First Capital Realty Inc.

2019 First Quarter Report

Corporate Profile

First Capital Realty Inc. (TSX: FCR) is one of the largest owners, developers and operators of necessity-based real estate located in Canada's most densely populated urban centres. As at March 31, 2019, the Company owned interests in 166 properties, totaling approximately 25.3 million square feet of gross leasable area. First Capital Realty had an enterprise value of approximately $9.9 billion and its common shares trade on the Toronto Stock Exchange.

Financial Highlights

As at *(millions of dollars, except per share amounts)*	**March 31, 2019**	December 31, 2018
Total assets	**$ 10,465**	$ 10,453
Total equity market capitalization [1]	**$ 5,458**	$ 4,804
Enterprise value [1]	**$ 9,906**	$ 9,239
Net debt to total assets	**42.2%**	42.1%
Quarterly dividend per common share	**$ 0.215**	$ 0.215

Operating Highlights

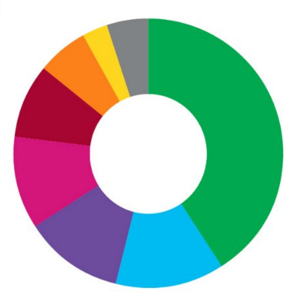
Three months ended March 31 *(millions of dollars, except per share amounts)*	**2019**	2018
Property rental revenue	**$ 195**	$ 181
Net operating income ("NOI") [1]	**$ 115**	$ 112
Net income attributable to common shareholders	**$ 62**	$ 66
Funds from Operations ("FFO") [1]		
FFO	**$ 76**	$ 74
FFO per diluted share	**$ 0.295**	$ 0.301
FFO payout ratio	**72.9%**	71.4%
Cash provided by operating activities	**$ 49**	$ 45
Adjusted Cash Flow from Operations ("ACFO") [1]		
ACFO	**$ 52**	$ 50
ACFO payout ratio	**79.8%**	85.9%

[1] These measures are not defined by IFRS. Refer to the "Non-IFRS Financial Measures" section of the Company's Management's Discussion & Analysis for further information.

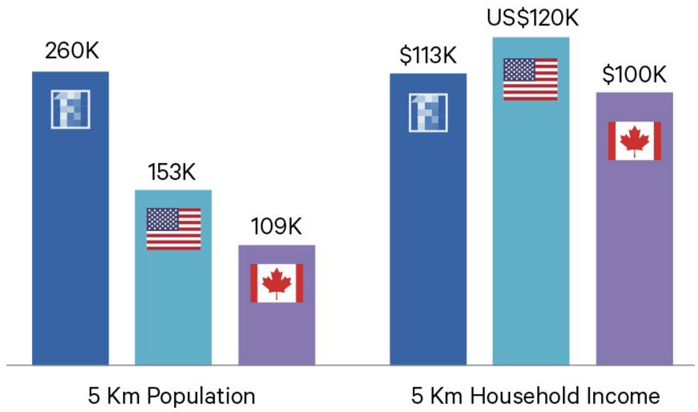
Urban Markets

	% of Annual Minimum Rent*	% of Portfolio Value*
Greater Toronto Area	35%	41%
Greater Montreal Area	15%	13%
Greater Calgary Area	13%	12%
Greater Vancouver Area	10%	11%
Greater Edmonton Area	9%	9%
Greater Ottawa Area	7%	6%
Kitchener/Waterloo/Guelph Area	4%	3%
Other	7%	5%
Total	**100%**	**100%**

As at March 31, 2019



Leader in Portfolio Demographics



As at March 31, 2019

US Peers include:
Federal Realty and Regency Centers

Canadian Peers include:
RioCan, SmartCentres REIT, Choice Properties (Retail only), CT REIT and Crombie REIT

Sources: Sitewise, Environics Analytics and Company Reports

Necessity Based Retail Services

	# OF STORES	% OF RENT	TENANTS
Grocery Stores	136	17.7%	Loblaws, Sobeys, metro, save on foods, Whole Foods Market, Longo's
Medical, Professional & Personal Services	1,493	14.8%	Alberta Health Services, ups, Allstate, H&R Block, First Choice Hair Cutters
Restaurants and Cafes	1,005	14.1%	Tim Hortons, Recipe, freshii, aroma espresso bar, Chick-fil-A
Pharmacies	135	9.1%	Shoppers Drug Mart, Rexall, London Drugs, Jean Coutu, McKesson, Brunet
Banks & Credit Unions	217	8.6%	TD, RBC, CIBC, BMO, Desjardins, National Bank
Fitness Facilities	89	3.6%	GoodLife Fitness, Equinox Fitness Clubs, LA Fitness, Orangetheory Fitness, Anytime Fitness, SoulCycle
Liquor Stores	101	3.3%	LCBO, Beer Store, BC Liquor Store, SAQ, Alcanna, Western Cellars
Daycare & Learning Centres	103	1.3%	Kumon, brightpath, Oxford Learning, kids & company, Willowbrae Academy
Other Necessity-Based Retailers	566	18.2%	Canadian Tire, Walmart, Dollarama, GNC Live Well, Winners, PetSmart
Other Tenants	615	9.3%	Cineplex Entertainment, west elm, Sleep Country, Nordstrom, Sherwin Williams, Chanel

As at March 31, 2019

MD&A

MANAGEMENT'S DISCUSSION AND ANALYSIS

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Management's Discussion and Analysis of Financial Position and Results of Operations

INTRODUCTION

This Management's Discussion and Analysis ("MD&A") of the financial position and results of operations of First Capital Realty Inc. ("First Capital Realty", "FCR" or the "Company") is intended to provide readers with an assessment of performance and summarize the financial position and results of operations for the three months ended March 31, 2019 and 2018. It should be read in conjunction with the Company's audited annual consolidated financial statements for the years ended December 31, 2018 and 2017. Additional information, including the Company's current Annual Information Form, is available on the SEDAR website at www.sedar.com and on the Company's website at www.fcr.ca.

All dollar amounts are in thousands of Canadian dollars, unless otherwise noted. Historical results and percentage relationships contained in the Company's unaudited interim and audited annual consolidated financial statements and MD&A, including trends which might appear, should not be taken as indicative of its future operations. The information contained in this MD&A is based on information available to Management and is dated as of May 7, 2019.

First Capital Realty was incorporated in November 1993 and conducts its business directly and through subsidiaries.

FORWARD-LOOKING STATEMENT ADVISORY

Certain statements contained in this MD&A constitute forward-looking statements. Other statements concerning First Capital Realty's objectives and strategies and Management's beliefs, plans, estimates and intentions also constitute forward-looking statements. Forward-looking statements can generally be identified by the expressions "anticipate", "believe", "plan", "estimate", "project", "expect", "intend", "outlook", "objective", "may", "will", "should", "continue" and similar expressions. The forward-looking statements are not historical facts but, rather, reflect the Company's current expectations regarding future results or events and are based on information currently available to Management. Certain material factors and assumptions were applied in providing these forward-looking statements. Forward-looking information involves numerous assumptions such as rental income (including assumptions on timing of lease-up, development coming online and levels of percentage rent), interest rates, tenant defaults, borrowing costs (including the underlying interest rates and credit spreads), the general availability of capital and the stability of the capital markets, the ability of the Company to make loans at the same rate or in the same amount as repaid loans, amount of development costs, capital expenditures, operating costs and corporate expenses, level and timing of acquisitions of income-producing properties, the Company's ability to complete dispositions and the timing, terms and anticipated benefits of any such dispositions, the Company's ability to redevelop, sell or enter into partnerships with respect to the future incremental density it has identified in its portfolio, the Company's ability to convert into a real estate investment trust ("REIT"), number of shares outstanding and numerous other factors. Moreover, the assumptions underlying the Company's forward-looking statements contained in the "Outlook and Current Business Environment" section of this MD&A also include that consumer demand will remain stable, and demographic trends will continue.

Management believes that the expectations reflected in forward-looking statements are based upon reasonable assumptions; however, Management can give no assurance that actual results will be consistent with these forward-looking statements. These forward-looking statements are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations, including the matters discussed in the "Risks and Uncertainties" section of this MD&A and the matters discussed under "Risk Factors" in the Company's current Annual Information Form from time to time.

Factors that could cause actual results or events to differ materially from those expressed, implied or projected by forward-looking statements, in addition to those factors referenced above, include, but are not limited to: general economic conditions; real property ownership; tenant financial difficulties, defaults and bankruptcies; the relative illiquidity of real property; increases in operating costs, property taxes and income taxes; First Capital Realty's ability to maintain occupancy and to lease or re-lease space at current or anticipated rents; the availability and cost of equity and debt capital to finance the Company's business, including the repayment of existing indebtedness as well as development, intensification and acquisition activities; changes in interest rates and credit spreads; organizational structure; changes to credit ratings; the availability of a new competitive supply of retail properties which may become available either through construction, lease or sublease; the Company's ability to: execute on its evolved urban investment strategy, including with *respect to dispositions, capitalize on competitive advantages, optimize portfolio assets and accelerate value delivered to its investors and stakeholders, remain ahead of changing market conditions, surface unrecognized value, reach its demographic targets and ensure the Company retains its best in class position; unexpected costs or liabilities related to acquisitions, development and construction; geographic and tenant concentration; residential development, sales and leasing; compliance with financial covenants; changes in governmental regulation; environmental liability and compliance costs; unexpected costs or liabilities related to dispositions; challenges associated with the integration of acquisitions into the Company; uninsured losses and First Capital Realty’s ability to obtain insurance coverage at a reasonable cost; risks in joint ventures; matters associated with significant shareholders; investments subject to credit and market risk; loss of key personnel; and the ability of tenants to maintain necessary licenses, certifications and accreditations. Furthermore, no formal determination to convert to a REIT has been made by the Company at this time and no assurance can be given as to whether such a reorganization will be undertaken by the Company, or the timing, or impact of such reorganization, or its terms.*

Readers, therefore, should not place undue reliance on any such forward-looking statements. Further, a forward-looking statement speaks only as of the date on which such statement is made. First Capital Realty undertakes no obligation to publicly update any such statement or to reflect new information or the occurrence of future events or circumstances, except as required by applicable securities law.

All forward-looking statements in this MD&A are made as of May 7, 2019 and are qualified by these cautionary statements.

BUSINESS OVERVIEW AND STRATEGY

First Capital Realty Inc. (TSX: FCR) is one of the largest owners, developers and operators of necessity-based real estate located in Canada’s most densely populated urban centres. As at March 31, 2019, the Company owned interests in 166 properties, totaling approximately 25.3 million square feet of gross leasable area.

First Capital Realty’s primary strategy is the creation of value over the long term by generating sustainable growth in cash flow and capital appreciation of its urban portfolio. To achieve the Company’s strategic objectives, Management continues to:

- dispose of select assets in line with the Company's evolved urban investment strategy to reduce leverage following the share repurchase and to fund future growth;
- undertake selective development, redevelopment and repositioning activities on its properties, including land use intensification;
- be focused and disciplined in acquiring well-located properties to create super urban neighbourhoods, primarily where there are value creation opportunities, including sites in close proximity to existing properties in the Company’s target urban markets;
- proactively manage its existing portfolio to drive rent growth;
- increase efficiency and productivity of operations; and
- maintain financial strength and flexibility to support a competitive cost of capital.

Neighbourhoods for Everyday Urban Life™

The Company primarily owns, develops and manages properties located in Canada’s key urban neighbourhood markets that provide consumers with products and services that are part of their everyday life. Currently, over 90% of the Company’s revenues come from tenants who provide these essential products and services, including grocery stores, pharmacies, liquor stores, banks, restaurants, cafés, fitness centres, medical, childcare facilities and other professional and personal services.

Super Urban Focus

The Company targets specific urban markets within cities in Canada with growing populations. Specifically, the Company intends to continue to operate primarily in and around its target urban markets which include the Greater Toronto Area; Greater Vancouver Area; Greater Montreal Area; Greater Edmonton Area; Greater Calgary Area; and the Greater Ottawa Area.

The Company has achieved critical mass in its target markets, which helps generate economies of scale and operating synergies, as well as deep local knowledge of its properties, tenants, neighbourhoods and markets in which it operates. Within each of these markets, the Company owns and targets well-located properties with strong demographics that Management expects will continue to get stronger over time, therefore attracting high quality tenants with rent growth potential.

As the Company focuses investments on these super urban markets that fully integrate retail with other asset classes, Management believes it will continue to optimize its portfolio to maintain the Company's best in class position.

Evolved Urban Investment Strategy

As previously announced in February 2019, the Company is continuing to increase investment in high-quality, super urban, mixed-use properties with a focus on building large positions in targeted high growth neighbourhoods. This will continue to enhance the Company's demographic profile through both investments and dispositions that are consistent with its investment strategy. The Company is targeting to have average population density of more than 300,000 people within five kilometers of its properties by 2021. This represents a 20% increase over its current average population density of 250,000.

Pursuit of REIT Conversion

The Company has engaged legal and tax advisors to assist it in developing a structure for the Company to convert into a REIT. The Company believes a conversion will enhance long-term shareholder value by expanding its investor base and investment profile by being eligible for inclusion in various REIT-specific indices, REIT ETF's and REIT-dedicated investment funds, enhancing comparability with the Company's peers as well as providing a more efficient vehicle to deliver the benefits of urban real estate ownership from the Company's business to investors.

Any reorganization of the Company into a REIT will be subject to customary conditions, including the approval of the shareholders of the Company. The Company will make further announcement when the detailed terms of a reorganization are approved by the Board of Directors.

OUTLOOK AND CURRENT BUSINESS ENVIRONMENT

Since 2001, First Capital Realty has successfully grown its business across the country, focusing on key urban markets, dramatically enhancing the quality of its portfolio and generating growth in funds from operations, while achieving an investment grade credit rating. The Company expects to continue to grow its portfolio of high quality properties in urban markets in Canada's densest neighbourhoods in line with its long-term value creation strategy. The Company defines a high quality property primarily by its location, taking into consideration the local demographics, the supply and demand factors in each property trade area, and the ability to grow the property's cash flow.

Changing Consumer Habits

The Company continues to observe several demographic and other trends that may affect demand for retail goods and services, including an increasing reliance by consumers on online information to influence their purchasing decisions and an increasing desire to purchase products online, as well as an aging population which is increasingly focused on convenience and health-related goods and services. There is also a shift in consumer demand driven by an increasing number of ethnic consumers as a result of Canada's immigration policies.

Another trend that Management continues to observe is a desire for consumers to live in urban markets and to connect with others through daily or frequent activity, including trips to grocery stores, fitness centres, cafés, restaurants as well as other tenant categories in the Company's portfolio. With an evolved investment strategy, the Company will build on this shift, with a deeper focus on urban markets that fully integrate retail with other asset classes.

In addition, the retail market is experiencing a change in the consumer mindset with a growing emphasis on customer experience through events, digital innovation, sampling demonstrations and personalized premium service, allowing for more integration and connection between retailers and consumers. Retailers have responded to these changes with a renewed focus on improving the overall customer experience both online and in-store by leveraging technology.

Management is proactively responding to these consumer changes through its tenant mix, unit sizes, property locations and designs.

Evolving Retail Landscape

Over the past several years, the Company has observed an increase in entry and/or expansion into the Canadian marketplace by several major U.S. and international retailers including Marshalls, Top Shop, Nordstrom, Saks Fifth Avenue, Uniqlo and others. Although such repositioning resulted in new opportunities for the Company, it also resulted in an increasingly competitive retail landscape in Canada. In addition, many retailers have announced store closures and/or bankruptcies, including Home Outfitters, Payless ShoeSource, Lowe's, Town Shoes, and Sears Canada. Although the Company's exposure to these retailers is limited, these store closures have, in the short term, resulted in increased availability of retail space across Canada and have the potential to impact retail rental rates and leasing fundamentals.

As a result of these ongoing changes, the Company remains highly focused on ensuring the competitive position of its properties in all of its various retail trade areas. Management will continue to closely follow demographic and shopping trends, as well as retailer responses to these trends, and retail competition. The Company's leasing strategy takes these factors into consideration in each trade area and its proactive management strategy helps to ensure the Company's properties remain attractive to high quality tenants and their customers.

In Management's view, well-designed properties located in urban markets with tenants providing non-discretionary goods and services, will be less sensitive to both economic cycles and evolving retail trends, thus providing more stable and growing cash flow over the long term.

Growth

For the three months ended March 31, 2019, the Same Property portfolio delivered net operating income growth of 5.2% compared to the same prior year period. The growth in Same Property net operating income was primarily due to rent escalations, increased occupancy, and higher lease surrender fees. Excluding lease surrender fees, Total Same Property NOI increased 2.2% compared to the same prior year period. As at March 31, 2019, total portfolio occupancy increased 0.6% to 96.8% compared to 96.2% as at March 31, 2018. For the three months ended March 31, 2019, the monthly average occupancy for the total portfolio was 96.6% compared to 96.0%, while the monthly average Same Property portfolio occupancy was 97.1% compared to 96.9% for the same prior year period, respectively.

Urban municipalities where the Company operates continue to focus on increasing density within the existing boundaries of infrastructure. This provides the Company with multiple development and redevelopment opportunities in its existing portfolio of urban properties, which includes an inventory of adjacent land sites and development land. Management has identified meaningful incremental density available for future redevelopment within its portfolio. As at March 31, 2019, the Company had identified approximately 23.1 million square feet of incremental density available in the portfolio for future development including 2.3 million square feet of commercial and 20.8 million square feet of residential space.

Development activities continue to provide the Company with growth within its existing portfolio of assets. These activities typically add density to the site and improve the quality of the property, which in turn leads to meaningful growth in property rental income. The Company's development activities primarily comprise redevelopments and expansions of existing properties in established trade areas in its target urban markets and will continue to be optimized as the Company concentrates investment capital towards higher population, greater density, urban neighbourhoods. These projects typically carry risk that is associated more with project execution rather than market risk, as projects are located in well-established urban communities with existing demand for goods and services. The Company has a long and successful track record of development activities and will continue to manage carefully the risks associated with such projects.

During the quarter, the Company transferred 10,000 square feet of new urban retail space as well as common areas from development to income-producing properties at a cost of $4.9 million. Occupied space was transferred at an average net rental rate of $39.28 per square foot, well above the average rate for the entire portfolio of $20.38.

The Company's evolved urban investment strategy will see the Company further focus investment in its highest value urban market assets, surfacing unrecognized value, and ultimately, looking beyond asset class to create high quality, urban neighbourhoods that Management believes will deliver value to investors, and ensure the Company grows its best in class position.

Acquisition and Development Activity

The property acquisition environment remains extremely competitive for assets of similar quality to those owned by the Company. There are typically multiple bids on high quality properties and asset valuations reflect strong demand for well-located income-producing assets. In addition, well-located urban properties rarely trade in the market and attract significant competition when they do. As a result, the urban property acquisitions completed by the Company typically do not provide material accretion to the Company's results in the immediate term. However, the Company will continue to selectively acquire high quality, well-located properties that add strategic value and/or operating synergies, provided that they will be accretive to FFO and net asset value over time. Therefore, the Company expects to focus on development and redevelopment of existing assets as the primary means to grow the portfolio while continuing to make selective acquisitions that complement the existing portfolio, when and if opportunities arise.

During the quarter, the Company acquired interests in one property and two land parcels for $20.6 million, adding a total of 9,200 square feet of gross leasable area to the portfolio. Additionally, the Company invested $34.9 million in development and redevelopment activities.

Disposition Activity

The Company plans to complete strategic dispositions to de-lever the balance sheet following the April 16, 2019 closing of its previously announced $742 million share repurchase. These dispositions will be in line with the Company's evolved urban investment strategy. The Company has an objective to sell 100% interests in properties that are deemed to be inconsistent with its evolved urban investment strategy. The Company also has an objective to sell 50% non-managing interests to institutional partners in certain stable but growing properties, to ultimately expand the Company's position in these markets without increasing its investment capital. Combined, these properties represent approximately 10% to 15% of the Company's total portfolio. Outcomes of achieving these objectives would be an increase in the weighting of large strategic assets and an incremental density pipeline that exceeds the Company's current leasable area of approximately 24 million square feet.

During the quarter, the Company disposed of its 100% interest in an incoming producing property in London, Ontario as well as two land parcels for $23.2 million. As at March 31, 2019, Management classified $469.2 million of investment properties as held for sale, in line with the Company's evolved urban investment strategy.

Financing Activity

During the quarter, the Company repaid $7.0 million of mortgages with a weighted average effective interest rate of 7.1% and entered into a new unsecured term loan with a borrowing capacity of $200 million that was fully drawn at quarter-end.

Completion of $453 million Bought Deal Secondary Offering by Gazit

On April 11, 2019, the Company reported the closing of the previously announced bought deal secondary offering of 22,000,000 of its common shares at a price of $20.60 per share by a subsidiary of Gazit Globe Ltd. ("Gazit") to a syndicate of underwriters for gross proceeds to Gazit of approximately $453 million.

Completion of $742 million Share Repurchase

On April 16, 2019, the Company reported the closing of its previously announced share repurchase of 36,000,000 common shares from Gazit at a price of $20.60 per share for gross proceeds to Gazit of approximately $742 million. The proceeds were funded with senior unsecured bank term loans with maturities ranging from 4 - 7 years. Concurrent with funding, the majority of the unsecured bank term loans were swapped to fixed rates bearing a weighted average interest rate of 3.3% with a weighted average term to maturity of 5.8 years.

The Company intends to de-lever back to similar debt levels as at December 31, 2018 over the next 24 months by disposing of selected assets that are deemed to be inconsistent with its previously announced evolved urban investment strategy. Following the closing of the above transactions Gazit's ownership of the Company has been reduced from 31.2% to approximately 9.9%.

Outlook

Management is focused on the following areas to achieve its objectives through 2019 and into 2020:

- dispose of select assets in line with the Company's evolved urban investment strategy to reduce leverage following the share repurchase and to fund future growth;
- development, redevelopment and repositioning activities including land use intensification;
- selective acquisitions of strategic assets and sites in close proximity to existing properties in the Company's target urban markets;
- proactive portfolio management that results in higher rent growth;
- increasing the efficiency and productivity of operations;
- maintaining financial strength and flexibility to support a competitive cost of capital over the long-term; and
- pursuing a REIT conversion

Overall, Management is confident that the quality of the Company's balance sheet and the defensive nature of its assets will continue to serve it well in the current environment and into the future.

NON-IFRS FINANCIAL MEASURES

In addition to measures determined in accordance with International Financial Reporting Standards ("IFRS"), the Company uses non-IFRS financial measures to analyze its financial performance. In Management's view, such non-IFRS financial measures are commonly accepted and meaningful indicators of financial performance in the real estate industry and provide useful supplemental information to both Management and investors. These measures do not have a standardized meaning prescribed under IFRS and therefore may not be comparable to similar measures presented by other corporations or Real Estate Investment Trusts ("REITs"), and should not be construed as an alternative to other financial measures determined in accordance with IFRS.

The following describe the non-IFRS measures the Company currently uses in evaluating is financial performance.

