Properties Under Development

RioCan's development program is an important component of its long-term growth strategy and is focused on well-located properties in the six major markets in Canada. Often, these are properties that RioCan already owns and are located directly on, or in proximity to, major transit lines such as the existing Toronto Transit Commission's subway lines or the Eglinton LRT line, which is currently under construction. Development opportunities also arise from the fact that retail centres are generally built with lot coverages of approximately 25% of the underlying lands and municipalities are supporting additional density particularly near major infrastructure investments. Considering that RioCan already owns the land for its portfolio of mixed-use redevelopment opportunities, these projects are expected to generate strong incremental returns and increase the Trust's net asset value.

The overall development environment in Canada is undergoing changes and development risks are becoming more prevalent. Refer to the *Outlook* and *Risks and Uncertainties* sections of this MD&A for discussions about the development environment and associated risks. Development risk management is essential to the Trust's successful implementation of its strategy. The Trust strategically and prudently manages its development risks as follows:

- RioCan undertakes developments selectively based on opportunities in its portfolio and within the major markets it focuses on.
- Development projects must be expected to generate appropriate risk-adjusted returns. The Trust will not commence construction until it has third-party market studies of the rental markets in the development areas and, where a large portion of the development has commercial space, the requisite leasing commitments pertaining to the commercial portion of the mixed-use developments are required.
- RioCan's well established and robust internal control framework ensures proper oversight over development approvals and construction management.
- RioCan uses a staggered approach in its development program to avoid unnecessary concentration of development projects in a single period of time to allocate risks and manage the Trust's capital. The staggered development approach also enables proper allocation of personnel resources and ensures that the Trust's experienced development team is at the appropriate scale, resulting in no overhead pressure for RioCan to take on development activities.
- RioCan utilizes strategic co-ownerships to reduce capital requirements and mitigate risks.
- RioCan often already owns the assets under its development program which are income producing. This allows the Trust to manage the timing of development starts, and if required, these assets can continue to generate income until the appropriate time to commence development is reached.
- RioCan's development team utilizes a variety of cost mitigation strategies, such as working with experienced construction managers early in the project design stage to ensure a project's constructibility and efficiency is maximized, ensuring construction drawings are finalized to the furthest extent possible prior to commencing construction and structuring construction management contracts such that the contracts are converted to fixed price contracts as soon as all of the scope is defined thus limiting cost escalations.
- The Trust's mixed-use residential development allows the Trust to access CMHC insured mortgages, which diversifies the Trust's funding sources and provides lower cost of debt.
- RioCan's developments are across numerous geographic markets, thus permitting diversification of market dynamics.

The Trust categorizes the projects within its development program as follows:

Category	Description
Greenfield Development	Projects on vacant land typically located in suburban markets that are being constructed or developed from the ground-up for future use as income producing properties (IPP or IPPs).
Urban Intensification	Projects at existing IPPs located in urban markets, which typically involve increasing the density or square footage of the properties and are often mixed-use projects.
Expansion and Redevelopment	Existing IPPs, or components thereof, that are being repositioned through redevelopment, which typically increases NOI by adding to the rentable area of the properties.

In addition to the above development categories, the Trust also owns vacant lands and other properties that could be used for future developments. Such vacant land and other properties are reported as "Development Lands and Other" under properties under development (PUD) in the *Estimated Project Costs* section of this MD&A.

Management's current estimates and assumptions, as discussed throughout this *Properties Under Development* section of this MD&A, are subject to change. Such changes may be material to the Trust. RioCan's estimated NLA, estimated future development costs and estimated proceeds from disposition are based on assumptions which are updated regularly based on revised site plans, the cost tendering process and continuing tenant negotiations.

These assumptions, among other items, include the following: anchor tenants, estimated NLA and tenant mix among rental, air rights sale, and condominiums/townhouses, the likelihood, timing and amount of future sales of air rights and land dispositions, tenant rents, building sizes, project completion timelines, availability and cost of construction financing and zoning approvals. Although the estimated development expenditures are based upon what management believes are reasonable assumptions, there can be no assurance that actual results will be consistent with these projections and development expenditures may, therefore, materially differ from management's current estimates. In addition, there is no assurance that all of these developments will be undertaken, and if they are, there is no assurance as to the mix of commercial and residential developments, the costs, the phasing of the projects, or the development yields to be achieved.

Declaration of Trust and Financial Covenants

The provisions of the Trust's Declaration have the effect of limiting direct and indirect investments in greenfield developments and development properties held for resale (each net of related mortgage debt and mezzanine financing which funds the co-owners' share of such developments) to no more than 15% of total consolidated unitholders' equity of the Trust, as determined under IFRS. As at December 31, 2019, RioCan's investments in greenfield development and residential inventory as a percentage of consolidated unitholders' equity is 4.4% and, therefore, the Trust is in compliance with this restriction.

In addition, RioCan's revolving unsecured operating line of credit and non-revolving unsecured credit facilities agreements require the Trust to maintain certain financial covenants, one of which includes a more restrictive covenant as it pertains to the Trust's development activities. As of December 31, 2019, the Trust is in compliance with all financial covenants pursuant to the operating line of credit and credit facilities agreements including the one relating to the Trust's development activities. Refer to Note 27 of the 2019 Annual Consolidated Financial Statements for further details.

Development Pipeline

RioCan's development pipeline as at December 31, 2019 is estimated as follows:

		Estimated Density (NLA) at RioCan's interest (i)					
					Components of PUD		
(thousands of sq. ft.)	Number of Projects (ii)	Total	PUD (iii)	Residential Inventory (iv)	Commercial	Residential Rental	Air Rights Sale (x)
A. Active projects with detailed cost estimates							
Greenfield Development (v)	2	440	440	—	440	—	—
Urban Intensification (vi)	13	3,818	3,575	243	1,191	1,354	1,030
	15	**4,258**	**4,015**	**243**	**1,631**	**1,354**	**1,030**
Expansion & Redevelopment (vii)	12	161	161	—	161	—	—
Subtotal	**27**	**4,419**	**4,176**	**243**	**1,792**	**1,354**	**1,030**
B. Active projects with cost estimates in progress(viii)	**22**	**16,716**	**15,532**	**1,184**	**4,120**	**11,412**	**—**
Total Active Projects	**49**	**21,135**	**19,708**	**1,427**	**5,912**	**12,766**	**1,030**
C. Future estimated density(ix)	**12**	**7,913**	**7,733**	**180**	**1,982**	**5,751**	**—**
Total development pipeline	**61**	**29,048**	**27,441**	**1,607**	**7,894**	**18,517**	**1,030**

(i) Estimated density across the various components of the development pipeline is expressed as NLA, which represents approximately 90% of Gross Floor Area (GFA) for residential rental and inventory developments. This conversion factor is an estimate, which is based on a number of assumptions including but not limited to, site plan approval, final building design and floor plans as well as the mix of commercial and residential space in a multi-use development project.

