EDWARD SONSHINE
Presentation for RioCan Annual and Special Meeting
Wednesday, June 5, 2013 at 10:00 a.m.
SilverCity Theatres, RioCan Yonge Eglinton Centre

Let me thank you all for attending this year's Annual and Special Meeting.

At last year's meeting, I went on at some length about the previous few years where North America, and perhaps the world, had gone through what is now generally agreed to have been the worst financial crisis since the great depression. As we can tell by the continuing volatility in the financial markets, the still relatively high unemployment rates and the current ultra low interest rate environment, this has been a crisis that was not followed by a typical recovery.

In some parts of the world, Europe specifically, not only has there been no recovery but rather things seem to continuously get worse. And even though Europe is far away, we have to remember that it consists of 500 million people, largely middle class, who historically have been second only to the Americans as consumers. Hard times in Europe have a ripple effect throughout the world.

My theme today is a look forward. RioCan is focused on how we will perform during the next 5 – 10 years rather than worrying over much about the past. However, as it is always critical to know where you are coming from prior to setting out on the next phase, before I speak about the next decade, I want to share with you what we achieved during these last five difficult and volatile years. I believe it is a tribute to the team of excellent people we have put together at RioCan starting almost 20 years ago.

As you will note, not only has there been considerable growth in our revenue over those 5 years, which includes the crisis years of 2008 and 2009, but our net operating income has grown commensurately with our revenue to be to over $700 million in 2012.

The next slide is perhaps even more important in that it translates that first set of numbers into per unit results which themselves exclude any trading gains which as I've mentioned previously, we now report separately. What these slides prove, I believe, is that RioCan has invested wisely and well the considerable amounts of capital that have been deployed in acquiring over $3 billion in assets over the last three years.

So hopefully you will agree with me that the last several years have been extremely productive ones for RioCan as well as rewarding for you, our unitholders. But I've learned that in the public markets one can never rest on one's laurels so, while creating the asset growth and earnings growth that I've shown you on the previous slides, we have also been busy laying the foundation for growth and value creation over the next decade.

Let me commence by bringing you all up to date with what we are doing in the United States of America. In 2009, notwithstanding the many opinions that the financial world as we know it was ending, we moved forward and established a beachhead in the United States by acquiring an 80% interest in 8 grocery anchored shopping centres from and with Cedar Shopping Centre REIT. Today, that beachhead has grown to interests in over 50 shopping centres totalling in excess of 10 million square feet, located in the Northeast and in Texas.

Towards the end of 2012, we felt it was time to take control of our own affairs south of the border, having had 3 years to educate ourselves as to markets and practices in our chosen regions. As we puzzled over how exactly to structure ourselves from a management and operations perspective, a simple comment from our head of operations, Danny Kissoon, and head of Human Resources, Suzanne Marineau, showed us the way. Simply put, they expressed their view that operating in the North East U.S., or even in the far away but great State of Texas, could not be more difficult than operating in the Province of Quebec. After all, we operate very well in "La Belle Province" even though they speak a different language and operate under somewhat different cultural norms. While the cultural norms in Texas and the North East U.S. are also a bit different than those we are used to, the language and the applicable laws are the same.

That made complete sense to me and as a result, we have now established a regional office in Mt. Laurel, New Jersey, which is actually just outside Philadelphia, and are in the process of establishing a second regional office in Dallas, Texas. We took complete ownership of 25 shopping centres in the north east in a negotiated transaction with Cedar late last year and are in the process of doing the same with all our partners in Texas. We expect all these transactions to be completed prior to the end of this year.

As we move in to 2014, we will have 100% ownership of about 50 shopping centres concentrated in two regions of the United States and being managed and leased by RioCan to what I expect will be the same standards we bring to our 300 shopping centre portfolio in Canada. This platform that we have created will be a springboard not only for future acquisition opportunities but also, as we expand our capabilities in the U.S., for the type of added value operations which I believe have been one of the reasons for RioCan's success in Canada.

Our American portfolio is approaching $2 billion in value and contributes about 15% of our net operating income. Not only can it be looked at as our having taken advantage of a unique opportunity but, in addition, it is proving itself to be a good form of diversification, particularly as the U.S. economy starts to outperform that of Canada.

But Canada is of course our home and where 85% of our assets are situate so I will focus the rest of my address on our efforts in this wonderful country. As I have said quite often in the past, RioCan is unique amongst Canadian REITs in having multiple growth drivers available to it. Today, I will focus on only a few.

Development is something RioCan started doing on its own almost 10 years ago. In fact, many of our most successful shopping centres were the result of greenfield developments either on our own or together with our long standing partner, John Ruddy of Trinity Developments. Our partnership with Trinity continues and some of you who were here last year may recall the very cool video we showed indicating what the

Stockyards Centre at St. Clair and Weston Road in Toronto would look like.

Today, Stockyards is approaching completion and by this fall, tenants will be going into possession and commence building out their stores. This 550,000 square foot complex is almost 90% leased and we have full confidence that when the grand opening of the first purpose built Target store in Canada occurs about 9 months from now, it will be close to 100% leased.

In addition to this significant project, we are currently commencing construction with Trinity on a one million square foot new format retail development in Calgary, Alberta to be known as East Hills. This centre will be anchored by Walmart, Empire Theatre and L.A. Fitness as well as all of the other names that you are used to seeing in centres of this type.