Proportionate Interest

"Proportionate interest" or "Proportionate share" is defined by Management as the Company's proportionate share of revenues, expenses, assets and liabilities in all of its real estate investments. Under IFRS, the Company's five equity accounted joint ventures are presented on one line item in the consolidated balance sheets and the consolidated statements of income, in aggregate. In the "Non-IFRS Reconciliations and Financial Measures" section of this MD&A, Management presents a consolidated balance sheet and income statement as if its joint ventures were proportionately consolidated. In addition, Management presents certain tables relating to its portfolio by geographic region, enterprise value, and debt metrics on a proportionate basis to enhance the relevance of the information presented. The presentation of financial information at the Company's proportionate interest provides a useful and more detailed view of the operation and performance of the Company's business and how Management operates and manages the business. This presentation also depicts the extent to which the underlying assets are leveraged, which are included in the Company's debt metrics. In addition, the Company's lenders require Management to calculate its debt metrics on a proportionate interest basis.

To achieve the proportionate presentation of its five equity accounted joint ventures, Management allocates the Company's proportionate share of revenues, expenses, assets, and liabilities to each relevant line item which replaces the one line presentation found in the IFRS consolidated financial statements. In addition, under IFRS, the Company exercises control over a sixth partially owned venture and consolidates 100% of the revenues, expenses, assets, and liabilities in the consolidated financial statements. In the reconciliations, the partially owned venture is also presented as if it was proportionately consolidated. To achieve the proportionate presentation of its partially owned venture, Management subtracts the non-controlling interest's share (the portion the Company doesn't own) of revenue, expenses, assets, and liabilities on each relevant line item. The Company does not independently control its joint ventures that are accounted for using the equity method, and the proportionate presentation of these joint ventures does not necessarily represent the Company's legal claim to such items.

Where noted, certain sections of this MD&A exclude the Company's proportionate share of Main and Main Urban Realty's ("MMUR") financial information to enhance the relevance of the information presented, as MMUR's business operations are not focused on operating stable income-producing properties at this time.

Select financial information for MMUR is presented in the "Main & Main Urban Realty" section of this MD&A.

Net Operating Income

Net Operating Income ("NOI") is defined by Management as property rental revenue less property operating costs. NOI is a commonly used metric for analyzing real estate performance in Canada by real estate industry analysts, investors and Management. Management believes that NOI is useful in analyzing the operating performance of the Company's portfolio.

Total Same Property NOI

Total Same Property NOI ("SP NOI") is defined by Management as NOI from properties categorized as "Same Property — stable" and "Same Property with redevelopment" (see definitions under "Real Estate Investments — Investment Property Categories" section of this MD&A). NOI from properties that have been (i) acquired, (ii) disposed, (iii) included in major redevelopment or ground-up development or (iv) held for sale are excluded from the determination of SP NOI. SP NOI is presented on a cash basis, as it excludes straight-line rent. Management believes that SP NOI is a useful measure in understanding period over period changes in cash NOI for its Same Property portfolio due to occupancy, rental rates, operating costs and realty taxes. A reconciliation from SP NOI to total NOI can be found in the "Results of Operations - Net Operating Income" section of this MD&A.

Same Property — Stable NOI

Same Property — stable NOI is defined by Management as NOI from stable properties where the only significant activities are leasing and ongoing maintenance (see complete definition under "Real Estate Investments — Investment Property Categories" section of this MD&A). Management believes that Same Property — stable NOI is a useful measure in understanding period over period changes in cash NOI for its largest category of properties.

Funds from Operations

Funds from Operations ("FFO") is a recognized measure that is widely used by the real estate industry, particularly by publicly traded entities that own and operate income-producing properties. The Company calculates FFO in accordance with the recommendations of the Real Property Association of Canada ("REALPAC") as published in its most recent "White Paper on Funds From Operations and Adjusted Funds From Operations for IFRS" dated February 2019. Management considers FFO a meaningful additional financial measure of operating performance, as it excludes fair value gains and losses on investment properties as well as certain other items included in the Company's net income that may not be the most appropriate determinants of the long-term operating performance of the Company, such as investment property selling costs, tax on gains or losses on disposals of properties, deferred income taxes, and any gains, losses or transaction costs recognized in business combinations. FFO provides a perspective on the financial performance of the Company that is not immediately apparent from net income determined in accordance with IFRS. A reconciliation from net income to FFO can be found in the "Non-IFRS Reconciliations and Financial Measures — FFO and ACFO" section of this MD&A.

Adjusted Cash Flow from Operations

Adjusted Cash Flow from Operations ("ACFO") is a supplementary measure the Company began using in 2017 to measure operating cash flow generated from the business. ACFO replaced the Company's previously reported Adjusted Funds from Operations ("AFFO") as its supplementary cash flow metric. The Company calculates ACFO in accordance with the recommendations of REALPAC as published in its most recent "White Paper on Adjusted Cashflow From Operations (ACFO) for IFRS" dated February 2019.

Management considers ACFO a meaningful metric to measure operating cash flows as it represents sustainable cash available to pay dividends to shareholders. ACFO includes a number of adjustments to cash flow from operations under IFRS including, eliminating seasonal and non-recurring fluctuations in working capital, adding cash flows associated with equity accounted joint ventures and deducting actual revenue sustaining capital expenditures and actual capital expenditures recoverable from tenants. Lastly, ACFO includes an adjustment to exclude the non-controlling interest's portion of cash flow from operations under IFRS, attributed to the Company's consolidated joint venture. A reconciliation of cash flow from operations under IFRS to ACFO can be found in the "Non-IFRS Reconciliations and Financial Measures — FFO and ACFO" section of this MD&A.

FFO and ACFO Payout Ratios

FFO and ACFO payout ratios are supplementary non-IFRS measures used by Management to assess the sustainability of the Company's dividend payments. The FFO payout ratio is calculated using dividends declared per share divided by FFO per share. The ACFO payout ratio is calculated on a rolling four quarter basis by dividing total cash dividends paid by ACFO over the same period. Management considers a rolling four quarter ACFO payout ratio more relevant than a payout ratio in any given quarter due to the impact of seasonal fluctuations in ACFO period over period.

Enterprise Value

Enterprise value is the sum of the carrying value of the Company's total debt on a proportionate basis and the market value of the Company's shares outstanding at the respective quarter end date. This measure is used by the Company to assess the total amount of capital employed in generating returns to shareholders.

Net Debt

Net debt is a measure used by Management in the computation of certain debt metrics, providing information with respect to certain financial ratios used in assessing the Company's debt profile. Net debt is calculated as the sum of principal amounts outstanding on credit facilities and mortgages, bank indebtedness and the par value of senior unsecured debentures reduced by the cash balances at the end of the period.

Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization

Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization, ("Adjusted EBITDA") is a measure used by Management in the computation of certain debt metrics. Adjusted EBITDA, is calculated as net income, adding back income tax expense, interest expense and amortization and excluding the increase or decrease in the fair value of investment properties and other non-cash or non-recurring items. The Company also adjusts for incremental leasing costs, which is a recognized adjustment to FFO, in accordance with the recommendations of REALPAC.

Unencumbered Aggregate Assets

Unencumbered aggregate assets represents the value of assets that have not been pledged as security under a credit agreement or mortgage. The unencumbered aggregate asset value ratio is calculated as unencumbered aggregate assets divided by the principal amount of unsecured debt, which consists of bank indebtedness, unsecured credit facilities and senior unsecured debentures. This ratio is used by Management to assess the flexibility of the Company to obtain various forms of debt financing at a reasonable cost of capital.

OPERATING METRICS

The Company presents certain operating metrics and portfolio statistics in the MD&A, which include property count, property category, GLA, occupancy, weighted average rate per occupied square foot, top 40 tenants, development pipeline, and renewal activities. The Company uses these operating metrics to monitor and measure operational performance period over period. To align the Company's GLA reporting with its ownership interest in its properties, unless otherwise noted, all GLA is presented at the Company's ownership interest (23.7 million square feet at its ownership interest compared to 25.3 million square feet at 100% as at March 31, 2019). These metrics exclude the operating metrics related to the Company's interest in MMUR as its business operations are not focused on operating stable income-producing properties at this time.

SUMMARY CONSOLIDATED INFORMATION AND HIGHLIGHTS

As at March 31		2019		2018
Revenues, Income and Cash Flows (1)				
Revenues and other income	**$**	**205,021**	$	187,117
NOI (2)	**$**	**115,431**	$	111,642
Increase (decrease) in value of investment properties, net	**$**	**5,053**	$	10,439
Net income attributable to common shareholders	**$**	**62,152**	$	65,944
Net income per share attributable to common shareholders (diluted)	**$**	**0.24**	$	0.27
Weighted average number of common shares – diluted – IFRS (in thousands)		**256,178**		247,044
Cash provided by operating activities	**$**	**48,882**	$	45,479
Dividends				
Dividends	**$**	**54,985**	$	52,787
Dividends per common share	**$**	**0.215**	$	0.215

As at March 31		2019		2018
Financial Information (1)				
Investment properties (3)	**$**	**9,818,271**	$	9,414,776
Hotel property	**$**	**58,511**	$	—
Total assets	**$**	**10,465,288**	$	9,980,267
Mortgages (3)	**$**	**1,272,328**	$	1,031,962
Credit facilities	**$**	**619,556**	$	662,770
Senior unsecured debentures	**$**	**2,447,531**	$	2,596,307
Shareholders’ equity	**$**	**4,979,080**	$	4,669,877
Capitalization and Leverage				
Shares outstanding (in thousands)		**255,026**		244,821
Enterprise value (2)	**$**	**9,906,000**	$	9,366,000
Net debt to total assets (2) (4)		**42.2%**		43.6%
Weighted average term to maturity on mortgages and senior unsecured debentures (years)		**5.2**		5.4

As at March 31		2019		2018
Operational Information				
Number of properties		**166**		161
GLA (square feet) – at 100%		**25,334,000**		25,267,000
GLA (square feet) – at ownership interest		**23,731,000**		23,648,000
Occupancy – Same Property – stable (2)		**97.2%**		97.1%
Total portfolio occupancy		**96.8%**		96.2%
Development pipeline and adjacent land (GLA) (5)				
Commercial pipeline (primarily retail)		**2,343,000**		2,831,000
Residential pipeline		**20,762,000**		18,862,000
Average rate per occupied square foot	**$**	**20.38**	$	19.84
GLA developed and brought online - at ownership interest		**10,000**		42,000
Same Property – stable NOI – increase (decrease) over prior period (2) (6)		**4.6%**		2.7%
Total Same Property NOI – increase (decrease) over prior period (2) (6)		**5.2%**		2.6%
Funds from Operations (2) (4)				
FFO	**$**	**75,653**	$	73,933
FFO per diluted share	**$**	**0.30**	$	0.30
FFO payout ratio		**72.9%**		71.4%
Weighted average number of common shares – diluted – FFO (in thousands)		**256,178**		245,717
Adjusted Cash Flow from Operations (2) (4)				
ACFO	**$**	**52,470**	$	50,302
ACFO payout ratio on a rolling four quarter basis		**79.8%**		85.9%

(1) As presented in the Company's IFRS consolidated financial statements.

(2) Refer to the "Non-IFRS Financial Measures" section of this MD&A.

(3) Includes properties and mortgages classified as held for sale.

(4) Reflects joint ventures proportionately consolidated. Refer to the "Non-IFRS Financial Measures – *Proportionate Interest*" section of this MD&A.

(5) At the Company's ownership interest. Square footage does not include potential development on properties held by the Company's MMUR joint venture. Refer to the "Business and Operations Review – Main and Main Urban Realty" section of this MD&A.

(6) Calculated based on the year-to-date NOI. Prior period amounts not restated for current period property categories.

BUSINESS AND OPERATIONS REVIEW

Real Estate Investments

Investment Property Categories

The Company categorizes its properties for the purposes of evaluating operating performance including Total Same Property NOI. This enables the Company to better reflect its development, redevelopment and repositioning activities on its properties, including land use intensification, and its completed and planned disposition activities. In addition, the Company revises comparative information to reflect property categories consistent with current period status. The property categories are as follows:

Total Same Property consisting of:

> *Same Property* **–** *stable* **–** includes stable properties where the only significant activities are leasing and ongoing maintenance. Properties that will be undergoing a redevelopment in a future period, including adjacent parcels of land, and those having planning activities underway are also in this category until such development activities commence. At that time, the property will be reclassified to either Same Property with redevelopment or to major redevelopment.
>
> *Same Property with redevelopment* **–** includes properties that are largely stable, including adjacent parcels of land, but are undergoing incremental redevelopment or expansion activities (pads or building extensions) which intensify the land use. Such redevelopment activities often include façade, parking, lighting and building upgrades.

Major redevelopment **–** includes properties in planning or undergoing multi-year redevelopment projects with significant intensification, reconfiguration and building and tenant upgrades.

Ground-up development **–** consists of new construction, either on a vacant land parcel typically situated in an urban area or on an urban land site with conversion of an existing vacant building to retail use.

Acquisitions and dispositions **–** consists of properties acquired during the period including those in close proximity to existing properties. Dispositions include information for properties disposed of in the period.

Investment properties classified as held for sale **–** consists of properties that meet the held for sale criteria under IFRS.

Investment properties – development land – comprises land sites where there are no development activities underway, except for those in the planning stage.

The Company has applied the above property categorization to the fair value, capital expenditures as well as leasing and occupancy activity on its portfolio, and to its Same Property NOI analysis to further assist in understanding the Company's real estate activities and its operating and financial performance.

Portfolio Overview

As at March 31, 2019, the Company had interests in 166 properties, which were 96.8% occupied with a total GLA of 25.3 million square feet (23.7 million square feet at the Company's ownership interest) and a fair value of $9.8 billion as well as development land with a fair value of $86.4 million. This compares to 166 properties, which were 96.7% occupied with a total GLA of 25.5 million square feet (23.9 million square feet at the Company's ownership interest) and a fair value of $9.7 billion and $78.1 million, respectively, as at December 31, 2018. As at March 31, 2019, the average size of the properties is approximately 153,000 square feet, ranging from approximately 6,200 to over 548,000 square feet.

The Same Property portfolio includes properties sub-categorized in Same Property – stable and Same Property with redevelopment. The Same Property portfolio is comprised of 142 properties with a GLA of 20.5 million square feet (19.1 million square feet at the Company's ownership interest) and a fair value of $7.3 billion. These properties represent 85.5% of the Company's property count, 80.6% of its GLA at the Company's ownership interest and 74.5% of its fair value as at March 31, 2019.

The balance of the Company's real estate assets consists of properties which are in various stages of redevelopment, properties acquired in 2019 or 2018 and properties in close proximity to them, as well as properties held for sale.

The Company's portfolio based on property categorization is summarized as follows:

As at	**March 31, 2019**				December 31, 2018			
	Number of Properties	**GLA (000s sq. ft.)**	**Occupancy**	**Weighted Average Rate per Occupied Square Foot**	Number of Properties	GLA (000s sq. ft.)	Occupancy	Weighted Average Rate per Occupied Square Foot
Same Property – stable	**134**	**17,507**	**97.2%**	**$ 20.43**	134	17,535	97.2%	$ 20.38
Same Property with redevelopment	**8**	**1,627**	**97.7%**	**17.89**	8	1,616	97.7%	17.60
Total Same Property	**142**	**19,134**	**97.2%**	**20.21**	142	19,151	97.2%	20.15
Major redevelopment	**11**	**2,323**	**94.0%**	**26.43**	11	2,384	93.2%	25.81
Ground-up development	**1**	**147**	**98.8%**	**31.18**	1	147	98.8%	29.93
Acquisitions	**6**	**209**	**94.1%**	**25.48**	6	202	93.9%	24.91
Investment properties classified as held for sale	**6**	**1,918**	**95.6%**	**13.49**	6	1,918	95.6%	13.46
Dispositions	**—**	**—**	**—%**	**—**	—	52	100.0%	11.00
Total	**166**	**23,731**	**96.8%**	**$ 20.38**	166	23,854	96.7%	$ 20.24

The Company’s portfolio by major market is summarized as follows:

As at	March 31, 2019							December 31, 2018						
(millions of dollars, except other data)	**Number of Properties**	**GLA (000s sq. ft.)**	**Fair Value[(1)]**	**% of Total Fair Value**	**Occupancy**	**Weighted Average Rate per Occupied Square Foot**	**% of Annual Minimum Rent**	Number of Properties	GLA (000s sq. ft.)	Fair Value[(1)]	% of Total Fair Value	Occupancy	Weighted Average Rate per Occupied Square Foot	% of Annual Minimum Rent
Greater Toronto Area	**50**	**6,856**	**$ 3,962**	**41%**	**96.9%**	**$ 24.08**	**35%**	50	6,880	$ 3,904	40%	97.0%	$ 23.79	34%
Greater Montreal Area	**32**	**4,318**	**1,289**	**13%**	**96.4%**	**16.66**	**15%**	32	4,384	1,278	14%	95.3%	16.73	15%
Greater Calgary Area	**17**	**2,704**	**1,192**	**12%**	**96.5%**	**22.75**	**13%**	17	2,694	1,181	12%	97.2%	22.61	13%
Greater Vancouver Area	**19**	**2,040**	**1,129**	**11%**	**96.9%**	**24.34**	**10%**	19	2,033	1,108	11%	97.3%	24.18	10%
Greater Edmonton Area	**12**	**2,325**	**854**	**9%**	**97.9%**	**19.39**	**9%**	12	2,323	863	9%	98.1%	19.27	9%
Greater Ottawa Area	**13**	**1,902**	**574**	**6%**	**96.7%**	**18.45**	**7%**	13	1,902	588	6%	96.6%	18.24	7%
Kitchener/ Waterloo/ Guelph Area	**5**	**1,042**	**332**	**3%**	**98.5%**	**18.47**	**4%**	5	1,042	339	3%	98.4%	18.40	4%
Other	**18**	**2,544**	**540**	**5%**	**95.5%**	**14.09**	**7%**	18	2,596	569	5%	95.9%	14.14	8%
Total	**166**	**23,731**	**$ 9,872**	**100%**	**96.8%**	**$ 20.38**	**100%**	166	23,854	$ 9,830	100%	96.7%	$ 20.24	100%

(1) At the Company's proportionate interest, excluding development land and the fair value of MMUR's properties of $89 million as at March 31, 2019 and $88 million as at December 31, 2018. Includes hotel property at net book value as at March 31, 2019 and December 31, 2018, respectively.

Investment Properties

A continuity of the Company's investment in its property acquisitions, dispositions, development and portfolio improvement activities is as follows:

	Three months ended March 31, 2019	
(millions of dollars)	**Investment Properties**	**Development Land**
Balance at beginning of period	**$ 9,690**	**$ 78**
Acquisitions		
Investment properties and additional adjacent spaces	**7**	**14**
Development activities and property improvements	**46**	**1**
Increase (decrease) in value of investment properties, net	**4**	**1**
Dispositions	**(16)**	**(7)**
Other changes	**1**	**(1)**
Balance at end of period [(1)]	**$ 9,732**	**$ 86**

(1) Includes investment properties classified as held for sale as at March 31, 2019 totaling $454 million of investment properties and $16 million of development land.

	Three months ended March 31, 2018	
(millions of dollars)	Investment Properties	Development Land
Balance at beginning of period	$ 9,317	$ 79
Acquisitions		
Investment properties and additional adjacent spaces	16	2
Development activities and property improvements	57	2
Increase (decrease) in value of investment properties, net	3	7
Dispositions	(72)	—
Other changes	4	—
Balance at end of period [(1)]	$ 9,325	$ 90

(1) Includes investment properties classified as held for sale as at March 31, 2018 totaling $68 million of investment properties and $33 million of development land.

2019 Acquisitions

Income-producing properties and Additional Adjacent Spaces

During the three months ended March 31, 2019, the Company acquired one property, as summarized in the table below:

Count	Property Name	City/Province	Quarter Acquired	Interest Acquired	GLA (sq. ft.)	Acquisition Cost (in millions)
1.	1626 Martin Drive (Semiahmoo)	Surrey, BC	Q1	100%	9,200	$ 7.0
	Total				9,200	$ 7.0

Development Properties

During the three months ended March 31, 2019, the Company acquired two land parcels, as summarized in the table below:

Count	Property Name	City/Province	Quarter Acquired	Interest Acquired	Acreage	Acquisition Cost (in millions)
	Development lands					
1.	1855 Leslie Street (Leslie and York Mills assembly)	Toronto, ON	Q1	100%	0.6	$ 11.3
2.	Bow Valley Crossing	Calgary, AB	Q1	20%	9.7	2.3
	Total development lands				10.3	$ 13.6

2019 Dispositions

During the three months ended March 31, 2019, the Company disposed of an income-producing property and two land parcels for $23.2 million, as summarized in the table below:

Count	Property Name	City/Province	Quarter Sold	Interest Sold	GLA (sq. ft.)	Acreage	Gross Sales Price (in millions)
1.	Westminster Centre	London, ON	Q1	100%	52,100	8.4	
2.	Carrefour du Plateau - Residential Land	Gatineau, QC	Q1	100%	—	4.9	
3.	Terry Fox Lands	Kanata, ON	Q1	50%	—	13.5	
	Total				52,100	26.8	$ 23.2

Capital Expenditures

Capital expenditures are incurred by the Company for maintaining and/or renovating its existing properties. In addition, the Company also incurs expenditures for the purposes of expansion, redevelopment and development activities.

Revenue sustaining capital expenditures are required for maintaining the Company's property infrastructure and revenues from leasing of existing space. Revenue sustaining capital expenditures are generally not recoverable from tenants. However, certain leases provide the ability to recover from tenants, over time, a portion of capital expenditures to maintain the physical aspects of the Company's properties. Revenue sustaining capital expenditures generally include tenant improvement costs related to new and renewal leasing, and capital expenditures required to maintain the physical aspects of the properties, such as roof replacements and resurfacing of parking lots.

Revenue enhancing capital expenditures are those expenditures that increase the revenue generating ability of the Company's properties. Revenue enhancing capital expenditures are incurred in conjunction with or in contemplation of a development or redevelopment strategy, a strategic repositioning after an acquisition, or in advance of a planned disposition to maximize the potential sale price. The Company owns and actively seeks to acquire older, well-located properties in urban locations, where expenditures tend to be higher when they are subsequently repaired or redeveloped to meet the Company's standards.

Capital expenditures incurred in development and redevelopment projects include pre-development costs, direct construction costs, leasing costs, tenant improvements, borrowing costs, overhead including applicable salaries and direct costs of internal staff directly attributable to the projects under active development.

Capital expenditures on investment properties by type and property category are summarized in the table below:

Three months ended March 31			**2019**	2018
	Total Same Property	**Other Property Categories**	**Total**	Total
Revenue sustaining	**$ 4,762**	**$ —**	**$ 4,762**	$ 3,333
Revenue enhancing	**4,196**	**1,797**	**5,993**	4,392
Expenditures recoverable from tenants	**958**	**366**	**1,324**	471
Development expenditures	**2,474**	**32,445**	**34,919**	50,527
Total	**$ 12,390**	**$ 34,608**	**$ 46,998**	$ 58,723

During the three months ended March 31, 2019, capital expenditures totaled $47.0 million compared to $58.7 million for the same prior year period. The $11.7 million decrease was primarily due to lower development spend related to Yorkville Village, King High Line, and Same Property with Redevelopment projects.

