2019

THIRD QUARTER

FIRST CAPITAL REALTY INC.

Corporate Profile

First Capital Realty Inc. (the "Company") (TSX: FCR) is one of Canada's leading developers, owners and operators of mixed-use urban real estate in Canada's most densely populated centres. As at September 30, 2019, the Company owned interests in 166 properties, totaling approximately 25.1 million square feet of gross leasable area and total assets were $10.6 billion. First Capital Realty had an enterprise value of approximately $10.1 billion and its common shares trade on the Toronto Stock Exchange.

Financial Highlights

As at *(millions of dollars, except per share amounts)*	**September 30, 2019**	December 31, 2018
Total assets	**$ 10,585**	$ 10,453
Enterprise value [1]	**$ 10,066**	$ 9,239
Total equity market capitalization [1]	**$ 4,836**	$ 4,804
Net Asset Value per share [1]	**$ 23.08**	$ 22.59
Net debt to total assets	**48.9%**	42.1%
Quarterly dividend per common share	**$ 0.215**	$ 0.215

Operating Highlights

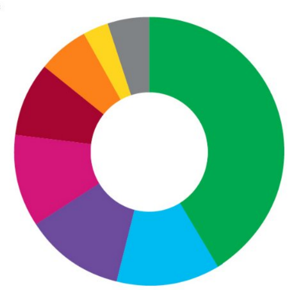
Nine months ended September 30 *(millions of dollars, except per share amounts)*	**2019**	2018
Property rental revenue	**$ 565**	$ 545
Net operating income ("NOI") [1]	**$ 346**	$ 340
Net income attributable to common shareholders	**$ 209**	$ 279
Funds from Operations ("FFO") [1]		
FFO	**$ 221**	$ 230
FFO per diluted share	**$ 0.945**	$ 0.923
FFO payout ratio	**68.3%**	69.9%
Cash provided by operating activities	**$ 162**	$ 169
Adjusted Cash Flow from Operations ("ACFO") [1]		
ACFO	**$ 184**	$ 196
ACFO payout ratio	**82.9%**	81.3%

[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.

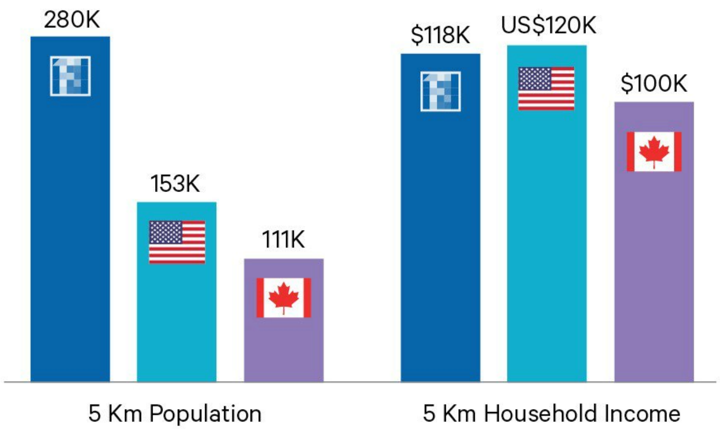
Urban Markets

	% of Annual Minimum Rent*	% of Portfolio Value*
Greater Toronto Area	36%	45%
Greater Montreal Area	15%	12%
Greater Calgary Area	13%	12%
Greater Vancouver Area	10%	10%
Greater Edmonton Area	9%	8%
Greater Ottawa Area	6%	5%
Kitchener/Waterloo/Guelph Area	4%	3%
Other	7%	5%
Total	**100%**	**100%**

*As at September 30, 2019



Leader in Portfolio Demographics



As at September 30, 2019

US Peers include:
Federal Realty and Regency Centers

Canadian Peers include:
RioCan REIT, SmartCentres REIT, Choice Properties REIT (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	133	17.4%	Loblaws, Sobeys, metro, save on foods, Whole Foods Market, Longo's
Medical, Professional & Personal Services	1,459	15.1%	Alberta Health Services, ups, Allstate, H&R Block, First Choice Haircutters
Restaurants and Cafes	1,004	14.2%	Tim Hortons, Recipe, freshii, aroma, Chick-fil-A
Pharmacies	132	9.2%	Shoppers Drug Mart, Rexall, London Drugs, Jean Coutu, McKesson, Brunet
Banks & Credit Unions	210	8.4%	TD, RBC, CIBC, BMO, Desjardins, National Bank
Fitness Facilities	89	3.8%	GoodLife Fitness, Equinox Fitness Clubs, LA Fitness, Orangetheory Fitness, Anytime Fitness, SoulCycle
Liquor Stores	101	3.4%	LCBO, Beer Store, BC Liquor Store, SAQ, Alcanna, Western Cellars
Daycare & Learning Centres	102	1.4%	Kumon, brightpath, Oxford Learning, kids & company, Willowbrae Academy, Rothewood Academy
Other Necessity-Based Retailers	550	18.2%	Canadian Tire, Walmart, Dollarama, GNC Live Well, Winners, PetSmart
Other Tenants	597	8.9%	Cineplex Entertainment, west elm, Sleep Country, Nordstrom, Sherwin Williams, Chanel

As at September 30, 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 and nine months ended September 30, 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 November 5, 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 assurance can be given as to whether the Company's reorganization into a REIT will be completed, 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 November 5, 2019 and are qualified by these cautionary statements.

BUSINESS OVERVIEW AND STRATEGY

First Capital Realty Inc. (the "Company") (TSX: FCR) is one of Canada's leading developers, owners and operators of mixed-use urban real estate in Canada's most densely populated centres. As at September 30, 2019, the Company owned interests in 166 properties, totaling approximately 25.1 million square feet of gross leasable area and total assets were $10.6 billion.

In February 2019, the Company announced an Evolved Urban Investment Strategy whereby the Company will continue to invest in high-quality, mixed-use properties with a focus on building large positions in targeted high growth urban neighbourhoods. The Company will also complete strategic dispositions to further align its portfolio with its Evolved Urban Investment Strategy, to de-lever the balance sheet following the share repurchase transaction and to provide capital for its investment programs. The Evolved Urban Investment Strategy will result in a deeper focus on super urban markets that fully integrates retail with other uses. It will provide the Company with the ability to surface substantial unrecognized value in its density pipeline, primarily through the development process. It will also allow the Company to optimize the portfolio by further concentrating investment capital in dense, high growth neighbourhoods. The Company's ultimate goal is the creation of value over the long term by generating sustainable growth in cash flow and capital appreciation of its super urban portfolio which will be reflected in its Net Asset Value ("NAV").

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 or expand the Company's position in super urban neighbourhoods, primarily where there are value creation opportunities;
- 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 develops, owns and operates 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 neighbourhoods within cities in Canada with growing populations. Specifically, the Company intends to continue to operate primarily in targeted neighbourhoods located in 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 in neighbourhoods 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 the Company continues to advance its Evolved Urban Investment Strategy, the Company monitors its progress through a number of metrics.

The Company defines a super urban property based on its proximity to transit, its “Walkability Score”, and its population density. Currently, over 90% of the Company’s portfolio is located within a 5-minute walk to public transit. The portfolio has a “Walkability Score” of 78 which is considered “Very Walkable” where most errands can be accomplished on foot. The portfolio’s average population density is currently 280,000 people within a five kilometre radius of its properties, up 73,000 or 35% from December 2016 which makes it the leader amongst its North American peer group on this metric. The Company is targeting further growth in this metric to reach an average population density of 300,000 in 2021.

The Company also measures it progress against its previously announced disposition targets (see Disposition Activity) and its progress on surfacing value in and growing its incremental density pipeline. Currently, 5.2 million square feet or 21.8% of the 23.9 million square feet of incremental density pipeline is included in the Company’s fair value of investment properties. The Company has a goal to increase this percentage, primarily by seeking entitlements for a portion of this density, which is expected to lead to an increase in its net asset value. Specifically, the Company is targeting to complete approximately 7.5 million square feet of new entitlement submissions by December 31, 2019. Additionally, the Company expects that as a result of its Evolved Strategy that the annual growth in its average rental rate will accelerate above its historical norm of 2.5%.

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 and NAV, 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 and value.

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 nine months ended September 30, 2019, the Same Property portfolio delivered net operating income growth of 2.9% 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. As at September 30, 2019, total portfolio occupancy increased 0.2% to 96.7% compared to 96.5% as at September 30, 2018. For the nine months ended September 30, 2019, the monthly average occupancy for the total portfolio was 96.6% compared to 96.2%, while the monthly average Same Property portfolio occupancy was 97.2% compared to 97.1% 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 September 30, 2019, the Company had identified 23.9 million square feet of incremental density available in the portfolio for future development including 2.2 million square feet of commercial and 21.7 million square feet of residential space. Currently, 21.8% of this density is included in the Company's NAV. The Company intends to increase this percentage primarily by securing entitlements on a portion of this space. Specifically, Management intends to complete entitlement submissions on approximately 7.5 million square feet of additional density by December 31, 2019 of which 7.2 million square feet has already been submitted.

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 growth, densely populated, 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 first nine months of the year, the Company transferred 178,000 square feet of new urban retail space as well as 199 residential units to income-producing properties at a cost of $223.5 million. The new urban retail space was transferred at an average net rental rate of $31.24 per square foot, well above the average rate for the entire portfolio of $20.65.

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 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 first nine months of the year, the Company acquired interests in four properties, two land parcels and its partner's remaining interest in the King High Line project for $255.8 million, adding a total of 203,850 square feet of gross leasable area to the portfolio. In addition, the Company, together with its partner, acquired the remaining 46.9% interest in four properties of Main & Main Urban Realty LP for approximately $116.0 million. The majority of the properties acquired are located in Toronto and are very consistent with the Company's super urban strategy. Specifically, the development properties acquired provide the Company with value add opportunities based on their proximity to existing assets as well as the potential to realize additional density that the Company intends to pursue through the entitlements process. The Company also invested $125.1 million in development and redevelopment activities.

Disposition Activity

The Company continues to complete strategic dispositions to further align its portfolio with its Evolved Urban Investment Strategy and to de-lever the balance sheet following the April 16, 2019 closing of its $741.6 million share repurchase. 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 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 23 million square feet.

During the first nine months of the year, the Company had total dispositions of $367.4 million. Additionally, as at September 30, 2019, Management classified $506.7 million of investment properties as held for sale.

Subsequent to quarter end, the Company disposed of a 50% non-managing interest in a portfolio of six properties located in the Greater Montreal and Greater Ottawa areas for $177.0 million. In addition, the Company has entered into a binding purchase and sale agreement to dispose of a 100% interest in its entire Quebec City portfolio of five properties for $163.8 million.

Financing Activity

On April 16, 2019, the Company completed the share repurchase of 36,000,000 common shares from Gazit at a price of $20.60 per share for gross proceeds to Gazit of $741.6 million. The share repurchase was cross-conditional on the completion of Gazit's bought deal secondary offering of 22,000,000 of its common shares at a price of $20.60 per share to a syndicate of underwriters for gross proceeds to Gazit of approximately $453 million which closed on April 11, 2019. Following the closing of these transactions Gazit's ownership of the Company was reduced from 31.2% to approximately 9.9%. To fund the share repurchase and other operational needs, the Company entered into $850 million of senior unsecured bank term loans with maturities ranging from 4 - 7 years. Concurrent with the 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 metrics as at December 31, 2018 within 24 months of the share repurchase by disposing of selected assets that are deemed to be inconsistent with its Evolved Urban Investment Strategy.

During the first nine months of the year, the Company repaid $192.1 million of mortgages with a weighted average effective interest rate of 4.2% and obtained $392.9 million in new 10 year mortgages at a weighted average effective interest rate of 3.4%.

On July 22, 2019, the Company completed the issuance of $200 million in principal amount of Series V senior unsecured debentures due January 22, 2027. These debentures bear interest at a coupon rate of 3.456% per annum, payable semi - annually commencing January 22, 2020. On July 30, 2019, the Company repaid its 5.48% Series L senior unsecured debentures totaling $150.0 million with the net proceeds received from the issuance of the Series V unsecured debentures.

REIT Conversion

On October 7, 2019, the Company announced that its Board of Directors, upon receipt of a fairness opinion, had unanimously approved the previously announced reorganization of the Company into a real estate investment trust to be named First Capital Real Estate Investment Trust. The reorganization will be subject to shareholder approval, including holders of common shares represented by instalment receipts, at a special meeting to be held on December 10, 2019. Further details on the reorganization were set forth in an information circular of the Company that was mailed to shareholders on November 1, 2019. Completion of the REIT conversion is expected to occur on or about December 30, 2019.

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
- converting into a REIT

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 six 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 six 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 two partially owned ventures and consolidates 100% of the revenues, expenses, assets, and liabilities in the consolidated financial statements. In the reconciliations, the partially owned ventures are also presented as if they were proportionately consolidated. To achieve the proportionate presentation of its partially owned ventures, 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.

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.

Net Asset Value

Net Asset Value ("NAV") represents the proportionate share of the Company's total assets less the proportionate share of its total liabilities excluding deferred tax liabilities.

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 (22.9 million square feet at its ownership interest compared to 25.1 million square feet at 100% as at September 30, 2019). These metrics exclude the operating metrics related to the Company's interest in MMUR as its business operations are focused on developing future income-producing properties.

SUMMARY CONSOLIDATED INFORMATION AND HIGHLIGHTS

	Three months ended September 30		Nine months ended September 30	
	2019	2018	**2019**	2018
Revenues, Income and Cash Flows [1]				
Revenues and other income	**$ 195,478**	$ 190,639	**$ 594,328**	$ 565,284
NOI [2]	**$ 115,023**	$ 114,800	**$ 346,448**	$ 340,258
Increase (decrease) in value of investment properties, net	**$ 25,827**	$ 68,528	**$ 42,034**	$ 91,417
Net income attributable to common shareholders	**$ 65,490**	$ 131,427	**$ 208,886**	$ 279,300
Net income per share attributable to common shareholders (diluted)	**$ 0.30**	$ 0.52	**$ 0.89**	$ 1.12
Weighted average number of common shares – diluted – IFRS (in thousands)	**220,664**	254,100	**234,269**	249,135
Cash provided by operating activities	**$ 70,254**	$ 72,049	**$ 162,242**	$ 168,884
Dividends				
Dividends	**$ 47,294**	$ 54,931	**$ 149,604**	$ 160,564
Dividends per common share	**$ 0.215**	$ 0.215	**$ 0.645**	$ 0.645

As at September 30	**2019**	2018
Financial Information [1]		
Investment properties [3]	**$ 10,119,973**	$ 9,706,381
Hotel property	**$ 58,670**	$ 58,765
Total assets	**$ 10,585,127**	$ 10,317,034
Mortgages [3]	**$ 1,434,249**	$ 1,119,342
Credit facilities	**$ 1,220,902**	$ 559,520
Senior unsecured debentures	**$ 2,496,964**	$ 2,546,991
Shareholders' equity	**$ 4,272,781**	$ 4,981,511
Net Asset Value per share [2]	**$ 23.08**	$ 22.54
Capitalization and Leverage		
Shares outstanding (in thousands)	**219,100**	254,803
Enterprise value [2]	**$ 10,066,000**	$ 9,306,000
Net debt to total assets [2] [4]	**48.9%**	41.7%
Weighted average term to maturity on mortgages, fixed rate unsecured term loans and senior unsecured debentures (years)	**5.4**	5.1

As at September 30	2019	2018
Operational Information		
Number of properties	**166**	166
GLA (square feet) – at 100%	**25,092,000**	25,519,000
GLA (square feet) – at ownership interest	**22,936,000**	23,797,000
Occupancy – Same Property – stable [2]	**97.4%**	97.2%
Total portfolio occupancy	**96.7%**	96.5%
Development pipeline and adjacent land (GLA) [5]		
Commercial pipeline (primarily retail)	**2,204,000**	2,603,000
Residential pipeline	**21,704,000**	19,662,000
Average rate per occupied square foot	**$ 20.65**	$ 20.14
GLA developed and brought online - at ownership interest	**267,000**	197,000
Same Property – stable NOI – increase (decrease) over prior period [2] [6]	**2.2%**	2.9%
Total Same Property NOI – increase (decrease) over prior period [2] [6]	**2.9%**	3.1%

	Three months ended September 30		Nine months ended September 30	
	2019	2018	**2019**	2018
Funds from Operations [2] [4]				
FFO	**$ 75,595**	$ 76,510	**$ 221,477**	$ 229,591
FFO per diluted share	**$ 0.34**	$ 0.30	**$ 0.95**	$ 0.92
FFO payout ratio	**62.7%**	71.4%	**68.3%**	69.9%
Weighted average number of common shares – diluted – FFO (in thousands)	**220,664**	254,100	**234,269**	248,697
Adjusted Cash Flow from Operations [2] [4]				
ACFO	**$ 60,533**	$ 71,464	**$ 183,858**	$ 195,796
ACFO payout ratio on a rolling four quarter basis			**82.9%**	81.3%

(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.

