FIRST CAPITAL

Shopping For Everyday Life

FIRST CAPITAL REALTY INC.

Quarter 1 2015

FIRST QUARTER

Corporate Profile

First Capital Realty (TSX: FCR) is Canada's leading owner, developer and manager of grocery anchored urban properties where people live and shop for everyday life. As at March 31, 2015, the Company owned interests in 157 properties, totaling approximately 24.2 million square feet of gross leasable area. First Capital Realty has an enterprise value of approximately $8.1 billion and its common shares trade on the Toronto Stock Exchange.

Financial Highlights

As at *(thousands of dollars, except per share and other data)*		**March 31, 2015**		December 31, 2014
Total assets	**$**	**8,023,000**	$	7,908,000
Equity market capitalization [1]	**$**	**4,379,000**	$	4,038,000
Total enterprise value [2]	**$**	**8,116,000**	$	7,762,000
Number of properties		**157**		158
Gross leasable area (square feet)		**24,238,000**		24,331,000
Net debt to total assets [3]		**41.8%**		42.2%
Common shares outstanding (in thousands)		**221,949**		216,374
Quarterly dividends per common share	**$**	**0.215**	$	0.215

Three months ended March 31 *(thousands of dollars, except per share and other data)*		**2015**		2014
Property rental revenue [3]	**$**	**165,725**	$	164,041
Net Operating Income ("NOI") [2] [3]	**$**	**101,291**	$	99,373
Funds from Operations ("FFO") [2] [3]				
FFO	**$**	**55,432**	$	53,461
FFO per diluted share	**$**	**0.25**	$	0.26
FFO payout ratio		**86.0%**		80.8%
Operating FFO [2] [4]	**$**	**55,054**	$	52,073
Operating FFO per diluted share	**$**	**0.25**	$	0.25
Adjusted Funds from Operations ("AFFO") [2] [3]				
AFFO	**$**	**57,960**	$	53,978
AFFO per diluted share	**$**	**0.24**	$	0.24
AFFO payout ratio		**89.6%**		87.5%
Operating AFFO [2] [5]	**$**	**57,095**	$	53,497
Operating AFFO per diluted share	**$**	**0.24**	$	0.24

[1] Equity market capitalization includes the market value of common shares at the end of the reporting period.

[2] Enterprise value, NOI, FFO, Operating FFO, AFFO and Operating AFFO are measures of operating performance not defined by International Financial Reporting Standards ("IFRS"). Refer to the "Capital Structure and Liquidity – Capital Employed", "Results of Operations – Net Operating Income ("NOI"), Funds from Operations and Adjusted Funds from Operations" sections of this MD&A for details.

[3] Calculated with all joint ventures proportionately consolidated.

[4] Previously referred to as "FFO excluding other gains (losses) and (expenses)" in the Company's 2014 Annual Report.

[5] Previously referred to as "AFFO excluding other gains (losses) and (expenses)" in the Company's 2014 Annual Report.

Markets*

Greater Toronto Area	33%
Greater Montreal Area	16%
Greater Calgary Area	13%
Greater Vancouver Area	10%
Greater Edmonton Area	9%
Greater Ottawa Area	6%
Golden Horseshoe Area	6%
London Area	3%
Quebec City	3%
Red Deer	1%
Total	**100%**

* Annual Minimum Rents
as of March 31, 2015

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	#OF STORES	% OF RENT	TENANTS
Supermarkets	**123**	**16.8%**	Loblaws, Sobeys, METRO, save on foods, Longo's, Whole Foods
Liquor Stores	**90**	**3.2%**	LCBO, The Beer Store, BC LIQUORSTORES, SAQ, Liquor Depot, Liquor Barn
Banks & Other Financial Institutions	**307**	**9.8%**	RBC, TD, CIBC, BMO, HSBC, National Bank of Canada, Desjardins
Drugstores	**131**	**9.3%**	Shoppers Drug Mart, Rexall, London Drugs, Jean Coutu, Uniprix, The Medicine Shoppe Pharmacy
Medical & Personal Services	**993**	**10.3%**	Alberta Health Services
Fitness	**71**	**3.0%**	GoodLife Fitness Club, Equinox, LA Fitness, Nautilus Plus
Daycare Centres & Schools	**53**	**0.7%**	edleun, KUMON, Oxford Learning, Child Safe Canada, A Child First Preschool Inc.
National & Discount Retailers	**465**	**17.4%**	Walmart, Dollarama, RONA, Staples, Best Buy, Winners, The Home Depot
Restaurants & Casual Dining	**868**	**13.1%**	Tim Hortons, Subway, CARA, McDonald's, Pizza Hut, aroma, Wendy's, Second Cup, Jack Astor's

As of March 31, 2015
The remaining 16% of rent comes from the other category including local/regional retailers and movie theatres.

MD&A

MANAGEMENT'S DISCUSSION AND ANALYSIS

Table of 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 of First Capital Realty Inc. ("First Capital Realty", "FCR" or the "Company") is intended to provide readers with an assessment of performance and summarize the financial position and results of operations for the three months ended March 31, 2015 and 2014. It should be read in conjunction with the Company's audited annual consolidated financial statements for the years ended December 31, 2014 and 2013. Additional information, including the Company's 2014 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 thousands of Canadian dollars, unless otherwise noted. Historical results and percentage relationships contained in the Company's unaudited interim and audited annual consolidated financial statements and MD&A, including trends which might appear, should not be taken as indicative of its future operations. The information contained in this MD&A is based on information available to Management, and is dated as of May 4, 2015.

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 online and levels of percentage rent), interest rates, tenant defaults, borrowing costs (including the underlying interest rates and credit spreads), the general availability of capital and the stability of the capital markets, 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; geographic and tenant concentration; residential *development, sales and leasing; compliance with financial covenants; changes in governmental regulation; environmental liability and compliance costs; unexpected costs or liabilities related to dispositions; challenges associated with the integration of acquisitions into the Company; uninsured losses and First Capital Realty's ability to obtain insurance coverage at a reasonable cost; risks in joint ventures; matters associated with significant shareholders; investments subject to credit and market risk; loss of key personnel; and the ability of 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 4, 2015 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 grocery anchored urban properties where people live and shop for everyday life. As at March 31, 2015, the Company owned interests in 157 properties, totaling approximately 24.2 million square feet of gross leasable area ("GLA").

First Capital Realty's primary strategy is the creation of value over the long term by generating sustainable growth, 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 focused and disciplined in acquiring well-located properties, primarily where there are value creation opportunities, including sites in close proximity to existing properties in the Company's target urban markets;
- proactively manage its existing shopping centre portfolio to drive rent growth;
- increase efficiency and productivity of operations; and
- maintain financial strength and flexibility to achieve a reasonable cost of capital.

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The Company primarily 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 who provide these essential products and services, including supermarkets, drugstores, banks, liquor stores, national discount retailers, restaurants, fitness centres, medical, childcare facilities 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 focused on ensuring the competitive position of its assets in their respective urban and retail trade areas and closely follows demographics and shopping trends for both goods and services.

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 changing retail trends, thus providing stable and growing cash flow over the long term.

Urban Focus

The Company targets specific urban markets in Canada with stable and/or growing populations. Specifically, the Company intends to continue to operate primarily in and around its target urban markets which include the Greater Toronto Area (including the Golden Horseshoe Area and London); Greater Calgary Area; Greater Edmonton Area; Greater Vancouver Area (including Vancouver Island); Greater Montreal Area; Greater Ottawa Area (including Gatineau region); and Quebec City. Over 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 owns and targets well-located properties with strong demographics that Management expects will continue to get even stronger over time, therefore attracting high quality tenants.

Real Estate Investments

Acquisitions

Management seeks to acquire well-located, high quality retail properties and sites in the Company's target urban markets. 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 properties in close proximity. These 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 strong trade areas where the Company does not yet have a presence.

Dispositions

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. Redevelopment activities are focused primarily on the older, well-located shopping centres that the Company owns or 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, give 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 focused 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 one of its operating regions.

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 portfolio 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 finance, 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.

Cost of Capital

The Company seeks to maintain financial strength and flexibility in order to achieve a reasonable 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 structure composition of senior unsecured debt, mortgage debt, revolving credit facilities, convertible debentures and equity 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. 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.

Adoption of New Accounting Standards

The unaudited interim consolidated financial statements for the three months ended March 31, 2015 have been prepared by applying the same accounting policies and methods of computation as compared with the most recent audited annual consolidated financial statements.

Investment Property (Annual Improvements 2011-2013 Cycle)

The amended IAS 40, "Investment Property" ("IAS 40") is effective for annual periods after July 1, 2014 and the Company was required to apply the amendment prospectively for the first time in the unaudited interim consolidated financial statements. The Company was required to adopt the amendment on January 1, 2015. The amended IAS 40 clarifies that IFRS 3, "Business Combinations" ("IFRS 3"), not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or a business combination. In previous periods, the Company has relied on IFRS 3, not IAS 40, in determining whether an acquisition is of an asset or is a business acquisition. The adoption of the amendment by the Company did not result in a material impact to the consolidated financial statements.

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. Refer to the "Forward-Looking Statement Advisory" section of this MD&A.

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

Changing Consumer Habits

The Company continues to observe several demographic and other trends that may affect demand for retail goods and services, including an increasing reliance by consumers on online information to influence their purchasing decisions and an increasing desire to purchase products online, as well as an aging population which is increasingly focused on convenience and health-related goods and services. There is also a shift in consumer demand driven by pockets of ethnic consumers as a result of Canada's immigration policies. Another trend that Management observes is a desire for consumers to live in urban markets and to connect with others through daily or frequent trips to the grocery store, fitness centres, coffee shops and/or restaurants. Management is proactively responding to these consumer changes through its tenant mix, unit sizes and shopping centre locations and designs.

Evolving Retail Landscape

Over the past several years, the Company has observed an increase in entry and/or expansion into the Canadian marketplace by several major U.S. retailers including Whole Foods Market, Walmart, Marshalls, and others. Additionally, there were two major corporate transactions involving four of the Company's tenants: the purchase of Shoppers Drug Mart by Loblaw and the purchase of Safeway Canada by Sobeys. Although this repositioning resulted in new opportunities for the Company, it also resulted in an increasingly competitive retail landscape in Canada. Over the past several months, a number of retailers have announced store closures and/or bankruptcies, including Mexx, Future Shop and Target. Although the Company's exposure to these retailers is limited, these store closures will, in the short term, result in increased availability of retail space across Canada and have the potential to impact retail rental rates and leasing fundamentals.

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

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

Growth

The Same Property portfolio delivered strong net operating income growth of 4.4% for the three months ended March 31, 2015 as compared to the prior year period. The growth in NOI was primarily due to higher Same Property occupancy levels, increased rental rates due to lease step-ups, higher rental rates on lease renewals and new tenant openings at higher rental rates than tenant closures.

As at March 31, 2015, the Same Property portfolio was 96.4% occupied and the total portfolio was 95.6% occupied. The Company had 0.5% of the portfolio held as vacant space for development.

Urban municipalities where the Company operates continue to focus on increasing density within the existing boundaries of infrastructure. This provides the Company with multiple development and redevelopment opportunities in its existing portfolio of urban properties, which includes an inventory of adjacent land sites and development land. As at March 31, 2015, the Company had identified approximately 2.8 million square feet of incremental density available in the portfolio for future development of retail and mixed use space of which approximately 1.2 million square feet of development projects are currently underway.

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 that is more associated with project execution rather than market risk as projects are located in well-established urban communities with existing demand for goods and services. The Company has a long and successful track record of development activities and will continue to carefully manage the risks associated with such projects.

During the quarter, the Company delivered 53,000 square feet of developed and redeveloped space of which 42,000 square feet was occupied during the quarter at an average net rental rate of $34.99 per square foot, well above the average rent for the entire portfolio.

Transaction Activity

The property acquisition environment remains extremely competitive for assets of similar quality to those the Company owns. There are typically multiple bids on high quality properties, and asset valuations reflect strong demand for well-located income-producing assets. Therefore, the Company expects to focus on development and redevelopment of existing assets as the primary means to grow the portfolio while continuing to make selective acquisitions that complement the existing portfolio.

During the quarter, the Company acquired two properties for $24.8 million. The properties are located within close proximity to existing shopping centres undergoing major redevelopments in Toronto and Calgary adding 42,400 square feet of existing leasable area to the portfolio. Additionally, the Company invested $50.7 million in development and redevelopment activities during the quarter.

The Company continues to carefully evaluate its properties and will occasionally dispose of non-core properties. This allows the Company to recycle capital into its core urban redevelopment projects where population, rent growth and consumer trends present the opportunity for long-term growth. During the quarter, the Company disposed of a 136,700 square foot, non-core property in Delson, Quebec for gross proceeds of $21.5 million.

Economy and Access to Capital

Canada's economy is growing at a relatively modest pace, however, uncertainty has increased as a result of strong downward pressure on oil prices, the declining value of the Canadian dollar and high average household debt levels. The U.S. continues to show positive signs of accelerating growth but other global economic markets remain uncertain. Long-term bond yields declined in 2014 and during the first quarter of 2015 while market volatility increased. Although the equity and long-term debt markets remain accessible, pricing can vary based on the current market outlook for growth and interest rates. The Company will continue to focus on maintaining access to all sources of long-term capital at a reasonable cost.

