

MANAGEMENT'S DISCUSSION AND ANALYSIS

Summary of Capital Expenditures

Expenditures for third-party leasing commissions and tenant improvements, recoverable and non-recoverable, and revenue enhancing capital expenditures pertaining to our income properties are as follows:

(thousands of dollars)	Three months ended March 31		Normalized capital expenditures (i)
	2019	2018	Q1 2019
Maintenance capital expenditures:			
Tenant improvements and external leasing commissions	\$ 2,897	\$ 4,918	\$ 4,000
Recoverable from tenants	597	1,414	4,500
Non-recoverable	744	1,030	1,500
	\$ 4,238	\$ 7,362	\$ 10,000
Revenue enhancing capital expenditures	6,978	3,442	
	\$ 11,216	\$ 10,804	

(i) Refer to the *Non-GAAP Measures* section in this MD&A for details on how management estimates its normalized capital expenditures.

For the three months ended March 31, 2019, our total capital expenditures on income properties were \$11.2 million compared to \$10.8 million for the same period in 2018. The \$0.4 million increase was primarily due to \$3.5 million in higher revenue enhancing expenditures, partially offset by \$2.0 million in lower payments for tenant improvements, and \$1.1 million in lower recoverable and non-recoverable capital expenditures. Quarterly variations were primarily due to timing of expenditures.

RioCan's total maintenance capital expenditures for the three months ended March 31, 2019 of \$4.2 million were \$5.8 million lower than our normalized capital expenditures of \$10.0 million for the quarter primarily due to lower spending and timing of maintenance capital expenditures. Refer to the *Non-GAAP Measures* section of this MD&A for details on how estimates of normalized capital expenditures are determined for 2018 and 2019.

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 alliances 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 needed, these assets can continue to generate income until the appropriate time to commence development is reached. This is becoming an increasingly important element of development risk management as construction costs and overall development costs are increasing.
- 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, structuring construction management contracts such that the contracts are converted to fixed price contracts as soon as all the scope is defined thus limiting cost escalations, and so on.

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- The Trust's mixed-use residential development will also allow the Trust to access Canadian Mortgage and Housing Corporation ("CMHC") insured mortgages, which will further diversify the Trust's funding sources and provide 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 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 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 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 March 31, 2019, RioCan's investments in greenfield development and residential inventory as a percentage of consolidated unitholders' equity is 4.8% 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 March 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 23 of the Consolidated Financial Statements for further details.

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Development Pipeline

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

(thousands of square feet)	Number of Projects (ii)	Estimated Density (NLA) at RioCan's Interest (i)					
		Total	PUD (iii)	Residential Inventory (iv)	Components of PUD		
					Commercial	Residential Rental	Air Rights Sale (ix)
A. Active projects with detailed cost estimates							
Greenfield Development	1	291	291	—	291	—	—
Urban Intensification (v)	10	3,151	2,906	245	1,276	597	1,033
	11	3,442	3,197	245	1,567	597	1,033
Expansion & Redevelopment (vi)	14	458	458	—	329	129	—
Subtotal	25	3,900	3,655	245	1,896	726	1,033
B. Active projects with cost estimates in progress (vii)	19	14,764	13,997	767	3,763	10,234	—
Total Active Projects	44	18,664	17,652	1,012	5,659	10,960	1,033
C. Future estimated density (viii)	11	7,591	7,591	—	1,940	5,651	—
Total development pipeline	55	26,255	25,243	1,012	7,599	16,611	1,033

- (i) Estimated density across the various components of the development pipeline is expressed as Net Leasable Area (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) Urban Intensification projects include approximately 0.3 million square feet that are currently IPP.
- (vi) Expansion and Redevelopment projects include approximately 0.3 million square feet of vacant NLA which was primarily former Sears space prior to its redevelopment, with remaining 0.2 million square feet as incremental NLA.
- (vii) Active projects with cost estimates in progress include approximately 2.0 million square feet that are currently IPP.
- (viii) Future estimated density includes approximately 1.0 million square feet that are currently IPP.
- (ix) 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 3.7 million square feet of NLA out of the total estimated 26.3 million square feet development pipeline as of March 31, 2019 is existing NLA which is currently income producing, resulting in net incremental density estimated at 22.6 million square feet as of March 31, 2019. When compared to the Trust's development pipeline as of March 31, 2018, the change in the development pipeline square footage is marginal despite the development completions during the year and sale of one large development project in a secondary market in British Columbia. This was largely because of an increase in our future estimated density, which reflects the Trust's ability to tap into its existing portfolio to identify intensification opportunities to maintain a robust development pipeline over time.

