LOCATION LOCATION LOCATION®

The power of location.

FIRST CAPITAL®

Green Shopping For Everyday Life®

Corporate Profile

First Capital Realty (TSX: FCR) is Canada's leading owner, developer and manager of well-located, high quality urban retail-centered properties where people live and shop for everyday life. As at March 31, 2014, the Company owned interests in 164 properties, including one ground-up development project underway, totalling approximately 24.5 million square feet of gross leasable area ("GLA") and one land site in the planning stage for future retail development. First Capital Realty has an enterprise value of approximately $7.5 billion and its common shares trade on the Toronto Stock Exchange.

Financial Highlights

Financial Highlights for the three months ended March 31, 2014 and 2013 are as follows:

(thousands of dollars, except per share and other data)		**March 31, 2014**		December 31, 2013
Total assets	**$**	**7,785,000**	$	7,596,000
Equity market capitalization [1]	**$**	**3,671,000**	$	3,690,000
Total enterprise value	**$**	**7,485,000**	$	7,319,000
Number of properties		**164**		164
Gross leasable area (square feet)		**24,525,000**		24,462,000
Debt to total assets [2]		**43.6%**		42.9%
Debt to total market capitalization [2]		**45.1%**		44.3%
Common shares outstanding (in thousands)		**209,150**		208,356
Quarterly dividends per common share		**0.21**		0.21

Three months ended March 31 *(thousands of dollars, except per share and other data)*		**2014**		2013
Property rental revenue [3]	**$**	**164,041**	$	158,893
Net operating income ("NOI") [3] [4]	**$**	**99,373**	$	98,479
Funds from Operations ("FFO") [4]				
FFO	**$**	**53,461**	$	52,879
FFO per diluted share	**$**	**0.26**	$	0.25
FFO payout ratio		**82.3%**		82.7%
FFO excluding other gains (losses) and (expenses)	**$**	**52,073**	$	51,886
FFO per diluted share excluding other gains (losses) and (expenses)	**$**	**0.25**	$	0.25
Adjusted Funds from Operations ("AFFO") [4]				
AFFO	**$**	**53,978**	$	54,252
AFFO per diluted share	**$**	**0.24**	$	0.24
AFFO payout ratio		**88.0%**		86.6%
AFFO excluding other gains (losses) and (expenses)	**$**	**53,495**	$	52,145
AFFO per diluted share excluding other gains (losses) and (expenses)	**$**	**0.24**	$	0.23

(1) Equity market capitalization includes the market value of common shares.

(2) Calculated with all joint ventures proportionately consolidated and cash balances reducing debt.

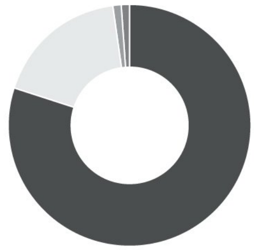
(3) Includes the Company's share of property rental revenue and NOI relating to its joint venture accounted for on the equity basis in the interim consolidated financial statements. Refer to the "Results of Operations – Net Income" section of this MD&A.

(4) Net Operating Income ("NOI"), Funds from Operations ("FFO") and Adjusted Funds from Operations ("AFFO") are measures of operating performance that are not defined by International Financial Reporting Standards ("IFRS"). Refer to the "Results of Operations" section of this MD&A for details.

Markets*

- Greater Toronto Area 32%
- Calgary/Edmonton/Red Deer 23%
- Greater Montreal Area 16%
- Greater Vancouver Area 11%
- Ottawa/Gatineau 7%
- Golden Horseshoe 6%
- Southwestern Ontario 2%
- Quebec City 3%

* Annual Minimum Rents



- Large Urban Market 80%
- Medium Market 18%
- Small Market A 1%
- Small Market B 1%

DEFINITION

Large Urban Market: Population Greater Than 100,000
Medium Market: Population 30,000 – 100,000
Small Market A: Population 20,001 – 29,999
Small Market B: Population Smaller Than 20,000

Source: Statistics Canada
As of March 31, 2014

Shopping For Everyday Life®

	#of stores	% of rent	tenants
Supermarkets[1]	126	17.2%	Loblaws, Sobeys, METRO, save on foods, WHOLE FOODS, Longo's
Liquor Stores	92	3.1%	BC LIQUOR STORES, LCBO, SAQ, The Beer Store, LIQUOR DEPOT, LIQUOR BARN
Banks & other Financial Institutions	310	9.8%	Desjardins, TD, RBC, CIBC, BMO, NATIONAL BANK OF CANADA, HSBC
Drugstores	134	9.4%	SHOPPERS DRUG MART, LONDON DRUGS, Rexall, Jean Coutu, The Medicine Shoppe PHARMACY
Medical, Personal Services and Professional	1,285	12.6%	Alberta Health Services
Fitness	65	2.6%	EQUINOX, GoodLife FITNESS CLUBS, LA FITNESS, Nautilus Plus
National & Discount Retailers	183	14.6%	WINNERS, DOLLARAMA, TARGET, STAPLES, RONA, Walmart, THE HOME DEPOT, BEST BUY, FUTURE SHOP
Casual Dining & QSR	593	7.3%	aroma espresso bar, Tim Hortons, SUBWAY, McDonald's, BURGER KING, Wendy's, SECOND CUP, HARVEY'S, Pizza Hut
Daycare Centres and Schools	55	0.6%	edleun, KUMON, OXFORD LEARNING, Child Safe CANADA, A Child First Preschool Inc.

As of March 31, 2014
[1] 44 of 126 supermarkets have a pharmacy

MD&A

MANAGEMENT'S DISCUSSION AND ANALYSIS

Contents

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 for First Capital Realty Inc. ("First Capital Realty" or the "Company") is intended to provide readers with an assessment of performance and summarize the results of operations and financial position for the three months ended March 31, 2014 and 2013. It should be read in conjunction with the Company's annual consolidated financial statements for the years ended December 31, 2013 and 2012 contained in the Company's 2013 Annual Report. Additional information, including the Company's 2013 Annual Report and current Annual Information Form, is available on the SEDAR website at www.sedar.com and on the Company's website at www.firstcapitalrealty.ca.

All amounts are in Canadian dollars, unless otherwise noted. Historical results and percentage relationships contained in the Company's interim and annual consolidated financial statements and MD&A, including trends which might appear, should not be taken as indicative of its future operations. The information contained in this MD&A is based on information available to Management, and is dated as of May 5, 2014.

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

FORWARD-LOOKING STATEMENT ADVISORY

Certain statements contained in the "Business Overview and Strategy", "Outlook and Current Business Environment", "Business and Operations Review", "Results of Operations", "Capital Structure and Liquidity", "Summary of Significant Accounting Estimates and Policies" and "Controls and Procedures" sections of 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 on line 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, amount of development costs, capital expenditures, operating costs and corporate expenses, level and timing of acquisitions of income-producing properties, 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; the availability of a new competitive supply of retail properties which may become available either through construction, lease or sublease; First Capital Realty's ability to maintain occupancy and to lease or re-lease space at current or anticipated rents; repayment of indebtedness and the availability of debt and equity financing; changes in interest rates and credit spreads; changes to credit ratings; tenant financial difficulties; defaults and bankruptcies; the relative illiquidity of real property; unexpected costs or liabilities related to acquisitions, development and construction; increases in operating costs and property taxes; 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; geographic concentration of assets; investments subject to credit and market risk; loss of key personnel; and the ability of health care tenants to maintain licenses, certifications and accreditations.

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

All forward-looking statements in this MD&A are made as of May 5, 2014 and are qualified by these cautionary statements.

BUSINESS OVERVIEW AND STRATEGY

First Capital Realty (TSX:FCR) is Canada's leading owner, developer and manager of well-located, high quality urban retail-centered properties where people live and shop for everyday life. As at March 31, 2014, the Company owned interests in 164 properties, including one ground-up development project underway, totalling approximately 24.5 million square feet of gross leasable area ("GLA") and one land site in the planning stage for future retail development.

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

- undertake selective development, redevelopment and repositioning activities on its properties including land use intensification;
- be focussed and disciplined in acquiring well-located properties, primarily centres where there are value creation opportunities and sites adjacent to existing properties in the Company's target urban markets;
- proactively manage its existing shopping centre portfolio to drive rent growth;
- increase efficiency and productivity of operations; and
- maintain financial strength to achieve the lowest cost of capital.

Shopping for Everyday Life®

The Company owns, develops and manages properties that provide consumers with products and services that are considered to be daily necessities or non-discretionary expenditures. Currently, over 80% of the Company's revenues come from tenants providing these daily necessity products and services, including supermarkets, drugstores, banks, liquor stores, national discount retailers, quick service restaurants, fitness, medical and other personal services.

Management looks to implement a specific complementary tenant offering at each of its properties to best serve the needs of the local community. The Company is highly focussed on ensuring the competitive position of its assets in various urban and retail trade areas and closely follows demographics and shopping trends for both goods and services.

The Company continues to observe several demographic trends that may affect demand for retail goods and services, including a younger generation of consumers whose shopping patterns are influenced by wireless communications and on-line business and information and an aging population whose needs will increasingly focus on convenience and health related goods and services. Another trend that Management observes relates to lifestyles in urban markets, where consumers choose to incorporate visits to gyms, coffee shops and local restaurants into their everyday life. In Management's view, shopping centres and mixed-use properties located in urban markets with tenants providing daily necessities, including non-discretionary services and other personal services, will be less sensitive to both economic cycles and the current demographic trends, thus providing stable and growing cash flow over the long term.

Urban Focus

The Company targets specific urban markets with stable and/or growing populations. Specifically, the Company intends to continue to operate primarily in and around its target urban markets of the greater Toronto area, including the Golden Horseshoe area and London; the Calgary and Edmonton areas; the greater Vancouver area, including Vancouver Island; the greater Montreal area; the Ottawa and Gatineau region; and Québec City. Approximately 95% of the Company's annual minimum rent is derived from these urban markets.

The Company has achieved critical mass in its target markets, which helps generate economies of scale and operating synergies, as well as real-time local knowledge of its properties, tenants, neighbourhoods and the markets in which it operates. Within each of these markets, the Company targets well-located properties with strong demographics that Management expects will attract quality tenants with long lease terms. First Capital Realty assesses the quality of locations based on a number of factors in the trade area of a property, including demographic trends, potential for competitive retail space and existing and potential tenants in the market.

Acquisitions

Management seeks to acquire well-located, high quality urban retail-centered properties in the Company's target urban markets focussing on the quality, sustainability and growth potential of rental income. These properties are acquired when they complement or add value to the existing portfolio or provide opportunity for redevelopment or repositioning. Once the Company has acquired a property in a specific retail trade area, Management will look to acquire adjacent or nearby properties. These adjacent properties allow the Company to provide maximum flexibility to its tenant base to meet changing formats and size requirements over the long term. Adjacent properties also allow the Company to expand or intensify its existing property, providing a better retail product and service offering for consumers. Management believes that its adjacent site acquisitions result in a better mix of goods and services offered and, ultimately, a better long-term return on investment, with a lower level of risk.

Through acquisitions, the Company expands its presence in its target urban markets in Canada, and continues to generate greater economies of scale and leasing and operating synergies. Management will continue to look for strategic acquisitions, in both existing markets and markets where the Company does not yet have a presence.

The Company also recycles its capital to fund new investments by selling assets in certain markets that are no longer aligned with its core strategies.

Development, Redevelopment and Land Use Intensification

The Company pursues selective development and redevelopment activities including land use intensification projects, primarily on its own, but also with partners, in order to achieve a better return on its portfolio over the long term. The redevelopment activities are focussed primarily on the older, well-located shopping centres that the Company owns and actively seeks to acquire. These properties are redeveloped and expanded, over time, in conjunction with anchor tenant repositioning and changing retail environments. Redevelopment of existing properties generally carries a lower market risk due to the urban locations, existing tenant base and the land use intensification opportunities. Redevelopment projects are carefully managed to minimize tenant downtime. Typically, tenants continue to operate during the planning, zoning and leasing phases of the project with modest "holdover" income from tenants operating during this period. The Company will sometimes carry vacant space in a property for a planned future expansion of tenants or reconfiguration of a property.

Management believes that the Company's shopping centres, along with its portfolio of adjacent sites, gives it a unique opportunity to participate in urban land use intensification in its various markets. The land use intensification trend in the Company's target urban markets is driven by the costs for municipalities to expand infrastructure beyond existing urban boundaries, the desire by municipalities to increase their tax base, environmental considerations and the migration of people to vibrant urban centres. The Company's land use intensification activities are focussed primarily on increasing retail space on a property and, to a lesser degree, adding mixed-use density, including residential projects and office uses. The Company has proven development and redevelopment capabilities across the country to enable it to capitalize on these opportunities and expects these land use intensification activities to increase over the next several years. To a lesser degree, the Company develops new properties on ground-up sites and typically has at least one ground-up development project in the planning stage or underway in each region.

Investments in redevelopment and development projects are generally less than 10% of the Company's total assets (at invested cost) at any given time. Development activities are strategically managed to reduce leasing risks by obtaining lease commitments from anchor and major tenants prior to commencing construction. The Company also uses experts including architects, engineers and urban planning consultants, and negotiates competitive fixed-price construction contracts.

These development and land use intensification activities provide the Company with an opportunity to use its existing platform to sustain and increase cash flow and realize capital appreciation over the long term through its ownership and development activities.

Proactive Management

The Company views proactive management of its existing portfolio and newly acquired properties as a core competency and an important part of its strategy. Proactive management means the Company continues to invest in properties to ensure that they remain competitive by attracting quality retail tenants and their customers over the long term. Specifically, Management strives to create and maintain the highest standards in lighting, parking, access and general appearance of the Company's properties. The Company's proactive management strategies have historically contributed to improvements in occupancy levels and average lease rates throughout the portfolio.

The Company is fully internalized and all value creation activities, including development management, leasing, property management, lease administration, legal, construction management and tenant co-ordination functions, are directly managed and executed by experienced real estate professionals. Corporate financing, human resources, and most of senior management are centralized at the Company's head office location in Toronto. Property management and operations are centralized in order to ensure that consistent standards of operation and maintenance are achieved. Real estate acquisitions, development and redevelopment, leasing, and construction are executed through local teams located in the Company's offices in Toronto, Montreal, Ottawa, Calgary, Edmonton and Vancouver in order to effectively serve the major urban markets where First Capital Realty operates. In addition, the Company's management team possesses significant retail experience, which contributes to the Company's in-depth knowledge of its tenants and market trends.

The Company operates solely in Canada, in three operating regions, reporting to a regional executive, as follows: Eastern region, which primarily includes operations in Quebec and the Ottawa area; Central region, which includes the Company's Ontario operations, excluding Ottawa; and Western region, which includes operations in Alberta and British Columbia.

Increasing Efficiency and Productivity of Operations

The Company continues to focus on operating efficiency as it grows its business. Management is continuously implementing and improving processes and systems necessary to capture, record and report both operating and financial results, and effectively manage business execution while achieving higher levels of efficiency.

Cost of Capital

The Company seeks to maintain financial strength in order to achieve the lowest cost of debt and equity capital over the long term. The Company's capital structure is key to financing growth and providing sustainable cash dividends to its shareholders. In the real estate industry, financial leverage is used to enhance rates of return on invested capital. Management believes that First Capital Realty's capital composition of senior unsecured debt, mortgage debt, convertible debentures and equity in its capital base provides financing flexibility and reduces risks, while generating an acceptable return on investment, taking into account the long-term business strategy of the Company. The Company uses convertible debentures where both the interest and principal are payable in shares. The Company also recycles capital through selective disposition of full or partial interests in properties. Where it is deemed appropriate, the Company will raise equity to finance its growth and strengthen its financial position.

DBRS Limited ("DBRS") has rated the Company's senior unsecured debentures as BBB(high), and Moody's has rated these debentures as Baa2, giving the Company the highest rating on unsecured debentures for a real estate entity in Canada (presently held by the Company and one other public Canadian real estate entity). Management believes that this, along with the quality of the Company's real estate portfolio and other business attributes, contribute to reducing the Company's cost of capital.

Corporate Responsibility and Sustainability

First Capital Realty builds value by creating and managing high-quality properties with long-term appeal in neighbourhoods and communities that the Company believes will have a good and growing customer base well into the future. The Company also takes a highly disciplined approach to the development and redevelopment of the Company's properties across Canada. In May 2006, the Company embarked on the path towards sustainability with a commitment to develop all future properties to Leadership in Energy and Environmental Design ("LEED") standards. In 2009, the Company published its first Corporate Sustainability Report identifying five long-term goals. Since then, the Company has published Corporate Responsibility and Sustainability ("CRS") Reports for 2010, 2011 and 2012. These CSR reports comply with the Global Reporting Initiative ("GRI"), an international non-profit organization whose mandate is to establish guidelines for CRS reports. The Company is proud to be Canada's first publicly traded real estate company to issue a GRI-compliant and externally assured CRS report.

On the environmental front, the Company continues to develop its properties to LEED standards. As at March 31, 2014, 50 projects at 31 properties comprising over 1.1 million square feet of GLA were certified to LEED standards. Another 77 projects at 44 properties comprising over 2.7 million square feet of GLA are under development, in the process of construction or awaiting LEED certification.

Although the Company's policy is to build to LEED standards, this is subject to tenant acceptance and existing physical structure limitations. As such, the square footage listed in this MD&A may not match to the square footage that is registered for LEED certification with the relevant certification body. Likewise, the associated tenants' premises may or may not be part of a LEED application.

Reducing energy and water consumption is also a key part of the sustainability strategy, and the Company continues to implement energy and water conservation measures, such as retrofitting lighting and water fixtures to more efficient technology. All of these initiatives enhance the properties' environmental performance and many of them reduce operating costs, benefiting the Company's tenants and shareholders.

Management strives to maintain the highest levels of integrity and ethical business practices in all that it does. The Company's governance structure, Code of Conduct and Ethics, and all of its employee guidelines and policies are aimed at ensuring that all employees remain good corporate citizens focussed on building the long-term value of the Company.

For more information on the Company's Corporate Responsibility and Sustainability, refer to the full report at www.firstcapitalrealty.ca.

Adoption of New Accounting Standards

The interim consolidated financial statements for the three months ended March 31, 2014 have been prepared by applying the same accounting policies and methods of computation as compared with the most recent annual consolidated financial statements, except for the adoption of IFRIC 21, "Levies" ("IFRIC 21") and the interpretation of IAS 17, "Leases" ("IAS 17") with respect to the meaning of 'incremental costs'.

The Company has adopted each of the standards below on January 1, 2014:

(a) Levies

IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued ratably only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. The interpretation applies to realty taxes and has been applied retrospectively to the prior period presented. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. The interpretation does not apply to accounting for income taxes or fines and penalties.

The primary consideration for the Company, in the adoption of IFRIC 21, relates to the timing of recognizing a liability to pay realty taxes. The adoption of IFRIC 21 did not result in a material impact to the interim consolidated financial statements, as the relevant municipal legislation governing realty taxes indicates that recognition progressively through the year is appropriate, which is consistent with the Company's current accounting.

(b) Internal Leasing Costs

In March 2014, the IFRS Interpretations Committee ("IFRIC") issued a decision related to the meaning of 'incremental costs' in the context of initial direct leasing costs in IAS 17. The IFRIC determined that internal fixed costs, such as the salary costs of permanent staff involved in negotiating and arranging new leases, do not qualify as incremental costs within the context of IAS 17 and, therefore, should not be capitalized as initial direct leasing costs.

Prior to January 1, 2014, the Company's accounting policy was to capitalize internal leasing costs to investment properties, which was then adjusted to fair value through net income. Adoption of this interpretation resulted in an increase in corporate expenses and an increase in fair value gains (or decrease in fair value losses) on investment properties in the Consolidated Statements of Income, with no change in net income. There is no material impact on the Consolidated Balance Sheets or the Consolidated Statements of Cash Flows.

The impact of the Company's adoption of the interpretation on the Consolidated Statements of Income for the year ended December 31, 2013 is as follows:

(thousands of dollars)	Three months ended				Year Ended
	March 31, 2013	June 30, 2013	September 30, 2013	December 31, 2013	December 31, 2013
Increase in value of investment properties, net	$ 1,436	$ 1,103	$ 1,125	$ 1,083	$ 4,747
Increase in corporate expenses	1,436	1,103	1,125	1,083	4,747
Net income	—	—	—	—	—

SUMMARY CONSOLIDATED INFORMATION AND HIGHLIGHTS

As at March 31 *(thousands of dollars, except other data)*		2014		2013
Operations Information				
Number of properties		**164**		172
GLA (square feet)		**24,525,000**		25,029,000
Occupancy – same property – stable [1]		**96.5%**		96.4%
Total portfolio occupancy		**95.3%**		95.1%
Pipeline of development and adjacent land (GLA) [2]		**2,549,000**		3,164,000
Average rate per occupied square foot	**$**	**18.06**	$	17.50
GLA developed and brought on line year-to-date (square feet)		**35,000**		144,000
Same property – stable NOI [3]				
– increase over prior year		**1.2%**		4.0%
Total same property NOI [3]				
– increase over prior year		**2.5%**		4.1%
Financial Information				
Investment properties – shopping centres [4]	**$**	**7,210,150**	$	6,940,557
Investment properties – development land [4]	**$**	**170,568**	$	137,446
Total assets	**$**	**7,784,774**	$	7,518,732
Mortgages and credit facilities	**$**	**1,245,691**	$	1,547,530
Senior unsecured debentures payable	**$**	**2,164,136**	$	1,690,884
Convertible debentures payable	**$**	**374,916**	$	373,502
Shareholders' equity	**$**	**3,321,059**	$	3,267,033
Capitalization and Leverage				
Shares outstanding (in thousands)		**209,150**		207,266
Enterprise value [5]	**$**	**7,485,000**	$	7,573,000
Debt to total assets [5] [6]		**43.6%**		41.7%
Debt to enterprise value [5] [6]		**45.1%**		41.1%
Net debt to EBITDA – based on run rate on components of EBITDA [4] [5] [9]		**8.30**		7.73
Weighted average maturity on mortgages and senior unsecured debentures (years) [7]		**5.7**		5.7

Three months ended March 31 *(thousands of dollars, except per share and other data)*		**2014**		2013
Revenues, Income and Cash Flows				
Revenues [8]	**$**	**165,477**	$	159,088
Net operating income [3] [8]	**$**	**98,584**	$	97,743
Corporate expenses, excluding non-cash compensation and incremental leasing costs				
As a percentage of rental revenue		**3.5%**		3.2%
As a percentage of total assets		**0.29%**		0.27%
Increase (decrease) in value of investment properties, net	**$**	**(6,288)**	$	15,599
Net income attributable to common shareholders	**$**	**35,214**	$	52,720
Net income per share attributable to common shareholders (diluted)	**$**	**0.17**	$	0.25
Adjusted cash flow from operating activities [5]	**$**	**62,945**	$	55,948
Dividends				
Regular dividends	**$**	**43,967**	$	43,586
Regular dividends per common share	**$**	**0.21**	$	0.21
Funds from Operations ("FFO") [3]				
FFO	**$**	**53,461**	$	52,879
FFO per diluted share	**$**	**0.26**	$	0.25
FFO excluding other gains (losses) and (expenses)	**$**	**52,073**	$	51,886
FFO per diluted share excluding other gains (losses) and (expenses)	**$**	**0.25**	$	0.25
Adjusted Funds from Operations ("AFFO") [3]				
AFFO	**$**	**53,978**	$	54,252
AFFO per diluted share	**$**	**0.24**	$	0.24
AFFO excluding other gains (losses) and (expenses)	**$**	**53,495**	$	52,145
AFFO per diluted share excluding other gains (losses) and (expenses)	**$**	**0.24**	$	0.23

(1) Same property – stable comparative information is revised to reflect property categories consistent with current period status.

(2) Square footage does not include potential development on properties held through the Company's Main and Main Developments subsidiary. See the "Business and Operations Review – 2014 Investment Property Development and Redevelopment Activities" section of this MD&A.

(3) NOI, FFO and AFFO are measures of operating performance that are not defined by IFRS. See the "Results of Operations" section of this MD&A.

(4) Includes properties classified as held for sale.

(5) Enterprise value, debt, net debt, EBITDA, run rate and adjusted cash flow from operating activities (adjusted for the net change in non-cash operating items, receipt of proceeds from sales of residential inventory and expenditures on residential development inventory) are measures not defined by IFRS. See the "Capital Structure and Liquidity" section of this MD&A.

(6) Calculated with the joint venture and Main and Main Developments proportionately consolidated and cash balances reducing debt.

(7) Weighted average term to maturity is calculated net of cash balances as at the end of the period.

(8) Calculated excluding the Company's proportionate share of the joint venture.

(9) Calculated with the joint venture proportionately consolidated and cash balances reducing debt.

BUSINESS AND OPERATIONS REVIEW

Real Estate Investments

Investment Property Categories

The Company categorizes its properties for the purposes of evaluating operating performance including same property NOI. This enables the Company to reflect better 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:

Investment properties **–** *shopping centres: 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 incremental redevelopment and expansion activities or to major redevelopment.
>
> *Same property with incremental redevelopment and expansion* **–** 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 facade, 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 **–** includes properties and properties adjacent to the Company's existing properties included in other categories that were acquired during the period. Dispositions include information for properties disposed of in the period.

Investment properties classified as held for sale **–** represents those properties classified on the consolidated balance sheets which meet the criteria as described in the "Business and Operations Review – Investment Properties Classified as Held For Sale" section of this MD&A.

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, leasing and occupancy activity on its shopping centre 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.

Reconciliation of Investment Properties – Shopping Centres, as presented, to the Company's Proportionate Interest

Proportionate interest is not an IFRS measure, but is defined by Management as the Company's proportionate share of revenues, expenses, assets and liabilities in all of its real estate investments. This presentation is reflected throughout this MD&A to indicate the Company's equity accounted joint venture and the related share of revenues, expenses, assets and liabilities from its equity accounted joint venture on a proportionately consolidated basis at the Company's ownership percentage in the joint venture.

The following table provides the reconciliation of the Company's investment properties – shopping centres, as presented in its interim consolidated financial statements to proportionate interest.

(millions of dollars)		**March 31, 2014**		December 31, 2013
Fair value of investment properties – shopping centres, as presented	**$**	**7,210**	$	7,126
Investment in joint venture: fair value of investment properties – shopping centres		**49**		49
Proportionate interest in fair value of investment properties – shopping centres	**$**	**7,259**	$	7,175

Portfolio Overview

As at March 31, 2014, the Company had interests in 164 investment properties – shopping centres, that were 95.3% occupied with a total GLA of 24.5 million square feet. This compares to 164 investment properties – shopping centres which were 95.5% occupied with a total GLA of 24.5 million square feet as at December 31, 2013. The average size of the shopping centres is approximately 150,000 square feet, with sizes ranging from approximately 20,000 to over 575,000 square feet.

The same property portfolio includes shopping centres categorized in same property – stable and same property with incremental redevelopment and expansion. The same property portfolio is comprised of 132 properties totalling 19.0 million square feet of GLA with a fair value of $5.4 billion. These properties represent 80% of the Company's property count, 78% of its GLA and 74% of its fair value. During the three months ended March 31, 2014, these properties generated $75.4 million of NOI which is 76% of the Company's total NOI for the three months ended March 31, 2014. The stability of the portfolio is reflected in the high occupancy of 96.1% as at March 31, 2014, which decreased from 96.5% as at December 31, 2013.

The Company's proportionate interest in its shopping centre portfolio based on property categorization is summarized as follows:

			March 31, 2014					December 31, 2013		
(millions of dollars, except other data)	**Number of Properties**	**Gross Leasable Area (000s sq. ft.)**	**Fair Value**	**Occupancy %**	**Weighted Average Rate per square foot**	Number of Properties	Gross Leasable Area (000s sq. ft.)	Fair Value	Occupancy %	Weighted Average Rate per square foot
Same property – stable	**107**	**14,566**	**$ 4,065**	**96.5%**	**$ 17.87**	107	14,700	$ 4,093	96.9%	$ 17.82
Same property with incremental redevelopment and expansion	**25**	**4,482**	**1,314**	**94.9%**	**18.07**	25	4,424	1,217	95.2%	18.03
Total same property	**132**	**19,048**	**5,379**	**96.1%**	**17.92**	132	19,124	5,310	96.5%	17.87
Major redevelopment	**14**	**3,209**	**1,060**	**91.6%**	**17.98**	14	3,238	1,057	90.7%	18.01
Ground-up development	**4**	**674**	**318**	**98.4%**	**22.88**	4	674	320	98.2%	22.80
Acquisitions – 2014 (1)	**1**	**203**	**53**	**93.1%**	**26.13**	—	—	—	—%	—
Acquisitions – 2013 (1)	**2**	**278**	**227**	**93.0%**	**27.36**	2	287	228	94.0%	27.92
Investment properties classified as held for sale	**11**	**1,113**	**222**	**92.0%**	**13.80**	11	1,112	257	92.1%	13.92
Dispositions – 2014	**—**	**—**	**—**	**—**	**—**	1	27	3	100.0%	8.50
Total	**164**	**24,525**	**$ 7,259**	**95.3%**	**$ 18.06**	164	24,462	$ 7,175	95.5%	$ 17.96

(1) Acquisitions square footage and fair value includes six adjacent properties and land parcels (2013 – 16 adjacent properties and land parcels) to the Company's existing properties reflected in other categories in the table.