In January 2015, the Company completed the issuance of an additional $90.0 million principal amount of its Series S senior unsecured debentures. The debentures have an effective interest rate of 3.9%, and mature on July 31, 2025 which represented a term to maturity of 10.5 years. The Company repaid $70.5 million of mortgages during the quarter with a weighted average effective interest rate of 4.1%. As at March 31, 2015, the Company had $3.3 billion of unsecured debentures and mortgages outstanding at a weighted averaged effective interest rate of 4.8% and a weighted average term to maturity of 5.9 years.

In February 2015, the Company issued 4.4 million common shares at a price of $19.80 for gross proceeds of $86.5 million. These financing activities will continue to support the Company's on-going development and redevelopment activities.

Currently, financing is 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 investment criteria, spreads continue to be tight. In addition, well-located urban properties rarely trade in the market and attract significant competition when they do. As a result, the urban property acquisitions completed by the Company typically do not provide material accretion to the Company's results in the immediate term. However, the Company will continue to selectively acquire high quality, well-located properties that add strategic value and/or operating synergies, provided that they will be accretive to FFO 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.

Specifically, Management is focused on the following six areas to achieve its objectives through 2015 and into 2016:

- development, redevelopment and repositioning activities including land use intensification;
- selective acquisitions of strategic assets and sites in close proximity to existing properties in the Company's target urban markets;
- 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 and flexibility to achieve a reasonable cost of capital over the long-term.

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

CORPORATE RESPONSIBILITY AND SUSTAINABILITY

The Company 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 build all new developments to Leadership in Energy and Environmental Design ("LEED") standards subject to tenant acceptance. In 2009, the Company published its first Corporate Sustainability Report identifying five long-term goals. Since 2011, the Company has published annual Corporate Responsibility and Sustainability ("CRS") Reports. These CRS 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 have issued a GRI-compliant and externally assured CRS report.

In April 2014, the Company was ranked sixth in Corporate Knights Inaugural Future 40 Responsible Corporate Leaders in Canada. This ranking evaluated more than 200 companies with revenues of less than $2.0 billion dollars for their sustainability and disclosure practices. The Company was the highest ranked real estate company in this list. In June 2014, the Company responded to the 2014 Carbon Disclosure Project Information Request, disclosing information on the Company’s greenhouse gas emissions, energy use, and risks and opportunities from climate change.

On the environmental front, the Company continues to develop its properties to LEED standards subject to tenant acceptance. As at March 31, 2015, 87 projects comprising 2.0 million square feet of GLA were certified to LEED standards. Another 57 projects comprising 1.8 million square feet of GLA are registered for LEED certification.

In 2011, the Company began the process of seeking Building Owners and Managers Association (“BOMA”) Building Environmental Standards (“BESt”) certification for existing properties. BOMA BESt is the largest environmental assessment and certification program for existing buildings in Canada. As at March 31, 2015, 90 properties comprising 8.0 million square feet of the Company’s total GLA were certified to BOMA BESt.

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 focused on building the long-term value of the Company.

For more information on the Company’s Corporate Responsibility and Sustainability practices, refer to the latest CRS report on the Company's website at www.firstcapitalrealty.ca.

SUMMARY CONSOLIDATED INFORMATION AND HIGHLIGHTS

As at March 31 *(thousands of dollars, except other data)*	2015	2014
Operations Information		
Number of properties	**157**	164
GLA (square feet)	**24,238,000**	24,525,000
Occupancy – Same Property – stable (1)	**96.5%**	95.8%
Total portfolio occupancy	**95.6%**	95.3%
Development pipeline and adjacent land (GLA) (2)	**2,842,000**	2,549,000
Average rate per occupied square foot	**$ 18.40**	$ 18.06
GLA developed and brought on line year-to-date (square feet)	**53,000**	35,000
Same Property – stable NOI – increase over prior year (1) (3)	**4.6%**	1.2%
Total Same Property NOI – increase over prior year (1) (3)	**4.4%**	2.5%
Financial Information		
Investment properties – shopping centres (4)	**$ 7,548,466**	$ 7,210,150
Investment properties – development land (4)	**$ 32,874**	$ 170,568
Total assets	**$ 8,022,510**	$ 7,784,774
Mortgages and credit facilities (4)	**$ 1,093,808**	$ 1,245,691
Senior unsecured debentures payable	**$ 2,243,091**	$ 2,164,136
Convertible debentures payable	**$ 372,983**	$ 374,916
Shareholders' equity	**$ 3,566,144**	$ 3,321,059
Capitalization and Leverage		
Shares outstanding (in thousands)	**221,949**	209,150
Enterprise value (5)	**$ 8,116,000**	$ 7,485,000
Net debt to total assets (5) (6) (7)	**41.8%**	43.6%
Weighted average maturity on mortgages and senior unsecured debentures (years)	**5.9**	5.5

Three months ended March 31 *(thousands of dollars, except per share and other data)*		2015		2014
Revenues, Income and Cash Flows				
Revenues [8]	**$**	**167,942**	$	165,477
Net operating income ("NOI") [8] [9]	**$**	**100,093**	$	98,584
Corporate expenses, excluding non-cash compensation and incremental leasing costs [6]				
As a percentage of rental revenue		**4.7%**		3.5%
As a percentage of total assets		**0.4%**		0.3%
Decrease in value of investment properties, net [8]	**$**	**(334)**	$	(6,288)
Net income attributable to common shareholders	**$**	**45,901**	$	35,214
Net income per share attributable to common shareholders (diluted)	**$**	**0.21**	$	0.17
Cash provided by operating activities	**$**	**37,648**	$	70,131
Adjusted cash flow from operating activities [5]	**$**	**53,802**	$	62,945
Dividends				
Regular dividends	**$**	**47,759**	$	43,967
Regular dividends per common share	**$**	**0.215**	$	0.210
Weighted average number of common shares – diluted (in thousands)		**223,652**		209,597
Funds from Operations ("FFO") [9]				
FFO	**$**	**55,432**	$	53,461
FFO per diluted share	**$**	**0.25**	$	0.26
Operating FFO [9] [10]	**$**	**55,054**	$	52,073
Operating FFO per diluted share	**$**	**0.25**	$	0.25
Adjusted Funds from Operations ("AFFO") [9]				
AFFO	**$**	**57,960**	$	53,978
AFFO per diluted share	**$**	**0.24**	$	0.24
Operating AFFO [9] [11]	**$**	**57,095**	$	53,497
Operating AFFO per diluted share	**$**	**0.24**	$	0.24

(1) Same Property – stable NOI and Total Same Property NOI are measures of operating performance not defined by IFRS. Refer to the "Business and Operations Review – Real Estate Investments - Investment Property Categories" section of this MD&A.

(2) Square footage does not include potential development on properties held through the Company's Main and Main Developments LP ("Main and Main Developments") joint venture. Refer to the "Business and Operations Review – Properties Under Development – Main and Main Developments" section of this MD&A.

(3) Calculated based on the year-to-date NOI.

(4) Includes properties classified as held for sale.

(5) Enterprise value, Net debt to total assets and adjusted cash flow from operating activities are measures not defined by IFRS. Refer to the "Capital Structure and Liquidity – Capital Employed" section of this MD&A.

(6) Calculated with joint ventures, including joint ventures accounted for on the equity basis under IFRS, proportionately consolidated.

(7) Calculated net of cash balances as at the end of the period.

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

(9) NOI, FFO, Operating FFO, AFFO and Operating AFFO are measures of operating performance not defined by IFRS. Refer to the "Results of Operations – Net Operating Income ("NOI"), Funds from Operations and Adjusted Funds from Operations" section of this MD&A.

(10) Previously referred to as "FFO excluding other gains (losses) and (expenses)" in the Company's 2014 Annual Report.

(11) Previously referred to as "AFFO excluding other gains (losses) and (expenses)" in the Company's 2014 Annual Report.

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 in close proximity 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 as well as 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 Condensed Consolidated Balance Sheet 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 ventures and the related share of revenues, expenses, assets and liabilities on a proportionately consolidated basis at the Company's ownership interest in the joint ventures.

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

As at			**March 31, 2015**	December 31, 2014
(thousands of dollars)	**Consolidated Balance Sheet**	**Adjustments for Equity Method to Proportionate Interest**	**Proportionate Interest**	Proportionate Interest
ASSETS				
Investment properties – shopping centres	**$ 7,479,370**	**$ 98,081**	**$ 7,577,451**	$ 7,364,745
Investment properties – development land	**26,374**	**47,136**	**73,510**	53,776
Investment in joint ventures	**176,757**	**(176,757)**	**—**	—
Investment properties classified as held for sale	**75,596**	**—**	**75,596**	205,133
Other	**264,413**	**6,773**	**271,186**	267,778
Total assets	**$ 8,022,510**	**$ (24,767)**	**$ 7,997,743**	$ 7,891,432
LIABILITIES				
Mortgages and credit facilities	**$ 1,093,808**	**$ 13,051**	**$ 1,106,859**	$ 1,183,823
Other	**3,325,293**	**(553)**	**3,324,740**	3,237,338
Total liabilities	**4,419,101**	**12,498**	**4,431,599**	4,421,161
EQUITY				
Shareholders' equity	**3,566,144**	**—**	**3,566,144**	3,470,271
Non-controlling interest	**37,265**	**(37,265)**	**—**	—
Total equity	**3,603,409**	**(37,265)**	**3,566,144**	3,470,271
Total liabilities and equity	**$ 8,022,510**	**$ (24,767)**	**$ 7,997,743**	$ 7,891,432

Portfolio Overview

As at March 31, 2015, the Company had interests in 157 investment properties – shopping centres, that were 95.6% occupied with a total GLA of 24.2 million square feet. This compares to 158 investment properties – shopping centres which were 96.0% occupied with a total GLA of 24.3 million square feet as at December 31, 2014 and 164 investment properties – shopping centres which were 95.3% occupied with a total GLA of 24.5 million square feet at March 31, 2014. The 287,000 square feet decline in GLA since March 31, 2014 is primarily a result of dispositions. The average size of the shopping centres is approximately 154,000 square feet, with sizes ranging from approximately 11,000 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 142 properties totaling 20.7 million square feet of GLA with a fair value of $6.1 billion. These properties represent 90.4% of the Company's property count, 85.4% of its GLA and 79.2% of its fair value. During the three months ended March 31, 2015, these properties generated $85.5 million of NOI which is 84.4% of the Company's total NOI. The stability of the portfolio is reflected in its occupancy of 96.4% as at March 31, 2015, slightly lower than 96.8% as at December 31, 2014.

The balance of the Company's real estate assets consists of shopping centres with significant value enhancement opportunities that are in various stages of redevelopment, shopping centres and properties in close proximity to existing properties acquired in 2015 or 2014, 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 focused primarily on older, well-located shopping centres that the Company owns or 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.

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

As at	**March 31, 2015**					December 31, 2014				
(millions of dollars, except other data)	**Number of Properties**	**GLA (000s sq. ft.)**	**Fair Value**	**Occupancy**	**Weighted Average Rate per Square Foot**	Number of Properties	GLA (000s sq. ft.)	Fair Value	Occupancy	Weighted Average Rate per Square Foot
Same Property – stable	**127**	**18,082**	**$ 5,425**	**96.5%**	**$ 18.49**	127	18,090	$ 5,384	96.8%	$ 18.53
Same Property with incremental redevelopment and expansion	**15**	**2,609**	**631**	**95.8%**	**16.53**	15	2,600	625	96.9%	16.40
Total Same Property	**142**	**20,691**	**6,056**	**96.4%**	**18.24**	142	20,690	6,009	96.8%	18.26
Major redevelopment	**9**	**2,377**	**1,011**	**90.7%**	**19.69**	9	2,372	997	90.7%	19.55
Ground-up development	**3**	**529**	**283**	**90.9%**	**16.04**	3	528	261	90.9%	18.55
Acquisitions – 2015 [1]	**—**	**42**	**47**	**74.8%**	**31.08**	—	—	—	—%	—
Acquisitions – 2014	**2**	**467**	**181**	**91.9%**	**26.20**	2	472	194	92.0%	26.40
Investment properties classified as held for sale [2] [3]	**1**	**132**	**69**	**100.0%**	**12.75**	1	132	69	100.0%	13.07
Dispositions – 2015	**—**	**—**	**—**	**—%**	**—**	1	137	21	93.1%	12.65
Total	**157**	**24,238**	**$ 7,647**	**95.6%**	**$ 18.40**	158	24,331	$ 7,551	96.0%	$ 18.42

(1) Adjacent properties in close proximity to existing properties.

(2) The number of properties and GLA exclude a shopping centre that is 50% held for sale. The GLA and property count for this shopping centre is included in Same Property with incremental redevelopment and expansion.

(3) The fair value excludes development land held for sale of $7 million.