A key milestone of the development process is obtaining zoning approval. The following table breaks down 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 42.6% have zoning approvals and an additional 28.5% have zoning applications submitted.

(thousands of square feet)	Number of Projects	% of square footage zoned	Estimated Density (NLA) at RioCan's Interest (i)					
			Total	PUD (ii)	Residential Inventory (iii)	Components of PUD		
						Commercial	Residential Rental	Air Rights Sale
Zoning approved	35	42.6%	11,194	10,393	801	4,077	5,283	1,033
Zoning applications submitted	9	28.5%	7,470	7,259	211	1,582	5,677	—
Future estimated density	11	28.9%	7,591	7,591	—	1,940	5,651	—
Total development pipeline	55	100.0%	26,255	25,243	1,012	7,599	16,611	1,033

- (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.

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- (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 was stable when compared to Q4 2018. When compared to March 31, 2018, the Trust's zoned NLA declined by about 1.0 million square feet, mainly as a result of 0.8 million square feet of project completions since Q1 2018 and the sale of a large project in British Columbia in Q1 2019. The Trust submitted 2.1 million square feet of new zoning applications in the quarter, increasing total zoning applications submitted to 7.5 million square feet.

Estimated Project Costs

RioCan's share of estimated development costs as of March 31, 2019 are summarized in the following table, which includes estimated costs for the 25 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 or townhouse developments are excluded in the following table but included in *Residential Inventory* in the Consolidated Financial Statements and in this MD&A.

(thousands of dollars or thousands of square feet)	Number of Projects	At RioCan's Interest					
		Total PUD NLA (i)	Total Estimated Costs	Costs Incurred to Date			Estimated PUD Costs to Complete
				Completed (IPP)	PUD	Total	
Greenfield Development	1	291	\$ 110,464	\$ 47,133	\$ 38,595	\$ 85,728	\$ 24,736
Urban Intensification	10	2,906	1,539,155	278,325	465,475	743,800	795,355
	11	3,197	1,649,619	325,458	504,070	829,528	820,091
Expansion & Redevelopment (iv)	14	458	225,212	—	125,083	125,083	100,129
Active projects with detailed cost estimates	25	3,655	\$ 1,874,831	\$ 325,458	\$ 629,153	\$ 954,611	\$ 920,220
Development Lands and Other (ii)		—	265,769	—	265,769	265,769	—
Projected proceeds from dispositions (iii)		—	(131,453)	—	—	—	(131,453)
Total			\$ 2,009,147	\$ 325,458	\$ 894,922	\$ 1,220,380	\$ 788,767
Fair Value to Date				\$ 419,705	\$ 1,027,470	\$ 1,447,175	

- (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.

The \$12.5 million decrease in total estimated costs for active projects with detailed cost estimates as of March 31, 2019 when compared to the same estimates as of December 31, 2018 was primarily due to the transfer of completed expansion and redevelopment projects to IPP during the quarter.

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

(thousands of dollars)	At RioCan's Interest				
	Total Estimated Costs	Costs Incurred to Date			Estimated PUD Costs to Complete
		Completed (IPP)	PUD	Total	
Committed (i)	\$ 1,607,216	\$ 325,458	\$ 621,041	\$ 946,499	\$ 660,717
Non-committed	401,931	—	273,881	273,881	128,050
Total	\$ 2,009,147	\$ 325,458	\$ 894,922	\$ 1,220,380	\$ 788,767

- (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.

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Annual Development Spending

Annual development costs for active PUD projects with detailed cost estimates are estimated in the \$300 million to \$400 million range over the next two years given the expected progress of large projects like The Well. Together with an estimated \$100 million annual of costs for residential inventory, total annual development expenditures are estimated to be in the \$400 million to \$500 million range over the next two years. These annual costs estimates are management's estimates as of March 31, 2019 and are 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 March 31, 2019, this metric was 8.4%. Refer to note 23 of the Consolidated Financial Statements.