(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 September 30, 2019, the Company had interests in 166 properties, which were 96.7% occupied with a total GLA of 22.9 million square feet at the Company's ownership interest (25.1 million square feet at 100%) and a fair value of $10.1 billion as well as development land with a fair value of $73.4 million. This compares to 166 properties, which were 96.7% occupied with a total GLA of 23.9 million square feet at the Company's ownership interest (25.3 million square feet at 100%) and a fair value of $9.8 billion and $78.1 million, respectively, as at December 31, 2018. As at September 30, 2019, the average size of the properties is approximately 151,000 square feet, ranging from approximately 6,000 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 131 properties with a GLA of 20.1 million square feet (18.3 million square feet at the Company's ownership interest) and a fair value of $7.0 billion. These properties represent 78.9% of the Company's property count, 79.7% of its GLA at the Company's ownership interest and 68.8% of its fair value as at September 30, 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	**September 30, 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	**121**	**15,924**	**97.4%**	**$ 20.91**	121	15,970	97.3%	$ 20.74
Same Property with redevelopment	**10**	**2,365**	**96.4%**	**17.72**	10	2,346	97.9%	17.41
Total Same Property	**131**	**18,289**	**97.3%**	**20.50**	131	18,316	97.4%	20.32
Major redevelopment	**11**	**2,361**	**93.2%**	**26.23**	11	2,345	93.2%	25.85
Ground-up development	**1**	**273**	**99.6%**	**31.98**	1	147	98.8%	29.93
Acquisitions	**9**	**228**	**94.0%**	**24.99**	6	202	93.9%	24.91
Investment properties classified as held for sale	**14**	**1,785**	**94.8%**	**12.54**	14	1,785	94.1%	12.33
Dispositions	**—**	**—**	**—%**	**—**	3	1,059	96.9%	17.73
Total	**166**	**22,936**	**96.7%**	**$ 20.65**	166	23,854	96.7%	$ 20.24

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

As at			**September 30, 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][2]	% of Total Fair Value	Occupancy	Weighted Average Rate per Occupied Square Foot	% of Annual Minimum Rent
Greater Toronto Area	**53**	**6,991**	**$ 4,491**	**45%**	**96.7%**	**$ 24.10**	**36%**	50	6,880	$ 3,904	40%	97.0%	$ 23.79	34%
Greater Montreal Area	**32**	**4,186**	**1,255**	**12%**	**96.3%**	**16.63**	**15%**	32	4,384	1,278	14%	95.3%	16.73	15%
Greater Calgary Area	**17**	**2,719**	**1,198**	**12%**	**96.8%**	**23.10**	**13%**	17	2,694	1,181	12%	97.2%	22.61	13%
Greater Vancouver Area	**17**	**1,800**	**1,057**	**10%**	**96.9%**	**25.21**	**10%**	19	2,033	1,108	11%	97.3%	24.18	10%
Greater Edmonton Area	**12**	**2,279**	**813**	**8%**	**97.1%**	**19.48**	**9%**	12	2,323	863	9%	98.1%	19.27	9%
Greater Ottawa Area	**13**	**1,495**	**470**	**5%**	**97.4%**	**19.13**	**6%**	13	1,902	588	6%	96.6%	18.24	7%
Kitchener/ Waterloo/ Guelph Area	**5**	**1,042**	**334**	**3%**	**98.9%**	**18.66**	**4%**	5	1,042	339	3%	98.4%	18.40	4%
Other	**17**	**2,424**	**500**	**5%**	**95.2%**	**14.26**	**7%**	18	2,596	569	5%	95.9%	14.14	8%
Total	**166**	**22,936**	**$10,118**	**100%**	**96.7%**	**$ 20.65**	**100%**	166	23,854	$ 9,830	100%	96.7%	$ 20.24	100%

(1) At the Company's proportionate interest, excluding development land. Includes hotel property at net book value as at September 30, 2019 and December 31, 2018, respectively.
(2) Excludes fair value of MMUR's properties of $88 million as at December 31, 2018.

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 September 30, 2019		**Nine months ended September 30, 2019**	
(millions of dollars)	**Investment Properties**	**Development Land**	**Investment Properties**	**Development Land**
Balance at beginning of period	**$ 9,628**	**$ 72**	**$ 9,690**	**$ 78**
Acquisitions				
Investment properties and additional adjacent spaces	**172**	**—**	**186**	**14**
Properties acquired for redevelopment	**173**	**—**	**173**	**—**
Development activities and property improvements	**64**	**3**	**165**	**5**
Consolidation of equity accounted joint venture	**131**	**—**	**131**	**—**
Increase (decrease) in value of investment properties, net	**27**	**(1)**	**40**	**2**
Dispositions	**(149)**	**—**	**(342)**	**(25)**
Other changes	**1**	**(1)**	**4**	**(1)**
Balance at end of period [1]	**$ 10,047**	**$ 73**	**$ 10,047**	**$ 73**

(1) Includes investment properties classified as held for sale as at September 30, 2019 totaling $507 million of investment properties.

		Three months ended September 30, 2018			Nine months ended September 30, 2018	
(millions of dollars)		Investment Properties	Development Land		Investment Properties	Development Land
Balance at beginning of period	$	9,415	$ 92	$	9,317	$ 79
Acquisitions						
Investment properties and additional adjacent spaces		70	—		91	2
Development activities and property improvements		63	2		192	5
Increase (decrease) in value of investment properties, net		69	2		81	10
Dispositions		(6)	—		(78)	—
Other changes		(1)	—		7	—
Balance at end of period [1]	$	9,610	$ 96	$	9,610	$ 96

[1] Includes investment properties classified as held for sale as at September 30, 2018 totaling $103 million of investment properties and $33 million of development land.

2019 Acquisitions

Income-producing properties and Additional Adjacent Spaces

During the nine months ended September 30, 2019, the Company acquired three properties and the remaining interest in the King High Line project, 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
2.	738-11th Avenue SW (Glenbow)	Calgary, AB	Q2	50%	15,700	6.1
3.	1100 King St. W. (Liberty Village)[1]	Toronto, ON	Q3	50%/30%	175,800	166.2
4.	134 Atlantic Avenue (Liberty Village)	Toronto, ON	Q3	100%	3,150	3.2
	Total				203,850	$ 182.5

[1] The Company acquired an incremental interest of 50% and 30% of the Retail and Residential components, respectively.

Development Properties

During the nine months ended September 30, 2019, the Company acquired two land parcels and one property slated for mixed use development in Yorkville, as summarized in the table below:

Count	Property Name	City/Province	Quarter Acquired	Interest Acquired	Acreage	Acquisition Cost (in millions)
	Properties acquired for redevelopment					
1.	140 Yorkville Ave. (Yorkville Village)	Toronto, ON	Q3	33%	0.6	59.7
	Total properties acquired for redevelopment				0.6	$ 59.7
	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

Acquisition of additional Interest in MMUR Properties

During the nine months ended September 30, 2019, the Company, together with its partner in MMLP acquired the remaining 46.9% interest in four properties of Main & Main Urban Realty LP for approximately $116.0 million ($98 million at the Company's interest).

2019 Dispositions

During the nine months ended September 30, 2019, the Company disposed of its 100% interests in two portfolios consisting of 9 properties located in British Columbia as well as a 50% non-managing interest in a portfolio of 6 properties located in Ontario, Quebec and Alberta. Additionally, the Company disposed of three incoming producing properties, air rights, a partial interest in the residential portion of the Company's King High Line project and its entire interests in three land parcels for total proceeds of $367.4 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	
4.	Bow Valley Crossing - Land	Calgary, AB	Q2	95%	—	46.0	
5.	Gloucester City Centre	Ottawa, ON	Q2	50%	184,300	14.3	
6.	Carrefour du Plateau	Gatineau, QC	Q2	50%	115,300	12.3	
7.	Merivale Mall	Ottawa, ON	Q2	50%	109,500	8.2	
8.	Galeries de Repentigny	Repentigny, QC	Q2	50%	65,400	6.3	
9.	Galeries Brien Ouest/Est	Repentigny, QC	Q2	50%	30,600	2.2	
10.	Centre Maxi Trois Rivieres	Trois-Rivieres, QC	Q2	100%	121,300	11.9	
11.	Atrium Du Sanctuaire	Montreal, QC	Q2	100%	36,500	4.7	
12.	Centre Commercial Wilderton - Phase 1 Residential Air Rights	Montreal, QC	Q2	100%	—	—	
13.	Nanaimo Portfolio	Nanaimo, BC	Q3	100%	149,800	10.9	
14.	Langford Portfolio	Victoria, BC	Q3	100%	141,500	8.6	
15.	Gateway Village	St. Albert, AB	Q3	50%	52,700	6.0	
16.	1100 King St. W. - Residential [1]	Toronto, ON	Q3	10%	—	—	
	Total				1,059,000	158.2	$ 367.4

[1] The Company's former partner also sold their 20% interest in the residential component of the property to the same purchaser.

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:

Nine months ended September 30			**2019**	2018
	Total Same Property	**Other Property Categories**	**Total**	Total
Revenue sustaining	**$ 15,021**	**$ —**	**$ 15,021**	$ 10,067
Revenue enhancing	**12,560**	**13,186**	**25,746**	21,724
Expenditures recoverable from tenants	**3,902**	**1,301**	**5,203**	3,165
Development expenditures	**12,905**	**112,214**	**125,119**	164,688
Total	**$ 44,388**	**$ 126,701**	**$ 171,089**	$ 199,644

During the nine months ended September 30, 2019, capital expenditures totaled $171.1 million compared to $199.6 million for the same prior year period. The $28.6 million decrease was primarily due to lower development spend related to the Yorkville Village and Mount Royal West projects that were completed in 2018, partially offset by higher spend related to the Semiahmoo Shopping Centre project in 2019.

Valuation of Investment Properties

During the nine months ended September 30, 2019, the weighted average stabilized capitalization rate of the Company's investment property portfolio decreased from 5.3% as at December 31, 2018 to 5.2%, primarily due to the impact of dispositions during the period. The net increase in the fair value of investment properties of $42.0 million was primarily due to entitlements being obtained on a downtown Toronto property as well as stabilized NOI growth across the portfolio for the nine months ended September 30, 2019.

The values of the Company's investment properties and associated stabilized capitalization rates by region were as follows as at September 30, 2019 and December 31, 2018:

As at September 30, 2019		**Stabilized Capitalization Rate**			
(millions of dollars)	**Number of Properties**	**Weighted Average**	**Median**	**Range**	**Fair Value**
Central Region	**68**	**5.0%**	**5.3%**	**3.0%-7.0%**	**$ 5,074**
Eastern Region	**51**	**5.9%**	**6.0%**	**4.4%-7.8%**	**1,836**
Western Region	**47**	**5.2%**	**5.3%**	**3.8%-7.5%**	**3,137**
Total or Weighted Average	**166**	**5.2%**	**5.5%**	**3.0%-7.8%**	**$ 10,047**

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 September 30, 2019, the Company's portfolio is comprised of 22.9 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 September 30, 2019, Management had identified approximately 23.9 million square feet of incremental density. This incremental density represents an opportunity that exceeds 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 expected 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 September 30, 2019	Square feet (in thousands)		
	Commercial	Residential	Total
Active Development			
Same Property with redevelopment	22	—	22
Major redevelopment	102	—	102
Ground-up development	80	404	484
	204	**404**	**608**
Future incremental density			
Medium term	1,700	12,600	14,300
Long term	200	5,500	5,700
Very long term	100	3,200	3,300
	2,000	**21,300**	**23,300**
Total development pipeline	**2,204**	**21,704**	**23,908**

The Company determines its course of action with respect to the 21.3 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 5.2 million of the Company's 23.9 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 5.2 million square feet is comprised of 0.6 million square feet in active development which is valued as part of the overall property and 4.6 million of incremental density carried at approximately $434 million. The value of the incremental density included as part of the Company's fair value of investment properties increased $227 million over prior quarter primarily due to acquisitions of development properties with incremental density potential as well as entitlements received on a downtown Toronto property. The remaining 18.7

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. The Company is actively pursuing entitlements including zoning approvals on a meaningful amount of its identified incremental density and is targeting to complete approximately 7.5 million square feet of entitlement submissions by December 31, 2019 of which 7.2 million square feet has already been submitted.

Invested Cost of Properties Under Development

As at September 30, 2019, the Company had $634.0 million of properties under development and development land parcels at invested cost, representing approximately 6.3% of the value of the total investment property portfolio.

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

As at September 30, 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	**10**	**608**	**$ 230**	**$ 80**	**$ 310**
Total development land, adjacent land parcels, and other [3]				$ 324	$ 324
Total				**$ 404**	**$ 634**

(1) Includes 404,000 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 nine months ended September 30, 2019, the Company completed the transfer of 178,000 square feet of new urban retail space as well as 199 residential units to the income-producing portfolio at a total cost of $223.5 million. Of the urban retail space transferred, 176,000 square feet became occupied at an average rental rate of $31.24 per square foot, well above the average rate for the portfolio of $20.65.

For the nine months ended September 30, 2019, the Company had tenant closures for redevelopment of 98,000 square feet at an average rental rate of $13.38 per square foot. All 98,000 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 ten projects comprised of approximately 608,000 square feet of space currently under development, of which 204,000 square feet is retail space and 404,000 square feet is residential rental apartments. A total of 49,000 square feet of the retail space currently under development is subject to committed leases at a weighted average rate of $30.64 per square foot. As construction on large projects occurs in phases, there continues to be ongoing negotiations in various stages with retailers for the planned space. Leasing of residential apartments begins as the project is nearing completion.

Highlights of the Company's active projects as at September 30, 2019 are as follows:

As at September 30, 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.	King High Line (Shops at King Liberty), Toronto, ON [2][3]	*(Longo's, Canadian Tire, Shoppers Drug Mart, Winners, Kids & Company, WeWork)*	100%/ 70%	143	H2 2019	$350 - $390	$112	$212
2.	3080 Yonge Street, Toronto, ON	*(Loblaws, Tim Hortons, Anatomy Fitness)*	100.0%	16	H2 2019	$135 - $150	$18	116
3.	Semiahmoo Shopping Centre, Surrey, BC	*(Crunch Fitness, Winners, Rothewood Academy)*	100.0%	5	H2 2019	$125 - $140	$3	$120
4.	The Brewery District, Edmonton, AB [4]	*(MEC, Loblaws City Market, GoodLife Fitness, Winners)*	50.0%	26	H2 2019	$100 - $110	$15	$83
5.	Victoria Terrace, Toronto, ON	*(Starbucks, Sunset Grill)*	100.0%	4	H2 2019	$4.5 - $5.0	$3	N/A
6.	Westmount Shopping Centre, Edmonton, AB	*(Church's Chicken)*	100.0%	5	H2 2019	$3.5 - $4.0	$1	N/A
7.	Newport Village Shopping Centre, Calgary, AB	*(Jollibee)*	100.0%	3	H2 2019	$2.5 - $3.0	$1	N/A
8.	Chartwell Shopping Centre, Toronto, ON	*(Mabu Station)*	100.0%	10	H1 2020	$6.5 - $7.0	$3	N/A
9.	Dundas & Aukland, Toronto, ON [5]	*(Grocery store)*	100.0%	315	H1 2021	$150 - $170	$62	—
10.	Wilderton, Montreal, QC [6]	*(Metro, Pharmaprix, Tim Hortons, SAQ)*	100.0%	81	H2 2022	$57 - $62	$12	$13
	Total development and redevelopment activities			**608**		**$934 - $1041**	**$230**	**$544**

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

(2) The Company's ownership interest in the retail and residential components are 100% and 70%, respectively.

(3) The square feet under development comprises 7,000 square feet of retail (100% at the Company's interest) and 136,000 square feet of residential space (70% at the Company's interest).

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

(5) Subject to non-controlling interest of 29.12%. The square feet under development comprises 47,000 square feet of retail and 268,000 square feet of residential.

(6) Target completion date reflects future phases.

Costs to Complete Active and Redevelopment Activities

Costs to complete the development, redevelopment and expansion activities underway are estimated to be approximately $195.3 million.

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% residential 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 $10.5 million at September 30, 2019. Total invested cost at completion is estimated to be $22.5 million with a target completion date in the second half of 2020.

Leasing and Occupancy

As at September 30, 2019, total portfolio occupancy increased 0.2% to 96.7% while Same Property portfolio occupancy was up 0.1% compared to September 30, 2018. The increase was primarily related to leasing activity over the last twelve months resulting from tenants taking possession of approximately 0.8 million square feet of space. Total portfolio occupancy remained consistent at 96.7% while Same Property portfolio occupancy decreased 0.1% to 97.3% compared to December 31, 2018.

For the nine months ended September 30, 2019, the monthly average occupancy for the total portfolio was 96.6% compared to 96.2%, and the Same Property portfolio occupancy was 97.2% compared to 97.1% for the same prior year period, respectively.

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

As at	**September 30, 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	**15,512**	**97.4%**	**$ 20.91**	15,542	97.3%	$ 20.74
Same Property with redevelopment	**2,280**	**96.4%**	**17.72**	2,296	97.9%	17.41
Total Same Property	**17,792**	**97.3%**	**20.50**	17,838	97.4%	20.31
Major redevelopment	**2,202**	**93.2%**	**26.23**	2,185	93.2%	25.85
Ground-up development	**272**	**99.6%**	**31.98**	145	98.8%	29.93
Investment properties classified as held for sale	**1,692**	**94.8%**	**12.54**	1,681	94.1%	12.33
Total portfolio before acquisitions and dispositions	**21,958**	**96.7%**	**20.60**	21,849	96.7%	20.32
Acquisitions	**213**	**94.0%**	**24.99**	190	93.9%	24.91
Dispositions	**—**	**—%**	**—**	1,026	96.9%	17.73
Total [1]	**22,171**	**96.7%**	**$ 20.65**	23,065	96.7%	$ 20.24

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

During the three months ended September 30, 2019, the Company completed 546,000 square feet of lease renewals across the portfolio. The Company achieved a 10.4% 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 September 30, 2019, the Company achieved a 11.8% 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 0.3% from $20.58 as at June 30, 2019 to $20.65 as at September 30, 2019 primarily due to renewal lifts, rent escalations and acquisitions.

