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FIRST CAPITAL REALTY ANNOUNCES REDUCTION IN GAZIT'S OWNERSHIP TO ~9.9% VIA \$742 MM SHARE REPURCHASE BY FCR AND \$453 MM BOUGHT DEAL SECONDARY OFFERING BY GAZIT

- **FCR to purchase for cancellation 36 million FCR shares from Gazit**
- **Gazit to sell 22 million FCR shares through bought deal secondary offering of FCR shares represented by instalment receipts**
- **Transactions bring clarity to FCR ownership structure**
- **Delivers immediate NAV and FFO accretion to FCR**

TORONTO, Ontario, February 28, 2019 – First Capital Realty Inc. (“FCR” or the “Company”) (TSX: FCR), one of the largest owners, developers and operators of necessity-based real estate located in Canada’s most densely populated urban centres, announced today that the following transactions have been entered into, upon completion of which, Gazit-Globe Ltd.’s (together with its affiliates, “Gazit”) ownership of FCR (on a non-diluted basis) would be reduced from 31.3% to approximately 9.9% (collectively, the “Transactions”):

- i. Share Repurchase Transaction:** FCR has agreed to purchase for cancellation 36 million of its common shares from Gazit for a price of \$20.60 per common share, for gross share consideration paid to Gazit of approximately \$742 million (the “Share Repurchase Transaction”); and
- ii. Bought Deal Secondary Offering of FCR Common Shares Represented by Instalment Receipts:** A subsidiary of Gazit has entered into an agreement to sell 22 million of its common shares of FCR on a bought deal basis to a syndicate of underwriters led by RBC Capital Markets at a price of \$20.60 per common share, for gross proceeds to Gazit of approximately \$453 million (the “Secondary Offering”).

Completion of the Transactions is cross-conditional, with the Share Repurchase Transaction being subject to a shareholder vote which is expected to occur in early April 2019. See “Share Repurchase Transaction Details”.

Adam Paul, President and CEO of FCR, said, “The Transactions announced today will bring certainty to FCR’s ownership structure. Over the past few years, we have worked hard to strengthen our portfolio, platform and balance sheet, which gives us the flexibility to take advantage of this unique opportunity to repurchase our shares below NAV while substantially increasing our public float and benefiting from a more diversified, widely-held shareholder base. Most importantly, we can do so while remaining very well positioned to execute our recently announced Evolved Urban Investment Strategy. Gazit was our founding shareholder and has been an exceptional supporter of FCR for two decades.”

Transaction Highlights

The Company believes that the Transactions provide a number of benefits to its shareholders, including:

- **Elimination of Uncertainty in FCR's Ownership Structure:** FCR believes that the market price of its common shares has been adversely affected by the perception relating to the timing and method of sale of all or a portion of its common shares owned by Gazit. It is expected that the Transactions will eliminate this uncertainty.
- **Immediate NAV and FFO Accretion:** The Share Repurchase Transaction is estimated to be approximately 1% accretive to FCR's pre-tax IFRS Net Asset Value ("NAV") per common share, as a result of the repurchase price being at an approximately 9% discount to FCR's pre-tax IFRS NAV per share (\$22.59 as at December 31, 2018). The Share Repurchase Transaction is also expected to be initially approximately 6% accretive to FCR's Funds from Operations ("FFO") per share. As FCR is funding the Share Repurchase Transaction with proceeds from new debt financings, it is expected that the FFO accretion will decrease as FCR executes on its de-leveraging plan (see further details below).
- **Improves FFO Payout Ratio:** The Share Repurchase Transaction would have reduced FCR's 2018 FFO payout ratio from 71% to approximately 67%.
- **Improves Market Liquidity and Capital Markets Profile:** Upon successful completion of the Transactions, it is expected that the shareholders of FCR will benefit from improved liquidity as a result of an increase in the public float of common shares and related securities. FCR's public float in common shares and related equity securities will increase from 68% to approximately 89% of common shares outstanding post completion of the Transactions. Management believes that FCR's capital markets' profile will benefit from a more diversified, widely-held shareholder base. This is expected to be further enhanced once FCR converts to a REIT, which it recently announced it is pursuing.
- **Execution of a Transformational Transaction While Prudently Managing the Balance Sheet:** FCR intends to finance the Share Repurchase Transaction with proceeds from new debt financings. Pro forma the Share Repurchase Transaction, FCR's Net Debt to Total Assets is expected to increase from 42% at December 31, 2018 to a manageable level of approximately 49%. FCR's intention is to return its leverage to approximate current levels by disposing of selected assets consistent with its previously announced Evolved Urban Investment Strategy described further below. FCR believes it will continue to be very well positioned to execute its recently announced evolved strategy following the Share Repurchase Transaction, during the de-leveraging period and beyond.