The Trust has been funding and will continue to fund its development pipeline through its capital allocation including net proceeds from its strategic disposition program, 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.

Mixed-Use Residential Development

The government of Ontario's amendment to exempt new residential rental units from rent control is expected to encourage more residential rental supply and RioCan is committed to its residential development program.

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 are considered to be strong possible intensification opportunities. All of the developments are in the six Canadian major markets in which the Trust operates and are typically located in the vicinity of existing or planned substantive transit infrastructure. This summary does not include Greenfield and Urban Intensification projects that have commercial components only.

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				Estimated Density (NLA) at RioCan's Interest (i)						
							PUD Components			
	(thousands of square feet)	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)	145	72	72	—	5	67	—
	Dupont Street (Litho) (iv)	Toronto, ON	50% (Woodbourne)	180	90	90	—	15	75	—
	Fifth and Third East Village (iv)	Calgary, AB	100%	758	758	758	—	161	—	597
	Gloucester (Frontier) (iv)	Gloucester, ON	50% (Killam)	185	93	93	—	3	90	—
	King-Portland Centre (iv)	Toronto, ON	50% (Allied)	421	210	164	46	164	—	—
	Yonge Eglinton Northeast Corner (ePlace) (iv) (ix)	Toronto, ON	50% (Metropia / Bazis)	712	356	157	199	11	146	—
	The Well (iv)	Toronto, ON	50% commercial (Allied) / 40% residential (Allied / Diamond)	2,580	1,181	1,181	—	745	—	436
	College & Manning (Strada) (iv)	Toronto, ON	50% (Allied)	108	54	54	—	30	24	—
	The Well -Residential Bldg 6 (iv)	Toronto, ON	50% (Woodbourne)	391	195	195	—	—	195	—
				5,480	3,009	2,764	245	1,134	597	1,033
	Expansion and Redevelopment									
	Yonge Sheppard Centre (iv) (v)	Toronto, ON	50% (KingSett)	309	155	155	—	26	129	—
				5,789	3,164	2,919	245	1,160	726	1,033
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 -Residential phase II (iv)	Gloucester, ON	50% (Killam)	668	334	334	—	10	324	—
	Brentwood Village -Residential phase II (iv)	Calgary, AB	100%	955	955	955	—	435	520	—
	Millwoods Town Centre (iv)	Edmonton, AB	40% (Bayfield)	2,010	804	804	—	300	504	—
	Westgate (iv)	Ottawa, ON	100%	733	733	733	—	88	645	—
	Southland Crossing (iv)	Calgary, AB	100%	968	968	968	—	187	781	—
	Windfield Farms (iv)	Oshawa, ON	100% of commercial, 50% of residential (Tribute)	1,931	1,375	819	556	819	—	—
	Markington Square (iv)	Toronto, ON	100%	977	977	977	—	163	814	—
	Elmvale Acres (iv)	Ottawa, ON	100%	572	572	572	—	122	450	—
				9,548	7,294	6,738	556	2,181	4,557	—
	Zoning applications submitted									
	Queensway	Toronto, ON	50% (Talisker)	538	269	269	—	70	199	—
	RioCan Grand Park	Mississauga, ON	100%	318	318	318	—	119	199	—
	Dufferin Plaza	Toronto, ON	100%	449	449	449	—	32	417	—
	RioCan Scarborough Centre	Toronto, ON	100%	2,760	2,760	2,760	—	600	2,160	—
	RioCan Leaside Centre	Toronto, ON	100%	1,324	1,324	1,324	—	204	1,120	—
	Yorkville project	Toronto, ON	50% (CD Capital / Metropia)	508	253	42	211	21	21	—
	RioCan Hall	Toronto, ON	100%	703	703	703	—	280	423	—
	Sandalwood Square - phase I	Mississauga, ON	100%	366	366	366	—	12	354	—
	Jasper Gates Shopping Centre	Edmonton, AB	100%	1,028	1,028	1,028	—	244	784	—
				7,994	7,470	7,259	211	1,582	5,677	—
	Total active mixed-use residential projects with cost estimates in progress - 19 projects (vii)			17,542	14,764	13,997	767	3,763	10,234	—
	Total active mixed-use residential projects - 29 projects			23,331	17,928	16,916	1,012	4,923	10,960	1,033
C.	Future estimated density - 11 projects (viii)			7,977	7,591	7,591	—	1,940	5,651	—
	Total mixed-use residential developments - 40 projects			31,308	25,519	24,507	1,012	6,863	16,611	1,033
	Mixed-use residential developments as a percentage of total development pipeline				97.2%	97.1%	100.0%	90.3%	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.

