MEASURED AND DISCIPLINED

$1 BILLION OF ACQUISITIONS

$10 BILLION MARKET CAP

IMPROVED LEVERAGE

97% OCCUPANCY

$1 BILLION OF ACQUISITIONS
This past year was an historic one in terms of major acquisitions and strategic alliances that have positioned your REIT for years of future growth and returns. Our disciplined, measured approach and market expertise enabled us to make substantial property acquisitions, in difficult economic times, in a cash-depleted market. Indeed, RioCan has built a solid foundation, with a gross market value of more than $10 billion dollars, with 297 properties in Canada and the United States. The context for RioCan’s 2010 acquisition program was established more than two years ago, during a time of uncertainty in the economy and in capital markets. During this period, your Trust raised substantial amounts of capital, fundamental to RioCan’s acquisitions this past year.
Due to recessionary pressures, constraints on capital, and tightening of financing, during the past eighteen months significant opportunities have presented themselves in North America with valuable properties containing desirable tenants. These opportunities were also advantageous given 40-year-low interest rates. Our deep financial resources, extensive relationships and years of experience allowed us to consider – and actualize a select number of opportunities.

RioCan makes strategic investments from a long-term perspective. Such investments were particularly compelling recently, given that the United States will rebound economically, further empowering regions where RioCan has a presence in the northeastern US including Pennsylvania, New Jersey, Connecticut, Maryland, Massachusetts, and Virginia; and major cities in Texas namely Dallas–Fort Worth, Houston, and Austin. These factors are the strategic underpinnings as to why RioCan now owns approximately 4 million square feet of prime retail space in these regions.

**RioCan – A Proudly Canadian REIT**

Expansion in select markets in the United States, however, does not alter the fact that RioCan’s primary market and focus will always be Canada. Indeed, Canada is the area of strategic importance for your REIT, for a number of reasons. The nation is characterized by stable government, abundant and valuable resources, a strong banking system, and a well-educated population. RioCan is proud of its history and preeminence in Canada. These are reasons why RioCan’s new investment in its Canadian properties were in excess of $430 million during 2010.

During the year RioCan completed $986 million of acquisitions in 48 properties. Of note, your REIT acquired six additional Walmart anchored shopping centres. As a result of these acquisitions Walmart is now RioCan’s largest revenue source contributing 4.6% of RioCan’s annual rental revenue.

Geographically speaking, Canada has some highly concentrated populations in spread-out urban markets. The retail market in Canada is dominated by a select group of leaders with powerful market positions. Substantial barriers-to-entry, including strict zoning laws help manage the supply of retail facilities. This restricted supply fuels demand for space, resulting in high occupancy levels.

RioCan’s management, experience, and knowledge of the Canadian marketplace increase the attraction of both tenants and customers to RioCan and its properties. The performance of the Canadian market is reflected in our results. RioCan’s occupancy has never dipped below 95% (or at least over the past eight quarters). In fact, RioCan’s lowest occupancy rate was 95% in 1997 at a time when our portfolio was not of the same quality as it is today. Furthermore, rent growth is now in positive territory and we are realizing attractive increases on renewing leases.

In addition to a year of operational milestones, RioCan completed the structural changes to comply with the changed income trust rules in 2011. As announced in December 2010, RioCan qualifies as a REIT under these new income trust rules. As a trust, RioCan continues to provide a reliable tax advantaged stream of income to our unitholders.

**Edward Sonshine, O.Ont., Q.C.**
President and Chief Executive Officer,
RioCan Real Estate Investment Trust
RioCan uses a comprehensive approach to assess interest in potential property acquisitions. These include financial measures and assessment tools to help diversify, and minimize risks.

Systematic and Disciplined Investment Decisions

Financial Measures and Assessment Tools Minimize Risk

RioCan uses a multi-faceted approach to assess interest in potential property acquisitions. Your REIT uses an array of metrics including financial measures and assessment tools to help diversify – and minimize risks. For instance, the credit quality of proposed tenants is assessed. For a fuller picture, a competitive analysis of the property and the tenant’s viability within a market are established. In addition, we model the proposed acquisition to ascertain the impact on our tenant diversification and debt maturity ladders.

Enhancing RioCan’s returns in its acquisitions is the strength of our balance sheet. From a financial standpoint, a key issue in potential ventures is the debt profile of proposed mortgages. This includes: assessing interest rates, term length, and refinancing options. RioCan also uses an instrument we call a “debt ladder”. Using a “debt ladder,” mortgage dates are staggered, maximizing the financial flexibility of your REIT. This shields your REIT from large increases in interest rates while helping it benefit when rates decline.

