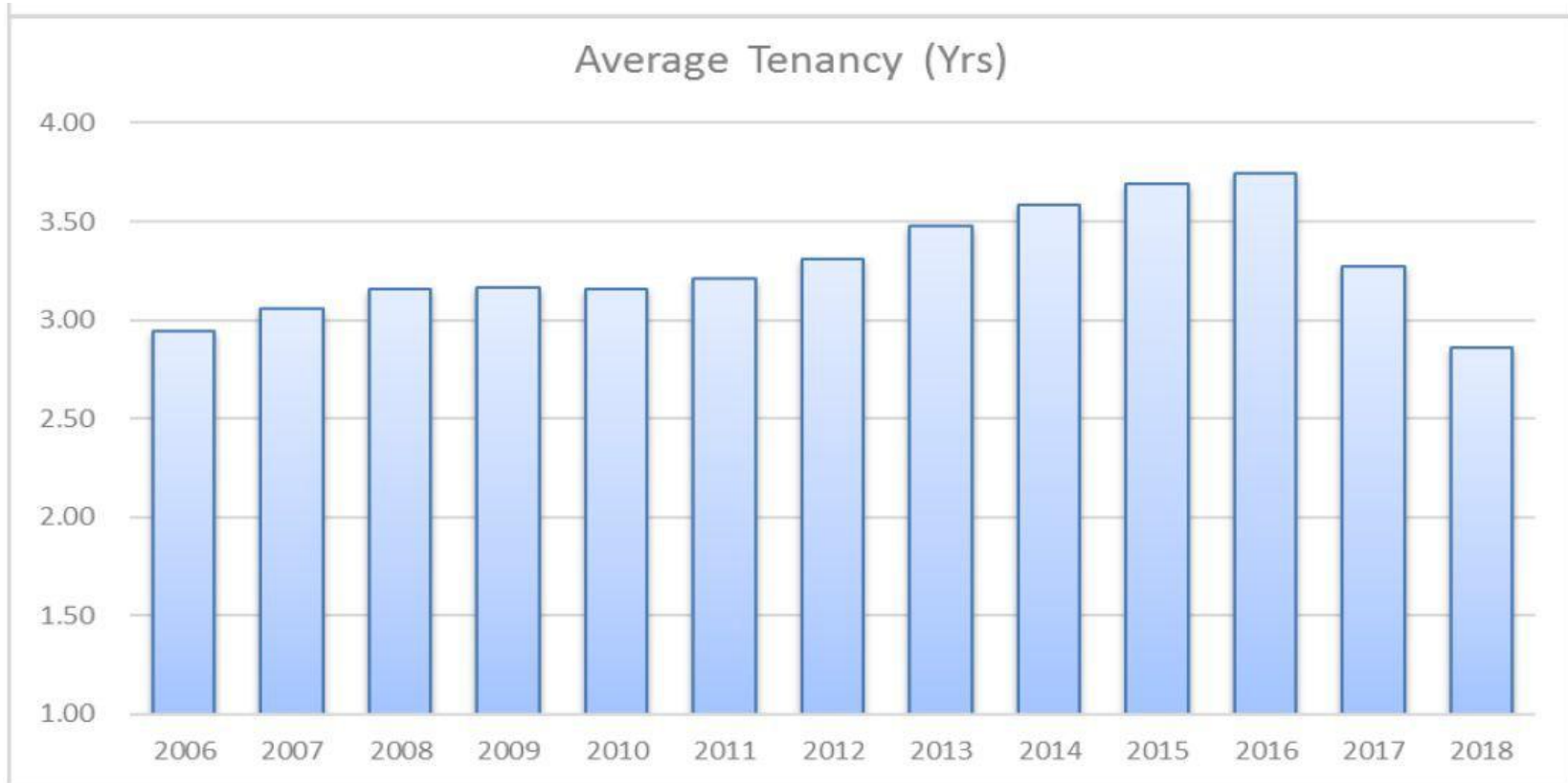
Occupancy VS. Availability