Valuation of Investment Properties

During the three months ended March 31, 2019, the weighted average stabilized capitalization rate of the Company's investment property portfolio remained unchanged from 5.3% as at December 31, 2018. The net increase in the fair value of investment properties of $5.1 million was primarily due to stabilized NOI growth across the portfolio for the three months ended March 31, 2019.

The values of the Company's investment properties and associated stabilized capitalization rates by region were as follows as at March 31, 2019 and December 31, 2018:

As at March 31, 2019		**Stabilized Capitalization Rate**			
(millions of dollars)	**Number of Properties**	**Weighted Average**	**Median**	**Range**	**Fair Value**
Central Region	**65**	**5.0%**	**5.3%**	**3.0%-7.0%**	**$ 4,472**
Eastern Region	**52**	**6.0%**	**6.0%**	**4.4%-7.8%**	**2,016**
Western Region	**49**	**5.2%**	**5.3%**	**3.8%-7.5%**	**3,244**
Total or Weighted Average	**166**	**5.3%**	**5.5%**	**3.0%-7.8%**	**$ 9,732**

As at December 31, 2018		Stabilized Capitalization Rate			
(millions of dollars)	Number of Properties	Weighted Average	Median	Range	Fair Value
Central Region	65	5.0%	5.3%	3.0%-7.0%	$ 4,431
Eastern Region	52	5.9%	6.0%	4.4%-7.8%	2,030
Western Region	49	5.2%	5.3%	3.8%-6.3%	3,229
Total or Weighted Average	166	5.3%	5.5%	3.0%-7.8%	$ 9,690

Properties Under Development

Development and redevelopment activities are completed selectively, based on opportunities in the Company's properties or in the markets where the Company operates. The Company's development activities include redevelopment of stable properties, major redevelopment, and ground-up projects. Additionally, properties under development include land with future development potential. All development activities are strategically managed to reduce risk, and properties are generally developed after obtaining anchor tenant lease commitments. Individual buildings within a development are generally constructed only after obtaining commitments on a substantial portion of the space.

Development Pipeline

As at March 31, 2019, the Company's portfolio is comprised of 23.7 million square feet of GLA at the Company's ownership interest. Substantially all of this GLA is located in Canada's six largest urban growth markets which are undergoing significant land use intensification. As such, Management has identified meaningful incremental density available for future development within its existing portfolio. As at March 31, 2019, Management had identified approximately 23.1 million square feet of incremental density. This incremental density represents an opportunity that is almost as large as the Company's existing portfolio.

Management undertakes a quarterly review of its entire portfolio and updates all of its future incremental density. Management stratifies the density by project commencement time frame. Medium term includes project commencement expected within the next 7 years, long term between 8 and 15 years and very long term beyond 15 years. The Company's incremental density is classified by type between commercial and residential. Commercial density primarily consists of retail density.

As a substantial part of the portfolio is located in urban markets where significant land use intensification continues to occur, Management expects future incremental density will continue to grow and provide the Company with increased opportunity to redevelop its generally low density properties.

A breakdown of the active development and incremental density within the portfolio by component and type is as follows:

As at March 31, 2019	Square feet (in thousands)		
	Commercial	Residential	Total
Active Development			
Major redevelopment	163	—	163
Ground-up development	80	162	242
	243	**162**	**405**
Future incremental density			
Medium term	900	4,000	4,900
Long term	1,000	11,600	12,600
Very long term	200	5,000	5,200
	2,100	**20,600**	**22,700**
Total development pipeline	**2,343**	**20,762**	**23,105**

The Company determines its course of action with respect to the 20.6 million square feet of potential residential density on a case by case basis given the specifics of each property. The Company's course of action for each property may include selling the property, selling the residential density rights, entering into a joint venture with a partner to develop the property or undertaking the development of the property on its own. Approximately 3.2 million of the Company's 23.1 million square feet of identified incremental density has been included as part of the fair value of investment properties on the consolidated balance sheet. The 3.2 million square feet is comprised of 0.4 million square feet in active development which is valued as part of the overall property and 2.8 million of incremental density valued at approximately $168 million. The remaining 19.9 million square feet of identified incremental density is expected to be included in the future, based on certain factors including the expiry or removal of tenant encumbrances and zoning approvals. The majority of the incremental residential density is located above income producing shopping centres or their parking areas. As such, the Company takes a measured approach with a view to maximizing long term value when obtaining zoning approvals based on the redevelopment plans for its portfolio as a whole.

In addition to the Company's development pipeline, information regarding the active development and the development potential of the Company's Main and Main Developments joint venture can be found in the "Main and Main Urban Realty" section of this MD&A.

Invested Cost of Properties Under Development

As at March 31, 2019, the Company had $599.0 million of properties under development and development land parcels at invested cost, representing approximately 6.1% of the value of the total investment property portfolio.

A breakdown of invested cost on development activities is as follows:

As at March 31, 2019			Invested Cost (in millions)		
	Number of Active Projects	Square Feet [1] [2] (in thousands)	Active Development	Pre-Development	Total
Total development and redevelopment activities	**5**	**405**	**$ 256**	**$ 80**	**$ 336**
Total development land, adjacent land parcels, and other [3]				$ 263	$ 263
Total				**$ 343**	**$ 599**

(1) Includes 162,000 square feet of residential rental apartments.

(2) Square footage relates to active development only.

(3) Includes all other property categories.

2019 Development and Redevelopment Coming Online and Space Going Offline

Development and redevelopment coming online includes both leased and unleased space transferred from development to income-producing properties at completion of construction. Costs transferred to income-producing properties often involves judgment in cost allocations related to the space transferred in the period. Therefore, the cost per square foot transferred in any one period may not be indicative of the total project cost per square foot.

During the three months ended March 31, 2019, the Company completed the transfer of 10,000 square feet of new urban retail space to the income-producing portfolio at a total cost of $4.9 million. Of the space transferred, 9,000 square feet became occupied at an average rental rate of $39.28 per square foot, well above the average rate for the portfolio of $20.38.

For the three months ended March 31, 2019, the Company had tenant closures for redevelopment of 46,000 square feet at an average rental rate of $13.57 per square foot. All 46,000 square feet was demolished.

Active Development and Redevelopment Activities

The Company's properties with development and redevelopment activities currently in progress are expected to have a weighted average going-in NOI yield of 5.1% upon completion. This yield is derived from the expected going-in run rate based on stabilized leasing and operations following completion of the development, and includes all building cost, land cost incremental to the development, interest and other carrying costs, as well as capitalized staff compensation and other expenses. However, actual rates of return could differ if development costs are higher or lower than currently forecasted costs, if final lease terms are higher or lower than forecasted base rent, operating cost or property tax recoveries, or if there are other unforeseen events that cause actual results to differ from assumptions. The quality of the Company's construction is consistent with its strategy of long-term ownership and value creation, and factors in the Company's high standards in construction, materials, architecture, lighting, parking, access, pedestrian amenities, accessibility, as well as development to LEED standards.

Committed Leases

The Company has five projects comprised of approximately 405,000 square feet of space currently under development, of which 243,000 square feet is retail space and 162,000 square feet is residential rental apartments. A total of 131,000 square feet of the retail space currently under development is subject to committed leases at a weighted average rate of $26.07 per square foot. As construction on ground-up developments occurs in phases, there continues to be ongoing negotiations in various stages with retailers for the planned space. Leasing of the residential space began towards the end of 2018 and will continue in 2019.

Highlights of the Company's active projects as at March 31, 2019 are as follows:

As at March 31, 2019							
					Invested Cost (in millions)		
Count/Project	Major Tenants	Ownership Interest %	Square Feet Under Development (in thousands)	Target Completion Date [1]	Total Estimated (incl. Land)	Under Development	Income-producing property
1. 3080 Yonge Street, Toronto, ON	*(Loblaws, Tim Hortons, Anatomy Fitness)*	100.0%	18	H2 2019	$135 - $149	$ 19	$ 113
2. Semiahmoo Shopping Centre, Surrey, BC	*(Crunch Fitness, Winners, CEFA Day Care)*	100.0%	61	H2 2019	$127 - $140	35	76
3. Wilderton, Montreal, QC [2]	*(Metro, Pharmaprix, Tim Hortons, SAQ)*	100.0%	84	H2 2022	$57 - $62	20	10
4. The Brewery District, Edmonton, AB [3]	*(MEC, Loblaws City Market, GoodLife Fitness, Winners)*	50.0%	30	H2 2019	$100 - $110	20	77
5. King High Line (Shops at King Liberty), Toronto, ON [4]	*(Longo's, Canadian Tire, Shoppers Drug Mart, Winners, Kids & Company)*	50.0%	212	H2 2019	$200 - $220	162	29
Total development and redevelopment activities			**405**		**$619 - $681**	**$ 256**	**$ 305**

(1) H1 and H2 refer to the first six months of the year and the last six months of the year, respectively.

(2) Target completion date reflects future phases.

(3) Target completion date relates to buildings currently under construction.

(4) The square feet under development comprises 50,000 square feet of retail and 162,000 square feet of residential space. The Company and its development partner have entered into a binding agreement to sell, upon substantial completion, a 1/3 managing interest in the residential component of the property to Canadian Apartment Properties REIT.

Costs to Complete Active and Redevelopment Activities

Costs to complete the development, redevelopment and expansion activities underway are estimated to be approximately $79 million.

Ground-up Development - Equity-Accounted Joint Ventures

In addition to the projects listed above, information regarding the ground-up development related to the Company's equity accounted investment can be found in the "Main and Main Urban Realty" section of this MD&A.

Residential Inventory

The Company has commenced a residential development project to build and sell fifty townhomes on land adjacent to the Company's Rutherford Marketplace property. The development is being managed by the Company's 50% development partner, who purchased 50% of the land in the fourth quarter of 2016. Total invested cost in the project at the Company's share is approximately $9.7 million at March 31, 2019. Total invested cost at completion is estimated to be $22.5 million with a target completion date in the second half of 2020.

Main and Main Urban Realty

MMUR, an equity accounted joint venture, is a Toronto and Ottawa urban development partnership between the Company, Main and Main Developments (itself, a partially owned venture between the Company and a private developer) and a prominent Canadian institutional investor. The Company's net economic interest in MMUR is 37.7%. Main and Main Developments was retained to provide asset and property management services for the real estate portfolio.

As at March 31, 2019 the Company's total investment in MMUR is approximately $33.6 million via its direct and indirect interests which includes a loan to one of its joint venture partners.

The following table summarizes key information about MMUR's portfolio.

As at		**March 31, 2019**		December 31, 2018
Number of assemblies		**4**		4
Number of income-producing properties		**1**		1
Projects in active development / pre-development phase		**2/1**		2/1
GLA (square feet) [1]		**26,100**		26,100
Development pipeline and adjacent land (GLA) [1]				
Retail pipeline [1]		**32,983**		32,983
Residential pipeline [1]		**244,946**		244,946
Total investment properties [1]	**$**	**89,212**	$	44,657
Total investment properties - held for sale [1]	**$**	**—**	$	43,305
Total assets [1]	**$**	**92,831**	$	95,918
Credit facilities [1]	**$**	**24,196**	$	5,643
Credit facilities secured by investment properties held for sale [1]	**$**	**—**	$	18,553

Three months ended		**March 31, 2019**		March 31, 2018
Revenue and other income [1]	**$**	**367**	$	1,174
Expenses and property selling costs [1]	**$**	**296**	$	2,232
Increase (decrease) in value of investment properties [1]	**$**	**—**	$	1,208
Development expenditures [1]	**$**	**1,250**	$	2,209
Other capital expenditures [1]	**$**	**—**	$	118

[1] At the Company's 37.7% interest in MMUR.

Ground-up Development

Through the Company's ownership interest in MMUR, the Company has commenced construction of a 40-storey residential rental tower and retail podium at Dundas and Aukland in Toronto, with a total expected GLA of 347,000 square feet, of which 295,000 is residential space and 52,000 is retail space. Total estimated costs for the project at the Company's ownership interest are $56.5 million and at March 31, 2019 estimated costs to complete are $38.8 million with a target completion date in the first half of 2021.

Leasing and Occupancy

As at March 31, 2019, total portfolio occupancy increased 0.6% to 96.8% while Same Property portfolio occupancy was up 0.2% compared to March 31, 2018. The increase was primarily related to significant leasing activity over the last twelve months resulting from tenants taking possession of approximately 0.6 million square feet of space. Total portfolio occupancy increased 0.1% to 96.8% while the Same Property portfolio occupancy remained unchanged at 97.2% compared to December 31, 2018.

For the three months ended March 31, 2019, the monthly average occupancy for the total portfolio was 96.6% compared to 96.0%, and the Same Property portfolio occupancy was 97.1% compared to 96.9% for the same prior year period, respectively.

Occupancy of the Company's portfolio by property categorization was as follows:

As at		**March 31, 2019**			December 31, 2018	
(square feet in thousands)	**Total Occupied Square Feet**	**% Occupied**	**Weighted Average Rate per Occupied Square Foot**	Total Occupied Square Feet	% Occupied	Weighted Average Rate per Occupied Square Foot
Same Property – stable	**17,018**	**97.2%**	**$ 20.43**	17,044	97.2%	$ 20.38
Same Property with redevelopment	**1,589**	**97.7%**	**17.89**	1,579	97.7%	17.60
Total Same Property	**18,607**	**97.2%**	**20.21**	18,623	97.2%	20.14
Major redevelopment	**2,183**	**94.0%**	**26.43**	2,221	93.2%	25.81
Ground-up development	**146**	**98.8%**	**31.18**	146	98.8%	29.93
Investment properties classified as held for sale	**1,833**	**95.6%**	**13.49**	1,833	95.6%	13.46
Total portfolio before acquisitions and dispositions	**22,769**	**96.8%**	**20.34**	22,823	96.7%	20.22
Acquisitions	**197**	**94.1%**	**25.48**	190	93.9%	24.91
Dispositions	**—**	**—%**	**—**	52	100.0%	11.00
Total [1]	**22,966**	**96.8%**	**$ 20.38**	23,065	96.7%	$ 20.24

[1] At the Company's ownership interest, excluding MMUR.

During the three months ended March 31, 2019, the Company completed 612,000 square feet of lease renewals across the portfolio. The Company achieved a 10.6% lease renewal rate increase when comparing the per square foot net rental rate in the last year of the expiring term to the per square foot net rental rate in the first year of the renewal term. For the three months ended March 31, 2019, the Company achieved a 11.9% lease renewal rate increase when comparing the net rental rate in the last year of the expiring term to the *average* net rental rate over the renewal term.

The average rental rate per occupied square foot for the total portfolio increased from $20.24 as at December 31, 2018 to $20.38 as at March 31, 2019 primarily due to rent escalations, renewal lifts as well as acquisitions and dispositions.

Changes in the Company's gross leasable area and occupancy for the total portfolio for the three months ended March 31, 2019 are set out below:

Three months ended March 31, 2019	Total Same Property			Major redevelopment, ground-up, acquisitions and dispositions			Vacancy				Total Portfolio [1]		
	Occupied Square Feet (thousands)	%	Weighted Average Rate per Occupied Square Foot	Occupied Square Feet (thousands)	%	Weighted Average Rate per Occupied Square Foot	Under Redevelop-ment Square Feet (thousands)	%	Vacant Square Feet (thousands)	%	Total Square Feet (thousands)	Occupied Square Feet %	Weighted Average Rate per Occupied Square Foot
December 31, 2018 [2]	**18,623**	**97.2%**	**$ 20.15**	**4,442**	**94.4%**	**$ 20.63**	**33**	**0.1%**	**756**	**3.2%**	**23,854**	**96.7%**	**$ 20.24**
Tenant possession	131		16.69	39		19.82	—		(170)		—		17.41
Tenant closures	(130)		(17.89)	(41)		(21.50)	—		171		—		(18.76)
Tenant closures for redevelopment	(26)		(7.23)	(46)		(17.10)	46		26		—		(13.57)
Developments – tenants coming online [3]	9		39.28	—		—	—		1		10		39.28
Redevelopments – tenant possession	—		—	1		8.83	(1)		—		—		8.83
Demolitions	—		—	—		—	(67)		(26)		(93)		—
Reclassification	—		—	9		—	—		(4)		5		—
Total portfolio before Q1 2019 acquisitions and dispositions	18,607	97.2%	$ 20.21	4,404	94.9%	$ 20.96	11	0.0%	754	3.2%	23,776	96.8%	$ 20.35
Acquisitions (at date of acquisition)	—	—%	—	7	100.0%	42.00	—	—%	—		7	100.0%	42.00
Dispositions (at date of disposition)	—	—%	—	(52)	100.0%	11.35	—	—%	—		(52)	100.0%	11.35
March 31, 2019	**18,607**	**97.2%**	**$ 20.21**	**4,359**	**94.8%**	**$ 21.10**	**11**	**0.0%**	**754**	**3.2%**	**23,731**	**96.8%**	**$ 20.38**
Renewals	540		$ 18.60	72		$ 17.73					612		$ 18.50
Renewals – expired	(540)		$ (16.85)	(72)		$ (15.85)					(612)		$ (16.73)
Net change per square foot from renewals			$ 1.75			$ 1.88							$ 1.77
% Increase on renewal of expiring rents (first year of renewal term)			10.4%			11.9%							10.6%
% increase on renewal of expiring rents (average rate in renewal term)													11.9%

(1) At the Company's ownership interest, excluding MMUR.

(2) Opening balances have been adjusted to reflect the current period presentation.

(3) For further discussion of development and redevelopment coming online and under development vacancy, refer to the "Properties Under Development – 2019 Development and Redevelopment Coming Online and Space Going Offline" section of this MD&A.

Top Forty Tenants

As at March 31, 2019, 54.8% of the Company's annualized minimum rent came from its top 40 tenants (December 31, 2018 – 55.1%). Of these rents, 67.7% (December 31, 2018 – 67.7%) came from tenants that have investment grade credit ratings and who represent many of Canada's leading grocery stores, pharmacies, national and discount retailers, financial institutions and other familiar retailers. The weighted average remaining lease term for the Company's top 10 tenants was 6.5 years as at March 31, 2019, excluding contractual renewal options.

Rank	Tenant [1] [2]	Number of Stores	Square Feet (thousands)	Percent of Total Gross Leasable Area	Percent of Total Annualized Minimum Rent	DBRS Credit Rating	S&P Credit Rating	Moody's Credit Rating
1.	Loblaw Companies Limited ("Loblaw")	100	2,231	9.4%	10.1%	BBB	BBB	
2.	Sobeys	56	1,924	8.1%	6.1%	BB (high)	BB+	
3.	Metro	47	1,301	5.5%	3.8%	BBB	BBB	
4.	Canadian Tire	25	880	3.7%	2.7%	BBB (high)	BBB+	
5.	Walmart	15	1,491	6.3%	2.7%	AA	AA	Aa2
6.	TD Canada Trust	50	243	1.0%	2.1%	AA	AA-	Aa1
7.	RBC Royal Bank	45	241	1.0%	1.9%	AA	AA-	Aa2
8.	Dollarama	55	527	2.2%	1.8%	BBB		
9.	GoodLife Fitness	26	565	2.4%	1.8%			
10.	CIBC	38	207	0.9%	1.5%	AA	A+	Aa2
Top 10 Tenants Total		457	9,610	40.5%	34.5%			
11.	Save-On-Foods	9	324	1.4%	1.5%			
12.	McKesson	26	230	1.0%	1.3%		BBB+	Baa2
13.	LCBO	23	209	0.9%	1.2%	AA (low)	A+	Aa3
14.	Lowe's	4	361	1.5%	1.1%	A (low)	BBB+	Baa1
15.	Scotiabank	27	139	0.6%	1.1%	AA	A+	B1
16.	Restaurant Brands International	59	149	0.6%	1.1%		BB-	B2
17.	BMO	29	123	0.5%	1.0%	AA	A+	Aa2
18.	London Drugs	9	218	0.9%	1.0%			
19.	Winners	11	274	1.2%	0.8%		A+	A2
20.	Longo's	5	179	0.8%	0.8%			
21.	Recipe Unlimited	30	127	0.5%	0.8%			
22.	Nordstrom	1	40	0.2%	0.7%	BBB (high)	BBB+	Baa1
23.	Staples	9	194	0.8%	0.7%		B+	B1
24.	Starbucks	44	66	0.3%	0.7%		BBB+	Baa1
25.	Michaels	4	77	0.3%	0.6%		BB-	Ba2
26.	SAQ	21	101	0.4%	0.5%	A (high)	AA-	Aa2
27.	Subway	70	78	0.3%	0.5%			
28.	Whole Foods Market	2	90	0.4%	0.5%		A+	A3
29.	McDonald's	22	87	0.4%	0.5%		BBB+	Baa1
30.	Pusateri's	1	35	0.1%	0.4%			
31.	The Beer Store	12	69	0.3%	0.4%	AA (low)	A+	Aa3
32.	Toys "R" Us	3	127	0.5%	0.4%			
33.	Yum! Brands	30	50	0.2%	0.4%		BB	Ba3
34.	Alcanna Inc.	15	56	0.2%	0.4%			
35.	The Home Depot	2	153	0.6%	0.4%	A	A	A2
36.	Williams-Sonoma	2	38	0.2%	0.3%			
37.	Pet Valu	20	57	0.2%	0.3%			
38.	Bulk Barn	12	58	0.2%	0.3%			
39.	Equinox	2	38	0.2%	0.3%		B	B2
40.	National Bank	8	35	0.1%	0.3%	AA (low)	A	Aa3
Top 40 Tenants Total		**969**	**13,392**	**56.3%**	**54.8%**			

[1] The names noted above may be the names of the parent entities and are not necessarily the covenants under the leases.
[2] Tenants noted include all banners of the respective retailer.

Lease Maturity Profile

The Company's lease maturity profile for its portfolio as at March 31, 2019, excluding any contractual renewal options, is as follows:

Maturity Date	Number of Stores	Occupied Square Feet (thousands)	Percent of Total Square Feet	Annualized Minimum Rent at Expiration (thousands)	Percent of Total Annualized Minimum Rent	Average Annual Minimum Rent per Square Foot at Expiration
Month-to-month tenants [1]	106	347	1.5%	$ 6,375	1.3%	$ 18.38
2019	408	1,373	5.8%	29,006	5.8%	21.12
2020	638	2,744	11.6%	55,416	11.0%	20.19
2021	513	2,267	9.6%	47,471	9.4%	20.94
2022	595	3,124	13.2%	69,750	13.9%	22.33
2023	607	3,570	15.0%	68,902	13.7%	19.30
2024	377	2,358	9.9%	48,413	9.6%	20.53
2025	198	1,073	4.5%	27,017	5.4%	25.19
2026	152	992	4.2%	25,891	5.2%	26.11
2027	166	1,172	4.9%	27,263	5.4%	23.27
2028	165	1,144	4.8%	31,109	6.2%	27.20
2029	104	784	3.3%	19,554	3.9%	24.96
Thereafter	81	2,018	8.5%	46,908	9.2%	23.25
Total or Weighted Average [2]	4,110	22,966	96.8%	$ 503,075	100.0%	$ 21.91

[1] Includes tenants on over hold including renewals and extensions under negotiation, month-to-month tenants and tenants in space at properties with future redevelopment.
[2] At the Company's ownership interest, excluding MMUR.