Changes in the Company's gross leasable area and occupancy for the total portfolio for the three months ended September 30, 2019 are set out below:

Three months ended September 30, 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
June 30, 2019 [2]	**17,819**	**97.5%**	**$ 20.46**	**4,571**	**94.2%**	**$ 21.06**	**15**	**0.1%**	**731**	**3.2%**	**23,136**	**96.8%**	**$ 20.58**
Tenant possession	197		13.56	37		23.28	—		(234)		—		15.11
Tenant closures	(232)		(15.67)	(48)		(53.11)	—		280		—		(22.11)
Tenant closures for redevelopment	(3)		(25.00)	(12)		(11.16)	12		3		—		(13.58)
Developments – tenants coming online [3]	8		22.62	90		27.14	—		(1)		97		26.77
Redevelopments – tenant possession	—		—	—		—	—		—		—		—
Demolitions	—		—	—		—	(18)		(3)		(21)		—
Reclassification	3		—	—		—	(1)		—		2		—
Total portfolio before Q3 2019 acquisitions and dispositions	17,792	97.3%	$ 20.49	4,638	94.2%	$ 21.03	8	—%	776	3.3%	23,214	96.6%	$ 20.60
Acquisitions (at date of acquisition)	—	—%	—	66	100.0%	33.42	—	—%	—		66	100.0%	33.42
Dispositions (at date of disposition)	—	—%	—	(325)	94.4%	20.79	—	—%	(19)		(344)	94.4%	20.43
September 30, 2019	**17,792**	**97.3%**	**$ 20.50**	**4,379**	**94.2%**	**$ 21.24**	**8**	**—%**	**757**	**3.3%**	**22,936**	**96.7%**	**$ 20.65**
Renewals	469		$ 24.88	77		$ 18.59					546		$ 23.99
Renewals – expired	(469)		$ (22.47)	(77)		$ (17.23)					(546)		$ (21.73)
Net change per square foot from renewals			$ 2.41			$ 1.36							$ 2.26
% Increase on renewal of expiring rents (first year of renewal term)			10.7%			7.9%							10.4%
% increase on renewal of expiring rents (average rate in renewal term)													11.8%

(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.

During the nine months ended September 30, 2019, the Company completed 1,748,000 square feet of lease renewals across the portfolio. The Company achieved a 10.9% 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 nine months ended September 30, 2019, the Company achieved a 12.8% 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 2.0% from $20.24 as at December 31, 2018 to $20.65 as at September 30, 2019 primarily due to renewal lifts, rent escalations, developments coming online and dispositions.

Changes in the Company’s gross leasable area and occupancy for the total portfolio for the nine months ended September 30, 2019 are set out below:

Nine months ended September 30, 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]	**17,838**	**97.4%**	**$ 20.32**	**5,227**	**94.4%**	**$ 19.99**	**33**	**0.1%**	**756**	**3.2%**	**23,854**	**96.7%**	**$ 20.24**
Tenant possession	419		15.97	125		20.04	—		(544)		—		16.91
Tenant closures	(446)		(17.74)	(143)		(31.31)	—		589		—		(21.03)
Tenant closures for redevelopment	(38)		(9.58)	(63)		(15.66)	98		3		—		(13.38)
Developments – tenants coming online [3]	17		31.36	159		31.22	—		2		178		31.24
Redevelopments – tenant possession	—		—	2		5.92	(2)		—		—		5.92
Demolitions	—		—	—		—	(120)		(3)		(123)		—
Reclassification	2		—	10		—	(1)		(13)		(2)		—
Total portfolio before 2019 acquisitions and dispositions	17,792	97.3%	$ 20.49	5,317	94.6%	$ 20.38	8	—%	790	3.3%	23,907	96.7%	$ 20.46
Acquisitions (at date of acquisition)	—	—%	—	88	100.0%	32.06	—	—%	—		88	100.0%	32.06
Dispositions (at date of disposition)	—	—%	—	(1,026)	96.9%	17.75	—	—%	(33)		(1,059)	96.9%	17.56
September 30, 2019	**17,792**	**97.3%**	**$ 20.50**	**4,379**	**94.2%**	**$ 21.24**	**8**	**—%**	**757**	**3.3%**	**22,936**	**96.7%**	**$ 20.65**
Renewals	1,500		$ 20.94	248		$ 21.26					1,748		$ 20.98
Renewals – expired	(1,500)		$ (18.83)	(248)		$ (19.44)					(1,748)		$ (18.91)
Net change per square foot from renewals			$ 2.11			$ 1.82							$ 2.07
% Increase on renewal of expiring rents (first year of renewal term)			11.2 %			9.4 %							10.9 %
% increase on renewal of expiring rents (average rate in renewal term)													12.8 %

(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 September 30, 2019, 54.9% of the Company's annualized minimum rent came from its top 40 tenants (December 31, 2018 – 55.1%). Of these rents, 78.1% (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 5.6 years as at September 30, 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	2,123	9.3%	10.1%	BBB	BBB	
2.	Sobeys	55	1,828	8.0%	6.0%	BBB (low)	BB+	
3.	Metro	45	1,249	5.4%	3.7%	BBB	BBB	
4.	Canadian Tire	26	855	3.7%	2.9%	BBB (high)	BBB+	
5.	Walmart	14	1,337	5.8%	2.5%	AA	AA	Aa2
6.	TD Canada Trust	49	236	1.0%	2.0%	AA (high)	AA-	Aa1
7.	RBC Royal Bank	45	239	1.0%	1.9%	AA (high)	AA-	Aa2
8.	GoodLife Fitness	26	565	2.5%	1.8%			
9.	Dollarama	53	493	2.2%	1.7%	BBB		
10.	Save-On-Foods	9	324	1.4%	1.6%			
Top 10 Tenants Total		422	9,249	40.3%	34.2%			
11.	CIBC	37	191	0.8%	1.4%	AA	A+	Aa2
12.	LCBO	24	210	0.9%	1.3%	AA (low)	A+	Aa3
13.	McKesson	25	209	0.9%	1.2%		BBB+	Baa2
14.	Lowe's	4	361	1.6%	1.2%	BBB (high)	BBB+	Baa1
15.	Restaurant Brands International	59	142	0.6%	1.0%		BB	Ba3
16.	Scotiabank	26	131	0.6%	1.0%	AA	A+	Aa2
17.	BMO	28	119	0.5%	1.0%	AA	A+	Aa2
18.	Longo's	5	196	0.9%	1.0%			
19.	Winners	13	303	1.3%	1.0%		A+	A2
20.	London Drugs	8	192	0.8%	0.9%			
21.	Recipe Unlimited	30	125	0.5%	0.8%			
22.	Nordstrom	1	40	0.2%	0.8%	BBB (high)	BBB+	Baa1
23.	Staples	9	194	0.8%	0.7%		B+	B1
24.	Starbucks	43	64	0.3%	0.7%		BBB+	Baa1
25.	Michaels	4	77	0.3%	0.6%		BB-	Ba2
26.	SAQ	21	101	0.4%	0.6%	A (high)	AA-	Aa2
27.	Whole Foods Market	2	90	0.4%	0.5%		A+	A3
28.	Subway	67	73	0.3%	0.5%			
29.	McDonald's	23	89	0.4%	0.5%		BBB+	Baa1
30.	The Beer Store	12	69	0.3%	0.5%	AA (low)	A+	Aa3
31.	Pusateri's	1	35	0.2%	0.5%			
32.	Toys "R" Us	3	127	0.6%	0.4%			
33.	Yum! Brands	31	49	0.2%	0.4%		BB	Ba2
34.	The Home Depot	2	153	0.7%	0.4%	A	A	A2
35.	Pet Valu	21	59	0.3%	0.3%			
36.	Williams-Sonoma	2	38	0.2%	0.3%			
37.	Equinox	2	38	0.2%	0.3%		B	B2
38.	Alcanna Inc.	12	42	0.2%	0.3%			
39.	Bulk Barn	12	56	0.2%	0.3%			
40.	Cineplex	3	108	0.5%	0.3%			
Top 40 Tenants Total		**952**	**12,930**	**56.4%**	**54.9%**			

[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 September 30, 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]	82	197	0.9%	$ 4,234	0.9%	$ 21.48
2019	133	496	2.2%	9,663	2.0%	19.49
2020	541	2,255	9.8%	44,267	9.0%	19.63
2021	514	2,318	10.1%	45,581	9.2%	19.67
2022	597	3,032	13.2%	67,798	13.7%	22.36
2023	595	3,339	14.6%	66,593	13.5%	19.95
2024	521	2,775	12.1%	57,251	11.6%	20.63
2025	277	1,297	5.7%	33,393	6.8%	25.75
2026	153	940	4.1%	25,309	5.1%	26.92
2027	165	1,143	5.0%	27,355	5.5%	23.94
2028	159	1,116	4.9%	30,719	6.2%	27.53
2029	159	1,019	4.4%	25,954	5.3%	25.48
Thereafter	118	2,244	9.7%	56,275	11.2%	25.05
Total or Weighted Average [2]	4,014	22,171	96.7%	$ 494,392	100.0%	$ 22.30

(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 5.4 years as at September 30, 2019, excluding contractual renewal options, but including month-to-month and other short-term leases.

Investment in Joint Ventures

As at September 30, 2019, the Company had interests in six joint ventures that it accounts for using the equity method. The Company's joint ventures are as follows:

Name of Entity	Name of Property/Business Activity	Location	Effective Ownership	
			September 30, 2019	December 31, 2018
M+M Urban Realty LP ("MMUR") [1]	Commercial/residential properties [2]	Toronto, ON	**N/A**	53.1%
College Square General Partnership	College Square	Ottawa, ON	**50.0%**	50.0%
Green Capital Limited Partnership	Royal Orchard	Markham, ON	**50.0%**	50.0%
Stackt Properties LP	Shipping Container marketplace	Toronto, ON	**94.0%**	94.0%
Fashion Media Group GP Ltd.	Toronto Fashion Week events	Toronto, ON	**77.0%**	72.0%
FC Access LP	Whitby Mall (self storage units)	Whitby, ON	**25.0%**	N/A
Edenbridge Kingsway (Humbertown)	Humbertown Condos (Phase 1)	Toronto, ON	**50.0%**	N/A

(1) MMUR was a consolidated joint venture between the Company, Main and Main Developments LP and an institutional investor until July 22,2019 when the Company and its partner acquired the institutional investor's interest.

(2) As at September 30, 2019 and December 31, 2018, MMUR owned 4 properties.

The Company has determined that these investments are joint ventures as all decisions regarding their activities are made unanimously between the Company and its partners.

The following table reconciles the changes in the Company's interests in its equity accounted joint ventures:

	Nine months ended September 30, 2019
Balance at beginning of period	**$ 144,375**
Contributions to equity accounted joint ventures	**15,957**
Distributions from equity accounted joint ventures	**(24,886)**
Consolidation of equity accounted joint venture	**(78,543)**
Share of income from equity accounted joint ventures	**2,262**
Balance at end of period	**$ 59,165**

During the third quarter, the Company, together with its partner in MMLP acquired the remaining 46.9% interest in four remaining MMUR assets for approximately $116.0 million. As a result, FCR now controls MMUR through its direct and indirect interests, requiring the consolidation of the assets, liabilities, revenues and expenses of MMUR from the date of acquisition.

Loans, Mortgages and Other Assets

As at	**September 30, 2019**	December 31, 2018
Non-current		
Loans and mortgages receivable classified as FVTPL (a)	**$ 20,733**	$ 20,511
Loans and mortgages receivable classified as amortized cost (a)(b)	**43,695**	57,003
Other investments	**15,654**	15,834
Total non-current	**$ 80,082**	$ 93,348
Current		
Loans and mortgages receivable classified as FVTPL (a)	**$ 118**	$ 87,106
Loans and mortgages receivable classified as amortized cost (a)(b)	**75,049**	160,043
FVTPL investments in securities (c)	**5,023**	23,562
Total current	**$ 80,190**	$ 270,711
Total	**$ 160,272**	$ 364,059

(a) Loans and mortgages receivable are primarily secured by interests in investment properties or shares of entities owning investment properties. As at September 30, 2019, these receivables bear interest at weighted average effective interest rates of 7.0% (December 31, 2018 – 9.7%) and mature between 2019 and 2028.

(b) During the quarter, approximately $131.3 million of mortgages receivable were fully repaid related to the Company's priority ranking mortgages on a development project at the southwest corner of Yonge Street and Bloor Street in Toronto, Ontario.

(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 September 30			Nine months ended September 30		
	% change	**2019**	2018	**% change**	**2019**	2018
Property rental revenue						
Base rent		**$ 88,375**	$ 86,148		**$ 263,978**	$ 257,266
Operating cost recoveries		**19,033**	19,344		**60,887**	58,788
Realty tax recoveries		**25,504**	25,794		**79,561**	77,704
Lease surrender fees		**229**	8		**5,028**	1,895
Percentage rent		**670**	804		**1,823**	1,573
Prior year operating cost and tax recovery adjustments		**(71)**	(160)		**(1,030)**	(1,214)
Temporary tenants, storage, parking and other		**2,999**	2,802		**8,712**	8,046
Total Same Property rental revenue		**136,739**	134,740		**418,959**	404,058
Property operating costs						
Recoverable operating expenses		**20,347**	20,541		**65,874**	63,708
Recoverable realty tax expense		**27,425**	27,423		**85,595**	83,619
Prior year realty tax expense		**(158)**	(499)		**(305)**	(2,232)
Other operating costs and adjustments		**175**	(328)		**486**	(820)
Total Same Property operating costs		**47,789**	47,137		**151,650**	144,275
Total Same Property NOI [1]	**1.5%**	**$ 88,950**	$ 87,603	**2.9%**	**$ 267,309**	$ 259,783
Major redevelopment		**12,190**	11,411		**36,386**	33,255
Ground-up development		**708**	606		**1,906**	2,101
Acquisitions – 2019		**580**	—		**789**	—
Acquisitions – 2018		**2,293**	1,448		**5,244**	1,576
Investment properties classified as held for sale		**7,763**	7,456		**22,312**	22,096
Dispositions – 2019		**1,069**	4,447		**8,333**	12,863
Dispositions – 2018		**34**	627		**96**	2,826
Straight-line rent adjustment		**1,428**	1,196		**3,975**	5,739
Development land		**8**	6		**98**	19
NOI [1]	**0.2%**	**$ 115,023**	$ 114,800	**1.8%**	**$ 346,448**	$ 340,258
NOI margin		**62.6%**	62.9%		**61.3%**	62.4%

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

For the three and nine months ended September 30, 2019, total NOI increased by $0.2 million and $6.2 million, respectively, compared to the same prior year periods primarily due to SP NOI growth. NOI margins have decreased by 0.3% and 1.1%, respectively, for the three and nine months ended September 30, 2019 compared to the same prior year periods. The decrease in the nine months ended September 30, 2019 is primarily due to higher other operating costs, lower straight-line rent, higher tax shortfall, 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 September 30		Nine months ended September 30	
	2019	2018 [1]	**2019**	2018 [1]
Same Property – Stable	**0.9%**	2.4%	**2.2%**	2.9%
Same Property with redevelopment	**7.4%**	3.2%	**9.2%**	4.8%
Total Same Property NOI Growth	**1.5%**	2.5%	**2.9%**	3.1%

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

For the three and nine months ended September 30, 2019, SP NOI increased by $1.3 million and $7.5 million, or 1.5% and 2.9%, respectively, primarily due to rent escalations, increased occupancy and lease surrender fees. Excluding lease surrender fees, SP NOI increased $1.1 million and $4.4 million or 1.3% and 1.7% respectively, 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 September 30, 2019	**Central Region**	**Eastern Region**	**Western Region**	**Other [1]**	**Total**
Property rental revenue	**$ 82,288**	**$ 43,792**	**$ 58,127**	**$ (557)**	**$ 183,650**
Property operating costs	**31,976**	**18,839**	**19,477**	**(1,665)**	**68,627**
NOI	**$ 50,312**	**$ 24,953**	**$ 38,650**	**$ 1,108**	**$ 115,023**

Three months ended September 30, 2018	Central Region	Eastern Region	Western Region	Other [1]	Total
Property rental revenue	$ 77,045	$ 46,485	$ 59,349	$ (511)	$ 182,368
Property operating costs	29,678	19,641	19,932	(1,683)	67,568
NOI	$ 47,367	$ 26,844	$ 39,417	$ 1,172	$ 114,800

Nine months ended September 30, 2019	**Central Region**	**Eastern Region**	**Western Region**	**Other [1]**	**Total**
Property rental revenue	**$ 243,767**	**$ 139,831**	**$ 183,369**	**$ (1,818)**	**$ 565,149**
Property operating costs	**97,569**	**63,236**	**61,938**	**(4,042)**	**218,701**
NOI	**$ 146,198**	**$ 76,595**	**$ 121,431**	**$ 2,224**	**$ 346,448**

Nine months ended September 30, 2018	Central Region	Eastern Region	Western Region	Other [1]	Total
Property rental revenue	$ 226,144	$ 144,192	$ 176,498	$ (1,829)	$ 545,005
Property operating costs	87,470	62,166	59,440	(4,329)	204,747
NOI	$ 138,674	$ 82,026	$ 117,058	$ 2,500	$ 340,258

[1] Other items principally consist of intercompany eliminations.

Interest and Other Income

For the three and nine months ended September 30, 2019, the Company's interest and other income totaled $11.8 million and $29.2 million, compared to $8.3 million and $20.3 million, respectively, for the same prior year periods. The increase of $3.6 million and $8.9 million, respectively, over the same prior year periods was primarily due to higher fee income and higher interest earned as a result of higher loans and mortgages receivable outstanding.

Interest Expense

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

	Three months ended September 30		Nine months ended September 30	
	2019	2018	**2019**	2018
Mortgages	**$ 14,325**	$ 11,814	**$ 40,567**	$ 33,985
Credit facilities	**9,787**	4,480	**24,515**	13,552
Senior unsecured debentures	**26,825**	28,659	**79,761**	85,528
Convertible debentures	**—**	—	**—**	446
Interest capitalized	**(5,932)**	(6,516)	**(16,002)**	(19,425)
Interest expense	**$ 45,005**	$ 38,437	**$ 128,841**	$ 114,086

For the three and nine months ended September 30, 2019, interest expense increased by $6.6 million and $14.8 million, respectively, primarily due to an increase in credit facility borrowings related to the $850 million of new senior unsecured term loans which primarily funded the share repurchase and a greater amount of mortgages outstanding over the same prior year periods.