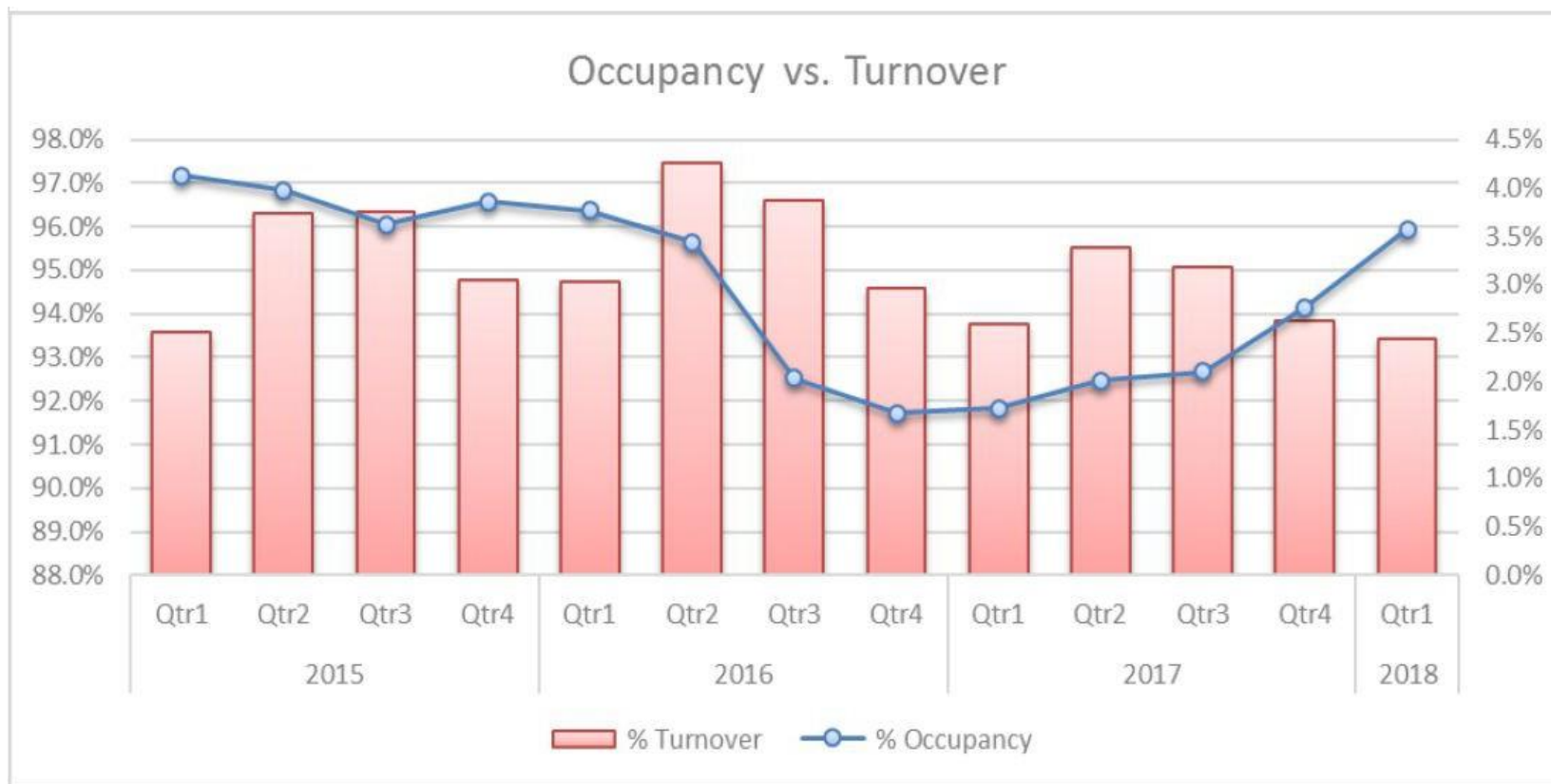
Supply versus Demand & Impact on Occupancy