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

As at	March 31, 2015						December 31, 2014					
(millions of dollars, except other data)	**Number of Properties**	**GLA (000s sq. ft.)**	**Fair Value**	**Occupancy**	**Weighted Average Rate per Occupied Square Foot**	**% of Annual Minimum Rent**	Number of Properties	GLA (000s sq. ft.)	Fair Value	Occupancy	Weighted Average Rate per Occupied Square Foot	% of Annual Minimum Rent
Central Region												
Greater Toronto Area	**44**	**6,667**	**$ 2,720**	**96.4%**	**$ 21.32**	**33%**	44	6,637	$ 2,674	96.6%	$ 21.23	32%
Golden Horseshoe Area	**8**	**1,609**	**376**	**98.7%**	**15.16**	**6%**	8	1,604	382	99.0%	15.11	6%
London Area	**7**	**687**	**166**	**98.5%**	**15.42**	**3%**	7	691	166	98.0%	15.40	3%
	59	**8,963**	**3,262**	**97.0%**	**19.74**	**42%**	59	8,932	3,222	97.1%	19.66	41%
Eastern Region												
Quebec City	**5**	**1,009**	**170**	**95.5%**	**10.84**	**3%**	5	1,009	168	96.1%	11.20	3%
Greater Montreal Area	**34**	**4,858**	**1,162**	**93.2%**	**14.64**	**16%**	35	5,019	1,173	93.6%	15.02	17%
Greater Ottawa Area	**11**	**1,965**	**442**	**96.6%**	**16.65**	**6%**	11	1,964	427	97.1%	16.61	7%
Other	**1**	**121**	**23**	**98.2%**	**13.93**	**—%**	1	121	23	98.2%	13.90	—%
	51	**7,953**	**1,797**	**94.4%**	**14.65**	**25%**	52	8,113	1,791	94.8%	14.91	27%
Western Region												
Greater Calgary Area	**15**	**2,496**	**960**	**97.6%**	**22.10**	**13%**	15	2,454	911	98.3%	21.81	12%
Red Deer	**1**	**244**	**73**	**96.8%**	**19.50**	**1%**	1	244	73	98.8%	19.73	1%
Greater Edmonton Area	**12**	**2,391**	**687**	**94.2%**	**18.30**	**9%**	12	2,396	684	95.0%	18.38	9%
Greater Vancouver Area	**19**	**2,191**	**868**	**93.5%**	**22.10**	**10%**	19	2,192	870	93.8%	22.22	10%
	47	**7,322**	**2,588**	**95.2%**	**20.78**	**33%**	47	7,286	2,538	95.9%	20.74	32%
Total	**157**	**24,238**	**$ 7,647**	**95.6%**	**$ 18.40**	**100%**	158	24,331	$ 7,551	96.0%	$ 18.42	100%

Valuation of Investment Properties Under IFRS

During the three months ended March 31, 2015, the weighted average stabilized capitalization rate of the Company's investment property portfolio decreased from 5.79% as at December 31, 2014 to 5.74%, including the impact of dispositions, acquisitions, and development activities. The Company's proportionate interest in the net increase in value of investment properties was $4.4 million from December 31, 2014 to March 31, 2015. The Company experienced a 5 basis point decrease in the weighted average stabilized capitalization rate and higher stabilized net operating income ("SNOI"), with the capitalization rate compression primarily occurring in the Western region, specifically in the Greater Vancouver Area.

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, in accordance with 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 staff appraisers employed by the Company, in accordance with 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. 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 to other properties and 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 $267.6 million.

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, 2015 and December 31, 2014:

As at March 31, 2015						
		Capitalization Rate				
(millions of dollars, except other data)	Number of Properties	Weighted Average	Median	Range	Fair Value	Fair Value per sq. ft. (in dollars) [1]
Central Region	**59**	**5.62%**	**5.75%**	**4.75%-8.75%**	**$ 3,262**	**$ 364**
Eastern Region	**51**	**6.14%**	**6.00%**	**5.00%-7.50%**	**1,797**	**226**
Western Region	**47**	**5.61%**	**5.75%**	**4.75%-7.25%**	**2,588**	**353**
Total or Weighted Average	**157**	**5.74%**	**5.80%**	**4.75%-8.75%**	**$ 7,647**	**$ 315**

As at December 31, 2014						
		Capitalization Rate				
(millions of dollars, except other data)	Number of Properties	Weighted Average	Median	Range	Fair Value	Fair Value per sq. ft. (in dollars) [1]
Central Region	59	5.63%	5.75%	4.75%-8.22%	$ 3,222	$ 361
Eastern Region	52	6.18%	6.00%	5.00%-7.50%	1,791	221
Western Region	47	5.74%	5.75%	5.00%-7.00%	2,538	348
Total or Weighted Average	158	5.79%	6.00%	4.75%-8.22%	$ 7,551	$ 310

[1] Calculated using regional fair value divided by regional GLA.

The sensitivity of the fair values of shopping centres to capitalization rates as at March 31, 2015 is set out in the table below:

As at March 31, 2015	*(millions of dollars)*
(Decrease) Increase in capitalization rate	Resulting increase (decrease) in value of shopping centres
(0.75)%	$ 1,041
(0.50)%	$ 661
(0.25)%	$ 316
0.25%	$ (289)
0.50%	$ (556)
0.75%	$ (801)

Additionally, a 1% increase or decrease in SNOI would result in an increase or decrease, respectively, in the fair value of shopping centres of $70 million. A 1% increase in SNOI coupled with a 0.25% decrease in capitalization rate would result in an increase in the fair value of shopping centres of $388 million, and a 1% decrease in SNOI coupled with a 0.25% increase in capitalization rate would result in a decrease in the fair value of shopping centres of $356 million.

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.

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	**2015**	2014
(millions of dollars)		
Balance at beginning of period	**$ 7,474**	$ 7,126
Acquisitions		
Shopping centres and additional adjacent spaces	**25**	52
Land parcels in close proximity to existing properties	**—**	2
Development activities and portfolio improvements	**67**	37
Increase (decrease) in value of investment properties, net	**2**	(5)
Dispositions	**(22)**	(4)
Other changes	**3**	2
Balance at end of period	**$ 7,549**	$ 7,210
Investment in joint ventures – shopping centres [1]	**98**	49
Proportionate interest end of period [2]	**$ 7,647**	$ 7,259

(1) This consists of the Company's investments in Main and Main Developments and Main and Main Urban Realty. Refer to the "Business and Operations Review – Properties Under Development – Main and Main Developments" section of this MD&A.
(2) Includes investment properties classified as held for sale totaling $69 million.

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	**2015**	2014
(millions of dollars)		
Balance at beginning of period	**$ 35**	$ 166
Acquisitions	**—**	4
Development activities	**—**	3
Decrease in value of investment properties, net	**(3)**	(1)
Other	**1**	(1)
Balance at end of period	**$ 33**	$ 171
Investment in joint ventures – development land [1]	**47**	—
Proportionate interest end of period [2]	**$ 80**	$ 171

(1) This consists of the Company's investments in Main and Main Developments and Main and Main Urban Realty. Refer to the "Business and Operations Review – Properties Under Development – Main and Main Developments" section of this MD&A.

(2) Includes investment properties classified as held for sale totaling $7 million.

2015 Acquisitions

Management continues 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 seeks 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.

Income producing properties – Shopping Centres and Additional Adjacent Spaces

During the three months ended March 31, 2015, the Company acquired two properties in close proximity to existing shopping centres, as summarized in the table below:

Count	Property	City	Province	Quarter Acquired	GLA (square feet)		Acquisition Cost (in millions)
1.	880-16th Ave., 1508-8th Street (Mount Royal Village)	Calgary	AB	Q1	42,400	$	23.4
2.	Yorkville Village Adjacent Properties	Toronto	ON	Q1	—	$	1.4
	Total				42,400	$	24.8

2015 Disposition

During the three months ended March 31, 2015, the Company sold one property in Delson, Quebec, representing 136,700 square feet of GLA for gross proceeds of $21.5 million. This disposition is in line with the Company's 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 sheet.

Included in investment properties classified as held for sale as at March 31, 2015 are one shopping centre, a 50% interest in one other shopping centre and one development land parcel with an aggregate fair value of approximately $75.6 million that meet the financial reporting criteria to be classified as held for sale.

Acquisitions and Dispositions Subsequent to March 31, 2015

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. The Company expects to continue current discussions and actively pursue other acquisition, investment and disposition opportunities.

Properties Under Development

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

Development Pipeline

Development and redevelopment projects may occur in phases with a component of the project completed and included in income producing properties and the uncompleted component included in properties under development. As at March 31, 2015, the Company had $542 million of properties under development at invested cost.

The Company has currently identified 2.8 million square feet of additional GLA available in the portfolio for future development of retail and mixed-use space (December 31, 2014 – 2.4 million square feet). This includes 1.2 million square feet of development and redevelopment projects currently underway.

A breakdown of the Development Pipeline by components is as follows:

			Invested Cost (in millions)		
	Number of Sites	Square Feet [1] (in thousands)	Active Development	Pre-Development Activities	Total
2015 Development and Redevelopment Activities					
Same Property with incremental redevelopment and expansion	6	67	$ 19	$ —	$ 19
Major redevelopment	9	296	159	67	226
Ground-up development	3	828	82	18	100
Total 2015 Development and Redevelopment Activities	18	1,191	$ 260	$ 85	$ 345
Land with Future Development Potential [2]					
Land parcels in close proximity to/part of existing properties	39	809	$ —	$ 112	$ 112
Development land [3]	6	842	—	85	85
Total Land with Future Development Potential	45	1,651	—	197	197
Total Development Pipeline	63	2,842	$ 260	$ 282	$ 542

(1) 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.
(2) Certain land parcels are in various stages of pre-development activities. Future development potential does not include properties classified as Residential Development Inventory and Main and Main Developments.
(3) One land parcel with future development potential of 97,000 square feet is included in investment properties held for sale.

During the first quarter of 2015, the Company had tenant closures for redevelopment of 55,000 square feet at an average rental rate of $16.47 per square foot. Of this 55,000 square feet, 33,000 square feet was demolished during the quarter.

As at March 31, 2015, the Company had 168,000 square feet of vacant space (0.5% vacancy) being held primarily for major redevelopment and expansion projects in various stages of pre-development activities. This 168,000 square feet is in addition to the Company's development pipeline.

2015 Development and Redevelopment Coming Online

Development and redevelopment coming online includes both leased and unleased space brought online 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.

During the three months ended March 31, 2015, the Company completed 53,000 square feet in development and redevelopment activities. During the period 42,000 square feet of this space was occupied at an average rental rate of $34.99 per square foot, and the remainder is expected to be leased in the next 12 months. The average lease rate on the space was above the average rate for the portfolio, thus realizing on the growth potential through development and redevelopment activities.

2015 Development and Redevelopment Activities

The Company's properties with development and redevelopment activities currently in progress or at completion are expected to have a weighted average going-in NOI yield of 5.5% on completion, and range from 4.7% to 8.5%. This yield is derived from the expected going-in run rate based on stabilized leasing and operations following completion of the development, and includes all building cost, land cost, interest and other carrying costs as well as capitalized staff compensation and other expenses. However, actual rates of return could differ if development costs exceed currently forecast costs, if final lease terms include shortfalls from operating cost or property tax recoveries, or if there are other unforeseen events that 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.

A summary of 2015 development and redevelopment activities is as follows:

As at March 31, 2015 *(thousands of dollars, except for other data)*					Invested Cost		
	Planned Square Feet Upon Completion	Existing Square Feet	Square Feet Under Development	Total Estimated Cost incl. Land	Under Active Development	Income Producing Properties	Estimated Cost to Complete
Same Property with incremental redevelopment and expansion							
Active development and at completion	46,000	—	46,000	$ 26,530	$ 11,001	$ —	$ 15,529
In pre-development	21,000	—	21,000	17,288	7,924	—	9,364
	67,000	—	67,000	$ 43,818	$ 18,925	$ —	$ 24,893
Major redevelopment							
Active development	750,000	454,000	296,000	$ 595,299	$ 159,223	$ 345,705	$ 90,371
Ground-up development							
Active development and at completion	1,363,000	535,000	828,000	418,611	82,138	184,163	152,310
Total	2,180,000	989,000	1,191,000	$1,057,728	$ 260,286	$ 529,868	$ 267,574

Costs to complete the development, redevelopment and expansion activities underway are estimated to be approximately $267.6 million. Costs to complete major redevelopments and ground-up developments, respectively, are planned at $48.1 million and $63.6 million in the remainder of 2015, and $42.2 million and $88.7 million in 2016 and beyond.

2015 development and redevelopment activities are summarized in the tables below by investment property category and additionally by development status (active development, at completion and 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, 2015, the invested cost in these projects totaled $18.9 million, and includes incremental investment primarily related to pads or building extensions and often includes façade, parking, lighting and building upgrades. Of the 46,000 square feet under active redevelopment, 17,000 square feet is subject to committed leases at a weighted average rate of $35.96 per square foot. The Company is currently in various stages of negotiations for the remaining planned space.