During the nine months ended September 30, 2019 and 2018, approximately 11.0% or $16.0 million, and 14.5% or $19.4 million, respectively, of interest expense was capitalized to real estate investments for properties undergoing development or redevelopment projects. The decrease in capitalized interest of $3.4 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 September 30		Nine months ended September 30	
	2019	2018	**2019**	2018
Salaries, wages and benefits	**$ 7,220**	$ 6,804	**$ 21,661**	$ 20,895
Non-cash compensation	**1,487**	1,119	**4,289**	3,650
Other corporate costs	**2,860**	2,498	**9,489**	9,360
Total corporate expenses	**11,567**	10,421	**35,439**	33,905
Amounts capitalized to investment properties under development	**(2,048)**	(1,789)	**(6,385)**	(5,723)
Corporate expenses	**$ 9,519**	$ 8,632	**$ 29,054**	$ 28,182

For the three and nine months ended September 30, 2019, corporate expenses increased by $0.9 million and $0.9 million, respectively, compared to the same prior year periods primarily due to higher non-cash compensation and annual merit increases in 2019.

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 nine months ended September 30, 2019 and 2018, approximately 18.0% or $6.4 million and 16.9% or $5.7 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 are as follows:

Three months ended September 30		**2019**		2018
	Consolidated Statement of Income	**Included in FFO**	Consolidated Statement of Income	Included in FFO
Realized gain (loss) on sale of marketable securities	**$ —**	**$ —**	$ 66	$ 66
Unrealized gain (loss) on marketable securities	**203**	**203**	70	70
Gain on below market purchase [(1)]	**—**	**—**	13,975	—
Hotel transaction costs [(2)]	**—**	**—**	(2,052)	—
Gain on Investment [(3)]	**4,022**	**4,022**	—	—
Proceeds from Target [(4)]	**692**	**692**	—	—
Investment properties selling costs	**(1,082)**	**—**	(397)	—
REIT conversion costs	**(1,232)**	**(1,232)**	(350)	(350)
Other	**(125)**	**(125)**	(35)	(35)
Total per consolidated statement of income	**$ 2,478**	**$ 3,560**	$ 11,277	$ (249)
Other gains (losses) and (expenses) under equity accounted joint ventures	**(19)**	**52**	(745)	(697)
Total at the Company's proportionate interest [(6)]	**$ 2,459**	**$ 3,612**	$ 10,532	$ (946)

Nine months ended September 30		**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**	$ 4,189	$ 4,189
Unrealized gain (loss) on marketable securities	**298**	**298**	253	253
Net gain (loss) on prepayments of debt (non-cash)	**—**	**—**	(726)	(726)
Gain on below market purchase [(1)]	**—**	**—**	13,975	—
Hotel transaction costs [(2)]	**—**	**—**	(2,052)	—
Gain on Investment [(3)]	**4,022**	**4,022**	—	—
Proceeds from Target [(4)]	**692**	**692**	—	—
Investment properties selling costs	**(3,106)**	**—**	(1,896)	—
REIT conversion costs	**(2,004)**	**(2,004)**	(598)	(598)
Transaction costs [(5)]	**(3,414)**	**(3,414)**	—	—
Other	**(99)**	**(99)**	(156)	(156)
Total per consolidated statement of income	**$ (2,447)**	**$ 659**	$ 12,989	$ 2,962
Other gains (losses) and (expenses) under equity accounted joint ventures	**(73)**	**10**	(1,230)	(697)
Total at the Company's proportionate interest [(6)]	**$ (2,520)**	**$ 669**	$ 11,759	$ 2,265

(1) Adjustment to exclude gain on below market purchase of hotel property in accordance with the recommendations of REALPAC.

(2) Adjustment to transaction costs incurred as part of hotel property acquisition in accordance with the recommendations of REALPAC.

(3) During the quarter, one of the Company's other investments was acquired for cash and share consideration resulting in the recognition of a $4.0 million gain on investment.

(4) In connection with proceeds recognized under Target Canada's CCAA plan of arrangement related to the closure of two Target stores in the Company's portfolio in 2015.

(5) 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). The amount allocated to the secondary offering was recorded in other gains (losses) and (expenses) during the first quarter.

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

For the three months ended September 30, 2019, the Company recognized $2.5 million in other gains in its consolidated statement of income compared to $11.3 million in 2018. The gain in the quarter was primarily due to $4.0 million of gains recognized on other investments. For the nine months ended September 30, 2019, the Company recognized $2.4 million in other losses and expenses in its consolidated statement of income compared to $13.0 million in other gains in the same prior year period. The loss for the nine months ended September 30, 2019 was primarily due to $3.4 million of transaction costs incurred related to the secondary offering by Gazit and investment property selling costs of $3.1 million due to the Company's increased disposition activity, partially offset by $4.0 million of gains recognized on other investments.

Income Taxes

For the three and nine months ended September 30, 2019, deferred income tax expense totaled $20.6 million and $33.4 million, compared to $22.9 million and $62.8 million, respectively, over the same prior year periods. The decrease of $2.3 million and $29.3 million in deferred taxes was primarily due to lower gains on the fair value of investment properties and in the nine month period the remeasurement of the Company's temporary differences related to properties in Alberta as a result of the decrease in the corporate income tax rate in the Province of Alberta.

Net Income Attributable to Common Shareholders

For the three months ended September 30, 2019, net income attributable to common shareholders was $65.5 million or $0.30 per diluted share compared to $131.4 million or $0.52 per diluted share for the same prior year period. For the nine months ended September 30, 2019, net income attributable to common shareholders was $208.9 million or $0.89 per diluted share compared to $279.3 million or $1.12 per diluted share for the same prior year period. The 22 cent and 23 cent decrease per diluted share, respectively, was primarily due to a lower increase in the fair value of investment properties.

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	**September 30, 2019**	December 31, 2018
Liabilities (principal amounts outstanding)		
Bank indebtedness	**$ 31,720**	$ 7,226
Mortgages	**1,437,715**	1,287,247
Credit facilities	**1,220,902**	626,172
Mortgages under equity accounted joint venture (at the Company's proportionate interest) (1)	**40,381**	41,081
Credit facilities under equity accounted joint venture (at the Company's proportionate interest) (1)	**—**	24,195
Senior unsecured debentures	**2,500,000**	2,450,000
Equity capitalization (2)		
Common shares (based on closing per share price of $22.07; December 31, 2018 – $18.85)	**4,835,536**	4,803,505
Enterprise value (1)	**$ 10,066,254**	$ 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	**September 30, 2019**	December 31, 2018
Weighted average effective interest rate on mortgages, fixed rate unsecured term loans and senior unsecured debentures	**4.0%**	4.2%
Weighted average maturity on mortgages, fixed rate unsecured term loans and senior unsecured debentures (years)	**5.4**	5.5
Net debt to total assets [(1)]	**48.9%**	42.1%
Net debt to Adjusted EBITDA [(1)]	**10.8**	9.6
Unencumbered aggregate assets [(1)]	**$ 7,128,792**	$ 7,270,358
Unencumbered aggregate assets to unsecured debt, based on fair value [(1)]	**2.0**	2.5
Adjusted EBITDA interest coverage [(1)]	**2.5**	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

On April 16, 2019, the Company completed the share repurchase of 36,000,000 common shares from Gazit for gross proceeds of $741.6 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 filed its information circular for the REIT conversion on November 1, 2019 and expects to convert to a REIT on or about December 30, 2019.

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 September 30, 2019 is summarized in the table below:

As at September 30, 2019	Mortgages	Credit Facilities/Bank Indebtedness	Senior Unsecured Debentures	Total	% Due
2019 (remainder of the year)	$ 37,736	$ 22,425	$ —	$ 60,161	1.2%
2020	85,383	30,556	175,000	290,939	5.6%
2021	101,861	33,333	175,000	310,194	6.0%
2022	126,689	235,295	450,000	811,984	15.7%
2023	31,380	381,013	300,000	712,393	13.6%
2024	139,187	300,000	300,000	739,187	14.3%
2025	84,282	75,000	300,000	459,282	8.9%
2026	118,972	175,000	300,000	593,972	11.5%
2027	102,650	—	500,000	602,650	11.6%
2028	165,661	—	—	165,661	3.2%
2029	249,927	—	—	249,927	4.8%
Thereafter	193,987	—	—	193,987	3.6%
	1,437,715	1,252,622	2,500,000	5,190,337	100.0%
Add (deduct): unamortized deferred financing costs, premiums and discounts, net	(3,466)	—	(3,036)	(6,502)	
Total	$ 1,434,249	$ 1,252,622	$ 2,496,964	$ 5,183,835	

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 nine months ended September 30, 2019 are set out below:

Nine months ended September 30, 2019	Amount	Weighted Average Effective Interest Rate
Balance at beginning of period	$ 1,285,908	3.8%
Mortgage borrowings	392,850	3.4%
Mortgage repayments	(192,137)	4.2%
Scheduled amortization on mortgages	(19,875)	—%
Mortgages disposed on sale of investment properties	(30,370)	3.4%
Amortization of financing costs and net premium	(2,127)	—%
Balance at end of period	$ 1,434,249	3.8%

As at September 30, 2019, 100% (December 31, 2018 – 100%) of the outstanding mortgages bore interest at fixed interest rates. The average remaining term of mortgages outstanding increased from 6.2 years as at December 31, 2018 on $1.3 billion of mortgages to 6.6 years as at September 30, 2019 on $1.4 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 September 30, 2019 is summarized in the table below:

As at September 30, 2019	Scheduled Amortization	Payments on Maturity	Total	Weighted Average Effective Interest Rate
2019 (remainder of the year)	$ 7,134	$ 30,602	$ 37,736	6.5%
2020	28,508	56,875	85,383	4.8%
2021	28,424	73,437	101,861	4.7%
2022	31,167	95,522	126,689	3.9%
2023	31,380	—	31,380	N/A
2024	30,709	108,478	139,187	3.8%
2025	28,387	55,895	84,282	3.5%
2026	24,612	94,360	118,972	3.2%
2027	22,786	79,864	102,650	3.6%
2028	19,938	145,723	165,661	3.8%
2029	13,047	236,880	249,927	3.5%
Thereafter	7,449	186,538	193,987	3.6%
	$ 273,541	$ 1,164,174	$ 1,437,715	3.8%
Add: unamortized deferred financing costs and premiums and discounts, net			(3,466)	
Total			$ 1,434,249	

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. Concurrently with the U.S. dollar draws, the Company enters into cross currency swaps to exchange its U.S. dollar borrowings into Canadian dollar borrowings.

On April 16, 2019, the Company completed the share repurchase of 36,000,000 common shares from a subsidiary of Gazit-Globe Ltd. ("Gazit") at a price of $20.60 per share for gross proceeds to Gazit of $741.6 million. To fund the share repurchase and other operational needs, the Company entered into $850 million of 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 no prepayment penalty. 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), and therefore the credit spreads on the majority of the Company's credit facilities that were outstanding prior to the share repurchase increased 25 basis points.

During the third quarter, the Company entered into a new revolving credit facility with a borrowing capacity of CAD$250.0 million as well as a new secured construction facility with a borrowing capacity of CAD$33.3 million, key terms of which are presented in the table below. The Company also extended the maturity of its $11.9 million secured facility and its $15.9 million secured facility to October 27, 2019 and March 31, 2020, respectively. Concurrent with obtaining the new revolving facility, the Company reduced the borrowing capacity of its existing revolving facility from $800 million to $550 million.

The Company's credit facilities as at September 30, 2019 are summarized in the table below:

As at September 30, 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)	$ 550,000	$ (49,432)	$ (43,958)	$ 456,610	BA + 1.45% or Prime + 0.45% or US$ LIBOR + 1.45%	June 30, 2023
Revolving facility maturing 2022	250,000	(180,000)	—	70,000	BA + 1.10% or Prime + 0.25% or US$ LIBOR + 1.10%	September 29, 2022
Floating rate unsecured term loans maturing 2023 (2)	300,000	(299,861)	—	139	BA + 1.20% - 1.25%	April 15, 2023
Fixed rate unsecured term loans maturing 2024 - 2026	550,000	(550,000)	—	—	3.29%	March 28, 2024 - April 14, 2026
Secured construction facilities						
Maturing 2020 (3)	15,000	(14,984)	—	16	BA + 2.50% or Prime + 1.00%	January 31, 2020
Maturing 2020	15,907	(15,572)	—	335	BA + 1.125% or Prime + 0.125%	March 31, 2020
Maturing 2021	33,333	(33,333)	—	—	2.79%	August 26, 2021
Maturing 2022 (3)	138,000	(44,227)	—	93,773	BA + 1.350% or Prime + 0.350%	October 26, 2022
Secured Facilities						
Maturing 2019	20,734	(3,050)	(818)	16,866	BA + 1.20% or Prime + 0.20%	December 31, 2019
Maturing 2019	11,875	(11,875)	—	—	BA + 1.20% or Prime + 0.20%	October 27, 2019
Maturing 2019	7,500	(7,500)	—	—	BA + 1.20% or Prime + 0.20%	October 31, 2019
Maturing 2022	4,313	(4,313)	—	—	BA + 1.20% or Prime + 0.20%	September 28, 2022
Maturing 2022	6,755	(6,755)	—	—	BA + 1.20% or Prime + 0.20%	December 19, 2022
Total	$ 1,903,417	$ (1,220,902)	$ (44,776)	$ 637,739		

(1) The Company had drawn in U.S. dollars the equivalent of CAD$34.7 million which was revalued at CAD$34.4 million, in addition to CAD$15.0 million drawn as at September 30, 2019.

(2) The Company had drawn in U.S. dollars the equivalent of CAD$300.0 million which was revalued at CAD$299.9 million as at September 30, 2019.

(3) The Company now consolidates the assets, liabilities, revenues and expenses of MMUR which was previously equity accounted.

Senior Unsecured Debentures

As at September 30, 2019			Interest Rate		Remaining Term to Maturity	Principal Outstanding
Series	Maturity Date	Interest Payment Dates	Coupon	Effective	(years)	
M	April 30, 2020	April 30, October 30	5.60%	5.60%	0.6	$ 175,000
N	March 1, 2021	March 1, September 1	4.50%	4.63%	1.4	175,000
O	January 31, 2022	January 31, July 31	4.43%	4.59%	2.3	200,000
P	December 5, 2022	June 5, December 5	3.95%	4.18%	3.2	250,000
Q	October 30, 2023	April 30, October 30	3.90%	3.97%	4.1	300,000
R	August 30, 2024	August 30, February 28	4.79%	4.72%	4.9	300,000
S	July 31, 2025	January 31, July 31	4.32%	4.24%	5.8	300,000
T	May 6, 2026	November 6, May 6	3.60%	3.56%	6.6	300,000
U	July 12, 2027	January 12, July 12	3.75%	3.82%	7.8	300,000
V	January 22, 2027	January 22, July 22	3.46%	3.54%	7.3	200,000
	Weighted Average or Total		4.18%	4.22%	4.7	$ 2,500,000

On July 22, 2019, the Company completed the issuance of $200 million principal amount of Series V senior unsecured debentures due January 22, 2027. These debentures bear interest at a coupon rate of 3.456% per annum, payable semiannually commencing January 22, 2020. The net proceeds of the offering were used to pay existing debt.

Shareholders' Equity

Shareholders' equity amounted to $4.3 billion as at September 30, 2019, compared to $5.0 billion as at December 31, 2018. During the nine months ended September 30, 2019, 36 million common shares were repurchased and canceled for $741.6 million to complete the share repurchase transaction and 0.3 million common shares were issued from the exercise of common share options and settlement of restricted, performance and deferred share units.

As at November 4, 2019, there were 219.1 million common shares outstanding.

Share Purchase Options

As at September 30, 2019, the Company had 5.6 million share purchase options outstanding, with an average exercise price of $19.69, which, if exercised, would result in the Company receiving proceeds of $111.2 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)	**September 30, 2019**	December 31, 2018
Total available under credit facilities	**$ 638**	$ 532
Cash and cash equivalents	**$ 19**	$ 16
Unencumbered aggregate assets	**$ 7,129**	$ 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 September 30, 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 September 30		Nine months ended September 30	
	2019	2018	**2019**	2018
Cash provided by operating activities	**$ 70,254**	$ 72,049	**$ 162,242**	$ 168,884
Cash provided by financing activities	**13,347**	87,698	**(155,607)**	(31,096)
Cash used in investing activities	**(77,169)**	(155,852)	**(2,724)**	(133,764)
Net change in cash and cash equivalents	**$ 6,432**	$ 3,895	**$ 3,911**	$ 4,024

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

	Three months ended September 30		Nine months ended September 30	
	2019	2018	**2019**	2018
Cash provided by operating activities	**$ 70,254**	$ 72,049	**$ 162,242**	$ 168,884
Dividends declared	**(47,294)**	(54,931)	**(149,604)**	(160,564)
Excess (shortfall) of cash provided by operating activities over dividends declared	**$ 22,960**	$ 17,118	**$ 12,638**	$ 8,320

Cash provided by operating activities exceeded dividends declared for the three and nine months ended September 30, 2019 and 2018.

Contractual Obligations

An analysis of the Company's contractual maturities of its material financial liabilities and other contractual commitments, as at September 30, 2019 is set out below:

As at September 30, 2019	Payments due by period				
	Remainder of 2019	2020 to 2021	2022 to 2023	Thereafter	Total
Scheduled mortgage principal amortization	$ 7,134	$ 56,932	$ 62,547	$ 146,928	$ 273,541
Mortgage principal repayments on maturity	30,602	130,312	95,522	907,738	1,164,174
Credit facilities and bank indebtedness	22,425	63,889	616,308	550,000	1,252,622
Senior unsecured debentures	—	350,000	750,000	1,400,000	2,500,000
Interest obligations [1]	50,131	363,262	281,071	284,524	978,988
Land leases (expiring between 2023 and 2061)	300	2,139	1,812	17,964	22,215
Contractually committed costs to complete current development projects	26,491	40,829	—	—	67,320
Other committed costs	29,430	—	—	—	29,430
Total contractual obligations	$ 166,513	$ 1,007,363	$ 1,807,260	$ 3,307,154	$ 6,288,290

[1] Interest obligations include expected interest payments on mortgages and credit facilities as at September 30, 2019 (assuming balances remain outstanding through to maturity) and senior unsecured debentures, as well as standby credit facility fees.

