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:

	Three months ended June 30		Six months ended June 30		Normalized capital expenditures (i)
(thousands of dollars)	**2019**	2018	**2019**	2018	**YTD Q2 2019**
Maintenance capital expenditures:					
Tenant improvements and external leasing commissions	**$ 8,700**	$ 9,160	**$ 11,597**	$ 14,078	**$ 8,000**
Recoverable from tenants	**2,201**	15	**2,798**	1,429	**9,000**
Non-recoverable	**119**	511	**863**	1,541	**3,000**
	$ 11,020	$ 9,686	**$ 15,258**	$ 17,048	**$ 20,000**
Revenue enhancing capital expenditures	**4,454**	1,108	**11,432**	4,550	
	$ 15,474	$ 10,794	**$ 26,690**	$ 21,598	

(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 June 30, 2019, our total capital expenditures on income properties were $15.5 million compared to $10.8 million for the same period in 2018. The $4.7 million increase was primarily due to $3.3 million in higher revenue enhancing expenditures, and $1.8 million in higher recoverable and non-recoverable capital expenditures, partially offset by $0.5 million in lower tenant improvements. Quarterly variations were primarily due to timing of expenditures.

For the six months ended June 30, 2019, our total capital expenditures on income properties were $26.7 million compared to $21.6 million for the same period in 2018. The $5.1 million increase was primarily due to $6.9 million in higher revenue enhancing expenditures, and $0.7 million in higher recoverable and non-recoverable capital expenditures, partially offset by $2.5 million in lower tenant improvements.

RioCan's total maintenance capital expenditures for the six months ended June 30, 2019 of $15.3 million were $4.7 million lower than our normalized capital expenditures of $20.0 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.

- 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 June 30, 2019, RioCan's investments in greenfield development and residential inventory as a percentage of consolidated unitholders' equity is 4.3% 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 June 30, 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 24 of the Consolidated Financial Statements for further details.

Development Pipeline

RioCan's development pipeline as at June 30, 2019 is estimated as follows:

		Estimated Density (NLA) at RioCan's Interest (i)					
					Components of PUD		
(thousands of square feet)	Number of Projects (ii)	Total	PUD (iii)	Residential Inventory (iv)	Commercial	Residential Rental	Air Rights Sale (ix)
A. Active projects with detailed cost estimates							
Greenfield Development	2	438	438	—	438	—	—
Urban Intensification (v)	11	3,218	2,973	245	1,137	806	1,030
	13	**3,656**	**3,411**	**245**	**1,575**	**806**	**1,030**
Expansion & Redevelopment (vi)	13	226	226	—	226	—	—
Subtotal	**26**	**3,882**	**3,637**	**245**	**1,801**	**806**	**1,030**
B. Active projects with cost estimates in progress (vii)	**20**	**16,545**	**15,778**	**767**	**4,182**	**11,596**	**—**
Total Active Projects	**46**	**20,427**	**19,415**	**1,012**	**5,983**	**12,402**	**1,030**
C. Future estimated density (viii)	**10**	**6,780**	**6,780**	**—**	**1,825**	**4,955**	**—**
Total development pipeline	**56**	**27,207**	**26,195**	**1,012**	**7,808**	**17,357**	**1,030**

(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 0.2 million square feet of vacant NLA which was primarily former Sears space prior to its redevelopment.

(vii) Active projects with cost estimates in progress include approximately 2.7 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 4.3 million square feet of NLA out of the total estimated 27.2 million square feet development pipeline as of June 30, 2019 is existing NLA which is currently income producing, resulting in net incremental density estimated at 22.9 million square feet as of June 30, 2019. When compared to the Trust's development pipeline as of June 30, 2018, the change in the development pipeline square footage has increased by 1.0 million square feet despite the development completions during the year and sale of one large development project in a secondary market in British Columbia. The increase was mainly due to the acquisition of the remaining 59.7% non-managing interest in Mill Woods Town 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 48.2% have zoning approvals and an additional 26.9% have zoning applications submitted.