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- (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) Commercial square footage at Yonge Sheppard Centre represents the redevelopment of the existing enclosed mall retail space, which is all incremental. Residential rental square footage pertains to Pivot, our RIoCan Living™ component of this mixed-use development.
- (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 2.0 million square feet that are currently IPP.
- (viii) Future estimated density includes approximately 1.0 million square feet that is currently IPP.
- (ix) RioCan will acquire the remaining 50% interest in the residential rental tower (eCentral) for a purchase price estimated in the range of \$95 million to \$105 million which is expected to occur in mid-2019. In addition, RioCan has an agreement to acquire the remaining 50% interest in the retail component at a purchase price based on a 7% capitalization rate and the stabilized net operating income upon completion in 2019. Upon closing of each respective transaction, RioCan will own 100% of the respective component of the project. Pursuant to the purchase and sale agreement to acquire the remaining 50% interest in eCentral, the Trust is entitled to 100% of the eCentral's operating results starting on January 1, 2019, even though the transaction is expected to close in mid-2019.

Mixed-use residential projects account for approximately 97.2% or 25.5 million square feet of NLA of the Trust's total estimated development pipeline, of which 10.5 million square feet currently have zoning approvals, 7.5 million square feet currently have zoning applications submitted and 7.6 million square feet represent sites with future density.

Residential developments including rental, air rights sales, and residential inventory account for 71.1% or 18.7 million square feet of the Trust's total development pipeline as of March 31, 2019.

Properties under Development Continuity

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

(thousands of dollars)

Three months ended March 31	2019	2018
Balance, beginning of period	\$ 1,036,495	\$ 1,123,184
Acquisitions	293	9,082
Dispositions	(22,977)	—
Development expenditures	76,114	91,039
Transfers PUD to IPP - cost	(101,771)	(52,743)
Transfers PUD to IPP - fair value losses	3,779	5,104
Transfers IPP to PUD	4,900	52,051
Fair value gains, net	30,637	7,945
Balance, end of period	\$ 1,027,470	\$ 1,235,662

Development Property Acquisitions and Dispositions

During the three months ended March 31, 2019, RioCan acquired a 30% interest in a parcel of land located in Niagara Falls, Ontario for a purchase price, including transaction costs, of \$0.3 million.

During the three months ended March 31, 2019, the Trust sold one parcel of development land located in Ottawa, Ontario for sales proceeds of \$23.0 million.

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Completed Developments in 2019

During the three months ended March 31, 2019, RioCan transferred \$101.8 million in costs to income producing properties pertaining to 92,000 square feet of completed development projects. A summary of RioCan's NLA completed during the period is as follows:

		NLA at RioCan's Interest		
<i>(thousands of square feet, unless otherwise noted)</i>		2019		
Property location	RioCan's % ownership	Total NLA	Q1	Tenants
Urban Intensification				
Bathurst College Centre	100%	13	13	Winners
Yonge Eglinton Northeast Corner (eCentral)	50%	38	38	eCentral Residential Rental Tower (Floors 14-24)
Total Urban Intensification		51	51	
Expansion and Redevelopment				
Garden City	30%	13	13	Seafood City Supermarket
RioCan West Ridge	100%	18	18	HomeSense
Sage Hill	100%	4	4	Mucho Burrito, Jugo Juice, Vietnamese Restaurant
Riocan Thickson Ridge	100%	6	6	Urban Barn
Total Expansion and Redevelopment		41	41	
Total Development Completion		92	92	

Greenfield Development

As at March 31, 2019, RioCan currently has one active greenfield development project with a detailed cost estimate:

		At RioCan's Interest									
<i>(thousands of dollars or thousands of square feet)</i>	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%	154	137	291	\$ 110,464	\$ 47,133	\$ 38,595	\$ 85,728	\$ 24,736	59%	2021
Fair Value to date						\$ 49,732	\$ 38,646	\$ 88,378			

(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 May 6, 2019.