The Company has $31.7 million of outstanding letters of credit issued by financial institutions to support certain of the Company's contractual obligations and $31.7 million of bank overdrafts.

The Company's estimated cost to complete properties currently under development is $195.3 million, of which $67.3 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 $87.1 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	**September 30, 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	**$ 9,613,260**	**$ 11,836**	**$ 9,625,096**	$ 9,682,614	$ 125,432	$ 9,808,046
Residential development inventory	**10,540**	**5,466**	**16,006**	9,510	—	9,510
Hotel property	**58,670**	**—**	**58,670**	58,604	—	58,604
Loans, mortgages and other assets	**160,272**	**1,686**	**161,958**	364,059	2,880	366,939
Cash and cash equivalents	**19,445**	**1,571**	**21,016**	15,534	9,141	24,675
Amounts receivable	**39,054**	**1,359**	**40,413**	36,391	(1,097)	35,294
Other assets	**118,008**	**13,114**	**131,122**	56,307	5,822	62,129
Investment in joint ventures	**59,165**	**(59,165)**	**—**	144,375	(144,375)	—
Investment properties classified as held for sale	**506,713**	**—**	**506,713**	85,661	43,305	128,966
Total assets	**$ 10,585,127**	**$ (24,133)**	**$10,560,994**	$ 10,453,055	$ 41,108	$10,494,163
LIABILITIES						
Mortgages	**$ 1,362,791**	**$ 40,269**	**$ 1,403,060**	$ 1,285,908	$ 40,957	$ 1,326,865
Credit facilities	**1,220,902**	**(17,242)**	**1,203,660**	626,172	5,643	631,815
Bank indebtedness	**31,720**	**—**	**31,720**	7,226	—	7,226
Senior unsecured debentures	**2,496,964**	**—**	**2,496,964**	2,447,278	—	2,447,278
Deferred tax liabilities	**815,421**	**—**	**815,421**	793,300	—	793,300
Debt secured by investment properties held for sale	**71,458**	**—**	**71,458**	—	18,553	18,553
Accounts payable and other liabilities	**262,445**	**3,485**	**265,930**	285,099	5,785	290,884
Total liabilities	**6,261,701**	**26,512**	**6,288,213**	5,444,983	70,938	5,515,921
EQUITY						
Shareholders' equity	**4,272,781**	**—**	**4,272,781**	4,978,242	—	4,978,242
Non-controlling interest	**50,645**	**(50,645)**	**—**	29,830	(29,830)	—
Total equity	**4,323,426**	**(50,645)**	**4,272,781**	5,008,072	(29,830)	4,978,242
Total liabilities and equity	**$ 10,585,127**	**$ (24,133)**	**$10,560,994**	$ 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 September 30			**2019**			2018
	Consolidated Statements of Income	**Adjustment to proportionate interest**	**Proportionate interest** [1]	Consolidated Statements of Income	Adjustment to proportionate interest	Proportionate interest [1]
Property rental revenue	**$ 183,650**	**$ 2,893**	**$ 186,543**	$ 182,368	$ 1,961	$ 184,329
Property operating costs	**68,627**	**1,938**	**70,565**	67,568	642	68,210
Net operating income	**115,023**	**955**	**115,978**	114,800	1,319	116,119
Other income and expenses						
Interest and other income	**11,828**	**(1,415)**	**10,413**	8,271	(704)	7,567
Interest expense	**(45,005)**	**(366)**	**(45,371)**	(38,437)	(488)	(38,925)
Corporate expenses	**(9,519)**	**208**	**(9,311)**	(8,632)	296	(8,336)
Abandoned transaction costs	**(510)**	**—**	**(510)**	(60)	—	(60)
Amortization expense	**(1,136)**	**(836)**	**(1,972)**	(1,087)	—	(1,087)
Share of profit from joint ventures	**396**	**(396)**	**—**	487	(487)	—
Other gains (losses) and (expenses)	**2,478**	**(19)**	**2,459**	11,277	(745)	10,532
Increase (decrease) in value of investment properties, net	**25,827**	**(11,419)**	**14,408**	68,528	(55)	68,473
	(15,641)	**(14,243)**	**(29,884)**	40,347	(2,183)	38,164
Income before income taxes	**99,382**	**(13,288)**	**86,094**	155,147	(864)	154,283
Deferred income taxes	**20,607**	**(3)**	**20,604**	22,858	(2)	22,856
Net income	**$ 78,775**	**$ (13,285)**	**$ 65,490**	$ 132,289	$ (862)	$ 131,427
Net income attributable to:						
Common shareholders	**$ 65,490**	**$ —**	**$ 65,490**	$ 131,427	$ —	$ 131,427
Non-controlling interest	**13,285**	**(13,285)**	**—**	862	(862)	—
	$ 78,775	**$ (13,285)**	**$ 65,490**	$ 132,289	$ (862)	$ 131,427
Net income per share attributable to common shareholders:						
Basic	**$ 0.30**			$ 0.52		
Diluted	**$ 0.30**			$ 0.52		

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

Nine months ended September 30			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	**$ 565,149**	**$ 6,831**	**$ 571,980**	$ 545,005	$ 6,223	$ 551,228
Property operating costs	**218,701**	**3,782**	**222,483**	204,747	2,202	206,949
Net operating income	**346,448**	**3,049**	**349,497**	340,258	4,021	344,279
Other income and expenses						
Interest and other income	**29,179**	**(1,210)**	**27,969**	20,279	1,919	22,198
Interest expense	**(128,841)**	**(1,398)**	**(130,239)**	(114,086)	(1,694)	(115,780)
Corporate expenses	**(29,054)**	**403**	**(28,651)**	(28,182)	879	(27,303)
Abandoned transaction costs	**(653)**	**—**	**(653)**	(124)	(1)	(125)
Amortization expense	**(3,280)**	**(836)**	**(4,116)**	(2,215)	—	(2,215)
Share of profit from joint ventures	**2,262**	**(2,262)**	**—**	30,143	(30,143)	—
Other gains (losses) and (expenses)	**(2,447)**	**(73)**	**(2,520)**	12,989	(1,230)	11,759
Increase (decrease) in value of investment properties, net	**42,034**	**(11,007)**	**31,027**	91,417	17,825	109,242
	(90,800)	**(16,383)**	**(107,183)**	10,221	(12,445)	(2,224)
Income before income taxes	**255,648**	**(13,334)**	**242,314**	350,479	(8,424)	342,055
Deferred income taxes	**33,431**	**(3)**	**33,428**	62,757	(2)	62,755
Net income	**$ 222,217**	**$ (13,331)**	**$ 208,886**	$ 287,722	$ (8,422)	$ 279,300
Net income attributable to:						
Common shareholders	**$ 208,886**	**$ —**	**$ 208,886**	$ 279,300	$ —	$ 279,300
Non-controlling interest	**13,331**	**(13,331)**	**—**	8,422	(8,422)	—
	$ 222,217	**$ (13,331)**	**$ 208,886**	$ 287,722	$ (8,422)	$ 279,300
Net income per share attributable to common shareholders:						
Basic	**$ 0.90**			$ 1.13		
Diluted	**$ 0.89**			$ 1.12		

(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 September 30		Nine months ended September 30	
	2019	2018	**2019**	2018
Net income attributable to common shareholders	**$ 65,490**	$ 131,427	**$ 208,886**	$ 279,300
Add (deduct):				
(Increase) decrease in value of investment properties [1]	**(14,408)**	(68,473)	**(31,027)**	(109,242)
Adjustment for equity accounted joint ventures [2]	**879**	287	**1,391**	1,198
Incremental leasing costs [3]	**1,705**	1,639	**5,115**	4,822
Amortization expense [4]	**172**	252	**495**	252
Gain on below market purchase [5]	**—**	(13,975)	**—**	(13,975)
Transaction costs [6]	**—**	2,052	**—**	2,052
Investment properties selling costs [1]	**1,153**	445	**3,189**	2,429
Deferred income taxes [1]	**20,604**	22,856	**33,428**	62,755
FFO [7]	**$ 75,595**	$ 76,510	**$ 221,477**	$ 229,591

(1) At the Company's proportionate interest.
(2) Adjustment 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) Adjustment to exclude gain on below market purchase of hotel property in accordance with the recommendations of REALPAC.
(6) Adjustment to transaction costs incurred as part of hotel property acquisition in accordance with the recommendations of REALPAC.
(7) 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 September 30			Nine months ended September 30		
	% change	**2019**	2018	% change	**2019**	2018
Net operating income		**$ 115,978**	$ 116,119		**$ 349,497**	$ 344,279
Interest and other income		**10,413**	7,567		**27,969**	22,198
Interest expense [1]		**(45,328)**	(38,638)		**(129,684)**	(114,582)
Corporate expenses [2]		**(7,606)**	(6,697)		**(23,536)**	(22,481)
Abandoned transaction costs		**(510)**	(60)		**(653)**	(125)
Amortization expense [3]		**(964)**	(835)		**(2,785)**	(1,963)
Other gains (losses) and (expenses) [4]		**3,612**	(946)		**669**	2,265
FFO [5]	(1.2)%	**$ 75,595**	$ 76,510	(3.5)%	**$ 221,477**	$ 229,591
FFO per diluted share	14.0 %	**$ 0.34**	$ 0.30	2.4 %	**$ 0.95**	$ 0.92
Weighted average number of common shares – diluted – FFO (in thousands)	(13.2)%	**220,664**	254,100	(5.8)%	**234,269**	248,697

(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 certain amortization expense 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 September 30, 2019, FFO totaled $75.6 million or $0.34 per diluted share compared to $76.5 million or $0.30 per diluted share in the same prior year period. FFO per diluted share increased 14.0% to $0.34

primarily due to the decrease in the weighted average diluted shares outstanding for the quarter following the closing of the share repurchase on April 16, 2019 and the gain on investment of $4.0 million.

For the nine months ended September 30, 2019, FFO totaled $221.5 million or $0.95 per diluted share compared to $229.6 million or $0.92 per diluted share for the same prior year period. The decrease of $8.1 million over the prior year period was primarily due to higher interest expense of $15.1 million related to the senior unsecured bank term loans the Company entered into to fund the share repurchase, partially offset by higher interest and other income of $5.8 million and higher lease surrender fees of $3.2 million.

Adjusted Cash Flow from Operations

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

	Three months ended September 30		Nine months ended September 30	
	2019	2018	**2019**	2018
Cash provided by operating activities	**$ 70,254**	$ 72,049	**$ 162,242**	$ 168,884
Add (deduct):				
Working capital adjustments [1]	**(719)**	5,116	**39,487**	32,976
Adjustment for equity accounted joint ventures	**821**	218	**2,198**	2,416
Revenue sustaining capital expenditures	**(5,684)**	(3,561)	**(15,021)**	(10,067)
Recoverable capital expenditures	**(2,398)**	(2,235)	**(5,203)**	(3,165)
Leasing costs on properties under development	**426**	409	**1,279**	1,205
Realized gain (loss) on sale of marketable securities	**—**	66	**1,164**	4,189
Non-controlling interest	**(2,167)**	(598)	**(2,288)**	(642)
ACFO [2]	**$ 60,533**	$ 71,464	**$ 183,858**	$ 195,796

[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 and nine months ended September 30, 2019, ACFO totaled $60.5 million and $183.9 million compared to $71.5 million and $195.8 million for the same prior year periods, respectively. The $10.9 million decrease in ACFO for the quarter was primarily due to lower working capital adjustments primarily due to higher interest expense related to the unsecured bank term loans the Company entered into to fund the share repurchase and higher capital expenditures. The $11.9 million decrease in the nine month period is primarily due to higher capital expenditures and lower realized gains on marketable securities in 2019.

ACFO Payout Ratio

The Company's ACFO payout ratio for the four quarters ended September 30, 2019 is calculated as follow:

	Twelve months ended September 30, 2019	**Q3 2019**	**Q2 2019**	**Q1 2019**	**Q4 2018**
ACFO [1]	**$ 255,230**	$ 60,533	$ 70,855	$ 52,470	$ 71,372
Cash dividends paid	**211,506**	47,104	54,832	54,788	54,782
ACFO payout ratio [1]	**82.9%**				

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

The Company's ACFO payout ratio for the four quarters ended September 30, 2018 is calculated as follow:

	Twelve months ended September 30, 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017
ACFO [1]	$ 258,797	$ 71,464	$ 74,030	$ 50,302	$ 63,001
Cash dividends paid	210,321	52,680	52,636	52,553	52,452
ACFO payout ratio [1]	81.3%				

[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 September 30, 2019, the ACFO payout was 82.9% (September 30, 2018 - 81.3%).

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 September 30		Nine months ended September 30	
(in dollars)	**2019**	2018	**2019**	2018
Dividend per common share	**$ 0.215**	$ 0.215	**$ 0.645**	$ 0.645

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 September 30
	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	**$ 79**	$ 78	**$ 106**	$ 105	**$ —**	$ 3	**$ (1)**	$ (4)	**$ 184**	$ 182
NOI [5]	**52**	51	**63**	64	**—**	2	**—**	(2)	**115**	115
Net income attributable to common shareholders	**66**	131	**110**	78	**27**	7	**(138)**	(85)	**65**	131

(millions of dollars)										Nine months ended September 30
	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	**$ 248**	$ 231	**$ 320**	$ 316	**$ —**	$ 3	**$ (3)**	$ (5)	**$ 565**	$ 545
NOI [5]	**164**	152	**183**	189	**—**	2	**(1)**	(3)	**346**	340
Net income attributable to common shareholders	**209**	279	**243**	173	**27**	25	**(270)**	(198)	**209**	279

(millions of dollars)					As at September 30, 2019
	FCR [1]	Guarantors [2]	Non-Guarantors [3]	Consolidation Adjustments [4]	Total Consolidated
Current assets	**$ 692**	**$ 28**	**$ 2**	**$ 32**	**$ 754**
Non-current assets	**6,156**	**5,958**	**157**	**(2,440)**	**9,831**
Current liabilities	**546**	**100**	**2**	**28**	**676**
Non-current liabilities	**4,797**	**789**	**36**	**(36)**	**5,586**

(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

Gazit-Globe

Effective April 16, 2019, Gazit's ownership of the Company was reduced to approximately 9.9% (December 31, 2018 - 31.3%) following the completion of the secondary offering and share repurchase transactions.

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 September 30		Nine months ended September 30	
	2019	2018	**2019**	2018
Reimbursements for professional services	**$ 25**	$ 48	**$ 113**	$ 140

As at September 30, 2019, amounts due from Gazit were $28 thousand (December 31, 2018 – $40 thousand).

Joint Ventures

For the three and nine months ended September 30, 2019, the Company earned fee income of $1.3 million (September 30, 2018 - $3.2 million) and $1.9 million (September 30, 2018 – $4.3 million), respectively, from its joint ventures.

During the nine months ended September 30, 2019, the Company also advanced $0.9 million (September 30, 2018 – $2.1 million) to one of its joint ventures.

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.

SUBSEQUENT EVENTS

The Board approves REIT Conversion

On October 7, 2019, the Company announced that its Board of Directors, upon receipt of a fairness opinion, had unanimously approved the previously announced reorganization of the Company into a real estate investment trust to be named First Capital Real Estate Investment Trust. The reorganization will be subject to shareholder approval, including holders of common shares represented by instalment receipts, at a special meeting to be held on December 10, 2019. Further details on the reorganization were set forth in an information circular of the Company that was mailed to shareholders on November 1, 2019. Completion of the REIT conversion is expected to occur on or about December 30, 2019.

Dispositions

On October 30, 2019 the Company disposed of a 50% non-managing interest in a portfolio of six properties located in the Greater Montreal and Greater Ottawa areas for $177.0 million. In addition, the Company has entered into a binding purchase and sale agreement to dispose of a 100% interest in its entire Quebec City portfolio of five properties for $163.8 million.

Credit Rating Update

On November 5, 2019 S&P announced that it has assigned a public rating of BBB- to the Company's unsecured debentures.