The weighted average remaining lease term for the portfolio was 6.1 years as at March 31, 2019, excluding contractual renewal options, but including month-to-month and other short-term leases.

Loans, Mortgages and Other Assets

As at	**March 31, 2019**	December 31, 2018
Non-current		
Loans and mortgages receivable classified as FVTPL (a)	**$ 20,746**	$ 20,511
Loans and mortgages receivable classified as amortized cost (a)(b)	**52,503**	57,003
Other investments	**13,946**	15,834
Total non-current	**$ 87,195**	$ 93,348
Current		
Loans and mortgages receivable classified as FVTPL (a)	**$ 91,128**	$ 87,106
Loans and mortgages receivable classified as amortized cost (a)(b)	**128,645**	160,043
FVTPL investments in securities (c)	**—**	23,562
Total current	**$ 219,773**	$ 270,711
Total	**$ 306,968**	$ 364,059

(a) Loans and mortgages receivable are primarily secured by interests in investment properties or shares of entities owning investment properties. As at March 31, 2019, these receivables bear interest at weighted average effective interest rates of 10.2% (December 31, 2018 – 9.7%) and mature between 2019 and 2028.

(b) As at March 31, 2019, the Company's loans and mortgages receivable included $131.3 million representing the Company's share of $208.5 million of priority ranking mortgages on a development project at the southwest corner of Yonge Street and Bloor Street in Toronto, Ontario. A portion of the balance is due on September 1, 2019 with the remainder due on September 1, 2020 subject to early prepayment and extension provisions.

(c) From time to time, the Company invests in publicly traded real estate and related securities. These securities are recorded at market value. Realized and unrealized gains and losses on FVTPL securities are recorded in other gains (losses) and (expenses).

RESULTS OF OPERATIONS

Net Operating Income

The Company's net operating income for its portfolio is presented below:

	Three months ended March 31		
	% change	**2019**	2018
Property rental revenue			
Base rent		**$ 93,639**	$ 90,792
Operating cost recoveries		**23,924**	21,480
Realty tax recoveries		**29,451**	28,505
Lease surrender fees		**3,465**	751
Percentage rent		**454**	310
Prior year operating cost and tax recovery adjustments		**(239)**	(1,983)
Temporary tenants, storage, parking and other		**2,913**	2,399
Total Same Property rental revenue		**153,607**	142,254
Property operating costs			
Recoverable operating expenses		**26,473**	23,612
Recoverable realty tax expense		**31,735**	30,925
Prior year realty tax expense		**68**	(2,677)
Other operating costs and adjustments		**388**	112
Total Same Property operating costs		**58,664**	51,972
Total Same Property NOI [(1)]	**5.2%**	**$ 94,943**	$ 90,282
Major redevelopment		**11,853**	10,775
Ground-up development		**599**	758
Acquisitions – 2019		**54**	—
Acquisitions – 2018		**1,177**	49
Investment properties classified as held for sale		**5,748**	5,771
Dispositions – 2019		**45**	76
Dispositions – 2018		**41**	1,463
Straight-line rent adjustment		**971**	2,462
Development land		**—**	6
NOI [(1)]	**3.4%**	**$ 115,431**	$ 111,642
NOI margin		**59.3%**	61.8%

(1) Refer to the "Non-IFRS Financial Measures" section of this MD&A.

For the three months ended March 31, 2019, total NOI increased by $3.8 million primarily due to SP NOI growth, partially offset by decreases in straight-line rent over the same prior year period. NOI margins have decreased by 2.5%, for the three months ended March 31, 2019 compared to the same prior year period primarily due to lower prior year tax adjustments, lower straight-line rent, and lower margins on NOI related to the hotel property.

Same Property NOI Growth

The components of SP NOI growth and comparisons to the same prior year period are as follows:

	Three months ended March 31	
	2019	2018 [1]
Same Property – Stable	**4.6%**	2.7%
Same Property with redevelopment	**13.2%**	2.0%
Total Same Property NOI Growth	**5.2%**	2.6%

[1] Prior periods as reported; not restated to reflect current period property categories.

For the three months ended March 31, 2019, SP NOI increased 5.2% or $4.7 million. Excluding lease surrender fees, SP NOI increased 2.2% or $1.9 million primarily due to rent escalations, increased occupancy, and pad developments coming online.

NOI by Region

NOI is presented by region as follows:

Three months ended March 31, 2019	**Central Region**	**Eastern Region**	**Western Region**	**Other [1]**	**Total**
Property rental revenue	**$ 80,530**	**$ 50,028**	**$ 64,729**	**$ (613)**	**$ 194,674**
Property operating costs	**34,356**	**23,871**	**22,056**	**(1,040)**	**79,243**
NOI	**$ 46,174**	**$ 26,157**	**$ 42,673**	**$ 427**	**$ 115,431**

Three months ended March 31, 2018	Central Region	Eastern Region	Western Region	Other [1]	Total
Property rental revenue	$ 73,567	$ 49,011	$ 58,867	$ (660)	$ 180,785
Property operating costs	27,645	22,307	20,229	(1,038)	69,143
NOI	$ 45,922	$ 26,704	$ 38,638	$ 378	$ 111,642

[1] Other items principally consist of intercompany eliminations.

Interest and Other Income

For the three months ended March 31, 2019, the Company's interest and other income totaled $10.3 million, compared to $6.3 million, for the same prior year period. The increase of $4.0 million over prior year was primarily due to higher distribution income from other investments and higher interest earned on loans and mortgages receivable.

Interest Expense

The Company’s interest expense by type is as follows:

	Three months ended March 31	
	2019	2018
Mortgages	**$ 13,198**	$ 10,947
Credit facilities	**5,018**	4,505
Senior unsecured debentures	**26,323**	28,278
Convertible debentures	**—**	446
Interest capitalized	**(4,923)**	(6,735)
Interest expense	**$ 39,616**	$ 37,441

For the three months ended March 31, 2019, interest expense increased by $2.2 million primarily due to a greater amount of mortgages outstanding over prior year.

During the three months ended March 31, 2019 and 2018, approximately 11.1% or $4.9 million, and 15.2% or $6.7 million, respectively, of interest expense was capitalized to real estate investments for properties undergoing development or redevelopment projects. The decrease in capitalized interest of $1.8 million is due to the completion of major development projects over the last 12 months. Amounts capitalized are dependent on interest expense paid, on the phase and magnitude of development and redevelopment projects actively underway as well as the portfolio weighted average interest rate.

Corporate Expenses

The Company's corporate expenses are as follows:

	Three months ended March 31	
	2019	2018
Salaries, wages and benefits	**$ 7,593**	$ 7,511
Non-cash compensation	**1,419**	1,124
Other corporate costs	**3,385**	3,595
Total corporate expenses	**12,397**	12,230
Amounts capitalized to investment properties under development	**(2,331)**	(2,023)
Corporate expenses	**$ 10,066**	$ 10,207

For the three months ended March 31, 2019, corporate expenses remained consistent with the same prior year period.

The Company manages all of its acquisitions, development and redevelopment and leasing activities internally. Certain internal costs directly related to development, including salaries and related costs for planning, zoning, construction and so forth, are capitalized in accordance with IFRS to development projects as incurred. During the three months ended March 31, 2019 and 2018, approximately 18.8% or $2.3 million and 16.5% or $2.0 million, respectively, of compensation-related and other corporate expenses were capitalized to real estate investments for properties undergoing development or redevelopment projects. Amounts capitalized are based on development and pre-development projects underway. Changes in capitalized corporate expenses are primarily the result of timing of completion of development and redevelopment projects and the Company’s current level of pre-development and early redevelopment activity.

Other Gains (Losses) and (Expenses)

The Company's other gains, losses and expenses is as follows:

Three months ended March 31	**2019**		2018	
	Consolidated Statement of Income	**Included in FFO**	Consolidated Statement of Income	Included in FFO
Realized gain (loss) on sale of marketable securities	**$ 1,164**	**$ 1,164**	$ —	$ —
Unrealized gain (loss) on marketable securities	**275**	**275**	1,603	1,603
Net gain (loss) on prepayments of debt (non-cash)	**—**	**—**	(726)	(726)
Investment properties selling costs	**(324)**	**—**	(475)	—
REIT conversion costs	**(224)**	**(224)**	(8)	(8)
Transaction costs [(1)]	**(3,414)**	**(3,414)**	—	—
Other	**(217)**	**(217)**	(49)	(49)
Total per consolidated statement of income	**$ (2,740)**	**$ (2,416)**	$ 345	$ 820
Other gains (losses) and (expenses) under equity accounted joint ventures	**(28)**	**(16)**	(1,067)	—
Total at the Company's proportionate interest [(2)]	**$ (2,768)**	**$ (2,432)**	$ (722)	$ 820

(1) As part of the secondary offering by Gazit of 22 million of the Company's shares, FCR paid $9.0 million or 50% of the underwriters' commission. Given the cross-conditional nature of the secondary offering and the previously announced share repurchase transaction, the $9.0 million was allocated to both the share repurchase ($5.6 million) and the secondary offering ($3.4 million). As of March 31, 2019 the amount allocated to the share repurchase was recorded as an other asset and was reclassified to equity, subsequent to quarter end, upon closing of the transaction on April 16, 2019. The amount allocated to the secondary offering was recorded in other gains (losses) and (expenses) during the first quarter.

(2) Refer to the "Non-IFRS Financial Measures" section of this MD&A.

For the three months ended March 31, 2019, the Company recognized $2.7 million in other losses and expenses in its consolidated statement of income compared to $0.3 million in other gains in the same prior year period. The loss for the three months ended March 31, 2019 was primarily due to $3.4 million of transaction costs incurred related to the secondary offering by Gazit, REIT conversion costs of $0.2 million and investment property selling costs of $0.3 million, partially offset by net gains on marketable securities of $1.4 million.

Income Taxes

For the three months ended March 31, 2019, deferred income tax expense totaled $16.3 million, compared to $18.0 million for the same prior year period. The decrease of $1.6 million is primarily due to a lower tax expense on a smaller fair value gain on investment properties over the prior year.

Net Income Attributable to Common Shareholders

For the three months ended March 31, 2019, net income attributable to common shareholders was $62.2 million or $0.24 per diluted share compared to $65.9 million or $0.27 per diluted share for the same prior year period. The $3.8 million decrease in net income attributable to common shareholders was primarily due to lower fair value gains of $5.4 million and a lower share of profit from joint ventures of $2.4 million, partially offset by higher NOI of $3.8 million.

CAPITAL STRUCTURE AND LIQUIDITY

Total Capital Employed

The real estate business is capital intensive by nature. The Company's capital structure is key to financing growth and providing sustainable cash dividends to shareholders. In the real estate industry, financial leverage is used to enhance rates of return on invested capital. Management believes that the combination of debt and equity in First Capital Realty's capital structure provides stability and reduces risk, while generating an acceptable return on investment, taking into account the long-term business strategy of the Company.

As at	March 31, 2019	December 31, 2018
Liabilities (principal amounts outstanding)		
Bank indebtedness	**$ 39,488**	$ 7,226
Mortgages	**1,273,869**	1,287,247
Credit facilities	**619,556**	626,172
Mortgages under equity accounted joint ventures (at the Company's proportionate interest) (1)	**40,850**	41,081
Credit facilities under equity accounted joint venture (at the Company's proportionate interest) (1)	**24,195**	24,195
Senior unsecured debentures	**2,450,000**	2,450,000
Equity capitalization (2)		
Common shares (based on closing per share price of $21.40; December 31, 2018 – $18.85)	**5,457,548**	4,803,505
Enterprise value (1)	**$ 9,905,506**	$ 9,239,426

(1) Refer to the "Non-IFRS Financial Measures" section of this MD&A.

(2) Equity capitalization is the market value of the Company's shares outstanding at a point in time. The measures is not defined by IFRS, does not have a standard definition and, as such, may not be comparable to similar measures disclosed by other issuers.

Key Metrics

The ratios below include measures not specifically defined in IFRS.

As at	March 31, 2019	December 31, 2018
Weighted average effective interest rate on mortgages and senior unsecured debentures	**4.2%**	4.2%
Weighted average maturity on mortgages and senior unsecured debentures (years)	**5.2**	5.5
Net debt to total assets (1)	**42.2%**	42.1%
Net debt to Adjusted EBITDA (1)	**9.5**	9.6
Unencumbered aggregate assets (1)	**$ 7,282,714**	$ 7,270,358
Unencumbered aggregate assets to unsecured debt, based on fair value (1)	**2.4**	2.5
Adjusted EBITDA interest coverage (1)	**2.6**	2.5

(1) Calculated with joint ventures proportionately consolidated in accordance with the Company's debt covenants. Refer to the "Non-IFRS Financial Measures" section of this MD&A.

Credit Ratings

Subsequent to quarter end, on April 16, 2019, the Company reported the closing of its previously announced share repurchase of 36,000,000 common shares from Gazit for gross proceeds of approximately $742 million. The repurchase was funded with senior unsecured bank term loans. As a result of the debt-financed share repurchase transaction, both Moody's and DBRS downgraded the ratings of the Company's unsecured debentures by one notch to Baa3 with a stable outlook (Moody's) and BBB (DBRS). DBRS has amended the status of its rating to Under Review with Developing Implications until it reviews legal documentation evidencing the conversion of the Company to a REIT. The Company expects to convert to a REIT within the next nine months.

As defined by Moody’s, a credit rating of Baa3 denotes that these debentures are subject to moderate credit risk and are of medium grade and, as such, may possess certain speculative characteristics. A rating outlook provided by Moody’s, expressed as positive, stable, negative or developing, is an opinion regarding the outlook for the rating in question over the medium term.

According to DBRS, a credit rating in the BBB category is generally an indication of adequate credit quality and an acceptable capacity for the payment of financial obligations. DBRS indicates that BBB rated obligations may be vulnerable to future events. A rating trend, expressed as positive, stable or negative, provides guidance in respect of DBRS’ opinion regarding the outlook for the rating in question.

Outstanding Debt and Principal Maturity Profile

The maturity profile including scheduled amortization of the Company's mortgages and credit facilities as well as its senior unsecured debentures as at March 31, 2019 is summarized in the table below:

As at March 31, 2019	Mortgages	Credit Facilities/Bank Indebtedness	Senior Unsecured Debentures	Total	% Due
2019 (remainder of the year)	$ 107,481	$ 113,722	$ 150,000	$ 371,203	8.5%
2020	90,318	199,933	175,000	465,251	10.6%
2021	95,582	—	175,000	270,582	6.2%
2022	171,713	11,068	450,000	632,781	14.5%
2023	22,476	134,321	300,000	456,797	10.4%
2024	83,593	200,000	300,000	583,593	13.3%
2025	76,025	—	300,000	376,025	8.6%
2026	163,633	—	300,000	463,633	10.6%
2027	91,795	—	300,000	391,795	8.9%
2028	154,438	—	—	154,438	3.5%
2029	7,564	—	—	7,564	0.2%
Thereafter	209,251	—	—	209,251	4.7%
	1,273,869	659,044	2,450,000	4,382,913	100.0%
Add (deduct): unamortized deferred financing costs, premiums and discounts, net	(1,541)	—	(2,469)	(4,010)	
Total	$ 1,272,328	$ 659,044	$ 2,447,531	$ 4,378,903	

The Company's strategy is to manage its long-term debt by staggering maturity dates in order to mitigate risk associated with short-term volatility in the debt markets. The Company also intends to maintain financial flexibility to support a reasonable cost of debt and equity capital over the long term.

Mortgages

The changes in the Company's mortgages during the three months ended March 31, 2019 are set out below:

Three months ended March 31, 2019	Amount	Weighted Average Effective Interest Rate
Balance at beginning of period	$ 1,285,908	4.0%
Mortgage repayments	(7,008)	7.1%
Scheduled amortization on mortgages	(6,369)	—%
Amortization of financing costs and net premium	(203)	—%
Balance at end of period	$ 1,272,328	4.0%

As at March 31, 2019, 100% (December 31, 2018 – 100%) of the outstanding mortgages bore interest at fixed interest rates. The average remaining term of mortgages outstanding decreased from 6.2 years as at December 31, 2018 on $1.3 billion of mortgages to 6.0 years as at March 31, 2019 on $1.3 billion of mortgages after reflecting borrowing activity and repayments during the period.

Mortgage Maturity Profile

The maturity profile including scheduled amortization of the Company's mortgages as at March 31, 2019 is summarized in the table below:

As at March 31, 2019	Scheduled Amortization	Payments on Maturity	Total	Weighted Average Effective Interest Rate
2019 (remainder of the year)	$ 18,258	$ 89,223	$ 107,481	6.5%
2020	22,425	67,893	90,318	4.4%
2021	22,185	73,397	95,582	4.6%
2022	23,759	147,954	171,713	3.9%
2023	22,476	—	22,476	N/A
2024	22,323	61,270	83,593	4.0%
2025	20,130	55,895	76,025	3.5%
2026	15,575	148,058	163,633	3.2%
2027	11,931	79,864	91,795	3.6%
2028	8,715	145,723	154,438	3.8%
2029	7,564	—	7,564	N/A
Thereafter	8,006	201,245	209,251	3.7%
	$ 203,347	$ 1,070,522	$ 1,273,869	4.0%
Add: unamortized deferred financing costs and premiums and discounts, net			(1,541)	
Total			$ 1,272,328	

Credit Facilities

The credit facilities provide liquidity primarily for financing acquisitions, development and redevelopment activities and for general corporate purposes.

The Company has the ability under its unsecured credit facilities to draw funds based on Canadian bank prime rates and Canadian bankers' acceptances ("BA rates") for Canadian dollar-denominated borrowings, and LIBOR rates or U.S. prime rates for U.S. dollar-denominated borrowings. As of March 31, 2019, the Company had drawn CAD$20.0 million and US$205.6 million, as well as CAD$39.5 million in bank indebtedness on its unsecured credit facilities. Concurrently with the U.S. dollar draws, the Company entered into cross currency swaps to exchange its U.S. dollar borrowings into Canadian dollar borrowings.

During the first quarter, the Company entered into a new unsecured term loan with a borrowing capacity of $200 million, key terms of which are presented in the table below. The Company also extended the maturity of its $15.9 million secured facility to September 30, 2019.

The Company's credit facilities, including its proportionate share of facilities under the equity accounted joint ventures, as at March 31, 2019 are summarized in the table below:

As at March 31, 2019	Borrowing Capacity	Amounts Drawn	Bank Indebtedness and Outstanding Letters of Credit	Available to be Drawn	Interest Rates	Maturity Date
Unsecured operating facilities						
Revolving facility maturing 2023 (1)	$ 800,000	$ (94,833)	$ (55,620)	$ 649,547	BA + 1.20% or Prime + 0.20% or US$ LIBOR + 1.20%	June 30, 2023
Non-revolving facility maturing 2020 (2)	150,000	(149,865)	(19,573)	—	BA + 1.20% or Prime + 0.20% or US$ LIBOR + 1.20%	October 31, 2020
Additional Tranche (3)	50,000	(50,068)	—	—	BA + 1.10% or Prime + 0.10% or US$ LIBOR + 1.10%	October 31, 2020
Unsecured term loan maturing 2024	200,000	(200,000)	—	—	All-in fixed interest rate of 3.17%	March 28, 2024
Secured construction facilities						
Maturing 2019	115,000	(76,075)	(668)	38,257	BA + 1.125% or Prime + 0.125%	August 13, 2019
Maturing 2019	15,907	(15,572)	—	335	BA + 1.125% or Prime + 0.125%	September 30, 2019
Credit facilities under equity accounted joint ventures	24,470	(24,195)	—	275	Between Prime - 0.15% and BA + 2.5%	Between July 2019 and January 2020
Secured Facilities						
Maturing 2019	20,734	(2,700)	(793)	17,241	BA + 1.125% or Prime + 0.125%	December 31, 2019
Maturing 2019	11,875	(11,875)	—	—	BA + 1.125% or Prime + 0.125%	September 27, 2019
Maturing 2019	7,500	(7,500)	—	—	BA + 1.125% or Prime + 0.125%	October 31, 2019
Maturing 2022	4,313	(4,313)	—	—	BA + 1.125% or Prime + 0.125%	September 28, 2022
Maturing 2022	6,755	(6,755)		—	BA + 1.125% or Prime + 0.125%	December 19, 2022
Total	$ 1,406,554	$ (643,751)	$ (76,654)	$ 705,655		

(1) The Company had drawn in U.S. dollars the equivalent of CAD$74.6 million which was revalued at CAD$74.8 million, in addition to CAD$20.0 million drawn as at March 31, 2019.

(2) The Company had drawn in U.S. dollars the equivalent of CAD$150.0 million which was revalued at CAD$149.9 million as at March 31, 2019. Maximum borrowing capacity for the letters of credit is CAD$35.0 million of which $19.6 million has been drawn as at March 31, 2019.

(3) The Company had drawn in U.S. dollars the equivalent of CAD$50.0 million which was revalued at CAD$50.1 million as at March 31, 2019.

Senior Unsecured Debentures

As at March 31, 2019			Interest Rate		Remaining Term to Maturity	Principal Outstanding
Series	Maturity Date	Interest Payment Dates	Coupon	Effective	(years)	
L	July 30, 2019	January 30, July 30	5.48%	5.61%	0.3	$ 150,000
M	April 30, 2020	April 30, October 30	5.60%	5.60%	1.1	175,000
N	March 1, 2021	March 1, September 1	4.50%	4.63%	1.9	175,000
O	January 31, 2022	January 31, July 31	4.43%	4.59%	2.8	200,000
P	December 5, 2022	June 5, December 5	3.95%	4.18%	3.7	250,000
Q	October 30, 2023	April 30, October 30	3.90%	3.97%	4.6	300,000
R	August 30, 2024	August 30, February 28	4.79%	4.72%	5.4	300,000
S	July 31, 2025	January 31, July 31	4.32%	4.24%	6.3	300,000
T	May 6, 2026	November 6, May 6	3.60%	3.56%	7.1	300,000
U	July 12, 2027	January 12, July 12	3.75%	3.82%	8.3	300,000
	Weighted Average or Total		4.32%	4.36%	4.7	$ 2,450,000

Shareholders' Equity

Shareholders' equity amounted to $5.0 billion as at March 31, 2019, consistent with the balance as at December 31, 2018. During the three months ended March 31, 2019, a total of 0.2 million common shares were issued from the exercise of common share options and settlement of restricted, performance and deferred share units.

As at May 6, 2019, there were 219.1 million common shares outstanding.

Share Purchase Options

As at March 31, 2019, the Company had 5.7 million share purchase options outstanding, with an average exercise price of $19.68, which, if exercised, would result in the Company receiving proceeds of $111.8 million.

Liquidity

Liquidity risk exists due to the possibility of the Company not being able to generate sufficient cash flow, and/or not having access to sufficient debt and equity capital to fund its ongoing operations and growth and to refinance or meet existing payment obligations. The Company manages its liquidity risk by staggering debt maturities, renegotiating expiring credit arrangements proactively, using revolving credit facilities, maintaining a large pool of unencumbered assets, and issuing equity when deemed appropriate.