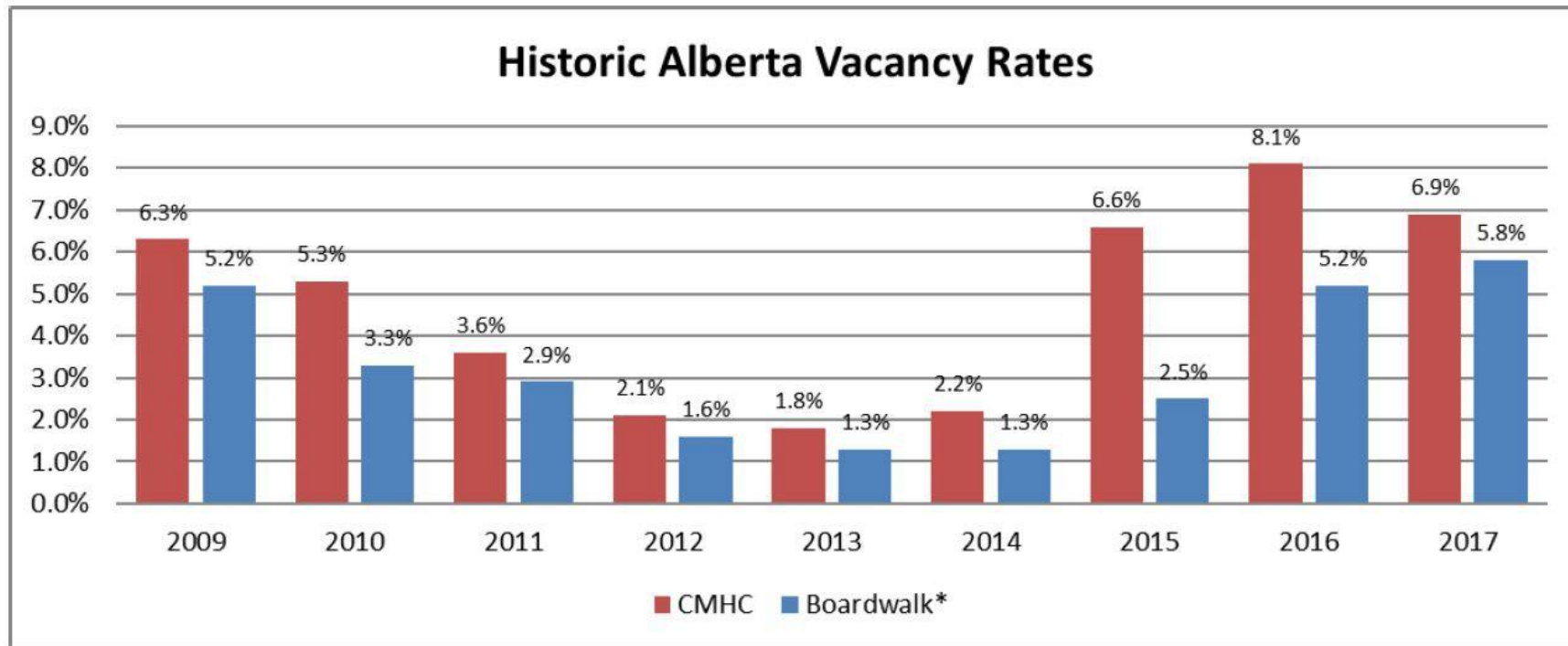
Average Tenancy (Years)