(ii) Given the range of development activities and the multi-phase nature of the development projects included in the total development pipeline, a single investment property could have more than one project. Therefore, the number of projects shall not be viewed as equivalent to number of properties under development.

(iii) PUD NLA includes NLA for air right sales in addition to commercial and residential rental NLA, but excludes NLA for condominiums and townhouse projects which are reported separately as Residential Inventory.

(iv) Represents the density associated with the development of our residential condominiums and townhouse projects that are to be sold in the normal course of business upon project completion, not to be held for long-term capital appreciation or rental income. As such, the costs associated with this NLA are treated as residential inventory under IFRS and are thus not reported as PUD, even though this NLA forms part of RioCan's development program and is included in the above estimated development pipeline. Condominium and townhouse developments are discussed under the Residential Inventory section of this MD&A.

(v) Greenfield Development projects include approximately 0.2 million square feet that are currently IPP.

(vi) Urban Intensification projects include approximately 0.3 million square feet that are currently IPP.

(vii) Expansion and Redevelopment projects include approximately 0.1 million square feet of vacant NLA which was primarily former Sears space prior to its redevelopment.

(viii) Active projects with cost estimates in progress include approximately 2.5 million square feet that are currently IPP.

(ix) Future estimated density includes approximately 1.2 million square feet that are currently IPP.

(x) Under IFRS, costs associated with air rights sales, which include, but are not limited to, the costs of underlying structure and infrastructure required for the closing of the air rights sales, are part of the costs of the properties under development. As a result, density related to air rights sales is included as part of the PUD square footage.

Approximately 4.3 million square feet of NLA out of the total estimated 29.0 million square feet development pipeline as of December 31, 2019 is existing NLA which is currently income producing, resulting in net incremental density estimated at 24.7 million square feet as of December 31, 2019. When compared to the Trust's development pipeline as of December 31, 2018, the change in the development pipeline square footage has increased by 2.8 million square feet despite development completions during the comparable periods and sale of one large development project in a secondary market in British Columbia. The increase resulted from addition of four new projects within its existing portfolio, as well as acquisitions of the remaining non-managing interests in Mill Woods Town Centre, ePlace, and Yonge Sheppard Centre.

A key milestone of the development process is obtaining zoning approval. The following table details the Trust's development pipeline (at RioCan's interest) by zoning status. As of the date of this MD&A, of total estimated NLA in the Trust's current development pipeline, approximately 50.3% have zoning approvals and an additional 22.5% have zoning applications submitted.

			Estimated Density (NLA) at RioCan's interest (i)					
						Components of PUD		
(thousands of sq. ft., unless otherwise noted)	Number of Projects	% of square footage zoned	Total	PUD (ii)	Residential Inventory (iii)	Commercial	Residential Rental	Air Rights Sale
Zoning approved	43	50.3%	14,594	13,167	1,427	4,619	7,518	1,030
Zoning applications submitted	6	22.5%	6,541	6,541	—	1,293	5,248	—
Future estimated density	12	27.2%	7,913	7,733	180	1,982	5,751	—
Total development pipeline	**61**	**100.0%**	**29,048**	**27,441**	**1,607**	**7,894**	**18,517**	**1,030**

(i) Estimated density across the various components of the development pipeline is expressed as NLA, which represents approximately 90% of GFA for residential rental and inventory developments. This conversion factor is an estimate, which is based on a number of assumptions including but not limited to, site plan approval, final building design and floor plans as well as the mix of commercial and residential space in a multi-use development project.

(ii) PUD NLA includes NLA for air right sales in addition to commercial and residential rental NLA, but excludes NLA for condominiums and townhouse projects which are reported separately as Residential Inventory.

(iii) Represents the density associated with the development of our residential condominiums and townhouse projects that are to be sold in the normal course of business upon project completion, not to be held for long-term capital appreciation or rental income. As such, the costs associated with this NLA are treated as residential inventory under IFRS and are thus not reported as PUD, even though this NLA forms part of RioCan’s development program and is included in the above estimated development pipeline. Condominium and townhouse developments are discussed under the Residential Inventory section of this MD&A.

Zoned NLA increased by 3.4 million square feet when compared to December 31, 2018 primarily due to the three aforementioned acquisitions and new zoning approvals obtained in 2019 on Jasper Gates in Edmonton, Alberta, Strawberry Hill in Surrey, British Columbia, three GTA projects including Yorkville, Queensway and Dufferin Plaza and the addition of a portion of RioCan Durham Centre in Ajax, Ontario to the development pipeline. These were partially offset by development completions during the year. Zoned NLA increased by 1.2 million square feet when compared to Q3 2019 primarily due to the addition of Jasper Gates, Strawberry Hill and a portion of RioCan Durham Centre.

Almost all of the mixed-use residential projects are located in the six major markets and are typically located in the vicinity of existing or planned substantive transit infrastructure with 67% of the development pipeline being located in the GTA.

	Estimated Density (NLA) at RioCan's Interest		
(thousands of sq. ft., unless otherwise noted)	Number of projects	NLA	% of total NLA
Six Major Markets			
Greater Toronto Area	38	19,321	66.5%
Ottawa	10	2,678	9.2%
Calgary	5	3,039	10.5%
Montreal (i)	1	2	—%
Edmonton	2	3,038	10.5%
Vancouver	2	903	3.1%
Total Six Major Markets	58	28,981	99.8%
Other (i)	3	67	0.2%
Total development pipeline	**61**	**29,048**	**100.0%**

(i) Relates to other smaller redevelopment projects.

Annual Development Spending

Annual development expenditures, net of costs recovery and proceeds from air rights sales, are estimated in the $400 million to $500 million range over the next two years. This annual development expenditure estimate includes costs applicable to both active PUD projects with detailed cost estimates and residential inventory projects. This represents management's estimates as of December 31, 2019 and is subject to change due to potential changes in various underlying factors as noted earlier in this MD&A.

Overall, the Trust targets to keep the total IFRS value of PUD and residential inventory on the consolidated balance sheet as a percentage of consolidated gross book value of assets at no more than 10% (except for short-term fluctuations as large projects are completed), despite the maximum of 15% permitted under the Trust's revolving unsecured operating line of credit and non-revolving unsecured credit facilities agreements. As of December 31, 2019, this metric was 9.0%. Refer to Note 27 of the 2019 Annual Consolidated Financial Statements for additional details.

The Trust has been funding and will continue to fund its development pipeline primarily through proceeds from asset pruning (strategic dispositions), sales proceeds from residential inventory developments or air rights sales, the sale of remaining marketable securities, and strategic development partnerships, as well as excess operating cash flows after maintenance capital expenditures and distributions have been paid.

Estimated PUD Project Costs

RioCan's share of estimated PUD project costs as of December 31, 2019 are summarized in the following table, which includes estimated costs for the 27 active PUD projects with detailed cost estimates (Category A as shown in the Development Pipeline table earlier), plus the current carrying costs of the development lands and other, net of projected proceeds from dispositions. Costs relating to condominiums and townhouse developments are excluded in the following table as they are included in *Residential Inventory* in the consolidated financial statements and in this MD&A.