			Estimated Density (NLA) at RioCan's Interest (i)					
						Components of PUD		
(thousands of square feet)	Number of Projects	% of square footage zoned	Total	PUD (ii)	Residential Inventory (iii)	Commercial	Residential Rental	Air Rights Sale
Zoning approved	39	48.2%	13,115	12,103	1,012	4,410	6,663	1,030
Zoning applications submitted	7	26.9%	7,312	7,312	—	1,573	5,739	—
Future estimated density	10	24.9%	6,780	6,780	—	1,825	4,955	—
Total development pipeline	**56**	**100.0%**	**27,207**	**26,195**	**1,012**	**7,808**	**17,357**	**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 1.9 million square feet when compared to Q1 2019 primarily due to zoning approvals obtained for Queensway, Dufferin Plaza and Yorkville projects in Toronto, Ontario (the latter is subject to an appeal period expiring mid-August 2019), and the acquisition of the remaining non-managing interest in Mill Woods Town Centre in Edmonton, Alberta. The Trust submitted a zoning application for 0.8 million square feet for Impact Plaza in the Vancouver suburb of Surrey, British Columbia in the second quarter, which was offset by 1.0 million square feet of zoning application approvals received for the three aforementioned projects, decreasing total zoning applications submitted by 0.2 million square feet to 7.3 million square feet.

Estimated Project Costs

RioCan's share of estimated development costs as of June 30, 2019 are summarized in the following table, which includes estimated costs for the 26 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.

		At RioCan's Interest					
				Costs Incurred to Date			
(thousands of dollars or thousands of square feet)	Number of Projects	Total PUD NLA (i)	Total Estimated Costs	Completed (IPP)	PUD	Total	Estimated PUD Costs to Complete
Greenfield Development	2	438	$ 203,357	$ 47,133	$ 77,563	$ 124,696	$ 78,661
Urban Intensification	11	2,973	1,675,036	229,780	515,513	745,293	929,743
	13	**3,411**	1,878,393	276,913	593,076	869,989	1,008,404
Expansion & Redevelopment (iv)	13	226	95,702	—	61,480	61,480	34,222
Active projects with detailed cost estimates	**26**	**3,637**	**$ 1,974,095**	**$ 276,913**	**$ 654,556**	**$ 931,469**	**$ 1,042,626**
Development Lands and Other (ii)		—	239,799	—	239,799	239,799	—
Projected proceeds from dispositions (iii)		—	(143,083)	—	—	—	(143,083)
Total			**$ 2,070,811**	**$ 276,913**	**$ 894,355**	**$ 1,171,268**	**$ 899,543**
Fair Value to Date				**$ 382,474**	**$ 1,047,248**	**$ 1,429,722**	

(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 June 30, 2019 increased by $99.3 million when compared to the prior quarter. This was primarily due to the addition of Windfield Farms Commercial and Gloucester Phase Two to the cost estimates and higher estimated costs for The Well, partially offset by the removal of Bathurst College Centre and certain expansion and redevelopment projects as construction was substantially complete with minimal costs to complete remaining. Total estimated cost increase for The Well was the result of detailed building design refinements and cost estimate update. Over 85% of The Well construction costs are now tendered.

The above total estimated development costs as at June 30, 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)	$ 1,694,851	$ 276,913	$ 646,292	$ 923,205	$ 771,646
Non-committed	375,960	—	248,063	248,063	127,897
Total	**$ 2,070,811**	**$ 276,913**	**$ 894,355**	**$ 1,171,268**	**$ 899,543**

(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.

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 of annual 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 cost estimates are management's estimates as of June 30, 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 June 30, 2019, this metric was 8.0%. Refer to note 24 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. 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.