As at March 31, 2015							
(thousands of dollars, except for other data)							
Count/Property		Tenants	Square Feet Under Development	Target Completion Date	Total Estimated Cost incl. Land	Invested Cost	Estimated Cost to Complete
	Same Property with incremental redevelopment and expansion – active redevelopment						
1.	Carrefour Charlemagne, Charlemagne, QC	Barbies Bar & Grill	16,000	Q3, 2015	$ 6,510	$ 2,483	$ 4,027
2.	Loblaws Plaza, Ottawa, ON	BMO	8,000	Q2, 2016	7,730	3,728	4,002
3.	Wellington Corner, London, ON	Leasing underway	4,000	Q1, 2016	2,473	1,162	1,311
4.	Fairway Plaza, Kitchener, ON	Leasing underway	13,000	Q2, 2016	8,572	2,825	5,747
5.	West Springs Village, Calgary, AB	Subway and other	5,000	Q2, 2015	1,245	803	442
			46,000		$ 26,530	$ 11,001	$ 15,529
	Same Property with incremental redevelopment and expansion – in pre-development						
1.	Pemberton Plaza, Vancouver, BC		21,000	Q2, 2016	$ 17,288	$ 7,924	$ 9,364
	Total Same Property with incremental redevelopment and expansion		67,000		$ 43,818	$ 18,925	$ 24,893

In addition to the projects listed in the table above, the Same Property with incremental redevelopment and expansion projects include seven properties with projects completed in prior periods and two in an early pre-development planning stage. These projects, together with the projects listed in the table above, make up the 15 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 2014 Annual Report.

Major Redevelopment

The Company classifies nine properties totaling $1.0 billion in invested cost as properties with major redevelopment activities. Of the approximately 296,000 square feet under active redevelopment, 104,000 square feet is subject to committed leases at a weighted average rate of $32.86 per square foot. As construction on these redevelopment projects occurs in phases, there continue to be ongoing negotiations in various stages with certain retailers for the remaining planned space. For details on major redevelopment properties, refer to the Company's 2014 Annual Report.

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

As at March 31, 2015

(thousands of dollars, except for other data)

	Count/Property	Major Tenants/ Development Status	Planned Square Feet Upon Completion	Completed or Existing Square Feet (1)	Square Feet Under Development	Target Completion Date	Total Estimated Cost incl. Land	Invested Cost	Estimated Cost to Complete	Fair Value
	Major redevelopment – with active development									
1.	Carre Lucerne Assets, Montreal, QC	Provigo, Pharmaprix	117,000	31,000	86,000	Q3, 2017	$ 53,860	$ 38,157	$ 15,703	
2.	Mount Royal Village Assets, Calgary, AB	London Drugs, Oasis Spa and Wellness, GoodLife Fitness,	348,000	185,000	163,000	Q3, 2017	202,539	160,898	41,641	
3.	Yorkville Village Assets, Toronto, ON	Whole Foods Market, Equinox Fitness	285,000	238,000	47,000	Q2, 2016	338,900	305,873	33,027	
			750,000	454,000	296,000		$ 595,299	$ 504,928	$ 90,371	
	Major redevelopment – in pre-development									
1.	Humbertown Shopping Centre, Toronto, ON	Advanced entitlements		108,000			$ 59,583	$ 59,583		
2.	Victoria Park Centres, Toronto, ON	Planning underway		484,000			131,929	131,929		
3.	Place Portobello Assets, Brossard, QC	Planning underway		575,000			88,366	88,366		
4.	Semiahmoo Shopping Centre, Surrey, BC	Planning underway		230,000			98,422	98,422		
5.	Macleod Trail Assets, Calgary, AB	Planning underway		300,000			92,909	92,909		
6.	3080 Yonge Street, Toronto, ON	Planning underway		235,000			66,133	66,133		
				1,932,000	—		$ 537,342	$ 537,342	$ —	
	Total major redevelopment			2,386,000	296,000		$1,132,641	$ 1,042,270	$ 90,371	$1,010,808 (2)

(1) Includes vacant units held for redevelopment.
(2) Adjacent properties with an aggregate fair value of $52 million are included in Acquisitions – 2015 and Acquisitions – 2014 categories.

Ground-up Development

The Company classifies three properties totaling $284 million in invested cost as ground-up development properties underway or completed. Of the approximately 828,000 square feet under active development, 94,000 square feet is subject to committed leases at a weighted average rate of $24.00 per square foot. As construction on ground-up developments occurs in phases, there continues to be ongoing negotiations in various stages with retailers for the remaining planned space. For details on ground-up development properties, refer to the Company's 2014 Annual Report.

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

As at March 31, 2015										
(thousands of dollars, except for other data)										
Count/Property		Major Tenants	Planned Square Feet Upon Completion	Completed or Existing Square Feet	Square Feet Under Development	Target Completion Date	Total Estimated Cost incl. Land	Invested Cost	Estimated Cost to Complete	Fair Value
	Ground-up development – with active development									
1.	Carrefour du Plateau-des-Grives, Gatineau, QC	Canadian Tire, Sports Experts	222,000	201,000	21,000	Q2, 2015	$ 55,786	$ 50,021	$ 5,765	
2.	The Brewery District Edmonton, AB [1]	Loblaws City Market, GoodLife Fitness	320,000	—	320,000	Q2, 2016	79,385	32,096	47,289	
	King High Line (Shops at King Liberty), Toronto, ON [1] [2] [3]		487,000	—	487,000	Q3, 2017	142,791	46,931	95,860	
			1,029,000	201,000	828,000		$ 277,962	$ 129,048	$ 148,914	
	Ground-up development – at completion									
1.	Place Viau Assets, Montreal, QC	Walmart, Michaels, Marshalls, Dollarama	334,000	334,000	—	Q1, 2015	$ 140,649	$ 137,253	$ 3,396	
	Total ground-up development – at completion		334,000	334,000	—		$ 140,649	$ 137,253	$ 3,396	
	Ground-up development – pre-development									
	Rutherford Marketplace, Vaughan, ON (Residential) [2]		—	—	—		$ 17,494	$ 17,494	$ —	
	Total ground-up development – pre-development		—	—	—		$ 17,494	$ 17,494	$ —	
	Total ground-up development		1,363,000	535,000	828,000		$ 436,105	$ 283,795	$ 152,310	$ 283,104

[1] The Company has 50% ownership interest in the property.
[2] These land parcels are additional phases forming part of existing stable income-producing properties.
[3] The square feet under development comprises 157,000 square feet of retail and 330,000 square feet of residential space.

Main and Main Developments

The Company has an interest in a Toronto and Ottawa urban development partnership (known as M+M Urban Realty LP ("Main and Main Urban Realty")) between the Company, Main and Main Developments (itself a joint venture between the Company and a private developer) and a prominent Canadian institutional investor. The partners of Main and Main Urban Realty have collectively committed a total of $320.0 million of equity capital for the current and future growth and development of the Main and Main Urban Realty portfolio, of which First Capital Realty's direct and indirect commitment is approximately $167.0 million (of which $126.6 million has been invested as at March 31, 2015). Decisions in Main and Main Urban Realty are made unanimously as between Main and Main Developments and First Capital Realty together on the one hand, and the institutional investor on the other hand. Main and Main Developments provides asset and property management services for Main and Main Urban Realty's property portfolio. The Company's 2014 Annual Report contains a chart that illustrates, in a simplified form, the ownership of Main and Main Developments and Main and Main Urban Realty.

The Main and Main Developments management team brings a skill set and focus to the assembly and redevelopment of sites that are smaller than the Company's typical properties and are normally acquired or assembled via multiple adjacent land parcel acquisitions. Main and Main Developments' core business strategy is to create value in the Main and Main Urban Realty portfolio through the strategic acquisition of assets in under-serviced transit-oriented urban retail nodes and then reposition, rezone and/or redevelop (including through mixed use development) these assets to their highest and best use, with a view to creating and owning new urban retail formats in high-demand locations. Each of Main and Main Urban Realty's 22 assembly projects are located on a major street in Toronto or Ottawa. One project in Ottawa is in the excavation phase of construction and two projects in Toronto are in the pre-development planning stage. As at March 31, 2015, the fair value of the Main and Main Urban Realty's portfolio was approximately $239.8 million.

Residential Development Inventory

The Company's only residential development inventory as at March 31, 2015 is at the 1071 King Street development site, which has 100,000 square feet of density entitlements. The Company has a 50% interest in the project and recognizes its right to the assets and obligations for liabilities in its financial results.

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 and/or tenant inducements related to new and renewal leasing, and capital to maintain the physical aspects of 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, leasing costs, tenant inducements, 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 maintain physical aspects of 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 rent per square foot, the time leasable space has been vacant and other factors when assessing whether a capital expenditure is revenue enhancing or sustaining.

The three-year weighted average rate of revenue sustaining expenditures on a Same Property basis for the three months ended March 31, 2015 and 2014 was on an estimated annualized basis $0.83 per square foot.

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)	**2015**	2014
Revenue sustaining – Same Property – stable	**$ 4,482**	$ 1,746
Revenue sustaining – Same Property with incremental redevelopment and expansion	**178**	354
Revenue sustaining – total Same Property	**$ 4,660**	$ 2,100
Enhancing capital expenditures		
Revenue enhancing and other	**$ 9,970**	$ 7,611
Expenditures recoverable from tenants	**1,590**	2,458
Development expenditures	**50,717**	28,000
Total	**$ 66,937**	$ 40,169

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

Three months ended March 31						
(thousands of dollars)			**2015**			2014
	Same Property – Stable	**Same Property with incremental redevelopment and expansion**	**Total**	Same Property – Stable	Same Property with incremental redevelopment and expansion	Total
Revenue sustaining	**$ 4,482**	**$ 178**	**$ 4,660**	$ 1,746	$ 354	$ 2,100
Revenue enhancing and other	**7,568**	**733**	**8,301**	1,179	474	1,653
Expenditures recoverable from tenants	**1,590**	**—**	**1,590**	1,594	633	2,227
Development expenditures	**—**	**7,955**	**7,955**	—	4,824	4,824
Total – Same Property	**$ 13,640**	**$ 8,866**	**$ 22,506**	$ 4,519	$ 6,285	$ 10,804
Major redevelopment			**23,830**			17,407
Ground-up development			**19,829**			6,960
Acquisitions – current year			**138**			144
Acquisitions – prior year			**603**			1,134
Investment properties classified as held for sale			**14**			1,343
Dispositions – current and prior year			**17**			3
Development land			**—**			2,374
Total			**$ 66,937**			$ 40,169

Leasing and Occupancy

Total portfolio occupancy as at March 31, 2015 decreased to 95.6% from 96.0% as at December 31, 2014. Same Property portfolio occupancy decreased to 96.4% from 96.8% for the same period, and comprised 19.9 million occupied square feet. Occupancy for the remainder of the portfolio, including major redevelopments, ground-up developments, acquisitions, dispositions and assets held for sale, totaled 91.0% as at March 31, 2015, representing a decrease from 91.3% as at December 31, 2014, and comprised 3.2 million occupied square feet, providing potential net operating income growth as the redevelopment, development and expansion activities are completed.

Occupancy of the Company's shopping centre portfolio by property categorization as at March 31, 2015 is as follows:

As at		**March 31, 2015**			December 31, 2014	
(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	**17,447**	**96.5%**	**$ 18.49**	17,510	96.8%	$ 18.53
Same Property with incremental redevelopment and expansion	**2,500**	**95.8%**	**16.53**	2,521	96.9%	16.40
Total Same Property	**19,947**	**96.4%**	**18.24**	20,031	96.8%	18.26
Major redevelopment	**2,155**	**90.7%**	**19.69**	2,152	90.7%	19.55
Ground-up development	**480**	**90.9%**	**16.04**	480	90.9%	18.55
Investment properties classified as held for sale	**132**	**100.0%**	**12.75**	132	100.0%	13.07
Total portfolio before acquisitions and dispositions	**22,714**	**95.6%**	**18.30**	22,795	96.1%	18.36
Acquisitions – 2015	**32**	**74.8%**	**31.08**	—	—%	—
Acquisitions – 2014	**430**	**91.9%**	**26.20**	434	92.0%	26.40
Dispositions – 2015	**—**	**—%**	**—**	127	93.1%	12.65
Total	**23,176**	**95.6%**	**$ 18.40**	23,356	96.0%	$ 18.42

During the three months ended March 31, 2015, the Company achieved a 10.8% rate increase per occupied square foot on 419,000 square feet of renewal leases over the expiring lease rates. The rate increase for the Same Property portfolio was 11.5% on 395,000 square feet of renewals and for the remainder of the portfolio was 1.5% on 24,000 square feet on renewals.

The average rental rate per occupied square foot for the Same Property portfolio decreased marginally to $18.24 as at March 31, 2015 from $18.26 as at December 31, 2014. 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.

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

Three months ended March 31, 2015	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 (thousands)	%	Weighted Average Rate per Occupied Square Foot	Under Redevelop-ment Square Feet (thousands)	%	Vacant Square Feet (thousands)	%	Total Square Feet (thousands)	Occupied Square Feet %	Weighted Average Rate per Occupied Square Foot
December 31, 2014 [1]	**20,031**	**96.8%**	**$ 18.26**	**3,325**	**91.3%**	**$ 19.37**	**84**	**0.3%**	**891**	**3.7%**	**24,331**	**96.0%**	**$ 18.42**
Tenant openings	122		18.81	18		25.84	—		(140)		—		19.71
Tenant closures	(202)		(21.35)	(23)		(24.12)	—		225		—		(21.63)
Tenant closures for redevelopment	(18)		(23.63)	(37)		(13.04)	55		—		—		(16.47)
Developments – tenant openings coming online [2]	5		31.00	37		35.54	—		11		53		34.99
Demolitions	—		—	—		—	(33)		—		(33)		—
Reclassification	9		—	6		—	62		(95)		(18)		—
Total portfolio before 2015 dispositions and acquisitions	19,947	96.4%	$ 18.24	3,326	91.3%	$ 19.03	168	0.5%	892	3.9%	24,333	95.6%	$ 18.36
Dispositions (at date of disposition)	—		—	(127)	93.1%	(12.65)	—		(10)		(137)	92.7%	(12.65)
Acquisitions (at date of acquisition)	—		—	30	71.1%	31.27	—		12		42	71.4%	31.27
March 31, 2015	**19,947**	**96.4%**	**$ 18.24**	**3,229**	**91.0%**	**$ 19.40**	**168**	**0.5%**	**894**	**3.9%**	**24,238**	**95.6%**	**$ 18.40**
Renewals	395		$ 23.93	24		$ 25.43					419		$ 24.02
Renewals – expired	(395)		$ (21.47)	(24)		$ (25.05)					(419)		$ (21.67)
Net increase per square foot from renewals			$ 2.46			$ 0.38							$ 2.35
% Increase on renewal of expiring rents			11.5%			1.5%							10.8%

[1] Opening balance is revised to reflect property categories consistent with current period status.