Capital Structure and Financing Considerations

FCR intends to fund the Share Repurchase Transaction with proceeds from the following new debt financings: i) up to \$400 million of 10-year mortgage debt; and ii) up to \$400 million of senior unsecured term loans with terms expected to range from 5-7 years. FCR expects to have these new debt financings completed before the closing of the Share Repurchase Transaction. In addition, FCR has a fully committed one-year bridge facility for up to \$800 million from RBC Capital Markets in order to backstop these new debt financings.

FCR intends to de-lever back to similar debt levels as are currently in place over the next 24 months by disposing of selected assets consistent with its Evolved Urban Investment Strategy outlined below. The group of properties considered for full or partial disposition will increase from approximately 10% of FCR's portfolio to between 10%-15%.

FCR's Evolved Urban Investment Strategy

As outlined in FCR's Fourth Quarter and Annual 2018 earnings release, FCR has evolved its urban investment strategy and continues to be very well positioned to execute it. Highlights of FCR's Evolved Urban Investment Strategy include:

- A deeper focus on super-urban markets that fully integrate retail with other uses;
- Surfacing unrecognized value in FCR's density pipeline, primarily through the development process;
- Optimizing FCR's portfolio by further concentrating investment capital in dense, high-growth neighbourhoods;
- Strategic dispositions to provide capital for its investment program, grow the value of its portfolio and reduce leverage following the Share Repurchase Transaction to approximate current levels; and
- Pursuing a conversion into a REIT.

Share Repurchase Transaction Details

Closing of the Share Repurchase Transaction is contingent upon the closing of the Secondary Offering and is subject to the approval of a simple majority of the votes cast at a special meeting of the Company's shareholders (the "Meeting") to be called to consider the Share Repurchase Transaction, excluding for this purpose votes attached to the common shares held directly or indirectly by Gazit (as well as its related parties and joint actors), and certain other customary closing conditions. The definitive agreement in respect of the Share Repurchase Transaction includes an exclusive dealing covenant on the part of Gazit. The definitive agreement also provides for a \$3.0 million expense reimbursement payment by the Company to Gazit on signing in connection with the Share Repurchase Transaction, which payment will be credited to the total repurchase price on closing and retained by Gazit if the definitive agreement is terminated in certain circumstances. Closing of the Share Repurchase Transaction is expected to occur shortly following the Meeting. Gazit has also agreed that, following closing of the Share Repurchase Transaction, it will have one representative serving on the board of directors of the Company (the "Board") for so long as Gazit beneficially owns, directly or indirectly, or exercises control or direction over at least 5% of the outstanding common shares of FCR. The Meeting is scheduled to be held April 10, 2019 and shareholders of record as at the close of business on March 11, 2019 will be entitled to vote at the Meeting.

The Share Repurchase Transaction is the result of negotiations between Gazit and its advisors and the Company, acting under the direction of a Special Committee of the Board, and its advisors. The Board, after consultation with financial and legal advisors, and based on the unanimous recommendation of a Special Committee of the Board consisting of the Company's five independent directors (the "Special Committee"), has determined that the Share Repurchase Transaction is in the best interests of the Company, and recommends that the Company's shareholders vote in favour of the Share Repurchase Transaction. Mr. Katzman, Mr. Mooallem and Mr. Segal each declared an interest in the Share Repurchase Transaction and, as such, recused themselves from considering the Share Repurchase Transaction. Members of the Special Committee have agreed to vote their common shares in favour of the Share Repurchase Transaction.

RBC Capital Markets and Blair Franklin Capital Partners have each provided a fairness opinion to the Board stating that, in their respective opinion and subject to the assumptions, limitations and qualifications contained in each fairness opinion, as of the date of the fairness opinion, the consideration paid under the Share Repurchase Transaction is fair, from a financial point of view, to the Company. Blair Franklin was retained by the Special Committee and compensated on a fully fixed fee basis.

FCR intends to mail a management information circular (the "Circular") and certain related documents to shareholders entitled to vote at the Meeting, copies of which will be filed on SEDAR at www.sedar.com. The Circular will include, among other things, a copy of the fairness opinions of RBC Capital Markets and Blair Franklin Capital Partners.

Secondary Offering Details

A subsidiary of Gazit has agreed to sell 22 million common shares of FCR (the "Shares") on a bought deal basis to a syndicate of underwriters (the "Underwriters") led by RBC Capital Markets, for gross proceeds to Gazit of \$453 million. The Shares are being sold on an instalment receipt (the "Instalment Receipts") basis at

a price of \$20.60 per Share (the “Offering Price”), of which \$10.30 (the “First Instalment”) is payable upon closing of the Secondary Offering (the “Closing”) and the remaining \$10.30 (the “Final Instalment”) is payable by holders of the Instalment Receipts no later than the first anniversary of the Closing (the “Final Instalment Date”). The Final Instalment may be paid at any time following the completion of the Share Repurchase Transaction and no later than the Final Instalment Date. FCR has agreed to pay 50% of the Underwriters’ fee for the Secondary Offering and will pay such portion to the Underwriters on the seventh calendar day following filing of the (final) short form prospectus in respect of the Secondary Offering, with the remaining 50% of the Underwriters’ fee payable by Gazit on closing of the Share Repurchase Transaction.