					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)	144	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)	433	216	170	46	170	—	—
	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)	2,567	1,175	1,175	—	742	—	433
	Yonge Sheppard Centre Residential (Pivot) (iv) (v)	Toronto, ON	50% (KingSett)	258	129	129	—	—	129	—
	College & Manning (Strada) (iv)	Toronto, ON	50% (Allied)	108	54	54	—	30	24	—
	Gloucester -Residential Phase Two (iv)	Gloucester, ON	50% (Killam)	160	80	80	—	—	80	—
	The Well -Residential Bldg 6 (iv)	Toronto, ON	50% (Woodbourne)	391	195	195	—	—	195	—
	Total active mixed-use residential projects with detailed cost estimates - 11 projects (vi)			**5,896**	**3,218**	**2,973**	**245**	**1,137**	**806**	**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 -Residential Phase Two (iv)	Calgary, AB	100%	955	955	955	—	435	520	—
	Mill Woods Town Centre (iv)	Edmonton, AB	100%	2,010	2,010	2,010	—	750	1,260	—
	Westgate (iv)	Ottawa, ON	100%	733	733	733	—	88	645	—
	Southland Crossing (iv)	Calgary, AB	100%	968	968	968	—	187	781	—
	Windfield Farms Excess Density (iv) (xi)	Oshawa, ON	100% of commercial, 50% of residential (Tribute)	1,784	1,229	673	556	673	—	—
	Markington Square (iv)	Toronto, ON	100%	977	977	977	—	163	814	—
	Elmvale Acres (iv)	Ottawa, ON	100%	573	573	573	—	123	450	—
	Queensway (iv)	Toronto, ON	50% (Talisker)	538	269	269	—	70	199	—
	Dufferin Plaza (iv)	Toronto, ON	100%	449	449	449	—	32	417	—
	Yorkville project (x)	Toronto, ON	50% (CD Capital / Metropia)	508	253	42	211	21	21	—
				10,711	**9,233**	**8,466**	**767**	**2,609**	**5,857**	**—**
	Zoning applications submitted									
	RioCan Grand Park	Mississauga, ON	100%	318	318	318	—	119	199	—
	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	—
	RioCan Hall	Toronto, ON	100%	703	703	703	—	280	423	—
	Sandalwood Square	Mississauga, ON	100%	366	366	366	—	12	354	—
	Jasper Gates Shopping Centre	Edmonton, AB	100%	1,028	1,028	1,028	—	243	785	—
	Impact Plaza	Surrey, BC	100%	813	813	813	—	115	698	—
				7,312	**7,312**	**7,312**	**—**	**1,573**	**5,739**	**—**
	Total active mixed-use residential projects with cost estimates in progress - 20 projects (vii)			**18,023**	**16,545**	**15,778**	**767**	**4,182**	**11,596**	**—**
	Total active mixed-use residential projects - 31 projects			**23,919**	**19,763**	**18,751**	**1,012**	**5,319**	**12,402**	**1,030**
C.	**Future estimated density - 10 projects (viii)**			**7,166**	**6,780**	**6,780**	**—**	**1,825**	**4,955**	**—**
	Total mixed-use residential developments - 41 projects			**31,085**	**26,543**	**25,531**	**1,012**	**7,144**	**17,357**	**1,030**
	Mixed-use residential developments as a percentage of total development pipeline				**97.6%**	**97.5%**	**100.0%**	**91.5%**	**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) Residential rental square footage pertains to Pivot, our RIoCan Living ™ component of this mixed-use development. RioCan has entered into a firm purchase and sale agreement, subject to customary closing conditions, to acquire the remaining, non-managing 50% co-ownership interest in Yonge Sheppard Centre. The deal is expected to close by the end of August 2019.

(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 2.7 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 the latter half of 2019. In addition, RioCan has an agreement to acquire the remaining 50% interest in the retail component at a purchase price based on a 7.0% capitalization rate of 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 eCentral's operating results commencing on January 1, 2019, even though the transaction is expected to close in Q3 2019.

(x) Zoning approval obtained subject to an appeal period expiring mid-August 2019.

(xi) 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.

Mixed-use residential projects account for approximately 97.6% or 26.5 million square feet of NLA of the Trust's total estimated development pipeline, of which 12.5 million square feet currently have zoning approvals, 7.3 million square feet currently have zoning applications submitted and 6.8 million square feet represent sites with future density.