With RioCan as the developer, we expect to be commencing construction of the Sage Hill Centre, also in Calgary, this year, with completion of that centre to take place in early 2015. The anchors for this centre, Walmart and Loblaws, have long been in place and we believe that by the time we commence construction later this year, this 330,000 square foot centre will be about 90% leased.

While new developments of the type I mentioned above are exciting and create reliable long term cash flows, what at the end of the day is most important, particularly in the current environment where properties of this type, if available at all, attract cap rates that get ever closer to 5, is that these developments will generate, on completion, an unlevered return averaging in excess of 8%. Without doing the exact arithmetic, I can assure you that the creation of value is significant, as is the cash flow accretion.

In fact, I have just touched the surface of our ongoing development program, as the numbers are quite staggering. Over the next 5 years, we expect to invest in the neighbourhood of $1.3 billion in new development with a projected return in net operating income of well over $90 million annually. That, to me, is true value creation.

A significant part of our overall program is related to development and redevelopment in the urban context. Whenever I mention urban development, one immediately thinks of Toronto. While that is our main focus, we very recently acquired a site in downtown Calgary, together with our partner Kingsett, known as the Calgary Police Association building, as they currently occupy it.

As you can see, this site is located in close proximity to the downtown core of Calgary and just down the street from City Hall. While this 2.75 acre site can be developed with a density approaching one million square feet, as you can see from the slide behind me, the only certainty at this point is that we will be commencing sometime next year, a three storey retail complex. Our pre-purchase analysis was based only on this small scale development and the returns were, and are, quite satisfactory. We have already entered into an agreement to lease with a national supermarket chain who will be putting a 100,000 square foot flagship supermarket on the second floor. However, we are also putting out proposals to office tenants and if we are fortunate enough to enter into a mutually agreeable transaction with one, the building you see now could be what results and the return on investment actually becomes quite eye popping.

Before I leave our development group's efforts, I would like to bring you up-to-date on our Joint Venture with Tanger Factory Outlet Malls. We already own three operating outlet centres with Tanger, one in Toronto and two in Montreal. We have recently broken ground on an expansion in our Cookstown location where we will double the size to about 300,000 square feet.

Last month, we broke ground on our first new build with Tanger which will be in Kanata, a suburb of Ottawa, immediately across the highway from the home of the Ottawa Senators. Pre-leasing has gone extremely well and there is considerable excitement in Ottawa. Announced tenants include Coach, Michael Kors, DKNY, and Aeropostale, amongst the 70 tenants that will occupy this new development.

In addition, we are in the process of zoning a parcel of land we have optioned outside of Calgary for the fifth Tanger Outlet

Mall. RioCan is responsible for site location, all development and construction work as well as property management upon completion, with Tanger bearing the load on leasing and promotion, and I am pleased to advise that this Joint Venture is firing on all cylinders. Over the next few years, I fully expect that we will succeed in developing and owning 8 to 10 Tanger outlet centres which I have no doubt will prove to be extremely profitable for both partners.

I mentioned last year that we had just acquired, again with Kingsett, the Yonge Sheppard Centre, which is located at one of the primary transit hubs of Toronto. We have been working away on it over the course of the last twelve months and have recently submitted our rezoning application to create an additional 130,000 square feet of retail space as well as a considerable amount of residential density.

As you can see, we will be entirely changing the face of the project on this important stretch of Yonge Street as well as on Sheppard Avenue. We expect the interior of the shopping centre to also be redone in a fairly dramatic fashion with a commensurate growth in net operating income. Hopefully I can report to you at next year's annual meeting that we will be in the process of commencing construction and name the important new tenants we will be bringing to this extremely dense part of Toronto.

Last, but certainly not least, together with our partners Allied REIT and Diamond Corporation, we have put together a 7 ¾ acre site which comprises most of the block bounded on the north by Wellington Street West, on the south by Front Street, and on the east by Spadina.

While we and our partners are still at the early stages of developing an overall plan for this site, I can share with you that our vision is to create a new centre for downtown west which will consist of a significant retail component of 600,000 to 700,000 square feet together with office and residential components that will each be even larger than that in area.

We expect the retail component to be something unique in Toronto incorporating a public square and inviting pedestrian walkways

Over a period of 5 – 7 years, we and our partners fully expect to invest in the neighbourhood of $1 billion in this project and I believe the value creation just from this one development alone will be extremely significant, even in the large scale context of RioCan.

I have really just hit some of the high points of what we at RioCan are working on. You will note that I haven't even mentioned the two northerly corners of Yonge & Eglinton where construction has already commenced in this building as I am sure you all noticed this morning. And we are optimistic that we will be starting construction on the North East corner early next year.

In addition to the handful of projects I have focused on, there are more than a dozen additional ones that are somewhere in the process that starts with an idea and then results, often several years later, in the creation of significant new value for RioCan.

We can only do this because we have a dedicated team of professionals who are tirelessly working to drive this process to completion thereby creating value for you, our unitholders.

I am very proud of them all and certainly believe that they are the best team in Canada.

I started a practice many years ago of providing you with the annual return that an investor would've achieved had they purchased a RioCan unit on the day of last year's Annual Meeting and held it until the day prior to this year's.
The return for that period of time was 8.2%.

Thank you very much for your attention and attendance and I would now like to open the floor to questions.

May 2013