FCR is not issuing or selling any securities pursuant to the Secondary Offering and will accordingly not receive any proceeds in connection therewith. The proceeds of the First Instalment are expected to be, in aggregate, \$226,600,000 and will be held in escrow (the “Escrowed Funds”) for Gazit until completion of the Share Repurchase Transaction, at which time the proceeds will be paid as follows: (i) the 50% balance of the Underwriters’ fee (plus any interest earned thereon) will be paid to the Underwriters, and (ii) the remaining proceeds (plus any interest earned thereon) will be paid to Gazit. The proceeds of the Final Instalment are expected to be, in aggregate, \$226,600,000 and will be paid to Gazit by holders of the Instalment Receipts on or before the first anniversary of the Closing at the option of the holder.

Prior to payment of the Final Instalment, a holder’s beneficial ownership of the Shares will be represented by the Instalment Receipts. At Closing, the Shares will be pledged to Gazit to secure payment of the Final Instalment. If the holder of an Instalment Receipt does not pay the Final Instalment when due, the Shares evidenced by such Instalment Receipt may, subject to the conditions of the Instalment Receipt Agreement and applicable laws, be forfeited to Gazit in full satisfaction of the holder’s obligations or sold on behalf of Gazit, in which case such holder will be liable to Gazit to the extent the net proceeds of such sale are less than the outstanding Final Instalment.

In the event that (i) the Share Repurchase Transaction does not occur prior to 5:00 p.m. (Toronto time) on May 17, 2019, or (ii) FCR delivers a notice declaring that the share repurchase agreement has been terminated (each, a “Termination Event”), holders of Instalment Receipts will be entitled to receive the aggregate amount of their First Instalment, together with their *pro rata* share of any interest earned on the Escrowed Funds between Closing and the date of the Termination Event, less any applicable withholding taxes. If a Termination Event occurs, the rights evidenced by each Instalment Receipt will automatically be terminated and the Shares will be returned to Gazit. In addition, closing of the Secondary Offering will be subject to the condition that the Share Repurchase Transaction is approved by the requisite majority of shareholders of the Company at a special meeting of the Company to be held no later than April 18, 2019.

On February 12, 2019, FCR declared a dividend of \$0.215 per common share, payable on April 18, 2019 to shareholders of record on March 29, 2019 (the “April Dividend”). In conjunction with the Transactions, the Board has resolved to change the record date for the April Dividend to close of business on April 12, 2019, payable on April 22, 2019. If the Share Repurchase Transaction is completed, holders of Instalment Receipts will receive the April Dividend. If a Termination Event occurs and the Share Repurchase Transaction is not completed, holders of Instalment Receipts will not be entitled to any amount with respect to dividends on the Shares. FCR’s current annual dividend of \$0.86 per common share represents an effective annual yield of 8.3% based on a First Instalment of \$10.30 per Share.

Cash dividends on the Shares represented by Instalment Receipts in excess of \$0.86 per Share per year and all net proceeds from non-cash dividends paid in respect of the Shares represented by Instalment Receipts (subject to certain exceptions) will be paid to Gazit (or, if before the closing of the Repurchase Transaction, the escrow agent) to be applied in reduction of the Final Instalment (less any withholding taxes required to be paid) and, upon payment of the Final Instalment, any balance will be paid to the Instalment Receipt holders.

Holders of Instalment Receipts will have the same rights and privileges, and be subject to the same limitations, as registered holders of common shares of FCR, except for certain rights and privileges set forth in the instalment receipt, escrow and pledge agreement governing the Instalment Receipts that will be entered into upon Closing (the “Instalment Receipt Agreement”). Holders of Instalment Receipts will be entitled, in the manner set forth in the Instalment Receipt Agreement, to participate fully in all dividends and other distributions on, and to vote (following the closing of the Share Repurchase Transaction), the Shares represented by their Instalment Receipts (except at the Meeting) and to receive periodic reports and other materials in the same manner as if they were the registered holders of common shares of FCR.

The Company and all directors and officers of the Company will be subject to a 180 day lock-up, subject to customary exceptions. Gazit’s retained interest will be subject to a one year lock-up period, subject to customary exceptions and subject to consent of RBC Capital Markets, on behalf of the Underwriters, and the Company for the first 180 days and subject to consent of the Company for the remainder of the one year period.