Residential developments including rental, air rights sales, and residential inventory account for 71.3% or 19.4 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 June 30		Six months ended June 30,	
(thousands of dollars)	**2019**	2018	**2019**	2018
Balance, beginning of period	**$ 1,027,470**	$ 1,235,662	**$ 1,036,495**	$ 1,123,184
Acquisitions	**6,239**	5,764	**6,532**	14,846
Dispositions	**—**	—	**(22,977)**	—
Development expenditures	**93,186**	103,178	**169,300**	194,073
Transfers PUD to IPP - cost	**(104,991)**	(85,723)	**(206,762)**	(138,322)
Transfers PUD to IPP - fair value (gains) losses	**(17,557)**	12,311	**(13,778)**	17,415
Transfers IPP to PUD	**—**	22	**4,900**	52,073
Transfers to residential inventory	**—**	(5,014)	**—**	(5,014)
Fair value gains (losses), net	**42,901**	(8,042)	**73,538**	(97)
Balance, end of period	**$ 1,047,248**	$ 1,258,158	**$ 1,047,248**	$ 1,258,158

Development Property Acquisitions and Dispositions

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, which was allocated $66.9 million to income producing properties and $4.8 million 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, which was allocated $49.0 million to income producing properties and $1.5 million to properties under development.

As previously discussed in the *Business Overview* section of this MD&A, on June 6, 2019, the Trust entered into into a firm purchase and sale agreement, to acquire the remaining, non-managing 50% co-ownership interest in Yonge Sheppard Centre for an estimated $331.0 million, net of certain working capital adjustments. The deal is subject to customary closing conditions and is expected to close by August 30, 2019. This property has income producing and property under development components.

On March 29, 2019, RioCan acquired a 30.0% interest in excess lands in Niagara, Ontario, for a purchase price, including transaction costs of $0.3 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 six months ended June 30, 2019, RioCan transferred $206.8 million in costs to income producing properties pertaining to 361,000 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 square feet, unless otherwise noted)		2019			
Property location	RioCan’s % ownership	Total NLA	Q2	Q1	Tenants
Urban Intensification					
Bathurst College Centre	100%	13	—	13	Winners
Yonge Eglinton Northeast Corner (eCentral)	50%	76	38	38	eCentral Residential Rental Tower (Floors 14-36), Burger's Priest
Gloucester (Frontier)	50%	90	90	—	Gloucester Phase One - 228 residential units
Total Urban Intensification		**179**	**128**	**51**	
Expansion and Redevelopment					
Garden City (i)	100%	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
Yonge Sheppard Centre - Commercial	50%	1	1	—	Fuzz Wax Bar
RioCan St. Laurent	100%	105	105	—	Adonis, Decathlon
Oakville Place	50%	7	7	—	L.L. Bean
Stockyards 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		**182**	**141**	**41**	
Total Development Completion		**361**	**269**	**92**	

(i) RioCan's % ownership is of June 30, 2019. The NLA transfered to IPP noted above reflects the NLA prior to the acquisitions of the remaining 70.0% interest in Garden City and 50.0% interest in Stockyards.

Greenfield Development

As at June 30, 2019, RioCan currently has two active greenfield development projects with detailed cost estimates as follows:

		At RioCan's Interest									
		Total NLA Upon Project Completion				Costs incurred to date					
(thousands of dollars or thousands of square feet)	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
East Hills, Calgary, AB	40%	154	136	290	$ 110,696	$ 47,133	$ 39,183	$ 86,316	$ 24,380	59%	2021
Windfield Farms Commercial, Oshawa, ON	100%	—	148	148	92,661	—	38,380	38,380	54,281	44%	2020
Total Estimated PUD Costs		**154**	**284**	**438**	**$ 203,357**	**$ 47,133**	**$ 77,563**	**$124,696**	**$ 78,661**		
Fair Value to date						**$ 49,681**	**$ 91,283**	**$140,964**			

(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 August 1, 2019.