The balance of the Company's real estate assets consist of shopping centres with significant value enhancement opportunities that are in various stages of redevelopment, shopping centres and properties adjacent to existing properties acquired in 2014 or 2013, and properties held for sale. The Company pursues selective development and redevelopment activities including land use intensification projects, primarily on its own, but also with partners, in order to achieve a better return on its portfolio over the long term. The redevelopment activities are focussed primarily on older, well-located shopping centres that the Company owns and actively seeks to acquire. These properties are redeveloped and expanded, over time, in conjunction with anchor tenant repositioning and changing retail environments. Redevelopment of existing properties generally carries a lower market risk due to the urban locations, existing tenant base and land use intensification opportunities.

A summary of the Company's shopping centre portfolio by property count and status of value enhancement activities as at March 31, 2014 is as follows:

	Same property – stable	Same property with incremental expansion	Major redevelopment	Ground-up development	Acquisitions – CY and PY	Held for sale	Total	Development land
Stabilized	88	3	—	—	3	11	105	—
At completion	—	6	5	3	—	—	14	—
Active development	—	4	3	1	—	—	8	—
In pre-development	—	4	6	—	—	—	10	—
Early planning stages	19	8	—	—	—	—	27	1
Total property count	107	25	14	4	3	11	164	1

Refer to the "Business and Operations Review – 2014 Investment Property Development and Redevelopment Activities" section of this MD&A for further discussion relating to the Company's value enhancement activities.

The Company's shopping centre portfolio summarized by region is as follows:

As at	**March 31, 2014**						December 31, 2013					
(millions of dollars, except other data)	**Number of Properties**	**Gross Leasable Area (000s sq. ft.)**	**Fair Value**	**Percent Occupied**	**Weighted Average Rate per Occupied Square Foot**	**% of Annual Minimum Rent**	Number of Properties	Gross Leasable Area (000s sq. ft.)	Fair Value	Percent Occupied	Weighted Average Rate per Occupied Square Foot	% of Annual Minimum Rent
Central Region												
Greater Toronto area	**45**	**6,539**	**$ 2,467**	**95.6%**	**$ 20.79**	**32%**	45	6,565	$ 2,452	96.0%	$ 20.58	32%
Kitchener/ Waterloo	**10**	**1,743**	**412**	**97.2%**	**$ 15.12**	**6%**	10	1,746	410	98.1%	$ 14.78	6%
London area	**7**	**693**	**159**	**95.6%**	**$ 15.01**	**2%**	7	803	160	93.8%	$ 14.22	3%
	62	**8,975**	**3,038**	**95.9%**	**$ 19.23**	**40%**	62	9,114	3,022	96.2%	$ 19.08	41%
Eastern Region												
Québec City	**5**	**1,004**	**162**	**94.4%**	**$ 11.01**	**3%**	5	1,004	155	93.3%	$ 11.32	3%
Greater Montreal area	**35**	**4,879**	**1,096**	**94.9%**	**$ 14.67**	**16%**	36	4,841	1,080	95.2%	$ 14.84	16%
Ottawa/Gatineau	**13**	**1,948**	**427**	**96.3%**	**$ 16.78**	**7%**	13	1,929	423	96.7%	$ 16.67	7%
Other	**1**	**120**	**22**	**98.2%**	**$ 13.76**	**—%**	1	122	22	98.2%	$ 13.67	—%
	54	**7,951**	**1,707**	**95.2%**	**$ 14.72**	**26%**	55	7,896	1,680	95.4%	$ 14.84	26%
Western Region												
Calgary	**17**	**2,835**	**981**	**97.3%**	**$ 20.94**	**14%**	16	2,705	947	96.9%	$ 20.21	13%
Edmonton	**11**	**2,412**	**656**	**94.1%**	**$ 17.96**	**9%**	11	2,397	652	94.5%	$ 18.04	9%
Greater Vancouver area	**20**	**2,352**	**877**	**92.5%**	**$ 21.46**	**11%**	20	2,350	874	92.9%	$ 21.42	11%
	48	**7,599**	**2,514**	**94.8%**	**$ 20.16**	**34%**	47	7,452	2,473	94.9%	$ 19.89	33%
Total	**164**	**24,525**	**$ 7,259**	**95.3%**	**$ 18.06**	**100%**	164	24,462	$ 7,175	95.5%	$ 17.96	100%

First Capital Realty's portfolio has 25 retail assets (at 100%) with a value greater than $85 million or size greater than 300,000 square feet. Together, these 25 assets comprise $2.9 billion or 40% of $7.3 billion in aggregate IFRS value. Eighteen of these assets are categorized as stable or stable with incremental redevelopment and expansion and the balance of seven assets are in the major redevelopment or ground-up category.

As at March 31, 2014, the weighted average occupancy on these stable assets is 97.2% and the weighted average run rate yield on invested cost and fair value is 7.70% and 5.56%, respectively. Same property NOI growth on these assets was 2.37% and 1.37% for the three months ended March 31, 2014 and 2013, respectively. As at March 31, 2014, the weighted average occupancy on these stable assets with incremental redevelopment or expansion activities is 95.4% and the weighted average run rate yield on cost and fair value is 6.61% and 5.47%, respectively. The same property growth on these assets was 10.53% and 8.75% for the three months ended March 31, 2014 and 2013, respectively. Once stabilized in terms of incremental redevelopment or expansion activities, the occupancy and yields are expected to increase.

As at March 31, 2014, the remaining large assets which comprise the seven development assets have a weighted average occupancy rate of 94.1% and a weighted average run rate yield on cost and fair value of 5.65% and 5.50%, respectively. These assets are expected to have improved operating metrics following completion of their various value creation activities.

The Company's largest properties (100% owned) as at March 31, 2014 are listed below:

Property Name, City, Province	Gross Leasable Area (sq. ft.)	IFRS Value (000s)	Invested Cost (000s)	PreDev/UD (2) Bal (000s)	Q1 2014 NOI Run Rate (000s)	Occupancy
Same Property — Stable						
Cedarbrae Mall, Toronto, ON	546,000	$ 152,800	$ 109,685	$ —	$ 8,874	98.9%
Northgate Centre, Edmonton, AB	487,000	151,434	77,439	—	8,037	94.5%
Meadowvale Town Centre, Mississauga, ON	422,000	144,555	90,880	—	8,147	97.2%
Shops at New West, New Westminster, BC	196,000	105,843	106,519	—	4,128	88.3%
York Mills Gardens, Toronto, ON	189,000	105,105	78,186	—	5,603	95.2%
Royal Oak Centre, Calgary, AB	336,000	102,131	57,708	—	5,709	99.1%
South Park Centre, Calgary, AB	375,000	100,316	68,212	—	6,026	100.0%
Morningside Crossing, Toronto, ON	304,000	99,438	86,022	—	5,593	97.4%
Appleby Village, Burlington, ON	251,000	95,180	70,542	—	4,712	91.2%
Fairview Mall, St. Catharines, ON	388,000	94,900	74,118	—	6,338	99.5%
Meadowlark Health and Shopping Centre, Edmonton, AB	299,000	88,036	86,039	—	5,629	99.3%
Brampton Corners, Brampton, ON	302,000	75,037	44,343	—	4,348	100.0%
Same Property — with incremental redevelopment and expansion						
Shops at King Liberty, Toronto, ON	293,000	141,125	123,517	5,764	7,616	99.3%
Westmount Shopping Centre, Edmonton, AB	526,000	137,526	124,817	2,113	6,324	88.4%
Rutherford Marketplace, Vaughan, ON	194,000	117,020	108,194	16,036	5,431	100.0%
McKenzie Towne Centre, Calgary, AB	214,000	91,526	50,004	319	5,398	99.5%
Carrefour St-Hubert, Longueuil, QC	317,000	86,620	77,233	3,057	4,974	96.8%
Gloucester City Centre, Ottawa, ON	356,000	73,555	56,614	—	4,183	96.1%
Major redevelopment or ground-up development						
Hazelton Lanes, Toronto, ON (1)	249,000	270,378	270,470	82,673	5,974	81.9%
Place Viau, Montreal, QC	211,000	132,626	123,224	64,312	4,169	100.0%
Victoria Park Centres, Toronto, ON	485,000	130,844	130,748	51	7,438	95.9%
Mount Royal Village, Calgary, AB	204,000	116,563	118,064	35,214	5,033	89.7%
Macleod Trail, Calgary, AB	300,000	102,597	91,598	12,279	6,690	93.7%
Semiahmoo Shopping Centre, Surrey, BC	297,000	93,730	95,851	7,882	5,191	94.6%
Place Portobello, Brossard, QC	575,000	91,994	89,181	3,465	5,794	97.2%
	8,316,000	2,900,879	2,409,208	233,165	147,359	95.9%
Remainder of portfolio	16,209,000	4,405,336	3,729,910	119,317	268,526	95.0%
	24,525,000	$ 7,306,215	$ 6,139,118	$ 352,482	$ 415,885	95.3%

(1) Fair value includes mortgage investment of $47 million.

(2) Pre-development/underdevelopment costs are included in the IFRS Value and Invested Cost.

Refer to the Company's 2013 Annual Report for a brief profile of each of these properties.

Valuation of Investment Properties Under IFRS

During the three months ended March 31, 2014, the weighted average stabilized capitalization rate of the Company's investment property portfolio remained unchanged at 5.86%, including the impact of dispositions, acquisitions, and development activities. The decrease in value of investment properties, net was $6.3 million from December 31, 2013 to March 31, 2014, which arose primarily as a result of a 25 bps increase to capitalization rates relating to the Company's Vancouver Island investment property portfolio, partially offset by slight capitalization rate compression in the Eastern region investment property portfolio.

The Company has three approaches to determine the fair value of an investment property at the end of each reporting period:

1. External appraisals **–** by an independent national appraisal firm, according to professional appraisal standards and IFRS. On an annual basis, the Company has an annual minimum threshold of approximately 25% (as measured by fair value) of the portfolio requiring external appraisal.
2. Internal appraisals **–** by certified staff appraisers employed by the Company, according to professional appraisal standards and IFRS.
3. Value updates **–** primarily consisting of Management's review of the key assumptions from previous appraisals and updating the value for changes in the property cash flow, physical condition and changes in market conditions.

The selection of the approach for each property is made based upon the following criteria:

- Property type **–** this includes an evaluation of a property's complexity, stage of development, time since acquisition, and other specific opportunities or risks associated with the property. Stable properties and recently acquired properties will generally receive a value update, while properties under development will typically be valued using internal or external appraisals until completion.
- Market risks – specific risks in a region or a trade area may warrant a full external or internal appraisal for certain properties.
- Changes in overall economic conditions **–** significant changes in overall economic conditions may increase the number of external or internal appraisals performed.
- Business needs – financings or acquisitions and dispositions may require an external appraisal.

Shopping Centres Valuation Method

Shopping centres are appraised primarily using stabilized cash flows from existing tenants with the property in its existing state, since purchasers typically focus on expected income. External and internal appraisals are conducted using and placing reliance on both the direct capitalization method and the discounted cash flow method (including the estimated proceeds from a potential future disposition). Value updates are calculated using the direct capitalization method.

Properties undergoing development, redevelopment or expansion are valued using the stabilized cash flows expected upon completion, with a deduction for costs to complete the project; capitalization rates are adjusted to reflect lease-up assumptions and construction risk, when appropriate. Adjacent land parcels held for future development are valued based on comparable sales of commercial land. Fair value of properties under development includes a deduction for costs to complete of $196.2 million.

During the three months ended March 31, 2014, approximately 5% of the total fair value of shopping centres was determined through external appraisals (year ended December 31, 2013 – approximately 16%) and nil was determined through internal appraisals (year ended December 31, 2013 – approximately 10%).

The values of the Company's proportionate interest in its shopping centres and associated capitalization rates by region are as follows as at March 31, 2014 and December 31, 2013:

March 31, 2014								
		Capitalization Rate						
(millions of dollars, except other data)	**Number of Properties**	**Weighted Average**	**Median**	**Range**		**Fair Value**		**SNOI (1)**
Central Region	**62**	**5.75%**	**5.94%**	**5.25%-8.22%**	**$**	**3,038**	**$**	**168**
Eastern Region	**54**	**6.30%**	**6.25%**	**5.64%-9.00%**		**1,707**		**106**
Western Region	**48**	**5.73%**	**5.75%**	**5.00%-7.00%**		**2,514**		**142**
	164	**5.86%**	**6.00%**	**5.00%-9.00%**	**$**	**7,259**	**$**	**416**

December 31, 2013								
		Capitalization Rate						
(millions of dollars, except other data)	Number of Properties	Weighted Average	Median	Range		Fair Value		SNOI (1)
Central Region	62	5.75%	5.96%	5.25%-8.22%	$	3,022	$	167
Eastern Region	55	6.31%	6.25%	5.64%-9.00%		1,680		104
Western Region	47	5.70%	5.75%	5.00%-7.25%		2,473		143
	164	5.86%	6.00%	5.00%-9.00%	$	7,175	$	414

(1) SNOI is not a measure defined by IFRS. SNOI reflects long-term, 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%.

The sensitivity of the fair values of shopping centres to capitalization rates as at March 31, 2014 is set out in the table below:

Capitalization rate		Resulting increase (decrease) in value of shopping centres
(Decrease) increase		*(millions of dollars)*
(0.75)%	$	982
(0.50)%	$	624
(0.25)%	$	298
0.25%	$	(274)
0.50%	$	(526)
0.75%	$	(760)

Development Land Valuation Method

The primary method of appraisal for development land is the comparable sales approach, which considers recent sales activity for similar land parcels in the same or similar markets to estimate a value on either a per acre basis or on a basis of per square foot buildable. Such values are applied to the Company's properties after adjusting for factors specific to the site, including its location, zoning, servicing and configuration. During the three months ended March 31, 2014, nil (year ended December 31, 2013 – approximately 17%) of the total fair value of development land was determined through external appraisals.

Investment Properties – Shopping Centres

A continuity of the Company's proportionate interest in investments in its shopping centre acquisitions, dispositions, development and portfolio improvement activities is summarized below:

Three months ended March 31		**2014**		2013
(millions of dollars)	**Fair Value**	**Cost**	Fair Value	Cost
Balance at beginning of period	**$ 7,126**	**$ 5,963**	$ 6,849	$ 5,732
Acquisitions				
Shopping centres	**37**	**37**	14	14
Additional space adjacent to existing properties	**15**	**15**	25	25
Additional land parcels adjacent to existing properties	**2**	**2**	1	1
Development activities and portfolio improvements	**39**	**39**	59	59
Reclassifications from development land	**—**	**—**	2	2
Fair value increase (decrease)	**(5)**	**—**	16	—
Dispositions	**(4)**	**(3)**	(26)	(23)
Other changes	**—**	**(1)**	1	—
Balance at end of period	**$ 7,210**	**$ 6,052**	$ 6,941	$ 5,810
Investment in joint venture – shopping centres	**49**	**40**	49	40
Proportionate interest end of period	**$ 7,259**	**$ 6,092**	$ 6,990	$ 5,850

Investment Properties – Development Land

A continuity of the Company's proportionate interest in investments in its development land acquisitions, dispositions and development activities is summarized below:

Three months ended March 31		**2014**		2013
(millions of dollars)	**Fair Value**	**Cost**	Fair Value	Cost
Balance at beginning of period	**$ 166**	**$ 161**	$ 127	$ 123
Acquisitions	**4**	**4**	12	12
Development activities	**3**	**3**	3	3
Dispositions	**—**	**—**	(3)	(2)
Reclassifications to shopping centres	**—**	**—**	(2)	(2)
Fair value increase (decrease)	**(1)**	**—**	—	—
Other	**(1)**	**—**	—	—
Balance at end of period	**$ 171**	**$ 168**	$ 137	$ 134

2014 Acquisitions

The 2014 acquisitions are in line with the Company's business strategy based on their locations, tenancies and redevelopment, repositioning or expansion opportunities.

Total acquisitions of investment properties, which include shopping centres, additional space and adjacent lands and development lands, amounted to $57.1 million, adding 0.2 million square feet of gross leasable area and 0.8 acres of land for future development.

Management will continue to be selective and take a highly disciplined approach to increasing the size and quality of the Company's property portfolio, seeking acquisitions that are operationally, financially and qualitatively accretive over the long term. Management looks for benefits from economies of scale and operating synergies in order to strengthen the Company's competitive position in its target urban markets. As well, Management seeks to enhance the tenant and geographic diversification of the portfolio.

Shopping Centres

In the first quarter of 2014, the Company invested $36.7 million in the acquisition of a 50% interest in one shopping centre, comprising 128,000 square feet. The acquisition was in a new trade area in the Company's target urban markets and demonstrates the Company's continuing focus on acquiring well-located, high quality urban retail-centered properties. The acquisition is summarized in the table below:

Property Name	City	Province	Quarter Acquired	New Trade Area	Supermarket-Anchored	Drugstore-Anchored	Gross Leasable Area (square feet)	Acquisition Cost (in millions)
Western Region								
Seton Gateway	Calgary	AB	Q1	✓	✓	✓	128,000	$ 36.7 [1]

[1] The acquisition cost is at the Company's 50% ownership interest.

Shopping Centres – Additional Space and Adjacent Land Parcels

In the first quarter of 2014, the Company acquired six properties adjacent to existing shopping centres adding 78,800 square feet of gross leasable area and 0.6 acres adjacent to existing properties in established retail nodes. Total expenditures on these adjacent parcels amounted to $16.8 million. These acquisitions are set out in the table below:

Property Name	City	Province	Quarter Acquired	Gross Leasable Area (square feet)	Acreage	Acquisition Cost (in millions)
Central Region						
Shops at King Liberty (Fuzion Retail)	Toronto	ON	Q1	4,200 [1]	—	$ 1.4
Other	Toronto	ON	Q1	—	—	0.7
Eastern Region						
Centre Commerciale Beaconsfield (Plaza Baie d'Urfe, 90 Morgan St.)	Baie d'Urfe	QC	Q1	60,600	—	9.4
Western Region						
Broadmoor Shopping Centre (8031 Williams Road)	Richmond	BC	Q1	—	0.3	1.8
Old Strathcona (10416 – 80 Avenue)	Edmonton	AB	Q1	14,000	—	3.0
Kingsway Mews (adjacent land)	Edmonton	AB	Q1	—	0.3	0.5
Total				78,800	0.6	$ 16.8

[1] The Company previously owned 50% interest in the property, and the Company acquired the remaining 50% interest during the first quarter of 2014. The square footage acquired was previously included in the Company's total gross leasable area.

Development Lands

In the first quarter of 2014, the Company invested $3.6 million in the acquisition of one development land parcel, comprising 0.2 acres for future development of retail and mixed-use space. Refer to the "Business and Operations Review – 2014 Investment Property Development and Redevelopment Activities" section of this MD&A for further discussion.

Property Name	Percentage Ownership	City	Province	Quarter Acquired	Acreage	Acquisition Cost (in millions)
Main and Main Developments [1]	67%	Toronto	ON	Q1	0.2	$ 3.6

[1] The Company consolidates the activities of Main and Main Developments in its interim consolidated financial statements and information presented is at 100%.

2014 Dispositions

In the first quarter of 2014, the Company sold one shopping centre representing 26,800 square feet of GLA and one land parcel representing 0.2 acres. Gross proceeds of these dispositions were $4.0 million.

Property Name	City	Province	Quarter Sold	Gross Leasable Area (square feet)	Acreage	Gross Sales Price (in millions)
Village des Valeurs	Laval	QC	Q1	26,800	—	$ 3.3
Kingsway Mews (adjacent land)	Edmonton	AB	Q1	—	0.2	0.7
Total				26,800	0.2	$ 4.0

In aggregate, the gross sales price on the 2014 sales have exceeded invested cost by approximately $0.7 million. The 2014 dispositions are in line with the Company's ongoing strategy of increasing the portfolio's focus on core urban markets.

Investment Properties Classified as Held For Sale

Investment property is classified as held for sale when it is expected that the carrying amount will be recovered principally through sale rather than from continuing use. Investment property held for sale must be available for immediate sale in its present condition, subject only to terms that are usual and customary for sales of such property, and its sale must be highly probable. Upon designation as held for sale, the investment property continues to be measured at fair value and is presented separately on the consolidated balance sheets.

Included in investment properties as at March 31, 2014 are 11 shopping centres and five development land parcels with an approximate value of $258.3 million that meet the financial reporting criteria to be classified as held for sale. These properties are considered to be non-core assets. Disposition of these investment properties will provide the Company with the opportunity to redeploy capital to uses more aligned with the Company's urban focus.

In addition to the properties which meet the criteria for classification as held for sale, the Company is also considering, in the remainder of 2014 and 2015, subject to market conditions, the sale of an additional six properties comprising 477,400 square feet of GLA and three land parcels with an aggregate fair value of approximately $130.2 million.

Acquisitions and Dispositions Subsequent to March 31, 2014

Consistent with past practices and in the normal course of business, the Company is engaged in discussions, and has various agreements, with respect to possible acquisitions of new properties and dispositions of existing properties in its portfolio. However, there can be no assurance that these discussions or agreements will result in acquisitions or dispositions or, if they do, what the final terms or timing of such acquisitions or dispositions would be. First Capital Realty expects to continue current discussions and actively pursue other acquisition, investment and disposition opportunities.

2014 Investment Property Development and Redevelopment Activities

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 projects comprise ground-up projects, major redevelopment and other incremental redevelopment and expansions on stable properties. All development activities are strategically managed to reduce risk and properties are generally developed after obtaining anchor lease commitments. A summary of the Company's development portfolio is as follows:

As at March 31, 2014 *(thousands of dollars, except for other data)*	Planned Square Feet Upon Completion	Gross Leasable Area (square feet)	Square Feet Under Development	Total Est. Cost incl. Land	Investment Cost	Estimated Cost to Complete
Same property with incremental redevelopment and expansion						
Active development and at completion	—	—	22,375	$ 16,798	$ 5,505	$ 11,293
In pre-development	—	—	193,903	46,720	19,332	27,388
	—	—	216,278	63,518	24,837	38,681
Major redevelopment						
Active development and at completion	1,341,758	1,110,873	230,885	663,086	515,451	147,635
In pre-development	TBD	1,990,446	TBD	TBD	520,385	TBD
	1,341,758	3,101,319	230,885	663,086	1,035,836	147,635
Ground-up development						
Active development and at completion	794,757	665,827	128,930	278,796	268,864	9,932
Total	2,136,515	3,767,146	576,093	$ 1,005,400	$ 1,329,537	$ 196,248

Costs to complete the development, redevelopment and expansion activities underway are estimated to be approximately $196.2 million. Costs to complete major redevelopments and ground-up developments, respectively, are planned at $40 million and $10 million in the remainder of 2014, and $108 million and nil in 2015 and beyond. The cost to complete major redevelopments that are currently in the pre-development stage are labelled "to be determined" (TBD) as they have not yet been finalized.

The properties in the development pipeline are summarized in the tables below by property category (same property with incremental redevelopment and expansion; major redevelopments and ground-up development) and by development status (active development, at completion, in pre-development).

Same Property with Incremental Redevelopment and Expansion

Highlights of the Company's current same property with incremental redevelopment and expansion projects are summarized in the table below. As at March 31, 2014, the invested cost in these projects totalled $25 million, and includes incremental investment primarily related to pads or building extensions and often includes facade, parking, lighting and building upgrades. Of the 22,375 square feet under active redevelopment, 19,353 square feet is subject to committed leases at a weighted average rate of $26.76 per square foot. The Company is currently in various stages of negotiations for the remaining planned space.

As at March 31, 2014							
(thousands of dollars, except for other data)							
Count/Property	Building to LEED Standards	Tenants	Square Feet Under Development	Target Completion Date	Est. Cost incl. Land Total	Investment Cost	Cost to Complete
Same property with incremental redevelopment and expansion – active development							
Carrefour St-Hubert, Longueuil, QC	✓	RBC Royal Bank	7,580	Q3, 2016	$ 3,839	$ 1,201	$ 2,638
Carrefour St-David, Beauport, QC	✓	Gold's Gym	3,800	Q3, 2016	2,505	563	1,942
Tomken Plaza, Mississauga, ON	✓	Bulk Barn	6,125	Q3, 2014	3,492	1,381	2,111
Grimsby Square Shopping Centre, Grimsby, ON	✓	Various tenants	4,870	Q2, 2015	4,530	2,360	2,170
4			22,375		$14,366	$ 5,505	$ 8,861
Same property with incremental redevelopment and expansion – at completion [1]							
Credit Valley Town Plaza Mississauga, ON	✓	TD Canada Trust	—	Q3, 2013	$ 262	$ —	$ 262
Eagleson Place, Ottawa, ON	✓	Daycare tenant	—	Q1, 2014	75	—	75
Galeries des Chesnayes, Terrebonne, QC	✓	RBC Royal Bank	—	Q4, 2013	585	—	585
Gloucester City Centre, Ottawa, ON		Rexall, Pet Valu	—	Q4, 2013	1,084	—	1,084
Place Nelligan, Gatineau, QC	✓	Dollarama	—	Q4, 2013	74	—	74
Red Deer Village, Red Deer, AB	✓	Various tenants	—	Q1, 2014	352	—	352
6			—		$ 2,432	$ —	$ 2,432
Same property with incremental redevelopment and expansion – in pre-development							
Place Lorraine, Lorraine, QC	✓		13,543	Q4, 2016	$15,601	$ 2,045	$ 13,556
Carrefour Belvedere, Sherbrooke, QC	✓		14,200	Q3, 2015	14,885	8,557	6,328
Loblaws Plaza, Ottawa, ON	✓		8,000	Q2, 2016	6,955	2,965	3,990
KingsClub (Retail), Toronto, ON			158,160		9,279	5,765	3,514
4			193,903		$46,720	$ 19,332	$ 27,388
14 Total same property with incremental redevelopment and expansion			216,278		$63,518	$ 24,837	$ 38,681

[1] Costs to complete relate to tenant improvements and other similar residual expenditures.

In addition to the projects listed in the table above, the same property with incremental redevelopment and expansion projects include three properties with projects completed in prior periods. A further eight properties have projects in the early pre-development and advanced planning stages. These projects, together with the projects listed in the table above, make up the 25 properties classified as same property with incremental redevelopment and expansion. For details on select same property with incremental redevelopment and expansion, refer to the Company's 2013 Annual Report.

Major Redevelopment and Ground-up Development

The Company's properties with major redevelopment or ground-up development currently in progress or at completion are expected to yield a weighted average going-in NOI yield of 6.3% on completion, and range from 5.6%-7.4%. This yield is derived from the expected run rate based on stabilized leasing and operations following completion of the development, and includes all building cost, land cost, interest and other carrying costs as well as capitalized staff compensation and other expenses. However, actual rates of return could differ if unforeseen events cause actual results to differ from assumptions. The yield reflects the Company's high standards in construction, lighting, parking, access, pedestrian amenities, accessibility as well as development to LEED standards. The quality of the Company's construction is consistent with its strategy of long term ownership and value creation.

Major Redevelopment

The Company classifies 14 properties totalling $1.1 billion in invested cost as properties with major redevelopment activities. Of the 230,885 square feet under active redevelopment, 75,545 square feet is subject to committed leases, including a supermarket tenant, at a weighted average rate of $25.11 per square foot. In addition, approximately 38,800 square feet of space is in the latter stages of lease negotiations with two national retailers. As construction on these redevelopment projects is phased, there continues to be ongoing negotiations in various stages with certain retailers for the remaining planned space. For details on certain major redevelopment properties, refer to the Company's 2013 Annual Report.