Occupancy VS. Turnover

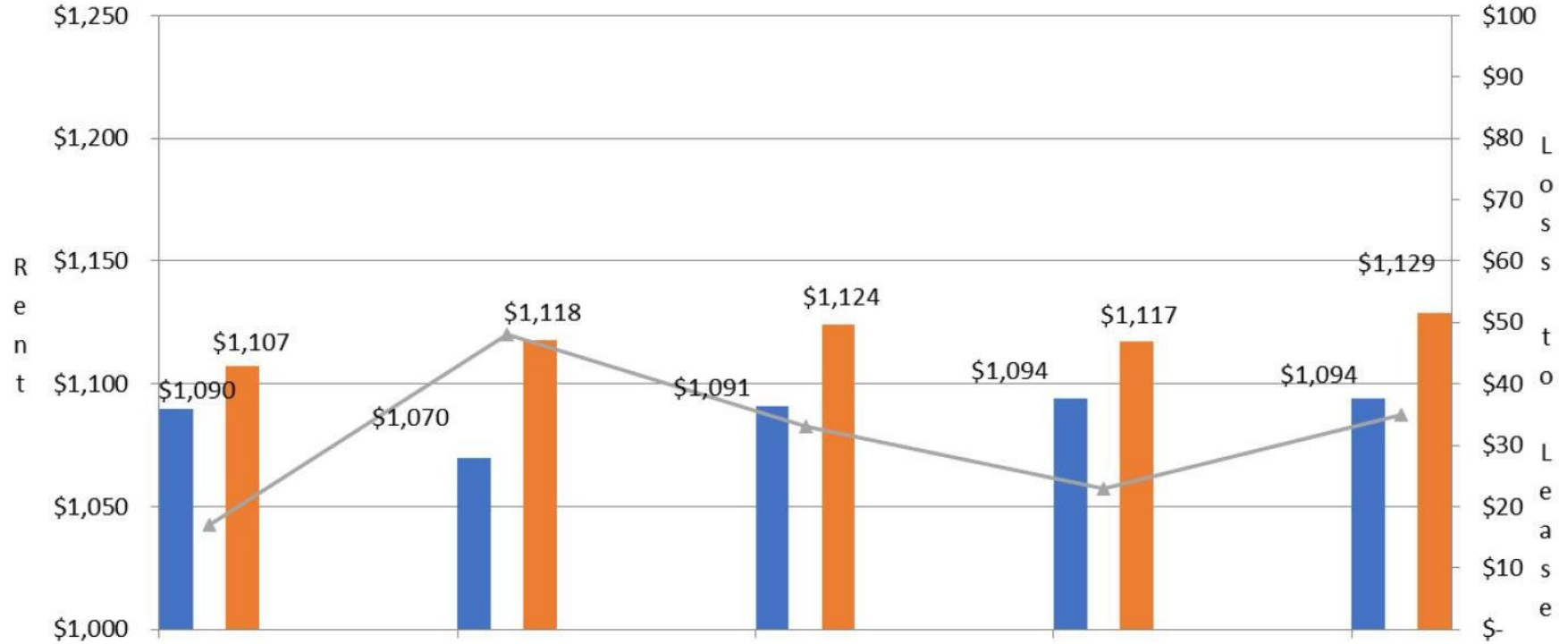


Historic Alberta Vacancy Rates



* Boardwalk average annual vacancy rate on stabilized properties

Rent Statistics





Sam Kolias

Chief Executive Officer, Chairman of the Board

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



Van Kolas

Senior Vice President, Quality Control

- Brother of Sam Kolas
- Been Vice President since 2004



Roberto A. Geremia



President

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



William Wong



Chief Financial Officer

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



Lisa Russell

Senior Vice President, Acquisition and Development

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



P. Dean Burns

General Counsel and Secretary

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



Five Year Summary

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

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

Five Year Summary

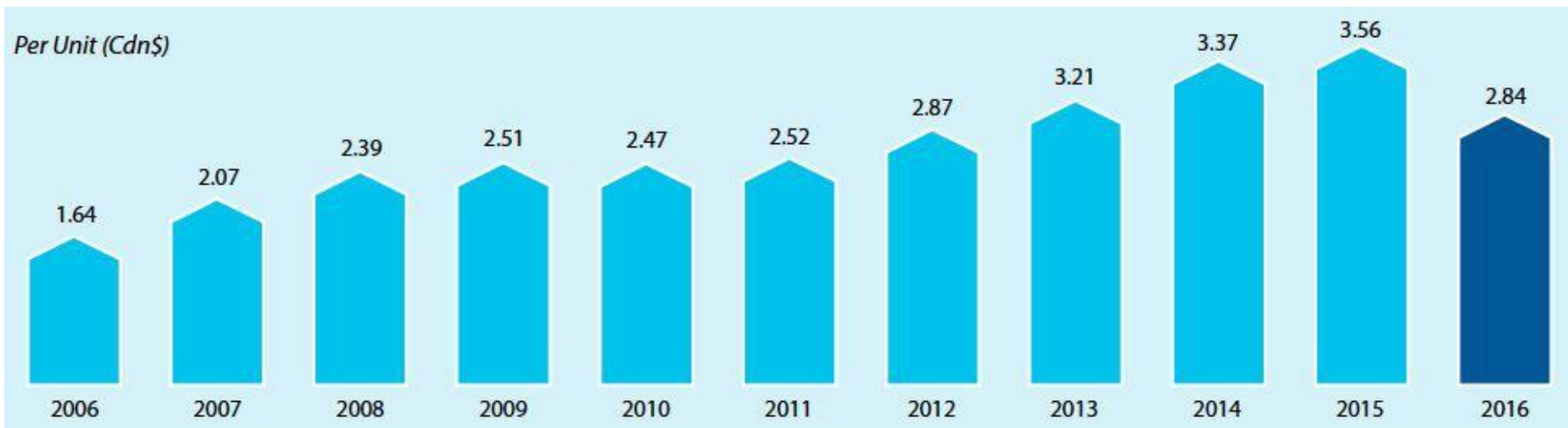
(\$000's, except per Unit)

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

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

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

Funds From Operations YOY



Financial Performance



Balance Sheet - Q2 2019



(unaudited, CDN \$ THOUSANDS)

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

Balance Sheet - Q2 2019



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

Balance Sheet Annual 2018

(CDN \$ THOUSANDS)

As at	Note	Dec. 31, 2018	Dec. 31, 2017
ASSETS			
Non-current assets			
Investment properties	4	\$ 5,943,969	\$ 5,688,125
Property, plant and equipment	5	31,463	30,221
Equity accounted investments	6	19,724	-
Investment in private technology venture fund	7	652	-
Mortgage receivable	8	6,877	38,280
Deferred tax assets	18	64	74
		6,002,749	5,756,700
Current assets			
Inventories	9	9,994	14,870
Prepaid assets	10	9,163	7,824
Mortgage receivable	8	31,596	-
Trade and other receivables	11	8,213	5,218
Segregated tenants' security deposits	12	9,290	9,629
Cash and cash equivalents	13	38,086	70,834
		106,342	108,375
Total Assets		\$ 6,109,091	\$ 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
		2,307,540	2,535,415