		At RioCan's Interest					
				Costs Incurred to Date			
(thousands of dollars or thousands of sq. ft.)	Number of Projects	Total PUD NLA (i)	Total Estimated Costs	Completed (IPP)	PUD	Total	Estimated PUD Costs to Complete
Greenfield Development	2	440	$ 188,675	$ 53,328	$ 65,774	$ 119,102	$ 69,573
Urban Intensification	13	3,575	2,101,932	418,937	752,346	1,171,283	930,649
	15	4,015	2,290,607	472,265	818,120	1,290,385	1,000,222
Expansion & Redevelopment (iv)	12	161	96,658	—	66,326	66,326	30,332
Active projects with detailed cost estimates	**27**	**4,176**	**$ 2,387,265**	**$ 472,265**	**$ 884,446**	**$ 1,356,711**	**$ 1,030,554**
Development Lands and Other (ii)		—	265,367	—	265,367	265,367	—
Projected proceeds from dispositions (iii)		—	(127,253)	—	—	—	(127,253)
Total			**$ 2,525,379**	**$ 472,265**	**$ 1,149,813**	**$ 1,622,078**	**$ 903,301**
Fair Value to Date				**$ 627,062**	**$ 1,260,382**	**$ 1,887,444**	

(i) Total PUD NLA includes NLA from commercial, residential rental and air rights sales and excludes NLA from residential inventory.

(ii) Development lands and other includes excess land and other properties that could be used for future developments.

(iii) Represents conditional land and air right sales that the Trust intends to sell instead of holding for long-term income, which management considers to be reductions to its overall development costs.

(iv) Expansion and Redevelopment projects tend to be shorter in duration and smaller in size compared to Greenfield and Urban Intensification projects, and generally pertain to the redevelopment of individual unit(s) at a property. Once the redevelopment of the individual unit(s) has/have been completed, the NLA and associated costs are transferred to IPP and no longer included in the development pipeline or development costs, resulting in nil completed IPP in this table.

Total estimated project costs include the current carrying costs of development lands and other, net of estimated proceeds from land and air rights dispositions. Total estimated project costs include land costs measured at fair value of the land or existing IPP upon transfer to PUD, soft and hard construction costs, external leasing costs, tenant inducements, construction and development management fees, and capitalized interest and other carrying costs, as well as capitalized development staff compensation and other expenses.

Total estimated costs for active projects with detailed cost estimates as of December 31, 2019 increased by $499.9 million when compared to December 31, 2018. This increase was primarily due to the addition of new active projects net of project completions. During 2019, four projects were added to active projects with detailed cost estimates including Gloucester Phase Two, Elmvale Acres and Westgate, all located in Ottawa, Ontario and Windfield Farms Commercial Phase One in Oshawa, Ontario, in addition to acquisitions of the remaining 50% co-ownership interests in eCentral and Yonge Sheppard Centre.

The above total estimated development costs as at December 31, 2019 are further broken down by committed and non-committed spending as follows:

	At RioCan's Interest				
		Costs Incurred to Date			
(thousands of dollars)	Total Estimated Costs	Completed (IPP)	PUD	Total	Estimated PUD Costs to Complete
Committed (i)	$ 2,260,012	$ 472,265	$ 884,446	$ 1,356,711	$ 903,301
Non-committed	265,367	—	265,367	265,367	—
Total	**$ 2,525,379**	**$ 472,265**	**$ 1,149,813**	**$ 1,622,078**	**$ 903,301**

(i) A project is considered to be committed when all major planning issues have been resolved, anchor tenant(s) for the commercial components has/have been secured, and/or construction is about to commence or has commenced. Although a non-committed project may have a completed portion, the Trust is not committed to completing the remaining phase(s) of the project if it so decides in due course. Development Lands and Other are included in non-committed projects.

Mixed-Use Residential Development

RioCan is committed to its residential development program. There is currently an acute rental housing shortage due to increased demand from immigration and mortgage stress tests which to some extent limit home ownership. In addition, new supply of rental housing has been slow to the market as the regulatory approval process is onerous and development time is lengthy.

RioCan targets to develop approximately 10,000 residential rental units over the next decade. RioCan has currently identified a number of properties, as summarized in the following table, some of which are actively being developed and others that are considered to be strong possible intensification opportunities. This summary does not include Greenfield and Urban Intensification projects that have commercial components only.