Sources of liquidity primarily consist of cash flow from operations, cash and cash equivalents, and available capacity under the Company's existing revolving credit facilities. If necessary, the Company is also able to obtain financing on its unencumbered assets. The following table summarizes the Company's liquidity position:

As at (millions of dollars)		**March 31, 2019**		December 31, 2018
Total available under credit facilities	**$**	**706**	$	532
Cash and cash equivalents	**$**	**14**	$	16
Unencumbered aggregate assets	**$**	**7,283**	$	7,270

The Company has historically used mortgages, credit facilities, senior unsecured debentures, convertible debentures and equity issuances to finance its growth and repay debt. The actual level and type of future borrowings will be determined based on prevailing interest rates, various costs of debt and equity capital, capital market conditions and Management's view of the appropriate leverage for the business. Management believes that it has sufficient resources to meet its operational and investing requirements in the near and longer term based on the availability of capital.

Planned and completed financings subsequent to March 31, 2019, and availability on existing credit facilities, address substantially all of the contractual 2019 debt maturities and contractually committed costs to complete current development projects.

Cash Flows

Cash flow from operating activities represents the Company's primary source of liquidity for servicing debt and funding planned revenue sustaining expenditures, corporate expenses and dividends to shareholders. Interest and other income and cash on hand are other sources of liquidity.

	Three months ended March 31			
		2019		2018
Cash provided by operating activities	**$**	**48,882**	$	45,479
Cash provided by financing activities		**(52,234)**		(54,256)
Cash used in investing activities		**1,750**		10,689
Net change in cash and cash equivalents	**$**	**(1,602)**	$	1,912

The following table presents the excess (shortfall) of cash provided by operating activities over dividends declared:

	Three months ended March 31			
		2019		2018
Cash provided by operating activities	**$**	**48,882**	$	45,479
Dividends declared		**(54,985)**		(52,787)
Excess (shortfall) of cash provided by operating activities over dividends declared	**$**	**(6,103)**	$	(7,308)

For the three months ended March 31, 2019 and 2018, dividends declared exceeded cash flows provided by operating activities by $6.1 million and $7.3 million, respectively, representing a return of capital. This shortfall is financed through the use of the Company's credit facilities and proceeds from investing activities.

Management does not believe that a shortfall in any given quarter is indicative of the Company's sustainable cash flows due to the impact of seasonal fluctuations in its cash flows period over period. Please refer to Management's discussion on ACFO, a supplemental non-IFRS financial measure used to evaluate and monitor the Company's sustainable cash available to pay dividends to shareholders.

Contractual Obligations

An analysis of the Company's contractual maturities of its material financial liabilities and other contractual commitments, as at March 31, 2019 is set out below:

As at March 31, 2019	Payments due by period				
	Remainder of 2019	2020 to 2021	2022 to 2023	Thereafter	Total
Scheduled mortgage principal amortization	$ 18,258	$ 44,610	$ 46,235	$ 94,244	$ 203,347
Mortgage principal repayments on maturity	89,223	141,290	147,954	692,055	1,070,522
Credit facilities and bank indebtedness	113,722	199,933	145,389	200,000	659,044
Senior unsecured debentures	150,000	350,000	750,000	1,200,000	2,450,000
Interest obligations [1]	125,920	281,201	210,680	204,427	822,228
Land leases (expiring between 2023 and 2061)	963	2,240	1,913	18,153	23,269
Contractually committed costs to complete current development projects	38,684	18,873	—	—	57,557
Other committed costs	137,897	—	—	—	137,897
Total contractual obligations	$ 674,667	$ 1,038,147	$ 1,302,171	$ 2,408,879	$ 5,423,864

[1] Interest obligations include expected interest payments on mortgages and credit facilities as at March 31, 2019 (assuming balances remain outstanding through to maturity) and senior unsecured debentures, as well as standby credit facility fees.

The Company has $37.3 million of outstanding letters of credit issued by financial institutions to support certain of the Company's contractual obligations and $39.5 million of bank overdrafts.

The Company's estimated cost to complete properties currently under development is $79.0 million, of which $57.6 million is contractually committed. The balance of the costs to complete will only be committed once leases are signed and/or construction is underway. These contractual and potential obligations primarily consist of construction contracts and additional planned development expenditures and are expected to be funded in the normal course as the work is completed.

Contingencies

The Company is involved in litigation and claims which arise from time to time in the normal course of business. In the opinion of Management, none of these contingencies, individually or in the aggregate, would result in a liability that would have a material adverse effect on the financial position of the Company. The Company is contingently liable, jointly and severally, for approximately $153.4 million (December 31, 2018 – $152.2 million) to various lenders in connection with certain obligations, including loans advanced to its partners secured by the partners' interest in the entity and underlying assets.

NON-IFRS RECONCILIATIONS AND FINANCIAL MEASURES

Reconciliation of Consolidated Balance Sheets to the Company's Proportionate Interest

The following table provides a reconciliation of the Company's consolidated balance sheets, as presented in its unaudited interim condensed consolidated financial statements, to its proportionate interest.

As at			**March 31, 2019**			December 31, 2018
	Consolidated Balance Sheet (1)	**Adjustments for Proportionate Interest**	**Proportionate Interest (2)**	Consolidated Balance Sheet (1)	Adjustments for Proportionate Interest	Proportionate Interest (2)
ASSETS						
Investment properties	**$ 9,349,073**	**$ 170,488**	**$ 9,519,561**	$ 9,682,614	$ 125,432	$ 9,808,046
Residential development inventory	**9,699**	**—**	**9,699**	9,510	—	9,510
Hotel property	**58,511**	**—**	**58,511**	58,604	—	58,604
Loans, mortgages and other assets	**306,968**	**3,091**	**310,059**	364,059	2,880	366,939
Cash and cash equivalents	**13,932**	**4,773**	**18,705**	15,534	9,141	24,675
Amounts receivable	**46,951**	**(1,028)**	**45,923**	36,391	(1,097)	35,294
Other assets	**64,934**	**9,496**	**74,430**	56,307	5,822	62,129
Investment in joint ventures	**146,022**	**(146,022)**	**—**	144,375	(144,375)	—
Investment properties classified as held for sale	**469,198**	**—**	**469,198**	85,661	43,305	128,966
Total assets	**$ 10,465,288**	**$ 40,798**	**$10,506,086**	$ 10,453,055	$ 41,108	$10,494,163
LIABILITIES						
Mortgages	**$ 1,216,356**	**$ 40,730**	**$ 1,257,086**	$ 1,285,908	$ 40,957	$ 1,326,865
Credit facilities	**619,556**	**24,196**	**643,752**	626,172	5,643	631,815
Bank indebtedness	**39,488**	**—**	**39,488**	7,226	—	7,226
Senior unsecured debentures	**2,447,531**	**—**	**2,447,531**	2,447,278	—	2,447,278
Deferred tax liabilities	**806,304**	**—**	**806,304**	793,300	—	793,300
Debt secured by investment properties held for sale	**55,972**	**—**	**55,972**	—	18,553	18,553
Accounts payable and other liabilities	**272,454**	**4,419**	**276,873**	285,099	5,785	290,884
Total liabilities	**5,457,661**	**69,345**	**5,527,006**	5,444,983	70,938	5,515,921
EQUITY						
Shareholders' equity	**4,979,080**	**—**	**4,979,080**	4,978,242	—	4,978,242
Non-controlling interest	**28,547**	**(28,547)**	**—**	29,830	(29,830)	—
Total equity	**5,007,627**	**(28,547)**	**4,979,080**	5,008,072	(29,830)	4,978,242
Total liabilities and equity	**$ 10,465,288**	**$ 40,798**	**$10,506,086**	$ 10,453,055	$ 41,108	$10,494,163

(1) The consolidated balance sheets have been presented on a non-classified basis for purposes of this reconciliation.

(2) Refer to the "Non-IFRS Financial Measures" section of this MD&A.

Reconciliation of Consolidated Statements of Income to the Company’s Proportionate Interest

The following table provides a reconciliation of the Company's consolidated statements of income, as presented in its unaudited interim condensed consolidated financial statements, to its proportionate interest.

Three months ended March 31			**2019**			2018
	Consolidated Statements of Income	**Adjustment for proportionate interest**	**Proportionate interest** [1]	Consolidated Statements of Income	Adjustment for proportionate interest	Proportionate interest [1]
Property rental revenue	**$ 194,674**	**$ 1,796**	**$ 196,470**	$ 180,785	$ 2,531	$ 183,316
Property operating costs	**79,243**	**546**	**79,789**	69,143	1,052	70,195
Net operating income	**115,431**	**1,250**	**116,681**	111,642	1,479	113,121
Other income and expenses						
Interest and other income	**10,347**	**12**	**10,359**	6,332	(36)	6,296
Interest expense	**(39,616)**	**(512)**	**(40,128)**	(37,441)	(735)	(38,176)
Corporate expenses	**(10,066)**	**99**	**(9,967)**	(10,207)	374	(9,833)
Abandoned transaction costs	**(35)**	**—**	**(35)**	(59)	(1)	(60)
Amortization expense	**(1,069)**	**—**	**(1,069)**	(533)	—	(533)
Share of profit from joint ventures	**1,217**	**(1,217)**	**—**	3,634	(3,634)	—
Other gains (losses) and (expenses)	**(2,740)**	**(28)**	**(2,768)**	345	(1,067)	(722)
Increase (decrease) in value of investment properties, net	**5,053**	**334**	**5,387**	10,439	3,368	13,807
	(36,909)	**(1,312)**	**(38,221)**	(27,490)	(1,731)	(29,221)
Income before income taxes	**78,522**	**(62)**	**78,460**	84,152	(252)	83,900
Deferred income taxes	**16,308**	**—**	**16,308**	17,956	—	17,956
Net income	**$ 62,214**	**$ (62)**	**$ 62,152**	$ 66,196	$ (252)	$ 65,944
Net income attributable to:						
Common shareholders	**$ 62,152**	**$ —**	**$ 62,152**	$ 65,944	$ —	$ 65,944
Non-controlling interest	**62**	**(62)**	**—**	252	(252)	—
	$ 62,214	**$ (62)**	**$ 62,152**	$ 66,196	$ (252)	$ 65,944
Net income per share attributable to common shareholders:						
Basic	**$ 0.24**			$ 0.27		
Diluted	**$ 0.24**			$ 0.27		

(1) Refer to the "Non-IFRS Financial Measures" section of this MD&A.

FFO and ACFO

Funds from Operations

A reconciliation from net income attributable to common shareholders to FFO can be found in the table below:

	Three months ended March 31	
	2019	2018
Net income attributable to common shareholders	**$ 62,152**	$ 65,944
Add (deduct):		
(Increase) decrease in value of investment properties [1]	**(5,387)**	(13,807)
Adjustment for equity accounted joint ventures [2]	**272**	658
Incremental leasing costs [3]	**1,793**	1,640
Amortization expense [4]	**179**	—
Investment properties selling costs [1]	**336**	1,542
Deferred income taxes [1]	**16,308**	17,956
FFO [5]	**$ 75,653**	$ 73,933

(1) At the Company's proportionate interest.
(2) Adjustment to capitalize interest related to the Company's equity accounted joint ventures in accordance with the recommendations of REALPAC.
(3) Adjustment to capitalize incremental leasing costs in accordance with the recommendations of REALPAC.
(4) Adjustment to exclude hotel property amortization in accordance with the recommendations of REALPAC.
(5) Refer to the "Non-IFRS Financial Measures" section of this MD&A.

The components of FFO at proportionate interest are as follows:

		Three months ended March 31	
	% change	**2019**	2018
Net operating income		**$ 116,681**	$ 113,121
Interest and other income		**10,359**	6,296
Interest expense [1]		**(39,856)**	(37,518)
Corporate expenses [2]		**(8,174)**	(8,193)
Abandoned transaction costs		**(35)**	(60)
Amortization expense [3]		**(890)**	(533)
Other gains (losses) and (expenses) [4]		**(2,432)**	820
FFO [5]	2.3 %	**$ 75,653**	$ 73,933
FFO per diluted share	(2.0)%	**$ 0.30**	$ 0.30
Weighted average number of common shares – diluted – FFO (in thousands)	4.3 %	**256,178**	245,717

(1) Includes an adjustment to capitalize interest related to the Company's equity accounted joint ventures in accordance with the recommendations of REALPAC.
(2) Includes an adjustment to capitalize incremental leasing costs in accordance with the recommendations of REALPAC.
(3) Excludes hotel property amortization in accordance with the recommendations of REALPAC.
(4) At the Company's proportionate interest, adjusted to exclude investment properties selling costs in accordance with the recommendations of REALPAC.
(5) Refer to the "Non-IFRS Financial Measures" section of this MD&A.

For the three months ended March 31, 2019, FFO totaled $75.7 million or $0.295 per diluted share compared to $73.9 million or $0.301 per diluted share in the same prior year period. Included in FFO are transaction costs related to the secondary offering of the Company's common shares by Gazit of $3.4 million and REIT conversion costs of $0.2 million incurred in the first quarter of 2019. Excluding these non-recurring costs totalling $3.6 million, FFO increased by $5.4 million or 7.2% and was $0.310 per share. The increase in FFO was primarily due to higher interest and other income, higher NOI, offset by higher interest expense.

Adjusted Cash Flow from Operations

A reconciliation of cash provided by operating activities to ACFO is presented below:

	Three months ended March 31			
		2019		2018
Cash provided by operating activities	**$**	**48,882**	$	45,479
Add (deduct):				
Working capital adjustments [(1)]		**7,543**		7,146
Adjustment for equity accounted joint ventures		**601**		1,101
Revenue sustaining capital expenditures		**(4,762)**		(3,333)
Recoverable capital expenditures		**(1,324)**		(471)
Leasing costs on properties under development		**448**		410
Realized gain (loss) on sale of marketable securities		**1,164**		—
Non-controlling interest		**(82)**		(30)
ACFO [(2)]	**$**	**52,470**	$	50,302

(1) Working capital adjustments primarily include adjustments for prepaid as well as accrued property taxes as their levels vary considerably over the course of the year as well as certain other adjustments as specified in the most recent REALPAC whitepaper on ACFO issued in February 2019.

(2) Refer to the "Non-IFRS Financial Measures" section of this MD&A.

For the three months ended March 31, 2019, ACFO totaled $52.5 million compared to $50.3 million for the same prior year period. The increase in ACFO of $2.2 million was primarily due to higher NOI and realized gains on the sale of the Company's marketable securities, partially offset by higher capital expenditures compared to the same prior year period.

ACFO Payout Ratio

The Company's ACFO payout ratio for the four quarters ended March 31, 2019 is calculated as follow:

		Twelve months ended March 31, 2019		**Q1 2019**		**Q4 2018**		**Q3 2018**		**Q2 2018**
ACFO [(1)]	**$**	**269,336**	$	52,470	$	71,372	$	71,464	$	74,030
Cash dividends paid		**214,886**		54,788		54,782		52,680		52,636
ACFO payout ratio [(1)]		**79.8%**								

(1) Refer to the "Non-IFRS Financial Measures" section of this MD&A.

The Company's ACFO payout ratio for the four quarters ended March 31, 2018 is calculated as follow:

		Twelve months ended March 31, 2018		Q1 2018		Q4 2017		Q3 2017		Q2 2017
ACFO [(1)]	$	244,266	$	50,302	$	63,001	$	72,221	$	58,742
Cash dividends paid		209,843		52,553		52,452		52,443		52,395
ACFO payout ratio [(1)]		85.9%								

(1) Refer to the "Non-IFRS Financial Measures" section of this MD&A.

The Company considers a rolling four quarter payout ratio (cash dividends / ACFO) to be more relevant than a payout ratio in any given quarter due to seasonal fluctuations in ACFO. For the four quarters ended March 31, 2019, the ACFO payout was 79.8% (March 31, 2018 - 85.9%).

DIVIDENDS

The Company has paid regular quarterly dividends to common shareholders since it commenced operations as a public company in 1994. Dividends on the common shares are declared at the discretion of the Board of Directors and are set from time to time after taking into consideration the Company's capital requirements, its alternative sources of capital and common industry cash distribution practices.

	Three months ended March 31	
(in dollars)	**2019**	2018
Dividend per common share	**$ 0.215**	$ 0.215

SUMMARY OF FINANCIAL RESULTS OF LONG-TERM DEBT GUARANTORS

The Company's senior unsecured debentures are guaranteed by the wholly owned subsidiaries of First Capital Realty, other than nominee subsidiaries and inactive subsidiaries. All such current and future wholly owned subsidiaries will provide a guarantee of the debentures. In the case of default by First Capital Realty, the indenture trustee will, subject to the indenture, be entitled to seek redress from such wholly owned subsidiaries for the guaranteed obligations in the same manner and upon the same terms that it may seek to enforce the obligations of First Capital Realty. These guarantees are intended to eliminate structural subordination, which arises as a consequence of a significant portion of First Capital Realty's assets being held primarily in one significant subsidiary.

The following tables present select consolidating summary information for the Company for the periods identified below presented separately for (i) First Capital Realty (denoted as FCR), as issuer; (ii) guarantor subsidiaries; (iii) non-guarantor subsidiaries; (iv) consolidation adjustments; and (v) the total consolidated amounts.

(millions of dollars)	Three months ended March 31									
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
	FCR (1)		Guarantors (2)		Non-Guarantors (3)		Consolidation Adjustments (4)		Total Consolidated	
Property rental revenue	**$ 87**	$ 76	**$ 109**	$ 105	**$ —**	$ 2	**$ (1)**	$ (2)	**$ 195**	$ 181
NOI (5)	**56**	50	**60**	62	**—**	1	**(1)**	(1)	**115**	112
Net income attributable to common shareholders	**62**	66	**(1)**	52	**1**	3	**—**	(55)	**62**	66

(millions of dollars)	As at March 31, 2019				
	FCR (1)	Guarantors (2)	Non-Guarantors (3)	Consolidation Adjustments (4)	Total Consolidated
Current assets	**$ 543**	**$ 248**	**$ 1**	**$ 8**	**$ 800**
Non-current assets	**9,035**	**5,257**	**130**	**(4,757)**	**9,665**
Current liabilities	**512**	**181**	**4**	**35**	**732**
Non-current liabilities	**4,059**	**702**	**34**	**(69)**	**4,726**

(millions of dollars)	As at December 31, 2018				
	FCR (1)	Guarantors (2)	Non-Guarantors (3)	Consolidation Adjustments (4)	Total Consolidated
Current assets	$ 162	$ 308	$ 68	$ (94)	$ 444
Non-current assets	9,409	5,159	67	(4,626)	10,009
Current liabilities	467	184	6	(2)	655
Non-current liabilities	4,096	730	34	(70)	4,790

(1) This column represents FCR and all of its subsidiaries; FCR's subsidiaries are presented under the equity method.

(2) This column represents the aggregate of all Guarantor subsidiaries.

(3) This column represents the aggregate of all Non-Guarantor subsidiaries.

(4) This column includes the necessary amounts to eliminate the inter-company balances between FCR, the Guarantors, and Non-Guarantors to arrive at the information for the Company on a consolidated basis.

(5) Refer to the "Non-IFRS Financial Measures" section of this MD&A.

RELATED PARTY TRANSACTIONS

Significant Shareholder

Gazit was a significant shareholder of the Company and, as of March 31, 2019, beneficially owned 31.2% (December 31, 2018 – 31.3%) of the common shares of the Company. Norstar Holdings Inc. is the ultimate controlling party of Gazit. Effective April 16, 2019, Gazit's ownership of the Company has been reduced from 31.2% to approximately 9.9% following the completion of the secondary offering and share repurchase transactions. Refer to Subsequent Events for further information.

Corporate and other amounts receivable include amounts due from Gazit. Gazit reimburses the Company for certain accounting and administrative services provided to it by the Company. Such amounts consist of the following:

	Three months ended March 31	
	2019	2018
Reimbursements for professional services	**$ 48**	$ 30

As at March 31, 2019, amounts due from Gazit were $610 thousand (December 31, 2018 – $40 thousand).

Joint Ventures

During the three months ended March 31, 2019, the Company earned fee income of $0.3 million (March 31, 2018 – $0.7 million) from its joint ventures.

During the three months ended March 31, 2019, the Company also advanced $0.3 million (March 31, 2018 – $0.7 million) to one of its joint ventures.

Subsidiaries of the Company

The unaudited interim condensed consolidated financial statements include the financial statements of First Capital Realty and First Capital Holdings Trust. First Capital Holdings Trust is the only significant subsidiary of First Capital Realty and is wholly owned by the Company.

SUBSEQUENT EVENTS

Second Quarter Dividend

The Company announced that it will pay a second quarter dividend of $0.215 per common share on July 18, 2019 to shareholders of record on June 28, 2019.

The Company announced completion of $453 million bought deal Secondary Offering by Gazit

On April 11, 2019, the Company reported the closing of the previously announced bought deal secondary offering of 22,000,000 of its common shares at a price of $20.60 per share by a subsidiary of Gazit to a syndicate of underwriters for gross proceeds to Gazit of approximately $453 million.

The Company announced completion of $742 million Share Repurchase

On April 16, 2019, the Company reported the closing of its previously announced share repurchase of 36,000,000 common shares from Gazit at a price of $20.60 per share for gross proceeds to Gazit of approximately $742 million. The proceeds were funded with senior unsecured bank term loans with maturities ranging from 4 - 7 years. Concurrent with funding, the majority of the unsecured bank term loans were swapped to fixed rates bearing a weighted average interest rate of 3.3% with a weighted average term to maturity of 5.8 years. The remaining debt bears interest at a floating rate and can be repaid with disposition proceeds with no prepayment penalty. Gazit's ownership of the Company has been reduced from 31.2% to approximately 9.9% following the completion of the secondary offering and share repurchase transactions. As a result of the debt-financed share repurchase transaction, both Moody's and DBRS downgraded the ratings of the Company's senior unsecured debentures by one notch to Baa3 (Moody's) and BBB (DBRS).