As of the release date of this MD&A, approximately 171,000 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 rent rate of approximately \$19.21 per square foot.

Urban Intensification

A focus within our development growth strategy is urban intensification, which is another name for our residential mixed-use and commercial development program. The Trust currently has 10 active urban intensification projects with detailed cost estimates that will generate approximately 2.9 million square feet of NLA at RioCan's interest of space upon completion over the next six years, including air rights that have been or are expected to be sold. Excluding such air rights, these 10 active urban intensification projects are expected to generate approximately 1.9 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

(thousands of dollars or thousands of square feet)	RioCan's % Ownership	At RioCan's Interest									
		Total PUD 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			
College & Manning (Strada), Toronto, ON (v)	50 %	27	27	54	\$ 36,395	\$ 8,969	\$ 9,959	\$ 18,928	\$ 17,467	91%	2020
Bathurst College Centre, Toronto, ON (v)	100 %	141	—	141	112,422	111,460	—	111,460	962	100%	2019
Brentwood Village (Brio), Calgary, AB (v)	50 %	—	72	72	39,393	—	20,365	20,365	19,028	n/a	2020
Dupont Street (Litho), Toronto, ON (v)	50 %	—	90	90	78,449	—	25,140	25,140	53,309	74%	2021
Fifth and Third East Village, Calgary, AB (v)	100 %	—	759	759	128,861	—	93,147	93,147	35,714	82%	2021
Gloucester (Frontier), Ottawa, ON (v)	50 %	3	90	93	42,920	226	37,870	38,096	4,824	100%	2019
King-Portland Centre, Toronto, ON (v)	50 %	164	—	164	87,922	83,490	—	83,490	4,432	100%	2018 / 2019
The Well, Toronto, ON (iv) (v) (vii)	50% of commercial 40% of residential air rights	—	1,181	1,181	772,047	—	247,388	247,388	524,659	71%	2021
The Well -Residential Bldg 6, Toronto, ON (iii)	50 %	—	195	195	136,161	—	8,111	8,111	128,050	n/a	2022+
Yonge Eglinton Northeast Corner (ePlace), Toronto, ON (v),(vi)	50 %	118	39	157	104,585	74,180	23,495	97,675	6,910	88%	2019
Total Estimated Costs (ii)		453	2,453	2,906	\$ 1,539,155	\$ 278,325	\$465,475	\$743,800	\$ 795,355		
Fair Value to date						\$ 369,973	\$590,724	\$960,697			

- (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 May 6, 2019.
- (ii) Total Estimated Costs exclude fair value gains of \$125.2 million for properties under development.
- (iii) This development project has not yet commenced construction, therefore, costs incurred to date have not been substantial.
- (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 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 \$696.4 million.
- (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) RioCan will acquire the remaining 50% interest in the residential rental tower (eCentral) for a purchase price estimated in the range of \$95 million to \$105 million which is expected to occur in mid-2019. In addition, RioCan has an agreement to acquire the remaining 50% interest in the retail component at a purchase price based on a 7% capitalization rate and the stabilized net operating income upon completion in 2019. Upon closing of each respective transaction, RioCan will own 100% of the respective component of the project. Pursuant to the purchase and sale agreement to acquire the remaining 50% interest in eCentral, the Trust is entitled to 100% of the eCentral's operating results starting on January 1, 2019, even though the transaction is expected to close in mid-2019.
- (vii) The 71% leased at The Well is based on committed leases, including extension rights, for office space only. Retail leasing will start in 2019 once office leasing is well progressed as office tenants determine the types of retail tenants best suited for the flagship development.

The commercial component of King Portland Centre was substantially completed and transferred to IPP during Q3 2018. Bathurst College Centre had the last remaining tenant space transferred to IPP in Q1 2019. However, due to remaining costs to complete, these projects are still included in the above table.