					Estimated Density (NLA) at RioCan's interest (i)					
								PUD Components		
	(thousands of sq. ft.)	Locations	RioCan Ownership % (Partner)	Total NLA at 100%	Total	PUD (ii)	Residential Inventory (iii)	Commercial	Residential Rental	Air Rights Sale
A	**Active mixed-use residential projects with detailed cost estimates (vi)**									
	Urban Intensification									
	Brentwood Village (Brio) (iv)	Calgary, AB	50% (Boardwalk)	144	72	72	—	5	67	—
	Dupont Street (Litho) (iv)	Toronto, ON	50% (Woodbourne)	185	93	93	—	16	77	—
	Fifth and Third East Village (iv)	Calgary, AB	100%	754	754	754	—	157	—	597
	Gloucester (Frontier) Phase One (iv)	Gloucester, ON	50% (Killam)	185	93	93	—	3	90	—
	King Portland Centre (iv)	Toronto, ON	50% (Allied)	433	217	170	47	170	—	—
	Yonge Eglinton Northeast Corner (ePlace) (iv) (v)	Toronto, ON	50% residential inventory (Metropia / Bazis), 100% commercial & residential rental	705	509	313	196	22	291	—
	The Well (iv)	Toronto, ON	50% commercial (Allied), 40% residential (Allied/ Diamond)	2,601	1,192	1,192	—	759	—	433
	Yonge Sheppard Centre Residential (Pivot) (iv) (v)	Toronto, ON	100%	258	258	258	—	—	258	—
	College & Manning (Strada) (iv)	Toronto, ON	50% (Allied)	108	54	54	—	30	24	—
	Gloucester - Phase Two (Latitude) (iv)	Gloucester, ON	50% (Killam)	160	80	80	—	—	80	—
	Elmvale Acres - Phase One (Luma) (iv) (x)	Ottawa, ON	100%	137	137	137	—	11	126	—
	Westgate - Phase One (Rhythm) (iv)	Ottawa, ON	100%	165	165	165	—	20	145	—
	The Well - (FourFifty The Well) (iv)	Toronto, ON	50% (Woodbourne)	393	196	196	—	—	196	—
	Total active mixed-use residential projects with detailed cost estimates - 13 projects (vi)			**6,228**	**3,820**	**3,577**	**243**	**1,193**	**1,354**	**1,030**
B	**Active mixed-use residential projects with cost estimates in progress (vii)**									
	Approved Zoning									
	Sunnybrook Plaza (iv)	Toronto, ON	50% (Concert)	316	158	158	—	22	136	—
	Clarkson Village (iv)	Mississauga, ON	100%	418	418	418	—	35	383	—
	Gloucester Future Phases (iv)	Gloucester, ON	50% (Killam)	482	241	241	—	10	231	—
	Brentwood Village - Phase Two (iv)	Calgary, AB	100%	955	955	955	—	435	520	—
	Millwoods Town Centre (iv)	Edmonton, AB	100%	2,010	2,010	2,010	—	750	1,260	—
	Elmvale Acres Future Phases (iv)	Ottawa, ON	100%	423	423	423	—	113	310	—
	Westgate Future Phases (iv)	Ottawa, ON	100%	538	538	538	—	67	471	—
	Southland Crossing (iv)	Calgary, AB	100%	968	968	968	—	187	781	—
	Windfield Farms (iv) (ix)	Oshawa, ON	100% of commercial, 50% of residential (Tribute)	1,781	1,226	670	556	670	—	—
	Markington Square (iv)	Toronto, ON	100%	977	977	977	—	163	814	—
	RioCan Durham Centre (iv)	Ajax, ON	100%	161	161	161	—	8	153	—
	Queensway (iv)	Toronto, ON	50% (Talisker)	559	280	280	—	70	210	—
	Dufferin Plaza (iv)	Toronto, ON	100%	449	449	32	417	32	—	—
	Yorkville (11 YV) (iv)	Toronto, ON	50% (CD Capital / Metropia)	508	254	43	211	22	21	—
	Strawberry Hill Shopping Centre (iv)	Surrey, BC	100%	90	90	90	—	—	90	—
	Jasper Gates Shopping Centre (iv)	Edmonton, AB	100%	1,027	1,027	1,027	—	243	784	—
				11,662	**10,175**	**8,991**	**1,184**	**2,827**	**6,164**	**—**
	Zoning applications submitted									
	RioCan Grand Park	Mississauga, ON	100%	262	262	262	—	18	244	—
	RioCan Scarborough Centre	Toronto, ON	100%	2,969	2,969	2,969	—	624	2,345	—
	RioCan Leaside Centre	Toronto, ON	100%	1,515	1,515	1,515	—	199	1,316	—
	RioCan Hall	Toronto, ON	100%	799	799	799	—	331	468	—
	Sandalwood Square	Mississauga, ON	50% (Boardwalk)	366	183	183	—	6	177	—
	Impact Plaza	Surrey, BC	100%	813	813	813	—	115	698	—
				6,724	**6,541**	**6,541**	**—**	**1,293**	**5,248**	**—**
	Total active mixed-use residential projects with cost estimates in progress - 22 projects (vii)			**18,386**	**16,716**	**15,532**	**1,184**	**4,120**	**11,412**	**—**
	Total active mixed-use residential projects - 35 projects			**24,614**	**20,536**	**19,109**	**1,427**	**5,313**	**12,766**	**1,030**
C	**Future estimated density - 12 projects (viii)**			**8,472**	**7,913**	**7,733**	**180**	**1,982**	**5,751**	**—**
	Total mixed-use residential developments - 47 projects			**33,086**	**28,449**	**26,842**	**1,607**	**7,295**	**18,517**	**1,030**
	Mixed-use residential developments as a percentage of total development pipeline				**97.9%**	**97.8%**	**100.0%**	**92.4%**	**100.0%**	**100.0%**

(i) Estimated density across the various components of the development pipeline is expressed as NLA, which represents approximately 90% of GFA for residential rental and inventory developments. This conversion factor is an estimate, which is based on a number of assumptions including but not limited to, site plan approval, final building design and floor plans as well as the mix of commercial and residential space in a multi-use development project.

(ii) PUD NLA includes NLA for air right sales in addition to commercial and residential rental NLA, but excludes NLA for condominiums and townhouse projects which are reported separately as Residential Inventory.

(iii) Represents the density associated with the development of residential condominiums and townhouse projects.

(iv) As at the date of this MD&A, RioCan has obtained final zoning approvals for the development of these properties. The above table includes only mixed-use residential development projects and thus does not include Greenfield Development and Expansion and Redevelopment projects that do not have residential components. As a result, the Trust has more projects with zoning approvals than what is included in this table.

(v) During the three months ended September 30, 2019, RioCan acquired the remaining non-managing 50% interest in Pivot, the remaining 50% co-ownership interest in eCentral, and the retail component and 70 commercial parking stalls of the ePlace mixed-use development. 100% of the project costs in this table include the purchase price of the remaining 50% co-ownership interest. For further details of these transactions, refer to the *Income Property Acquisitions During 2019* section of this MD&A..

(vi) Active mixed-use residential projects with detailed cost estimates include approximately 0.3 million square feet that are currently IPP.

(vii) Active mixed-use projects with cost estimates in progress include approximately 2.5 million square feet that are currently IPP.

(viii) Future estimated density includes approximately 1.2 million square feet that is currently IPP.

(ix) Excludes Phase One of Windfield Farms Commercial which includes 0.1 million square feet of commercial space. Refer to the *Greenfield Development* section of this MD&A for further details.

(x) During Q3 2019, RioCan entered into a firm agreement to sell to Killam Apartment Real Estate Investment Trust a 50% interest in an approximately 1.45 acre discrete portion of Elmvale Acres which is expected to close mid-2020 once severance of the land is obtained.

Mixed-use residential projects account for approximately 97.9% or 28.4 million square feet of NLA of the Trust's total estimated development pipeline, of which 14.0 million square feet currently have zoning approvals, 6.5 million square feet currently have zoning applications submitted and 7.9 million square feet represents sites with future density. In comparison to Q3 2019 mixed-use residential projects increased 1.7 million square feet primarily due to the addition of four GTA projects during the period, namely RioCan Durham Centre, RioCan Centre Newmarket, Victoria Crossing and White Shield Plaza. When compared to December 31, 2018, mixed-use residential projects increased by 3.0 million square feet primarily due to the addition of the above-noted projects, as well as the acquisitions of the remaining non-managing interests in eCentral and Yonge Sheppard Centre in Toronto, and Mill Woods Town Centre in Edmonton.

Residential developments including rental, air rights sales, and residential inventory account for 72.8% or 21.2 million square feet of the Trust's current development pipeline.