[2] For further discussion of development and redevelopment coming online and under development vacancy, refer to the "Properties Under Development – 2015 Development and Redevelopment Coming Online" section of this MD&A.

Lease Maturity Profile

The weighted average lease term for the portfolio was 5.6 years as at March 31, 2015, excluding contractual renewal options, and including month-to-month and other short-term leases with tenants in properties with pre-development activities underway.

The Company's lease maturity profile for its shopping centre portfolio as at March 31, 2015 was as follows:

Maturity Date [1]	Number of Stores	Occupied Square Feet (thousands)	Percent of Total Square Feet	Annualized Minimum Rent at Expiration (thousands)	Percent of Total Annualized Minimum Rent	Average Annual Minimum Rent per Square Foot at Expiration
Month-to-month tenants [2]	171	253	1.0%	$ 4,166	0.9%	$ 16.49
2015 (remainder of the year)	414	1,409	5.8%	23,893	5.3%	16.96
2016	551	2,344	9.7%	35,289	7.9%	15.06
2017	584	2,899	12.0%	52,364	11.7%	18.06
2018	590	2,941	12.1%	53,244	11.9%	18.10
2019	586	2,698	11.1%	55,682	12.4%	20.64
2020	349	1,978	8.2%	39,156	8.7%	19.79
2021	201	1,304	5.4%	28,737	6.4%	22.04
2022	237	1,604	6.6%	37,805	8.4%	23.57
2023	183	1,637	6.8%	32,154	7.2%	19.64
2024	174	1,067	4.4%	22,578	5.0%	21.17
2025	88	689	2.8%	16,389	3.7%	23.80
Thereafter	98	2,353	9.7%	47,485	10.5%	20.17
Total or Weighted Average	4,226	23,176	95.6%	$ 448,942	100.0%	$ 19.37

(1) Excluding any contractual renewal options.

(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.

The expiring leases on the Same Property portfolio generate an annual minimum rent of $19.0 million, representing 79.4% of the annual minimum rent from the expiring leases for the remainder of 2015 for the total shopping centre portfolio.

Top Forty Tenants

As at March 31, 2015, 54.7% of the Company's annualized minimum rent came from its top 40 tenants (December 31, 2014 – 55.1%). Of these rents, 77.9% came from tenants that have investment grade credit ratings and who represent many of Canada's leading supermarket operators, drugstore chains, national and discount retailers, banks and other familiar shopping destinations. The weighted average lease term for the Company's top 10 tenants is 6.6 years as at March 31, 2015, excluding contractual renewal options.

	Tenant [1] [2]	Number of Stores	Square Feet (thousands)	Percent of Total Gross Leasable Area	Percent of Total Annualized Minimum Rent	DBRS Credit Rating	S&P Credit Rating	Moody's Credit Rating
1	Loblaw Companies Limited ("Loblaw")	96	2,376	9.8%	9.9%	BBB	BBB	
2	Sobeys	56	1,969	8.1%	6.7%	BBB (low)	BBB-	
3	Metro	34	1,217	5.0%	3.5%	BBB	BBB	
4	Canadian Tire	26	917	3.8%	3.1%	BBB (high)	BBB+	
5	Walmart	15	1,481	6.1%	3.0%	AA	AA	Aa2
6	TD Canada Trust	45	242	1.0%	2.1%	AA	AA-	Aa1
7	RBC Royal Bank	46	256	1.1%	2.0%	AA	AA-	Aa3
8	Dollarama	47	455	1.9%	1.6%	BBB		
9	CIBC	36	202	0.8%	1.6%	AA	A+	Aa3
10	GoodLife Fitness	19	429	1.8%	1.5%			
Top 10 Tenants Total		420	9,544	39.4%	35.0%			
11	Rona	4	421	1.7%	1.4%	BB (high)	BB+	
12	LCBO	21	218	0.9%	1.3%	AA (low)	AA-	Aa2
13	Rexall	19	168	0.7%	1.1%			
14	BMO	30	134	0.6%	1.1%	AA	A+	Aa3
15	London Drugs	9	231	1.0%	1.0%			
16	Staples	11	254	1.1%	0.9%		BBB-	Baa2
17	Restaurant Brands International	51	136	0.6%	0.9%	BB (low)		
18	Scotiabank	22	121	0.5%	0.9%	AA	A+	Aa2
19	Save-On-Foods	6	267	1.1%	0.9%			
20	Longo's	4	170	0.7%	0.8%			
21	Starbucks	44	71	0.3%	0.7%		A-	A3
22	Jean Coutu	12	155	0.6%	0.6%			
23	Subway	71	84	0.3%	0.6%			
24	Cara	21	94	0.4%	0.6%			
25	TOYS "R" US	4	156	0.6%	0.5%		B-	B3
26	Best Buy	5	140	0.6%	0.5%		BB	Baa2
27	Whole Foods Market	2	90	0.4%	0.5%		BBB-	
28	Michaels	5	110	0.5%	0.5%		B+	B3
29	SAQ	20	88	0.4%	0.5%	A (high)	A+	Aa2
30	Reitmans	26	132	0.5%	0.5%			
31	Yum! Brands	29	58	0.2%	0.5%		BBB	Baa3
32	McDonald's	21	84	0.3%	0.5%		A	A2
33	Target	2	246	1.0%	0.5%		A	A2
34	Winners	6	194	0.8%	0.4%		A+	A3
35	The Beer Store	11	66	0.3%	0.4%	AA (low)	AA-	Aa2
36	The Home Depot	2	219	0.9%	0.4%	A	A	A2
37	Pet Valu	21	57	0.2%	0.3%			
38	Liquor Stores	14	54	0.2%	0.3%			
39	Bulk Barn	12	58	0.2%	0.3%			
40	Uniprix	6	68	0.3%	0.3%			
Top 40 Tenants Total		**931**	**13,888**	**57.3%**	**54.7%**			

[1] The names noted above may be the names of the parent entities and are not necessarily the covenants under the leases.

[2] Tenants noted above include all banners of the respective retailer.

Loans, Mortgages and Other Real Estate Assets

As at (thousands of dollars)	**March 31, 2015**	December 31, 2014
Non-current		
Loans and mortgages receivable (a)	**$ 100,710**	$ 92,132
Fair value through profit or loss (“FVTPL”) investment in limited partnership	**4,178**	4,099
Total non-current	**$ 104,888**	$ 96,231
Current		
FVTPL investments in equity securities (b)	**$ 12,783**	$ 33,370
Available-for-sale ("AFS") investments in equity securities	**161**	292
Loans and mortgages receivable (a)	**58,103**	46,067
Other receivable	**250**	249
Total current	**$ 71,297**	$ 79,978
Total	**$ 176,185**	$ 176,209

(a) Loans and mortgages receivable are primarily secured by interests in investment properties or shares of entities owning investment properties.

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

Scheduled principal receipts of loans and mortgages receivable as at March 31, 2015 are as follows:

(thousands of dollars, except other data)	Scheduled Amortization	Payments on Maturity	Total	Weighted Average Coupon Rate	Weighted Average Effective Interest Rate
2015 (remainder of the year)	$ 539	$ 54,822	$ 55,361	7.92%	7.92%
2016	206	9,467	9,673	8.80%	9.01%
2017	217	5,772	5,989	5.96%	5.96%
2018	229	—	229	—%	—%
2019	184	38,102	38,286	6.13%	5.96%
2020 to 2025	509	47,189	47,698	5.50%	5.50%
	$ 1,884	$ 155,352	$ 157,236	6.72%	6.70%
Unamortized deferred financing fees, net			1,577		
			$ 158,813		
Current			$ 58,103	8.01%	8.01%
Non-current			100,710	5.97%	5.93%
			$ 158,813	6.72%	6.70%

RESULTS OF OPERATIONS

Net Income

	Three months ended March 31	
(thousands of dollars, except share and per share amounts)	**2015**	2014
Net income attributable to common shareholders	**$ 45,901**	$ 35,214
Net income per share attributable to common shareholders (diluted)	**$ 0.21**	$ 0.17
Weighted average number of common shares – diluted (in thousands)	**223,652**	209,597

Net income attributable to common shareholders for the three months ended March 31, 2015 was $45.9 million or $0.21 per share (diluted) compared to $35.2 million or $0.17 per share (diluted) for the same prior year period.

The 23.5% or $0.04 increase in net income per share (diluted) for the three months ended March 31, 2015 was primarily due to a higher fair value gain on investment properties net of the related increase in deferred income taxes compared to the same prior year period, as well as an increase in total Same Property NOI and higher interest and other income. The above increase in net income was partially offset by an increase in corporate expenses and lower net gains on marketable securities.

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 unaudited interim consolidated financial statements, to proportionate interest.

						Three months ended March 31
(thousands of dollars, except per share data)			**2015**			2014
	Consolidated Statements of Income	**Adjustment for equity method to proportionate interest**	**Proportionate interest**	Consolidated Statements of Income	Adjustment for equity method to proportionate interest	Proportionate interest
Property rental revenue	**$ 163,974**	**$ 1,751**	**$ 165,725**	$ 162,867	$ 1,174	$ 164,041
Property operating costs	**63,881**	**553**	**64,434**	64,283	385	64,668
Net operating income	**100,093**	**1,198**	**101,291**	98,584	789	99,373
Other income and expenses						
Interest and other income	**3,968**	**(68)**	**3,900**	2,610	—	2,610
Interest expense	**(41,488)**	**(126)**	**(41,614)**	(42,357)	(131)	(42,488)
Corporate expenses	**(9,742)**	**257**	**(9,485)**	(8,016)	—	(8,016)
Abandoned transaction costs	**(69)**	**—**	**(69)**	(48)	—	(48)
Amortization expense	**(826)**	**—**	**(826)**	(1,023)	—	(1,023)
Share of profit from joint ventures	**5,919**	**(5,919)**	**—**	685	(685)	—
Other gains (losses) and (expenses)	**86**	**(92)**	**(6)**	1,246	—	1,246
Increase (decrease) in value of investment properties, net	**(334)**	**4,695**	**4,361**	(6,288)	27	(6,261)
	(42,486)	**(1,253)**	**(43,739)**	(53,191)	(789)	(53,980)
Income before income taxes	**57,607**	**(55)**	**57,552**	45,393	—	45,393
Deferred income taxes	**11,651**	**—**	**11,651**	10,484	—	10,484
Net income	**$ 45,956**	**$ (55)**	**$ 45,901**	$ 34,909	$ —	$ 34,909
Net income attributable to:						
Common shareholders	**$ 45,901**	**$ —**	**$ 45,901**	$ 35,214	$ —	$ 35,214
Non-controlling interest	**55**	**(55)**	**—**	(305)	—	(305)
	$ 45,956	**$ (55)**	**$ 45,901**	$ 34,909	$ —	$ 34,909
Net income per share attributable to common shareholders:						
Basic	**$ 0.21**			$ 0.17		
Diluted	**$ 0.21**			$ 0.17		

Net Operating Income

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 $101.3 million for the three months ended March 31, 2015 from $99.4 million for the same prior year period. The increase in overall shopping centre portfolio 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 online, partially offset by the loss of NOI contribution from dispositions completed in the prior year. Occupancy increased by 0.3% to 95.6% from 95.3% as at March 31, 2014. The increase in overall occupancy was primarily the result of an increase in total Same Property occupancy, and from the Company's development and redevelopment initiatives, and leasing activities. On a Same Property basis, occupancy increased to 96.4% from 95.9% as at March 31, 2014. On a comparative period basis, the shopping centre portfolio size decreased by 0.3 million square feet due to net property dispositions partially offset by net development space coming online.

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)	**2015**	2014
Property rental revenue		
Base rent [1]	**$ 102,801**	$ 102,047
Operating cost recoveries	**25,535**	26,589
Realty tax recoveries	**31,649**	30,011
Rental revenue recognized on a straight-line basis	**1,248**	1,752
Lease surrender fees	**184**	415
Percentage rent	**572**	233
Prior year operating cost and tax recovery adjustments	**233**	(711)
Temporary tenants, storage, parking and other	**3,503**	3,705
Total property rental revenue	**165,725**	164,041
Property operating costs		
Recoverable operating expenses	**29,518**	31,145
Recoverable realty tax expenses	**34,958**	33,062
Prior year operating cost and tax expense adjustments	**(40)**	(403)
Other operating costs and adjustments	**(2)**	864
Total property operating costs	**64,434**	64,668
NOI	**$ 101,291**	$ 99,373
NOI margin	**61.1%**	60.6%
Operating cost recovery margin	**86.5%**	85.4%
Tax recovery margin	**90.5%**	90.8%

(1) Base rent includes annual minimum rents from gross and semi-gross leases.