Acting on Market Data and Trends

To decide on acquisitions, RioCan considers market trends such as: where is residential and commercial development locating in a particular area? How would a potential site work with traffic flows on the way to, and from work? Besides “number one” anchor tenants, which “number two” tenants would be attracted to our Centres? What is the range of rental levels applicable to that property and setting? In the event that a tenant vacates, how releasable is the space? To further minimize risk, RioCan has a diverse portfolio of tenants, including North America’s leading retailers. As well, no single tenant amounts to more than 4.6% by rental revenue.
RIOCAN’S TOP 25 RETAILERS

1. Walmart
2. Famous Players/Cineplex/Galaxy Cinemas
3. Metro/Super C/Loeb/Food Basics
4. Canadian Tire/PartSource/Mark’s Work Wearhouse
5. Zellers/The Bay/Home Outfitters
6. Winners/HomeSense
7. Loblaws/No Frills/Fortinos/Zehrs/Maxi
8. Staples/Business Depot
9. Reitmans/Penningtons/Smart Set/Addition-Elle/Thyme Maternity
10. Harvey’s/Swiss Chalet/Kelsey’s/Montana’s/Milestone’s (Cara)
11. Shoppers Drug Mart
12. Giant Food Stores/Stop & Shop (Royal Ahold)
13. Future Shop/Best Buy
14. Sobeys/IGA/Price Chopper/Empire Theatres
15. Sport Mart/Sport Chek/Sports Experts/National Sports/Atmosphere
16. Chapters/Indigo
17. Lowe’s
18. PetSmart
19. Dollarama
20. Safeway
21. TD Bank
22. The Brick
23. Blue Notes/Stitches/Suzy Shier/Urban Planet (YM Inc.)
24. Sears
25. Premier Fitness
To maintain its status as a “best-in-class” North American retail REIT, RioCan has a solid revenue base strengthened by quality assets and choice tenants.

2010 – A Transformational Year

As a REIT that manages its balance sheet conservatively, RioCan’s leverage ratio was below 50% using fair values, as at December 31, 2010. Furthermore, RioCan intends to maintain its status as a “best-in-class” North American retail REIT, so that we will be even lower-leveraged over the coming years.

This past year was transformational for RioCan in a number of ways. For instance, new accounting standards and income trust legislation was introduced and compliance achieved. As well, your REIT has taken initiatives to incorporate new International Financial Reporting Standards (IFRS) which will take effect in 2011. In sum, we have introduced measures to adhere to new income trust regulations so that RioCan retains its REIT designation. As part of your REIT’s compliance, even in a transformational environment, the tax treatment of distribution to unit holders remains unchanged.

Expert Financial Management for a Promising Future

Given a new, more stringent Canadian regulatory environment, what does the future hold for an income trust? Within this new context, RioCan’s disciplined financial management ensures compliance. Transactional income has become a smaller part of your REIT’s revenue profile, but it has been more than replaced with core rental income. At the outset of the year, RioCan projected that its fourth-quarter base Funds From Operations (FFO) would exceed our distribution. This has proved accurate, and should continue based on our solid revenue base supported by superior assets and best-in-class tenants.

Patience and sound financial decisions are foundational to our discipline, prudence and measured thinking. In an environment of record low interest rates, we lowered our interest costs by refinancing over $500 million in debt (mortgages and debentures). As a result, substantial savings in interest expenses will accrue over the next five years. Discipline and prudent financial management ensure that in a typical year, 15% of RioCan’s diverse debt portfolio is scheduled for maturity.
RioCan has developed strong relationships with Canada’s most prominent retail brands.
RioCan’s geographic focus is in key markets in Canada and the United States. In these areas, RioCan acquires and operates a number of properties that deliver substantial returns.

A Disciplined Strategy Reduces Risk

Geographic Considerations in New Markets

As an international entity, RioCan’s first acquisitions were in the United States in 2009–2010. Our geographic focus, however, is rooted in Canada and the United States. Since the start of this acquisition program, RioCan has assembled a portfolio of 31 properties in the US. This past year, we produced $35 million of rental income from the US portfolio. Indeed, RioCan has purchased a number of properties that deliver substantial returns. As a well-financed Trust, with a strong track record of performance, we field many offers inviting our partnership. After a rigorous analysis of potential acquisitions and/or partnerships, your Trust only pursues a select few of the many offers it receives. In so doing, opportunities are not squandered, but gained. RioCan’s top ten US tenants are an excellent example of the quality revenues that your trust has acquired. The tenant portfolio in the US is a model portfolio of some of the strongest retailers in their segments in the US.