An application will be made to list the Instalment Receipts on the Toronto Stock Exchange (“TSX”). The Secondary Offering and the Share Repurchase Transaction are both subject to the receipt of all necessary regulatory approvals. Listing of the Instalment Receipts will be subject to FCR fulfilling all of the listing requirements of the TSX. Closing of the Secondary Offering is expected to occur on or about April 11, 2019. It is expected that trading of the Instalment Receipts on the TSX will commence on or about April 11, 2019.

The Secondary Offering will be made by way of a short form prospectus to be filed with the securities commissions and other similar regulatory authorities in each of the provinces of Canada. Investors should read the short form prospectus before making an investment decision. There will not be any sale of the Shares represented by Instalment Receipts until a receipt for the (final) short form prospectus has been issued. The description of the Shares and the Instalment Receipts set forth above is qualified in its entirety by the Instalment Receipt Agreement and the summary thereof that will be contained in the (final) short form prospectus.

The securities offered have not been registered under the U.S. Securities Act of 1933, as amended, and may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements. This press release shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

Advisors

RBC Capital Markets is acting as exclusive financial advisor to FCR, sole bookrunner on the Secondary Offering, and has committed to provide the bridge facility to FCR.

Blair Franklin is acting as financial advisor to the Special Committee.

Torys LLP is acting as legal counsel to FCR and Stikeman Elliott LLP is acting as legal counsel to the Special Committee.

Blake, Cassels & Graydon LLP is acting as underwriters’ legal counsel in respect of the Secondary Offering.

Kingsdale Advisors is acting as FCR’s strategic shareholder advisor and proxy solicitation agent.

About First Capital Realty (TSX: FCR)

First Capital Realty is one of the largest owners, developers and operators of necessity-based real estate located in Canada's most densely populated urban centres. FCR currently owns interests in 166 properties, totaling approximately 25.4 million square feet of gross leasable area.

Non-IFRS Financial Measures

First Capital Realty prepares and releases unaudited interim and audited annual consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). As a complement to results provided in accordance with IFRS, FCR discloses certain non-IFRS financial measures, including but not limited to proportionate interest, NOI, Same Property NOI, FFO and ACFO. These non-IFRS measures are further defined and discussed in First Capital Realty's MD&A for the year ended December 31, 2018, which should be read in conjunction with this press release. Since these non-IFRS measures do not have standardized meanings prescribed by IFRS, they may not be comparable to similar measures reported by other issuers. FCR uses and presents the above non-IFRS measures as management believes they are commonly accepted and meaningful financial measures of operating performance. Reconciliations of certain non-IFRS measures to their nearest IFRS measures are included in FCR's MD&A. These non-IFRS measures should not be construed as alternatives to net income or cash flow from operating activities determined in accordance with IFRS as measures of First Capital Realty's operating performance.

Forward-looking Statement Advisory

This press release contains forward-looking statements and information within the meaning of applicable securities law, including statements regarding: the expected benefits of the Transactions, including the expected benefits to FCR shareholders and other stakeholders, as well as future financial and operating results; the anticipated timing for the special meeting of FCR shareholders and closing of the Transactions; the satisfaction of closing conditions in connection with the Transactions; our ability to source investment opportunities and to execute on our Evolved Urban Investment Strategy; and the pursuit of a REIT conversion. These forward-looking statements are not historical facts but, rather, reflect FCR's current expectations and are subject to risks and uncertainties that could cause the outcome to differ materially from current expectations. Such risks and uncertainties include, among others, the potential risk that the Share Repurchase Transaction will not be approved by FCR shareholders; failure to, in a timely manner, or at all, obtain the necessary regulatory or other approvals for the Transactions; failure of the parties to otherwise satisfy the conditions to complete the Transactions; the effect of the announcement of the Transactions on FCR's relationships, operating results and business generally; significant transaction costs or unknown liabilities; and other customary risks associated with transactions of this nature, in addition to those risks discussed in FCR's MD&A for the year ended December 31, 2018 and in its current Annual Information Form. Furthermore, no final determination to convert to a REIT has been made by FCR at this time and no assurance can be given as to whether such a reorganization will be undertaken by FCR or the timing or impact of any such reorganization or its terms. Readers, therefore, should not place undue reliance on any such forward-looking statements. First Capital Realty undertakes no obligation to publicly update any such forward-looking 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 press release are made as of the date hereof and are qualified by these cautionary statements.

For further information – First Capital Realty:

Adam Paul
President & CEO
(416) 216-2081
adam.paul@fcr.ca

Kay Brekken
Executive Vice President & CFO
(416) 216-2051
kay.brekken@fcr.ca

www.fcr.ca
TSX: FCR

Media Contact:

Ian Robertson
Executive Vice President, Communication Strategy
Kingsdale Advisors
Direct: 416-867-2333
Cell: 647-621-2646
Email: irobertson@kingsdaleadvisors.com