The change in the total portfolio NOI margin is primarily driven by occupancy, base rent growth, operating costs and tax recovery margins and non-recoverable operating costs. For the three months ended March 31, 2015, the total portfolio NOI margin increased to 61.1% from 60.6% when compared to the same prior year period. The total portfolio operating costs recovery margin for the three months ended March 31, 2015 increased to 86.5% from 85.4% when compared to the same prior year period primarily due to the increase in the Same Property occupancy resulting in an increase in the Same Property operating cost recovery margin from 87.8% to 91.0%. This was partially offset by a reduction in the operating cost recovery margin for the remainder of the portfolio from 77.2% to 70.0% due to development, redevelopment and repositioning activities. The total portfolio tax recoveries margin was 90.5% for the three months ended March 31, 2015, a decrease of 0.3% from the same prior year period. The Same Property tax recovery margin increased from 92.4% to 94.3%

due to the increase in occupancy, partially offset by a reduction in the tax recovery margin for the remainder of the portfolio from 83.3% to 75.4% due to development and repositioning activities.

The following table summarizes the Company's NOI margin, operating cost 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	
	2015	2014	**2015**	2014	**2015**	2014
Same Property – stable	**62.4%**	61.8%	**93.2%**	90.3%	**96.5%**	95.8%
Same Property with incremental redevelopment and expansion	**61.1%**	61.7%	**90.2%**	89.7%	**95.8%**	97.2%
Total Same Property	**62.3%**	61.8%	**92.8%**	90.2%	**96.4%**	95.9%
Major redevelopment	**55.9%**	52.6%	**72.6%**	78.4%	**90.7%**	91.4%
Ground-up development	**39.7%**	49.3%	**65.1%**	76.3%	**90.9%**	98.2%
Acquisitions – 2015	**79.5%**	—%	**55.2%**	—%	**74.8%**	—%
Acquisitions – 2014	**58.7%**	64.5%	**86.4%**	87.3%	**91.9%**	93.1%
Investment properties classified as held for sale	**61.2%**	72.6%	**73.0%**	101.8%	**100.0%**	100.0%
Dispositions and other	**63.8%**	65.6%	**54.1%**	87.6%	**—%**	79.1%
Total portfolio	**61.1%**	60.6%	**88.7%**	88.2%	**95.6%**	95.3%

The Same Property NOI margin for the three months ended March 31, 2015 increased to 62.3% from 61.8% when compared to the same prior year period. The Same Property recovery margin for the three months ended March 31, 2015 was 92.8%, an increase of 2.6% from the same prior year period.

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)	% change	**2015**	2014
Same Property – stable NOI	4.6%	**$ 76,942**	$ 73,564
Same Property with incremental redevelopment and expansion NOI	2.4%	**8,585**	8,384
Total Same Property	4.4%	**85,527**	81,948
Major redevelopment		**9,734**	9,800
Ground-up development		**999**	1,317
Acquisitions – 2015		**291**	—
Acquisitions – 2014		**2,148**	940
Investment properties classified as held for sale		**945**	788
Dispositions – 2015		**1**	—
Dispositions – 2014		**263**	2,608
Rental revenue recognized on a straight-line basis		**1,248**	1,752
Development land		**135**	220
NOI		**$ 101,291**	$ 99,373

Same Property NOI increased by 4.4% for the three months ended March 31, 2015 compared to the same prior year period, primarily due to increases in Same Property occupancy, rental rates due to step-ups, lease renewals at higher rental rates, and tenant openings with higher rental rates than the rental rates on tenant closures.

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

Three months ended March 31, 2015 *(thousands of dollars)*		**Central Region**		**Eastern Region**		**Western Region**		**Subtotal**		**Other[1]**		**Total**
Property rental revenue	**$**	**69,638**	**$**	**45,081**	**$**	**51,300**	**$**	**166,019**	**$**	**(294)**	**$**	**165,725**
Property operating costs		**27,206**		**20,349**		**17,092**		**64,647**		**(213)**		**64,434**
NOI	**$**	**42,432**	**$**	**24,732**	**$**	**34,208**	**$**	**101,372**	**$**	**(81)**	**$**	**101,291**

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
NOI	$	42,305	$	23,918	$	33,513	$	99,736	$	(363)	$	99,373

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

In comparison to the three months ended March 31, 2014, Eastern and Western regions experienced growth in base rent and recoveries from tenants resulting from an increase in occupancy, in rental rates due to step-ups and lease renewals, in addition to an increase from net acquisitions and developments coming online, 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 decrease in Central region rental revenue over the same prior year period is primarily due to a one-time settlement fee received from a tenant in 2014 and property dispositions completed in the prior year.

Interest and Other Income

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

	Three months ended March 31			
(thousands of dollars)		**2015**		2014
Interest, dividend and distribution income from marketable securities and cash investments	**$**	**652**	$	859
Interest income from mortgages and loans receivable		**2,842**		1,751
Fees and other income		**406**		—
Total	**$**	**3,900**	$	2,610

The increase in interest and other income for the three months ended March 31, 2015 is primarily due to an increase in mortgages and loans receivable.

Fees and other income relate primarily to asset management fees earned from Main and Main Urban Realty.

Interest Expense

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

	Three months ended March 31	
(thousands of dollars)	**2015**	2014
Mortgages and credit facilities	**$ 14,487**	$ 16,647
Senior unsecured debentures	**26,153**	24,940
Convertible debenture (non-cash)		
Coupon interest (payable in shares)	**4,870**	4,921
Accretion of discounts on bifurcation for accounting purposes	**400**	386
Amortization of deferred issue costs	**650**	534
	5,920	5,841
Interest capitalized to investment properties	**(4,946)**	(4,940)
Interest expense	**$ 41,614**	$ 42,488

Mortgage and credit facilities interest expense decreased due to net repayments of mortgages during the three months ended March 31, 2015 and due to the decrease in the weighted average effective interest rate from 4.85% as at March 31, 2014 to 4.72% as at March 31, 2015.

The increase in interest expense for the senior unsecured debentures for the three months ended March 31, 2015 is primarily due to the issuances of $300.0 million principal amount senior unsecured debentures with a weighted average coupon rate of 4.32% (weighted average effective rate of 4.27%) in the last 12 months, partially offset by the redemption of $225.0 million of principal amount senior unsecured debentures with a weighted average coupon rate of 5.67% (weighted average effective rate of 5.84%) over the same period as described in the “Capital Structure and Liquidity” section of this MD&A.

During the three months ended March 31, 2015 and 2014, approximately 10.6% and 10.4%, respectively, of interest expense was capitalized to real estate investments for properties undergoing development or redevelopment projects. Amounts capitalized are based on development and redevelopment projects actively underway. The increase in capitalized interest percentage is commensurate with the increase in development and redevelopment expenditures primarily resulting from new development projects commenced.

Corporate Expenses

The Company's proportionate share of corporate expenses is as follows:

	Three months ended March 31	
(thousands of dollars, except for percentages)	**2015**	2014
Salaries, wages and benefits	**$ 7,759**	$ 6,242
Non-cash compensation	**782**	648
Other corporate costs	**3,033**	2,675
Total corporate expenses	**11,574**	9,565
Amounts capitalized to investment properties under development and residential inventory	**(2,089)**	(1,549)
Corporate expenses	**$ 9,485**	$ 8,016
Corporate expenses, excluding non-cash compensation and incremental leasing costs		
As a percentage of rental revenue	**4.7%**	3.5%
As a percentage of total assets	**0.4%**	0.3%

Net corporate expenses increased by $1.5 million for the three months ended March 31, 2015 compared to the same prior year period. The increase is primarily the result of higher corporate expenses related to Main and Main Developments due to the growth of its business, higher compensation expense, expenses related to staff turnover and increased Deferred Share Units ("DSU") settlement cost related to retired board members.

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 and so forth, are capitalized in accordance with IFRS to development projects and residential inventory, as incurred.

During the three months ended March 31, 2015 and 2014, approximately 19.4% and 17.4%, respectively, of compensation-related and other corporate expenses were capitalized to real estate investments for properties undergoing development or redevelopment projects. Amounts capitalized are based on development and pre-development projects underway. The increase in capitalized corporate expenses resulted from the commencement of certain significant development and redevelopment projects in the current year. The timing of completion of development and redevelopment projects and the Company's current level of pre-development and early redevelopment activity is commensurate with the increase in the level of corporate expenses capitalized compared to the same prior year period.

Other Gains (Losses) and (Expenses)

	Three months ended March 31					
			2015			2014
(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	**$ 865**	**$ 865**	**$ 865**	$ 481	$ 481	$ 481
Change in cumulative unrealized gains (losses) on marketable securities classified as FVTPL	**(395)**	**(395)**	**—**	1,285	1,285	—
Losses on prepayments of debt	**—**	**—**	**—**	(262)	(262)	—
Unrealized losses on hedges	**—**	**—**	**—**	(99)	(99)	—
Pre-selling costs of residential inventory and other	**(92)**	**(92)**	**—**	(17)	(17)	—
Investment properties – selling costs	**(384)**	**—**	**—**	(142)	—	—
Total	**$ (6)**	**$ 378**	**$ 865**	$ 1,246	$ 1,388	$ 481

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)	**2015**	2014
Deferred income taxes	**$ 11,651**	$ 10,484

For the three months ended March 31, 2015, deferred income taxes increased compared to the same prior year period primarily due to the change in the value of investment properties.

Funds from Operations and Adjusted Funds from Operations

In Management's view, funds from operations and adjusted funds from operations 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"). 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, adjustments for equity accounted joint ventures (including certain expenses related to properties under development and changes in fair value), and to non-controlling interest to reflect FFO attributable to the Company's common shareholders. FFO provides a perspective on the financial performance that is not immediately apparent from net income determined in accordance with IFRS. Operating FFO is calculated by excluding from FFO the effects of other gains (losses) and (expenses). 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, 2015 totaled $55.4 million or $0.25 per share (diluted) compared to $53.5 million or $0.26 per share (diluted) for the same prior year period. The 3.8% or $0.01 decrease in FFO per share (diluted) over the same prior year period is primarily due to an increase in the weighted average number of common shares outstanding resulting from various equity financing activities and growth of the Company.

Operating FFO for the three months ended March 31, 2015 totaled $55.1 million or $0.25 per share (diluted) compared to $52.1 million or $0.25 per share (diluted) for the same prior year period. The increase of $3.0 million is primarily due to total Same Property NOI growth, lower interest expense due to a lower weighted average interest rate, and higher interest income from mortgages and loans receivable. On a per share basis, the increase was offset by an increase in the weighted average number of shares common outstanding resulting from various equity financing activities. The Operating FFO per share remained consistent with the same prior year period.

The Company's net income at proportionate interest is reconciled to FFO below:

	Three months ended March 31	
(thousands of dollars)	**2015**	2014
Net income attributable to common shareholders	**$ 45,901**	$ 35,214
Add (deduct):		
(Increase) decrease in value of investment properties, net	**(4,361)**	6,261
Incremental leasing costs and other	**957**	1,360
Investment properties – selling costs	**384**	142
Adjustment for equity accounted joint ventures	**900**	—
Deferred income taxes	**11,651**	10,484
FFO	**$ 55,432**	$ 53,461

The components of FFO at proportionate interest are as follows:

		Three months ended March 31	
(thousands of dollars, except share and per share amounts and percentages)	% change	**2015**	2014
Net operating income		**$ 101,291**	$ 99,373
Interest and other income		**3,900**	2,610
Interest expense		**(41,034)**	(42,488)
Corporate expenses and other		**(8,208)**	(6,351)
Abandoned transaction costs		**(69)**	(48)
Amortization expense (corporate assets and credit facility costs)		**(826)**	(1,023)
Operating FFO [1]	5.7 %	**55,054**	52,073
Add: Other gains (losses) and (expenses) [2]		**378**	1,388
FFO	3.7 %	**$ 55,432**	$ 53,461
FFO per diluted share	(3.8)%	**$ 0.25**	$ 0.26
Operating FFO per diluted share	— %	**$ 0.25**	$ 0.25
Weighted average number of common shares – diluted – FFO (in thousands)	5.4 %	**220,861**	209,597

[1] Previously referred to as "FFO excluding other gains (losses) and (expenses)" in the Company's 2014 Annual Report.

[2] Refer to the "Results of Operations – Other Gains (Losses) and (Expenses)" section of this MD&A.

Adjusted Funds from Operations

AFFO is calculated by adjusting FFO for non-cash and other items including interest payable in shares, adjustments for rental revenue recognized on a straight-line basis, 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. Operating AFFO excludes from AFFO the effects of other gains (losses) and (expenses). 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, 2015 totaled $58.0 million or $0.24 per share (diluted) compared to $54.0 million or $0.24 per share (diluted) for the same prior year period. The AFFO per share remained consistent with the same prior year period.

Operating AFFO for the three months ended March 31, 2015 totaled $57.1 million or $0.24 per share (diluted) compared to $53.5 million or $0.24 per share (diluted) for the same prior year period. The Operating AFFO per share remained consistent with the same prior year period.