Disciplined Focus in the United States

Instead of operating in numerous regions and cities, and spreading itself thinly, RioCan operates in select regions in the United States that have performed well, even in difficult times. That’s why your Trust is concentrated in the Northeastern United States, including Connecticut, Pennsylvania, Maryland, Massachusetts, New Jersey and Virginia, and in major urban centres in Texas namely, Dallas-Fort Worth, Houston, and Austin. As a result of our expertise and disciplined focus, since the time of acquisition in a major market in the northeastern United States, our portfolio has experienced an increase in occupancy over the past year.
RIOCAN’S TOP 10 RETAILERS IN THE USA

1. Giant Food Stores/Stop & Shop (Royal Ahold)
2. Lowe’s
3. HEB Supermarkets
4. Bed Bath & Beyond
5. Best Buy
6. Safeway
7. PetSmart
8. Kohl’s
9. L.A. Fitness
10. Home Depot
In Pennsylvania, a key state in the Northeast, there is a sizable population of 12 million people. This densely populated region features many attractive urban locations with large numbers of customers for our tenants. As well, with restrictive zoning regulations, there are fewer opportunities for competitive sites. With a robust economy in this market, many retailers are increasing sales and profits.

To ensure retention of our leading tenants, we invest in this valuable segment with property upgrades and marketing. RioCan has selected properties with dominant retailers such as Giant Foods in the Northeast and HEB in Texas. Giant Foods is part of Royal Ahold, one of the world’s largest grocery retailers with 2,970 stores in Europe and the US. HEB operates 300 supermarkets and is the largest independent grocery operator in Texas. RioCan’s 6th largest US tenant, Safeway, operating as Tom Thumb, is another leading grocer in Texas. The retail climate between Canada and the United States has some major differences. For instance, 80% of food sales are realized through supermarkets in Canada, while just 60% of food sales transpire in supermarkets in the United States. RioCan considers such factors in making its acquisitions, and plans the site and tenant composition accordingly.

To make astute decisions in other markets, we cultivate, analyze and act on local knowledge. Beyond studying spreadsheets and appraisals, we visit the properties and observe key trends in local neighbourhoods. As part of our “due diligence” we research our partners through reports from independent third parties and credit assessments. Furthermore, to minimize risk, we leverage our partner’s local expertise in their markets. Finally, our partners invest their own capital in a project, ensuring our partner’s investment aligns with your Trust’s interests.
Building on a solid foundation to diversify our portfolio in new markets.
“Our Strength is Our Diversity” – RioCan Management

Our managers are integral to our culture – and our discipline. At RioCan, management is not a collection of individuals, working on their own, for individual pursuits. Although RioCan management has diverse skills and talents, management works as a team, one that unites and works together as a whole. Still, we capitalize on our diversity – of perspectives, experience and insights. Especially valuable are the tabling, and bridging of differences between the accounting and marketing perspectives. In a respectful and collegial atmosphere, we table our ideas, and in considering them, broaden our perspectives. This rigorous process enhances our judgment and decision making abilities. We minimize the chances for ill-conceived decisions, or being governed by bias, selfish motives, and partial thinking. We are more than boardroom managers, though, and personally evaluate each of our properties through walkthroughs and rigorous evaluations. That’s why a senior vice president has visited every single property we have purchased or developed, including those in all regions of Canada and the United States.

Finally, your REIT is proud of its management retention. Save for only two departures, our core management group has been involved since the beginning. As the board and management team have expanded, we have internally grown new managerial talent. In this way, RioCan’s expertise does not “walk out the door” but capability and expertise is retained, with one ultimate goal: to build an ever stronger, effective and more capable REIT.
From left to right

Raghunath Davloor
Frederic A. Waks
Edward Sonshine, O.Ont., Q.C.
Michael Connolly
Donald MacKinnon
Jeff Ross
Kenneth Siegel
John Ballantyne
Suzanne Marineau
Jane Plett
Jordan Robins
Danny Kissoon
Jonathan Gitlin
Maria Rico
Oliver Harrison
Measuring a Seasoned Board

Management Team

Edward Sonshine, O.Ont., O.C.
Sharon Sallows
Ronald W. Osborne
Raymond Gelgoot
Charles M. Winograd
Paul Godfrey, C.M.
Dale H. Lastman
Clare R. Copeland
Frank W. King, O.C.
Unitholder Information