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
		674,866	352,053

Total Liabilities

Equity

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

Income Statement Annual 2018



(CDN \$ THOUSANDS)

	Note	Year Ended Dec. 31, 2018	Year Ended Dec. 31, 2017
Rental revenue	21	\$ 427,998	\$ 416,504
Ancillary rental income	22	6,618	6,422
Total rental revenue		434,616	422,926
Rental expenses			
Operating expenses		114,990	113,986
Utilities		47,628	47,967
Property taxes		45,966	44,890
Net operating income		226,032	216,083
Financing costs	23	80,586	85,763
Administration		37,813	33,402
Depreciation	24	6,754	5,586
Profit before the undermoted		100,879	91,332
Proceeds on insurance settlement	25	-	3,162
Loss on sale of assets	26	(27)	(1,678)
Fair value gains (losses)	27	92,371	(35,418)
Profit before income tax		193,223	57,398
Income tax expense	18	(23)	(140)
Profit for the year		193,200	57,258
Other comprehensive income		-	-
Total comprehensive income		\$ 193,200	\$ 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
Rental revenue	16	\$ 111,432	\$ 106,721	\$ 221,574	\$ 212,062
Ancillary rental income		1,951	1,667	3,701	3,387
Total rental revenue		113,383	108,388	225,275	215,449
Rental expenses					
Operating expenses		24,791	27,176	50,383	55,803
Utilities		10,799	10,549	25,572	25,058
Property taxes		11,590	11,286	23,172	22,440
Net operating income		66,203	59,377	126,148	112,148
Financing costs	17	22,141	20,165	44,015	39,975
Administration		9,495	9,686	19,542	19,461
Depreciation		2,157	1,609	4,205	3,077
Profit before the undernoted		32,410	27,917	58,386	49,635
Loss on sale of assets	18	(277)	-	(277)	-
Fair value gains	19	39,366	28,895	5,212	76,397
Profit before income tax		71,499	56,812	63,321	126,032
Income tax recovery (expense)		102	(40)	536	(10)
Profit for the period		71,601	56,772	63,857	126,022
Other comprehensive income		-	-	-	-
Total comprehensive income		\$ 71,601	\$ 56,772	\$ 63,857	\$ 126,022

Statements of Cash Flows Annual 2018



(CDN \$ THOUSANDS)

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

Statements of Cash Flows Annual 2018



Financing activities

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



Financing activities					
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
Cash and cash equivalents, end of period		\$ 19,394	\$ 81,204	\$ 19,394	\$ 81,204

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 ⁽¹⁾	(92,371)	35,418	
Add back distributions to LP Class B Units recorded as financing charges ⁽²⁾	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 ⁽¹⁾	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 <i>(In \$000's, except per Unit amounts)</i>	3 Months Jun. 30, 2019	3 Months Jun. 30, 2018	% Change	6 Months Jun. 30, 2019	6 Months Jun. 30, 2018	% Change
Profit for the period	\$ 71,601	\$ 56,772		\$ 63,857	\$ 126,022	
Adjustments						
Loss on sale of assets	277	-		277	-	
Fair value gains ⁽¹⁾	(39,366)	(28,895)		(5,212)	(76,397)	
Add back distributions to LP Class B Units recorded as financing charges ⁽²⁾	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)	\$ 34,788	\$ 30,646	\$ 63,037	\$ 54,952
Maintenance Capital Expenditures ⁽¹⁾	5,996	5,766	11,986	11,532
Adjusted Funds From Operations (AFFO)	\$ 28,792	\$ 24,880	\$ 51,051	\$ 43,420
FFO per Unit (Trust and LP B Units)	\$ 0.68	\$ 0.60	\$ 1.24	\$ 1.08
AFFO per Unit (Trust and LP B Units)	\$ 0.57	\$ 0.49	\$ 1.00	\$ 0.85
Unitholder Distributions-Regular (Trust Units and LP B Units)	\$ 12,731	\$ 12,718	\$ 25,459	\$ 25,433
Distribution as a % of FFO	36.6%	41.5%	40.4%	46.3%
Distribution as a % of AFFO	44.2%	51.1%	49.9%	58.6%

RECOMMENDATION

Sell