QUARTERLY FINANCIAL INFORMATION

	2019			2018				2017
(share counts in thousands)	**Q3**	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Property rental revenue	**$ 183,650**	$ 186,825	$ 194,674	$ 184,590	$ 182,368	$ 181,852	$ 180,785	$ 177,206
Net operating income [1]	**$ 115,023**	$ 115,994	$ 115,431	$ 114,515	$ 114,800	$ 113,816	$ 111,642	$ 111,337
Net income attributable to common shareholders	**$ 65,490**	$ 81,244	$ 62,152	$ 64,306	$ 131,427	$ 81,929	$ 65,944	$ 74,833
Net income per share attributable to common shareholders:								
Basic	**$ 0.30**	$ 0.36	$ 0.24	$ 0.25	$ 0.52	$ 0.33	$ 0.27	$ 0.31
Diluted	**$ 0.30**	$ 0.36	$ 0.24	$ 0.25	$ 0.52	$ 0.33	$ 0.27	$ 0.30
Weighted average number of diluted common shares outstanding – IFRS	**220,664**	226,417	256,178	255,821	254,100	246,196	247,044	248,266
FFO [1]	**$ 75,595**	$ 70,229	$ 75,653	$ 73,380	$ 76,510	$ 79,148	$ 73,933	$ 73,185
FFO per diluted share [1]	**$ 0.34**	$ 0.31	$ 0.30	$ 0.29	$ 0.30	$ 0.32	$ 0.30	$ 0.30
Weighted average number of diluted common shares outstanding – FFO	**220,664**	226,417	256,178	255,821	254,100	246,196	245,717	245,422
Cash provided by operating activities	**$ 70,254**	$ 43,106	$ 48,882	$ 114,128	$ 72,049	$ 51,356	$ 45,479	$ 107,364
ACFO [1]	**$ 60,533**	$ 70,855	$ 52,470	$ 71,372	$ 71,464	$ 74,030	$ 50,302	$ 63,001
Dividend per common share	**$ 0.215**	$ 0.215	$ 0.215	$ 0.215	$ 0.215	$ 0.215	$ 0.215	$ 0.215
Total assets	**$10,585,127**	$10,375,405	$10,465,288	$10,453,055	$10,317,034	$10,070,477	$ 9,980,267	$9,968,552
Total mortgages and credit facilities	**$ 2,655,151**	$ 2,551,058	$ 1,891,884	$ 1,912,080	$ 1,678,862	$ 1,691,387	$ 1,694,732	$1,641,966
Shareholders' equity	**$ 4,272,781**	$ 4,252,318	$ 4,979,080	$ 4,978,242	$ 4,981,511	$ 4,703,593	$ 4,669,877	$4,647,071
Other								
Number of properties	**166**	165	166	166	166	162	161	161
GLA - at 100% (in thousands)	**25,092**	25,294	25,334	25,456	25,519	25,327	25,267	25,390
GLA - at ownership interest (in thousands)	**22,936**	23,136	23,731	23,854	23,797	23,700	23,648	23,991
Monthly average occupancy %	**96.4%**	96.7%	96.6%	96.6%	96.4%	96.2%	96.0%	95.4%
Total portfolio occupancy %	**96.7%**	96.8%	96.8%	96.7%	96.5%	96.3%	96.2%	96.1%

[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 and nine months ended September 30, 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 September 30, 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 and nine months ended September 30, 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 September 30, 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 September 30, 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	**September 30, 2019** **(unaudited)**	December 31, 2018 (audited)
ASSETS			
Non-current Assets			
Real Estate Investments			
Investment properties	4	**$ 9,613,260**	$ 9,682,614
Investment in joint ventures	5	**59,165**	144,375
Hotel property	6	**58,670**	58,604
Loans, mortgages and other assets	7	**80,082**	93,348
Total real estate investments		**9,811,177**	9,978,941
Other non-current assets	9	**20,013**	30,369
Total non-current assets		**9,831,190**	10,009,310
Current Assets			
Cash and cash equivalents	26(d)	**19,445**	15,534
Loans, mortgages and other assets	7	**80,190**	270,711
Residential development inventory		**10,540**	9,510
Amounts receivable	8	**39,054**	36,391
Other assets	9	**97,995**	25,938
		247,224	358,084
Investment properties classified as held for sale	4(d)	**506,713**	85,661
Total current assets		**753,937**	443,745
Total assets		**$ 10,585,127**	$ 10,453,055
LIABILITIES			
Non-current Liabilities			
Mortgages	11	**$ 1,247,586**	$ 1,164,804
Credit facilities	11	**1,167,921**	514,073
Senior unsecured debentures	12	**2,321,967**	2,297,387
Other liabilities	14	**32,829**	20,838
Deferred tax liabilities	21	**815,421**	793,300
Total non-current liabilities		**5,585,724**	4,790,402
Current Liabilities			
Bank indebtedness	11	**31,720**	7,226
Mortgages	11	**115,205**	121,104
Credit facilities	11	**52,981**	112,099
Senior unsecured debentures	12	**174,997**	149,891
Accounts payable and other liabilities	14	**229,616**	264,261
		604,519	654,581
Mortgages on investment properties classified as held for sale	4(d), 11	**71,458**	—
Total current liabilities		**675,977**	654,581
Total liabilities		**6,261,701**	5,444,983
EQUITY			
Shareholders' equity	15	**4,272,781**	4,978,242
Non-controlling interest	25	**50,645**	29,830
Total equity		**4,323,426**	5,008,072
Total liabilities and equity		**$ 10,585,127**	$ 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 September 30		Nine months ended September 30	
(thousands of dollars, except per share amounts)	**Note**	**2019**	2018	**2019**	2018
Property rental revenue		**$ 183,650**	$ 182,368	**$ 565,149**	$ 545,005
Property operating costs		**68,627**	67,568	**218,701**	204,747
Net operating income	16	**115,023**	114,800	**346,448**	340,258
Other income and expenses					
Interest and other income	17	**11,828**	8,271	**29,179**	20,279
Interest expense	18	**(45,005)**	(38,437)	**(128,841)**	(114,086)
Corporate expenses	19	**(9,519)**	(8,632)	**(29,054)**	(28,182)
Abandoned transaction costs		**(510)**	(60)	**(653)**	(124)
Amortization expense		**(1,136)**	(1,087)	**(3,280)**	(2,215)
Share of profit from joint ventures	5	**396**	487	**2,262**	30,143
Other gains (losses) and (expenses)	20	**2,478**	11,277	**(2,447)**	12,989
Increase (decrease) in value of investment properties, net	4	**25,827**	68,528	**42,034**	91,417
		(15,641)	40,347	**(90,800)**	10,221
Income before income taxes		**99,382**	155,147	**255,648**	350,479
Deferred income taxes	21	**20,607**	22,858	**33,431**	62,757
Net income		**$ 78,775**	$ 132,289	**$ 222,217**	$ 287,722
Net income attributable to:					
Common shareholders		**$ 65,490**	$ 131,427	**$ 208,886**	$ 279,300
Non-controlling interest	25	**13,285**	862	**13,331**	8,422
		$ 78,775	$ 132,289	**$ 222,217**	$ 287,722
Net income per share attributable to common shareholders:					
Basic	22	**$ 0.30**	$ 0.52	**$ 0.90**	$ 1.13
Diluted	22	**$ 0.30**	$ 0.52	**$ 0.89**	$ 1.12

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

Interim Condensed Consolidated Statements of Comprehensive Income

(unaudited)		Three months ended September 30		Nine months ended September 30	
(thousands of dollars)	**Note**	**2019**	2018	**2019**	2018
Net income		**$ 78,775**	$ 132,289	**$ 222,217**	$ 287,722
Other comprehensive income (loss)					
Unrealized gain (loss) on cash flow hedges [1]		**(3)**	7,574	**(30,054)**	11,262
Reclassification of net losses on cash flow hedges to net income		**450**	354	**1,232**	1,123
		447	7,928	**(28,822)**	12,385
Deferred tax expense (recovery)		**116**	2,109	**(7,552)**	3,295
Other comprehensive income (loss)		**331**	5,819	**(21,270)**	9,090
Comprehensive income		**$ 79,106**	$ 138,108	**$ 200,947**	$ 296,812
Comprehensive income attributable to:					
Common shareholders		**$ 65,821**	$ 137,246	**$ 187,616**	$ 288,390
Non-controlling interest	25	**13,285**	862	**13,331**	8,422
		$ 79,106	$ 138,108	**$ 200,947**	$ 296,812

[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 15(a))	*(Note 15(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	208,886	—	—	—	208,886	13,331	222,217
Dividends	(149,604)	—	—	—	(149,604)	—	(149,604)
Repurchase of common shares	(241,137)	—	(475,560)	(24,903)	(741,600)	—	(741,600)
Share repurchase costs, net of tax	—	—	(8,850)	—	(8,850)	—	(8,850)
Options, deferred share units, restricted share units, and performance share units, net	—	—	5,283	1,694	6,977	—	6,977
Other comprehensive gain (loss)	—	(21,270)	—	—	(21,270)	—	(21,270)
Contributions from (distributions to) non-controlling interest, net	—	—	—	—	—	7,484	7,484
September 30, 2019	**$ 1,391,733**	**$ (25,758)**	**$ 2,885,821**	**$ 20,985**	**$ 4,272,781**	**$ 50,645**	**$ 4,323,426**

(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	279,300	—	—	—	279,300	8,422	287,722
Issuance of common shares	—	—	200,019	—	200,019	—	200,019
Issue costs, net of tax	—	—	(6,112)	—	(6,112)	—	(6,112)
Dividends	(160,564)	—	—	—	(160,564)	—	(160,564)
Options, deferred share units, restricted share units, and performance share units, net	—	—	11,139	1,568	12,707	—	12,707
Other comprehensive gain (loss)	—	9,090	—	—	9,090	—	9,090
Contributions from (distributions to) non-controlling interest, net	—	—	—	—	—	(26,993)	(26,993)
September 30, 2018	$ 1,564,255	$ 9,130	$ 3,364,588	$ 43,538	$ 4,981,511	$ 30,042	$ 5,011,553

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

Interim Condensed Consolidated Statements of Cash Flows

(unaudited)		Three months ended September 30		Nine months ended September 30	
(thousands of dollars)	**Note**	**2019**	2018	**2019**	2018
OPERATING ACTIVITIES					
Net income		**$ 78,775**	$ 132,289	**$ 222,217**	$ 287,722
Adjustments for:					
(Increase) decrease in value of investment properties, net	4	**(25,827)**	(68,528)	**(42,034)**	(91,417)
Interest expense	18	**45,005**	38,437	**128,841**	114,086
Amortization expense		**1,136**	1,087	**3,280**	2,215
Share of profit of joint ventures		**(396)**	(487)	**(2,262)**	(30,143)
Cash interest paid associated with operating activities	18	**(49,346)**	(42,338)	**(131,475)**	(117,160)
Items not affecting cash and other items	26(a)	**17,763**	11,269	**35,222**	47,394
Net change in non-cash operating items	26(b)	**3,144**	320	**(51,547)**	(43,813)
Cash provided by (used in) operating activities		**70,254**	72,049	**162,242**	168,884
FINANCING ACTIVITIES					
Mortgage borrowings, net of financing costs	11	**(2,317)**	47,960	**390,533**	173,536
Mortgage principal instalment payments	11	**(7,360)**	(6,707)	**(19,046)**	(20,380)
Mortgage repayments	11	**(20,595)**	(6,781)	**(192,966)**	(95,973)
Credit facilities, net advances (repayments)	11	**27,907**	(40,352)	**525,571**	(357)
Issuance of senior unsecured debentures, net of issue costs	12	**198,921**	—	**198,921**	—
Repayment of senior unsecured debentures	12	**(150,000)**	(50,000)	**(150,000)**	(50,000)
Settlement of hedges		**—**	(141)	**(7,269)**	(149)
Repayment of convertible debentures	13(a)	**—**	—	**—**	(55,092)
Repurchase of common shares		**—**	—	**(741,600)**	—
Transaction costs related to share repurchase		**(55)**	—	**(13,727)**	—
Issuance of common shares, net of issue costs		**204**	194,223	**3,216**	202,181
Payment of dividends		**(47,104)**	(52,680)	**(156,724)**	(157,869)
Net contributions from (distributions to) non-controlling interest	25	**13,746**	2,176	**7,484**	(26,993)
Cash provided by (used in) financing activities		**13,347**	87,698	**(155,607)**	(31,096)
INVESTING ACTIVITIES					
Acquisition of investment properties	4(c)	**(297,708)**	(69,837)	**(310,823)**	(91,397)
Acquisition of development land	4(c)	**—**	—	**(13,591)**	(1,794)
Acquisition of Hotel property (net settled with loan repayment)	6	**—**	(2,052)	**—**	(2,052)
Net proceeds from property dispositions	4(d)	**94,977**	5,103	**256,432**	75,679
Deferred purchase price of shopping centre	14	**—**	—	**—**	—
Distributions from joint ventures	5	**754**	8,231	**24,886**	112,120
Contributions to joint ventures	5	**(8,793)**	(11,778)	**(15,957)**	(20,053)
Capital expenditures on investment properties		**(66,187)**	(65,134)	**(169,944)**	(196,596)
Changes in investing-related prepaid expenses and other liabilities		**6,022**	6,078	**(9,069)**	14,019
Changes in loans, mortgages and other assets	26(c)	**193,766**	(26,463)	**235,342**	(23,690)
Cash provided by (used in) investing activities		**(77,169)**	(155,852)	**(2,724)**	(133,764)
Net increase (decrease) in cash and cash equivalents		**6,432**	3,895	**3,911**	4,024
Cash and cash equivalents, beginning of period		**13,013**	11,636	**15,534**	11,507
Cash and cash equivalents, end of period	26(d)	**$ 19,445**	$ 15,531	**$ 19,445**	$ 15,531

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, mixed-use urban real estate in Canada's most densely populated 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 November 5, 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 nine months ended September 30, 2019 and year ended December 31, 2018:

					Nine months ended September 30, 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	**356,357**	**—**	**15,411**	**371,768**	**358,177**	**13,591**
Capital expenditures	**110,317**	**22,914**	**36,713**	**169,944**	**165,275**	**4,669**
Consolidation of equity accounted joint venture(1)	**131,480**	**—**	**—**	**131,480**	**131,480**	**—**
Increase (decrease) in value of investment properties, net	**86,175**	**(35,761)**	**(8,380)**	**42,034**	**39,548**	**2,486**
Straight-line rent and other changes	**2,489**	**1,254**	**165**	**3,908**	**3,908**	**—**
Dispositions	**(29,222)**	**(189,684)**	**(148,530)**	**(367,436)**	**(342,004)**	**(25,432)**
Balance at end of period	**$ 5,146,955**	**$ 1,836,134**	**$ 3,136,884**	**$ 10,119,973**	**$ 10,046,563**	**$ 73,410**
Investment properties					**$ 9,539,850**	**$ 73,410**
Investment properties classified as held for sale					**506,713**	**—**
Total					**$ 10,046,563**	**$ 73,410**

(1) See Note 5.

					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 $3.1 billion (December 31, 2018 – $3.0 billion) are pledged as security for $1.6 billion (December 31, 2018 – $1.4 billion) in mortgages and secured 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	**September 30, 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%**	**5.9%**	**5.2%**	**5.2%**	5.0%	5.9%	5.2%	5.3%
Terminal Capitalization Rate	**5.2%**	**6.2%**	**5.4%**	**5.4%**	5.2%	6.2%	5.4%	5.5%
Discount Rate	**5.7%**	**6.7%**	**6.0%**	**6.0%**	5.7%	6.8%	6.0%	6.1%
Fair Value	**$ 5,074**	**$ 1,836**	**$ 3,137**	**$ 10,047**	$ 4,431	$ 2,030	$ 3,229	$ 9,690

The sensitivity of the fair values of investment properties to stabilized overall capitalization rates as at September 30, 2019 is set out in the table below:

As at September 30, 2019	*(millions of dollars)*
(Decrease) Increase in stabilized overall capitalization rate	Resulting increase (decrease) in fair value of investment properties
(0.75%)	$ 1,448
(0.50%)	$ 914
(0.25%)	$ 434
0.25%	$ (395)
0.50%	$ (755)
0.75%	$ (1,085)

Additionally, a 1% increase or decrease in stabilized net operating income ("SNOI") would result in a $87 million increase or a $87 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 $525 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 $477 million.

(c) Investment properties – Acquisitions

For the three and nine months ended September 30, 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 September 30	**2019**		2018	
	Investment Properties	**Development Land**	Investment Properties	Development Land
Total purchase price, including acquisition costs	**$ 345,062**	**$ —**	$ 69,837	$ —
Debt assumption on acquisition	**(47,354)**	**—**	—	—
Total cash paid	**$ 297,708**	**$ —**	$ 69,837	$ —

Nine months ended September 30		**2019**		2018
	Investment Properties	**Development Land**	Investment Properties	Development Land
Total purchase price, including acquisition costs	**$ 358,177**	**$ 13,591**	$ 91,397	$ 1,794
Debt assumption on acquisition	**(47,354)**	**—**	—	—
Total cash paid	**$ 310,823**	**$ 13,591**	$ 91,397	$ 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	**September 30, 2019**	December 31, 2018
Aggregate fair value	**$ 506,713**	$ 85,661
Mortgages secured by investment properties classified as held for sale	**$ 71,458**	$ —
Weighted average effective interest rate of mortgages secured by investment properties classified as held for sale	**3.7%**	N/A

The increase of $421.1 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.

For the three and nine months ended September 30, 2019 and 2018, the Company sold investment properties and development land as follows:

	Three months ended September 30		Nine months ended September 30	
	2019	2018	**2019**	2018
Total selling price	**$ 149,452**	$ 5,500	**$ 367,436**	$ 77,575
Mortgages assumed and vendor take-back mortgage on sale	**—**	—	**(54,505)**	—
Property selling costs	**(1,082)**	(397)	**(3,106)**	(1,896)
Proceeds held in Trust	**(53,393)**	—	**(53,393)**	—
Total cash proceeds	**$ 94,977**	$ 5,103	**$ 256,432**	$ 75,679

(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 September 30, 2019	**Central Region**	**Eastern Region**	**Western Region**	**Total**
Total investment properties and development land [(1)]	**$ 5,146,955**	**$ 1,836,134**	**$ 3,136,884**	**$ 10,119,973**
Cash and cash equivalents				**19,445**
Loans, mortgages and other assets				**160,272**
Other assets				**118,008**
Amounts receivable				**39,054**
Investment in joint ventures				**59,165**
Hotel property				**58,670**
Residential development inventory				**10,540**
Total assets				**$ 10,585,127**

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

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. INVESTMENT IN JOINT VENTURES

As at September 30, 2019, the Company had interests in six joint ventures that it accounts for using the equity method. The Company's joint ventures are as follows:

Name of Entity	Name of Property/Business Activity	Location	Effective Ownership September 30, 2019	December 31, 2018
M+M Urban Realty LP ("MMUR") [1]	Commercial/residential properties [2]	Toronto, ON	**N/A**	53.1%
College Square General Partnership	College Square	Ottawa, ON	**50.0%**	50.0%
Green Capital Limited Partnership	Royal Orchard	Markham, ON	**50.0%**	50.0%
Stackt Properties LP	Shipping Container marketplace	Toronto, ON	**94.0%**	94.0%
Fashion Media Group GP Ltd.	Toronto Fashion Week events	Toronto, ON	**77.0%**	72.0%
FC Access LP	Whitby Mall (self storage units)	Whitby, ON	**25.0%**	N/A
Edenbridge Kingsway (Humbertown)	Humbertown Condos (Phase 1)	Toronto, ON	**50.0%**	N/A

[1] MMUR was an equity accounted joint venture between the Company, Main and Main Developments LP ("MMLP") and an institutional investor. On July 22, 2019 FCR and its partner acquired the remaining 46.9% interest in MMUR from the institutional investor.

[2] As at September 30, 2019 and December 31, 2018, MMUR owned 4 properties.

The Company has determined that these investments are joint ventures as all decisions regarding their activities are made unanimously between the Company and its partners.