QUARTERLY FINANCIAL INFORMATION

	2019	2018				2017		
(share counts in thousands)	**Q1**	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Property rental revenue	**$ 194,674**	$ 184,590	$ 182,368	$ 181,852	$ 180,785	$ 177,206	$ 170,670	$ 171,729
Net operating income [1]	**$ 115,431**	$ 114,515	$ 114,800	$ 113,816	$ 111,642	$ 111,337	$ 110,610	$ 108,678
Net income attributable to common shareholders	**$ 62,152**	$ 64,306	$ 131,427	$ 81,929	$ 65,944	$ 74,833	$ 83,046	$ 271,539
Net income per share attributable to common shareholders:								
Basic	**$ 0.24**	$ 0.25	$ 0.52	$ 0.33	$ 0.27	$ 0.31	$ 0.34	$ 1.11
Diluted	**$ 0.24**	$ 0.25	$ 0.52	$ 0.33	$ 0.27	$ 0.30	$ 0.34	$ 1.09
Weighted average number of diluted common shares outstanding – IFRS	**256,178**	255,821	254,100	246,196	247,044	248,266	248,626	250,516
FFO [1]	**$ 75,653**	$ 73,380	$ 76,510	$ 79,148	$ 73,933	$ 73,185	$ 73,720	$ 70,580
FFO per diluted share [1]	**$ 0.30**	$ 0.29	$ 0.30	$ 0.32	$ 0.30	$ 0.30	$ 0.30	$ 0.29
Weighted average number of diluted common shares outstanding – FFO	**256,178**	255,821	254,100	246,196	245,717	245,422	245,137	245,186
Cash provided by operating activities	**$ 48,882**	$ 114,128	$ 72,049	$ 51,356	$ 45,479	$ 107,364	$ 85,956	$ 30,867
ACFO [1]	**$ 52,470**	$ 71,372	$ 71,464	$ 74,030	$ 50,302	$ 63,001	$ 72,221	$ 58,742
Dividend per common share	**$ 0.215**	$ 0.215	$ 0.215	$ 0.215	$ 0.215	$ 0.215	$ 0.215	$ 0.215
Total assets	**$10,465,288**	$10,453,055	$10,317,034	$10,070,477	$9,980,267	$9,968,552	$ 9,861,267	$ 9,688,357
Total mortgages and credit facilities	**$ 1,891,884**	$ 1,912,080	$ 1,678,862	$ 1,691,387	$1,694,732	$1,641,966	$ 1,456,226	$ 1,609,827
Shareholders' equity	**$ 4,979,080**	$ 4,978,242	$ 4,981,511	$ 4,703,593	$4,669,877	$4,647,071	$ 4,618,170	$ 4,577,648
Other								
Number of properties	**166**	166	166	162	161	161	159	160
GLA - at 100% (in thousands)	**25,334**	25,456	25,519	25,327	25,267	25,390	25,168	25,217
GLA - at ownership interest (in thousands)	**23,731**	23,854	23,797	23,700	23,648	23,991	23,751	23,798
Monthly average occupancy %	**96.6%**	96.6%	96.4%	96.2%	96.0%	95.4%	95.0%	94.8%
Total portfolio occupancy %	**96.8%**	96.7%	96.5%	96.3%	96.2%	96.1%	95.3%	95.0%

[1] Refer to the "Non-IFRS Financial Measures" section of this MD&A.

CRITICAL ACCOUNTING ESTIMATES

The Company's unaudited interim condensed consolidated financial statements for the three months ended March 31, 2019 and 2018 have been prepared in accordance with IAS 34, "Interim Financial Reporting" as issued by the International Accounting Standards Board. The unaudited interim condensed consolidated financial statements have been prepared by applying the same accounting policies and methods of computation as compared with the most recent audited annual consolidated financial statements.

The Company's 2018 Annual Report contains a discussion of the significant accounting policies most affected by estimates and judgments used in the preparation of the consolidated financial statements, being the accounting policies relating to estimates of fair values of investment properties, valuation of financial instruments both for disclosure and measurement purposes, and estimating deferred tax assets and liabilities. Management determined that as at March 31, 2019, there is no change to the assessment of the significant accounting policies most affected by estimates and judgments as detailed in the Company's 2018 Annual Report.

ACCOUNTING POLICY CHANGES

Refer to Note 3 of the unaudited interim condensed consolidated financial statements for the three months ended March 31, 2019 for details on the impact of accounting policy changes related to the adoption of new and amended IFRS pronouncements.

CONTROLS AND PROCEDURES

As at March 31, 2019, the Chief Executive Officer and the Chief Financial Officer of the Company, with the assistance of other staff and Management of the Company to the extent deemed necessary, have designed the Company’s disclosure controls and procedures to provide reasonable assurance that information required to be disclosed in the various reports filed or submitted by the Company under securities legislation is recorded, processed, summarized and reported accurately and have designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

In the design of its internal controls over financial reporting, the Company used the 2013 framework published by the Committee of Sponsoring Organizations of the Treadway Commission.

The Company did not make any changes in its internal controls over financial reporting during the quarter ended March 31, 2019 that have had, or are reasonably likely to have, a material effect on the Company's internal controls over financial reporting. On an ongoing basis, the Company will continue to analyze its controls and procedures for potential areas of improvement.

Management does recognize that any controls and procedures, no matter how well designed and operated, can only provide reasonable assurance and not absolute assurance of achieving the desired control objectives. In the unforeseen event that lapses in the disclosure controls and procedures or internal controls over financial reporting occur and/or mistakes happen, the Company intends to take the necessary steps to minimize the consequences thereof.

RISKS AND UNCERTAINTIES

First Capital Realty, as an owner of income-producing properties and development properties, is exposed to numerous business risks in the normal course of its business that can impact both short- and long-term performance. Income-producing and development properties are affected by general economic conditions and local market conditions such as oversupply of similar properties or a reduction in tenant demand. It is the responsibility of Management, under the supervision of the Board of Directors, to identify and, to the extent possible, mitigate or minimize the impact of all such business risks. The major categories of risk the Company encounters in conducting its business and some of the actions it takes to mitigate these risks are included in the Company's 2018 Annual Report. The Company’s most current Annual Information Form, which provides a detailed description of these and other risks that may affect the Company, can be found on SEDAR at www.sedar.com and on the Company’s website at www.fcr.ca.

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INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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Interim Condensed Consolidated Balance Sheets

As at *(thousands of dollars)*	Note	**March 31, 2019** **(unaudited)**	December 31, 2018 (audited)
ASSETS			
Non-current Assets			
Real Estate Investments			
Investment properties	4	**$ 9,349,073**	$ 9,682,614
Investment in joint ventures		**146,022**	144,375
Hotel property	5	**58,511**	58,604
Loans, mortgages and other assets	6	**87,195**	93,348
Total real estate investments		**9,640,801**	9,978,941
Other non-current assets	8	**24,254**	30,369
Total non-current assets		**9,665,055**	10,009,310
Current Assets			
Cash and cash equivalents	25(d)	**13,932**	15,534
Loans, mortgages and other assets	6	**219,773**	270,711
Residential development inventory		**9,699**	9,510
Amounts receivable	7	**46,951**	36,391
Other assets	8	**40,680**	25,938
		331,035	358,084
Investment properties classified as held for sale	4(d)	**469,198**	85,661
Total current assets		**800,233**	443,745
Total assets		**$ 10,465,288**	$ 10,453,055
LIABILITIES			
Non-current Liabilities			
Mortgages	10	**$ 1,093,699**	$ 1,164,804
Credit facilities	10	**505,834**	514,073
Senior unsecured debentures	11	**2,297,594**	2,297,387
Other liabilities	13	**22,199**	20,838
Deferred tax liabilities	20	**806,304**	793,300
Total non-current liabilities		**4,725,630**	4,790,402
Current Liabilities			
Bank indebtedness	10	**39,488**	7,226
Mortgages	10	**122,657**	121,104
Credit facilities	10	**113,722**	112,099
Senior unsecured debentures	11	**149,937**	149,891
Accounts payable and other liabilities	13	**250,255**	264,261
		676,059	654,581
Mortgages on investment properties classified as held for sale	4(d), 10	**55,972**	—
Total current liabilities		**732,031**	654,581
Total liabilities		**5,457,661**	5,444,983
EQUITY			
Shareholders' equity	14	**4,979,080**	4,978,242
Non-controlling interest	24	**28,547**	29,830
Total equity		**5,007,627**	5,008,072
Total liabilities and equity		**$ 10,465,288**	$ 10,453,055

Refer to accompanying notes to the unaudited interim condensed consolidated financial statements.

Approved by the Board of Directors:

Al Mawani
Director

Adam E. Paul
Director

Interim Condensed Consolidated Statements of Income

(unaudited)			Three months ended March 31		
(thousands of dollars, except per share amounts)	**Note**		**2019**		2018
Property rental revenue		**$**	**194,674**	$	180,785
Property operating costs			**79,243**		69,143
Net operating income	15		**115,431**		111,642
Other income and expenses					
Interest and other income	16		**10,347**		6,332
Interest expense	17		**(39,616)**		(37,441)
Corporate expenses	18		**(10,066)**		(10,207)
Abandoned transaction costs			**(35)**		(59)
Amortization expense			**(1,069)**		(533)
Share of profit from joint ventures			**1,217**		3,634
Other gains (losses) and (expenses)	19		**(2,740)**		345
Increase (decrease) in value of investment properties, net	4		**5,053**		10,439
			(36,909)		(27,490)
Income before income taxes			**78,522**		84,152
Deferred income taxes	20		**16,308**		17,956
Net income		**$**	**62,214**	$	66,196
Net income attributable to:					
Common shareholders		**$**	**62,152**	$	65,944
Non-controlling interest	24		**62**		252
		$	**62,214**	$	66,196
Net income per share attributable to common shareholders:					
Basic	21	**$**	**0.24**	$	0.27
Diluted	21	**$**	**0.24**	$	0.27

Refer to accompanying notes to the unaudited interim condensed consolidated financial statements.

Interim Condensed Consolidated Statements of Comprehensive Income

(unaudited)		Three months ended March 31	
(thousands of dollars)	**Note**	**2019**	2018
Net income		**$ 62,214**	$ 66,196
Other comprehensive income (loss)			
Unrealized gain (loss) on cash flow hedges [1]		**(12,779)**	2,411
Reclassification of net losses on cash flow hedges to net income		**377**	401
		(12,402)	2,812
Deferred tax expense (recovery)		**(3,299)**	748
Other comprehensive income (loss)		**(9,103)**	2,064
Comprehensive income		**$ 53,111**	$ 68,260
Comprehensive income attributable to:			
Common shareholders		**$ 53,049**	$ 68,008
Non-controlling interest	24	**62**	252
		$ 53,111	$ 68,260

[1] Items that may subsequently be reclassified to net income.

Refer to accompanying notes to the unaudited condensed consolidated financial statements.

Interim Condensed Consolidated Statements of Changes in Equity

(unaudited) *(thousands of dollars)*	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Share Capital	Contributed Surplus and Other Equity Items	Total Shareholders' Equity	Non-Controlling Interest	Total Equity
			(Note 14(a))	*(Note 14(b))*			
December 31, 2018	**$ 1,573,588**	**$ (4,488)**	**$ 3,364,948**	**$ 44,194**	**$ 4,978,242**	**$ 29,830**	**$ 5,008,072**
Changes during the period:							
Net income	62,152	—	—	—	62,152	62	62,214
Dividends	(54,985)	—	—	—	(54,985)	—	(54,985)
Options, deferred share units, restricted share units, and performance share units, net	—	—	3,868	(1,094)	2,774	—	2,774
Other comprehensive gain (loss)	—	(9,103)	—	—	(9,103)	—	(9,103)
Contributions from (distributions to) non-controlling interest, net	—	—	—	—	—	(1,345)	(1,345)
March 31, 2019	**$ 1,580,755**	**$ (13,591)**	**$ 3,368,816**	**$ 43,100**	**$ 4,979,080**	**$ 28,547**	**$ 5,007,627**

(unaudited) *(thousands of dollars)*	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Share Capital	Contributed Surplus and Other Equity Items	Total Shareholders' Equity	Non-Controlling Interest	Total Equity
December 31, 2017	$ 1,445,519	$ 40	$ 3,159,542	$ 41,970	$ 4,647,071	$ 48,613	$ 4,695,684
Changes during the period:							
Net income	65,944	—	—	—	65,944	252	66,196
Dividends	(52,787)	—	—	—	(52,787)	—	(52,787)
Options, deferred share units, restricted share units, and performance share units, net	—	—	6,989	596	7,585	—	7,585
Other comprehensive gain (loss)	—	2,064	—	—	2,064	—	2,064
Contributions from (distributions to) non-controlling interest, net	—	—	—	—	—	(29,254)	(29,254)
March 31, 2018	$ 1,458,676	$ 2,104	$ 3,166,531	$ 42,566	$ 4,669,877	$ 19,611	$ 4,689,488

Refer to accompanying notes to the unaudited interim condensed consolidated financial statements.

Interim Condensed Consolidated Statements of Cash Flows

(unaudited)		Three months ended March 31	
(thousands of dollars)	**Note**	**2019**	2018
OPERATING ACTIVITIES			
Net income		**$ 62,214**	$ 66,196
Adjustments for:			
(Increase) decrease in value of investment properties, net	4	**(5,053)**	(10,439)
Interest expense	17	**39,616**	37,441
Amortization expense		**1,069**	533
Share of profit of joint ventures		**(1,217)**	(3,634)
Cash interest paid associated with operating activities	17	**(44,583)**	(41,944)
Items not affecting cash and other items	25(a)	**19,385**	16,353
Net change in non-cash operating items	25(b)	**(22,549)**	(19,027)
Cash provided by (used in) operating activities		**48,882**	45,479
FINANCING ACTIVITIES			
Mortgage borrowings, net of financing costs	10	**—**	67,900
Mortgage principal instalment payments	10	**(5,545)**	(6,991)
Mortgage repayments	10	**(7,833)**	(89,192)
Credit facilities, net advances (repayments)	10	**32,595**	75,464
Settlement of hedges		**(4,095)**	(8)
Repayment of convertible debentures	12(a)	**—**	(55,092)
Transaction costs and deposit related to share repurchase		**(13,628)**	—
Issuance of common shares, net of issue costs		**1,060**	6,216
Payment of dividends		**(54,788)**	(52,553)
Cash provided by (used in) financing activities		**(52,234)**	(54,256)
INVESTING ACTIVITIES			
Acquisition of investment properties	4(c)	**(6,970)**	(16,140)
Acquisition of development land	4(c)	**(13,591)**	(1,794)
Net proceeds from property dispositions	4(d)	**17,308**	71,600
Distributions from joint ventures		**6,158**	102,684
Contributions to joint ventures		**(6,588)**	(1,107)
Net contributions from (distributions to) non-controlling interest	24	**(1,345)**	(29,254)
Capital expenditures on investment properties		**(46,810)**	(58,723)
Changes in investing-related prepaid expenses and other liabilities		**(3,479)**	2,033
Changes in loans, mortgages and other assets	25(c)	**57,067**	(58,610)
Cash provided by (used in) investing activities		**1,750**	10,689
Net increase (decrease) in cash and cash equivalents		**(1,602)**	1,912
Cash and cash equivalents, beginning of period		**15,534**	11,507
Cash and cash equivalents, end of period	25(d)	**$ 13,932**	$ 13,419

Refer to accompanying notes to the unaudited interim condensed consolidated financial statements.

Notes to the Interim Condensed Consolidated Financial Statements

1. DESCRIPTION OF THE COMPANY

First Capital Realty Inc. ("First Capital Realty", "FCR", or the "Company") is a corporation existing under the laws of Ontario, Canada, and engages in the business of acquiring, developing, redeveloping, owning and managing well-located, necessity-based real estate in Canada's most densely populated urban centres. The Company is listed on the Toronto Stock Exchange ("TSX") under the symbol "FCR", and its head office is located at 85 Hanna Avenue, Suite 400, Toronto, Ontario, M6K 3S3.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These unaudited interim condensed consolidated financial statements have been prepared in accordance with IAS 34, "Interim Financial Reporting" as issued by the International Accounting Standards Board ("IASB"), and as such, do not include all of the disclosures that would be included in audited annual consolidated financial statements. These unaudited interim condensed consolidated financial statements should be read in conjunction with the Company's audited annual consolidated financial statements for the years ended December 31, 2018 and 2017.

(b) Basis of presentation

These unaudited interim condensed consolidated financial statements are prepared on a going concern basis and have been presented in Canadian dollars rounded to the nearest thousand, unless otherwise indicated. These unaudited interim condensed consolidated financial statements have been prepared by applying the same accounting policies, assessments of estimates and judgments, and methods of computation as compared with the most recent audited annual consolidated financial statements, except for those described in Note 3 – "Adoption of New and Amended IFRS Pronouncements".

Comparative information in the unaudited interim condensed consolidated financial statements includes reclassification of certain balances to provide consistency with current period classification. The current period classification more appropriately reflects the Company's core operations and any changes are not material to the unaudited interim condensed consolidated financial statements as a whole.

Additionally, management, in measuring the Company's performance or making operating decisions, distinguishes its operations on a geographical basis. The Company operates in Canada and has three operating segments: Eastern, which includes operations primarily in Quebec and the Greater Ottawa Area; Central, which includes the Company's Ontario operations excluding the Greater Ottawa Area; and Western, which includes operations in Alberta and British Columbia. Operating segments are reported in a manner consistent with internal reporting provided to the President and Chief Executive Officer, who is the chief operating decision maker.

(c) Approval of unaudited interim condensed consolidated financial statements

These unaudited interim condensed consolidated financial statements were approved by the Board of Directors and authorized for issue on May 7, 2019.

3. ADOPTION OF NEW AND AMENDED IFRS PRONOUNCEMENTS

(a) IFRS Amendments

The Company adopted the following International Financial Reporting Standards pronouncements listed below as of January 1, 2019, in accordance with their respective transitional provisions.

Leases

In January 2016, the IASB issued IFRS 16, “*Leases*” (“IFRS 16”), replacing IAS 17, "*Leases*" and related interpretations. The standard introduces a single on-balance sheet recognition and measurement model for lessees, eliminating the distinction between operating and finance leases. Lessors continue to classify leases as finance and operating leases.

Impact upon adoption of IFRS 16

The Company has applied the new standard using the full retrospective method. Upon adoption, there was no significant impact to its interim condensed consolidated financial statements as leases with tenants continue to be accounted for as operating leases under IFRS 16.

Uncertainty over income tax treatments

In June 2017, the IFRS Interpretations Committee issued IFRIC 23, *"Uncertainty over Income Tax Treatments"* (“IFRIC 23”), which clarifies how the recognition and measurement requirements of IAS 12, "*Income Taxes*", are applied where there is uncertainty over income tax treatments.

Impact upon adoption of IFRIC 23

There was no impact to the Company's interim condensed consolidated financial statements on adoption of these amendments.

4. INVESTMENT PROPERTIES

(a) Activity

The following tables summarize the changes in the Company's investment properties for the three months ended March 31, 2019 and year ended December 31, 2018:

						Three months ended March 31, 2019
	Central Region	**Eastern Region**	**Western Region**	**Total**	**Investment Properties [1]**	**Development Land**
Balance at beginning of period	**$ 4,489,359**	**$ 2,037,411**	**$ 3,241,505**	**$ 9,768,275**	**$ 9,690,179**	**$ 78,096**
Acquisitions	**11,296**	**—**	**9,265**	**20,561**	**6,970**	**13,591**
Capital expenditures	**27,418**	**8,144**	**11,248**	**46,810**	**45,928**	**882**
Increase (decrease) in value of investment properties, net	**24,780**	**(17,156)**	**(2,571)**	**5,053**	**3,856**	**1,197**
Straight-line rent and other changes	**(246)**	**674**	**367**	**795**	**795**	**—**
Dispositions	**(10,250)**	**(12,973)**	**—**	**(23,223)**	**(15,841)**	**(7,382)**
Balance at end of period	**$ 4,542,357**	**$ 2,016,100**	**$ 3,259,814**	**$ 9,818,271**	**$ 9,731,887**	**$ 86,384**
Investment properties					**$ 9,278,363**	**$ 70,710**
Investment properties classified as held for sale					**453,524**	**15,674**
Total					**$ 9,731,887**	**$ 86,384**

						Year ended December 31, 2018
	Central Region	Eastern Region	Western Region	Total	Investment Properties [1]	Development Land
Balance at beginning of period	$ 4,263,757	$ 1,980,077	$ 3,152,525	$ 9,396,359	$ 9,317,306	$ 79,053
Acquisitions	80,371	5,680	45,896	131,947	130,153	1,794
Capital expenditures	171,586	34,580	60,189	266,355	258,813	7,542
Reclassifications between investment properties and development land	—	—	—	—	10,742	(10,742)
Increase (decrease) in value of investment properties, net	48,506	18,931	30,952	98,389	87,792	10,597
Straight-line rent and other changes	139	4,218	2,883	7,240	8,388	(1,148)
Dispositions	(75,000)	(6,075)	(50,940)	(132,015)	(123,015)	(9,000)
Balance at end of period	$ 4,489,359	$ 2,037,411	$ 3,241,505	$ 9,768,275	$ 9,690,179	$ 78,096
Investment properties					$ 9,623,905	$ 58,709
Investment properties classified as held for sale					66,274	19,387
Total					$ 9,690,179	$ 78,096

[1] Investment properties include income producing properties as well as properties under development.

Investment properties with a fair value of $3.0 billion (December 31, 2018 – $3.0 billion) are pledged as security for $1.9 billion (December 31, 2018 – $1.9 billion) in mortgages and credit facilities.

(b) Investment property valuation

Stabilized overall capitalization, terminal, and discount rates by region for investment properties are set out in the table below:

As at	**March 31, 2019**				December 31, 2018			
	Weighted Average				Weighted Average			
($ millions)	**Central Region**	**Eastern Region**	**Western Region**	**Total**	Central Region	Eastern Region	Western Region	Total
Overall Capitalization Rate	**5.0%**	**6.0%**	**5.2%**	**5.3%**	5.0%	5.9%	5.2%	5.3%
Terminal Capitalization Rate	**5.3%**	**6.2%**	**5.4%**	**5.5%**	5.2%	6.2%	5.4%	5.5%
Discount Rate	**5.8%**	**6.8%**	**6.0%**	**6.1%**	5.7%	6.8%	6.0%	6.1%
Fair Value	**$ 4,472**	**$ 2,016**	**$ 3,244**	**$ 9,732**	$ 4,431	$ 2,030	$ 3,229	$ 9,690

The sensitivity of the fair values of investment properties to stabilized overall capitalization rates as at March 31, 2019 is set out in the table below:

As at March 31, 2019	*(millions of dollars)*
(Decrease) Increase in stabilized overall capitalization rate	Resulting increase (decrease) in fair value of investment properties
(0.75%)	$ 1,466
(0.50%)	$ 926
(0.25%)	$ 440
0.25%	$ (400)
0.50%	$ (766)
0.75%	$ (1,101)

Additionally, a 1% increase or decrease in stabilized net operating income ("SNOI") would result in a $88 million increase or a $88 million decrease, respectively, in the fair value of investment properties. SNOI is not a measure defined by IFRS. SNOI reflects stable property operations, assuming a certain level of vacancy, capital and operating expenditures required to maintain a stable occupancy rate. The average vacancy rates used in determining SNOI for non-anchor tenants generally range from 2% to 5%. A 1% increase in SNOI coupled with a 0.25% decrease in the stabilized capitalization rate would result in an increase in the fair value of investment properties of $533 million, and a 1% decrease in SNOI coupled with a 0.25% increase in the stabilized capitalization rate would result in a decrease in the fair value of investment properties of $485 million.

(c) Investment properties – Acquisitions

During the three months ended March 31, 2019 and 2018, the Company acquired investment properties and development land for rental income and future development and redevelopment opportunities as follows:

Three months ended March 31	**2019**		2018	
	Investment Properties	**Development Land**	Investment Properties	Development Land
Total purchase price, including acquisition costs	**$ 6,970**	**$ 13,591**	$ 16,140	$ 1,794
Total cash paid	**$ 6,970**	**$ 13,591**	$ 16,140	$ 1,794

(d) Investment properties classified as held for sale

The Company has certain investment properties classified as held for sale. These properties are considered to be non-core assets and are as follows:

As at		March 31, 2019		December 31, 2018
Aggregate fair value	$	**469,198**	$	85,661
Mortgages secured by investment properties classified as held for sale	$	**55,972**	$	—
Weighted average effective interest rate of mortgages secured by investment properties classified as held for sale		**3.9%**		N/A

The increase of $383.5 million in investment properties classified as held for sale from December 31, 2018, primarily arose from new investment properties classified as held for sale, in line with the Company's evolved urban investment strategy, offset by dispositions completed in the period and changes in fair value.