As of the release date of this MD&A, approximately 811,000 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 \$32.26 per square foot.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Expansion & Redevelopment

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

(thousands of dollars or thousands of square feet)	RioCan's % Ownership	Total PUD NLA Upon Project Completion	Total Estimated Costs	At RioCan's interest			Estimated PUD Cost to Complete
				Costs Incurred to Date			
				Costs Incurred to Date	Historical IPP Costs (iii)	Total	
1910 Bank Street, Ottawa, ON	100%	2	\$ 1,878	\$ 228	\$ 126	\$ 354	\$ 1,524
Burlington Centre, Burlington, ON	50%	4	1,656	1,579	—	1,579	77
Five Points Mall, Oshawa, ON	100%	10	4,580	—	2,680	2,680	1,900
RioCan St. Laurent, Ottawa, ON	100%	96	26,446	2,399	14,900	17,299	9,147
Place St Jean, Saint-Jean-sur-Richelieu, QC	100%	2	1,412	35	—	35	1,377
Tanger Outlets - Kanata, Kanata, ON	50%	19	11,238	4,548	3,761	8,309	2,929
Stockyards Village, Toronto, ON	50%	4	3,355	678	2,670	3,348	7
Yonge Sheppard Centre, Toronto, ON	50%	156	129,498	47,220	16,018	63,238	66,260
1208 1216 Dundas Street East, Whitby ON	100%	7	5,200	324	1,551	1,875	3,325
Properties with former Sears units (ii) - 5 projects		158	39,949	7,744	18,622	26,366	13,583
Total Estimated PUD Costs (i)		458	\$ 225,212	\$ 64,755	\$ 60,328	\$ 125,083	\$ 100,129
PUD Fair Value to date						\$ 110,370	

- (i) Total estimated PUD costs include carrying amounts transferred from IPP for redevelopment and exclude historical fair value losses of \$14.7 million. Expansion and Redevelopment projects include approximately 0.3 million square feet of vacant NLA which was primarily former Sears space prior to its redevelopment, with the remaining 0.2 million square feet as incremental NLA.
- (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 centre.
- (iii) Historical costs were costs of IPP prior to the transfer to PUD.

The 34,000 square feet decrease in NLA during the three months ended March 31, 2019 from the previous quarter was primarily due to the 41,000 square feet transfer of certain projects from PUD to IPP upon project completions, partially offset by a transfer from IPP to PUD for RioCan St. Jean in Saint-Jean-sur-Richelieu, Quebec.

Residential Inventory

Residential inventory are properties acquired or developed for which RioCan intends to dispose of all or part of such properties in the ordinary course of business, rather than to 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.

Transfers into residential inventory are based on a change in use evidenced by the commencement of development activities with a view to sell, at which point an investment property would be transferred to inventory. Transfers from inventory to investment property are based on a change in use evidenced by management's commitment to use a property for rental purposes and the execution of an operating lease with another party.

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

- **Yonge Eglinton Northeast Corner condominium component (eCondo)** - This 623-unit, fully pre-sold condominium project is co-owned with Metropia and Bazis Inc.. Purchasers started taking possession of condominium units in Q4 2018 and will continue to take possession on a phased basis over the next two quarters. In Q1 2019 the Trust recognized \$5.2 million of income from the condominium sales based on units taken possession of in the quarter.
- **King Portland Centre condominium component (Kingly)** - This is a 132-unit condominium project at the northwest corner of King Street West and Portland Street in the trendy King West neighbourhood of Toronto. RioCan and its 50/50 partner Allied have fully pre-sold the condominium units with profitability of the project exceeding initial expectations. The building is expected to be completed and turned over for possession in Q3 2019.
- **Yorkville** - This is a 50/25/25 joint venture project among RioCan, Metropia and Capital Development in the prestigious Toronto neighborhood of Yorkville. The project has the potential for the development of approximately half a million square feet of luxury condominiums, retail uses and up to 82 residential rental replacement units.
- **Windfield Farms Townhouses** - 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. Also known as UC Towns 2, it includes 513 condominium townhouses to be constructed in four phases and two phases of high rise condominiums, the first of which consists of a 479-unit high rise condominium. 166 of the 170 units released in phase one for the townhouse developments have been sold with first occupancy occurring in Q2 2019. Marketing for the first phase of the high rise condominium project began in Q4 2018. As of the date of this MD&A, 235 of the 479 units have been pre-sold.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 March 31	2019		2018	
Balance, beginning of period	\$	206,123	\$	132,003
Acquisitions		—		26,370
Dispositions		(41,993)		—
Development expenditures		16,431		11,133
Balance, end of period (i)	\$	180,561	\$	169,506

(i) Comprised of \$53.6 million (March 31, 2018 - \$79.6 million) for eCondo, \$29.4 million (March 31, 2018 - \$19.1 million) for Kingly, \$70.3 million (March 31, 2018 - \$65.2 million) for Yorkville and \$27.3 million (March 31, 2018 - \$5.6 million) for Windfield Farms Townhouses.