Properties under Development Continuity

The change in the IFRS consolidated net carrying amount is as follows:

	Three months ended December 31		Year ended December 31	
(thousands of dollars)	**2019**	2018	**2019**	2018
Balance, beginning of period	**$ 1,229,477**	$ 1,177,978	**$ 1,036,495**	$ 1,123,184
Acquisitions	**—**	—	**118,541**	14,846
Dispositions	**—**	(11,600)	**(38,141)**	(19,448)
Development expenditures	**139,313**	131,006	**438,820**	410,791
Transfers PUD to IPP - cost	**(92,302)**	(263,014)	**(347,575)**	(550,925)
Transfers PUD to IPP - fair value (gains) losses	**(2,574)**	(17,037)	**(10,830)**	(4,567)
Transfers IPP to PUD	**32,715**	14,900	**37,615**	70,935
Transfers to residential inventory	**(32,301)**	—	**(32,301)**	(5,014)
Fair value gains (losses), net	**(14,627)**	183	**57,077**	(7,386)
Earn-out consideration	**681**	4,079	**681**	4,079
Balance, end of period	**$ 1,260,382**	$ 1,036,495	**$ 1,260,382**	$ 1,036,495

Development Property Acquisitions

As previously discussed in the *Income Property Acquisitions During 2019* section of this MD&A, on August 30, 2019, RioCan acquired the remaining 50.0% ownership in Yonge Sheppard Centre in Toronto, Ontario, which included property under development valued at $112.0 million and assumed debt of $65.3 million and other liabilities of $5.5 million related to properties under development.

On June 6, 2019, the Trust acquired the remaining 70.0% ownership in Garden City Shopping Centre in Winnipeg, Manitoba, for an aggregate purchase price of $50.5 million including transaction costs, $49.0 million of which was allocated to income producing properties and $1.5 million to properties under development.

On May 23, 2019 the Trust acquired the remaining 59.7% interest in Mill Woods Town Centre in Edmonton, Alberta, for an aggregate purchase price of $71.7 million, including transaction costs, $66.9 million of which was allocated to income producing properties and $4.8 million to properties under development.

On March 29, 2019, RioCan acquired a 30.0% interest in excess lands in Niagara Falls, Ontario, for a purchase price, including transaction costs of $0.3 million.

Development Property Dispositions

On September 26, 2019, the Trust sold a 30% interest in excess lands in Niagara Falls, Ontario for sales proceeds of $0.3 million.

On July 24, 2019, the Trust sold a 50% interest in one parcel of development land located in Mississauga, Ontario for sales proceeds of $14.9 million.

On February 19, 2019, the Trust sold one parcel of development land located in Ottawa, Ontario for sales proceeds of $23.0 million.

Completed Developments in 2019

During the year ended December 31, 2019, RioCan transferred $347.6 million in costs to income producing properties pertaining to 530,000 square feet of completed development projects. A summary of RioCan's NLA completed during the period is as follows:

		NLA at RioCan's Interest					
(thousands of sq. ft.)		2019					
Property location	RioCan's % ownership	Total NLA	Q4	Q3	Q2	Q1	Tenants
Greenfield Development							
East Hills	40 %	11	9	2	—	—	McDonald's, BSW Liquor, Willowbrae Daycare
Total Greenfield Development		**11**	**9**	**2**	**—**	**—**	
Urban Intensification							
Bathurst College Centre	100 %	13	—	—	—	13	Winners
Yonge Eglinton Northeast Corner (eCentral) (i)	100 %	76	—	—	38	38	eCentral Residential Rental Tower (Floors 14-36), The Burger's Priest
Gloucester (Frontier) Phase One	50 %	90	—	—	90	—	Gloucester Phase One - 228 residential units
Fifth and Third East Village	100 %	91	91	—	—	—	Loblaws, TD Bank, Bank of Nova Scotia
Total Urban Intensification		**270**	**91**	**—**	**128**	**51**	
Expansion and Redevelopment							
Garden City Shopping Centre (i)	100 %	18	—	5	—	13	Seafood City Supermarket, Bulk Barn
RioCan West Ridge Place	100 %	18	—	—	—	18	HomeSense
Sage Hill Crossing	100 %	4	—	—	—	4	Mucho Burrito, Jugo Juice, Vietnamese Restaurant
RioCan Thickson Ridge	100 %	6	—	—	—	6	Urban Barn
Yonge Sheppard Centre Commercial (ii)	100 %	19	18	—	1	—	Fuzz Wax Bar, Reitmans, Dollarama
RioCan St. Laurent	100 %	105	—	—	105	—	Adonis, Decathlon
Oakville Place	50 %	51	—	44	7	—	L.L. Bean, GoodLife, Buy Buy Baby, PetSmart
Stock Yards Village (i)	100 %	4	—	—	4	—	Pad D
RioCan Centre Windsor	100 %	23	—	—	23	—	Giant Tiger
Tanger Ottawa	50 %	1	—	—	1	—	Starbucks
Total Expansion and Redevelopment		**249**	**18**	**49**	**141**	**41**	
Total Development Completion		**530**	**118**	**51**	**269**	**92**	

(i) RioCan's % ownership as of December 31, 2019. The NLA transfered to IPP noted above reflects the NLA prior to the acquisitions of the remaining 50.0% interest in Yonge Eglinton Northeast Corner, the remaining 70.0% interest in Garden City Shopping Centre and the remaining 50.0% interest in Stock Yards Village.

(ii) RioCan's % ownership as of December 31, 2019. During Q3 2019, RioCan acquired the remaining 50% interest in Yonge Sheppard Centre. The transfer in Q2 reflects our 50% interest in the NLA and the transfer in Q4 represents our 100% interest in the property.

For 2020, the Trust estimates to complete 518,056 square feet of developments, which will lead to $375.0 million cost transfers from PUD to IPP and $17.3 million incremental NOI upon project stabilization.

For 2021, the Trust estimates to complete 705,492 square feet of developments, which will lead to $517.7 million cost transfers from PUD to IPP and $21.6 million incremental NOI upon project stabilization.

The cost transfers estimated above reflect gross IFRS costs net of air rights proceeds. They are not net of applicable interim or fee income during the development period to arrive at net project costs, which RioCan uses in estimating a project's development yield.

Greenfield Development

As at December 31, 2019, RioCan currently has two active commercial greenfield development projects with detailed cost estimates as follows:

		At RioCan's Interest									
(thousands of dollars or thousands of sq. ft.)	RioCan's % Ownership	Total NLA Upon Project Completion			Total Estimated Costs	Costs incurred to date			Estimated PUD Costs to Complete	% Commercial Leased (i)	Anticipated Date of Development Completion
		Completed	PUD	Total		Completed	PUD	Total			
East Hills, Calgary, AB	40%	163	127	290	$ 111,434	$ 53,328	$ 36,440	$ 89,768	$ 21,666	59%	2022
Windfield Farms Commercial Phase One, Oshawa, ON	100%	—	150	150	77,241	—	29,334	29,334	47,907	64%	2021
Total Estimated PUD Costs		**163**	**277**	**440**	**$ 188,675**	**$ 53,328**	**$ 65,774**	**$119,102**	**$ 69,573**		
Fair Value to date						**$ 56,379**	**$ 46,671**	**$103,050**			

(i) Leasing activity includes leasing that is conditional on receiving municipal approvals and meeting construction deadlines. The percentage of commercial leasing activity is as at February 19, 2020.