During the three months ended March 31, 2019 and 2018, the Company sold investment properties and development land as follows:

		Three months ended March 31		
		2019		2018
Total selling price	$	**23,223**	$	72,075
Property selling costs		**(324)**		(475)
Proceeds held in Trust [1]		**(5,591)**		—
Total cash proceeds	$	**17,308**	$	71,600

[1] Proceeds received April 2, 2019.

(e) Reconciliation of investment properties to total assets

Investment properties and development land by region and a reconciliation to total assets are set out in the tables below:

As at March 31, 2019	Central Region	Eastern Region	Western Region	Total
Total investment properties and development land [1]	**$ 4,542,357**	**$ 2,016,100**	**$ 3,259,814**	**$ 9,818,271**
Cash and cash equivalents				**13,932**
Loans, mortgages and other assets				**306,968**
Other assets				**64,934**
Amounts receivable				**46,951**
Investment in joint ventures				**146,022**
Hotel property				**58,511**
Residential development inventory				**9,699**
Total assets				**$ 10,465,288**

As at December 31, 2018	Central Region	Eastern Region	Western Region	Total
Total investment properties and development land [1]	$ 4,489,359	$ 2,037,411	$ 3,241,505	$ 9,768,275
Cash and cash equivalents				15,534
Loans, mortgages and other assets				364,059
Other assets				56,307
Amounts receivable				36,391
Investment in joint ventures				144,375
Hotel Property				58,604
Residential development inventory				9,510
Total assets				$ 10,453,055

(1) Includes investment properties classified as held for sale.

5. HOTEL PROPERTY

The Company owns a 60% non-managing interest in the Hazelton Hotel ("hotel property") located in Toronto, Ontario. The hotel property is a mixed-use luxury hotel located in Yorkville Village.

The following table summarizes the changes in the net book value of the hotel property for the three months ended March 31, 2019 and year-end December 31, 2018.

	March 31, 2019	December 31, 2018
Hotel property, beginning balance	**$ 58,604**	$ 59,017
Additions	**86**	—
Amortization	**(179)**	(413)
Hotel property, ending balance	**$ 58,511**	$ 58,604

6. LOANS, MORTGAGES AND OTHER ASSETS

As at	March 31, 2019	December 31, 2018
Non-current		
Loans and mortgages receivable classified as FVTPL (a)	**$ 20,746**	$ 20,511
Loans and mortgages receivable classified as amortized cost (a)(b)	**52,503**	57,003
Other investments	**13,946**	15,834
Total non-current	**$ 87,195**	$ 93,348
Current		
Loans and mortgages receivable classified as FVTPL (a)	**$ 91,128**	$ 87,106
Loans and mortgages receivable classified as amortized cost (a)(b)	**128,645**	160,043
FVTPL investments in securities (c)	**—**	23,562
Total current	**$ 219,773**	$ 270,711
Total	**$ 306,968**	$ 364,059

(a) Loans and mortgages receivable are secured by interests in investment properties or shares of entities owning investment properties. As at March 31, 2019, these receivables bear interest at weighted average effective interest rates of 10.2% (December 31, 2018 – 9.7%) and mature between 2019 and 2028.

(b) As at March 31, 2019, the Company’s loans and mortgages receivable included $131.3 million representing the Company's share of $208.5 million of priority ranking mortgages on a development project at the southwest corner of

Yonge Street and Bloor Street in Toronto, Ontario. A portion of the balance is due on September 1, 2019 with the remainder due on September 1, 2020 subject to early prepayment and extension provisions.

(c) From time to time, the Company invests in publicly traded real estate and related securities. These securities are recorded at market value. Realized and unrealized gains and losses on FVTPL securities are recorded in other gains (losses) and (expenses).

7. AMOUNTS RECEIVABLE

As at	March 31, 2019	December 31, 2018
Trade receivables (net of allowances for doubtful accounts of $2.8 million; December 31, 2018 – $2.5 million)	$ 38,318	$ 30,862
Corporate and other amounts receivable	8,633	5,529
Total	$ 46,951	$ 36,391

The Company determines its allowance for doubtful accounts on a tenant-by-tenant basis considering lease terms, industry conditions, and the status of the tenant's account, among other factors.

8. OTHER ASSETS

As at	Note	March 31, 2019	December 31, 2018
Non-current			
Fixtures, equipment and computer hardware and software (net of accumulated amortization of $11.0 million; December 31, 2018 - $10.1 million)		$ 13,027	$ 13,352
Deferred financing costs on credit facilities (net of accumulated amortization of $4.7 million; December 31, 2018 - $4.5 million)		3,253	2,327
Environmental indemnity and insurance proceeds receivable	13(a)	4,365	4,707
Derivatives at fair value	23	3,609	9,983
Total non-current		$ 24,254	$ 30,369
Current			
Deposits and costs on investment properties under option		$ 8,991	$ 6,080
Prepaid expenses (a)		25,818	6,535
Other deposits (b)		3,265	316
Restricted cash		462	462
Derivatives at fair value	23	2,144	12,545
Total current		$ 40,680	$ 25,938
Total		$ 64,934	$ 56,307

(a) Includes $8.2 million of transaction costs incurred in relation to the Share Repurchase transaction with a subsidiary of Gazit-Globe Ltd. ("Gazit") that was reclassified to equity upon closing on April 16, 2019. Refer to Note 28 - Subsequent Events for further information.

(b) Includes a $3.0 million deposit paid to Gazit in relation to the Share Repurchase transaction forming part of the consideration paid upon closing on April 16, 2019. Refer to Note 28 - Subsequent Events for further information.

9. CAPITAL MANAGEMENT

The Company manages its capital, taking into account the long-term business objectives of the Company, to provide stability and reduce risk while generating an acceptable return on investment to shareholders over the long term. The Company's capital structure currently includes common shares, senior unsecured debentures, mortgages, credit facilities and bank indebtedness, which together provide the Company with financing flexibility to meet its capital needs. Primary uses of capital include development activities, acquisitions, capital improvements, leasing costs and debt principal repayments. The actual level and type of future financings to fund these capital requirements will be determined based on prevailing interest rates, various costs of debt and/or equity capital, capital market conditions and management's general view of the required leverage in the business.

Components of the Company's capital are set out in the table below:

As at	March 31, 2019	December 31, 2018
Liabilities (principal amounts outstanding)		
Bank indebtedness	**$ 39,488**	$ 7,226
Mortgages	**1,273,869**	1,287,247
Credit facilities	**619,556**	626,172
Mortgages under equity accounted joint ventures (at the Company's interest)	**40,850**	41,081
Credit facilities under equity accounted joint venture (at the Company's interest)	**34,135**	34,135
Senior unsecured debentures	**2,450,000**	2,450,000
Equity Capitalization		
Common shares (based on closing per share price of $21.40; December 31, 2018 – $18.85)	**5,457,548**	4,803,505
Total capital employed	**$ 9,915,446**	$ 9,249,366

The Company is subject to financial covenants in agreements governing its senior unsecured debentures and its credit facilities. In accordance with the terms of the Company's credit agreements, all ratios are calculated with joint ventures proportionately consolidated. As at March 31, 2019, the Company remains in compliance with all of its applicable financial covenants.

The following table summarizes a number of the Company's key ratios:

As at	Measure/ Covenant	March 31, 2019	December 31, 2018
Net debt to total assets		**42.2%**	42.1%
Unencumbered aggregate assets to unsecured debt, using 10 quarter average capitalization rate [1]	≥1.3	**2.3**	2.3
Shareholders' equity, using four quarter average (billions) [1]	>$2.0B	**$ 4.9**	$ 4.8
Secured indebtedness to total assets [1]	<35%	**13.9%**	14.0%
For the rolling four quarters ended			
Interest coverage (Adjusted EBITDA to interest expense) [1]	>1.65	**2.6**	2.5
Fixed charge coverage (Adjusted EBITDA to debt service) [1]	>1.50	**2.3**	2.2

[1] Calculations required under the Company's credit facility agreements or indentures governing the senior unsecured debentures.

The above ratios include measures not specifically defined in IFRS. Certain calculations are required pursuant to debt covenants and are meaningful measures for this reason. Measures used in these ratios are defined in the Company's audited annual consolidated financial statements for the years ended December 31, 2018 and 2017.

10. MORTGAGES AND CREDIT FACILITIES

As at	**March 31, 2019**	December 31, 2018
Fixed rate mortgages	**$ 1,272,328**	$ 1,285,908
Unsecured facilities	**494,766**	503,005
Secured facilities	**124,790**	123,167
Mortgages and credit facilities	**$ 1,891,884**	$ 1,912,080
Current	**$ 236,379**	$ 233,203
Mortgages on investment properties classified as held for sale	**55,972**	—
Non-current	**1,599,533**	1,678,877
Total	**$ 1,891,884**	$ 1,912,080

Mortgages and secured facilities are secured by the Company's investment properties. As at March 31, 2019, approximately $3.0 billion (December 31, 2018 – $3.0 billion) of investment properties out of $9.8 billion (December 31, 2018 – $9.8 billion) (Note 4(a)) had been pledged as security under the mortgages and the secured facilities.

As at March 31, 2019, mortgages bear coupon interest at a weighted average coupon rate of 4.0% (December 31, 2018 – 4.0%) and mature in the years ranging from 2019 to 2031. The weighted average effective interest rate on all mortgages as at March 31, 2019 is 4.0% (December 31, 2018 – 4.0%).

Principal repayments of mortgages outstanding as at March 31, 2019 are as follows:

	Scheduled Amortization	Payments on Maturity	Total	Weighted Average Effective Interest Rate
2019 (remainder of the year)	$ 18,258	$ 89,223	$ 107,481	6.5%
2020	22,425	67,893	90,318	4.4%
2021	22,185	73,397	95,582	4.6%
2022	23,759	147,954	171,713	3.9%
2023	22,476	—	22,476	N/A
2024 to 2031	94,244	692,055	786,299	3.6%
	$ 203,347	$ 1,070,522	$ 1,273,869	4.0%
Unamortized deferred financing costs and premiums, net			(1,541)	
Total			$ 1,272,328	

The Company has the ability under its unsecured credit facilities to draw funds based on Canadian bank prime rates and Canadian bankers' acceptances ("BA rates") for Canadian dollar-denominated borrowings, and LIBOR rates or U.S. prime rates for U.S. dollar-denominated borrowings. As of March 31, 2019, the Company had drawn CAD$20.0 million and US$205.6 million, as well as CAD$39.5 million in bank indebtedness on its unsecured credit facilities. Concurrently with the U.S. dollar draws, the Company entered into cross currency swaps to exchange its U.S. dollar borrowings into Canadian dollar borrowings.

During the first quarter, the Company entered into a new unsecured term loan with a borrowing capacity of $200 million, key terms of which are presented in the table below. The Company also extended the maturity of its $15.9 million secured facility to September 30, 2019.

The Company's credit facilities as at March 31, 2019 are summarized in the table below:

As at March 31, 2019	Borrowing Capacity	Amounts Drawn	Bank Indebtedness and Outstanding Letters of Credit	Available to be Drawn	Interest Rates	Maturity Date
Unsecured Operating Facilities						
Revolving facility maturing 2023 [1]	$ 800,000	$ (94,833)	$ (55,620)	$ 649,547	BA + 1.20% or Prime + 0.20% or US$ LIBOR + 1.20%	June 30, 2023
Non-revolving facility maturing 2020 [2]	150,000	(149,865)	(19,573)	—	BA + 1.20% or Prime + 0.20% or US$ LIBOR + 1.20%	October 31, 2020
Additional Tranche [3]	50,000	(50,068)	—	—	BA + 1.10% or Prime + 0.10% or US$ LIBOR + 1.10%	October 31, 2020
Unsecured term loan maturing 2024	200,000	(200,000)	—	—	All-in fixed interest rate of 3.17%	March 28, 2024
Secured Construction Facilities						
Maturing 2019	115,000	(76,075)	(668)	38,257	BA + 1.125% or Prime + 0.125%	August 13, 2019
Maturing 2019	15,907	(15,572)	—	335	BA + 1.125% or Prime + 0.125%	September 30, 2019
Secured Facilities						
Maturing 2019	20,734	(2,700)	(793)	17,241	BA + 1.125% or Prime + 0.125%	December 31, 2019
Maturing 2019	11,875	(11,875)	—	—	BA + 1.125% or Prime + 0.125%	September 27, 2019
Maturing 2019	7,500	(7,500)	—	—	BA + 1.125% or Prime + 0.125%	October 31, 2019
Maturing 2022	4,313	(4,313)	—	—	BA + 1.125% or Prime + 0.125%	September 28, 2022
Maturing 2022	6,755	(6,755)		—	BA + 1.125% or Prime + 0.125%	December 19, 2022
Total	$ 1,382,084	$ (619,556)	$ (76,654)	$ 705,380		

(1) The Company had drawn in U.S. dollars the equivalent of CAD$74.6 million which was revalued at CAD$74.8 million, in addition to CAD$20.0 million drawn as at March 31, 2019.

(2) The Company had drawn in U.S. dollars the equivalent of CAD$150.0 million which was revalued at CAD$149.9 million as at March 31, 2019. Maximum borrowing capacity for the letters of credit is CAD$35.0 million of which $19.6 million has been drawn as at March 31, 2019.

(3) The Company had drawn in U.S. dollars the equivalent of CAD$50 million which was revalued at CAD$50.1 million as at March 31, 2019.

11. SENIOR UNSECURED DEBENTURES

As at					**March 31, 2019**	December 31, 2018
		Interest Rate				
Series	Maturity Date	Coupon	Effective	**Principal Outstanding**	**Liability**	Liability
L	July 30, 2019	5.48%	5.61%	**$ 150,000**	**$ 149,937**	$ 149,891
M	April 30, 2020	5.60%	5.60%	**175,000**	**174,995**	174,994
N	March 1, 2021	4.50%	4.63%	**175,000**	**174,602**	174,553
O	January 31, 2022	4.43%	4.59%	**200,000**	**199,159**	199,091
P	December 5, 2022	3.95%	4.18%	**250,000**	**248,095**	247,976
Q	October 30, 2023	3.90%	3.97%	**300,000**	**299,155**	299,114
R	August 30, 2024	4.79%	4.72%	**300,000**	**300,977**	301,016
S	July 31, 2025	4.32%	4.24%	**300,000**	**301,354**	301,401
T	May 6, 2026	3.60%	3.56%	**300,000**	**300,752**	300,775
U	July 12, 2027	3.75%	3.82%	**300,000**	**298,505**	298,467
Weighted Average or Total		4.32%	4.36%	**$ 2,450,000**	**$ 2,447,531**	$ 2,447,278
Current				**150,000**	**149,937**	149,891
Non-current				**2,300,000**	**2,297,594**	2,297,387
Total				**$ 2,450,000**	**$ 2,447,531**	$ 2,447,278

Interest on the senior unsecured debentures is payable semi-annually and principal is payable on maturity.

12. CONVERTIBLE DEBENTURES

(a) Principal redemption

On February 28, 2018, the Company redeemed its remaining 4.45% Series J convertible debentures for $55.1 million, at par. The full redemption price and any accrued interest owing on the convertible debentures was satisfied in cash.

(b) Principal and interest

During the three months ended March 31, 2019, the Company paid nil (three months ended March 31, 2018 – $1.0 million) in cash to pay accrued interest to holders of convertible debentures.

13. ACCOUNTS PAYABLE AND OTHER LIABILITIES

As at	Note	March 31, 2019	December 31, 2018
Non-current			
Asset retirement obligations (a)		**$ 2,449**	$ 2,642
Ground leases payable		**10,301**	10,405
Derivatives at fair value	23	**2,324**	666
Deferred purchase price of investment property		**7,125**	7,125
Total non-current		**$ 22,199**	$ 20,838
Current			
Trade payables and accruals		**$ 64,039**	$ 67,295
Construction and development payables		**64,194**	62,563
Dividends payable		**54,830**	54,788
Interest payable		**30,371**	36,056
Tenant deposits		**32,217**	37,451
Derivatives at fair value	23	**4,203**	5,706
Other liabilities		**401**	402
Total current		**$ 250,255**	$ 264,261
Total		**$ 272,454**	$ 285,099

(a) The Company has obligations for environmental remediation at certain sites within its property portfolio. The Company has also recognized a related environmental indemnity and insurance proceeds receivable totaling $4.4 million in other assets (Note 8).

14. SHAREHOLDERS' EQUITY

(a) Share capital

The authorized share capital of the Company consists of an unlimited number of authorized common shares and preference shares. The common shares carry one vote each and participate equally in the income and the net assets of the Company upon dissolution. Dividends are payable on the common shares as and when declared by the Board of Directors. The preference shares may be issued from time to time in one or more series, each series comprising the number of shares, designations, rights, privileges, restrictions and conditions which the Board of Directors determines by resolution; preference shares are non-voting and rank in priority to the common shares with respect to dividends and distributions upon dissolution. No preference shares have been issued.

The following table sets forth the particulars of the issued and outstanding common shares of the Company:

Three months ended March 31		**2019**		2018
	Number of Common Shares	**Stated Capital**	Number of Common Shares	Stated Capital
Issued and outstanding at beginning of period	**254,828**	**$ 3,364,948**	244,431	$ 3,159,542
Exercise of options, and settlement of any restricted, performance and deferred share units	**198**	**3,868**	390	6,989
Issued and outstanding at end of period	**255,026**	**$ 3,368,816**	244,821	$ 3,166,531

Quarterly dividends declared per common share were $0.215 for the three months ended March 31, 2019 (three months ended March 31, 2018 – $0.215).

(b) Contributed surplus and other equity items

Contributed surplus and other equity items comprise the following:

Three months ended March 31			2019				2018
	Contributed Surplus	**Stock-based Compensation Plan Awards**	**Total**	Contributed Surplus	Convertible Debentures Equity Component	Stock-based Compensation Plan Awards	Total
Balance at beginning of period	**$ 24,903**	**$ 19,291**	**$ 44,194**	$ 24,517	$ 386	$ 17,067	$ 41,970
Redemption of convertible debentures	**—**	**—**	**—**	386	(386)	—	—
Options vested	**—**	**239**	**239**	—	—	255	255
Exercise of options	**—**	**(167)**	**(167)**	—	—	(531)	(531)
Deferred share units	**—**	**180**	**180**	—	—	196	196
Restricted share units	**—**	**375**	**375**	—	—	434	434
Performance share units	**—**	**919**	**919**	—	—	482	482
Settlement of any restricted, performance and deferred share units	**—**	**(2,640)**	**(2,640)**	—	—	(240)	(240)
Balance at end of period	**$ 24,903**	**$ 18,197**	**$ 43,100**	$ 24,903	$ —	$ 17,663	$ 42,566

(c) Stock options

As of March 31, 2019, the Company is authorized to grant up to 19.7 million (December 31, 2018 – 19.7 million) common share options to the employees, officers and directors of the Company. As of March 31, 2019, 3.5 million (December 31, 2018 – 4.4 million) common share options are available to be granted to the employees, officers and directors of the Company. In addition, as at March 31, 2019, 5.7 million common share options were outstanding. Options granted by the Company expire 10 years from the date of grant and vest over five years.

The outstanding options as at March 31, 2019 have exercise prices ranging from $13.91 - $21.14 (December 31, 2018 – $9.81 – $20.24).

During the three months ended March 31, 2019, $0.2 million (three months ended March 31, 2018 – $0.3 million) was recorded as an expense related to stock options.

Three months ended March 31		2019		2018
	Number of Common Shares Issuable (in thousands)	**Weighted Average Exercise Price**	Number of Common Shares Issuable (in thousands)	Weighted Average Exercise Price
Outstanding at beginning of period	**4,736**	**$ 19.27**	4,133	$ 18.74
Granted (a)	**1,201**	**21.14**	1,197	20.03
Exercised (b)	**(144)**	**17.94**	(375)	16.56
Forfeited	**(111)**	**19.92**	(18)	19.07
Outstanding at end of period	**5,682**	**$ 19.68**	4,937	$ 19.22

(a) The fair value associated with the options issued was calculated using the Black-Scholes model for option valuation based on the assumptions in the following table and is recognized as compensation expense over the vesting period.

Three months ended March 31	**2019**	2018
Grant date	**March 6, 2019**	March 2, 2018
Share options granted (thousands)	**1,201**	1,197
Term to expiry	**10 years**	10 years
Exercise price	**$21.14**	$20.03
Weighted average volatility rate	**14.0%**	13.5%
Weighted average expected option life	**5.8 years**	5.5 years
Weighted average dividend yield	**4.08%**	4.33%
Weighted average risk free interest rate	**1.71%**	2.01%
Fair value (thousands)	**$1,617**	$1,395

(b) The weighted average market share price at which options were exercised for the three months ended March 31, 2019 was $21.12 (three months ended March 31, 2018 – $19.97).

(d) Share unit plans

The Company's share unit plans include a Directors' Deferred Share Unit ("DSU") Plan and a Restricted Share Unit ("RSU") Plan that provides for the issuance of Restricted Share Units and Performance Share Units ("PSU"). Under the DSU and RSU plans, a participant is entitled to receive one common share, or equivalent cash value, at the Company's option, (i) in the case of a DSU, upon redemption by the holder after the date that the holder ceases to be a director of the Company and any of its subsidiaries (the "Retirement Date") but no later than December 15 of the first calendar year commencing after the Retirement Date, and (ii) in the case of a RSU, on the third anniversary of the grant date. Under the PSU plan, a participant is entitled to receive 0.5 – 1.5 common shares per PSU granted, or equivalent cash value at the Company's option, on the third anniversary of the grant date. Holders of units granted under each plan receive dividends in the form of additional units when the Company declares dividends on its common shares.

Three months ended March 31		**2019**		2018
(in thousands)	**DSUs**	**RSUs / PSUs**	DSUs	RSUs / PSUs
Outstanding at beginning of period	**289**	**588**	301	478
Granted (a) (b)	**9**	**244**	7	221
Dividends declared	**—**	**—**	3	12
Exercised	**—**	**(142)**	(15)	—
Forfeited	**—**	**(4)**	—	(3)
Outstanding at end of period	**298**	**686**	296	708
Expense recorded for the period	**$155**	**$1,294**	$135	$912

(a) The fair value of the DSUs granted during the three months ended March 31, 2019 was $0.2 million (three months ended March 31, 2018 – $0.1 million), measured based on the Company's prevailing share price on the date of grant. The fair value of the RSUs granted during the three months ended March 31, 2019 was $1.9 million (three months ended March 31, 2018 – $1.6 million), measured based on the Company's share price on the date of grant.

(b) The fair value of the PSUs granted during the three months ended March 31, 2019 was $3.4 million (three months ended March 31, 2018 – $2.9 million). The fair value is calculated using the Monte-Carlo simulation model based on the assumptions below as well as a market adjustment factor based on the total shareholder return of the Company's common shares relative to the S&P/TSX Capped REIT Index.