Highlights of the Company's current major redevelopment underway, including costs for completed phases, are as follows:

As at March 31, 2014										
(thousands of dollars, except for other data)										
Count/Property	Building to LEED Standards	Major Tenants	Planned Square Feet Upon Completion	Completed Square Feet	Square Feet Under Development	Target Completion Date	Total Est. Cost incl. Land	Investment Cost	Estimated Cost to Complete	Fair Value
Major redevelopment – with active development										
Centre D'achats Ville Mont-Royal, Montreal, QC	✓	Provigo, Pharmaprix	155,966	129,954 (1)	26,012	Q3, 2016	$ 56,492	$ 26,273	$ 30,219	
Mount Royal Village, Calgary, AB	✓	London Drugs, GoodLife Fitness, Oasis Spa and Wellness	296,867	204,128	92,739	Q4, 2016	165,082	118,064 (2)	47,018	
Hazelton Lanes, Toronto, ON	✓	Whole Foods Market	216,809	104,675	112,134	Q2, 2016	230,609	161,177	69,432	
3			669,642	438,757	230,885		$452,183	$305,514	$146,669	

As at March 31, 2014										
(thousands of dollars, except for other data)										
Count/Property	Building to LEED Standards	Major Tenants	Planned Square Feet Upon Completion	Completed Square Feet	Square Feet Under Development	Target Completion Date	Total Est. Cost incl. Land	Investment Cost	Estimated Cost to Complete	Fair Value
Major redevelopment – at completion										
5051 – 5061 Yonge St.,Toronto, ON		Michael's, Jack Astor's	37,307	37,307	—	2013	$ 26,916	$ 26,916	$ —	
Chartwell Shopping Centre, Toronto, ON	✓	Bestco Food, CIBC, Dollarama	150,486	150,486	—	2013	51,725	51,725	—	
Port Place Shopping Centre, Nanaimo, BC	✓	London Drugs, Thrifty Foods, CIBC, TD Canada Trust, MediArts	149,367	149,367	—	2013	59,496	58,615	881	
Carrefour Soumande Quebec City, QC		Super C, Bouclair	118,858	118,858	—	2013	20,666	20,666	—	
Deer Valley Marketplace, Calgary, AB		Co-Op, Walmart, Shoppers Drug Mart, Dollarama, CIBC, RBC Royal Bank, Liquor Store	216,098	216,098	—	2013	52,100	52,015	85	
5			672,116	672,116	—		$ 210,903	$ 209,937	$ 966	

As at March 31, 2014							
(thousands of dollars, except for other data)							
Count/Property	Building to LEED Standards	Development Status	Current Square Feet [3]	Total Est. Cost incl. Land	Investment Cost	Estimated Cost to Complete	Fair Value
Major redevelopment – in pre-development							
Humbertown Shopping Centre, Toronto, ON	✓	Advanced entitlements	109,080	$ 56,362	$ 56,362		
Victoria Park Centres, Toronto, ON		Planning underway	485,125	130,748	130,748		
Place Portobello, Brossard, QC		Planning underway	574,807	85,864	85,864		
Semiahmoo Shopping Centre, Surrey, BC	✓	Planning underway	296,620	95,851	95,851		
Macleod Trail, Calgary, AB	✓	Planning underway	299,906	91,598	91,598		
3080 Yonge Street, Toronto, ON		Planning underway	224,908	59,962	59,962		
6			1,990,446	$ 520,385	$ 520,385		
14 Total major redevelopment			3,101,319	$1,183,471	$1,035,836	$ 147,635	$1,060,241
Properties adjacent acquired in 2014 and 2013 included in acquisitions [4]					$ 62,293		$ 62,300

(1) Represents the square footage of the existing area that will be demolished.

(2) Investment cost includes adjacent land held for future development.

(3) Includes vacant units held for redevelopment.

(4) Refer to the "Business and Operations Review – 2014 Acquisitions" section of this MD&A and "Business and Operations Review – 2013 Acquisitions" of the Company's 2013 Annual Report.

Ground-up Development

The Company classifies four properties totalling $281 million of invested cost as ground-up development properties underway or completed. Of the 128,930 square feet under active development, 1,275 square feet is subject to committed leases at a weighted average rate of $35.00 per square foot. In addition, approximately 51,850 square feet of space is in the latter stages of lease negotiations with national retailers. As construction on ground-up developments is phased, there continues to be ongoing negotiations in various stages with certain retailers for the remaining planned space. For details of select ground-up development properties, refer to the Company's 2013 Annual Report.

Highlights of the Company's current ground-up projects underway, including costs for completed phases, are as follows:

As at March 31, 2014

(thousands of dollars, except for other data)

Count/Property	Building to LEED Standards	Major Tenants	Planned Square Feet Upon Completion	Completed Square Feet	Square Feet Under Development	Target Completion Date	Total Est. Cost incl. Land	Investment Cost	Estimated Cost to Complete	Fair Value
Ground-up development – with active development										
Place Viau Montreal, QC	✓	Walmart	340,103	211,173	128,930	Q2, 2014	$ 129,276	$ 120,110	$ 9,166	
1 Total ground-up development – with active development			340,103	211,173	128,930		$ 129,276	$ 120,110	$ 9,166	
Ground-up development – at completion										
Carrefour du Plateau-des-Grives, Gatineau, QC	✓	IGA, National Bank, Dollarama, McDonalds	114,743	114,743	—	Q1, 2014	$ 31,954	$ 31,820	$ 134	
Leaside Village Toronto, ON	✓	Longo's, The Beer Store, CIBC, Linen Chest, Pet Valu	111,765	111,765	—	Q1, 2013	48,216	48,216	—	
Clairfield Commons (Pergola Commons), Guelph, ON	✓	RBC Royal Bank, Bank of Montreal, Beer Store, Cineplex, Dollarama, GoodLife Fitness	228,146	228,146	—	Q4, 2013	69,350	68,718	632	
3 Total ground-up development – at completion			454,654	454,654	—		$ 149,520	$ 148,754	$ 766	
4 Total ground-up development			794,757	665,827	128,930		$ 278,796	$ 268,864	$ 9,932	$ 317,818
Properties adjacent acquired in 2014 and 2013 included in acquisitions [1]								$ 12,167		$ 11,137

[1] Refer to the "Business and Operations Review – 2014 Acquisitions" section of this MD&A and "Business and Operations Review – 2013 Acquisitions" of the Company's 2013 Annual Report.

Investment Properties at Cost with Bifurcation of Income Producing and Development Activity Components

A summary of the Company's proportionate interest in total investment properties at cost as at March 31, 2014, with bifurcation of the income producing and development activity components, is as follows:

	Number of Sites/ Properties (1)	Square Feet (2) (in thousands)	Investment Cost (in millions)	Fair Value (in millions)
Shopping centres – income-producing only	164	24,525	$ 5,740	
Shopping centres with development activities (1) (3)				
Same property with incremental redevelopment and expansion	14	216	25	
Major redevelopment	14	231	168	
Ground-up development	4	129	62	
	32	576	255	
Adjacent land parcels (1)				
Land parcels adjacent to/part of existing properties	28	811	77	
Land parcels adjacent to/part of existing properties available for expansion	4	43	—	
Property held for redevelopment	—	—	—	
Other development related costs	—	—	20	
	32	854	97	
Total shopping centres with development activities or potential development activities	64	1,430	352	
Total shopping centres			$ 6,092	$ 7,259
Development land (4)	6	1,119	168	171
Total		2,549	$ 6,260	$ 7,430

(1) Property counts of shopping centres undergoing development activities and adjacent land parcels are included in the total property count for income-producing shopping centres of 164.

(2) Includes both municipally approved developable commercial square feet and square feet the Company expects to be approved, excluding residential density until the zoning process is complete.

(3) Includes cost for phases under development only. Aggregate cost of the Company's investment under development is approximately $545 million, which includes shopping centres with development activities or potential of development activities of approximately $352 million, development land of approximately $168 million and residential development inventory of approximately $25 million. Refer to the "Business and Operations Review – 2014 Investment Property Development and Redevelopment Activities" section of this MD&A.

(4) Number of sites and square feet do not include properties held through Main and Main Developments. Refer to the "Business and Operations Review – 2014 Investment Property Development and Redevelopment Activities" section of this MD&A.

The Company has currently identified 2.5 million square feet available in the portfolio for future development of retail space, excluding 480,000 square feet classified as held for sale (December 31, 2013 – 3.2 million square feet, including 183,000 square feet classified as held for sale), as follows:

Shopping Centres with Development Activities

The Company currently has 576,000 square feet of retail space consisting of incremental redevelopment and expansion, major redevelopment and ground-up development that is planned with some buildings under construction. Refer to the "Business and Operations Review – 2014 Investment Property Development and Redevelopment Activities" section of this MD&A.

Adjacent Land Parcels

The Company has 32 land parcels adjacent to existing shopping centres with future redevelopment or expansion potential of approximately 854,000 square feet. Certain of these adjacent land parcels are in various stages of development and in various property categories.

Development Lands

The Company has 10 land sites of which one (Edmonton Brewery District) is in the planning stages of pre-development and four are classified as held for sale. The six land sites being retained have potential if developed, to provide a further 0.9 to 1.2 million square feet. The Edmonton Brewery District land site is in the latter stages of pre-development with construction to commence as early as the second quarter of 2014. For details on select development land projects, refer to the Company's 2013 Annual Report.

Development land by region is as follows:

Region	Number of Sites/ Properties	Square Feet (in thousands)	Acreage	Fair Value (in millions)
Central	2	174	16	$ 24
Eastern	2	228	14	9
Western	2	717	63	30
Total	6	1,119	93	$ 63

The development land in the above table also includes the Company's investment in Main and Main Developments, which is discussed below.

Main and Main Developments

The Company is partnering with a private developer to acquire strategic assets in underserviced transit-oriented retail nodes (the partnership is known as "Main and Main Developments"). A core component of Main and Main Developments' acquisition strategy revolves around identifying and acquiring assets that have the potential to increase in value as a result of demographic growth, income growth and new urban retail formats. Main and Main Developments will seek to generate profits through acquisition, rezoning and redevelopment of real estate with a focus in Toronto and Ottawa. Value creation will be accomplished through rezoning and redevelopment of the properties to their highest and best use and/or mixed use development. The Main and Main Developments team brings a skill set and focus to the assembly and redevelopment of sites which are much smaller than the Company's typical properties and are normally acquired or assembled via multiple adjacent parcel acquisitions, often from private individuals. The Company has a 67% equity interest in Main and Main Developments and consolidates its activities in its consolidated financial statements. During the three months ended March 31, 2014, Main and Main Developments completed one acquisition in an existing assembly project for $3.5 million. Since inception, Main and Main Developments has completed acquisitions of 34 parcels making up 16 assemblies for future development projects, which have an aggregate fair value of approximately $129 million as at March 31, 2014, which compares to $124 million as at December 31, 2013. As at March 31, 2014, Main and Main Developments had additional acquisitions underway, one of which was completed during April 2014 for $15.0 million, in a new assembly. Each of the 16 assembly projects is located on a major street in Toronto or Ottawa. Two projects in Toronto and one project in Ottawa are currently in the pre-development planning stage.

Main and Main Developments generally expects to partner with residential developers in executing value creation opportunities on sites with residential density and intends to retain the retail component and in some cases may retain the rental residential component upon stabilization of the asset. The Company has provided Main and Main Developments with senior and mezzanine debt financing in connection with the acquisition and development of sites.

Residential Development Inventory

As at March 31, 2014

(thousands of dollars, except for other data)

Property	Number of Units Constructed	Number of Units Pre-Sold	% of Units Pre-Sold	Number of Units Occupied	Target Fully Occupied/ Completion Date	Total Est. Cost incl. Land (at 50%)	Investment Cost, net of Cost of Sales (at 50%)	Estimated Costs to Complete (at 50%)	Debt Funded by Third Parties (at 50%)
Shops at King Liberty (Fuzion) [1]	246	246	100.0%	246	Q1, 2014	$ 28,189	$ 1,328	$ —	$ —
Shops at King Liberty (KingsClub)	TBD	184	TBD	—	2015 / 2016	—	20,285	—	3,573
1071 King Street						—	3,582	—	—
As at, and for the period ended, March 31, 2014							$ 25,195		

[1] Remaining balance relates to 36 unsold parking spots and the geothermal HVAC system.

The Company is partnering with a Toronto-based condominium developer to develop its residential density project at Shops at King Liberty in Toronto. The Company has a 50% interest in the project and recognizes its right to the assets and obligations for liabilities in its financial results. The project includes two phases: Fuzion and KingsClub. The Company's residential development inventory comprises the construction and sale or rental of residential condominium units. The Company recognizes revenue from the sale of residential units upon substantial completion. The Company considers substantial completion for each residential unit to be the point in which the purchaser has paid all amounts due on interim closing and has the right to occupy the premises, has demonstrated collectability of the balance due at closing, and has received an undertaking from the property owners to be assigned title in due course, or when title has transferred.

Fuzion consists of 246 residential units in a condominium tower and approximately 9,000 square feet of retail space. Interim occupancy for the Fuzion residential units commenced during the first quarter of 2013 and registration and final closings occurred on all units in Q1, 2014. As at March 31, 2014, all units were sold, with possession and occupancy taken. Proceeds at the Company’s 50% interest of approximately $26 million were received of which approximately $22 million was directed to repay the Company’s indebtedness on the project’s credit facility. The Company's total gain realized on its share of the project was $3.0 million. During Q1 2014, the Company acquired the remaining 50% interest in the retail space from its partner.

The second phase, KingsClub, is in pre-sale phase with construction underway in the excavation stage. Management expects that there will be approximately 160,000 square feet of retail in this phase and approximately 500 residential units for sale or rental based on current entitlements, and based on current market and site conditions. The expected timing for occupancy is estimated to be 2016 with unit closings in 2017. The KingsClub sales centre is open at the 1071 King Street, Toronto location.

The following table summarizes the Company’s residential inventory investment activity:

	Three months ended March 31	
(millions of dollars)	**2014**	2013
Balance at beginning of period	**$ 22**	$ 33
Expenditures	**4**	5
Recognized as cost of sales	**(1)**	(8)
Balance at end of period	**$ 25**	$ 30

Capital Expenditures on Investment Properties

Capital expenditures are incurred by the Company for maintaining and/or renovating its existing shopping centres. 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 shopping centre infrastructure and revenues from leasing of existing space. Revenue sustaining capital expenditures are not recoverable from tenants. Typical costs relate to ongoing investments of capital for tenant leasing costs related to new and renewal leasing, and capital to physically maintain its shopping centres such as roof replacement programs and resurfacing of parking lots.

Revenue enhancing capital expenditures are those expenditures that increase the revenue generating ability of the Company's shopping centres. Revenue enhancing capital expenditures are incurred in conjunction with or in contemplation of a development or redevelopment strategy, or related to acquisition, disposition or the same property categories. Capital expenditures incurred in development and redevelopment projects include pre-development costs, direct construction costs, borrowing costs, and overhead including applicable salaries and other direct costs of internal staff directly attributable to the projects under active development.

Additionally, certain tenant leases provide the ability to recover from tenants over time a portion of capital investments to physically maintain the Company's shopping centres as property operating costs.

Revenue enhancing or sustaining capital expenditures are dependent upon many factors, including the age and location of the Company's shopping centres. The Company owns and actively seeks to acquire older, well-located shopping centres in urban locations, where expenditures tend to be higher when they are subsequently repaired or conditions brought up to the Company's standards or redeveloped.

In addition to property category, the Company also considers property age, the potential effects on occupancy and future rents per square foot, the time leasable space has been vacant and other factors when assessing whether a capital expenditure is revenue enhancing or sustaining.

Historically, the Company's revenue sustaining expenditures on same property range from $0.81 to $0.87 per square foot per annum. The three-year weighted average rate of revenue sustaining expenditures on a same property basis for the three months ended March 31, 2014 on an annualized basis was $0.84 per square foot compared to $0.84 per square foot for fiscal year 2013. Over the past three years, the Company has increased its expenditures on roof and parking lot replacements in the same property category at several of its shopping centres, which will reduce its ongoing maintenance expenditures at these centres going forward.

Revenue sustaining and enhancing capital expenditures on investment properties, which include shopping centres and development land, are as follows:

	Three months ended March 31	
(thousands of dollars)	**2014**	2013
Revenue sustaining – same property – stable	**$ 1,746**	$ 2,659
Revenue sustaining – same property with incremental development and expansion	**354**	1,430
Revenue sustaining – total same property	**2,100**	4,089
Enhancing capital expenditures:		
Revenue enhancing and other	**9,317**	9,759
Expenditures recoverable from tenants	**2,458**	1,063
Development expenditures	**28,000**	46,890
Total	**$ 41,875**	$ 61,801

Capital expenditures on the shopping centre portfolio by property categorization are as follows:

Three months ended March 31						
(thousands of dollars)			**2014**			2013
	Same Property – Stable	**Same Property with incremental redevelopment and expansion**	**Total**	Same Property – Stable	Same Property with incremental redevelopment and expansion	Total
Revenue sustaining	**$ 1,746**	**$ 354**	**$ 2,100**	$ 2,659	$ 1,430	$ 4,089
Revenue enhancing and other	**2,885**	**474**	**3,359**	4,728	3,013	7,741
Expenditures recoverable from tenants	**1,594**	**633**	**2,227**	385	59	444
Development expenditures	**—**	**4,824**	**4,824**	—	8,382	8,382
Total – Same property	**$ 6,225**	**$ 6,285**	**12,510**	$ 7,772	$ 12,884	$ 20,656
Major redevelopment			**17,407**			16,413
Ground-up development			**6,960**			17,707
Acquisitions – current year			**144**			88
Acquisitions – prior year			**1,134**			4,554
Investment properties classified as held for sale			**1,343**			484
Dispositions – current and prior year			**3**			75
Development land			**2,374**			1,824
Total			**$ 41,875**			$ 61,801

2014 Leasing and Occupancy

Same property portfolio occupancy as at March 31, 2014 of 96.1% compares to 96.5% as at December 31, 2013, and comprises 18.3 million occupied square feet. Occupancy for the remainder of the portfolio, including major redevelopments, ground-up developments, acquisitions, dispositions and assets held for sale, totalled 92.6% as at March 31, 2014, compared to 92.2% as at December 31, 2013, and comprises 5.1 million occupied square feet, providing potential net operating income growth as the redevelopment, development and expansion activities are completed. Total portfolio occupancy as at March 31, 2014 of 95.3% compares to 95.5% as at December 31, 2013.

Occupancy comparing the Company's shopping centre portfolio by property categorization as at March 31 is as follows:

		March 31, 2014			December 31, 2013	
(square feet in thousands, except other data)	**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	**14,054**	**96.5%**	**$ 17.87**	14,238	96.9%	$ 17.82
Same property with incremental redevelopment and expansion	**4,256**	**94.9%**	**18.07**	4,212	95.2%	18.03
Total same property	**18,310**	**96.1%**	**17.92**	18,450	96.5%	17.87
Major redevelopment	**2,938**	**91.6%**	**17.98**	2,939	90.7%	18.01
Ground-up development	**663**	**98.4%**	**22.88**	663	98.2%	22.80
Investment properties classified as held for sale	**1,024**	**92.0%**	**13.80**	1,024	92.1%	13.92
Total portfolio before acquisitions and dispositions	**22,935**	**95.4%**	**$ 17.88**	23,076	95.6%	$ 17.85
Acquisitions – 2014	**189**	**93.1%**	**$ 26.13**	—	—%	$ —
Acquisitions – 2013	**259**	**93.0%**	**27.36**	269	94.0%	27.92
Dispositions – 2014	**—**	**—**	**—**	27	100.0%	8.50
Total	**23,383**	95.3%	**$ 18.06**	23,372	95.5%	$ 17.96

On the same property portfolio, gross new leasing totalled 98,000 square feet including incremental development spaces coming on line for the three months ended March 31, 2014. This gross new leasing on the same property portfolio will generate additional minimum rent of approximately $2.0 million. The Company achieved an 11.8% increase on 250,000 square feet of renewal leases over the expiring lease rates on a same property basis. Net tenant closures totalled 60,000 square feet for the period on a same property basis. The increase in all openings versus all closures of 17.9% for the same property portfolio results from improved rental rates from new tenancies.

For the remainder of the portfolio, gross new leasing totalled 44,000 square feet, for the three months ended March 31, 2014, including development spaces coming on line and tenancies during construction. This gross new leasing on the remainder of the portfolio will generate additional minimum rent of approximately $0.8 million. The Company achieved a 18.6% increase on 79,000 square feet of renewal leases over the expiring lease rates for the remainder of the portfolio. Net tenant openings totalled 20,000 square feet for the period on the remainder of the portfolio. The decrease in all openings versus all closures of 28.3% was impacted by shorter term leases at lower rates to accommodate tenant repositioning or property redevelopment activities, anchor tenant openings at market rates which are typically lower than the rate per square foot for smaller CRU spaces and lower rental rate per square foot increases on ancillary office space leased during the period.

The average rate per occupied square foot for the same property portfolio increased to $17.92 as at March 31, 2014 from $17.87 as at December 31, 2013.

The average rate per occupied square foot for the remainder of the portfolio, excluding acquisitions and dispositions, decreased to $18.22 as at March 31, 2014 from $18.30 as at December 31, 2013, resulting from the decrease in rental rates on openings versus closures.

Including acquisitions and dispositions, the total portfolio average rate per occupied square foot increased to $18.06, which compares to $17.96 as at December 31, 2013.

Management believes that the weighted average rental rate per square foot for the portfolio would be in the range of $23.00 to $25.00, if the portfolio were at market. The Company continues to seek well-located properties in urban markets with below market rent for future value creation activities. The weighted average lease term for the portfolio is 5.9 years as at March 31, 2014, excluding options in favour of tenants, and including month-to-month and other short-term leases with tenants in properties with pre-development activities underway. The weighted average lease term for the Company's top 10 tenants is 7.2 years as at March 31, 2014, excluding options in favour of tenants.

Changes in the Company's gross leasable area and occupancy for the total portfolio are set out below:

Three months ended March 31, 2014	Total Same Property			Major redevelopment, ground-up, acquisitions and dispositions			Vacancy				Portfolio Total		
	Occupied Square Feet (thousands)	%	Weighted Average Rate per Occupied Square Foot	Occupied Square Feet	%	Weighted Average Rate per Occupied Square Foot	Under Redevelopment Square Feet (thousands)	%	Vacant Square Feet	%	Total Square Feet	Weighted Average Rate per Occupied Square Foot	No. of Leases
December 31, 2013	**18,450**	**96.5%**	**$ 17.87**	**4,922**	**92.2%**	**$ 18.30**	**179**	**0.7%**	**911**	**3.7%**	**24,462**	**$ 17.96**	
Tenant openings	84		20.51	43		17.49	—		(127)		—	19.48	71
Tenant closures	(144)		(17.39)	(23)		(24.94)	—		167		—	(18.42)	(84)
Closures for redevelopment	—		—	(29)		(22.65)	29		—		—	(22.65)	(18)
Developments – coming on line	14		21.43	1		30.00	—		20		35	22.02	13
Tenancies during construction phase [1]	—		—	3		8.67	(3)		—		—	8.67	3
Demolitions	—		—	—		—	(30)		—		(30)	—	—
Reclassification	(94)		—	(6)		—	(12)		(6)		(118)	—	—
Total portfolio before dispositions and acquisitions	18,310	96.1%	$ 17.92	4,911	92.6%	$ 18.22	163	0.7%	965	4.0%	24,349	$ 17.98	
Dispositions (at date of disposition)	—	—	—	(27)	100%	8.50	—	—%	—	—%	(27)	(8.50)	1
Acquisitions (at date of acquisition)	—	—	—	189	93.1%	25.92	—	—%	14	—%	203	25.92	—
March 31, 2014	**18,310**		**$ 17.92**	**5,073**	**92.6%**	**$ 18.6**	**163**	**0.7%**	**979**	**4.0%**	**24,525**	**$ 18.06**	
Renewals	250		$ 23.65	79	—	$ 20.37					329	$ 22.86	
Renewals – expired	(250)		$ (21.15)	(79)	—	$ (17.18)					(329)	$ (20.19)	
Net increase per square foot from renewals			$ 2.50			$ 3.19						$ 2.67	
% Increase on renewal of expiring rents			11.8%			18.6 %						13.2%	
% Increase in rate per square foot – openings versus all closures			17.9%			(28.3)%						1.1%	

[1] Temporary tenancies during construction period with modest "holdover" income.

Total development and redevelopment of 35,000 square feet was completed in the three months ended March 31, 2014 compared with 144,000 square feet developed in the three months ended March 31, 2013. The occupied development and redevelopment space was leased at an average rental rate of $22.02 per square foot for the three months ended March 31, 2014 compared to $23.83 per square foot during the comparative period of 2013.

Development and redevelopment coming on line in 2014 included the following:

Property Name	Building to LEED standards	City	Province	Square Feet	Major Tenants of Developed Space
Same property with incremental redevelopment and expansion					
Eagleson Place	✓	Ottawa	ON	10,000	Kids & Company (Daycare)
Hunt Club Marketplace	✓	Toronto	ON	12,000	Spaces with leasing underway
Place Pointe-aux-Trembles		Montreal	QC	8,000	QSR tenant and spaces with leasing underway
Red Deer Village		Red Deer	AB	5,000	Spaces with leasing underway
Total				35,000	

Individual buildings within a development are generally constructed only after obtaining commitments on a substantial portion of the space. Development and redevelopment coming on line include both leased and unleased space brought on line at completion of construction. The Company's completed development projects illustrate the potential future value of investments in ongoing development initiatives that are not yet generating income, but are expected to contribute to the growth of the Company. The balance of the space brought on line is expected to be leased in the next 12 months.

Lease Maturities

The Company's lease maturity profile for its shopping centre portfolio as at March 31, 2014 is as follows:

Maturity Date [1]	Number of Stores	Occupied Square Feet (000s)	Percent of Total Square Feet	Annualized Minimum Rent at Expiration (000s)	Percent of Total Annualized Minimum Rent	Average Annual Minimum Rent per Square Foot at Expiration
Month-to-month tenants [2]	212	393	1.6%	$ 5,995	1.4%	$ 15.27
2014 (remainder of the year)	449	1,455	5.9%	22,964	5.2%	15.78
2015	624	2,550	10.4%	44,091	9.9%	17.29
2016	531	2,139	8.7%	35,130	7.9%	16.43
2017	582	2,974	12.1%	53,272	12.0%	17.92
2018	584	2,868	11.7%	52,752	11.8%	18.40
2019	343	2,176	8.9%	45,023	10.1%	20.69
2020	178	954	3.9%	19,822	4.5%	20.77
2021	200	1,281	5.2%	28,043	6.3%	21.89
2022	242	1,623	6.6%	38,393	8.6%	23.66
2023	181	1,663	6.8%	32,018	7.2%	19.25
2024	101	774	3.2%	15,895	3.6%	20.53
Thereafter	113	2,533	10.3%	52,052	11.5%	20.54
Total/Average	4,340	23,383	95.3%	$ 445,450	100.0%	$ 19.05

(1) Excluding any contractual renewal options in favour of the tenants.
(2) Contains tenants on over hold including renewals and extensions under negotiation, month-to-month tenants and tenants in space at properties with future redevelopment.

Included in 2014 lease maturities of 1,455,000 square feet is 944,000 square feet related to the same property portfolio, which represents 64.9% of the lease maturities for the total shopping centre portfolio. The expiring leases on a same property basis generate an annual minimum rent of $16.6 million, representing 72.5% of the annual minimum rent from the expiring leases for the remainder of 2014 for the total shopping centre portfolio.

Top Forty Tenants

As at March 31, 2014, 55.0% of the Company's annualized minimum rent came from its top 40 tenants (December 31, 2013 – 54.4%). Of those rents, 81.1% in the top 40 are from tenants who have investment grade credit ratings and who represent many of Canada's leading supermarket operators, drugstore chains, discount retailers, banks and other familiar shopping destinations.