Phase One of Windfield Farms Commercial was added to the greenfield development table in Q2 2019. Windfield Farms is a multi-phase, mixed-use project that includes commercial and residential uses. Phase One of the commercial component of the project has detailed cost estimates approved and is therefore included in the above table. Further details of the remaining components of the Windfield Farms project are included in the *Mixed-Use Residential Development* and *Residential Inventory* sections of this MD&A.

During Q4 2019, the Trust allocated fair value of the Windfield Farms commercial project between the above Phase One and future phases. Therefore, when comparing the fair value as of December 31, 2019 in the above table to the same table as of the previous quarter end, fair value of the Phase One project declined. However, on an aggregate basis, including the value of future phases, which were valued by an independent appraiser, the fair value of the Windfield Farms commercial project was largely stable quarter to quarter. The progress made on the site in 2019 has made the future phases more valuable.

As of the release date of this MD&A, approximately 266,000 square feet of the above greenfield development NLA has committed leases, which includes tenants that have taken possession of the space, at a weighted average net rental rate of approximately $21.36 per square foot.

Urban Intensification

A focus within our development growth strategy is urban intensification, which is the category for our residential mixed-use and commercial development program. The Trust currently has 13 active urban intensification projects with detailed cost estimates that will generate approximately 3.6 million square feet of NLA at RioCan's interest of space upon completion over the next five years, including air rights that have been or are expected to be sold. Excluding such air rights, these 13 active urban intensification projects are expected to generate approximately 2.5 million square feet of estimated NLA. Our urban intensification program currently is focused on properties located in densely populated areas in the urban cores of Toronto, Ottawa and Calgary.

A summary of our urban intensification projects with detailed cost estimates as at December 31, 2019 is as follows:

		At RioCan's Interest									
		Total PUD NLA Upon Project Completion				Costs incurred to date					
(thousands of dollars or thousands of sq. ft.)	RioCan's % Ownership	Completed	PUD	Total	Total Estimated Costs	Completed	PUD	Total	Estimated PUD Costs to Complete	% Commercial Leased (i)	Anticipated Date of Development Completion
Brentwood Village (Brio), Calgary, AB (v)	50 %	—	72	72	$ 39,266	$ —	$ 33,216	$ 33,216	$ 6,050	66%	2020
Dupont Street (Litho), Toronto, ON (v)	50 %	—	93	93	76,718	—	35,807	35,807	40,911	73%	2021
Fifth and Third East Village, Calgary, AB (v)	100 %	91	663	754	126,613	58,302	58,600	116,902	9,711	88%	2020
Gloucester (Frontier) Phase One, Ottawa, ON (v)	50 %	93	—	93	36,050	35,706	—	35,706	344	100%	2019
Gloucester - Phase Two (Latitude), Ottawa, ON (iii) (v)	50 %	—	80	80	46,841	—	11,154	11,154	35,687	n/a	2021
King Portland Centre, Toronto, ON (v)	50 %	170	—	170	91,014	90,405	—	90,405	609	100%	2019
College & Manning (Strada),Toronto, ON (v)	50 %	27	27	54	40,634	9,123	15,791	24,914	15,720	91%	2021
The Well, Toronto, ON (iv) (v) (vii)	50% of commercial 40% of residential air rights	—	1,192	1,192	868,626	—	373,554	373,554	495,072	84%	2023
The Well - (FourFifty The Well), Toronto, ON (v)	50 %	—	196	196	134,515	—	9,158	9,158	125,357	n/a	2023+
Yonge Eglinton Northeast Corner (ePlace), Toronto, ON (v) (vi)	100 %	312	—	312	225,401	225,401	—	225,401	—	96%	2019
Yonge Sheppard Centre Residential (Pivot), Toronto, ON (v) (vi)	100 %	—	258	258	237,522	—	186,660	186,660	50,862	n/a	2020
Elmvale Acres - Phase One (Luma), Ottawa, ON (v) (viii)	100 %	—	136	136	84,299	—	18,239	18,239	66,060	n/a	2021
Westgate - Phase One (Rhythm), Ottawa, ON (v)	100 %	—	165	165	94,433	—	10,167	10,167	84,266	n/a	2022
Total Estimated Costs (ii)		**693**	**2,882**	**3,575**	**$ 2,101,932**	**$ 418,937**	**$752,346**	**$1,171,283**	**$ 930,649**		
Fair Value to date						**$ 570,683**	**$859,547**	**$1,430,230**			

(i) Leasing activity includes leasing that is conditional on receiving municipal approvals and meeting construction deadlines. Leasing shown in this table is calculated as a percentage of commercial square footage only as there is typically no pre-leasing for residential rental square footage. The percentage of commercial leasing activity is as at February 19, 2020.

(ii) Total Estimated Costs exclude fair value gains of $107.2 million for properties under development.

(iii) The estimated cost for Phase Two of the Gloucester project is higher than the Phase One (Frontier) mainly because of more underground parking spaces at Phase Two and construction cost escalation as Phase One project costs were largely secured two to three years ago. As Phase Two is expected to be completed by 2021, the rent from Phase Two is also expected to exceed the current market rent.

(iv) The total estimated PUD costs for The Well are net of approximately $61.0 million recoverable costs at RioCan's interest relating to matters such as parking, parkland dedication, and an Enwave thermal energy tank based on the air rights sale agreement and other agreements in place. However, the estimated PUD costs have not deducted approximately $75.6 million (at RioCan's interest) of estimated proceeds from the sale of residential air rights at the project. Net of the estimated proceeds from the sale of residential air rights, the total estimated PUD costs for The Well (at RioCan's interest) would be $793.0 million. As of February 19, 2020, over 94% of the hard costs have been tendered and 90% awarded.

(v) These projects are committed, representing projects where all planning issues have been resolved, anchor tenant(s) has or have been secured, and/or construction is about to commence or has commenced.

(vi) During the three months ended September 30, 2019, RioCan acquired the remaining non-managing 50% interest in Pivot, the remaining 50% co-ownership interest in eCentral, and the retail component and 70 commercial parking stalls of the ePlace mixed-use development. 100% of the project costs in this table include the purchase price of the remaining 50% co-ownership interest. For further details of these transactions, refer to the *Income Property Acquisitions During 2019* section of this MD&A.

(vii) The 84% leased at The Well is based on committed leases, including extension rights, for office space only.

(viii) During the three months ended September 30, 2019, RioCan entered into a firm agreement to sell to Killam a 50% interest in an approximately 1.45 acre discrete portion of Elmvale Acres which is expected to close mid-2020 once severance of the land is obtained.

As of the release date of this MD&A, approximately 788,000 square feet of the above urban intensification NLA under development has committed or in-place leases, which includes tenants that have taken possession of the space, at a weighted average net rent rate of approximately $34.79 per square foot.