Three months ended March 31	**2019**	2018
Grant date	**March 6, 2019**	March 2, 2018
PSUs granted (thousands)	**154**	140
Term to expiry	**3 years**	3 years
Weighted average volatility rate	**14.0%**	14.7%
Weighted average correlation	**30.8%**	37.3%
Weighted average total shareholder return	**9.1%**	-3.3%
Weighted average risk free interest rate	**1.68%**	1.87%
Fair value (thousands)	**$3,399**	$2,866

The fair value of awards granted under the above plans is recognized as compensation expense over the respective vesting periods.

15. NET OPERATING INCOME

Net Operating Income by Component

The Company's net operating income by component is presented below:

	Three months ended March 31		
	% change	**2019**	2018
Property rental revenue			
Base rent		**$ 116,041**	$ 111,432
Operating cost recoveries		**31,080**	27,965
Realty tax recoveries		**36,700**	35,788
Lease surrender fees		**3,502**	763
Percentage rent		**767**	912
Straight-line rent adjustment		**971**	2,462
Prior year operating cost and tax recovery adjustments		**62**	(2,012)
Temporary tenants, storage, parking and other		**5,551**	3,475
Total Property rental revenue	**7.7%**	**194,674**	180,785
Property operating costs			
Recoverable operating expenses		**35,644**	31,845
Recoverable realty tax expense		**41,863**	40,518
Prior year realty tax expense		**54**	(2,710)
Other operating costs and adjustments		**1,682**	(510)
Total Property operating costs		**79,243**	69,143
Total NOI	**3.4%**	**$ 115,431**	$ 111,642
NOI margin		**59.3%**	61.8%

Net Operating Income by Segment

Net operating income is presented by segment as follows:

Three months ended March 31, 2019	**Central Region**	**Eastern Region**	**Western Region**	**Subtotal**	**Other [1]**	**Total**
Property rental revenue	**$ 80,530**	**$ 50,028**	**$ 64,729**	**$ 195,287**	**$ (613)**	**$ 194,674**
Property operating costs	**34,356**	**23,871**	**22,056**	**80,283**	**(1,040)**	**79,243**
Net operating income	**$ 46,174**	**$ 26,157**	**$ 42,673**	**$ 115,004**	**$ 427**	**$ 115,431**

Three months ended March 31, 2018		Central Region		Eastern Region		Western Region		Subtotal		Other [1]		Total
Property rental revenue	$	73,567	$	49,011	$	58,867	$	181,445	$	(660)	$	180,785
Property operating costs		27,645		22,307		20,229		70,181		(1,038)		69,143
Net operating income	$	45,922	$	26,704	$	38,638	$	111,264	$	378	$	111,642

(1) Other items principally consist of intercompany eliminations.

For the three months ended March 31, 2019, property operating costs include $5.6 million (three months ended March 31, 2018 – $5.6 million) related to employee compensation.

16. INTEREST AND OTHER INCOME

		Three months ended March 31		
	Note		**2019**	2018
Interest, dividend and distribution income from marketable securities and other investments	6	**$**	**3,636**	$ 537
Interest income from loans and mortgages receivable classified as FVTPL	6		**969**	1,300
Interest income from loans, deposit and mortgages receivable at amortized cost	6		**4,579**	2,998
Fees and other income			**1,163**	1,497
Total		**$**	**10,347**	$ 6,332

17. INTEREST EXPENSE

		Three months ended March 31		
	Note		**2019**	2018
Mortgages	10	**$**	**13,198**	$ 10,947
Credit facilities	10		**5,018**	4,505
Senior unsecured debentures	11		**26,323**	28,278
Convertible debentures	12		**—**	446
Total interest expense			**44,539**	44,176
Interest capitalized to investment properties under development			**(4,923)**	(6,735)
Interest expense		**$**	**39,616**	$ 37,441
Change in accrued interest			**5,686**	5,417
Effective interest rate less than (in excess of) coupon interest rate on senior unsecured and convertible debentures			**316**	266
Coupon interest rate in excess of effective interest rate on assumed mortgages			**226**	258
Amortization of deferred financing costs			**(1,261)**	(1,438)
Cash interest paid associated with operating activities		**$**	**44,583**	$ 41,944

18. CORPORATE EXPENSES

	Three months ended March 31	
	2019	2018
Salaries, wages and benefits	**$ 7,593**	$ 7,511
Non-cash compensation	**1,419**	1,124
Other corporate costs	**3,385**	3,595
Total corporate expenses	**12,397**	12,230
Amounts capitalized to investment properties under development	**(2,331)**	(2,023)
Corporate expenses	**$ 10,066**	$ 10,207

19. OTHER GAINS (LOSSES) AND (EXPENSES)

	Three months ended March 31	
	2019	2018
Realized gain (loss) on sale of marketable securities	**$ 1,164**	$ —
Unrealized gain (loss) on marketable securities	**275**	1,603
Net gain (loss) on prepayments of debt (non-cash)	**—**	(726)
Investment properties selling costs	**(324)**	(475)
REIT conversion costs	**(224)**	(8)
Transaction costs (a)	**(3,414)**	—
Other	**(217)**	(49)
Total	**$ (2,740)**	$ 345

(a) As part of the secondary offering by Gazit of 22 million of the Company's shares, FCR paid $9.0 million or 50% of the underwriters' commission. Given the cross-conditional nature of the secondary offering and the previously announced share repurchase transaction, the $9.0 million was allocated to both the share repurchase ($5.6 million) and the secondary offering ($3.4 million). As of March 31, 2019 the amount allocated to the share repurchase was recorded as an other asset and was reclassified to equity, subsequent to quarter end, upon closing of the transaction on April 16, 2019. The amount allocated to the secondary offering was recorded in other gains (losses) and (expenses) during the first quarter.

20. INCOME TAXES

The following reconciles the Company's expected tax expense computed at the statutory tax rate to its actual tax expense for the three months ended March 31, 2019 and 2018:

	Three months ended March 31	
	2019	2018
Income tax expense at the Canadian federal and provincial income tax rate of 26.6% (March 31, 2018 - 26.6%)	**$ 20,887**	$ 22,384
Increase (decrease) in income taxes due to:		
Non-taxable portion of capital gains and other	**(3,885)**	(4,894)
Non-controlling interests in income of consolidated limited partnership	**(16)**	(67)
Other	**(678)**	533
Deferred income taxes	**$ 16,308**	$ 17,956

21. PER SHARE CALCULATIONS

The following table sets forth the computation of per share amounts:

(in thousands)	Three months ended March 31	
	2019	2018
Net income attributable to common shareholders	**$ 62,152**	$ 65,944
Adjustment for dilutive effect of convertible debentures, net of tax	**—**	328
Income for diluted per share amounts	**$ 62,152**	$ 66,272
Weighted average number of shares outstanding for basic per share amounts	**254,877**	245,419
Options, restricted, performance and deferred share units	**1,301**	298
Convertible debentures	**—**	1,327
Weighted average diluted share amounts	**256,178**	247,044

The following securities were not included in the diluted net income per share calculation as the effect would have been anti-dilutive:

Three months ended March 31		Number of Shares if Exercised	
(in dollars, number of options in thousands)	Exercise Price	**2019**	2018
Common share options	$21.14	**1,201**	—

22. RISK MANAGEMENT

In the normal course of its business, the Company is exposed to a number of risks that can affect its operating performance. Certain of these risks, and the actions taken to manage them, are as follows:

(a) Interest rate risk

The Company structures its financings so as to stagger the maturities of its debt, thereby mitigating its exposure to interest rate and other credit market fluctuations. A portion of the Company's mortgages, loans and credit facilities are floating rate instruments. From time to time, the Company may enter into interest rate swap contracts, bond forwards or other financial instruments to modify the interest rate profile of its outstanding debt or highly probable future debt issuances without an exchange of the underlying principal amount.

(b) Credit risk

Credit risk arises from the possibility that tenants and/or debtors may experience financial difficulty and be unable or unwilling to fulfill their lease commitments or loan obligations. The Company mitigates the risk of credit loss from tenants by investing in well-located properties in urban markets that attract high quality tenants, ensuring that its tenant mix is diversified, and by limiting its exposure to any one tenant. As at March 31, 2019, Loblaw Companies Limited ("Loblaw") is the Company's largest tenant and accounts for 10.1% of the Company's annualized minimum rent and has an investment grade credit rating. Other than Loblaw, no other tenant accounts for more than 10% of the annualized minimum rent. A tenant's success over the term of its lease and its ability to fulfill its lease obligations is subject to many factors. There can be no assurance that a tenant will be able to fulfill all of its existing commitments and leases up to the expiry date. The Company mitigates the risk of credit loss from debtors by undertaking a number of activities typical in lending arrangements including obtaining registered mortgages on the real estate properties.

The Company's leases typically have lease terms between 5 and 20 years and may include clauses to enable periodic upward revision of the rental rates, and lease contract extension at the option of the lessee.

(c) Liquidity risk

Real estate investments are relatively illiquid. This tends to limit the Company's ability to sell components of its portfolio promptly in response to changing economic or investment conditions. If the Company were required to quickly liquidate its assets, there is a risk that it would realize sale proceeds of less than the current value of its real estate investments.

An analysis of the Company's contractual maturities of its material financial liabilities and other contractual commitments as at March 31, 2019 is set out below:

As at March 31, 2019	Payments Due by Period				
	Remainder of 2019	2020 to 2021	2022 to 2023	Thereafter	Total
Scheduled mortgage principal amortization	$ 18,258	$ 44,610	$ 46,235	$ 94,244	$ 203,347
Mortgage principal repayments on maturity	89,223	141,290	147,954	692,055	1,070,522
Credit facilities and bank indebtedness	113,722	199,933	145,389	200,000	659,044
Senior unsecured debentures	150,000	350,000	750,000	1,200,000	2,450,000
Interest obligations [(1)]	125,920	281,201	210,680	204,427	822,228
Land leases (expiring between 2023 and 2061)	963	2,240	1,913	18,153	23,269
Contractual committed costs to complete current development projects	38,684	18,873	—	—	57,557
Other committed costs	137,897	—	—	—	137,897
Total contractual obligations	$ 674,667	$ 1,038,147	$ 1,302,171	$ 2,408,879	$ 5,423,864

(1) Interest obligations include expected interest payments on mortgages and credit facilities as at March 31, 2019 (assuming balances remain outstanding through to maturity), and senior unsecured debentures, as well as standby credit facility fees.

The Company manages its liquidity risk by staggering debt maturities; renegotiating expiring credit arrangements proactively; using unsecured credit facilities; and issuing equity when considered appropriate. As at March 31, 2019, there was $494.8 million (December 31, 2018 – $503.0 million) of cash advances drawn against the Company's unsecured credit facilities.

In addition, as at March 31, 2019, the Company has $37.3 million (December 31, 2018 – $35.7 million) of outstanding letters of credit issued by financial institutions primarily to support certain of the Company's contractual obligations and $39.5 million (December 31, 2018 – $7.2 million) of bank overdrafts.

23. FAIR VALUE MEASUREMENT

The fair value hierarchy of financial instruments on the unaudited interim condensed consolidated balance sheets is as follows:

As at	March 31, 2019			December 31, 2018		
	Level 1	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
Measured at fair value						
Financial Assets						
FVTPL investments in securities	**$ —**	**$ —**	**$ —**	$ 23,562	$ —	$ —
Loans and mortgages receivable	**—**	**—**	**111,874**	—	—	107,617
Other investments	**—**	**—**	**9,946**	—	—	11,834
Derivatives at fair value – assets	**—**	**5,753**	**—**	—	22,528	—
Financial Liabilities						
Derivatives at fair value – liabilities	**—**	**6,527**	**—**	—	6,372	—
Measured at amortized cost						
Financial Assets						
Loans and mortgages receivable	**$ —**	**$ —**	**$ 180,866**	$ —	$ —	$ 216,791
Financial Liabilities						
Mortgages	**—**	**1,285,873**	**—**	—	1,288,695	—
Credit facilities	**—**	**619,556**	**—**	—	626,172	—
Senior unsecured debentures	**—**	**2,524,914**	**—**	—	2,477,968	—

The Company enters into derivative instruments including bond forward contracts, interest rate swaps and cross currency swaps as part of its strategy for managing certain interest rate risks as well as currency risk in relation to movements in the Canadian to U.S. exchange rate. For those derivative instruments to which the Company has applied hedge accounting, the change in fair value for the effective portion of the derivative is recorded in other comprehensive income from the date of designation. For those derivative instruments to which the Company does not apply hedge accounting, the change in fair value is recognized in other gains (losses) and (expenses).

The fair value of derivative instruments is determined using present value forward pricing and swap calculations at interest rates that reflect current market conditions. The models also take into consideration the credit quality of counterparties, interest rate curves and forward rate curves. As at March 31, 2019, the interest rates ranged from 1.6% to 3.6% (December 31, 2018 – 2.0% to 4.5%). The fair values of the Company's asset (liability) hedging instruments are as follows:

	Designated as Hedging Instrument	Maturity as at March 31, 2019	**March 31, 2019**	December 31, 2018
Derivative assets				
Bond forward contracts	Yes	May 2019	**$ 1,825**	$ 4,125
Interest rate swaps	Yes	January 2026 - March 2027	**3,609**	9,983
Cross currency swaps	No	April 2019	**319**	8,420
Total			**$ 5,753**	$ 22,528
Derivative liabilities				
Bond forward contracts	Yes	May 2019	**$ 4,059**	$ 5,706
Interest rate swaps	Yes	March 2022 - June 2025	**2,324**	666
Cross currency swaps	No	April 2019	**144**	—
Total			**$ 6,527**	$ 6,372

24. SUBSIDIARY WITH NON-CONTROLLING INTEREST

The Company, through its direct and indirect investment, owns on a consolidated basis a 53.1% interest in M+M Urban Realty LP ("MMUR"), a joint venture between the Company, Main and Main Developments LP ("MMLP") and an institutional investor. The Company's indirect interest in MMUR is held through its partially owned venture interest in MMLP.

The Company contractually controls MMLP, a subsidiary in which it holds a 67% ownership interest, until such time that all loans receivable from its partner have been paid in full. At such time that the loans receivable to the Company are repaid, all decisions regarding the activities of MMLP will require unanimous consent of the partners.

In the first quarter of 2019, the Company received net distributions of $2.9 million representing its direct and indirect interests while the non-controlling interest partner received $1.3 million.

In the first quarter of 2018, MMUR completed the sale of the majority of its portfolio (18 of 23 properties) for approximately $298 million. The net proceeds from the sale, after repayment of debt were distributed to the joint venture partners, including MMLP, which was then distributed to the Company and to the non-controlling interest. As a result, the Company received net distributions of $71.6 million representing its direct and indirect interests while the non-controlling interest partner received $29.3 million.

25. SUPPLEMENTAL CASH FLOW INFORMATION

(a) Items not affecting cash and other items

			Three months ended March 31		
	Note		**2019**		2018
Straight-line rent adjustment		**$**	**(971)**	$	(2,462)
Investment properties selling costs	19		**324**		475
Realized (gain) loss on sale of marketable securities	19		**(1,164)**		—
Unrealized (gain) loss on marketable securities classified as FVTPL	19		**(275)**		(1,603)
Net (gain) loss on prepayments of debt	19		**—**		726
Transaction costs [1]			**3,414**		—
Non-cash compensation expense			**1,533**		1,213
Deferred income taxes	20		**16,308**		17,956
Other non-cash items			**216**		48
Total		**$**	**19,385**	$	16,353

[1] Transaction costs incurred relate to the secondary offering by Gazit of 22 million of the Company's common shares. Refer to Note 19 - Other gains (losses) and (expenses).

(b) Net change in non-cash operating items

The net change in non-cash operating assets and liabilities consists of the following:

		Three months ended March 31		
		2019		2018
Amounts receivable	**$**	**(10,560)**	$	(8,645)
Prepaid expenses		**(9,071)**		(12,223)
Trade payables and accruals		**(1,558)**		4,752
Tenant security and other deposits		**(5,183)**		(5,280)
Other working capital changes		**3,823**		2,369
Total	**$**	**(22,549)**	$	(19,027)

(c) Changes in loans, mortgages and other assets

	Three months ended March 31	
	2019	2018
Advances of loans and mortgages receivable	**$ (6,187)**	$ (9,448)
Repayments of loans and mortgages receivable and deposits	**36,427**	24,652
Other investments, net	**1,826**	(3,541)
Investment in marketable securities, net	**—**	(70,273)
Proceeds from disposition of marketable securities	**25,001**	—
Total	**$ 57,067**	$ (58,610)

(d) Cash and cash equivalents

As at	**March 31, 2019**	December 31, 2018
Cash and cash equivalents [1]	**$ 13,932**	$ 15,534

[1] Principally consisting of cash related to co-ownerships and properties managed by third parties.

26. COMMITMENTS AND CONTINGENCIES

(a) The Company is involved in litigation and claims which arise from time to time in the normal course of business. None of these contingencies, individually or in aggregate, would result in a liability that would have a significant adverse effect on the financial position of the Company.

(b) The Company is contingently liable, jointly and severally or as guarantor, for approximately $153.4 million (December 31, 2018 – $152.2 million) to various lenders in connection with certain third-party obligations, including, without limitation, loans advanced to its joint arrangement partners secured by the partners' interest in the joint arrangements and underlying assets.

(c) The Company is contingently liable by way of letters of credit in the amount of $37.3 million (December 31, 2018 – $35.7 million), issued by financial institutions on the Company's behalf in the ordinary course of business.

(d) The Company has obligations as lessee under long-term leases for land. Annual commitments under these ground leases are approximately $1.0 million (December 31, 2018 – $1.2 million) with a total obligation of $23.3 million (December 31, 2018 – $23.6 million).

27. RELATED PARTY TRANSACTIONS

(a) Significant Shareholder

Gazit-Globe Ltd. (“Gazit”) was a significant shareholder of the Company and, as of March 31, 2019, beneficially owned 31.2% (December 31, 2018 – 31.3%) of the common shares of the Company. Norstar Holdings Inc. is the ultimate controlling party of Gazit. Effective April 16, 2019, Gazit's ownership of the Company has been reduced from 31.2% to approximately 9.9% following the completion of the secondary offering and share repurchase transactions. Refer to Note 28 - Subsequent Events for further information.

Corporate and other amounts receivable include amounts due from Gazit. Gazit reimburses the Company for certain accounting and administrative services provided to it by the Company. Such amounts consist of the following:

	Three months ended March 31	
	2019	2018
Reimbursements for professional services	**$ 48**	$ 30

As at March 31, 2019, amounts due from Gazit were $610 thousand (December 31, 2018 – $40 thousand).

(b) Joint ventures

During the three months ended March 31, 2019, the Company earned fee income of $0.3 million (March 31, 2018 – $0.7 million) from its joint ventures.

During the three months ended March 31, 2019, the Company also advanced $0.3 million (March 31, 2018 – $0.7 million) to one of its joint ventures.

(c) Subsidiaries of the Company

These unaudited interim condensed consolidated financial statements include the financial statements of First Capital Realty and all of First Capital Realty's subsidiaries, including First Capital Holdings Trust. First Capital Holdings Trust is the only significant subsidiary of First Capital Realty and is wholly owned by the Company.

28. SUBSEQUENT EVENTS

Second Quarter Dividend

The Company announced that it will pay a second quarter dividend of $0.215 per common share on July 18, 2019 to shareholders of record on June 28, 2019.

The Company announced completion of $453 million bought deal Secondary Offering by Gazit

On April 11, 2019, the Company reported the closing of the previously announced bought deal secondary offering of 22,000,000 of its common shares at a price of $20.60 per share by a subsidiary of Gazit to a syndicate of underwriters for gross proceeds to Gazit of approximately $453 million.

The Company announced completion of $742 million Share Repurchase

On April 16, 2019, the Company reported the closing of its previously announced share repurchase of 36,000,000 common shares from Gazit at a price of $20.60 per share for gross proceeds to Gazit of approximately $742 million. The proceeds were funded with senior unsecured bank term loans with maturities ranging from 4 - 7 years. Concurrent with funding, the majority of the unsecured bank term loans were swapped to fixed rates bearing a weighted average interest rate of 3.3% with a weighted average term to maturity of 5.8 years. The remaining debt bears interest at a floating rate and can be repaid with disposition proceeds with no prepayment penalty. Gazit's ownership of the Company has been reduced from 31.2% to approximately 9.9% following the completion of the secondary offering and share repurchase transactions. As a result of the debt-financed share repurchase transaction, both Moody's and DBRS downgraded the ratings of the Company's senior unsecured debentures by one notch to Baa3 (Moody's) and BBB (DBRS).

Shareholder Information

Head Office
Shops at King Liberty
85 Hanna Avenue, Suite 400
Toronto, Ontario M6K 3S3
Tel: 416 504 4114
Fax: 416 941 1655

Montreal Office
Place Viau
7600 boulevard Viau, Suite 113
Montréal, Québec H1S 2P3
Tel: 514 332 0031
Fax: 514 332 5135

Calgary Office
Mount Royal Block
815 – 17th Avenue SW, Suite 200
Calgary, Alberta T2T 0A1
Tel: 403 257 6888
Fax: 403 257 6899

Edmonton Office
Edmonton Brewery District
12068 – 104 Avenue, Suite 301
Edmonton, Alberta T5K 0K2
Tel: 780 475 3695

Vancouver Office
Shops at New West
800 Carnarvon Street, Suite 320
New Westminster, BC V3M 0G3
Tel: 604 278 0056
Fax: 604 242 0266

Transfer Agent
Computershare Trust Company
of Canada
100 University Avenue, 11th Floor
Toronto, Ontario M5J 2Y1
Toll-free: 1 800 564 6253

Executive Leadership Team

Adam E. Paul
President and Chief Executive Officer

Kay Brekken
Executive Vice President and
Chief Financial Officer

Jordan Robins
Executive Vice President and
Chief Operating Officer

Carmine Francella
Senior Vice President, Leasing

Alison Harnick
Senior Vice President, General Counsel
and Corporate Secretary

Maryanne McDougald
Senior Vice President, Operations

Gregory J. Menzies
Project Lead, Yorkville Village

Jodi M. Shpigel
Senior Vice President, Development

Michele Walkau
Senior Vice President, Brand & Culture

Auditors
Ernst & Young LLP
Toronto, Ontario

Directors

Dori J. Segal
Chairman, First Capital Realty Inc.
Toronto, Ontario

Jon Hagan, C.P.A., C.A.
Consultant, JN Hagan Consulting
Barbados

Annalisa King
Corporate Director
Vancouver, British Columbia

Aladin (Al) W. Mawani, C.P.A., C.A
Corporate Director
Thornhill, Ontario

Bernard McDonell
Corporate Director
Apple Hill, Ontario

Adam E. Paul, C.P.A., C.A
President and Chief Executive Officer,
First Capital Realty Inc.
Toronto, Ontario

Andrea Stephen, C.P.A., C.A.
Corporate Director
Toronto, Ontario

fcr.ca

FIRST CAPITAL

First Capital Realty Inc.
Shops at King Liberty
85 Hanna Ave, Suite 400
Toronto, Ontario

Tel 416.504.4114
Fax 416.941.1655

fcr.ca TSX: FCR