During the three months ended June 30, 2019, a new project, Phase One of Windfield Farms Commercial, was added to the Greenfield development table. The overall Windfield Farms project consists of commercial retail and residential uses. The Phase One of the commercial component of the project has detailed cost estimates approved and thus included in the above table. The remaining components of the project were included as Windfield Farms Excess Density in the *Mixed Use Residential Development* section of this MD&A and more information is available under *Residential Inventory* section of this MD&A on pre-sale and construction progress of the townhouse and condominium component of the overall project.

As of the release date of this MD&A, approximately 237,000 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 $21.45 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 11 active urban intensification projects with detailed cost estimates that will generate approximately 3.0 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 11 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.

A summary of our urban intensification projects with detailed cost estimates as at June 30, 2019 is as follows:

		At RioCan's Interest									
		Total PUD NLA Upon Project Completion				Costs incurred to date					
(thousands of dollars or thousands of square feet)	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	38,978	—	23,264	23,264	15,714	n/a	2020
Dupont Street (Litho), Toronto, ON (v)	50 %	—	90	90	78,449	—	26,889	26,889	51,560	77%	2021
Fifth and Third East Village, Calgary, AB (v)	100 %	—	758	758	126,738	—	98,638	98,638	28,100	85%	2021
Gloucester (Frontier), Ottawa, ON (v)	50 %	93	—	93	36,932	33,805	27	33,832	3,100	100%	2019
King-Portland Centre, Toronto, ON (v)	50 %	170	—	170	88,840	87,324	—	87,324	1,516	100%	2018 / 2019
College & Manning (Strada),Toronto, ON (v)	50 %	27	27	54	36,395	9,027	11,132	20,159	16,236	91%	2020
The Well, Toronto, ON (iv) (v) (vii)	50% of commercial 40% of residential air rights	—	1,175	1,175	867,429	—	280,367	280,367	587,062	76%	2022
The Well -Residential Bldg 6, Toronto, ON (iii)	50 %	—	195	195	136,161	—	8,263	8,263	127,898	n/a	2022+
Yonge Eglinton Northeast Corner (ePlace), Toronto, ON (v),(vi)	50 %	157	—	157	106,296	99,624	—	99,624	6,672	92%	2019
Yonge Sheppard Centre Residential (Pivot), Toronto, ON (v) (viii)	50 %	—	129	129	111,006	—	62,024	62,024	48,982	n/a	2020
Gloucester - Residential Phase Two, Ottawa, ON (v), (ix)	50 %	—	80	80	47,812	—	4,909	4,909	42,903	n/a	2021
Total Estimated Costs (ii)		**447**	**2,526**	**2,973**	**$ 1,675,036**	**$ 229,780**	**$515,513**	**$ 745,293**	**$ 929,743**		
Fair Value to date						**$ 332,793**	**$640,372**	**$ 973,165**			

(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 August 1, 2019.

(ii) Total Estimated Costs exclude fair value gains of $124.9 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 $791.8 million. The estimated cost increase in the project over the prior quarter is the result of detailed building design and cost estimate update. As of August 1, 2019 over 85% of the hard costs have been tendered.

(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 the latter half of 2019. In addition, RioCan has an agreement to acquire the remaining 50% interest in the retail component at a purchase price based on a 7.0% capitalization rate of 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 eCentral's operating results commencing on January 1, 2019, even though the transaction is expected to close in Q3 2019.

(vii) The 76% leased at The Well is based on committed leases, including extension rights, for office space only. Retail leasing activities have commenced.

(viii) RioCan has entered into a firm purchase and sale agreement, subject to customary closing conditions, to acquire the remaining, non-managing 50% co-ownership interest in Yonge Sheppard Centre. The deal is expected to close by the end of August 2019.

(ix) 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 be higher than the current market rent.

The commercial component of King Portland Centre was substantially completed and transferred to IPP during Q3 2018. However, due to remaining costs to complete, it is still included in the above table. Bathurst College Centre had the last remaining tenant space transferred to IPP in Q1 2019 and minimal costs to complete remaining and therefore has been removed from table above.