Expansion & Redevelopment

A summary of RioCan’s expansion and redevelopment projects as at December 31, 2019 is as follows:

		At RioCan's Interest						
				Costs Incurred to Date				
(thousands of dollars or thousands of sq. ft.)	RioCan's % Ownership	Total PUD NLA Upon Project Completion	Total Estimated Costs	Costs Incurred to Date	Historical IPP Costs (iii)	Total	Estimated PUD Cost to Complete
1910 Bank Street, Ottawa, ON	100%	2	$ 2,441	$ 1,079	$ 126	$ 1,205	$ 1,236
Burlington Centre, Burlington, ON	50%	4	1,726	1,606	—	1,606	120
Five Points Mall, Oshawa, ON	100%	10	6,969	—	2,680	2,680	4,289
RioCan West Ridge Place, Orillia, ON	100%	7	2,636	1,494	—	1,494	1,142
Place St Jean, Saint-Jean-sur-Richelieu, QC	100%	2	1,457	127	—	127	1,330
Tanger Outlets - Kanata, Kanata, ON	50%	18	10,304	4,023	3,627	7,650	2,654
Yonge Sheppard Centre Commercial, Toronto, ON (iv)	100%	33	42,080	33,326	—	33,326	8,754
1208 1216 Dundas Street East, Whitby ON	100%	8	6,991	1,867	1,551	3,418	3,573
Properties with former Sears units (ii) - 4 projects		77	22,054	8,572	6,248	14,820	7,234
Total Estimated PUD Costs (i)		**161**	**$ 96,658**	**$ 52,094**	**$ 14,232**	**$ 66,326**	**$ 30,332**
PUD Fair Value to date						**$ 42,796**	

(i) Total estimated PUD costs include carrying amounts transferred from IPP for redevelopment and exclude historical fair value losses of $23.5 million.

(ii) RioCan transferred carrying value associated with the spaces formerly occupied by Sears from IPP to PUD. The estimated PUD costs to complete are based upon various scenarios with the objective of developing these assets, such that RioCan can attract new tenants, achieve higher rents and improve the overall shopping centres.

(iii) Historical costs were costs of IPP prior to the transfer to PUD.

(iv) During the three months ended September 30, 2019, RioCan acquired the remaining 50% co-ownership interest from KingSett. Further details of this transaction can be found in the *Income Property Acquisitions During 2019* section of this MD&A. Prior to the second quarter of 2019, both the residential rental and commercial portions of the project were included in the table above. The residential rental component, Yonge Sheppard Centre Residential (Pivot) has been reclassified as an Urban Intensification project and included in that table effective second quarter of 2019.

The 331,000 square foot decrease in NLA during the year ended December 31, 2019 from the prior year end was primarily due to the transfer of certain projects from PUD to IPP upon project completions.

Residential Inventory

Residential inventory is comprised of properties acquired or developed which RioCan intends to dispose all or part of in the ordinary course of business, rather than hold on a long term basis for capital appreciation or for rental income purposes. It is expected that the Trust will earn a return on these assets through a combination of (i) property operating income earned during the relatively short interim occupancy period, which will be included in net income, and (ii) sales proceeds.

For the three months and year ended December 31, 2019, the Trust recognized residential inventory gains of $11.0 million and $36.3 million, respectively, from purchasers taking possession of units at eCondos™ in Toronto, Ontario and townhouses at UC Towns at Windfield Farms in Oshawa, Ontario, which commenced in the second quarter of 2019 and units at Kingly™ in Toronto, Ontario which commenced in the third quarter of 2019.

Substantially all inventory gains for the three projects have been recognized into net income as of the year end, with a few townhouse units at UC Towns to be taken possession of in 2020.

As at December 31, 2019, the costs of residential inventory include the costs incurred on the following four condominium or townhouse projects:

- **Yorkville (11 YV)** - This is a 50/25/25 joint venture project amongst RioCan, Metropia and Capital Development in the prestigious Toronto neighborhood of Yorkville, which consists of 593 luxury condominium units, retail uses and up to 81 residential rental replacement units. The project recently won several awards from the National Association of Home Builders including the National Sales and Marketing Council's Award of Excellence for Multi-Family Community of the Year. Sales of the condominiums units were launched on September 12, 2019 and are progressing well with 83.0% of the 593 units sold as of February 19, 2020 (at 100%). Average prices are expected to be above $1,700 per square foot, exceeding initial expectations. This project is expected to generate a value creation percentage in the range of 15%-17% (at RioCan's interest), including profit on the condominium sales and value creation from the retail and rental replacement unit portions of the project. The estimated value creation percentage is based on estimated IFRS project costs including, but not limited to, land and capitalized interest during the development phase. The project has obtained final zoning approval in Q4 2019 and construction is expected to commence in Q2 2020 with an anticipated first possession date in Q3 2024.

- **Windfield Farms** - This is a 50/50 joint venture project with Tribute Communities to develop a 31-acre residential component of lands at the Windfield Farms site located in Oshawa, Ontario, which includes 513 townhouses to be constructed in four phases and two phases of high rise condominiums. Possessions of the 166 pre-sold townhouses for UC Towns commenced in Q2 2019. As of December 31, 2019, purchasers of 159 units have taken possession with inventory gains of $11.9 million recorded during the year, out of total estimated gains of $12.5 million for the project, at RioCan's interest.

  Sales at UC Uptown, a 153-unit three storey townhouse development, are expected to commence in the first quarter of 2020.

  UC Tower is a condominium project consisting of a 503-unit high rise condominium tower. Sales for UC Tower began in Q4 2018 and are progressing well with 73.6% units pre-sold as of February 19, 2020 (at 100%). This project, which is selling at approximately $590 per square foot, is expected to generate a value creation percentage in the range of 17%-20% (at RioCan's interest) based on estimated IFRS project costs including, but not limited to, land and capitalized interest during the development phase. This project has an expected construction start date of Q2 2020 and an anticipated first possession date of Q2 2022.
- **Dufferin Plaza** - The current retail property is situated on 3.8 acres of land at the intersection of Dufferin St. and Apex Rd. in Toronto, Ontario in close proximity to Yorkdale Shopping Centre as well as major arterial roads, highways and public transit. The Trust plans to redevelop the property as a mixed-use property with approximately 550 units or a 417,000 square feet condominium tower and 32,000 square feet of retail. As a result, $30.6 million of this property was transferred to residential inventory from investment property during the three months ended December 31, 2019. The project already has Official Plan approval.
- **Shoppers World Brampton Phase One** - Shoppers World Brampton is a large shopping centre on a 53-acre site located in Brampton, Ontario. It is located on Brampton's regional intensification corridor just outside of downtown Brampton. It currently has a large bus terminal and is designated as the end terminal for the new LRT line. The City of Brampton has identified it as the city's uptown western anchor suitable for large scale mixed-used development. RioCan has estimated the property to have 4.5 million square feet of future excess density, which will be developed through multiple phases.