Head Office
RioCan Real Estate Investment Trust
RioCan Yonge Eglinton Centre, 2300 Yonge Street, Suite 500
P.O. Box 2386, Toronto, Ontario M4P 1E4
Tel: 416-866-3033 or 1-800-465-2733
Fax: 416-866-3020
Website: www.riocan.com
Email: inquiries@riocan.com

Unitholder and Investor Contact
Christian Green
Director, Investor Relations
Tel: 416-866-6683
Email: cgreen@riocan.com

Auditors
Ernst & Young LLP

Transfer Agent and Registrar
CIBC Mellon Trust Company
P.O. Box 7010, Adelaide Street Postal Station, Toronto, Ontario M5C 2W9
Answerline: 1-800-387-0825 or 416-643-5500
Fax: 416-643-5501
Website: www.cibcmellon.com
Email: inquiries@cibcmellon.com

Unit Listing
The units are listed on the Toronto Stock Exchange under the symbol REI.UN.

Annual Meeting
The 2010 Annual Meeting of RioCan REIT will be held on Wednesday, June 8, 2011 at 10:00 a.m. at SilverCity Theatres located at RioCan Yonge Eglinton Centre, 2300 Yonge Street, Toronto, Ontario. All unitholders are invited and encouraged to attend.

Forward-Looking Statement Advisory
The terms “RioCan” and the “Trust” in this document refer to RioCan Real Estate Investment Trust and should be read in conjunction with RioCan’s audited consolidated financial statements and Management’s Discussion and Analysis for the two years ended December 31, 2010 and 2009. Certain information included in this document contains forward-looking statements within the meaning of applicable securities laws. These statements include, but are not limited to, statements made in “Disciplined and Measured”, “Systematic and Disciplined Investment Decisions”, “A Disciplined Strategy Reduces Risk”, and “RioCan Management”, and other statements concerning RioCan’s objectives, its strategies to achieve those objectives, as well as statements with respect to management’s beliefs, plans, estimates, and intentions, and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts. Forward-looking statements generally can be identified by the use of forward-looking terminology such as “outlook”, “objective”, “may”, “will”, “would”, “expect”, “intend”, “estimate”, “anticipate”, “believe”, “should”, “plan”, “continue”, or similar expressions suggesting future outcomes or events. Such forward-looking statements reflect management’s current beliefs and are based on information currently available to management. All forward-looking statements in this MD&A are qualified by these cautionary statements.

These forward-looking statements are not guarantees of future events or performance and, by their nature, are based on RioCan’s current estimates and assumptions, which are subject to risks and uncertainties, including those described under “Risks and Uncertainties” in RioCan’s MD&A dated as at February 25, 2011, which could cause actual events or results to differ materially from the forward-looking statements contained in this Annual Report. Those risks and uncertainties include, but are not limited to, those related to: liquidity in the global marketplace associated with current economic conditions, tenant concentrations, occupancy levels, access to debt and equity capital, interest rates, joint ventures/partnerships, the relative illiquidity of real property, unexpected costs or liabilities related to acquisitions, construction, environmental matters, legal matters, reliance on key personnel, unitholder liability, income taxes, the investment in the United States of America (“US”), US currency and RioCan’s qualification as a real estate investment trust for tax purposes. Material factors or assumptions that were applied in drawing a conclusion or making an estimate set out in the forward-looking information may include, but are not limited to: a more robust retail environment compared to recent years; relatively stable interest costs; a continuing trend toward land use intensification in high growth markets; access to equity and debt capital markets; the future growth program to enable the Trust to refinance debts as they mature; the availability of purchase opportunities for growth in Canada and the US; and the impact of accounting principles to be adopted by the Trust effective January 1, 2011 under International Financial Reporting Standards (“IFRS”) which includes application to the Trust’s 2010 comparative financial results. Although the forward-looking information contained in this MD&A is based upon what management believes are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements. Certain statements included in this Annual Report may be considered “financial outlook” for purposes of applicable securities laws, and such financial outlook may not be appropriate for purposes other than this Annual Report.

The Income Tax Act (Canada) (the “Act”) contains legislation affecting the tax treatment of publicly traded trusts (the “SIFT Legislation”). The SIFT Legislation provides for a transition period until 2011 for publicly traded trusts, such as RioCan, which existed prior to November 1, 2006. In addition, the SIFT Legislation will not impose tax on a trust which qualifies under such legislation as a real estate investment trust (the “REIT Exemption”). RioCan currently qualifies for the REIT Exemption and intends to continue to qualify for future years. Should this not occur, certain statements contained in this Annual Report may need to be modified.

Except as required by applicable law, RioCan undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.