The following table reconciles the changes in the Company's interests in its equity accounted joint ventures:

	Nine months ended September 30, 2019
Balance at beginning of period	**$ 144,375**
Contributions to equity accounted joint ventures	**15,957**
Distributions from equity accounted joint ventures	**(24,886)**
Consolidation of equity accounted joint venture	**(78,543)**
Share of income from equity accounted joint ventures	**2,262**
Balance at end of period	**$ 59,165**

During the third quarter, the Company, together with its partner in MMLP acquired the remaining 46.9% interest in four remaining MMUR assets for approximately $116.0 million. As a result, FCR now controls MMUR through its direct and indirect interests (further described in Note 25), requiring the consolidation of the assets, liabilities, revenues and expenses of MMUR from the date of acquisition.

6. 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 nine months ended September 30, 2019 and year-end December 31, 2018.

		September 30, 2019		December 31, 2018
Hotel property, beginning balance	**$**	**58,604**	$	59,017
Additions		**561**		—
Amortization		**(495)**		(413)
Hotel property, ending balance	**$**	**58,670**	$	58,604

7. LOANS, MORTGAGES AND OTHER ASSETS

As at		**September 30, 2019**		December 31, 2018
Non-current				
Loans and mortgages receivable classified as FVTPL (a)	**$**	**20,733**	$	20,511
Loans and mortgages receivable classified as amortized cost (a)(b)		**43,695**		57,003
Other investments		**15,654**		15,834
Total non-current	**$**	**80,082**	$	93,348
Current				
Loans and mortgages receivable classified as FVTPL (a)	**$**	**118**	$	87,106
Loans and mortgages receivable classified as amortized cost (a)(b)		**75,049**		160,043
FVTPL investments in securities (c)		**5,023**		23,562
Total current	**$**	**80,190**	$	270,711
Total	**$**	**160,272**	$	364,059

(a) Loans and mortgages receivable are secured by interests in investment properties or shares of entities owning investment properties. As at September 30, 2019, these receivables bear interest at weighted average effective interest rates of 7.0% (December 31, 2018 – 9.7%) and mature between 2019 and 2028.

(b) During the quarter, approximately $131.3 million of mortgages receivable were fully repaid related to the Company's priority ranking mortgages on a development project at the southwest corner of Yonge Street and Bloor Street in Toronto, Ontario.

(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).

8. AMOUNTS RECEIVABLE

As at		September 30, 2019		December 31, 2018
Trade receivables (net of allowances for doubtful accounts of $3.6 million; December 31, 2018 – $2.5 million)	$	**32,183**	$	30,862
Corporate and other amounts receivable		**6,871**		5,529
Total	$	**39,054**	$	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.

9. OTHER ASSETS

As at	Note		September 30, 2019		December 31, 2018
Non-current					
Fixtures, equipment and computer hardware and software (net of accumulated amortization of $13.9 million; December 31, 2018 - $10.1 million)		$	**12,197**	$	13,352
Deferred financing costs on credit facilities (net of accumulated amortization of $5.2 million; December 31, 2018 - $4.5 million)			**4,428**		2,327
Environmental indemnity and insurance proceeds receivable	14(a)		**3,075**		4,707
Derivatives at fair value	24		**313**		9,983
Total non-current		$	**20,013**	$	30,369
Current					
Deposits and costs on investment properties under option		$	**4,148**	$	6,080
Prepaid expenses			**38,971**		6,535
Other deposits			**250**		316
Restricted cash (a)			**54,158**		462
Derivatives at fair value	24		**468**		12,545
Total current		$	**97,995**	$	25,938
Total		$	**118,008**	$	56,307

(a) On September 30, 2019, the Company disposed of a portfolio of properties located in British Columbia for proceeds of disposition of $53.4 million. The proceeds were held in Trust until they were released to the Company on October 1, 2019.

10. 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 reducing debt levels, development activities, acquisitions, capital improvements and leasing costs. 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, property and 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	**September 30, 2019**	December 31, 2018
Liabilities (principal amounts outstanding)		
Bank indebtedness	**$ 31,720**	$ 7,226
Mortgages	**1,437,715**	1,287,247
Credit facilities	**1,220,902**	626,172
Mortgages under equity accounted joint ventures (at the Company's interest)	**40,381**	41,081
Credit facilities under equity accounted joint venture (at the Company's interest)	**—**	34,135
Senior unsecured debentures	**2,500,000**	2,450,000
Equity Capitalization		
Common shares (based on closing per share price of $22.07; December 31, 2018 – $18.85)	**4,835,536**	4,803,505
Total capital employed	**$ 10,066,254**	$ 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 September 30, 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	**September 30, 2019**	December 31, 2018
Net debt to total assets		**48.9%**	42.1%
Unencumbered aggregate assets to unsecured debt, using 10 quarter average capitalization rate [1]	≥1.3	**1.8**	2.3
Shareholders' equity, using four quarter average (billions) [1]	>$2.0B	**$ 4.6**	$ 4.8
Secured indebtedness to total assets [1]	<35%	**15.1%**	14.0%
For the rolling four quarters ended			
Interest coverage (Adjusted EBITDA to interest expense) [1]	>1.65	**2.5**	2.5
Fixed charge coverage (Adjusted EBITDA to debt service) [1]	>1.50	**2.2**	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.

11. MORTGAGES AND CREDIT FACILITIES

As at	**September 30, 2019**	December 31, 2018
Fixed rate mortgages	**$ 1,434,249**	$ 1,285,908
Unsecured facilities	**1,079,293**	503,005
Secured facilities	**141,609**	123,167
Mortgages and credit facilities	**$ 2,655,151**	$ 1,912,080
Current	**$ 168,186**	$ 233,203
Mortgages on investment properties classified as held for sale	**71,458**	—
Non-current	**2,415,507**	1,678,877
Total	**$ 2,655,151**	$ 1,912,080

Mortgages and secured facilities are secured by the Company's investment properties. As at September 30, 2019, approximately $3.1 billion (December 31, 2018 – $3.0 billion) of investment properties out of $10.1 billion (December 31, 2018 – $9.8 billion) (Note 4(a)) had been pledged as security under the mortgages and the secured facilities.

As at September 30, 2019, mortgages bear coupon interest at a weighted average coupon rate of 3.8% (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 September 30, 2019 is 3.8% (December 31, 2018 – 4.0%).

Principal repayments of mortgages outstanding as at September 30, 2019 are as follows:

	Scheduled Amortization	Payments on Maturity	Total	Weighted Average Effective Interest Rate
2019 (remainder of the year)	$ 7,134	$ 30,602	$ 37,736	6.5%
2020	28,508	56,875	85,383	4.8%
2021	28,424	73,437	101,861	4.7%
2022	31,167	95,522	126,689	3.9%
2023	31,380	—	31,380	N/A
2024 to 2031	146,928	907,738	1,054,666	3.6%
	$ 273,541	$ 1,164,174	$ 1,437,715	3.8%
Unamortized deferred financing costs and premiums, net			(3,466)	
Total			$ 1,434,249	

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. Concurrently with the U.S. dollar draws, the Company enters into cross currency swaps to exchange its U.S. dollar borrowings into Canadian dollar borrowings.

On April 16, 2019, the Company completed the share repurchase of 36,000,000 common shares from a subsidiary of Gazit-Globe Ltd. ("Gazit") at a price of $20.60 per share for gross proceeds to Gazit of $741.6 million. To fund the share repurchase and other operational needs, the Company entered into $850 million of 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 no prepayment penalty. 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), and therefore the credit spreads on the majority of the Company's credit facilities that were outstanding prior to the share repurchase increased 25 basis points.

During the third quarter, the Company entered into a new revolving credit facility with a borrowing capacity of CAD$250.0 million as well as a new secured construction facility with a borrowing capacity of CAD$33.3 million, key terms of which are presented in the table below. The Company also extended the maturity of its $11.9 million secured facility and its $15.9 million secured facility to October 27, 2019 and March 31, 2020, respectively. Concurrent with obtaining the new revolving facility, the Company reduced the borrowing capacity of its existing revolving facility from $800 million to $550 million.

The Company's credit facilities as at September 30, 2019 are summarized in the table below:

As at September 30, 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)	$ 550,000	$ (49,432)	$ (43,958)	$ 456,610	BA + 1.45% or Prime + 0.45% or US$ LIBOR + 1.45%	June 30, 2023
Revolving facility maturing 2022	250,000	(180,000)	—	70,000	BA + 1.10% or Prime + 0.25% or US$ LIBOR + 1.10%	September 29, 2022
Floating rate unsecured term loans maturing 2023 (2)	300,000	(299,861)	—	139	BA + 1.20% - 1.25%	April 15, 2023
Fixed rate unsecured term loans maturing 2024 - 2026	550,000	(550,000)	—	—	3.29%	March 28, 2024 - April 14, 2026
Secured Construction Facilities						
Maturing 2020 (3)	15,000	(14,984)	—	16	BA + 2.50% or Prime + 1.00%	January 31, 2020
Maturing 2020	15,907	(15,572)	—	335	BA + 1.125% or Prime + 0.125%	March 31, 2020
Maturing 2021	33,333	(33,333)	—	—	2.79%	August 26, 2021
Maturing 2022 (3)	138,000	(44,227)	—	93,773	BA + 1.350% or Prime + 0.350%	October 26, 2022
Secured Facilities						
Maturing 2019	20,734	(3,050)	(818)	16,866	BA + 1.20% or Prime + 0.20%	December 31, 2019
Maturing 2019	11,875	(11,875)	—	—	BA + 1.20% or Prime + 0.20%	October 27, 2019
Maturing 2019	7,500	(7,500)	—	—	BA + 1.20% or Prime + 0.20%	October 31, 2019
Maturing 2022	4,313	(4,313)	—	—	BA + 1.20% or Prime + 0.20%	September 28, 2022
Maturing 2022	6,755	(6,755)	—	—	BA + 1.20% or Prime + 0.20%	December 19, 2022
Total	$ 1,903,417	$ (1,220,902)	$ (44,776)	$ 637,739		

(1) The Company had drawn in U.S. dollars the equivalent of CAD$34.7 million which was revalued at CAD$34.4 million, in addition to CAD$15.0 million drawn as at September 30, 2019.

(2) The Company had drawn in U.S. dollars the equivalent of CAD$300.0 million which was revalued at CAD$299.9 million as at September 30, 2019.

(3) The Company now consolidates the assets, liabilities, revenues and expenses of MMUR which was previously equity accounted. See Note 5.

12. SENIOR UNSECURED DEBENTURES

As at				**September 30, 2019**		December 31, 2018
		Interest Rate				
Series	Maturity Date	Coupon	Effective	**Principal Outstanding**	**Liability**	Liability
L	July 30, 2019	5.48%	5.61%	**$ —**	**$ —**	$ 149,891
M	April 30, 2020	5.60%	5.60%	**175,000**	**174,997**	174,994
N	March 1, 2021	4.50%	4.63%	**175,000**	**174,702**	174,553
O	January 31, 2022	4.43%	4.59%	**200,000**	**199,301**	199,091
P	December 5, 2022	3.95%	4.18%	**250,000**	**248,337**	247,976
Q	October 30, 2023	3.90%	3.97%	**300,000**	**299,240**	299,114
R	August 30, 2024	4.79%	4.72%	**300,000**	**300,896**	301,016
S	July 31, 2025	4.32%	4.24%	**300,000**	**301,257**	301,401
T	May 6, 2026	3.60%	3.56%	**300,000**	**300,706**	300,775
U	July 12, 2027	3.75%	3.82%	**300,000**	**298,583**	298,467
V	January 22, 2027	3.46%	3.54%	**200,000**	**198,945**	—
Weighted Average or Total		4.18%	4.22%	**$ 2,500,000**	**$ 2,496,964**	$ 2,447,278
Current				**175,000**	**174,997**	149,891
Non-current				**2,325,000**	**2,321,967**	2,297,387
Total				**$ 2,500,000**	**$ 2,496,964**	$ 2,447,278

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

On July 22, 2019, the Company completed the issuance of $200 million principal amount of Series V senior unsecured debentures due January 22, 2027. These debentures bear interest at a coupon rate of 3.456% per annum, payable semiannually commencing January 22, 2020. The net proceeds of the offering were used to repay existing debt.

13. 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 nine months ended September 30, 2019, the Company paid nil (nine months ended September 30, 2018 – $1.0 million) in cash to pay accrued interest to holders of convertible debentures.

14. ACCOUNTS PAYABLE AND OTHER LIABILITIES

As at	Note		September 30, 2019		December 31, 2018
Non-current					
Asset retirement obligations (a)		**$**	**2,106**	$	2,642
Ground leases payable			**10,164**		10,405
Derivatives at fair value	24		**13,434**		666
Deferred purchase price of investment property			**7,125**		7,125
Total non-current		**$**	**32,829**	$	20,838
Current					
Trade payables and accruals		**$**	**59,872**	$	67,295
Construction and development payables			**55,516**		62,563
Dividends payable			**47,106**		54,788
Interest payable			**30,569**		36,056
Tenant deposits			**34,945**		37,451
Derivatives at fair value	24		**976**		5,706
Other liabilities			**632**		402
Total current		**$**	**229,616**	$	264,261
Total		**$**	**262,445**	$	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 $3.1 million in other assets (Note 9).

15. 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:

Nine months ended September 30			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
Repurchase of common shares	**(36,000)**		**(475,560)**	—		—
Exercise of options, and settlement of any restricted, performance and deferred share units	**272**		**5,283**	615		11,139
Issuance of common shares	—		—	9,757		200,019
Share repurchase costs, net of tax effect	—		**(8,850)**	—		(6,112)
Issued and outstanding at end of period	**219,100**	**$**	**2,885,821**	254,803	$	3,364,588

On April 16, 2019, the Company completed the share repurchase of 36,000,000 common shares from Gazit at a price of $20.60 per share for gross proceeds to Gazit of $741.6 million. The share repurchase resulted in a reduction of stated capital representing the par value of the 36 million common shares of $475.6 million, a reduction in contributed surplus of $24.9 million and a reduction in retained earnings of $241.1 million. The share repurchase was cross-conditional on the completion of Gazit's bought deal secondary offering of 22,000,000 of the Company's common shares at a price of $20.60 per share to a syndicate of underwriters for gross proceeds to Gazit of approximately $453 million which closed on April 11, 2019.

Quarterly dividends declared per common share were $0.645 for the nine months ended September 30, 2019 (nine months ended September 30, 2018 – $0.645).

(b) Contributed surplus and other equity items

Contributed surplus and other equity items comprise the following:

Nine months ended September 30		**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)	—	—
Repurchase of common shares	**(24,903)**	**—**	**(24,903)**	—	—	—	—
Options vested	**—**	**891**	**891**	—	—	825	825
Exercise of options	**—**	**(211)**	**(211)**	—	—	(709)	(709)
Deferred share units	**—**	**693**	**693**	—	—	590	590
Restricted share units	**—**	**1,231**	**1,231**	—	—	1,293	1,293
Performance share units	**—**	**2,410**	**2,410**	—	—	1,720	1,720
Settlement of any restricted, performance and deferred share units	**—**	**(3,320)**	**(3,320)**	—	—	(2,151)	(2,151)
Balance at end of period	**$ —**	**$ 20,985**	**$ 20,985**	$ 24,903	$ —	$ 18,635	$ 43,538

(c) Stock options

As of September 30, 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 September 30, 2019, 3.4 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 September 30, 2019, 5.6 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 September 30, 2019 have exercise prices ranging from $13.91 - $21.14 (December 31, 2018 – $9.81 – $20.24).

During the nine months ended September 30, 2019, $0.9 million (nine months ended September 30, 2018 – $0.8 million) was recorded as an expense related to stock options.

Nine months ended September 30	**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)	**(181)**		**18.09**	(505)		16.75
Forfeited	**(111)**		**19.92**	(88)		19.59
Outstanding at end of period	**5,645**	**$**	**19.69**	4,737	$	19.27

(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.

Nine months ended September 30	**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 nine months ended September 30, 2019 was $21.27 (nine months ended September 30, 2018 – $20.19).

(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.

Nine months ended September 30		**2019**		2018
(in thousands)	**DSUs**	**RSUs / PSUs**	DSUs	RSUs / PSUs
Outstanding at beginning of period	**289**	**588**	301	478
Granted (a) (b)	**23**	**244**	20	221
Dividends declared	**9**	**19**	9	25
Exercised	**—**	**(179)**	(51)	(68)
Forfeited	**—**	**(8)**	—	(22)
Outstanding at end of period	**321**	**664**	279	634
Expense recorded for the period	**$465**	**$3,641**	$414	$2,723

(a) The fair value of the DSUs granted during the nine months ended September 30, 2019 was $0.5 million (nine months ended September 30, 2018 – $0.4 million), measured based on the Company's prevailing share price on the date of grant. The fair value of the RSUs granted during the nine months ended September 30, 2019 was $1.9 million (nine months ended September 30, 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 nine months ended September 30, 2019 was $3.4 million (nine months ended September 30, 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.

Nine months ended September 30	**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.