AFFO is calculated as follows:

		Three months ended March 31	
(thousands of dollars, except share and per share amounts and percentages)	% change	**2015**	2014
FFO		**$ 55,432**	$ 53,461
Add (deduct):			
Interest expense payable in shares		**5,920**	5,841
Rental revenue recognized on a straight-line basis		**(1,248)**	(1,752)
Non-cash compensation expense		**824**	696
Same Property revenue sustaining capital expenditures [1]		**(4,225)**	(4,008)
Change in cumulative unrealized losses (gains) on marketable securities		**395**	(1,285)
Losses on prepayments of debt		**—**	262
Hedge accounting losses		**—**	99
Pre-selling costs of residential inventory units		**92**	19
Costs not capitalized during development period [2]		**848**	717
Other adjustments		**(78)**	(72)
AFFO	7.4%	**57,960**	53,978
Deduct: other (gains) losses and expenses [3]		**(865)**	(481)
Operating AFFO [4]	6.7%	**$ 57,095**	$ 53,497
AFFO per diluted share	—%	**$ 0.24**	$ 0.24
Operating AFFO per diluted share	—%	**$ 0.24**	$ 0.24
Weighted average number of common shares – diluted – AFFO (in thousands)	4.9%	**237,315**	226,260

(1) Estimated at $0.83 per square foot per annum (2014 – $0.83) on average gross leasable area of same 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 of this MD&A.

(4) Previously referred to as "AFFO excluding other gains (losses) and (expenses)" in the Company's 2014 Annual Report.

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

	Three months ended March 31	
(thousands of dollars)	**2015**	2014
Cash provided by operating activities	**$ 37,648**	$ 70,131
Share of profit from joint ventures	**5,919**	682
Distribution from joint ventures	**(622)**	(484)
Adjustment for equity accounted joint ventures	**(3,847)**	—
Realized gains on sale of marketable securities	**865**	481
Incremental leasing costs	**957**	1,706
Net change in non-cash operating items	**16,102**	16,898
Expenditures on residential development inventory	**52**	3,627
Receipts of proceeds from sales of residential inventory	**—**	(27,711)
Amortization expense	**(826)**	(1,023)
Non-cash interest expense and change in accrued interest	**8,942**	(2,806)
Convertible debenture interest paid in common shares	**(9,835)**	(9,980)
Convertible debenture interest payable in common shares	**5,920**	5,841
Costs not capitalized during development period	**848**	717
Pre-selling costs of residential inventory	**92**	19
Same Property revenue sustaining capital expenditures	**(4,225)**	(4,008)
Other adjustments	**(30)**	(112)
AFFO	**$ 57,960**	$ 53,978

CAPITAL STRUCTURE AND LIQUIDITY

Capital Employed

The real estate business is capital intensive by nature. The Company's capital structure is key to financing growth and providing sustainable cash dividends to shareholders. In the real estate industry, financial leverage is used to enhance rates of return on invested capital. Management believes that the combination of debt, 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.

As at (thousands of dollars, except for other data)	**March 31, 2015**	December 31, 2014
Common shares outstanding (in thousands)	**221,949**	216,374
Liabilities (principal amounts outstanding)		
Mortgages and credit facilities	**$ 1,087,445**	$ 1,166,251
Mortgage on equity accounted joint ventures (at the Company's interest)	**13,065**	10,425
Senior unsecured debentures	**2,250,000**	2,160,000
Convertible debentures	**386,865**	388,174
Equity capitalization		
Common shares (based on closing per share price of $19.73; December 31, 2014 – $18.66)	**4,379,047**	4,037,543
Total enterprise value (total capital employed)	**$ 8,116,422**	$ 7,762,393

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.

Key Metrics

The Company continues to make progress in reducing the cost of debt 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.

The ratios below include measures not specifically defined in IFRS. Refer to definitions of these measures further below for additional information.

As at (thousands of dollars, except for other data)	**March 31, 2015**	December 31, 2014
Weighted average effective interest rate on mortgages and senior unsecured debentures	**4.8%**	4.8%
Weighted average maturity on mortgages and senior unsecured debentures (years)	**5.9**	5.9
Net debt to total assets [(1)]	**41.8%**	42.2%
Net debt to EBITDA [(1)]	**8.3**	8.2
Unencumbered aggregate assets [(2)]	**5,166,415**	4,959,208
Unencumbered aggregate assets to unsecured debt, based on IFRS value [(2)]	**2.3**	2.3
EBITDA interest coverage [(1)]	**2.3**	2.3

(1) Calculated with the joint ventures, including joint ventures accounted for on the equity basis under IFRS, proportionately consolidated.

(2) Includes all unencumbered assets at IFRS values.

Measures used in these ratios are defined below:

- Debt consists of principal amounts outstanding on mortgages and credit facilities, 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;
- EBITDA, as adjusted, 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. The unencumbered aggregate assets to unsecured debt ratio is calculated as unencumbered assets divided by the principal amount of the unsecured debt, which consists of the senior unsecured debentures and any draws under the unsecured facility.

Since January 1, 2014, the Company has issued $600 million of unsecured debt for terms from 10.5 years to 11.1 years using a portion of the proceeds to repay early over $279 million in debt and over $224 million in debt upon maturity resulting in stable term to maturity for all fixed-rate term debt at 5.9 years between January 1, 2014 and March 31, 2015. In addition, the Company increased its equity capital by approximately $248 million as well as its credit facilities by approximately $200 million since the beginning of 2014.

These financings, along with planned and completed financings subsequent to March 31, 2015, and availability on existing credit facilities, address substantially all of the remaining contractual 2015 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. 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 a reasonable 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 2012, DBRS has rated 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 2012, Moody's has rated 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 percentages)	Mortgages and Other Secured Debt	Senior Unsecured Debentures	Total	% Due
2015 (remainder of the year)	$ 164,436	$ —	$ 164,436	4.9%
2016	189,841	—	189,841	5.7%
2017	104,588	250,000	354,588	10.6%
2018	140,741	150,000	290,741	8.7%
2019	121,528	150,000	271,528	8.1%
2020	58,841	175,000	233,841	7.0%
2021	84,418	175,000	259,418	7.8%
2022	156,343	450,000	606,343	18.2%
2023	3,523	300,000	303,523	9.1%
2024	62,281	300,000	362,281	10.9%
2025 and thereafter	905	300,000	300,905	9.0%
	1,087,445	2,250,000	3,337,445	100.0%
Add (deduct): unamortized deferred financing costs and premium and discounts, net	6,363	(6,909)	(546)	
Total	$ 1,093,808	$ 2,243,091	$ 3,336,899	

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, 2015, excluding the $13.1 million mortgage on an equity accounted joint venture, are set out below:

(thousands of dollars, except for percentages)	Mortgages and Other Secured Debt	Weighted Average Effective Interest Rate	Total
Balance at beginning of period	$ 1,173,410	4.7%	$ 1,173,410
Repayments	(70,480)	4.1%	(70,480)
Scheduled amortization	(8,324)	—	(8,324)
Amortization and expensing of issue costs and net premium	(798)	—	(798)
Balance at end of period	$ 1,093,808	4.7%	$ 1,093,808

As at March 31, 2015, 100% (December 31, 2014 – 100%) of the outstanding mortgages bore interest at fixed interest rates. The average remaining term of mortgages outstanding decreased from 3.8 years as at December 31, 2014 on $1.2 billion of mortgages to 3.7 years as at March 31, 2015 on $1.1 billion of mortgages after reflecting borrowing activity, assumptions and repayments during the period.

During the three months ended March 31, 2015, the Company repaid at maturity $70.5 million amount of mortgage financing with a weighted average effective interest rate of 4.12% per annum.

Mortgage Maturity and Lender Type Profile

					Breakdown of Mortgage Maturities by Type of Lender (as a percentage)		
(thousands of dollars, except for percentages)	Scheduled Amortization	Payments on Maturity	Total	Weighted Average Effective Interest Rate	Banks	Conduits	Insurance Co's and Pension Funds
2015 (remainder of the year)	$ 21,778	$ 142,658	$ 164,436	5.22%	10.9%	40.2%	48.9%
2016	24,523	165,318	189,841	3.84%	35.8%	4.9%	59.3%
2017	21,686	82,902	104,588	4.02%	7.6%	39.1%	53.3%
2018	17,696	123,045	140,741	5.69%	4.9%	0.4%	94.7%
2019	14,814	106,714	121,528	6.32%	33.8%	0.4%	65.8%
2020	12,983	45,858	58,841	5.16%	10.6%	0.9%	88.5%
2021	11,021	73,397	84,418	4.53%	70.9%	0.7%	28.4%
2022	5,691	150,652	156,343	3.87%	35.3%	8.6%	56.1%
2023	3,523	—	3,523	—%	47.4%	—%	52.6%
2024	2,707	59,574	62,281	3.98%	64.4%	—%	35.6%
2025 and thereafter	905	—	905	5.75%	—%	—%	100.0%
	$ 137,327	$ 950,118	$ 1,087,445	4.72%	28.0%	12.1%	59.9%
Add: unamortized deferred financing costs, net			6,363				
Total			$ 1,093,808				

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, 2015, the Company had mortgages maturing in 2015 of $142.7 million, at an average effective interest rate of 5.22% per annum and $21.8 million of scheduled amortization of principal balances in 2015. The Company's liquidity position, which was approximately $0.9 billion as at March 31, 2015, including $23.7 million in cash, provides the Company with significant flexibility in addressing 2015 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. 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, 2015:

(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 + 1.125% or Prime + 0.125%	December 31, 2015
Unsecured	800,000	—	(41,980)	758,020	BA + 1.20% or Prime + 0.20% or US$ LIBOR + 1.20%	June 30, 2017
Secured facility	7,953	(7,785)	(75)	93	BA + 1.125% or Prime + 0.125%	March 31, 2016
Total secured and unsecured facilities	$ 882,953	$ (7,785)	$ (42,078)	$ 833,090		

Senior Unsecured Debentures

(thousands of dollars, except for other data) As at March 31, 2015			Interest Rate		Remaining Term to Maturity	**Principal Outstanding**
Series	Maturity Date	Interest Payment Dates	Coupon	Effective	(years)	**March 31, 2015**
H	January 31, 2017	July 31, January 31	5.85%	5.99%	1.8	**$ 125,000**
I	November 30, 2017	May 30, November 30	5.70%	5.79%	2.7	**125,000**
J	August 30, 2018	February 28, August 30	5.25%	5.66%	3.4	**50,000**
K	November 30, 2018	May 31, November 30	4.95%	5.17%	3.7	**100,000**
L	July 30, 2019	January 30, July 30	5.48%	5.61%	4.3	**150,000**
M	April 30, 2020	April 30, October 30	5.60%	5.60%	5.1	**175,000**
N	March 1, 2021	March 1, September 1	4.50%	4.63%	5.9	**175,000**
O	January 31, 2022	January 31, July 31	4.43%	4.59%	6.8	**200,000**
P	December 5, 2022	June 5, December 5	3.95%	4.18%	7.7	**250,000**
Q	October 30, 2023	April 30, October 30	3.90%	3.97%	8.6	**300,000**
R	August 30, 2024	August 30, February 28	4.79%	4.72%	9.4	**300,000**
S	July 31, 2025	July 31, January 31	4.32%	4.24%	10.3	**300,000**
	Weighted Average or Total		4.70%	4.77%	6.9	**$ 2,250,000**

On January 26, 2015, the Company completed the issuance of an additional $90.0 million principal amount of the Series S senior unsecured debentures, which was a re-opening of this series of debentures. These debentures bear interest at a coupon rate of 4.32% per annum, payable semi-annually commencing July 31, 2015.

Convertible Debentures

(thousands of dollars, except other data)
As at March 31, 2015

			Interest Rate						
Series	Maturity Date	Interest Payment Dates	Coupon	Effective	Remaining Term to Maturity (yrs)	Principal at Issue Date	**Principal**	**Liability**	**Equity**
D	June 30, 2017	March 31 September 30	5.70%	6.88%	2.3	$ 50,000	**$ 42,903**	**$ 41,860**	**$ 983**
E	January 31, 2019	March 31 September 30	5.40%	6.90%	3.8	57,500	**56,458**	**53,636**	**2,152**
F	January 31, 2019	March 31 September 30	5.25%	6.07%	3.8	57,500	**56,481**	**54,926**	**384**
G	March 31, 2018	March 31 September 30	5.25%	6.66%	3.0	50,000	**49,813**	**47,929**	**1,151**
H	March 31, 2017	March 31 September 30	4.95%	6.51%	2.0	75,000	**72,321**	**70,233**	**1,442**
I	July 31, 2019	March 31 September 30	4.75%	6.19%	4.3	52,500	**52,220**	**49,718**	**1,431**
J	February 28, 2020	March 31 September 30	4.45%	5.34%	4.9	57,500	**56,669**	**54,681**	**397**
	Weighted Average/Total		5.08%	6.35%	3.4	$ 400,000	**$ 386,865**	**$ 372,983**	**$ 7,940**

(i) Principal and Interest

The Company uses convertible debentures as a part of its overall capital structure. 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, 2015, 0.5 million common shares (three months ended March 31, 2014 – 0.6 million common shares) were issued totaling $9.8 million (three months ended March 31, 2014 – $10.0 million) to pay interest to holders of convertible debentures.