	Tenant	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	Loblaws [1]	99	2,488	10.1%	10.3%	BBB	BBB	
2	Sobeys [2]	59	2,049	8.4%	7.1%	BBB (low)	BBB-	
3	Metro	33	1,200	4.9%	3.6%	BBB	BBB	
4	Walmart	15	1,481	6.0%	3.0%	AA	AA	Aa2
5	Canadian Tire	25	830	3.4%	2.8%	BBB (high)	BBB+	
6	TD Canada Trust	46	249	1.0%	2.1%	AA	AA-	Aa1
7	RBC Royal Bank	46	258	1.1%	2.0%	AA	AA-	Aa3
8	CIBC	36	202	0.9%	1.6%	AA	A+	Aa3
9	Dollarama	41	425	1.7%	1.5%	BBB		
10	Rona	4	421	1.7%	1.4%	BB (high)	BB+	
Sub-total		404	9,603	39.2%	35.4%			
11	GoodLife Fitness	16	397	1.6%	1.3%			
12	LCBO	21	210	0.9%	1.3%	AA (low)	AA-	Aa2
13	Rexall	21	180	0.8%	1.2%			
14	Bank of Montreal	29	130	0.6%	1.0%	AA	A+	Aa3
15	London Drugs	9	231	0.9%	1.0%			
16	Scotiabank	23	127	0.5%	0.9%	AA	A+	Aa2
17	Staples	11	254	1.0%	0.9%		BBB	Baa2
18	Tim Hortons	46	124	0.5%	0.7%	BBB		
19	Save-On-Foods	6	267	1.1%	0.7%			
20	Alberta Health Services	3	157	0.6%	0.7%	AAA	AAA	Aaa
21	Longo's	3	126	0.5%	0.7%			
22	Starbucks	43	70	0.3%	0.7%		A-	Baa1
23	Jean Coutu	12	155	0.6%	0.6%			
24	Subway	71	85	0.3%	0.6%			
25	Hudson's Bay Company	4	253	1.0%	0.6%		B+	B1
26	Toys "R" Us	4	156	0.6%	0.5%		B-	B3
27	Whole Foods Market	2	90	0.4%	0.5%		BBB-	
28	Michaels	4	87	0.4%	0.5%		B	B3
29	Cara	20	83	0.3%	0.5%		BB-	
30	Best Buy	5	140	0.6%	0.5%		BB	Baa2
31	Target	2	246	1.0%	0.5%		A	A2
32	SAQ	22	95	0.4%	0.5%	A (high)	A+	Aa2
33	McDonalds	21	84	0.3%	0.5%		A	A2
34	Yum! Brands	29	58	0.2%	0.5%		BBB	Baa3
35	Reitmans	26	132	0.5%	0.4%			
36	The Beer Store	11	66	0.3%	0.4%	AA (low)	AA-	Aa2
37	Winners	5	164	0.7%	0.4%		A+	A3
38	The Home Depot	2	236	1.0%	0.4%	A	A	A2
39	Pet Valu	19	51	0.2%	0.3%			
40	Rogers	21	42	0.2%	0.3%	BBB	BBB+	Baa1
Total: Top 40 Tenants		**915**	**14,099**	**57.5%**	**55.0%**			

(1) As at March 31, 2014, Loblaw Companies Limited ("Loblaws") comprises 10.3% of the Company's annualized minimum rent (December 31, 2013 – 4.2%) as a result of the merger of Loblaws and Shoppers Drug Mart completed in Q1 2014. The Company earned base rent revenue of $10.4 million for the three months ended March 31, 2014 from Loblaws.

(2) Sobeys includes space occupied by Safeway Canada, resulting from the merger of the companies during 2013.

Loans, Mortgages and Other Real Estate Assets

(thousands of dollars)		**March 31, 2014**		December 31, 2013
Loans and mortgages receivable (a)	**$**	**65,881**	$	68,150
Available-for-sale ("AFS") investments in equity securities		**3,843**		3,631
Total non-current loans, mortgages and other real estate assets	**$**	**69,724**	$	71,781
Fair value through profit or loss ("FVTPL") investments in equity securities (b)	**$**	**31,180**	$	27,764
AFS investments in equity securities		**347**		455
Loans and mortgages receivable (c)		**35,417**		24,457
Loans receivable from sales of residential inventory		**—**		22,522
Other receivable		**2,251**		2,251
Total current loans, mortgages and other real estate assets	**$**	**69,195**	$	77,449
Total mortgages and other real estate assets	**$**	**138,919**	$	149,230

(a) Loans and mortgages receivable are secured by interests in investment properties or shares of entities owning investment properties and bear interest at a weighted average coupon and effective interest rate as at March 31, 2014 of 6.3% and 6.4% per annum, respectively (December 31, 2013 – weighted average coupon and effective interest rate of 6.3% per annum). The loans and mortgages receivable mature between 2014 and 2025.

(b) The Company invests from time to time in publicly traded real estate and related securities. These securities are recorded at market value. Unrealized gains and losses on FVTPL securities are recorded in other gains (losses) and (expenses).

(c) The Company has loans and mortgages receivable secured by interests in investment properties or shares of entities owning investment properties and bear interest at a weighted average rate of 9.2% per annum (December 31, 2013 – 9.5% per annum). The loans and mortgages receivable mature between 2014 and 2015.

Scheduled principal receipts of loans and mortgages receivable as at March 31, 2014 are as follows:

(thousands of dollars, except other data)		Payments on Maturity		Total	Weighted Average Interest Rate
2014 (remainder of the year)	$	35,123	$	35,123	9.19%
2015		7,732		7,732	10.37%
2016		5,979		5,979	8.50%
2017		3,522		3,522	5.29%
2019 to 2025		47,845		47,845	5.53%
	$	100,201		100,201	7.35%
Unamortized deferred financing fees, premiums and discounts, net and interest receivable				1,097	
			$	101,298	
Current			$	35,417	9.19%
Non-current				65,881	6.36%
			$	101,298	7.35%

RESULTS OF OPERATIONS

Net Income

		Three months ended March 31
(thousands of dollars, except share and per share amounts)	**2014**	2013
Net income attributable to common shareholders	**$ 35,214**	$ 52,720
Net income per share attributable to common shareholders (diluted)	**$ 0.17**	$ 0.25
Weighted average number of common shares – diluted (in thousands)	**209,597**	211,581

Net income attributable to common shareholders for the three months ended March 31, 2014 was $35.2 million or $0.17 per share (diluted) compared to $52.7 million or $0.25 per share (diluted) for the three months ended March 31, 2013.

The decrease in net income as compared to the first quarter of 2013 is primarily due to a $21.9 million difference in fair value gain on investment properties and the related reduction in deferred income taxes, offset by an increase in NOI resulting from net acquisitions, development and redevelopment projects coming on line and same property NOI growth.

Reconciliation of Consolidated Statements of Income, as presented, to the Company's Proportionate Interest

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

						Three months ended March 31
(thousands of dollars)			**2014**			2013
	Consolidated Statements of Income (Equity method)	**Adjustment for equity method to proportionate interest**	**Proportionate interest**	Consolidated Statements of Income (Equity method)	Adjustment for equity method to proportionate interest	Proportionate interest
				(Restated) [(1)]		*(Restated)* [(1)]
Net operating income						
Property rental revenue	**$ 162,867**	**$ 1,174**	**$ 164,041**	$ 157,797	$ 1,096	$ 158,893
Property operating costs	**64,283**	**385**	**64,668**	60,054	360	60,414
	98,584	**789**	**99,373**	97,743	736	98,479
Other income and expenses						
Interest and other income	**2,610**	**—**	**2,610**	1,291	16	1,307
Interest expense	**(42,357)**	**(131)**	**(42,488)**	(40,577)	(137)	(40,714)
Corporate expenses	**(8,016)**	**—**	**(8,016)**	(7,201)	—	(7,201)
Abandoned transaction costs	**(48)**	**—**	**(48)**	(471)	—	(471)
Amortization expense	**(1,023)**	**—**	**(1,023)**	(977)	—	(977)
Share of profit from joint venture	**685**	**(685)**	**—**	562	(562)	—
Other gains (losses) and (expenses)	**1,246**	**—**	**1,246**	(163)	—	(163)
Increase (decrease) in value of investment properties, net	**(6,288)**	**27**	**(6,261)**	15,599	(53)	15,546
	(53,191)	**(789)**	**(53,980)**	(31,937)	(736)	(32,673)
Income before income taxes	**45,393**	**—**	**45,393**	65,806	—	65,806
Deferred income taxes	**10,484**	**—**	**10,484**	13,126	—	13,126
Net income	**$ 34,909**	**$ —**	**$ 34,909**	$ 52,680	$ —	$ 52,680

(1) Refer to the "Adoption of New Accounting Standards" section of this MD&A for further details.

Funds from Operations and Adjusted Funds from Operations

In Management's view, funds from operations ("FFO") and adjusted funds from operations ("AFFO") are commonly accepted and meaningful indicators of financial performance in the real estate industry. First Capital Realty believes that financial analysts, investors and shareholders are better served when the clear presentation of comparable period operating results generated from FFO and AFFO disclosures supplement IFRS disclosure. These measures are the primary methods used in analyzing real estate organizations in Canada. FFO and AFFO are not measures defined by IFRS and, as such, neither of them has a standard definition. The Company's method of calculating FFO and AFFO may be different from methods used by other corporations or REITs (real estate investment trusts) and, accordingly, may not be comparable to such other corporations or REITs. FFO and AFFO: (i) do not represent cash flow from operating activities as defined by IFRS, (ii) are not indicative of cash available to fund all liquidity requirements, including payment of dividends and capital for growth, and (iii) are not to be considered as alternatives to IFRS net income for the purpose of evaluating operating performance.

Funds from Operations

First Capital Realty calculates FFO in accordance with the recommendations of the Real Property Association of Canada ("REALpac"), as issued in a White Paper on FFO for IFRS. It includes certain additional adjustments to FFO under IFRS from the previous definition of FFO under GAAP. The use of FFO has been included for the purpose of improving the understanding of the operating results of the Company.

FFO is considered a meaningful additional financial measure of operating performance, as it excludes fair value gains and losses on investment properties. FFO also adjusts for certain items included in IFRS net income that may not be the most appropriate determinants of the long-term operating performance of the Company including certain cash and non-cash gains and losses, incremental leasing costs, property taxes reflected ratably, as well as adjustments to non-controlling interest to reflect FFO attributable to the Company, and provides a perspective on the financial performance that is not immediately apparent from net income determined in accordance with IFRS. The weighted average number of diluted shares outstanding for FFO is calculated assuming conversion of only those convertible debentures outstanding that would have a dilutive effect upon conversion, at the holders' contractual conversion price.

FFO for the three months ended March 31, 2014 totalled $53.5 million or $0.26 per share (diluted) compared to $52.9 million or $0.25 per share (diluted) in the same prior year period. The increase in FFO is primarily due to the increase in NOI resulting from acquisitions, development and redevelopment projects coming on line, same property NOI growth and increased interest and other income from other real estate investments. The effects of the increase in NOI and interest and other income were partially offset by increases in interest expense and corporate expenses. On a per share basis, the increases in FFO were offset by an increase in the weighted average number of common shares outstanding.

The Company's net income with proportionate interest is reconciled to funds from operations below:

	Three months ended March 31	
(thousands of dollars)	**2014**	2013 *(Restated)* [1]
Net income for the period	**$ 34,909**	$ 52,680
Add (deduct):		
(Increase) decrease in value of investment properties, net	**6,261**	(15,546)
Incremental leasing costs	**1,706**	1,437
Investment properties – selling costs	**142**	1,156
Deferred income taxes	**10,484**	13,126
Non-controlling interest	**(41)**	26
FFO	**$ 53,461**	$ 52,879

[1] Refer to the "Adoption of New Accounting Standards" section of this MD&A for further details.

The components of FFO with proportionate interest are as follows:

		Three months ended March 31	
(thousands of dollars, except share and per share amounts and percentages)	% increase	**2014**	2013
			(Restated) [1]
Net operating income		**$ 99,373**	$ 98,479
Interest expense		**(42,488)**	(40,714)
Corporate expenses		**(6,310)**	(5,764)
Abandoned transaction costs		**(48)**	(471)
Amortization expense (corporate assets and credit facility costs)		**(1,023)**	(977)
Interest and other income		**2,610**	1,307
Non-controlling interest		**(41)**	26
FFO excluding other gains (losses) and (expenses)	0.4%	**52,073**	51,886
Other gains (losses) and (expenses) [2]		**1,388**	993
FFO	1.1%	**$ 53,461**	$ 52,879
FFO per diluted share	4.0%	**$ 0.26**	$ 0.25
FFO per diluted share excluding other gains (losses) and (expenses)	—%	**$ 0.25**	$ 0.25
Weighted average number of common shares – diluted – FFO (in thousands)	0.7%	**209,597**	208,207

(1) Refer to the "Adoption of New Accounting Standards" section of this MD&A for further details.

(2) Refer to the "Results of Operations – Other Gains (Losses) and (Expenses)" section in the following pages for details.

Adjusted Funds from Operations

AFFO is calculated by adjusting FFO for non-cash and other items including interest payable in shares, straight-line rent adjustments, non-cash compensation expense, same property capital expenditures and leasing costs for maintaining shopping centre infrastructures, certain other gains or losses, and adjustments to non-controlling interest to reflect AFFO attributable to the Company. Residential inventory pre-sale costs are recognized in AFFO when the Company recognizes revenue from the sale of residential units. The weighted average number of diluted shares outstanding for AFFO is adjusted to assume conversion of the outstanding convertible debentures, calculated using the holders' contractual conversion price.

AFFO for the three months ended March 31, 2014 totalled $54.0 million or $0.24 per share (diluted) compared to $54.3 million or $0.24 per share (diluted) in the same prior year period. AFFO included $0.5 million of other net gains in the quarter compared to $2.1 million of other net gains in the same prior year period.

		Three months ended March 31	
(thousands of dollars, except share and per share amounts and percentages)	% increase (decrease)	**2014**	2013
FFO		**$ 53,461**	$ 52,879
Add (deduct):			
Interest expense payable in shares		**5,841**	5,449
Rental revenue recorded on a straight-line basis		**(1,752)**	(3,342)
Non-cash compensation expense		**696**	714
Same property revenue sustaining capital expenditures [1]		**(4,008)**	(3,523)
Change in cumulative unrealized losses (gains) on marketable securities		**(1,285)**	1,336
Loss on settlement of debt and purchase of convertible debentures		**262**	112
Hedge accounting (gains) losses		**99**	121
Pre-selling costs of residential inventory units		**19**	(67)
Costs not capitalized during development period [2]		**717**	650
Other adjustments		**(72)**	(77)
AFFO	(0.5)%	**53,978**	54,252
Add/deduct: Other (gains) losses and expenses [3]		**(483)**	(2,107)
AFFO excluding other (gains) losses and expenses	2.6 %	**$ 53,495**	$ 52,145
AFFO per diluted share	— %	**$ 0.24**	$ 0.24
AFFO per diluted share excluding other (gains) losses and expenses	4.3 %	**$ 0.24**	$ 0.23
Weighted average number of common shares – diluted – AFFO (in thousands)	1.2 %	**226,260**	223,686

(1) Estimated at $0.84 per square foot per annum (2013 – $0.84) on average gross leasable area of stable properties (based on an estimated three-year weighted average).

(2) The Company has added back costs not capitalized during the development period for accounting purposes that, in Management's view forms part of the cost of its development projects.

(3) Refer to the "Results of Operations – Other Gains (Losses) and (Expenses)" section in the following pages for details.

A reconciliation of cash provided by operating activities (an IFRS measure) to AFFO is presented below:

	Three months ended March 31	
(thousands of dollars)	**2014**	2013
		(Restated) [1]
Cash provided by operating activities	**$ 70,131**	$ 38,220
Share of profit of joint venture	**682**	630
Distribution from joint venture	**(484)**	(486)
Realized gains on sale of marketable securities	**481**	2,075
Incremental leasing costs	**1,706**	1,437
Net change in non-cash operating items	**16,898**	12,215
Expenditures on residential development inventory	**3,627**	5,513
Receipts of proceeds from sales of residential inventory	**(27,711)**	—
Amortization expense	**(1,023)**	(977)
Non-cash interest expense and change in accrued interest	**(2,806)**	1,440
Convertible debenture interest paid in common shares	**(9,980)**	(8,768)
Convertible debenture interest payable in common shares	**5,841**	5,449
Costs not capitalized during development period	**717**	650
Pre-selling costs of residential inventory	**19**	(67)
Gain on sale of residential inventory	**—**	466
Same property revenue sustaining capital expenditures	**(4,008)**	(3,523)
Non-controlling interest	**(41)**	26
Other adjustments	**(71)**	(48)
AFFO	**$ 53,978**	$ 54,252

[1] Refer to "Adoption of New Accounting Standards" section of this MD&A for further details.

Net Operating Income ("NOI")

NOI is defined as property rental revenue less property operating costs. In Management's opinion, NOI is common and useful in analyzing the operating performance of the Company's shopping centre portfolio, and it is a primary method for analyzing real estate in Canada. NOI is not a measure defined by IFRS and as such there is no standard definition. As a result, NOI may not be comparable with similar measures presented by other entities. NOI is not to be construed as an alternative to net income or cash flow from operating activities determined in accordance with IFRS.

NOI increased to approximately $99.4 million for the three months ended March 31, 2014 from $98.5 million for the comparative prior year period.

On a comparative period basis, the shopping centre portfolio size decreased by 0.5 million square feet due to net property sales, offset by an overall occupancy increase of 0.2% as compared to the 95.1% as at March 31, 2013. The increase in overall occupancy primarily arises as a result of the Company's development and redevelopment initiatives. On a same property – stable basis, occupancy has marginally increased to 96.5% (March 31, 2013 – 96.4%). Even with the decrease in the portfolio size, the increase in NOI resulted from growth in base rent from tenants due to increases in rental rates from step-ups and lease renewals, as well as acquisitions and developments coming on line, where average rental rates and recovery terms were higher than the rental rates and recovery terms of disposed properties and closures of spaces for redevelopment.

The Company's proportionate interest in net operating income for the shopping centre portfolio is presented below:

	Three months ended March 31	
(thousands of dollars, except other data)	**2014**	2013
Property rental revenue		
Base rent [1]	**$ 102,047**	$ 98,809
Operating cost recoveries	**26,589**	24,241
Realty tax recoveries	**30,011**	28,975
Straight-line rent	**1,752**	3,342
Lease surrender fees	**415**	153
Percentage rent	**233**	431
Prior year operating cost and tax recovery adjustments	**(711)**	54
Temporary tenants, storage, parking and other	**3,705**	2,888
Total property rental revenue	**164,041**	158,893
Property operating costs		
Recoverable operating expenses	**31,145**	28,502
Recoverable realty tax expenses	**33,062**	31,811
Prior year operating cost and tax expense adjustments	**(403)**	(34)
Other operating costs and adjustments	**864**	135
Total property operating costs	**64,668**	60,414
NOI	**$ 99,373**	$ 98,479
NOI margin	**60.6%**	62.0%
Operating cost recovery percentage	**85.4%**	85.1%
Tax recovery percentage	**90.8%**	91.1%

[1] Base rent includes annual minimum rents from gross and semi-gross leases.

The change in the shopping centre portfolio NOI margin is primarily driven by occupancy, operating costs and tax recovery margins and base rent growth. The overall shopping centre portfolio NOI margin has decreased to 60.6% from 62.0% period over period due to development and redevelopment activities, where margins will vary depending on the stage of activity, and due to acquisitions, where margins are impacted by the condition of acquired properties. Even with the increase in occupancy of 0.1%, the same property – stable NOI margin has decreased to 62.2% from 63.8% as at March 31, 2013 primarily as a result of increased non-recoverable costs. The stable properties typically have the highest NOI margins.

The operating cost and tax recoveries margin for same property – stable remained consistent at a combined rate of 91.1% for the three months ended March 31, 2014 and 2013. The overall shopping centre portfolio operating cost and tax recoveries margin also remained consistent at a combined rate of 88.2% period over period.

The following table summarizes the Company's NOI margin, operating costs and tax recoveries margin, and occupancy by property category:

	NOI Margin		Operating Cost and Tax Recoveries Margin		% Occupied	
	Three months ended March 31		Three months ended March 31		As at March 31	
	2014	2013	**2014**	2013	**2014**	2013
Same property – stable	**62.2%**	63.8%	**91.1%**	91.1%	**96.5%**	96.4%
Same property with incremental redevelopment and expansion	**60.7%**	61.3%	**89.4%**	89.1%	**94.9%**	95.0%
Total same property	**61.8%**	63.2%	**90.7%**	90.6%	**96.1%**	96.1%
Major redevelopment	**53.6%**	55.9%	**78.6%**	81.0%	**91.6%**	91.1%
Ground-up development	**56.1%**	62.6%	**86.3%**	91.2%	**98.4%**	95.3%
Acquisitions – 2014	**71.9%**	—%	**96.2%**	—%	**93.1%**	—%
Acquisitions – 2013	**60.8%**	64.7%	**86.0%**	64.2%	**93.0%**	93.3%
Investment properties classified as held for sale	**63.4%**	59.2%	**85.6%**	83.5%	**92.0%**	90.2%
Dispositions and other	**—%**	—%	**84.3%**	79.5%	**—%**	95.0%
	60.6%	62.0%	**88.2%**	88.2%	**95.3%**	95.1%

Same property – stable NOI increased by 1.2% for the three months ended March 31, 2014 compared to the same prior year period, primarily attributed to increases in rental rates due to step-ups, lease renewals, and tenant openings with higher rental rates than the rental rates on tenant closures. Additionally operating cost and realty tax recoveries margin on a combined basis for same property – stable, remained unchanged at 91.1%. The NOI margin has decreased due to an increase in other non-recoverable operating costs and prior year operating costs and tax recovery adjustments.

The following table summarizes the Company's proportionate interest in NOI by property categorization:

		Three months ended March 31	
(thousands of dollars, except for percentages)	% increase	**2014**	2013
Same property – stable NOI	1.2%	**$ 57,987**	$ 57,314
Same property with incremental redevelopment and expansion NOI	7.0%	**17,448**	16,309
Total same property	2.5%	**75,435**	73,623
Major redevelopment		**11,677**	11,835
Ground-up development		**3,225**	2,326
Acquisitions – 2014		**263**	—
Acquisitions – 2013		**2,451**	566
Investment properties classified as held for sale		**4,121**	3,152
Dispositions – 2014		**58**	56
Dispositions – 2013		**—**	3,381
Rental revenue recognized on a straight-line basis		**1,756**	3,342
Development land		**387**	198
NOI		**$ 99,373**	$ 98,479

For the three months ended March 31, 2014, each region experienced growth in base rent and recoveries from tenants resulting from an increase in rental rates due to step-ups and lease renewals, in addition to net acquisitions and developments coming on line, with average rental rates and recovery terms in excess of the rental rates and recovery terms of disposed properties and closures of spaces for redevelopment.

The shopping centre portfolio NOI by segment at the Company's proportionate interest is as follows:

Three months ended March 31, 2014 *(thousands of dollars)*		**Central Region**		**Eastern Region**		**Western Region**		**Subtotal**		**Other(1)**		**Total**
Property rental revenue	**$**	**70,081**	**$**	**43,046**	**$**	**51,061**	**$**	**164,188**	**$**	**(147)**	**$**	**164,041**
Property operating costs		**27,776**		**19,128**		**17,548**		**64,452**		**216**		**64,668**
Net operating income	**$**	**42,305**	**$**	**23,918**	**$**	**33,513**	**$**	**99,736**	**$**	**(363)**	**$**	**99,373**

Three months ended March 31, 2013 *(thousands of dollars)*		Central Region		Eastern Region		Western Region		Subtotal		Other(1)		Total
Property rental revenue	$	67,948	$	41,594	$	49,676	$	159,218	$	(325)	$	158,893
Property operating costs		26,559		17,842		16,654		61,055		(641)		60,414
Net operating income	$	41,389	$	23,752	$	33,022	$	98,163	$	316	$	98,479

(1) Other items are principally operating costs and adjustments that are not attributable to a region.

Interest and Other Income

The Company's interest and other income is as follows:

		Three months ended March 31		
(thousands of dollars)		**2014**		2013
Interest, dividend and distribution income from marketable securities and cash investments	**$**	**859**	$	619
Interest income from mortgages and loans receivable		**1,751**		688
	$	**2,610**	$	1,307

The increase in interest and other income is primarily due to an increase in mortgages and loans receivable and marketable securities balances .

Interest Expense

The Company's proportionate share of interest expense is as follows:

		Three months ended March 31		
(thousands of dollars)		**2014**		2013
Mortgages and credit facilities	**$**	**16,647**	$	20,658
Senior unsecured debentures		**24,940**		20,100
Convertible debentures (cashless)				
Coupon interest (payable in shares)		**4,921**		4,627
Accretion of discounts on bifurcation for accounting purposes		**386**		359
Amortization of deferred issue costs		**534**		463
		5,841		5,449
Interest capitalized to investment properties and residential inventory under development		**(4,940)**		(5,493)
Total interest expense	**$**	**42,488**	$	40,714

Mortgage and credit facilities interest expense has decreased due to net repayments of mortgages during the current quarter and throughout 2013 and due to the decrease in the weighted average borrowing rate from 5.34% per annum as at March 31, 2013 to 5.17% per annum as at March 31, 2014.

The increase in interest expense for the senior unsecured debentures is primarily due to the issuances of $300 million principal amount senior unsecured debentures with a weighted average coupon rate of 4.79% (weighted average effective rate of 4.72%) during 2014 and the issuances of $450 million principal amount of senior unsecured debentures with a weighted average coupon rate of 3.97% (weighted average effective rate of 4.12%) in 2013, partially offset by the repayment of $54 million of principal amount with a weighted average coupon rate of 5.36% (weighted average effective rate of 5.52%) during the year ended December 31, 2013 as described in the “Capital Structure and Liquidity” section of this MD&A.

The increase in convertible debentures interest expense is a result of net issuances in 2013 of $55 million, partially offset by repurchases in the Normal Course Issuer Bid (“NCIB”) of $3.2 million during 2013. Refer to the “Capital Structure and Liquidity” section of this MD&A.

Over the past 12 months, certain development and redevelopment projects were completed resulting in lower capitalized interest. As development and redevelopment projects are completed, they no longer qualify for interest capitalization. Although the Company has a number of projects in the pre-development stage, during which capitalization comprises primarily corporate expenses and other soft costs associated with planning activities, the aggregate invested cost of properties in the active development or redevelopment stage which is subject to interest capitalization has decreased. In addition, certain properties classified as development land have been reclassified as held for sale and are no longer subject to capitalization. As a result, the Company capitalized less interest relative to the aggregate invested cost of properties in ongoing development and redevelopment projects.

Corporate Expenses

	Three months ended March 31	
(thousands of dollars, except for percentages)	**2014**	2013
		(Restated)
Salaries, wages and benefits	**$ 6,242**	$ 5,767
Non-cash compensation	**648**	714
Other corporate costs	**2,675**	2,381
	9,565	8,862
Amounts capitalized to investment properties under development and residential inventory [1]	**(1,549)**	(1,661)
	$ 8,016	$ 7,201
Corporate expenses, excluding non-cash compensation and incremental leasing costs		
As a percentage of rental revenue	**3.5%**	3.2%
As a percentage of total assets	**0.29%**	0.27%

[1] Refer to the “Adoption of New Accounting Standards” section of this MD&A.

The overall level of net corporate expenses has increased by 11.3% for the three months ended March 31, 2014, as compared to the same prior year period. The increase is primarily as a result of increases in the number of team members and costs related to ongoing investments in processes and systems.

Non-cash compensation is recognized over the respective vesting periods for options, restricted share units and deferred share units. These items are considered part of the total compensation for directors, senior management and other team members.

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, leasing, construction, etc., are capitalized in accordance with IFRS to development projects and residential inventory, as incurred.

In March 2014, the IFRIC issued a decision related to the meaning of ‘incremental costs’ in the context of initial direct leasing costs in IAS 17. The IFRIC determined that internal fixed costs, such as the salary costs of permanent staff involved in negotiating and arranging new leases, do not qualify as incremental costs within the context of IAS 17 and therefore should not be capitalized as initial direct leasing costs. The Company has adopted the interpretation effective January 1, 2014, with retrospective restatement of prior period presented. Prior to the adoption of this interpretation, certain costs associated with the Company's internal leasing staff were capitalized to investment properties. The adoption of the interpretation has resulted in an increase in corporate expenses and an increase in fair value gains on investment properties. Refer to Note 3 to the interim consolidated financial statements for further details.

During the periods ended March 31, 2014 and 2013, respectively, approximately 17.4% and 20.4% 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. The decrease in capitalized corporate expenses resulted from the completion of certain significant development and redevelopment projects over the past 12 months. As at March 31, 2014, costs being capitalized relate largely to projects in the pre-development stage. The timing of completion of development and redevelopment projects and the Company's current level of pre-development activity is commensurate with the decrease in the level of corporate expenses capitalized compared to the same prior year period.

Other Gains (Losses) and (Expenses)

						Three months ended March 31
			2014			2013
(thousands of dollars)	**Included in Consolidated Statements of Income**	**Included in FFO**	**Included in AFFO**	Included in Consolidated Statements of Income	Included in FFO	Included in AFFO
Realized gains on sale of marketable securities	**$ 481**	**$ 481**	**$ 481**	$ 2,075	$ 2,075	$ 2,075
Change in cumulative unrealized gains (losses)on marketable securities classified as FVTPL	**1,285**	**1,285**	**—**	(1,336)	(1,336)	—
Losses on settlement of debt	**(262)**	**(262)**	**—**	(112)	(112)	—
Unrealized losses on hedges	**(99)**	**(99)**	**—**	(121)	(121)	—
Gain on foreign currency exchange	**2**	**2**	**2**	32	32	32
Pre-selling costs of residential inventory	**(19)**	**(19)**	**—**	(11)	(11)	—
Net gain on sale of residential inventory	**—**	**—**	**—**	466	466	—
Investment properties – selling costs	**(142)**	**—**	**—**	(1,156)	—	—
	$ 1,246	**$ 1,388**	**$ 483**	$ (163)	$ 993	$ 2,107

For the three months ended March 31, 2014, the losses on settlement of debt primarily relate to pre-payment penalties for the early repayment of $54 million of mortgages payable.