As discussed under the *Annual Development Spending* section of this MD&A, annual costs for residential inventory are estimated in the \$100 million range over the next two years. This annual cost estimate is management's estimate as of March 31, 2019 and is subject to changes due to potential changes in various underlying factors as noted earlier in this MD&A.

Development Yield and Incremental Value Creation

The Trust estimates incremental value creation upon project stabilization. This incremental value creation is estimated by using 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.

Development yields and incremental value creations for five urban intensification and greenfield projects are estimated in the following table. These projects are included here because they are complete or close to completion.

	Commercial and/or Residential Rental Components							Residential Inventory	Total Project
	Ownership % for Data in this Table	Total Estimated Net Project Costs	Estimated Stabilized NOI	Estimated Yield on Total Costs	Estimated Future Stabilized Value	Incremental Value Creation Upon Stabilization	Estimated Incremental Value Creation %	Estimated Residential Inventory Gains	Total Estimated Incremental Value Creation
<i>(thousands of dollars)</i>									
Yonge Eglinton Northeast Corner (ePlace) (i)	100%	\$ 221,500	\$ 11,800	5.3%	\$ 327,300	\$ 105,800	47.8%	\$ 14,000	\$ 119,800
King Portland Centre	50%	87,900	5,500	6.3%	129,900	42,000	47.8%	12,500	54,500
Gloucester (Frontier) (ii)	50%	34,200	2,000	5.8%	48,400	14,200	41.5%	n/a	14,200
Bathurst College Centre	100%	110,500	5,300	4.8%	125,000	14,500	13.1%	n/a	14,500
Sage Hill (iii)	100%	120,800	8,500	7.0%	161,100	40,300	33.4%	n/a	40,300
Total		\$ 574,900	\$ 33,100	5.8%	\$ 791,700	\$ 216,800	37.7%	\$ 26,500	\$ 243,300

(i) Total estimated net project costs include estimated net project costs for the Trust's current 50% interest plus the cost of acquiring the remaining 50% interest in the residential rental tower eCentral at costs plus \$10.0 million and the remaining 50% interest in the retail component based on stabilized retail NOI at a 7.0% capitalization rate pursuant to the existing agreements with our project partners.

(ii) Total estimated net project costs include land costs for this Phase I development. Excluding the cost of the Phase I land, which has been owned by the Trust since 1999 as part of the 7.1 acre shopping centre, the estimated development yield would be 6.3%.

(iii) The estimated yield on the Trust's original 50% interest in this project is 8.4%. In February 2019 the Trust acquired the remaining 50% ownership interest for \$70.5 million, which is higher than the estimated net project costs of the Trust's original 50% interest in the project. The blended yield on this project is therefore 7.0%.

The Trust expects to achieve a blended development yield of 5.8% upon stabilization of these five projects. The 10 basis point increase in the estimated blended development yield since the prior quarter was primarily due to higher estimated stabilized NOI based on latest leasing updates and adjustment to capitalization rate for certain projects.

The Trust estimates \$216.8 million of incremental value creation for these projects' commercial and/or residential rental components, and an additional \$26.5 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 \$243.3 million. Of the \$216.8 million estimated incremental value creation for these projects' commercial and/or residential rental components, approximately \$169.7 million of value creation has been recognized as of March 31, 2019, given that these projects have been complete or closer to completion. Of the \$26.5 million estimated residential inventory gains, only \$6.6 million has been recognized into income to date since Q4 2018.

As more urban intensification and greenfield projects progress near completion, the Trust will disclose the projects' estimated development yield and value creation.

For the remainder of 2019, the Trust estimates to complete 388,000 square feet of developments in addition to the development completions in 2019 relating to these five projects and other development completions as of March 31, 2019, which will lead to \$187.6 million cost transfers from PUD to IPP in 2019 and \$9.3 million incremental NOI upon project stabilization.

For 2020, the Trust estimates to complete 442,000 square feet of developments, which will lead to \$280.0 million cost transfers from PUD to IPP in 2020 and \$14.5 million incremental NOI upon project stabilization.