16. NET OPERATING INCOME

Net Operating Income by Component

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

	Three months ended September 30			Nine months ended September 30		
	% change	**2019**	2018	**% change**	**2019**	2018
Property rental revenue						
Base rent		**$ 114,194**	$ 113,391		**$ 344,687**	$ 337,289
Operating cost recoveries		**25,660**	25,564		**83,478**	80,033
Realty tax recoveries		**33,604**	34,510		**105,346**	104,362
Lease surrender fees		**259**	16		**5,097**	1,932
Percentage rent		**922**	1,493		**2,818**	3,020
Straight-line rent adjustment		**1,428**	1,196		**3,975**	5,739
Prior year operating cost and tax recovery adjustments		**(69)**	(514)		**(458)**	(1,767)
Temporary tenants, storage, parking and other		**7,652**	6,712		**20,206**	14,397
Total Property rental revenue	**0.7%**	**183,650**	182,368	**3.7%**	**565,149**	545,005
Property operating costs						
Recoverable operating expenses		**28,449**	28,898		**94,597**	90,905
Recoverable realty tax expense		**38,676**	38,670		**120,155**	117,750
Prior year realty tax expense		**(170)**	(520)		**(884)**	(2,298)
Other operating costs and adjustments		**1,672**	520		**4,833**	(1,610)
Total Property operating costs		**68,627**	67,568		**218,701**	204,747
Total NOI	**0.2%**	**$ 115,023**	$ 114,800	**1.8%**	**$ 346,448**	$ 340,258
NOI margin		**62.6%**	62.9%		**61.3%**	62.4%

Net Operating Income by Segment

Net operating income is presented by segment as follows:

Three months ended September 30, 2019	Central Region	Eastern Region	Western Region	Subtotal	Other [1]	Total
Property rental revenue	**$ 82,288**	**$ 43,792**	**$ 58,127**	**$ 184,207**	**$ (557)**	**$ 183,650**
Property operating costs	**31,976**	**18,839**	**19,477**	**70,292**	**(1,665)**	**68,627**
Net operating income	**$ 50,312**	**$ 24,953**	**$ 38,650**	**$ 113,915**	**$ 1,108**	**$ 115,023**

Three months ended September 30, 2018	Central Region	Eastern Region	Western Region	Subtotal	Other [1]	Total
Property rental revenue	$ 77,045	$ 46,485	$ 59,349	$ 182,879	$ (511)	$ 182,368
Property operating costs	29,678	19,641	19,932	69,251	(1,683)	67,568
Net operating income	$ 47,367	$ 26,844	$ 39,417	$ 113,628	$ 1,172	$ 114,800

Nine months ended September 30, 2019	Central Region	Eastern Region	Western Region	Subtotal	Other [1]	Total
Property rental revenue	**$ 243,767**	**$ 139,831**	**$ 183,369**	**$ 566,967**	**$ (1,818)**	**$ 565,149**
Property operating costs	**97,569**	**63,236**	**61,938**	**222,743**	**(4,042)**	**218,701**
Net operating income	**$ 146,198**	**$ 76,595**	**$ 121,431**	**$ 344,224**	**$ 2,224**	**$ 346,448**

Nine months ended September 30, 2018	Central Region	Eastern Region	Western Region	Subtotal	Other [1]	Total
Property rental revenue	$ 226,144	$ 144,192	$ 176,498	$ 546,834	$ (1,829)	$ 545,005
Property operating costs	87,470	62,166	59,440	209,076	(4,329)	204,747
Net operating income	$ 138,674	$ 82,026	$ 117,058	$ 337,758	$ 2,500	$ 340,258

[1] Other items principally consist of intercompany eliminations.

For the three and nine months ended September 30, 2019, property operating costs include $4.9 million and $15.9 million, respectively, (three and nine months ended September 30, 2018 – $5.0 million and $15.8 million, respectively) related to employee compensation.

17. INTEREST AND OTHER INCOME

		Three months ended September 30		Nine months ended September 30	
	Note	**2019**	2018	**2019**	2018
Interest, dividend and distribution income from marketable securities and other investments	7	**$ 678**	$ 358	**$ 4,417**	$ 1,394
Interest income from loans and mortgages receivable classified as FVTPL	7	**521**	971	**2,476**	3,667
Interest income from loans, deposit and mortgages receivable at amortized cost	7	**4,056**	2,705	**13,391**	8,344
Fees and other income		**6,573**	4,237	**8,895**	6,874
Total		**$ 11,828**	$ 8,271	**$ 29,179**	$ 20,279

18. INTEREST EXPENSE

		Three months ended September 30		Nine months ended September 30	
	Note	**2019**	2018	**2019**	2018
Mortgages	11	**$ 14,325**	$ 11,814	**$ 40,567**	$ 33,985
Credit facilities	11	**9,787**	4,480	**24,515**	13,552
Senior unsecured debentures	12	**26,825**	28,659	**79,761**	85,528
Convertible debentures	13	**—**	—	**—**	446
Total interest expense		**50,937**	44,953	**144,843**	133,511
Interest capitalized to investment properties under development		**(5,932)**	(6,516)	**(16,002)**	(19,425)
Interest expense		**$ 45,005**	$ 38,437	**$ 128,841**	$ 114,086
Change in accrued interest		**5,329**	4,692	**5,487**	5,512
Coupon interest rate in excess of effective interest rate on senior unsecured debentures		**330**	299	**970**	854
Coupon interest rate in excess of effective interest rate on assumed mortgages		**225**	226	**676**	741
Amortization of deferred financing costs		**(1,543)**	(1,316)	**(4,499)**	(4,033)
Cash interest paid associated with operating activities		**$ 49,346**	$ 42,338	**$ 131,475**	$ 117,160

19. CORPORATE EXPENSES

	Three months ended September 30		Nine months ended September 30	
	2019	2018	**2019**	2018
Salaries, wages and benefits	**$ 7,220**	$ 6,804	**$ 21,661**	$ 20,895
Non-cash compensation	**1,487**	1,119	**4,289**	3,650
Other corporate costs	**2,860**	2,498	**9,489**	9,360
Total corporate expenses	**11,567**	10,421	**35,439**	33,905
Amounts capitalized to investment properties under development	**(2,048)**	(1,789)	**(6,385)**	(5,723)
Corporate expenses	**$ 9,519**	$ 8,632	**$ 29,054**	$ 28,182

20. OTHER GAINS (LOSSES) AND (EXPENSES)

	Three months ended September 30		Nine months ended September 30	
	2019	2018	**2019**	2018
Realized gain (loss) on sale of marketable securities	**$ —**	$ 66	**$ 1,164**	$ 4,189
Unrealized gain (loss) on marketable securities	**203**	70	**298**	253
Net gain (loss) on prepayments of debt (non-cash)	**—**	—	**—**	(726)
Gain on below market purchase [1]	**—**	13,975	**—**	13,975
Hotel transaction costs [1]	**—**	(2,052)	**—**	(2,052)
Gain on Investment (a)	**4,022**	—	**4,022**	—
Proceeds from Target [2]	**692**	—	**692**	—
Investment properties selling costs	**(1,082)**	(397)	**(3,106)**	(1,896)
REIT conversion costs	**(1,232)**	(350)	**(2,004)**	(598)
Transaction costs (b)	**—**	—	**(3,414)**	—
Other	**(125)**	(35)	**(99)**	(156)
Total	**$ 2,478**	$ 11,277	**$ (2,447)**	$ 12,989

[1] In connection with acquisition of hotel property - Refer to Note 6.

[2] In connection with proceeds recognized under Target Canada's CCAA plan of arrangement related to the closure of two Target stores in the Company's portfolio in 2015.

(a) During the third quarter, one of the Company's other investments in which the Company was a minority shareholder was acquired for cash and share consideration resulting in the recognition of a $4.0 million gain on investment.

(b) During the first quarter, FCR paid $9.0 million or 50% of the underwriters' commission as part of the secondary offering by Gazit of 22 million of the Company's shares. Given the cross-conditional nature of the secondary offering and the share repurchase transaction, the $9.0 million was allocated to both the share repurchase ($5.6 million) and the secondary offering ($3.4 million). The amount allocated to the secondary offering was recorded in other gains (losses) and (expenses) during the first quarter.

21. 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 and nine months ended September 30, 2019 and 2018:

	Three months ended September 30		Nine months ended September 30	
	2019	2018	**2019**	2018
Income tax expense at the Canadian federal and provincial income tax rate of 26.6% (September 30, 2018 - 26.6%)	**$ 26,436**	$ 41,269	**$ 68,002**	$ 93,227
Increase (decrease) in income taxes due to:				
Non-taxable portion of capital gains and other	**(4,130)**	(15,631)	**(11,300)**	(27,478)
Impact of change in statutory income tax rate	**945**	—	**(20,848)**	—
Non-controlling interests in income of consolidated limited partnership	**(3,527)**	(230)	**(3,542)**	(2,244)
Other	**883**	(2,550)	**1,119**	(748)
Deferred income taxes	**$ 20,607**	$ 22,858	**$ 33,431**	$ 62,757

During the second quarter, the Canadian federal and provincial income tax rate decreased primarily due to a decrease in the general corporate income tax rate in the Province of Alberta.

22. PER SHARE CALCULATIONS

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

(in thousands)	Three months ended September 30		Nine months ended September 30	
	2019	2018	**2019**	2018
Net income attributable to common shareholders	**$ 65,490**	$ 131,427	**$ 208,886**	$ 279,300
Adjustment for dilutive effect of convertible debentures, net of tax	**—**	—	**—**	328
Income for diluted per share amounts	**$ 65,490**	$ 131,427	**$ 208,886**	$ 279,628
Weighted average number of shares outstanding for basic per share amounts	**219,093**	252,987	**232,860**	247,507
Options, restricted, performance and deferred share units	**1,571**	1,113	**1,409**	1,190
Convertible debentures	**—**	—	**—**	438
Weighted average diluted share amounts	**220,664**	254,100	**234,269**	249,135

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 September 30		Number of Shares if Exercised	
(in dollars, number of shares in thousands)	Exercise Price	**2019**	2018
Common share options	$20.24	**—**	145

Nine months ended September 30		Number of Shares if Exercised	
(in dollars, number of options in thousands)	Exercise Price	**2019**	2018
Common share options	N/A	**—**	—

23. 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 September 30, 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 September 30, 2019 is set out below:

As at September 30, 2019	Payments Due by Period				
	Remainder of 2019	2020 to 2021	2022 to 2023	Thereafter	Total
Scheduled mortgage principal amortization	$ 7,134	$ 56,932	$ 62,547	$ 146,928	$ 273,541
Mortgage principal repayments on maturity	30,602	130,312	95,522	907,738	1,164,174
Credit facilities and bank indebtedness	22,425	63,889	616,308	550,000	1,252,622
Senior unsecured debentures	—	350,000	750,000	1,400,000	2,500,000
Interest obligations (1)	50,131	363,262	281,071	284,524	978,988
Land leases (expiring between 2023 and 2061)	300	2,139	1,812	17,964	22,215
Contractual committed costs to complete current development projects	26,491	40,829	—	—	67,320
Other committed costs	29,430	—	—	—	29,430
Total contractual obligations	$ 166,513	$ 1,007,363	$ 1,807,260	$ 3,307,154	$ 6,288,290

(1) Interest obligations include expected interest payments on mortgages and credit facilities as at September 30, 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 September 30, 2019, there was $1,079.3 million (December 31, 2018 – $503.0 million) of cash advances drawn against the Company's unsecured credit facilities.

In addition, as at September 30, 2019, the Company has $31.7 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 $31.7 million (December 31, 2018 – $7.2 million) of bank overdrafts.

24. FAIR VALUE MEASUREMENT

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

As at	**September 30, 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	**$ 5,023**	**$ —**	**$ —**	$ 23,562	$ —	$ —
Loans and mortgages receivable	**—**	**—**	**20,851**	—	—	107,617
Other investments	**—**	**—**	**11,654**	—	—	11,834
Derivatives at fair value – assets	**—**	**781**	**—**	—	22,528	—
Financial Liabilities						
Derivatives at fair value – liabilities	**—**	**14,410**	**—**	—	6,372	—
Measured at amortized cost						
Financial Assets						
Loans and mortgages receivable	**—**	**—**	**118,557**	—	—	216,791
Financial Liabilities						
Mortgages	**—**	**1,472,422**	**—**	—	1,288,695	—
Credit facilities	**—**	**1,220,902**	**—**	—	626,172	—
Senior unsecured debentures	**$ —**	**$ 2,594,629**	**$ —**	$ —	$ 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 September 30, 2019, the interest rates ranged from 1.4% to 3.3% (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 September 30, 2019	**September 30, 2019**	December 31, 2018
Derivative assets				
Bond forward contracts	Yes	November 2019	**$ 261**	$ 4,125
Interest rate swaps	Yes	August 2024 - January 2026	**313**	9,983
Cross currency swaps	No	October 2019	**207**	8,420
Total			**$ 781**	$ 22,528
Derivative liabilities				
Bond forward contracts	Yes	November 2019	**$ 568**	$ 5,706
Interest rate swaps	Yes	April 2024 - March 2027	**13,434**	666
Cross currency swaps	No	October 2019	**408**	—
Total			**$ 14,410**	$ 6,372

25. SUBSIDIARIES WITH NON-CONTROLLING INTEREST

As at September 30, 2019 the Company has interests in two entities that it contractually controls and consolidates 100% of the assets, liabilities, revenues and expenses of each entity subject to a non-controlling interest.

Name of Entity	Primary Investment	Effective Ownership September 30, 2019	Effective Ownership December 31, 2018
Main and Main Developments LP	46.875% Interest in MMUR [1]	**67.0%**	67.0%
Maincore Equities Inc.	46.875% Interest in MMUR [1]	**90.0%**	N/A

[1] FCR has owned a 6.25% direct interest in MMUR since 2014.

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.

During the quarter, the Company, together with its partner acquired the remaining 46.9% interest in MMUR from the exiting partner by acquiring the shares of Maincore Equities Inc.

During the first nine months of the year, the non-controlling interest partner paid net contributions of $7.5 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.

26. SUPPLEMENTAL CASH FLOW INFORMATION

(a) Items not affecting cash and other items

		Three months ended September 30		Nine months ended September 30	
	Note	**2019**	2018	**2019**	2018
Straight-line rent adjustment		**$ (1,428)**	$ (1,196)	**$ (3,975)**	$ (5,739)
Incremental internal capitalized leasing costs					
Investment properties selling costs	20	**1,082**	397	**3,106**	1,896
Realized (gain) loss on sale of marketable securities	20	**—**	(66)	**(1,164)**	(4,189)
Unrealized (gain) loss on marketable securities classified as FVTPL	20	**(203)**	(70)	**(298)**	(253)
Gain on below market purchase [1]	20	**—**	(13,975)	**—**	(13,975)
Hotel transaction costs [1]	20	**—**	2,052	**—**	2,052
Net (gain) loss on prepayments of debt	20	**—**	—	**—**	726
Transaction costs [2]	20	**—**	—	**3,414**	—
Gain on Investment	20	**(4,022)**	—	**(4,022)**	—
Non-cash compensation expense		**1,602**	1,233	**4,631**	3,963
Deferred income taxes	21	**20,607**	22,858	**33,431**	62,757
Other non-cash items		**125**	36	**99**	156
Total		**$ 17,763**	$ 11,269	**$ 35,222**	$ 47,394

[1] In connection with acquisition of hotel property - Refer to Note 6.

[2] Transaction costs incurred relate to the secondary offering by Gazit of 22 million of the Company's common shares.

(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 September 30		Nine months ended September 30	
	2019	2018	**2019**	2018
Amounts receivable	**$ 3,636**	$ 2,188	**$ (2,663)**	$ (8,601)
Prepaid expenses	**7,376**	7,680	**(31,397)**	(29,144)
Trade payables and accruals	**(4,341)**	433	**(11,486)**	(5)
Tenant security and other deposits	**(740)**	(1,996)	**(2,440)**	1,033
Other working capital changes	**(2,787)**	(7,985)	**(3,561)**	(7,096)
Total	**$ 3,144**	$ 320	**$ (51,547)**	$ (43,813)

(c) Changes in loans, mortgages and other assets

	Three months ended September 30		Nine months ended September 30	
	2019	2018	**2019**	2018
Advances of loans and mortgages receivable	**$ (35,935)**	$ (21,475)	**$ (52,122)**	$ (44,382)
Repayments of loans and mortgages receivable and deposits	**227,166**	3,665	**263,261**	28,933
Other investments, net	**2,535**	—	**4,202**	(9,525)
Investment in marketable securities, net	**—**	(12,691)	**(5,000)**	(95,348)
Proceeds from disposition of marketable securities	**—**	4,038	**25,001**	96,632
Total	**$ 193,766**	$ (26,463)	**$ 235,342**	$ (23,690)

(d) Cash and cash equivalents

As at	September 30, 2019	December 31, 2018
Cash and cash equivalents [1]	**$ 19,445**	$ 15,534

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

27. 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 $87.1 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 $31.7 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 $1.2 million (December 31, 2018 – $1.2 million) with a total obligation of $22.2 million (December 31, 2018 – $23.6 million).

28. RELATED PARTY TRANSACTIONS

(a) Gazit-Globe

Effective April 16, 2019, Gazit's ownership of the Company was reduced to approximately 9.9% (December 31, 2018 - 31.3%) following the completion of the secondary offering and share repurchase transactions.

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 September 30		Nine months ended September 30	
	2019	2018	**2019**	2018
Reimbursements for professional services	**$ 25**	$ 48	**$ 113**	$ 140

As at September 30, 2019, amounts due from Gazit were $28 thousand (December 31, 2018 – $40 thousand).

(b) Joint ventures

For the three and nine months ended September 30, 2019, the Company earned fee income of $1.3 million (September 30, 2018 - $3.2 million) and $1.9 million (September 30, 2018 – $4.3 million), respectively, from its joint ventures.

During the nine months ended September 30, 2019, the Company also advanced $0.9 million (September 30, 2018 – $2.1 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.

29. SUBSEQUENT EVENTS

The Board approves REIT Conversion

On October 7, 2019, the Company announced that its Board of Directors, upon receipt of a fairness opinion, had unanimously approved the previously announced reorganization of the Company into a real estate investment trust to be named First Capital Real Estate Investment Trust. The reorganization will be subject to shareholder approval, including holders of common shares represented by instalment receipts, at a special meeting to be held on December 10, 2019. Further details on the reorganization were set forth in an information circular of the Company that was mailed to shareholders on November 1, 2019. Completion of the REIT conversion is expected to occur on or about December 30, 2019.

Dispositions

On October 30, 2019 the Company disposed of a 50% non-managing interest in a portfolio of six properties located in the Greater Montreal and Greater Ottawa areas for $177.0 million. In addition, the Company has entered into a binding purchase and sale agreement to dispose of a 100% interest in its entire Quebec City portfolio of five properties for $163.8 million.

Credit Rating Update

On November 5, 2019 S&P announced that it has assigned a public rating of BBB- to the Company's unsecured debentures.

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