The losses on hedges represent the change in fair value for those derivatives to which the Company does not apply hedge accounting, as well as the ineffectiveness of those hedges to which the Company applies hedge accounting.

Investment properties – selling costs were incurred on dispositions of properties and properties held for sale.

Income Taxes

		Three months ended March 31
(thousands of dollars)	**2014**	2013
Deferred income taxes	**$ 10,484**	$ 13,126

Deferred income taxes decreased compared to the same prior year period primarily due to the difference in the fair value gain on investment properties, which was partially offset by a change in the income tax rate by the Province of British Columbia during the second quarter of 2013.

CAPITAL STRUCTURE AND LIQUIDITY

Capital Employed

The ratios below include measures not specifically defined in IFRS. Certain calculations are required pursuant to debt covenants and for this reason are meaningful measures.

(thousands of dollars, except for other data)		**March 31, 2014**		December 31, 2013
Enterprise value				
Common shares outstanding (in thousands)		**209,150**		208,356
Mortgages and credit facilities (principal amount)	**$**	**1,235,777**	$	1,350,307
Mortgage on equity accounted joint venture (principal amount at the Company's interest)		**10,752**		10,859
Senior unsecured debentures (principal amount)		**2,175,000**		1,875,000
Convertible debentures (principal amount)		**392,903**		392,917
Equity capitalization				
Common shares (based on closing per share price of $17.55; December 31, 2013 – $17.71)		**3,670,589**		3,689,981
Total enterprise value (total capital employed)	**$**	**7,485,021**	$	7,319,064
Debt to total assets [(1)]		**43.6%**		42.9%
Debt to total assets (at invested cost) [(1)]		**51.1%**		50.5%
Debt to total assets (based on unsecured debt covenants) [(1)] [(2)]		**44.8%**		44.6%
Debt to enterprise value [(1)]		**45.1%**		44.3%
Weighted average interest rate on fixed rate debt and senior unsecured debentures		**5.03%**		5.09%
Net debt/EBITDA [(3)]		**8.40**		8.21
Net debt/EBITDA – on run rate on components of EBITDA [(3)]		**8.30**		8.18
Weighted average maturity on mortgages, other secured debt and senior unsecured debentures (years) [(4)]		**5.7**		5.3
Unencumbered aggregate assets to unsecured debt				
Total, based on IFRS value [(5)]		**2.16**		2.29
Based on unsecured debt covenants [(6)]		**2.06**		2.15
EBITDA interest coverage		**2.39**		2.38
EBITDA interest coverage excluding capitalized interest on development		**2.75**		2.76

(1) Calculated with the joint venture and Main and Main Developments proportionately consolidated and cash balances reducing debt.

(2) Includes investment properties at IFRS value, calculated using the average capitalization rate over the last 10 fiscal quarters.

(3) Calculated with the joint venture proportionately consolidated and cash balances reducing debt.

(4) Weighted average term to maturity is calculated net of cash balances as at the end of the period.

(5) Includes all unencumbered assets at IFRS values.

(6) Includes unencumbered assets as defined by debt covenants, with shopping centres valued under IFRS using the average capitalization rate over the last 10 fiscal quarters.

Measures used in these ratios are defined below:

- Debt consists of principal amounts outstanding on credit facilities and mortgages, and the par value of senior unsecured debentures. Convertible debentures are excluded as it is the Company's intention to continue to satisfy its obligations of principal and interest payments in respect of all of its outstanding convertible debentures by the issuance of common shares;
- Net debt is calculated as Debt, as defined above, reduced by cash balances at the end of the period;
- Secured indebtedness includes mortgages and credit facilities which are collateralized against investment property;
- Enterprise value consists of the market value of the Company's common shares, the par value of senior unsecured debentures and convertible debentures, and principal amounts outstanding on mortgages and credit facilities;
- EBITDA is calculated as net income, adding back income tax expense, interest expense and amortization and excluding the increase or decrease in the value of investment properties, other gains (losses) and (expenses) and other non-cash or non-recurring items. The Company also adjusts for incremental leasing costs and costs not capitalized during the development period, which are recognized adjustments to FFO and AFFO, respectively.
- Unencumbered assets include the value of assets that have not been pledged as security under any credit agreement or mortgage, excluding investment properties under development and deferred tax assets. The unencumbered asset value ratio is calculated as unencumbered assets divided by the principal amount of the unsecured debt, which consists of the senior unsecured debentures;
- Run rate is an annualized NOI for a property based upon the existing tenants in place and current operating cost profile for the property.

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, convertible debentures 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.

The Company continues to make substantial progress in reducing the cost of debt and extending and staggering debt maturities. Improvements have been made in key debt metrics over the past several years including weighted average interest rate, weighted average remaining term, and interest coverage ratios.

Since January 1, 2013, the Company has issued $750 million of unsecured debt for terms from 7.8 years to 10.4 years using certain proceeds to repay early over $250 million in debt and over $165 million in debt upon maturity resulting in an extension of the term to maturity for all term debt from 5.3 years at January 1, 2013 to 5.7 years at March 31, 2014. In addition, the Company increased its equity capital by approximately $44 million since the beginning of 2013.

These financings, along with planned and completed financings subsequent to March 31, 2014, and availability on existing credit facilities, address substantially all of the remaining contractual 2014 debt maturities and contractually committed costs to complete current development projects.

The Company also uses convertible debentures as a part of its overall capital structure. Consistent with First Capital Realty's practice, it is the Company's current intention to continue to satisfy its obligations of principal and interest payments in respect of all of its outstanding convertible debentures through the issuance of common shares. Since issuance, the Company has made all principal and interest payments on its convertible debentures using common shares.

The Company intends to maintain financial strength to achieve the lowest cost of debt and equity capital over the long term. When it is deemed appropriate, the Company will raise equity as a source of financing and may strategically sell non-core assets to best redeploy capital and take advantage of market opportunities.

Credit Ratings

Since November 14, 2012, DBRS rates the Company's senior unsecured debentures as BBB (high) with a stable trend. 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.

Since November 20, 2012, Moody's rates the Company's senior unsecured debentures as Baa2 with a stable outlook. As defined by Moody's, a credit rating of Baa2 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.

Consolidated Debt and Principal Amortization Maturity Profile

(thousands of dollars, except for other data)	Mortgages and Other Secured Debt	Senior Unsecured Debentures	Total	% Due
2014 (remainder of the year)	$ 137,158	$ 100,000	$ 237,158	6.95%
2015	242,117	125,000	367,117	10.76%
2016	178,435	—	178,435	5.23%
2017	103,423	250,000	353,423	10.36%
2018	139,531	150,000	289,531	8.49%
2019	120,268	150,000	270,268	7.92%
2020	57,530	175,000	232,530	6.82%
2021	83,055	175,000	258,055	7.57%
2022	170,862	450,000	620,862	18.20%
2023	1,214	300,000	301,214	8.83%
2024 – 2025	2,184	300,000	302,184	8.87%
	1,235,777	2,175,000	3,410,777	100%
Add (deduct): unamortized deferred financing costs and premium and discounts, net	9,914	(10,864)	(950)	—%
	$ 1,245,691	$ 2,164,136	$ 3,409,827	100%

Mortgages and Credit Facilities

The changes in the book value of the Company's mortgages and credit facilities during the three months ended March 31, 2014, which excludes the $10.8 million mortgage on the equity accounted joint venture, are set out below:

(thousands of dollars, except for percentages)	Mortgages and Other Secured Debt	Weighted Average Interest Rate	Outstanding cheques	Total
Balance, December 31, 2013	$ 1,361,583	5.21%	$ 5,000	$ 1,366,583
Additional borrowings	33	2.72%	—	33
Repayments	(105,310)	5.70%	(5,000)	(110,310)
Scheduled amortization	(9,249)		—	(9,249)
Amortization and expensing of issue costs and net premium	(1,366)		—	(1,366)
Balance, March 31, 2014	$ 1,245,691	5.17%	$ —	$ 1,245,691

As at March 31, 2014, 99% (December 31, 2013 – 97%) of the outstanding mortgage and property-specific debt liabilities bore interest at fixed interest rates. The fixed mortgage rates provide an effective matching for rental income from leases, which typically have fixed terms ranging from five to 10 years, and incremental contractual rent steps during the term of the lease. The average remaining term of mortgages outstanding has increased from 4.0 years as at December 31, 2013 on $1.4 billion of mortgages to 4.1 years as at March 31, 2014 on $1.2 billion of mortgages after reflecting the application of cash balances, borrowing activity, assumptions and repayments during the period.

During the three months ended March 31, 2014, the Company prepaid or repaid at maturity $105.3 million amount of mortgage financing with a weighted average interest rate of 5.7% per annum.

During the three months ended March 31, 2014, the Company committed to finance approximately $66.0 million of mortgages which will be secured on two of its properties.

Mortgages and Other Secured Debt Maturity and Lender Type Profile

					Breakdown of Mortgage Maturities by Type of Lender		
(thousands of dollars, except for percentages)	Scheduled Amortization	Payments on Maturity	Total	Weighted Average Interest Rate	Percent with Banks	Percent with Conduits	Percent with Insurance Co's and Pension Funds
2014 (remainder of the year)	$ 26,259	$ 110,899	$ 137,158	5.93%	9.67%	50.17%	40.16%
2015	29,007	213,110	242,117	4.98%	7.78%	32.85%	59.37%
2016	23,403	155,032	178,435	5.07%	33.02%	5.26%	61.72%
2017	20,522	82,901	103,423	5.17%	6.46%	39.50%	54.04%
2018	16,485	123,046	139,531	5.53%	4.00%	0.36%	95.64%
2019	13,554	106,714	120,268	6.36%	32.98%	0.43%	66.59%
2020	11,672	45,858	57,530	5.20%	8.21%	0.95%	90.84%
2021	9,658	73,397	83,055	5.05%	70.22%	0.69%	29.09%
2022	3,801	167,061	170,862	3.99%	31.39%	7.84%	60.77%
2023	1,214	—	1,214	—%	—%	—%	100.00%
2024 – 2025	2,184	—	2,184	6.20%	—%	—%	100.00%
Total	$ 157,759	$ 1,078,018	$ 1,235,777	5.17%	21.01%	17.33%	61.66%

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. As at March 31, 2014, the Company had mortgages maturing in 2014 of $110.9 million at an average interest rate of 5.93% per annum and $26.3 million of scheduled amortization of principal balances in 2014. The Company's liquidity position as at March 31, 2014 in excess of $720 million, including $93 million in cash, also provides the Company with significant flexibility in addressing these 2014 maturities.

Credit Facilities

The Company has the flexibility under its credit facilities to draw funds based on bank prime rates, Canadian bankers' acceptances ("BA"), LIBOR-based advances or U.S. prime for U.S. dollar-denominated borrowings or Euro dollars. The BAs currently provide the Company with the lowest cost means of borrowing under these credit facilities. The credit facilities provide liquidity primarily for financing acquisitions, development and redevelopment activities and for general corporate purposes.

The following table summarizes the details of the Company's lines of credit as at March 31, 2014:

(thousands of dollars, except other data)	Borrowing Capacity	Amounts Drawn	Outstanding Letters of Credit	Available to be Drawn	Interest Rates	Maturity Date
Secured by development properties	$ 75,000	$ —	$ (23)	$ 74,977	BA + 1.25% or Prime + 0.25%	December 31, 2014
Unsecured	600,000	—	(38,609)	561,391	C$ at BA + 1.325% or Prime + 0.325% or US$ at LIBOR + 1.325%	June 30, 2016
Total secured and unsecured facilities	$ 675,000	$ —	$ (38,632)	$ 636,368		

Senior Unsecured Debentures

(thousands of dollars, except for other data)				Interest Rate			Principal Outstanding	
Maturity Date	Interest Payment Dates	Series	Date of Issue	Coupon	Effective	Remaining Term to Maturity (yrs)	**March 31, 2014**	December 31, 2013
October 30, 2014	April 30, October 30	F	April 5, 2007	5.32%	5.47%	0.6	**$ 100,000**	$ 100,000
June 1, 2015	June 1, December 1	G	November 20, 2009	5.95%	6.13%	1.2	**125,000**	125,000
January 31, 2017	July 31, January 31	H	January 21, 2010	5.85%	5.99%	2.8	**125,000**	125,000
November 30, 2017	May 30, November 30	I	April 13, 2010	5.70%	5.85%	3.7	**50,000**	50,000
November 30, 2017	May 30, November 30	I	April 13, 2010	5.70%	5.82%	3.7	**25,000**	25,000
November 30, 2017	May 30, November 30	I	June 14, 2010	5.70%	5.70%	3.7	**50,000**	50,000
August 30, 2018	February 28, August 30	J	July 12, 2010	5.25%	5.66%	4.4	**50,000**	50,000
November 30, 2018	May 31, November 30	K	August 25, 2010	4.95%	5.30%	4.7	**50,000**	50,000
November 30, 2018	May 31, November 30	K	October 26, 2010	4.95%	5.04%	4.7	**50,000**	50,000
July 30, 2019	January 30, July 30	L	January 21, 2011	5.48%	5.61%	5.3	**150,000**	150,000
April 30, 2020	April 30, October 30	M	March 30, 2011	5.60%	5.73%	6.1	**110,000**	110,000
April 30, 2020	April 30, October 30	M	June 13, 2011	5.60%	5.39%	6.1	**65,000**	65,000
March 1, 2021	March 1, September 1	N	April 4, 2012	4.50%	4.63%	6.9	**175,000**	175,000
January 31, 2022	January 31, July 31	O	June 1, 2012	4.43%	4.56%	7.8	**100,000**	100,000
January 31, 2022	January 31, July 31	O	July 17, 2012	4.43%	4.42%	7.8	**50,000**	50,000
January 31, 2022	January 31, July 31	O	August 29, 2013	4.43%	4.83%	7.8	**50,000**	50,000
December 5, 2022	June 5, December 5	P	December 5, 2012	3.95%	4.16%	8.7	**150,000**	150,000
December 5, 2022	June 5, December 5	P	January 14, 2013	3.95%	4.20%	8.7	**100,000**	100,000
October 30, 2023	April 30, October 30	Q	March 26, 2013	3.90%	4.06%	9.6	**125,000**	125,000
October 30, 2023	April 30, October 30	Q	May 15, 2013	3.90%	3.90%	9.6	**175,000**	175,000
August 30, 2024	August 30, February 28	R	January 20, 2014	4.79%	4.91%	10.4	**150,000**	—
August 30, 2024	August 30, February 28	R	February 18, 2014	4.79%	4.63%	10.4	**75,000**	—
August 30, 2024	August 30, February 28	R	March 11, 2014	4.79%	4.43%	10.4	**75,000**	—
				4.85%	4.96%	6.7	**$ 2,175,000**	$ 1,875,000

On January 20, 2014, the Company completed the issuance of $150 million principal amount of senior unsecured debentures, Series R, due August 30, 2024. These debentures bear interest at a coupon rate of 4.79% per annum payable semi-annually commencing August 30, 2014. On February 18, 2014, the Company completed the issuance of an additional $75 million principal amount of the senior unsecured debentures, which was a re-opening of this series of debentures with an effective rate of 4.63% per annum.

On March 11, 2014, the Company completed the issuance of an additional $75 million principal amount of the senior unsecured debentures, Series R, prior issuances of which were completed on January 20, 2014 and February 18, 2014. These debentures bear interest at an effective rate of 4.43% per annum, payable semi-annually, commencing August 30, 2014.

Convertible Debentures

(thousands of dollars, except for other data)										
As at March 31, 2014										
				Interest Rate						
Maturity Date	Interest Payment Dates	Series	Date of Issue	Coupon	Effective	Remaining Term to Maturity (yrs)	Principal at Issue Date	**Principal**	**Liability**	**Equity**
June 30, 2017	March 31 September 30	D	December 30, 2009	5.70%	6.88%	3.3	$ 50,000	**$ 42,903**	**$ 41,449**	**$ 984**
January 31, 2019	March 31 September 30	E	April 28, 2011	5.40%	6.90%	4.8	57,500	**57,500**	**53,992**	**2,192**
January 31, 2019	March 31 September 30	F	August 9, 2011	5.25%	6.07%	4.8	57,500	**57,500**	**55,560**	**390**
March 31, 2018	March 31 September 30	G	December 15, 2011	5.25%	6.66%	4.0	50,000	**50,000**	**47,557**	**1,155**
March 31, 2017	March 31 September 30	H	February 16, 2012	4.95%	6.51%	3.0	75,000	**75,000**	**71,851**	**1,495**
July 31, 2019	March 31 September 30	I	May 22, 2012	4.75%	6.19%	5.3	52,500	**52,500**	**49,412**	**1,439**
February 28, 2020	March 31 September 30	J	February 19, 2013	4.45%	5.34%	5.9	57,500	**57,500**	**55,095**	**403**
				5.08%	6.35%	4.4		**$ 392,903**	**$ 374,916**	**$ 8,058**

(i) Principal and Interest

The Company uses convertible debentures as a part of its overall capital structure. Consistent with First Capital Realty's practice, it is the Company's current intention to continue to satisfy its obligations of principal and interest payments in respect of all of its outstanding convertible debentures by the issuance of common shares. Since issuance, the Company has made all principal and interest payments on its convertible debentures using common shares.

During the three months ended March 31, 2014, 0.6 million common shares (three months ended March 31, 2013 – 0.5 million common shares) were issued totalling $10.0 million (three months ended March 31, 2013 – $8.8 million) to pay interest to holders of convertible debentures.

(ii) Principal Redemptions

For the three months ended March 31, 2014, the Company did not issue any common shares in connection with debentures redeemed or converted, as there were no redemptions or conversions.

(iii) Normal Course Issuer Bid

On August 23, 2013, the Company renewed its NCIB for all of its then outstanding series of convertible unsecured subordinated debentures. The NCIB will expire on August 26, 2014 or such earlier date as First Capital Realty completes its purchases pursuant to the NCIB. All purchases made under the NCIB are at market prices prevailing at the time of purchase determined by or on behalf of First Capital Realty.

For the three months ended March 31, 2014 and 2013, principal amounts and amounts paid for the purchases are represented in the table below:

			Three months ended March 31	
(thousands of dollars)		**2014**		2013
	Principal Amount Purchased	**Amount Paid**	Principal Amount Purchased	Amount Paid
Total	**$ 14**	**$ 15**	$ 834	$ 921

Shareholders' Equity

Shareholders' equity amounted to $3.3 billion as at March 31, 2014, consistent with $3.3 billion as at December 31, 2013.

As at March 31, 2014, the Company had 209.2 million (December 31, 2013 – 208.4 million) issued and outstanding common shares with a stated capital of $2.5 billion (December 31, 2013 – $2.5 billion). During the three months ended March 31, 2014, a total of 0.8 million common shares were issued for proceeds of $13.2 million as follows: 0.6 million shares for interest payments on convertible debentures and 0.2 million shares from the exercise of common share options.

As at May 2, 2014, there were 209.2 million common shares outstanding.

Share Purchase Options

As at March 31, 2014, the Company had outstanding 6.2 million share purchase options, with an average exercise price of $16.55. The options are exercisable by the holder at any time after vesting up to 10 years from the date of grant. The options have been issued at various times pursuant to the Company's stock option plan to the employees, officers and directors of the Company. The options granted permit the holder to acquire shares at an exercise price approximately equal to the market price of such shares at the date the option is granted. The purpose of granting options is to encourage the holder to acquire an ownership interest in the Company over a period of time, which acts as a financial incentive to align the interests of the holder with the long-term interests of the Company and its shareholders.

If all options outstanding as at March 31, 2014 were exercised, 6.2 million shares would be issued and the Company would receive proceeds of approximately $103.2 million.

Liquidity

(millions of dollars)	**March 31, 2014**	December 31, 2013
Revolving credit facilities approved	**$ 675**	$ 675
Cash and cash equivalents, net of cash collateralized letters of credit	**93**	5
Unencumbered assets		
Total, based on IFRS value [1]	**4,690**	4,292
Based on debt covenants [2]	**4,471**	4,038

[1] Includes all unencumbered assets at IFRS values.

[2] Includes unencumbered assets as defined by debt covenants, with shopping centres valued under IFRS at the average capitalization rate over the last 10 fiscal quarters.

Cash flow from operations is dependent on occupancy levels of properties, rental rates achieved, collections of rent and costs to maintain or lease space. The Company's strategy is to maintain debt in the range of 35% to 50% of enterprise value based on current market conditions. As at March 31, 2014, this debt ratio was 45.1% based on the Company's calculation. Maturing debt is generally repaid from proceeds from refinancing such debt.

Cash and cash equivalents were $93.1 million as at March 31, 2014 (December 31, 2013 – $5.0 million). As at March 31, 2014, the Company had secured and unsecured credit facilities totalling $675.0 million of which $636.4 million is available to be drawn. The Company also had unencumbered assets with a fair value of approximately $4.7 billion. During three months ended March 31, 2014, the Company issued $300.0 million of senior unsecured debentures, the net proceeds of which are being used to repay secured and unsecured debt maturing throughout 2014. This increased liquidity was partially used to prepay or repay $105.3 million of mortgage debt during the three months ended March 31, 2014. As a result, the Company also held average cash balances of approximately $88.6 million during the period. These transactions demonstrate the Company's access to capital and various sources of financing. 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 in various markets.

The Company has historically used secured mortgages, term loans and revolving credit facilities, senior unsecured debentures, convertible debentures and equity issues 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 general view of the required leverage in the business.

Cash Flows

	Three months ended March 31	
(thousands of dollars)	**2014**	2013
Adjusted cash flow from operating activities	**$ 62,945**	$ 55,948
Net change in non-cash operating items	**(16,898)**	(12,215)
Receipts of proceeds from sales of residential inventory	**27,711**	—
Expenditures on residential development inventory	**(3,627)**	(5,513)
Cash provided by operating activities	**70,131**	38,220
Cash provided by financing activities	**137,296**	182,592
Cash used in investing activities	**(119,272)**	(55,325)
Net increase in cash and cash equivalents	**$ 88,155**	$ 165,487

Operating Activities

Cash provided by operating activities increased due to cash flow generated from growth in net operating income from the Company's shopping centre portfolio, the receipts of proceeds from sales of residential inventory and the timing of receipts and payments on working capital and other non-cash items.

Financing Activities

Financing activities are lower as a result of net mortgage payable repayments as compared to the prior year, offset by higher net debenture issuance. These activities are more fully described in the "Capital Structure and Liquidity" section of this MD&A.

Investing Activities

The increase in cash used in investing activities results from increased investment property acquisition activity, additional investments in loans, mortgages and other real estate assets and decreased net proceeds from property dispositions, offset by decreased capital expenditure on the portfolio in 2014 as compared to the prior period activity. Details of the Company's investments in acquisitions and developments are provided in the "Business and Operations Review" section of this MD&A.

Contractual Obligations

	Payments Due by Period				
(thousands of dollars)	Remainder of 2014	2015 to 2016	2017 to 2018	Thereafter	Total
Mortgages and other secured debt					
Scheduled amortization	$ 26,259	$ 52,410	$ 37,007	$ 42,083	$ 157,759
Payments on maturity	110,899	368,142	205,947	393,030	1,078,018
Total mortgage obligations	137,158	420,552	242,954	435,113	1,235,777
Mortgage on equity accounted joint venture	327	10,425	—	—	10,752
Senior unsecured debentures	100,000	125,000	400,000	1,550,000	2,175,000
Loans and mortgage payable [(1)]	20,134	—	—	—	20,134
Interest obligations [(2)]	116,998	262,537	209,494	317,267	906,296
Land leases (expiring between 2023 and 2061)	734	1,964	1,988	18,613	23,299
Contractual committed costs to complete current development projects	31,145	16,602	—	—	47,747
Other committed costs	19,300	—	—	—	19,300
Total contractual obligations [(3)]	$ 425,796	$ 837,080	$ 854,436	$ 2,320,993	$ 4,438,305

(1) Loans and mortgage payable include a $3.6 million loan relating to residential development inventory and a $17.1 million third party loan which is secured by $17.1 million in Government of Canada bonds.

(2) Interest obligations include expected interest payments on mortgages, other secured debt and credit facilities as at March 31, 2014 (assuming balances remain outstanding through to maturity) and senior unsecured debentures, as well as standby credit facility fees.

(3) Consistent with existing practice, it is the Company's current intention to continue to satisfy its obligations of principal and interest payments in respect of all of its outstanding convertible debentures by the issuance of common shares, and as such have been excluded from this table.

In addition, the Company has $38.6 million of outstanding letters of credit that have been issued by financial institutions primarily to support certain of the Company's obligations related to its development projects.

The Company's estimated cost to complete properties currently under development is $196.2 million, of which $47.7 million is contractually committed. The balance of the costs to complete will only be committed once leases are signed and/or construction activities are 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, 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 $59.6 million (December 31, 2013 – $60.0 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. Refer to the Note 28 to the interim consolidated financial statements.

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, if any, that are declared are at the discretion of the Board of Directors and are set from time to time after taking into consideration the Company's capital requirements, its alternative sources of capital and common industry cash distribution practices.

	Three months ended March 31	
	2014	2013
Regular dividends paid per common share	**$ 0.21**	$ 0.21
Payout ratio calculated as a percentage of:		
Funds from operations	**82.3%**	82.7%
Adjusted funds from operations	**88.0%**	86.6%

Quarterly Dividend

The Company announced that it will pay a second quarter dividend of $0.21 per common share on July 10, 2014 to shareholders of record on June 30, 2014.

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 in various subsidiaries.

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

	FCR (1)		Guarantors (2)		Non-Guarantors (3)		Consolidation Adjustments (4)		Total Consolidated	
(millions of dollars)									Three months ended March 31	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
Statement of Income Data:										
Property rental revenue	**$ 68**	$ 55	**$ 103**	$ 109	**$ 1**	$ 1	**$ (9)**	$ (7)	**$ 163**	$ 158
NOI	**41**	34	**58**	63	**1**	1	**(1)**	—	**99**	98
Net income attributable to common shareholders	**35**	53	**46**	54	**—**	1	**(46)**	(55)	**35**	53

(millions of dollars)	FCR (1)	Guarantors (2)	Non-Guarantors (3)	Consolidation Adjustments (4)	Total Consolidated
Balance Sheet Data (at period end):					**March 31, 2014**
Current assets	**$ 396**	**$ 146**	**$ 18**	**$ (15)**	**$ 545**
Non-current assets	**6,702**	**4,460**	**178**	**(4,100)**	**7,240**
Current liabilities	**458**	**139**	**16**	**(93)**	**520**
Non-current liabilities	**3,316**	**577**	**140**	**(93)**	**3,940**

(millions of dollars)	FCR [1]	Guarantors [2]	Non-Guarantors [3]	Consolidation Adjustments [4]	Total Consolidated
Balance Sheet Data (at period end):					**December 31, 2013**
Current assets	**$ 212**	**$ 129**	**$ 3**	**$ (4)**	**$ 340**
Non-current assets	**6,621**	**4,324**	**176**	**(3,865)**	**7,256**
Current liabilities	**544**	**110**	**17**	**(56)**	**615**
Non-current liabilities	**2,966**	**635**	**122**	**(65)**	**3,658**

(1) This column accounts for investments in all subsidiaries of FCR under the equity method.

(2) This column accounts for investments in subsidiaries of the Company other than the guarantors under the equity method.

(3) This column accounts for investments in all subsidiaries of the Company other than guarantors on a combined basis.

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

RELATED PARTY TRANSACTIONS

(a) Major Shareholder

Gazit-Globe Ltd. ("Gazit") is the principal shareholder of the Company, and, as of March 31, 2014, beneficially owns 45.1% (December 31, 2013 – 45.3%) of the common shares of the Company. Norstar Holdings Inc. is the ultimate controlling party. As of March 31, 2014, Alony-Hetz Properties and Investments Ltd. (''Alony-Hetz'') also beneficially owns 8.5% (December 31, 2013 – 8.5%) of the common shares of the Company. Alony-Hetz and Gazit have entered into a shareholders' agreement pursuant to which, among other terms, (i) Gazit has agreed to vote its common shares of the Company in favour of the election of up to two representatives of Alony-Hetz to the Board of Directors of the Company, and (ii) Alony-Hetz has agreed to vote its common shares of the Company in favour of the election of the nominees of Gazit as the remaining directors of the Company.

Gazit reimburses the Company for certain accounting and administrative services provided to it by the Company.

Refer to Note 29 to the Company's interim consolidated financial statements for the three months ended March 31, 2014 and 2013, as well as the Company's annual consolidated financial statements for the year ended December 31, 2013 for a description and the amounts of related party transactions, as well as the amounts due from Gazit.