As of the release date of this MD&A, approximately 674,000 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 $33.06 per square foot.

Expansion & Redevelopment

A summary of RioCan’s expansion and redevelopment projects as at June 30, 2019 is as follows:

		At RioCan's interest					
				Costs Incurred to Date			
(thousands of dollars or thousands of square feet)	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	$ 2,047	$ 249	$ 127	$ 376	$ 1,671
Burlington Centre, Burlington, ON	50%	4	1,726	1,568	—	1,568	158
Five Points Mall, Oshawa, ON	100%	10	4,580	6	2,680	2,686	1,894
RioCan West Ridge Place, Orillia, ON	100%	7	2,594	136	—	136	2,458
Place St Jean, Saint-Jean-sur-Richelieu, QC	100%	2	1,412	105	—	105	1,307
Tanger Outlets - Kanata, Kanata, ON	50%	18	10,304	4,000	3,627	7,627	2,677
Yonge Sheppard Centre Commercial, Toronto, ON (iv)	50%	25	28,947	21,684	—	21,684	7,263
1208 1216 Dundas Street East, Whitby ON	100%	8	6,369	366	1,551	1,917	4,452
Properties with former Sears units (ii) - 5 projects		150	37,723	8,471	16,910	25,381	12,342
Total Estimated PUD Costs (i)		**226**	**$ 95,702**	**$ 36,585**	**$ 24,895**	**$ 61,480**	**$ 34,222**
PUD Fair Value to date						**$ 46,671**	

(i) Total estimated PUD costs include carrying amounts transferred from IPP for redevelopment and exclude historical fair value losses of $14.8 million. Expansion and Redevelopment projects include approximately 0.2 million square feet of vacant NLA which was primarily former Sears space prior to its redevelopment.

(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) RioCan has entered into a firm purchase and sale agreement, subject to customary closing conditions, to acquire the remaining, non-managing 50% co-ownership interest in Yonge Sheppard Centre. The deal is expected to close by the end of August 2019. 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 232,000 square feet decrease in NLA during the three months ended June 30, 2019 from the previous quarter was primarily due to the reclassification of the residential rental component of Yonge Sheppard Centre Residential (Pivot) as an Urban Intensification project and the transfer of certain projects from PUD to IPP upon project completion.

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.

As at June 30, 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 have been taking possession of condominium units since Q4 2018. All related inventory gains are expected to be recognized into income by the end of Q3 2019.
- **King Portland Centre condominium component** (**Kingly**) - This is a 132-unit, fully pre-sold condominium project at the northwest corner of King Street West and Portland Street in the trendy King West neighbourhood of Toronto. The building is expected to be completed in Q3 2019. Possession of the units by purchasers will occur in the third and fourth quarters of 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 currently has received zoning approval for a development of 593 luxury condominium units, retail uses and up to 81 residential rental replacement units, subject to an appeal period that expires mid-August 2019.
- **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 503-unit high rise condominium. Possession for the 166 pre-sold townhouse units for Phase One of the project started in Q2 2019 and is expected to complete by the end of Q1 2020 with a total estimated inventory gains of approximately $12.5 million (at RioCan's interest). Sales for the first phase of the high rise condominium project began in Q4 2018. As of the date of this MD&A, 273 of the 503 units have been pre-sold.

For the three and six months ended June 30, 2019, the Trust recognized residential inventory gains of $7.8 million and $12.9 million, respectively, from purchasers taking possession of units at eCondos in Toronto, Ontario and of townhomes at Phase One at Windfield Farms in Oshawa, Ontario, the latter of which commenced in the second quarter of 2019.