  Phase One of the development is located on two acres of vacant land at the southwest corner of the property, consisting of an estimated 450 residential units across two 25-storey towers (one residential rental and one condominium) and a 20,000 square foot retail podium. During the three months ended December 31, 2019, $1.7 million was transferred from investment property to residential inventory for Phase One.

Refer to the *Mixed-Use Residential Development* section of this MD&A for a summary of the Residential Inventory NLA as currently planned.

The following table shows changes in the aggregate carrying value of RioCan's residential inventory:

	Three months ended December 31		Year ended December 31	
(thousands of dollars)	**2019**	2018	**2019**	2018
Balance, beginning of period	**$ 98,829**	$ 205,675	**$ 206,123**	$ 132,003
Acquisitions	**—**	—	**—**	26,370
Dispositions	**(26,366)**	(19,828)	**(164,378)**	(19,828)
Development expenditures	**4,192**	20,276	**34,910**	62,564
Transfers from investment properties	**32,301**	—	**32,301**	5,014
Balance, end of period (i)	**$ 108,956**	$ 206,123	**$ 108,956**	$ 206,123

(i) Comprised of $73.8 million (December 31, 2018 - $69.3 million) for Yorkville, $30.6 million (December 31, 2018 - nil) for Dufferin Plaza, $2.8 million (December 31, 2018 - $21.7 million) for Windfield Farms, $1.7 million (December 31, 2018 - nil) for Shoppers World Brampton Phase One, nil (December 31, 2018 - $28.3 million) for Kingly and nil (December 31, 2018 - $86.8 million) for eCondos. All purchasers at Kingly and eCondos were in possession of their respective units as of December 31, 2019.

Development Yield and Incremental Value Creation

The Trust estimates incremental value creation upon project stabilization. This incremental value creation is estimated by using the estimated future stabilized value (estimated annual stabilized NOI of a project divided by an assumed capitalization rate applicable to the project upon stabilization under the prevailing market conditions), less total estimated net project costs. Net project costs are defined as total estimated project costs net of estimated proceeds from dispositions including land and air rights sales and net of applicable interim or fee income during the development period.

As previously disclosed in the Trust's MD&A for the three months ended September 30, 2019, the Trust expects to achieve a blended development yield of 5.6% for the five urban intensification and greenfield projects namely, ePlace, King Portland Centre, and Bathurst College Centre in Toronto, Ontario, Frontier in Ottawa, Ontario and Sage Hill Crossing in Calgary, Alberta.

The Trust estimates $204.2 million or 35.5% of incremental value creation for these projects' commercial and/or residential rental components, and an additional $26.2 million of residential inventory gains on the sale of condominium units at two projects, bringing the total incremental value creation for these five projects to $230.4 million. Of the $204.2 million estimated incremental value creation for these projects' commercial and/or residential rental components, $203.2 million of value creation has been recognized as of December 31, 2019, given that these projects have been complete and stabilized except for eCentral stabilization which is expected in the spring of 2020. Of the $26.2 million estimated residential inventory gains, $25.8 million has been recognized into income to date since Q4 2018.

As of December 31, 2019, the Trust has recognized $266.0 million of cumulative fair value gains for its 4.2 million square feet of active projects with detailed cost estimates (refer to the *Estimated PUD Project Costs* section of this MD&A), excluding the value reclassification between Windfield Farms Commercial Phase One and future phases. The $266.0 million of cumulative fair value gains includes $163.9 million relating to ePlace, King Portland Centre and Frontier. Fair value gains relating to Bathurst College Centre and Sage Hill are not included in the $266.0 million of cumulative fair value gains as the projects have been completely transferred to income producing properties and their square footages are not included in the 4.2 million square feet of active projects with detailed cost estimates.

The Trust anticipates realizing substantial net value creation from its additional 16.7 million square feet of excess density that are either zoned or with zoning application submitted as well as 7.9 million square feet of future density. As of December 31, 2019, nominal fair value gains or inventory gains have been recognized relating to these 24.6 million square feet of densities.

Mortgages and Loans Receivable

Contractual mortgages and loans receivable as at December 31, 2019 and December 31, 2018 are comprised of the following:

	Contractual interest rates		Weighted		
(thousands of dollars)	Low	High	average interest rate	**December 31, 2019**	December 31, 2018
Mezzanine financing to co-owners	4.95%	7.00%	6.39%	**$ 155,399**	$ 146,680
Vendor-take-back and other	5.00%	6.40%	5.36%	**20,552**	17,334
Total	4.95%	7.00%	6.27%	**$ 175,951**	$ 164,014

All of the $176.0 million of mortgages and loans receivable as at December 31, 2019 are carried at amortized cost.

RioCan's Declaration of Trust contains provisions that have the effect of limiting the aggregate value of the investment by the Trust in mortgages, other than mortgages taken back on the sale of RioCan's properties, to a maximum of 30% of consolidated unitholders' equity. Additionally, RioCan is limited to the amount of capital that can be invested in greenfield developments and development properties held for resale to no more than 15% of the book value of RioCan's total consolidated unitholders' equity, and this limitation also applies to any mortgages receivable to fund the co-owners' share of such developments referred to as mezzanine financing. At December 31, 2019, RioCan was in compliance with these restrictions.

CAPITAL RESOURCES AND LIQUIDITY

Liquidity and Cash Management

RioCan maintains a committed revolving unsecured operating credit facility to provide financial liquidity which can be drawn or repaid on short notice, reducing the need to hold liquid resources in cash and deposits. This minimizes costs arising from the difference between borrowing and deposit rates, while reducing credit exposure.

Capital Management Framework

RioCan defines capital as the aggregate of common unitholder and preferred unitholders' equity and debt. The Trust's capital management framework is designed to maintain a level of capital that:

- complies with investment and debt restrictions pursuant to the Trust's Declaration;
- complies with debt covenants;
- enables RioCan to achieve target credit ratings;
- funds the Trust's business strategies; and
- builds long-term unitholder value.

The key elements of RioCan's capital management framework are set out in the Trust's Declaration, and/or approved by the Trust's Board, through the Board's annual review of the strategic plan and budget, supplemented by periodic Board and related committee meetings. Capital adequacy is monitored by management of the Trust by assessing performance against the approved annual plan throughout the year, which is updated accordingly, and by monitoring adherence to investment and debt restrictions contained in the Declaration and debt covenants (refer to Note 27 of RioCan's 2019 Annual Consolidated Financial Statements). In selecting appropriate funding choices, RioCan's objective is to manage its capital structure such that it diversifies its funding sources while minimizing its funding costs and risks. RioCan expects to be able to satisfy all of its financing requirements through the use of some or all of the following: cash on hand, cash generated by operations, refinancing of maturing debt, utilization of its operating line of credit, credit facilities, construction financing facilities, sale of marketable securities, sale of non-core properties and secondary markets properties, and through public offerings of unsecured debentures and common equity. If market conditions become challenging, the Trust could finance certain assets currently unencumbered by debt or issue preferred units.