(b) Subsidiaries of the Company

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

QUARTERLY FINANCIAL INFORMATION

	2014	2013				2012		
(thousands of dollars, except per share and other data, and thousands of shares)	**Q1**	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Property rental revenue	**$ 162,867**	$ 161,094	$ 154,804	$ 157,910	$ 157,797	$ 155,021	$ 146,130	$ 139,907
Property operating costs	**64,283**	58,588	56,436	58,518	60,054	58,908	50,794	49,255
Net operating income	**98,584**	102,506	98,368	99,392	97,743	96,113	95,336	90,652
Increase (decrease) in value of investment properties, net [1]	**(6,288)**	2,261	1,125	41,848	15,599	32,813	73,608	106,069
Net income attributable to common shareholders	**35,214**	47,901	41,078	73,163	52,720	69,890	101,873	122,228
Net income per share attributable to common shareholders:								
Basic	**0.17**	0.23	0.20	0.35	0.25	0.34	0.54	0.68
Diluted	**0.17**	0.23	0.20	0.34	0.25	0.33	0.51	0.63
Weighted average number of diluted common shares outstanding – EPS	**209,597**	228,908	208,819	225,785	211,581	222,633	208,131	200,311
FFO	**$ 53,461**	$ 55,816	$ 53,535	$ 53,305	$ 52,879	$ 49,099	$ 47,660	$ 48,100
FFO per diluted share	**0.26**	0.27	0.26	0.26	0.25	0.24	0.25	0.26
Cash provided by operating activities	**70,131**	84,556	51,181	39,000	38,220	66,012	42,712	34,968
Weighted average number of diluted common shares outstanding – FFO	**209,597**	209,486	208,819	209,010	208,207	207,930	189,028	181,906
AFFO	**$ 53,978**	$ 57,190	$ 56,069	$ 57,699	$ 54,252	$ 52,374	$ 49,960	$ 48,669
AFFO per diluted share	**0.24**	0.25	0.25	0.26	0.24	0.24	0.24	0.24
Weighted average number of diluted shares outstanding – AFFO	**226,260**	226,183	225,539	225,785	223,686	222,632	208,131	200,311
Regular dividend	**$ 0.21**	$ 0.21	$ 0.21	$ 0.21	$ 0.21	$ 0.21	$ 0.21	$ 0.20
Fair value of investment properties – shopping centres	**7,210,150**	7,126,008	6,996,401	6,920,530	6,940,557	6,849,078	6,588,478	6,187,432
Weighted average capitalization rate of shopping centres	**5.86%**	5.86%	5.89%	5.89%	5.98%	6.00%	6.11%	6.14%
Total assets	**$ 7,784,774**	$ 7,596,255	$ 7,580,839	$ 7,531,620	$ 7,518,732	$ 7,261,617	$ 7,156,689	$ 6,593,723
Total mortgages and credit facilities	**1,245,691**	1,366,583	1,371,047	1,387,240	1,547,530	1,597,234	1,626,621	1,513,488
Shareholders' equity	**3,321,059**	3,319,370	3,313,802	3,304,866	3,267,033	3,245,168	3,214,577	2,698,777
Other data								
Number of properties	**164**	164	164	164	172	175	172	165
Gross leasable area (in thousands)	**24,525**	24,462	24,313	24,123	25,029	24,969	24,152	23,471
Occupancy %	**95.3%**	95.5%	95.0%	95.2%	95.1%	95.6%	95.6%	95.7%

[1] Increase (decrease) in fair value of investment properties, net have been restated for 2013 only. Refer to the "Adoption of New Accounting Standards" section of this MD&A.

OUTLOOK AND CURRENT BUSINESS ENVIRONMENT

The forward-looking statements contained in this section and elsewhere in this MD&A 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. See the "Forward-Looking Statement Advisory" section of this MD&A.

Since 2001, First Capital Realty has successfully grown its business across the country, focussing on key urban markets, reducing leverage and achieving the highest credit rating on its unsecured debt for a publicly traded real estate entity in Canada (presently held by the Company and one other public Canadian real estate entity), while dramatically enhancing the quality of its portfolio and generating modest accretion in funds from operations. The Company will continue to grow its business and portfolio of high quality properties in urban markets in the context of the acquisition, financing, demographics, shopping trends and tenant dynamics in Canada, and its long-term value creation strategy. The Company defines a quality property by its location, taking into consideration the demographics and the retail supply and demand factors in each property trade area, and the ability to grow the property cash flow.

There are three market dynamics on which the Company is focussed over the long term in the retail and urban markets in Canada. First, the Company is observing a surge in entry and expansion into the Canadian retail landscape from major U.S. retailers, including Whole Foods, Target, Marshalls, Dollar Tree and others, which is serving as a catalyst for growth and repositioning of retail tenants and space in most of the Company's markets. This typically will result in new opportunities for the Company, but also brings increased competition. Second, the Company is focussed on changes in consumer habits and preferences occurring in the industry. These changes include the younger generation of consumers whose shopping patterns are significantly influenced by wireless communications and on-line business and information; and an aging population whose needs will increasingly focus on convenience and health-related goods and services. Another trend that Management observes relates to lifestyles in urban markets, where consumers choose to incorporate visits to gyms, coffee shops and local restaurants into their everyday life. There is also a shift in consumer demand driven by pockets of ethnic consumers as a result of Canada's immigration policies. Management observes retailers incrementally responding to these consumer changes and works to support the retailer response through its tenant mix and shopping centre configuration and amenities. Last, a number of corporate transactions involving major retailers have been completed recently. In the past six months, two transactions involving four of the Company's tenants, Loblaws and Shoppers Drug Mart, as well as Sobey's and Safeway Canada, brought further tenant consolidation into the Canadian market. This followed Canadian Tire's acquisition in 2011 of The Forzani Group (Sport Chek and a number of other sporting goods retail banners). As a result, the Company is highly focussed on ensuring the competitive position of its shopping centres in various retail trade areas. The Company will continue to closely follow all demographics and goods and services shopping trends and retailer responses in addition to the retail competition. The leasing strategy takes these factors into consideration in each trade area and the Company's proactive management strategy helps ensure its properties remain attractive to high quality tenants and their customers.

Urban municipalities where the Company operates continue to focus on increasing density within the existing boundaries of infrastructure. This provides the Company with multiple density development and redevelopment opportunities in its existing portfolio of urban properties, which includes an inventory of adjacent land sites and development land. Development activities continue to provide the Company with growth within its existing portfolio of assets. These activities also typically generate higher returns on investment over the long term and improve the quality and increase sustainable growth of property rental income. The Company's development activities primarily comprise redevelopments and expansions of existing properties in established retail trade areas in urban markets. These projects typically carry risk associated with project execution rather than market risk due to the complexity of developing properties in dense urban markets. The Company has a long and successful track record of these development activities and will continue to carefully manage the risks associated with such projects.

The urban property acquisition environment remains extremely competitive for assets of similar quality to those the Company owns. The transaction activity in all classes of commercial real estate has recently moderated, though there are many bids on quality properties, and asset valuations reflect this strong demand for well-located income-producing assets.

The Company continues to carefully scrutinize its properties to ensure that they meet the quality criteria it has adopted, and will occasionally sell properties. This allows the Company to recycle capital back into its urban redevelopment projects where population, rent growth and consumer trends present the best opportunities for long-term growth.

Canada's economy is growing at a relatively modest pace and uncertainty remains in spite of signs of positive growth in the United States. There remains a lot of uncertainty in the global economic environment. The announcements by the United States Federal Reserve Bank related to moderating purchases of its bonds has recently impacted the long term cost of debt. However, both the equity and long-term debt markets are accessible, though pricing has increased. In this environment, the Company will continue to focus on maintaining access to all sources of long-term capital at the lowest possible cost. In particular, the Company is focussed on continuing to extend the term and stagger the maturity of its debt.

Currently, financing is readily available in Canada from both financial institutions and the capital markets, particularly for entities with good credit, including large real estate companies. However, relative to pricing currently sought by vendors of high quality, well-located urban properties that meet the Company's criteria, spreads also continue to be very tight and have tightened even further. In addition, well-located urban properties rarely trade in the market and attract significant competition. As a result, the urban property acquisitions completed by the Company typically do not provide material accretion to the Company's results in the immediate term. However, the Company will continue to selectively acquire high quality, well-located properties that add strategic value and/or operating synergies, provided that they will be accretive to FFO over the long term, and that equity and long-term debt capital can be priced and committed to maintain conservative leverage. The Company has been recycling its capital by selling assets in certain markets that are no longer aligned with its core strategies and will continue to do so, subject to market conditions.

With respect to acquisitions of both income-producing and development properties, as well as in its existing portfolio, the Company will continue to focus on the quality, sustainability and growth potential of rental income. Consistent with First Capital Realty's past practices and in the normal course of business, the Company is engaged in discussions, and has various agreements, with respect to possible acquisitions of new properties and dispositions of existing properties in its portfolio. However, there can be no assurance that these discussions or agreements will result in acquisitions or dispositions, or if they do, what the final terms or timing of such acquisitions or dispositions would be. The Company expects to continue current discussions and actively pursue other acquisition, investment and disposition opportunities.

Specifically, Management is focussed on the following six areas to achieve its objectives through 2014 and into 2015:

- development, redevelopment and repositioning activities including land use intensification;
- selective acquisitions of strategic assets and adjacent sites;
- selective dispositions of non-core assets;
- proactive portfolio management that results in higher rent growth;
- increase efficiency and productivity of operations; and
- maintain financial strength to achieve the lowest cost of capital.

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

Guidance

Readers should refer to the Company's 2014 first quarter press release dated May 5, 2014, as filed on SEDAR at www.sedar.com, for a discussion of the Company's 2014 specific guidance.

The purpose of the Company's guidance is to provide readers with Management's view as to the expected financial performance of the Company, using factors that are commonly accepted and viewed as meaningful indicators of financial performance in the real estate industry.

SUMMARY OF SIGNIFICANT ACCOUNTING ESTIMATES AND POLICIES

Summary of Critical Accounting Estimates

The Company's interim consolidated financial statements for the three months ended March 31, 2014 and 2013 have been prepared in accordance with IAS 34, "Interim Financial Reporting" as issued by the International Accounting Standard Board. The interim consolidated financial statements have been prepared by applying the same accounting policies and methods of computation as compared with the most recent annual consolidated financial statements, except for the adoption of IFRIC 21 and the interpretation of IAS 17 with respect to the meaning of "incremental costs". Refer to Note 3 to the interim consolidated financial statements for the three months ended March 31, 2014 for further discussion.

The MD&A for the years ended December 31, 2013 and 2012 contains a discussion of the significant accounting policies most affected by estimates and judgments used in 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; valuation of stock options; assessment of hedge effectiveness and estimating deferred tax assets and liabilities. Management determined that as at March 31, 2014 , there is no change to the assessment of the significant accounting policies most affected by estimates and judgments as detailed in the MD&A for the years ended December 31, 2013 and 2012.

FUTURE ACCOUNTING POLICY CHANGES

Refer to Note 4 to the interim consolidated financial statements for the three months ended March 31, 2014 for details on future accounting policy changes.

CONTROLS AND PROCEDURES

As at March 31, 2014, 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 1992 framework published by the Committee of Sponsoring Organizations of the Treadway Commission (the "1992 COSO Framework").

The Company did not make any changes in its internal controls over financial reporting during the quarter ended March 31, 2014 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 outlined in the Company's 2013 Annual Report. The Company's most current Annual Information Form provides a more detailed discussion of these and other risks and can be found on SEDAR at www.sedar.com and the Company's website at www.firstcapitalrealty.ca.

Consolidated Balance Sheets

As at *(unaudited) (thousands of Canadian dollars)*	Notes	March 31, 2014	December 31, 2013
ASSETS			
Non-Current Assets			
Real Estate Investments			
Investment properties – shopping centres	5	**$ 6,987,972**	$ 6,989,055
Investment properties – development land	5	**134,439**	147,497
Investment in joint venture		**38,367**	38,166
Loans, mortgages and other real estate assets	6	**69,724**	71,781
Total real estate investments		**7,230,502**	7,246,499
Other non-current assets	9	**9,218**	9,521
Total non-current assets		**7,239,720**	7,256,020
Current Assets			
Cash and cash equivalents	27(d)	**93,130**	4,975
Loans, mortgages and other real estate assets	7	**69,195**	77,449
Residential development inventory		**25,195**	21,569
Amounts receivable	8	**34,270**	27,044
Other assets	9	**64,957**	53,699
		286,747	184,736
Investment properties classified as held for sale	5(d)	**258,307**	155,499
Total current assets		**545,054**	340,235
Total assets		**$ 7,784,774**	$ 7,596,255
LIABILITIES			
Non-Current Liabilities			
Mortgages and credit facilities	11	**$ 1,061,081**	$ 1,089,969
Senior unsecured debentures	12	**2,064,209**	1,762,026
Convertible debentures	13	**374,916**	374,012
Other liabilities	14	**20,553**	21,476
Deferred tax liabilities	22	**419,497**	410,278
Total non-current liabilities		**3,940,256**	3,657,761
Current Liabilities			
Current portion of mortgages and credit facilities	11	**146,946**	254,367
Current portion of senior unsecured debentures	12	**99,927**	99,927
Accounts payable and other liabilities	15	**235,589**	238,945
		482,462	593,239
Mortgages on investment properties classified as held for sale	5(d), 11	**37,664**	22,247
Total current liabilities		**520,126**	615,486
Total liabilities		**4,460,382**	4,273,247
EQUITY			
Shareholders' equity	16	**3,321,059**	3,319,370
Non-controlling interest		**3,333**	3,638
Total equity		**3,324,392**	3,323,008
Total liabilities and equity		**$ 7,784,774**	$ 7,596,255

See accompanying notes to the interim consolidated financial statements.

Approved by the Board of Directors:

Chaim Katzman
Chairman of the Board

Dori J. Segal
Director

Consolidated Statements of Income

(unaudited)		Three months ended March 31	
(thousands of Canadian dollars, except per share amounts)	**Notes**	**2014**	2013
			(Restated – Note 3)
Property rental revenue		**$ 162,867**	$ 157,797
Property operating costs		**64,283**	60,054
Net operating income	17	**98,584**	97,743
Other income and expenses			
Interest and other income	18	**2,610**	1,291
Interest expense	19	**(42,357)**	(40,577)
Corporate expenses	20	**(8,016)**	(7,201)
Abandoned transaction costs		**(48)**	(471)
Amortization expense		**(1,023)**	(977)
Share of profit from joint venture		**685**	562
Other gains (losses) and (expenses)	21	**1,246**	(163)
Increase (decrease) in value of investment properties, net	5	**(6,288)**	15,599
		(53,191)	(31,937)
Income before income taxes		**45,393**	65,806
Deferred income taxes	22	**10,484**	13,126
Net income		**$ 34,909**	$ 52,680
Net income attributable to:			
Common shareholders		**$ 35,214**	$ 52,720
Non-controlling interest		**(305)**	(40)
		$ 34,909	$ 52,680
Net income per share attributable to common shareholders:			
Basic	23	**$ 0.17**	$ 0.25
Diluted	23	**$ 0.17**	$ 0.25

See accompanying notes to the interim consolidated financial statements.

Consolidated Statements of Comprehensive Income

(unaudited)		Three months ended March 31	
(thousands of Canadian dollars)	**Note**	**2014**	2013
Net income		**$ 34,909**	$ 52,680
Other comprehensive income (loss)			
Items that may be reclassified subsequently to net income			
Unrealized losses on available-for-sale marketable securities		**(19)**	(380)
Reclassification of net losses on available-for-sale marketable securities to net income		**36**	27
Unrealized losses on cash flow hedges		**(4,842)**	(208)
Reclassification of net losses on cash flow hedges to net income		**78**	79
		(4,747)	(482)
Deferred tax expense (recovery)		**(1,248)**	(80)
Other comprehensive loss	26	**(3,499)**	(402)
Comprehensive income		**$ 31,410**	$ 52,278
Comprehensive income attributable to:			
Common shareholders		**$ 31,715**	$ 52,318
Non-controlling interest		**(305)**	(40)
		$ 31,410	$ 52,278

See accompanying notes to the interim consolidated financial statements.

Consolidated Statements of Changes in Equity

(unaudited) (thousands of Canadian dollars)	Retained Earnings	Accumulated Other Comprehensive Loss	Share Capital	Contributed Surplus and Other Equity Items	Total Shareholders' Equity	Non-Controlling Interest	Total Equity
		(Note 26(b))	*(Note 16(a))*	*(Note 16(b))*			
Balance, at December 31, 2013	$ 817,867	$ (407)	$ 2,457,310	$ 44,600	$ 3,319,370	$ 3,638	$ 3,323,008
Changes during the period:							
Net income	35,214	—		—	35,214	(305)	34,909
Issuance of common shares, net of issue costs	—	—	(5)	—	(5)	—	(5)
Dividends	(43,967)	—	—	—	(43,967)	—	(43,967)
Convertible debentures, net	—	—	9,980	—	9,980	—	9,980
Options, deferred share units and restricted share units, net	—	—	3,222	744	3,966	—	3,966
Other comprehensive loss	—	(3,499)	—	—	(3,499)	—	(3,499)
March 31, 2014	$ 809,114	$ (3,906)	$ 2,470,507	$ 45,344	$ 3,321,059	$ 3,333	$ 3,324,392

See accompanying notes to the interim consolidated financial statements.

Consolidated Statements of Changes in Equity

(unaudited) (thousands of Canadian dollars)	Retained Earnings	Accumulated Other Comprehensive Loss	Share Capital	Contributed Surplus and Other Equity Items	Total Shareholders' Equity	Non-Controlling Interest	Total Equity
		(Note 26(b))	*(Note 16(a))*	*(Note 16(b))*			
Balance, at December 31, 2012	$ 778,096	$ (4,180)	$ 2,426,836	$ 44,416	$ 3,245,168	$ 3,386	$ 3,248,554
Changes during the period:							
Net income	52,720	—	—	—	52,720	(40)	52,680
Issuance of common shares, net of issue costs	—	—	(45)	—	(45)	—	(45)
Dividends	(43,586)	—	—	—	(43,586)	—	(43,586)
Convertible debenture, net	—	—	8,768	360	9,128	—	9,128
Options, deferred share units and restricted share units, net	—	—	3,195	855	4,050	—	4,050
Other comprehensive loss	—	(402)	—	—	(402)	—	(402)
Contributions from non-controlling interest	—	—	—	—	—	265	265
March 31, 2013	$ 787,230	$ (4,582)	$ 2,438,754	$ 45,631	$ 3,267,033	$ 3,611	$ 3,270,644

See accompanying notes to the interim consolidated financial statements.

Consolidated Statements of Cash Flows

(unaudited)		Three months ended March 31	
(thousands of Canadian dollars)	**Notes**	**2014**	2013
CASH FLOWS PROVIDED BY (USED IN):			
OPERATING ACTIVITIES			
Net income		**$ 34,909**	$ 52,680
Adjustments for:			
(Increase) decrease in value of investment properties, net	5	**6,288**	(15,599)
Interest expense	19	**42,357**	40,577
Capitalized interest	19	**4,940**	5,493
Cash interest paid	19	**(34,511)**	(38,741)
Amortization expense		**1,023**	977
Share of profit of joint venture		**(685)**	(562)
Items not affecting cash and other items	27(a)	**8,140**	10,637
Distribution from joint venture		**484**	486
Net change in non-cash operating items	27(b)	**(16,898)**	(12,215)
Receipts of proceeds from sales of residential inventory		**27,711**	—
Expenditures on residential development inventory		**(3,627)**	(5,513)
Cash provided by operating activities		**70,131**	38,220
FINANCING ACTIVITIES			
Mortgage financings and credit facilities			
Borrowings, net of financing costs		**33**	—
Mortgage financings and loans on residential development inventory		**—**	3,096
Repayment of mortgage and loans on residential development inventories and other		**(8,631)**	—
Principal installment payments		**(9,249)**	(10,502)
Repayments		**(106,065)**	(46,303)
Issuance of senior unsecured debentures, net of issue costs	12	**301,938**	221,743
Issuance of convertible debentures, net of issue costs	13	**—**	55,488
Purchase of convertible debentures	13(b)	**(15)**	(921)
Issuance of common shares, net of issue costs		**3,040**	3,125
Payment of dividends		**(43,755)**	(43,399)
Net contributions from non-controlling interest		**—**	265
Cash provided by financing activities		**137,296**	182,592
INVESTING ACTIVITIES			
Acquisition of shopping centres	5(c)	**(53,498)**	(34,834)
Acquisition of development land	5(c)	**(3,555)**	(11,731)
Net proceeds from property dispositions	5(d)	**3,938**	26,677
Capital expenditures on investment properties		**(41,875)**	(61,801)
Changes in investing-related prepaid expenses and other liabilities		**(13,442)**	6,187
Changes in loans, mortgages and other real estate assets	27(c)	**(10,840)**	20,177
Cash used in investing activities		**(119,272)**	(55,325)
Net increase in cash and cash equivalents		**88,155**	165,487
Cash and cash equivalents, beginning of the period		**4,975**	64,015
Cash and cash equivalents, end of the period	27(d)	**$ 93,130**	$ 229,502

See accompanying notes to the interim consolidated financial statements.

Notes to the Interim Consolidated Financial Statements

1. DESCRIPTION OF THE COMPANY

First Capital Realty Inc. (the "Company") is a corporation existing under the laws of Ontario and engages in the business of acquiring, developing, redeveloping, owning and managing well-located, high quality urban retail-centered properties. 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 interim consolidated financial statements have been prepared in accordance with IAS 34, "Interim Financial Reporting" ("IAS 34") as issued by the International Accounting Standards Board ("IASB"), and as such, do not include all of the disclosures that would be included in annual consolidated financial statements. These interim consolidated financial statements should be read in conjunction with the Company's annual consolidated financial statements for the years ended December 31, 2013 and 2012.

(b) Basis of presentation

The interim 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. The accounting policies set out below have been applied consistently in all material respects. These interim 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 annual consolidated financial statements, except for those items identified in Note 3 – "Change in Accounting Policies".

Comparative information in the interim 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 is not material to the interim 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 Ottawa; Central which includes the Company's Ontario operations excluding Ottawa; and Western which includes operations in Alberta and British Columbia. Operating segments are reported in a manner consistent with internal reporting provided to the chief operating decision maker, who is the President and Chief Executive Officer.

Changes in standards effective for future accounting periods are described in Note 4 – "Future Accounting Policy Changes".

3. CHANGE IN ACCOUNTING POLICIES

The Company has adopted each of the standards below on January 1, 2014:

(a) Levies

IFRIC 21, "Levies" ("IFRIC 21") clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued ratably only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. The interpretation applies to realty taxes and has been applied retrospectively to the prior period presented. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. The interpretation does not apply to accounting for income taxes or fines and penalties.

The primary consideration for the Company, in the adoption of IFRIC 21, relates to the timing of recognizing a liability to pay realty taxes. The adoption of IFRIC 21 did not result in a material impact to the interim consolidated financial statements, as the relevant municipal legislation governing realty taxes indicates that recognition progressively through the year is appropriate, which is consistent with the Company's current accounting.

(b) Internal leasing costs

In March 2014, the IFRS Interpretations Committee ("IFRIC") issued a decision related to the meaning of 'incremental costs' in the context of initial direct leasing costs in IAS 17, "Leases" ("IAS 17"). The IFRIC determined that internal fixed costs, such as the salary costs of permanent staff involved in negotiating and arranging new leases, do not qualify as incremental costs within the context of IAS 17 and therefore should not be capitalized as initial direct leasing costs.

Prior to January 1, 2014, the Company's accounting policy was to capitalize internal leasing costs to investment properties, which was then adjusted to fair value through net income. Adoption of this interpretation resulted in an increase in corporate expenses and an increase in fair value gains (or decrease in fair value losses) on investment properties in the Consolidated Statements of Income, with no change in net income. There is no material impact on the Consolidated Balance Sheets or the Consolidated Statements of Cash Flows.

The impact of the Company's adoption of the interpretation on the Consolidated Statements of Income for the year ended December 31, 2013 is as follows:

(unaudited) *(thousands of Canadian dollars)*	Three months ended				Year Ended
	March 31, 2013	June 30, 2013	September 30, 2013	December 31, 2013	December 31, 2013
Increase in value of investment properties, net	$ 1,436	$ 1,103	$ 1,125	$ 1,083	$ 4,747
Increase in corporate expenses	1,436	1,103	1,125	1,083	4,747
Net income	—	—	—	—	—

4. FUTURE ACCOUNTING POLICY CHANGES

Financial instruments

IFRS 9, "Financial Instruments" ("IFRS 9"), will replace IAS 39, "Financial Instruments: Recognition and Measurement" ("IAS 39"). This standard addresses the classification and measurement of all financial assets and financial liabilities within the scope of the current IAS 39. Included in IFRS 9 are the requirements to measure debt-based financial assets at either amortized cost or fair value through profit or loss ("FVTPL") and to measure equity-based financial assets as either held-for-trading ("HFT") or as fair value through other comprehensive income ("FVTOCI"). No amounts are reclassified out of OCI if the FVTOCI option is elected. Additionally, embedded derivatives in financial assets would no longer be bifurcated and accounted for separately under IFRS 9.

A new general hedge accounting standard, part of IFRS 9 (2013), was issued in November 2013. The new standard does not change the types of hedging relationships (i.e., cash flow or fair value hedges) or the requirement to measure and recognize ineffectiveness fundamentally; however, more hedging strategies that are used for risk management will qualify for hedge accounting.

IFRS 9 has been deferred and will be effective no earlier than annual periods beginning on or after January 1, 2017. The IASB tentatively decided to set January 1, 2018 as the effective date for the mandatory application of IFRS 9. Earlier adoption is permitted. The Company is in the process of assessing the impact of IFRS 9 on its consolidated financial statements.

5. INVESTMENT PROPERTIES

(a) Activity

(unaudited)						**March 31, 2014**
(thousands of Canadian dollars)	**Central Region**	**Eastern Region**	**Western Region**	**Total**	**Shopping Centres**	**Development Land**
Balance at beginning of period	$ 3,141,304	$ 1,639,162	$ 2,511,585	$ 7,292,051	**$ 7,126,008**	**$ 166,043**
Acquisitions	5,824	9,335	41,894	57,053	**53,498**	**3,555**
Capital expenditures	15,839	14,924	11,112	41,875	**39,314**	**2,561**
Dispositions	—	(3,310)	(736)	(4,046)	**(4,046)**	**—**
Increase (decrease) in value of investment properties, net	(1,345)	6,799	(11,742)	(6,288)	**(4,697)**	**(1,591)**
Straight-line rent and other changes	(445)	123	395	73	**73**	**—**
Balance at end of period	$ 3,161,177	$ 1,667,033	$ 2,552,508	$ 7,380,718	**$ 7,210,150**	**$ 170,568**
Investment properties – non-current					**$ 6,987,972**	**$ 134,439**
Investment properties classified as held for sale					**222,178**	**36,129**
Total					**$ 7,210,150**	**$ 170,568**

(unaudited)						December 31, 2013
(thousands of Canadian dollars)	Central Region	Eastern Region	Western Region	Total	Shopping Centres	Development Land
	(Restated – Note 3)	(Restated – Note 3)	(Restated – Note 3)	(Restated – Note 3)	(Restated – Note 3)	(Restated – Note 3)
Balance at beginning of year	$ 2,975,141	$ 1,588,179	$ 2,413,163	$ 6,976,483	$ 6,849,078	$ 127,405
Acquisitions	130,481	24,090	70,094	224,665	188,224	36,441
Capital expenditures	89,397	107,124	70,005	266,526	254,804	11,722
Dispositions	(93,231)	(92,401)	(56,559)	(242,191)	(232,486)	(9,705)
Reclassifications between shopping centres and development land	—	—	—	—	1,528	(1,528)
Increase in value of investment properties, net	37,583	9,818	13,432	60,833	59,125	1,708
Straight-line rent and other changes	1,933	2,352	1,450	5,735	5,735	—
Balance at end of year	$ 3,141,304	$ 1,639,162	$ 2,511,585	$ 7,292,051	$ 7,126,008	$ 166,043
Investment properties – non-current					$ 6,989,055	$ 147,497
Investment properties classified as held for sale					136,953	18,546
Total					$ 7,126,008	$ 166,043

Investment properties with a fair value of $2.7 billion (December 31, 2013 – $3.0 billion) are pledged as security for $1.2 billion in mortgages and credit facilities.

(b) Investment property valuation

Valuation method

Investment properties are recorded at fair value, which reflects current market conditions, at each balance sheet date. Gains and losses from changes in fair values are recorded in net income in the period in which they arise.

The determination of fair values requires management to make estimates and assumptions that affect the values presented, such that actual values in sales transactions may differ from those presented.

The Company has three approaches to determine the fair value of an investment property at the end of each reporting period:

1. External appraisals – by an independent national appraisal firm, according to professional appraisal standards and IFRS. On an annual basis, the Company has a minimum threshold of approximately 25% (as measured by fair value) of the property portfolio requiring external appraisal.
2. Internal appraisals – by certified staff appraisers employed by the Company, according to professional appraisal standards and IFRS.
3. Value updates – primarily consisting of management review of the key assumptions from previous appraisals and updating the value for changes in the property cash flow, physical condition and changes in market conditions.