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 June 30		Six months ended June 30,	
	2019	2018	**2019**	2018
Balance, beginning of period	**$ 180,561**	$ 169,506	**$ 206,123**	$ 132,003
Acquisitions	**—**	—	**—**	26,370
Dispositions	**(37,632)**	—	**(79,625)**	—
Development expenditures	**9,262**	14,033	**25,693**	25,166
Transfers from investment properties	**—**	5,014	**—**	5,014
Balance, end of period (i)	**$ 152,191**	$ 188,553	**$ 152,191**	$ 188,553

(i) Comprised of $31.5 million (June 30, 2018 - $91.2 million) for eCondo, $30.8 million (June 30, 2018 - $20.5 million) for Kingly, $71.4 million (June 30, 2018 - $66.8 million) for Yorkville and $18.5 million (June 30, 2018 - $10.0 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 June 30, 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
(thousands of dollars)	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
Yonge Eglinton Northeast Corner (ePlace) (i)	100%	$ 220,000	$ 11,600	5.3%	$ 322,100	$ 102,100	46.4%	$ 14,000	$ 116,100
King Portland Centre	50%	88,800	5,500	6.2%	129,900	41,100	46.3%	11,200	52,300
Gloucester (Frontier) (ii)	50%	34,300	2,000	5.8%	49,000	14,700	42.9%	n/a	14,700
Bathurst College Centre	100%	110,600	5,000	4.5%	116,500	5,900	5.3%	n/a	5,900
Sage Hill (iii)	100%	120,800	8,500	7.0%	162,200	41,400	34.3%	n/a	41,400
Total		$ 574,500	$ 32,600	5.7%	$ 779,700	$ 205,200	35.7%	$ 25,200	$ 230,400

(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 One development. Excluding the cost of the Phase One 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 6.2%.

(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 5.7% upon stabilization of these five projects. The 10 basis point decrease in the estimated blended development yield since the prior quarter was primarily due to adjustments to estimated stabilized NOI, capitalization rate, or net cost for certain projects.

The Trust estimates $205.2 million of incremental value creation for these projects' commercial and/or residential rental components, and an additional $25.2 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 $205.2 million estimated incremental value creation for these projects' commercial and/or residential rental components, approximately $159.7 million of value creation has been recognized as of June 30, 2019, given that these projects have been complete or closer to completion. Of the $25.2 million estimated residential inventory gains, $14.3 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 251,000 square feet of developments in addition to the development completions in 2019 relating to these five projects and other development completions as of June 30, 2019, which will lead to $148.6 million cost transfers from PUD to IPP in 2019 and $7.6 million incremental NOI upon project stabilization.

For 2020, the Trust estimates to complete 559,600 square feet of developments, which will lead to $330.0 million cost transfers from PUD to IPP in 2020 and $16.7 million incremental NOI upon project stabilization.

As of June 30, 2019, the Trust has recognized cumulative $246.7 million of fair value gains for its 3.6 million square feet of active projects with detailed cost estimates (refer to *Estimated Project Costs* section of this MD&A) which are substantially completed, near completion, or under construction. The cumulative $246.7 million of fair value gains include $112.3 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 cumulative $246.7 million of fair value gains as the projects have been completely transferred to income producing properties and their square footages are not included in the 3.6 million square feet of active projects with detailed cost estimates.

Insignificant fair value gains have been recognized for the excess density for active projects with cost estimates in progress or for future density projects (category B and C projects under *Mixed-use Residential Development* section of this MD&A), even though 9.2 million square feet of the excess density already have zoning approvals and another 7.3 million square feet of excess density already have zoning applications submitted.

Mortgages and Loans Receivable

Contractual mortgages and loans receivable as at June 30, 2019 and December 31, 2018 are comprised of the following:

	Contractual rates		Weighted				
(thousands of dollars)	Low	High	Average Rate		**June 30, 2019**		December 31, 2018
Mezzanine financing to co-owners	—%	7.95%	6.5%	**$**	**154,658**	$	146,680
Vendor-take-back and other	5.0%	5.5%	5.0%		**15,666**		17,334
Total	—%	7.95%	6.4%	**$**	**170,324**	$	164,014

All of the $170.3 million of mortgages and loans receivable as at June 30, 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 June 30, 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 at 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