The selection of the approach for each property is made based upon the following criteria:

- Property type – this includes an evaluation of a property's complexity, stage of development, time since acquisition, and other specific opportunities or risks associated with the property. Stable properties and recently acquired properties will generally receive a value update, while properties under development will typically be valued using internal or external appraisals until completion.
- Market risks – specific risks in a region or a trade area may warrant a full internal or external appraisal for certain properties.
- Changes in overall economic conditions – significant changes in overall economic conditions may increase the number of external or internal appraisals performed.
- Business needs – financings or acquisitions and dispositions may require an external appraisal.

The Company makes no adjustments for portfolio premiums and discounts, nor for any value attributable to the Company's management platform, as required by IFRS.

Shopping centres are appraised primarily based on stabilized cash flows from existing tenants with the property in its existing state, since purchasers typically focus on expected income. External and internal appraisals are conducted using and placing reliance on both the direct capitalization method and the discounted cash flow method (including the estimated proceeds from a potential future disposition). Value updates use the direct capitalization method.

Properties undergoing development, redevelopment or expansion are valued using the stabilized cash flows expected upon completion, with a deduction for costs to complete the project; capitalization rates are adjusted to reflect lease-up assumptions and construction risk, when appropriate. Adjacent land parcels held for future development are valued based on comparable sales of commercial land.

The primary method of appraisal for development land is the comparable sales approach, which considers recent sales activity for similar land parcels in the same or similar markets to estimate a value on either a per acre basis or on a basis of per square foot buildable. Such values are applied to the Company's properties after adjusting for factors specific to the site, including its location, zoning, servicing and configuration.

The cost of development properties includes direct development costs, including internal development and incremental initial leasing costs, realty taxes and borrowing costs attributable to the development. Borrowing costs associated with expenditures on properties under development or redevelopment are capitalized. Borrowing costs are also capitalized on land or properties acquired specifically for development or redevelopment when activities necessary to prepare the asset for development or redevelopment are in progress. The amount of borrowing costs capitalized is determined first by reference to borrowings specific to the project, where relevant, and otherwise by applying a weighted average cost of borrowings to eligible expenditures after adjusting for borrowings associated with other specific developments. Where borrowings are associated with specific developments, the amount capitalized is the gross cost incurred on those borrowings, less any interest income earned on funds not yet employed in construction funding.

Capitalization of borrowing costs and all other costs commence when the activities necessary to prepare an asset for development or redevelopment begin, and continue until the date that construction is complete and all necessary occupancy and related permits have been received, whether or not the space is leased. If the Company is required as a condition of a lease to construct tenant improvements that enhance the value of the property, then capitalization of costs continues until such improvements are completed. Capitalization ceases if there are prolonged periods when development activity is interrupted.

Capitalization rates by region, for investment properties – shopping centres are set out in the table below:

As at *(unaudited)*		**March 31, 2014**			December 31, 2013	
Shopping Centres	**Fair Value [(1)] (C$ Millions)**	**SNOI [(2)] (C$ millions)**	**Weighted Average Capitalization Rate**	Fair Value [(1)] (C$ Millions)	SNOI [(2)] (C$ millions)	Weighted Average Capitalization Rate
Central Region	**$ 3,038.0**	**$ 168.0**	**5.75%**	$ 3,021.9	$ 167.0	5.75%
Eastern Region	**1,658.2**	**106.0**	**6.30%**	1,630.7	104.0	6.31%
Western Region	**2,514.0**	**142.0**	**5.73%**	2,473.4	143.0	5.70%
	$ 7,210.2	**$ 416.0**	**5.86%**	$ 7,126.0	$ 414.0	5.86%

(1) Fair value of properties under development includes a deduction for costs to complete of $196.2 million as at March 31, 2014 (December 31, 2013 – $95.5 million).

(2) SNOI is not a measure defined by IFRS. SNOI reflects long-term, 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%.

(c) Investment properties – Acquisitions

During the three months ended March 31, 2014 and 2013, the Company acquired shopping centres and development lands for rental income and future development and redevelopment opportunities as follows:

Three months ended March 31	2014		2013	
(unaudited) (thousands of Canadian dollars)	**Shopping Centres**	**Development Land**	Shopping Centres	Development Land
Total purchase price, including acquisition costs	**$ 53,498**	**$ 3,555**	$ 39,692	$ 11,731
Mortgage assumptions and vendor take-back mortgages on acquisitions	**—**	**—**	(4,664)	—
Difference between principal amount and fair value of assumed mortgage financing	**—**	**—**	(194)	—
Total cash paid	**$ 53,498**	**$ 3,555**	$ 34,834	$ 11,731

(d) Investment properties classified as held for sale

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

(unaudited) (thousands of Canadian dollars, except other data)	**March 31, 2014**	December 31, 2013
Aggregate fair value	**$ 258,307**	$ 155,499
Mortgages secured by investment properties classified as held for sale	**$ 37,664**	$ 22,247
Weighted average coupon interest rate of mortgages secured by investment properties	**4.42%**	4.03%

For the three months ended March 31, 2014 and 2013, the Company sold shopping centres and development land as follows:

Three months ended March 31	2014	2013
(unaudited) (thousands of Canadian dollars)	**Shopping Centres and Development Land**	Shopping Centres and Development Land
Total sales price	**$ 4,046**	$ 29,221
Mortgages assumed and vendor take-back mortgages on sale	**—**	(1,825)
Property selling costs	**(108)**	(719)
Total cash proceeds	**$ 3,938**	$ 26,677

(e) Reconciliation of investment properties to total assets

Shopping centres and development land by region are as set out in the tables below:

As at March 31, 2014 (unaudited) (thousands of Canadian dollars)	**Central Region**	**Eastern Region**	**Western Region**	**Total**
Total shopping centres and development land [1]	**$ 3,161,177**	**$ 1,667,033**	**$ 2,552,508**	**$ 7,380,718**
A reconciliation of shopping centres and development land to total assets is as follows:				
Cash and cash equivalents				**93,130**
Loans, mortgages and other real estate assets				**138,919**
Other assets				**74,175**
Amounts receivable				**34,270**
Investment in joint venture				**38,367**
Residential development inventory				**25,195**
Total assets				**$ 7,784,774**

As at December 31, 2013 (unaudited) (thousands of Canadian dollars)	Central Region	Eastern Region	Western Region	Total
Total shopping centres and development land [1]	$ 3,141,304	$ 1,639,162	$ 2,511,585	$ 7,292,051
A reconciliation of shopping centres and development land to total assets is as follows:				
Cash and cash equivalents				4,975
Loans, mortgages and other real estate assets				149,230
Other assets				63,220
Amounts receivable				27,044
Investment in joint venture				38,166
Residential development inventory				21,569
Total assets				$ 7,596,255

[1] Includes investment properties classified as held for sale.

6. LOANS, MORTGAGES AND OTHER REAL ESTATE ASSETS (NON-CURRENT)

(unaudited) (thousands of Canadian dollars)	**March 31, 2014**	December 31, 2013
Loans and mortgages receivable (a)	**$ 65,881**	$ 68,150
AFS investments in equity securities	**3,843**	3,631
	$ 69,724	$ 71,781

(a) Loans and mortgages receivable are secured by interests in investment properties or shares of entities owning investment properties and bear interest at a weighted average coupon and effective interest rate as at March 31, 2014 of 6.3% and 6.4% per annum, respectively (December 31, 2013 – weighted average coupon and effective interest rate of 6.3% per annum). The loans and mortgages receivable mature between 2014 and 2025.

Scheduled principal receipts of current and non-current loans and mortgages receivable as at March 31, 2014 are as follows:

(unaudited) (thousands of Canadian dollars, except other data)		Payments on Maturity		Total	Weighted Average Effective Interest Rate
2014 (remainder of the year)	$	35,123	$	35,123	9.19%
2015		7,732		7,732	10.37%
2016		5,979		5,979	8.50%
2017		3,522		3,522	5.29%
2019 to 2025		47,845		47,845	5.53%
	$	100,201	$	100,201	7.35%
Unamortized deferred financing fees, premiums and discounts, net and interest receivable				1,097	
			$	101,298	
Current (Note 7)			$	35,417	9.19%
Non-current				65,881	6.36%
			$	101,298	7.35%

As at March 31, 2014, the fair value of the Company's loans and mortgages receivable was approximately $100.2 million (December 31, 2013 – $91.6 million).

7. LOANS, MORTGAGES AND OTHER REAL ESTATE ASSETS (CURRENT)

(unaudited) (thousands of Canadian dollars)		**March 31, 2014**		December 31, 2013
FVTPL investments in equity securities (a)	**$**	**31,180**	$	27,764
AFS investments in equity securities		**347**		455
Loans and mortgages receivable (b)		**35,417**		24,457
Loans receivable from sales of residential inventory		**—**		22,522
Other receivable		**2,251**		2,251
	$	**69,195**	$	77,449

(a) The Company invests from time to time in publicly traded real estate and related securities. These securities are recorded at market value. Unrealized gains and losses on FVTPL securities are recorded in other gains (losses) and (expenses).

(b) The Company has loans and mortgages receivable secured by interests in investment properties (or shares of entities owning investment properties) and bear interest at a weighted average coupon and effective interest rate of 9.2% per annum (December 31, 2013 – 9.5% per annum). The loans and mortgages receivable mature during the 12 months ending March 31, 2015. Refer to Note 6(a).

8. AMOUNTS RECEIVABLE

(unaudited) (thousands of Canadian dollars)		**March 31, 2014**		December 31, 2013
Trade receivables (net of allowances for doubtful accounts of $3.1 million (December 31, 2013 – $2.8 million))	**$**	**24,555**	$	17,161
Construction and development related chargebacks and receivables		**374**		348
Corporate and other amounts receivable (a)		**9,341**		9,535
	$	**34,270**	$	27,044

(a) Includes $8.4 million (December 31, 2013 – $8.4 million) of estimated insurance and indemnity proceeds receivable relating to environmental remediation (Note 14(a)).

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

(unaudited) (thousands of Canadian dollars)	**Note**		**March 31, 2014**		December 31, 2013
Non-current					
Fixtures, equipment and computer hardware and software (net of accumulated amortization of $8.9 million)		**$**	**7,915**	$	8,070
Deferred financing costs on credit facilities (net of accumulated amortization of $2.6 million)			**1,303**		1,451
		$	**9,218**	$	9,521
Current					
Deposits and costs on investment properties under option (a)		**$**	**18,465**	$	8,095
Prepaid expenses			**14,318**		6,648
Other deposits			**2,252**		2,826
Restricted cash	15 (b)		**11,683**		10,366
Derivatives at fair value	15 (a)		**1,166**		3,148
Residential inventory deposits			**—**		5,189
Held to maturity investment in bond (b)	15 (d)		**17,073**		17,427
		$	**64,957**	$	53,699

(a) An acquisition of a development land parcel of $15 million closed in April 2014.

(b) In connection with the acquisition of a property, the Company assumed a third-party loan that had previously been defeased. The defeasance collateral is a bond issued by an agency of the Canadian federal government with an effective interest rate of 1.25% per annum (contractual rate of 5.96% per annum) and matures in November 2014 (Note 15(d)).

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 over the long term to shareholders. The Company's capital structure currently includes common shares, senior unsecured debentures, convertible debentures and secured and unsecured term financings and revolving credit facilities, which together provide the Company with financing flexibility to meet its capital needs. Primary uses of capital include development activities, acquisitions, capital improvements, leasing costs and debt principal repayments. The actual level and type of future financings to fund these capital requirements will be determined based on prevailing interest rates, various costs of debt and/or equity capital, capital market conditions and management's general view of the required leverage in the business.

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

(unaudited) (millions of Canadian dollars, except per share amounts)	**March 31, 2014**	December 31, 2013
Liabilities (principal amounts outstanding)		
Mortgages	**$ 1,236**	$ 1,350
Mortgage on equity accounted joint venture (at the Company's interest)	**11**	11
Senior unsecured debentures	**2,175**	1,875
Convertible debentures	**393**	393
Equity Capitalization		
Common shares based on closing per share price of $17.55 (December 31, 2013 – $17.71)	**3,671**	3,690
	$ 7,486	$ 7,319

The Company monitors a number of financial ratios in conjunction with its credit agreements and financial planning. All ratios are calculated with the joint venture and Main and Main Developments proportionately consolidated, unless otherwise noted. These ratios are set out in the table below:

(unaudited)	Measure/ covenant	**March 31, 2014**	December 31, 2013
Debt to enterprise value, cash balances, net	N/A	**45.1%**	44.3%
Debt to total assets (investment properties at cost)	<65%		
Joint ventures proportionately consolidated		**51.8%**	50.5%
Joint ventures proportionately consolidated, cash balances, net		**51.1%**	50.5%
Debt to total assets (investment properties at IFRS value)	<65%		
Joint ventures proportionately consolidated		**44.3%**	43.0%
Joint ventures proportionately consolidated, cash balances, net		**43.6%**	42.9%
Joint ventures proportionately consolidated, cash balances, net, using ten quarter average capitalization rate (1)		**44.8%**	44.6%
Unencumbered aggregate assets to unsecured debt (investment properties at IFRS value)	>1.30		
Joint ventures proportionately consolidated		**2.16**	2.29
Joint ventures proportionately consolidated, using ten quarter average capitalization rate (1)		**2.06**	2.15
Unencumbered aggregate assets to unsecured debt (investment properties at cost)	>1.30		
Joint ventures proportionately consolidated		**1.78**	1.90
Shareholders' equity, using four quarter average (billions of Canadian dollars) (1)	>$1.4 billion	**$ 3.3**	$ 3.3
Secured indebtedness to total assets (investment properties at fair value) (1)	<40%	**16.2%**	18.2%

(unaudited) *Period ended*	Measure/ covenant	**March 31, 2014**	December 31, 2013
Net debt/EBITDA [2]		**8.40**	8.21
Interest coverage (EBITDA to interest expense)	>1.65		
Joint ventures proportionately consolidated [1]		**2.39**	2.38
Fixed charges coverage (consolidated EBITDA to debt service)	>1.5		
Joint ventures proportionately consolidated [1]		**1.94**	1.92

(1) Calculations required under the Company's credit facility agreements or indenture governing the senior unsecured debentures.

(2) Calculated with Main and Main Developments consolidated at 100% and cash balances reducing debt.

The above ratios include measures not specifically defined in IFRS. They are calculations required pursuant to debt covenants and for this reason are meaningful measures. Measures used in these ratios are defined below:

Debt consists of principal amounts outstanding on credit facilities and mortgages and the par value of senior unsecured debentures. Convertible debentures are excluded as it is the Company's intention to continue to satisfy its obligations of principal and interest payments in respect of all of its outstanding convertible debentures by the issuance of common shares.

Net debt is calculated as Debt, as defined above, reduced by cash balances at the end of the period.

Secured indebtedness includes mortgages which are collateralized against investment property.

Enterprise value consists of the market value of the Company's common shares, the par value of senior unsecured debentures and convertible debentures, and principal amounts outstanding on mortgages, loans and credit facilities.

EBITDA is calculated as net income, adding back income tax expense, interest expense and amortization and excluding the increase or decrease in the value of investment properties, other gains (losses) and (expenses) and other non-cash or non-recurring items. The Company also adjusts for incremental leasing costs and costs not capitalized during the development period, which are recognized adjustments to FFO and AFFO, respectively.

Fixed charges include regular principal and interest payments and capitalized interest in the calculation of interest expense and does not include non-cash interest on convertible debentures.

Unencumbered assets include the value of assets that have not been pledged as security under any credit agreement or mortgage, excluding investment properties under development and deferred tax assets. The unencumbered asset value ratio is calculated as unencumbered assets divided by the principal amount of the unsecured debt, which consists of the senior unsecured debentures.

The Company's strategy involves maintaining its moderate leverage and continuing to improve the interest coverage and fixed charges coverage ratios to allow continued access to capital at the lowest possible cost. The Company's senior unsecured debentures are currently rated BBB (high) with a stable trend by Dominion Bond Rating Service Ltd. and Baa2 with a stable outlook by Moody's Investors Service.

The Company's long-term financial objectives have remained substantially unchanged during the past eight years. Since becoming an investment grade rated company in May 2005, the Company has financed its growth through common shares, warrants and convertible debentures (cashless) for the equity component and through senior unsecured debentures, mortgages and credit facilities for the debt component.

The Company's long-term financing strategy is based on maintaining flexibility in accessing various forms of debt and equity capital by maintaining a pool of unencumbered assets and investment grade credit ratings from rating agencies. The Company periodically re-evaluates its overall financing and capital execution strategy to ensure the best access to available capital at the lowest possible cost.

The Company is subject to financial covenants in agreements governing its senior unsecured debentures and secured revolving credit facilities. Based on the above calculations, the Company is in compliance with all of its applicable financial covenants.

11. MORTGAGES AND CREDIT FACILITIES

(unaudited) (thousands of Canadian dollars)		**March 31, 2014**		December 31, 2013
Fixed rate mortgages	**$**	**1,237,904**	$	1,331,833
Floating rate mortgages and secured credit facilities		**7,787**		29,750
Outstanding cheques		**—**		5,000
	$	**1,245,691**	$	1,366,583
Current	**$**	**146,946**	$	254,367
Mortgages on investment properties classified as held for sale		**37,664**		22,247
Non-current		**1,061,081**		1,089,969
	$	**1,245,691**	$	1,366,583

Mortgages and the secured credit facilities are secured by investment properties. Of the fair value of investment properties of $7.4 billion as at March 31, 2014 (December 31, 2013 – $7.3 billion), approximately $2.7 billion (December 31, 2013 – $3.0 billion) has been pledged as security under the mortgages and the secured credit facilities.

As at March 31, 2014, the fair value of the Company's mortgages, loans and credit facilities was approximately $1.3 billion (December 31, 2013 – $1.4 billion).

(i) Mortgages

Mortgages bear coupon interest at a weighted average interest rate of 5.17% per annum as at March 31, 2014 (December 31, 2013 – 5.21% per annum) and mature in the years ranging from 2014 to 2025. The weighted average effective interest rate on all fixed rate mortgage financing as at March 31, 2014 is 4.85% per annum (December 31, 2013 – 4.90% per annum).

(ii) Credit facilities

The following table summarizes the details of the Company's lines of credit as at March 31, 2014:

(unaudited) (thousands of Canadian dollars, except other data)		Borrowing Capacity		Amounts Drawn		Outstanding Letters of Credit		Available to be Drawn	Interest Rates	Maturity Date
Secured by development properties	$	75,000	$	—	$	(23)	$	74,977	BA + 1.25% or Prime + 0.25%	December 31, 2014
Unsecured		600,000		—		(38,609)		561,391	C$ at BA + 1.325% or Prime + 0.325% or US$ at LIBOR + 1.325%	June 30, 2016
Total secured and unsecured facilities	$	675,000	$	—	$	(38,632)	$	636,368		

Principal repayments of mortgages and credit facilities outstanding as at March 31, 2014 are as follows:

(unaudited) (thousands of Canadian dollars, except other data)	Scheduled Amortization	Payments on Maturity	Total	Coupon Weighted Average Interest Rate
2014 (remainder of the year)	$ 26,259	$ 110,899	$ 137,158	5.93%
2015	29,007	213,110	242,117	4.98%
2016	23,403	155,032	178,435	5.07%
2017	20,522	82,901	103,423	5.17%
2018	16,485	123,046	139,531	5.53%
2019 to 2025	42,083	393,030	435,113	4.97%
	$ 157,759	$ 1,078,018	$ 1,235,777	5.17%
Unamortized deferred financing costs, premiums and discounts, net			9,914	
			$ 1,245,691	

As at March 31, 2014, the Company had mortgages maturing of $110.9 million at an average interest rate of 5.93% per annum and $26.3 million of scheduled amortization of principal balances during the remainder of 2014.

12. SENIOR UNSECURED DEBENTURES

(unaudited) (thousands of Canadian dollars, except other data)						**March 31, 2014**	December 31, 2013
			Interest Rate				
Maturity Date	Series	Date of Issue	Coupon	Effective	**Principal Outstanding**	**Liability**	Liability
October 30, 2014	F	April 5, 2007	5.32%	5.47%	**$ 100,000**	**$ 99,927**	$ 99,927
June 1, 2015	G	November 20, 2009	5.95%	6.13%	**125,000**	**124,750**	124,699
January 31, 2017	H	January 21, 2010	5.85%	5.99%	**125,000**	**124,538**	124,501
November 30, 2017	I	April 13, 2010	5.70%	5.85%	**50,000**	**49,755**	49,740
November 30, 2017	I	April 13, 2010	5.70%	5.82%	**25,000**	**24,903**	24,898
November 30, 2017	I	June 14, 2010	5.70%	5.70%	**50,000**	**49,994**	49,993
August 30, 2018	J	July 12, 2010	5.25%	5.66%	**50,000**	**49,369**	49,328
November 30, 2018	K	August 25, 2010	4.95%	5.30%	**50,000**	**49,287**	49,254
November 30, 2018	K	October 26, 2010	4.95%	5.04%	**50,000**	**49,811**	49,802
July 30, 2019	L	January 21, 2011	5.48%	5.61%	**150,000**	**149,118**	149,083
April 30, 2020	M	March 30, 2011	5.60%	5.73%	**110,000**	**109,280**	109,255
April 30, 2020	M	June 13, 2011	5.60%	5.39%	**65,000**	**65,703**	65,727
March 1, 2021	N	April 4, 2012	4.50%	4.63%	**175,000**	**173,713**	173,675
January 31, 2022	O	June 1, 2012	4.43%	4.56%	**100,000**	**99,187**	99,165
January 31, 2022	O	July 17, 2012	4.43%	4.42%	**50,000**	**50,035**	50,037
January 31, 2022	O	August 29, 2013	4.43%	4.83%	**50,000**	**48,701**	48,664
December 5, 2022	P	December 5, 2012	3.95%	4.16%	**150,000**	**147,759**	147,708
December 5, 2022	P	January 14, 2013	3.95%	4.20%	**100,000**	**98,170**	98,133
October 30, 2023	Q	March 26, 2013	3.90%	4.06%	**125,000**	**123,402**	123,374
October 30, 2023	Q	May 15, 2013	3.90%	3.90%	**175,000**	**174,992**	174,990
August 30, 2024	R	January 20, 2014	4.79%	4.91%	**150,000**	**148,531**	—
August 30, 2024	R	February 18, 2014	4.79%	4.63%	**75,000**	**75,983**	—
August 30, 2024	R	March 11, 2014	4.79%	4.43%	**75,000**	**77,228**	—
			4.85%	4.96%	**$ 2,175,000**	**$ 2,164,136**	**$ 1,861,953**
Current						**$ 99,927**	$ 99,927
Non-current						**2,064,209**	1,762,026
						$ 2,164,136	$ 1,861,953

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

On January 20, 2014, the Company completed the issuance of $150 million principal amount of senior unsecured debentures, Series R, due August 30, 2024. These debentures bear interest at a coupon rate of 4.79% per annum payable semi-annually commencing August 30, 2014. On February 18, 2014, the Company completed the issuance of an additional $75 million principal amount of the senior unsecured debentures, which was a re-opening of this series of debentures with an effective rate of 4.63% per annum.

On March 11, 2014, the Company completed the issuance of an additional $75 million principal amount of the senior unsecured debentures, Series R, prior issuances of which were completed on January 20, 2014 and February 18, 2014. These debentures bear interest at an effective rate of 4.43% per annum, payable semi-annually, commencing August 30, 2014.

The fair value of the senior unsecured debentures is approximately $2.3 billion as at March 31, 2014 (December 31, 2013 – $1.9 billion).

13. CONVERTIBLE DEBENTURES

(unaudited) (thousands of Canadian dollars, except other data)				**March 31, 2014**			December 31, 2013		
		Interest Rate							
Maturity Date	Date of Issue	Coupon	Effective	**Principal**	**Liability**	**Equity**	Principal	Liability	Equity
June 30, 2017	December 30, 2009	5.70%	6.88%	**$ 42,903**	**$ 41,449**	**$ 984**	$ 42,917	$ 41,362	$ 984
January 31, 2019	April 28, 2011	5.40%	6.90%	**57,500**	**53,992**	**2,192**	57,500	53,844	2,192
January 31, 2019	August 9, 2011	5.25%	6.07%	**57,500**	**55,560**	**390**	57,500	55,477	390
March 31, 2018	December 15, 2011	5.25%	6.66%	**50,000**	**47,557**	**1,155**	50,000	47,427	1,155
March 31, 2017	February 16, 2012	4.95%	6.51%	**75,000**	**71,851**	**1,495**	75,000	71,620	1,495
July 31, 2019	May 22, 2012	4.75%	6.19%	**52,500**	**49,412**	**1,439**	52,500	49,277	1,439
February 28, 2020	February 19, 2013	4.45%	5.34%	**57,500**	**55,095**	**403**	57,500	55,005	403
		5.08%	6.35%	**$ 392,903**	**$ 374,916**	**$ 8,058**	$ 392,917	$ 374,012	$ 8,058

(a) Principal and interest

The Company has the option of repaying the convertible debentures on maturity through the issuance of common shares at 97% of the weighted average trading price of the Company's common shares. The Company also has the option of paying the semi-annual interest through the issuance of common shares valued in the same manner. In addition, the Company has the option of repaying the convertible debentures prior to the maturity date under certain circumstances, either in cash or in common shares. Consistent with existing practice, it is the Company's current intention to continue to satisfy its obligations of principal and interest payments in respect of all of its outstanding convertible debentures by the issuance of common shares. Since issuance, the Company has made all principal and interest payments on its convertible debentures using common shares.

During the three months ended March 31, 2014, 0.6 million common shares (three months ended March 31, 2013 – 0.5 million common shares) were issued for $10.0 million (three months ended March 31, 2013 – $8.8 million) to pay interest to holders of the convertible debentures. Each series of the Company's convertible unsecured subordinated debentures bears interest payable semi-annually and is convertible at the option of the holders in the conversion periods into common shares of the Company at the conversion prices indicated below.

Maturity Date	Coupon Rate	TSX	Holder Option to Convert at the Conversion Price	Company Option to Redeem at Principal Amount (conditional [1])	Company Option to Redeem at Principal Amount [2]	Conversion Price
June 30, 2017	5.70%	FCR.DB.D	2009-2016	Jun 30, 2013 - Jun 29, 2015	Jun 30, 2015 - Jun 30, 2017	$ 18.75
January 31, 2019	5.40%	FCR.DB.E	2011-2019	Jan 31, 2015 - Jan 30, 2017	Jan 31, 2017 - Jan 31, 2019	$ 22.62
January 31, 2019	5.25%	FCR.DB.F	2011-2019	Jan 31, 2015 - Jan 30, 2017	Jan 31, 2017 - Jan 31, 2019	$ 23.77
March 31, 2018	5.25%	FCR.DB.G	2011-2018	Mar 31, 2015 - Mar 30, 2016	Mar 31, 2016 - Mar 30, 2018	$ 23.25
March 31, 2017	4.95%	FCR.DB.H	2012-2017	Mar 31, 2015 - Mar 30, 2016	Mar 31, 2016 - Mar 31, 2017	$ 23.75
July 31, 2019	4.75%	FCR.DB.I	2012-2019	Jul 31, 2015 - Jul 30, 2017	Jul 31, 2017 - Jul 31, 2019	$26.75 - $27.75 [3]
February 28, 2020	4.45%	FCR.DB.J	2013-2020	Feb 28, 2016 - Feb 27, 2018	Feb 28, 2018 - Feb 28, 2020	$26.75 - $27.75 [4]

[1] Period of time during which the Company may redeem the debentures at their principal amount plus accrued and unpaid interest, provided that the volume weighted average trading price for the 20 consecutive trading days ending five days prior to the notice of redemption is not less than 125% of the Conversion Price, by giving between 30 and 60 days' written notice.

[2] Period of time during which the Company may redeem the debentures at their principal amount plus accrued and unpaid interest by giving between 30 and 60 days' written notice.

[3] These debentures are convertible at the option of the holder into common shares of the Company at a conversion price of $26.75 per common share until July 31, 2017 and $27.75 per common share thereafter.

[4] These debentures are convertible at the option of the holder into common shares of the Company at a conversion price of $26.75 per common share until February 28, 2018 and $27.75 per common share thereafter.

(b) Normal course issuer bid

On August 23, 2013, the Company renewed its normal course issuer bid ("NCIB") for all of its then outstanding series of convertible unsecured subordinated debentures. The NCIB will expire on August 26, 2014 or such earlier date as the Company completes its purchases pursuant to the NCIB. All purchases made under the NCIB are at market prices prevailing at the time of purchase determined by or on behalf of the Company.

For the three months ended March 31, 2014 and 2013, principal amounts of convertible debentures purchased and amounts paid for the purchases are represented in the table below:

(unaudited) (thousands of Canadian dollars)	**Three months ended March 31, 2014**		Three months ended March 31, 2013	
	Principal Amount Purchased	**Amount Paid**	Principal Amount Purchased	Amount Paid
Total	**$ 14**	**$ 15**	$ 834	$ 921

(c) Fair value

Based on TSX closing bid prices, as at March 31, 2014, the fair value of the convertible debentures was approximately $393.8 million (December 31, 2013 – $390.1 million).

14. OTHER LIABILITIES

(unaudited) (thousands of Canadian dollars)	**March 31, 2014**	December 31, 2013
Asset retirement obligations (a)	**$ 10,123**	$ 11,168
Ground leases payable	**10,430**	10,308
	$ 20,553	$ 21,476

(a) The Company has obligations for environmental remediation at certain sites within its property portfolio. The amounts recorded as liabilities include those amounts recoverable or reimbursable from other parties (Note 8(a)).

15. ACCOUNTS PAYABLE AND OTHER LIABILITIES

(unaudited) (thousands of Canadian dollars)	**Note**	**March 31, 2014**	December 31, 2013
Trade payables and accruals		**$ 52,216**	$ 46,618
Construction and development payables		**37,483**	41,260
Dividends payable		**43,799**	43,755
Interest payable		**34,216**	32,021
Tenant deposits		**15,983**	18,779
Derivatives at fair value (a)		**491**	936
Short positions in marketable securities (b)		**9,187**	8,089
Mortgage payable (c)		**3,572**	8,800
Loan payable (d)	9 (b)	**17,073**	17,427
Deferred purchase price of investment property – shopping centre (e)		**21,569**	21,260
		$ 235,589	$ 238,945

(a) The Company enters into forward contracts and interest rate swaps as part of its strategy for managing certain interest rate risks. For those contracts to which the Company has applied hedge accounting, the Company has recorded the changes in fair value for the effective portion of the derivative in OCI (loss) from the date of designation. For those interest rate swaps to which the Company does not apply hedge accounting, the change in fair value is recognized in other gains (losses) and (expenses) (Note 21).

The following are the fair values of the Company's asset (liability) hedging instruments:

(unaudited) (thousands of Canadian dollars)	Designated as Hedging Instrument	Maturity	Note		**March 31, 2014**		December 31, 2013
Bond forward contracts	Yes	June 2014/July 2014	9	**$**	**(491)**	$	321
Interest rate swaps	Yes	March 2022 through October 2022	9		**1,166**		2,827
Interest rate swaps	N/A	Settled in Q1 2014			**—**		(936)
				$	**675**	$	2,212

(b) The Company invests from time to time in long and short positions in publicly traded real estate and related securities, which are recorded at market value (Note 7). As at March 31, 2014, a restricted cash balance of $11.7 million (Note 9) was maintained on account with the Company's security broker as collateral for the Company's investment in short positions.

(c) The mortgage payable relating to residential development inventory bears interest at an effective rate of 1% per annum. During the quarter, $5.2 million of this loan had been repaid.

(d) In connection with the acquisition of a property, the Company assumed a third-party loan that had previously been defeased. The defeasance collateral is a bond issued by an agency of the Canadian federal government. The effective interest rate of the loan is 1.25% per annum (contractual rate of 5.96% per annum) and matures in November 2014 (Note 9(b)).

(e) The deferred purchase price is expected to be settled in May 2014. The effective interest rate is 6.20% per annum.

16. SHAREHOLDERS' EQUITY

(a) Share capital

The authorized share capital of the Company consists of an unlimited number of authorized preference shares and common shares. 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 common shares carry one vote each and participate equally in the income of the Company 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 following table sets forth the particulars of the issued and outstanding common shares of the Company:

		Three months ended March 31, 2014			Three months ended March 31, 2013		
(unaudited) (thousands of Canadian dollars and thousands of common shares)	**Note**	**Number of Common Shares**		**Stated Capital**	Number of Common Shares		Stated Capital
Issued and outstanding at beginning of period		**208,356**	**$**	**2,457,310**	206,546	$	2,426,836
Payment of interest on convertible debentures	13	**582**		**9,980**	474		8,768
Exercise of options		**212**		**3,222**	246		3,195
Share issue costs and other, net of tax effect		**—**		**(5)**	—		(45)
Issued and outstanding at end of period		**209,150**	**$**	**2,470,507**	207,266	$	2,438,754

(b) Contributed surplus and other equity items

Contributed surplus and other equity items comprise the following:

(unaudited) (thousands of Canadian dollars)	**Three months ended March 31, 2014**				Three months ended March 31, 2013				
	Contributed Surplus	**Convertible Debentures Equity Component**	**Options Restricted and Deferred Share Units**	**Total**	Contributed Surplus	Convertible Debentures Equity Component	Options Restricted and Deferred Share Units	Warrants	Total
		(Note 13)				(Note 13)			
Balance at beginning of period	**$ 19,278**	**$ 8,058**	**$ 17,264**	**$ 44,600**	$19,401	$ 7,702	$15,636	$ 1,677	$ 44,416
Issuance of convertible debentures	**—**	**—**	**—**	**—**	—	403	—	—	403
Purchase of convertible debentures	**—**	**—**	**—**	**—**	(31)	(12)	—	—	(43)
Options vested	**—**	**—**	**230**	**230**	—	—	258	—	258
Exercise of options	**—**	**—**	**(183)**	**(183)**	—	—	(47)	—	(47)
Deferred share units vested	**—**	**—**	**261**	**261**	—	—	227	—	227
Restricted share units vested	**—**	**—**	**436**	**436**	—	—	417	—	417
Balance at end of period	**$ 19,278**	**$ 8,058**	**$ 18,008**	**$ 45,344**	$ 19,370	$ 8,093	$ 16,491	$ 1,677	$ 45,631

(c) Stock options

As of March 31, 2014, the Company is authorized to grant up to 15.2 million (December 31, 2013 – 15.2 million) common share options to the employees, officers and directors of the Company. As of March 31, 2014, 3.4 million (December 31, 2013 – 3.8 million) common share options are available to be granted. Options granted by the Company generally expire 10 years from the date of grant and vest over five years. The outstanding options as at March 31, 2014 have exercise prices ranging from $9.81 – $18.97 (December 31, 2013 – $9.81 – $18.97) and comprise the following:

(unaudited) (In Canadian dollars, except other data)	**March 31, 2014**					March 31, 2013				
	Outstanding Options			**Vested Options**		Outstanding Options			Vested Options	
Exercise Price Range	**Number of Common Shares Issuable (in thousands)**	**Weighted Average Exercise Price per Common Share**	**Weighted Average Remaining Life (years)**	**Number of Common Shares Issuable (in thousands)**	**Weighted Average Exercise Price per Common Share**	Number of Common Shares Issuable (in thousands)	Weighted Average Exercise Price per Common Share	Weighted Average Remaining Life (years)	Number of Common Shares Issuable (in thousands)	Weighted Average Exercise Price per Common Share
$ 9.81 – $10.81	**128**	**$ 9.85**	**4.4**	**128**	**$ 9.85**	142	$ 9.85	6.0	142	$ 9.85
$13.00 – $14.26	**1,010**	**$ 13.78**	**4.5**	**1,010**	**$ 13.78**	1,366	$ 13.74	5.4	1,358	$ 13.74
$15.46 – $17.41	**2,789**	**$ 16.38**	**3.8**	**2,455**	**$ 16.47**	2,986	$ 16.36	5.0	2,430	$ 16.49
$17.77 – $18.97	**2,310**	**$ 18.33**	**8.3**	**482**	**$ 18.47**	1,905	$ 18.48	9.5	—	$ —
$ 9.81 – $18.97	**6,237**	**$ 16.55**	**5.6**	**4,075**	**$ 15.83**	6,399	$ 16.29	6.4	3,930	$ 15.30

During the three months ended March 31, 2014, $0.2 million (three months ended March 31, 2013 – $0.3 million) was recorded as an expense related to stock options.

(unaudited) (In Canadian dollars, except other data)	**Three months ended March 31, 2014**		Three months ended March 31, 2013	
	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	**5,968**	**$ 16.37**	5,676	$ 15.65
Granted (a)	**494**	**$ 17.77**	1,036	$ 18.97
Exercised (b)	**(213)**	**$ 14.29**	(246)	$ 12.81
Forfeited	**(12)**	**$ 18.33**	(41)	$ 16.55
Expired	**—**	**$ —**	(26)	$ 17.02
Outstanding at end of period	**6,237**	**$ 16.55**	6,399	$ 16.29

(a) The fair value associated with the options issued was calculated using the Black-Scholes model for option valuation based on the following assumptions:

(unaudited)	Three months ended March 31	
	2014	2013
Share options granted (thousands)	494	1,036
Term to expiry	10 years	10 years
Exercise price	$ 17.77	$ 18.97
Weighted average volatility rate	15.0%	15.0%
Weighted average expected option life	6 years	6 years
Weighted average dividend yield	4.72%	4.32%
Weighted average risk free interest rate	1.87%	1.39%
Fair value (thousands)	$ 548	$ 1,233

(b) The weighted average market share price at which options were exercised for the three months ended March 31, 2014 was $17.56 (three months ended March 31, 2013 – $19.08).

(d) Share unit plans

The Company's share unit plans include a Directors' Deferred Share Unit Plan, an Employee Restricted Share Unit Plan and a Chief Executive Officer Restricted Share Unit Plan. Under the 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 Deferred Share Unit ("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 Restricted Share Unit ("RSU") on December 15 of the third calendar year following the year in respect of which the RSU is granted. Holders of RSUs and DSUs receive dividends in the form of additional units when the Company declares dividends on its common shares.

(unaudited)	**Three months ended March 31, 2014**		Three months ended March 31, 2013	
(in thousands)	**Deferred Share Units**	**Restricted Share Units**	Deferred Share Units	Restricted Share Units
Outstanding at beginning of period	**393**	**286**	345	302
Granted (a)	**10**	**101**	8	117
Dividends declared	**5**	**5**	4	5
Outstanding at end of period	**408**	**392**	357	424
Share units available to be granted based on the current reserve	**172**	**378**	223	418
Expense recorded for the period *(thousands of Canadian dollars)*	**$ 223**	**$ 351**	$ 201	$ 330

(a) The fair value of the DSUs granted during the three months ended March 31, 2014 was $0.2 million (three months ended March 31, 2013 – $0.2 million), measured based on the Company's prevailing share price on the date of grant. The fair value of the RSUs granted during the three months ended March 31, 2014 was $1.6 million (three months ended March 31, 2013 – $2.2 million), measured based on the Company's share price on the date of grant.

17. NET OPERATING INCOME

Net operating income is as follows:

Three months ended March 31, 2014 *(unaudited) (thousands of Canadian dollars)*		**Central Region**		**Eastern Region**		**Western Region**		**Subtotal**		**Other[1]**		**Total**
Property rental revenue	**$**	**70,081**	**$**	**41,872**	**$**	**51,061**	**$**	**163,014**	**$**	**(147)**	**$**	**162,867**
Property operating costs		**27,776**		**18,743**		**17,548**		**64,067**		**216**		**64,283**
Net operating income	**$**	**42,305**	**$**	**23,129**	**$**	**33,513**	**$**	**98,947**	**$**	**(363)**	**$**	**98,584**

Three months ended March 31, 2013 *(unaudited) (thousands of Canadian dollars)*		Central Region		Eastern Region		Western Region		Subtotal		Other[1]		Total
Property rental revenue	$	67,948	$	40,498	$	49,676	$	158,122	$	(325)	$	157,797
Property operating costs		26,559		17,482		16,654		60,695		(641)		60,054
Net operating income	$	41,389	$	23,016	$	33,022	$	97,427	$	316	$	97,743

(1) Other items are principally operating costs and other adjustments that are not attributable to a region.

Property operating costs includes $5.86 million (March 31, 2013 – $5.16 million) related to employee compensation.

18. INTEREST AND OTHER INCOME

(unaudited)		Three months ended March 31		
(thousands of Canadian dollars)	**Notes**		**2014**	2013
Interest, dividend and distribution income from marketable securities and cash investments	6,7	**$**	**859**	$ 603
Interest income from mortgages and loans receivable	6,7		**1,751**	688
		$	**2,610**	$ 1,291

19. INTEREST EXPENSE

(unaudited)		Three months ended March 31	
(thousands of Canadian dollars)	**Note**	**2014**	2013
Mortgages and credit facilities		**$ 16,516**	$ 20,521
Senior unsecured debentures		**24,940**	20,100
Convertible debentures			
Coupon interest		**4,921**	4,627
Accretion of discounts		**386**	359
Amortization of deferred issue costs		**534**	463
		5,841	5,449
Total interest expense		**47,297**	46,070
Interest capitalized to investment properties and residential development inventory		**(4,940)**	(5,493)
Interest expense		**$ 42,357**	$ 40,577
Convertible debenture interest paid in common shares	13	**(9,980)**	(8,768)
Change in accrued interest		**(2,194)**	1,869
Effective interest rate in excess of coupon rate on senior unsecured and convertible debentures		**(351)**	(355)
Effective interest in excess of coupon interest on assumed mortgages		**1,105**	1,197
Other non-cash interest expense		**(1,366)**	(1,272)
Interest capitalized to investment properties and residential development inventory		**4,940**	5,493
Cash interest paid		**$ 34,511**	$ 38,741

20. CORPORATE EXPENSES

(unaudited)	Three months ended March 31	
(thousands of Canadian dollars)	**2014**	2013
		(Restated – Note 3)
Salaries, wages and benefits	**$ 6,242**	$ 5,767
Non-cash compensation	**648**	714
Other corporate costs	**2,675**	2,381
	9,565	8,862
Amounts capitalized to investment properties under development and residential inventory	**(1,549)**	(1,661)
	$ 8,016	$ 7,201

21. OTHER GAINS (LOSSES) AND (EXPENSES)

(unaudited)		Three months ended March 31	
(thousands of Canadian dollars)	**Note**	**2014**	2013
Realized gains on sale of marketable securities		**$ 481**	$ 2,075
Change in cumulative unrealized gains (losses) on marketable securities classified as FVTPL		**1,285**	(1,336)
Losses on settlement of debt		**(262)**	(112)
Unrealized losses on hedges	15(a)	**(99)**	(121)
Investment properties – selling costs		**(142)**	(1,156)
Net gain on sale of residential inventory (a)		**—**	466
Pre-selling costs of residential inventory		**(19)**	(11)
Gain (loss) on foreign currency exchange		**2**	32
		$ 1,246	$ (163)

(a) The components of the Company's net gain on sale of residential inventory are as follows:

(unaudited)	Three months ended March 31	
(thousands of Canadian dollars)	**2014**	2013
Sales	**$ 977**	$ 8,890
Cost of sales	**(977)**	(8,424)
Total	**$ —**	$ 466

22. INCOME TAXES

The major components of income tax expense include the following:

(unaudited)	Three months ended March 31	
(thousands of Canadian dollars)	**2014**	2013
Deferred income taxes	**$ 10,484**	$ 13,126

The following reconciles the Company’s statutory tax rate to its effective tax rate for the three months ended March 31, 2014 and 2013:

(unaudited)	Three months ended March 31	
(thousands of Canadian dollars)	**2014**	2013
Income tax expense at the Canadian federal and provincial income tax rate of 26.27% (2013 – 26.22%)	**$ 11,926**	$ 17,254
Increase (decrease) in income taxes due to:		
Non-taxable portion of capital gains and other	**(1,430)**	(3,751)
Non-deductible interest	**102**	94
Other	**(114)**	(471)
	$ 10,484	$ 13,126

The Canadian federal and provincial income tax rate is higher compared to the same period in 2013 primarily due to the change in the income tax rate by the Province of British Columbia during the second quarter of 2013.

23. PER SHARE CALCULATIONS

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

(unaudited)		Three months ended March 31		
(thousands of Canadian dollars, except other data)		**2014**		2013
Numerator				
Net income attributable to common shareholders	**$**	**35,214**	$	52,720
Adjustment for dilutive effect of convertible debentures, net of tax		**—**		849
Numerator for diluted per share amounts	**$**	**35,214**	$	53,569
Denominator (in thousands)				
Weighted average number of shares outstanding for basic per share amounts		**209,127**		207,285
Options		**470**		923
Convertible debentures		**—**		3,373
Denominator for diluted per share amounts		**209,597**		211,581
Basic net income per share attributable to common shareholders	**$**	**0.17**	$	0.25
Diluted net income per share attributable to common shareholders	**$**	**0.17**	$	0.25

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

Three months ended March 31		Number of Shares if Exercised				
(unaudited) (in Canadian dollars, number of options in thousands)		**Exercise Price**	**2014**		Exercise Price	2013
Common share options	**$**	**17.77**	**494**	$	—	—
Common share options	**$**	**17.90**	**821**	$	—	—
Common share options	**$**	**18.97**	**979**	$	18.97	1,036
Convertible debentures - 5.70%	**$**	**18.75**	**2,357**	$	18.75	2,296
Convertible debentures - 5.40%	**$**	**22.62**	**3,159**	$	22.62	2,541
Convertible debentures - 5.25%	**$**	**23.77**	**3,159**	$	—	—
Convertible debentures - 5.25%	**$**	**23.25**	**2,747**	$	23.25	2,149
Convertible debentures - 4.95%	**$**	**23.75**	**4,120**	$	23.75	3,157
Convertible debentures - 4.75%		**$26.75-$27.75**	**2,884**		$26.75-$27.75	1,962
Convertible debentures - 4.45%		**$26.75-$27.75**	**3,159**		—	—

Regular dividends paid per common share were $0.21 for the three months ended March 31, 2014 and 2013.

24. 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 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 by investing in well-located properties in urban markets that attract quality tenants, ensuring that its tenant mix is diversified, and by limiting its exposure to any one tenant. As at March 31, 2014, Loblaw Companies Limited ("Loblaws") accounts for 10.3% of the Company's annualized minimum rent and has an investment grade credit rating. Other than Loblaws, no other tenant accounts for more than 7.1% 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'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 will tend 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 is set out below:

(unaudited)	Payments Due by Period				
(thousands of Canadian dollars)	Remainder of 2014	2015 to 2016	2017 to 2018	Thereafter	Total
Mortgages					
Scheduled amortization	$ 26,259	$ 52,410	$ 37,007	$ 42,083	$ 157,759
Payments on maturity	110,899	368,142	205,947	393,030	1,078,018
Total mortgage obligations	137,158	420,552	242,954	435,113	1,235,777
Mortgage on equity accounted joint venture	327	10,425	—	—	10,752
Senior unsecured debentures	100,000	125,000	400,000	1,550,000	2,175,000
Loans and mortgage payable [1]	20,134	—	—	—	20,134
Interest obligations [2]	116,998	262,537	209,494	317,267	906,296
Land leases (expiring between 2023 and 2061)	734	1,964	1,988	18,613	23,299
Contractual committed costs to complete current development projects	31,145	16,602	—	—	47,747
Other committed costs	19,300	—	—	—	19,300
Total contractual obligations [3]	$ 425,796	$ 837,080	$ 854,436	$ 2,320,993	$ 4,438,305

[1] Loans and mortgage payable include a $3.6 million loan relating to residential development inventory (Note 15) and a $17.1 million third party loan which is secured by $17.1 million in Government of Canada bonds (Note 15).

[2] Interest obligations include expected interest payments on mortgages and credit facilities as at March 31, 2014 (assuming balances remain outstanding through to maturity), and senior unsecured debentures, as well as standby credit facility fees.

[3] Consistent with existing practice, it is the Company's current intention to continue to satisfy its obligations of principal and interest payments in respect of all of its outstanding convertible debentures by the issuance of common shares, and as such have been excluded from this table.

The Company's total estimated costs to complete development projects currently under construction are $196.2 million with $47.7 million contractually committed as at March 31, 2014.

The Company manages its liquidity risk by staggering debt maturities; renegotiating expiring credit arrangements proactively; using undrawn lines of credit; and issuing equity when considered appropriate. As at March 31, 2014, there was nil (December 31, 2013 – nil) of cash advances drawn against the Company's revolving credit facilities.

In addition, as at March 31, 2014, the Company has $38.6 million (December 31, 2013 – $43.4 million) of outstanding letters of credit that have been issued by financial institutions primarily to support certain of the Company's contractual obligations.

25. FAIR VALUE MEASUREMENT

The fair value hierarchy of financial instruments measured at fair value on the consolidated balance sheets is as follows:

(unaudited)			**March 31, 2014**			December 31, 2013	
(thousands of Canadian dollars)	**Notes**	**Level 1**	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
Financial Assets							
FVTPL investments in equity securities	7	**$ 31,180**	**$ —**	**$ —**	$ 27,764	$ —	$ —
AFS investments in equity securities	6,7	**4,186**	**—**	**4**	4,082	—	4
Derivatives at fair value (assets)	9	**—**	**1,166**	**—**	—	3,148	—
Financial Liabilities							
Derivatives at fair value (liabilities)	15	**—**	**491**	**—**	—	936	—
Short positions in marketable securities	15	**9,187**	**—**	**—**	8,089	—	—

The fair values of the Company's cash and cash equivalents, amounts receivable, deposits, loans receivable from sales of residential inventory, restricted cash and accounts payable and other liabilities approximate their carrying values as at March 31, 2014 and December 31, 2013 due to their short term nature.

The fair values of the Company's investments in FVTPL and AFS equity instruments as well as the short positions in marketable securities, are based on quoted market prices. The Company has an investment in a fund classified as a Level 3 AFS equity instrument, for which the fair value is based on the fair value of the properties held in the fund.

The fair value of derivative instruments are determined using present value forward pricing and swap calculations at interest rates that reflect current market conditions. The models also take into consideration the credit quality of counterparties, interest rate curves and forward rate curves. As at March 31, 2014, the interest rates ranged from 2.46% to 4.16% (December 31, 2013 – 2.77% to 4.50%).

26. SUPPLEMENTAL OTHER COMPREHENSIVE INCOME (LOSS) INFORMATION

(a) Tax effects relating to each component of other comprehensive income (loss)

Three months ended March 31			2014			2013
(unaudited) (thousands of Canadian dollars)	**Before-Tax Amount**	**Tax Recovery (Expense)**	**Net of Tax Amount**	Before-Tax Amount	Tax Recovery (Expense)	Net of Tax Amount
Unrealized losses on available-for-sale marketable securities	**$ (19)**	**$ 5**	**$ (14)**	$ (380)	$ 49	$ (331)
Reclassification of losses on available-for-sale marketable securities to net income	**36**	**(9)**	**27**	27	(4)	23
Unrealized losses on cash flow hedges	**(4,842)**	**1,273**	**(3,569)**	(208)	55	(153)
Reclassification of losses on cash flow hedges to net income	**78**	**(21)**	**57**	79	(20)	59
Other comprehensive income (loss)	**$ (4,747)**	**$ 1,248**	**$ (3,499)**	$ (482)	$ 80	$ (402)

(b) Accumulated other comprehensive income (loss)

Three months ended March 31			2014			2013
(unaudited) (thousands of Canadian dollars)	**Opening Balance January 1**	**Net Change During the Year**	**Closing Balance March 31**	Opening Balance January 1	Net Change During the Year	Closing Balance March 31
Change in cumulative unrealized gains on available-for-sale marketable securities	**$ (124)**	**$ 13**	**$ (111)**	$ 19	$ (308)	$ (289)
Unrealized losses on cash flow hedges	**(283)**	**(3,512)**	**(3,795)**	(4,199)	(94)	(4,293)
Accumulated other comprehensive loss	**$ (407)**	**$ (3,499)**	**$ (3,906)**	$ (4,180)	$ (402)	$ (4,582)

27. SUPPLEMENTAL CASH FLOW INFORMATION

(a) Items not affecting cash and other items

(unaudited)		Three months ended March 31	
(thousands of Canadian dollars)	**Notes**	**2014**	2013
Rental revenue recognized on a straight-line basis		**$ (1,775)**	$ (3,355)
Investment properties – selling costs	21	**142**	1,156
Realized gains on sale of marketable securities	21	**(481)**	(2,075)
Change in cumulative unrealized (gains) losses on marketable securities classified as FVTPL	21	**(1,285)**	1,336
Losses on settlement of debt	21	**262**	112
Gain on sale of residential inventory	21	**—**	(466)
Non-cash compensation expense		**696**	714
Gain on foreign currency exchange	21	**(2)**	(32)
Deferred income taxes	22	**10,484**	13,126
Unrealized losses on hedges	21	**99**	121
		$ 8,140	$ 10,637

(b) Net change in non-cash operating items

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

(unaudited)	Three months ended March 31	
(thousands of Canadian dollars)	**2014**	2013
Amounts receivable	**$ (7,262)**	$ (4,844)
Prepaid expenses	**(7,635)**	(8,287)
Trade payables and accruals	**373**	2,388
Tenant security and other deposits	**(1,723)**	(64)
Other working capital changes	**(651)**	(1,408)
	$ (16,898)	$ (12,215)

(c) Changes in loans, mortgages and other real estate assets

(unaudited)	Three months ended March 31	
(thousands of Canadian dollars)	**2014**	2013
(Increase) decrease in loans and mortgages receivable, net	**$ (8,903)**	$ 10,612
Investment in marketable securities, net	**(9,188)**	(9,950)
Proceeds from disposition of marketable securities	**7,251**	19,515
	$ (10,840)	$ 20,177

(d) Cash and cash equivalents

(unaudited) (thousands of Canadian dollars)	**March 31, 2014**	December 31, 2013
Cash	**$ 92,780**	$ 4,679
Term deposits	**350**	296
	$ 93,130	$ 4,975

28. 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, 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, for approximately $59.6 million (December 31, 2013 – $60.0 million) to various lenders in connection with certain obligations, including 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 $38.6 million (December 31, 2013 – $43.4 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 finance leases for land. Annual commitments under these ground leases are approximately $1.0 million (December 31, 2013 – $1.0 million) with a total obligation of $23.3 million (December 31, 2013 – $23.5 million).

(e) In two of the Company's shopping centres, the grocery store anchor tenant has a right to purchase its premises on terms that are potentially favourable to each such tenant.

(f) As of March 31, 2014, the Company had outstanding commitments to purchase three properties for an aggregate amount of $19.3 million, subject to customary closing conditions.

(g) The Company has a call option, which expires in October 2022, to purchase an adjacent property. At the same time, there is a put option on the property by the owner that is exercisable between October 2015 and October 2022.

29. RELATED PARTY TRANSACTIONS

(a) Major Shareholder

Gazit-Globe Ltd. ("Gazit") is the principal shareholder of the Company and, as of March 31, 2014, beneficially owns 45.1% (December 31, 2013 – 45.3%) of the common shares of the Company. Norstar Holdings Inc. is the ultimate controlling party. As of March 31, 2014, Alony-Hetz Properties and Investments Ltd. (''Alony-Hetz'') also beneficially owns 8.5% (December 31, 2013 – 8.5%) of the common shares of the Company. Alony-Hetz and Gazit have entered into a shareholders' agreement pursuant to which, among other terms, (i) Gazit has agreed to vote its common shares of the Company in favour of the election of up to two representatives of Alony-Hetz to the Board of Directors of the Company, and (ii) Alony-Hetz has agreed to vote its common shares of the Company in favour of the election of the nominees of Gazit as the remaining directors of the Company.

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:

(unaudited)	Three months ended March 31	
(thousands of Canadian dollars)	**2014**	2013
Reimbursements for professional services	**$ 183**	$ 172

As at March 31, 2014, amounts due from Gazit were $0.2 million (December 31, 2013 – $0.2 million).

(b) Subsidiaries of the Company

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

30. SUBSEQUENT EVENTS

Dividend

The Company announced that it will pay a second quarter dividend of $0.21 per common share on July 10, 2014 to shareholders of record on June 30, 2014.

31. APPROVAL OF INTERIM CONSOLIDATED FINANCIAL STATEMENTS

These interim consolidated financial statements were approved by the Board of Directors and authorized for issue on May 5, 2014.

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TORONTO STOCK EXCHANGE LISTINGS
Common shares:
FCR
5.70% Convertible Debentures:
FCR.DB.D
5.40% Convertible Debentures:
FCR.DB.E
5.25% Convertible Debentures:
FCR.DB.F
5.25% Convertible Debentures:
FCR.DB.G
4.95% Convertible Debentures:
FCR.DB.H
4.75% Convertible Debentures:
FCR.DB.I
4.45% Convertible Debentures:
FCR.DB.J

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Gregory J. Menzies
Executive Vice President, Eastern Canada

Jodi M. Shpigel
Senior Vice President, Central Canada

Roger J. Chouinard
General Counsel and Corporate Secretary

Ralph Huizinga
Vice President, Acquisitions &
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