(ii) Normal Course Issuer Bid ("NCIB")

On August 27, 2014, the Company renewed its NCIB for all of its then outstanding series of convertible debentures. The NCIB will expire on August 26, 2015 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, 2015 and 2014, principal amounts of convertible debentures purchased and amounts paid for the purchases are represented in the table below:

	Three months ended March 31			
(thousands of dollars)		**2015**		2014
	Principal Amount Purchased	**Amount Paid**	Principal Amount Purchased	Amount Paid
Total	**$ 1,309**	**$ 1,326**	$ 14	$ 15

Shareholders' Equity

Shareholders' equity amounted to $3.6 billion as at March 31, 2015, compared to $3.5 billion as at December 31, 2014.

As at March 31, 2015, the Company had 221.9 million (December 31, 2014 – 216.4 million) issued and outstanding common shares with a stated capital of $2.7 billion (December 31, 2014 – $2.6 billion). During the three months ended March 31, 2015, a total of 5.6 million common shares were issued for proceeds of $107.6 million as follows: 4.4 million shares from public offerings, 0.5 million shares for interest payments on convertible debentures and 0.7 million shares from the exercise of common share options, restricted share units ("RSUs") and DSUs.

As at May 1, 2015, there were 222.0 million common shares outstanding.

Share Purchase Options

As at March 31, 2015, the Company had outstanding 4.6 million share purchase options, with an average exercise price of $17.24. The options are exercisable by the holder at any time after vesting and 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 and aligns the interests of the holder with the long-term interests of the Company and its shareholders.

If all options outstanding as at March 31, 2015 were exercised, approximately 4.6 million shares would be issued and the Company would receive proceeds of $79.4 million.

Liquidity

Liquidity risk exists due to the possibility of the Company not being able to generate sufficient cash flow, and/or not having access to sufficient debt and equity capital to fund its ongoing operations and growth and to refinance or meet existing payment obligations.

The Company manages its liquidity risk by staggering debt maturities; renegotiating expiring credit arrangements proactively; using revolving credit facilities; maintaining a large unencumbered assets pool; and issuing equity when considered appropriate.

Sources of liquidity primarily consist of cash flow from operations, cash and cash equivalents, and availability under the Company's existing revolving credit facilities. If necessary, the Company is also able to obtain financing on its unencumbered assets.

As at (millions of dollars)	**March 31, 2015**	December 31, 2014
Revolving credit facilities	**$ 875**	$ 875
Cash and cash equivalents	**24**	17
Unencumbered assets		
Total, based on IFRS value	**5,166**	4,959
Based on debt covenants [1]	**4,977**	4,801

[1] Includes unencumbered assets as defined by debt covenants, excluding investment properties under development and deferred taxes, with shopping centres valued under IFRS at the average capitalization rate over the last 10 fiscal quarters.

Cash and cash equivalents were $23.7 million as at March 31, 2015 (December 31, 2014 – $17.4 million). As at March 31, 2015, the Company had secured and unsecured credit facilities totaling $875.0 million of which $833.0 million is available to be drawn. The Company also had unencumbered assets with a fair value of approximately $5.2 billion. During the three months ended March 31, 2015, the Company issued $90.0 million of senior unsecured debentures. This increased liquidity was partially used to repay $70.5 million of mortgage debt during the three months ended March 31, 2015. As a result, the Company also held average cash balances of approximately $54 million during the period. 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 mortgages 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

Operating Activities

For the three months ended March 31, 2015, cash provided by operating activities decreased primarily due to higher interest paid in cash and lower receipts of proceeds from sales of residential inventory, which was partially offset by lower expenditures on residential development inventory.

Financing Activities

For the three months ended March 31, 2015, financing activities decreased primarily as a result of lower net debt issuances partially offset by the issuance of common shares as compared to the same prior year period. These activities are more fully described in the "Capital Structure and Liquidity" section of this MD&A.

Investing Activities

For the three months ended March 31, 2015, cash used in investing activities decreased primarily as a result of lower spending on acquisitions and higher net proceeds from property dispositions. Details of the Company's investments in acquisitions and developments are provided in the "Business and Operations Review – Properties Under Development – 2015 Development and Redevelopment Activities" section of this MD&A.

	Three months ended March 31	
(thousands of dollars)	**2015**	2014
Cash provided by operating activities	**$ 37,648**	$ 70,131
Cash provided by financing activities	**65,458**	137,296
Cash used in investing activities	**(96,733)**	(119,272)
Net change in cash and cash equivalents	**$ 6,373**	$ 88,155

Adjusted cash flow from operating activities is not a measure defined by IFRS. Management defines this measure as 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.

	Three months ended March 31	
(thousands of dollars)	**2015**	2014
Cash provided by operating activities	**$ 37,648**	$ 70,131
Net change in non-cash operating items	**16,102**	16,898
Receipts of proceeds from sales of residential inventory	**—**	(27,711)
Expenditures on residential development inventory	**52**	3,627
Adjusted cash flow from operating activities	**$ 53,802**	$ 62,945

Contractual Obligations

	Payments Due by Period				
(thousands of dollars)	Remainder of 2015	2016 to 2017	2018 to 2019	Thereafter	Total
Mortgages					
Scheduled amortization	$ 21,778	$ 46,209	$ 32,510	$ 36,830	$ 137,327
Payments on maturity	142,658	248,220	229,759	329,481	950,118
Total mortgage obligations	164,436	294,429	262,269	366,311	1,087,445
Mortgage on equity accounted joint ventures	10,313	—	2,752	—	13,065
Senior unsecured debentures	—	250,000	300,000	1,700,000	2,250,000
Interest obligations [1]	117,555	280,935	217,409	280,512	896,411
Land leases (expiring between 2023 and 2061)	726	1,962	1,989	17,302	21,979
Contractual committed costs to complete current development projects	90,579	11,498	—	—	102,077
Other committed costs	39,462	51,275	—	—	90,737
Total contractual obligations [2]	$ 423,071	$ 890,099	$ 784,419	$ 2,364,125	$ 4,461,714

[1] Interest obligations include expected interest payments on mortgages and credit facilities as at March 31, 2015 (assuming balances remain outstanding through to maturity) and senior unsecured debentures, as well as standby credit facility fees.

[2] 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, convertible debentures have been excluded from this table.

In addition, the Company has $42.1 million of outstanding letters of credit 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 $267.6 million, of which $102.1 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 contingencies, individually or in the aggregate, would result in a liability that would have a material adverse effect on the financial position of the Company.

The Company is contingently liable, jointly and severally, for approximately $67.7 million (December 31, 2014 – $68.2 million) to various lenders in connection with certain obligations, including loans advanced to its partners secured by the partners' interest in the entity and underlying assets.

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	
	2015	2014
Regular dividends paid per common share	**$ 0.215**	$ 0.21
Payout ratio calculated as a percentage of:		
Funds from operations	**86.0%**	82.3%
Operating funds from operations	**86.0%**	84.0%
Adjusted funds from operations	**89.6%**	87.5%
Operating adjusted funds from operations	**89.6%**	87.5%

Quarterly Dividend

The Company announced that it will pay a second quarter dividend of $0.215 per common share on July 9, 2015 to shareholders of record on June 30, 2015.

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.

Statement of Income Data	FCR [1]		Guarantors [2]		Non-Guarantors [3]		Consolidation Adjustments [4]		Total Consolidated	
(millions of dollars)	Three months ended March 31									
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
Property rental revenue	**$ 66**	$ 68	**$ 105**	$ 103	**$ 2**	$ 1	**$ (9)**	$ (9)	**$ 164**	$ 163
NOI	**41**	41	**60**	58	**1**	1	**(2)**	(1)	**100**	99
Net income attributable to common shareholders	**40**	35	**23**	46	**51**	—	**(68)**	(46)	**46**	35

Balance Sheet Data	FCR [1]	Guarantors [2]	Non-Guarantors [3]	Consolidation Adjustments [4]	Total Consolidated
(millions of dollars)	As at March 31, 2015				
Current assets	**$ 59**	**$ 279**	**$ 22**	**$ (144)**	**$ 216**
Non-current assets	**7,262**	**4,632**	**391**	**(4,478)**	**7,807**
Current liabilities	**369**	**234**	**365**	**(532)**	**436**
Non-current liabilities	**3,349**	**580**	**42**	**12**	**3,983**

Balance Sheet Data	FCR (1)	Guarantors (2)	Non-Guarantors (3)	Consolidation Adjustments (4)	Total Consolidated
(millions of dollars)					As at December 31, 2014
Current assets	$ 233	$ 231	$ 15	$ (130)	$ 349
Non-current assets	6,977	4,570	292	(4,280)	7,559
Current liabilities	424	231	256	(417)	494
Non-current liabilities	3,278	610	—	28	3,916

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

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

(3) This column accounts for investments in all subsidiaries of FCR 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

Major Shareholder

Gazit-Globe Ltd. ("Gazit") is the principal shareholder of the Company, and, as of March 31, 2015, beneficially owns 42.9% (December 31, 2014 – 44.0%) of the common shares of the Company. Norstar Holdings Inc. is the ultimate controlling party. As of March 31, 2015, Alony-Hetz Properties and Investments Ltd. (''Alony-Hetz'') also beneficially owns 6.3% (December 31, 2014 – 8.3%) 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 as directed by Gazit with respect to the election of 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.

Refer to Note 26 to the Company's unaudited interim consolidated financial statements for the three months ended March 31, 2015 and 2014, as well as the Company's audited annual consolidated financial statements for the year ended December 31, 2014 for a description and the amounts of related party transactions, as well as the amounts due from Gazit.

Joint venture

Main and Main Urban Realty is a joint venture which is equity accounted by Main and Main Developments LP. Main and Main Developments is consolidated in the Company's financial statements.

During the three months ended March 31, 2015, a subsidiary of Main and Main Developments earned property-related and asset management fees from Main and Main Urban Realty, which are included in the Company's consolidated fees and other income in the amount of $0.4 million.

Subsidiaries of the Company

The unaudited 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

	2015	2014				2013		
(thousands of dollars, except per share and other data, and thousands of shares)	**Q1**	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Property rental revenue	**$ 163,974**	$ 162,071	$ 162,306	$ 161,197	$ 162,867	$ 161,094	$ 154,804	$ 157,910
Property operating costs	**63,881**	59,549	58,545	59,155	64,283	58,588	56,435	58,518
Net operating income	**100,093**	102,522	103,761	102,042	98,584	102,506	98,369	99,392
Increase (decrease) in value of investment properties, net	**(334)**	12,086	(7,196)	43,476	(6,288)	2,261	1,125	41,848
Net income attributable to common shareholders	**45,901**	44,807	39,020	77,707	35,214	47,901	41,078	73,163
Net income per share attributable to common shareholders:								
Basic	**0.21**	0.21	0.18	0.37	0.17	0.23	0.20	0.35
Diluted	**0.21**	0.21	0.18	0.36	0.17	0.23	0.20	0.34
Weighted average number of diluted common shares outstanding – EPS	**223,652**	226,114	215,360	231,141	209,597	228,908	208,819	225,785
FFO	**$ 55,432**	$ 48,080	$ 53,405	$ 54,031	$ 53,461	$ 55,816	$ 53,535	$ 53,305
FFO per diluted share	**0.25**	0.22	0.25	0.26	0.26	0.27	0.26	0.26
Cash provided by operating activities	**37,648**	82,593	58,236	56,016	70,131	84,556	51,228	38,951
Weighted average number of diluted common shares outstanding – FFO	**220,861**	217,299	212,367	210,786	209,597	209,486	208,819	209,010
AFFO	**$ 57,960**	$ 61,460	$ 57,370	$ 56,961	$ 53,978	$ 57,190	$ 56,069	$ 57,699
AFFO per diluted share	**0.24**	0.26	0.25	0.25	0.24	0.25	0.25	0.26
Weighted average number of diluted shares outstanding – AFFO	**237,315**	233,784	228,983	227,449	226,260	226,183	225,539	225,785
Regular dividend	**$ 0.215**	$ 0.215	$ 0.215	$ 0.21	$ 0.21	$ 0.21	$ 0.21	$ 0.21
Fair value of investment properties – shopping centres	**7,548,466**	7,474,329	7,386,709	7,283,908	7,210,150	7,126,008	6,996,401	6,920,530
Weighted average capitalization rate of shopping centres	**5.74%**	5.79%	5.82%	5.85%	5.86%	5.86%	5.89%	5.89%
Total assets	**$ 8,022,510**	$ 7,908,184	$ 8,075,552	$ 8,017,673	$ 7,784,774	$ 7,596,255	$ 7,580,839	$ 7,531,620
Total mortgages and credit facilities	**1,093,808**	1,173,410	1,230,026	1,269,633	1,245,691	1,366,583	1,371,047	1,387,240
Shareholders' equity	**3,566,144**	3,470,271	3,468,010	3,363,510	3,321,059	3,319,370	3,313,802	3,304,866
Other data								
Number of properties	**157**	158	163	164	164	164	164	164
Gross leasable area (in thousands)	**24,238**	24,331	24,555	24,373	24,525	24,462	24,313	24,123
Occupancy %	**95.6%**	96.0%	95.9%	95.5%	95.3%	95.5%	95.0%	95.2%

Refer to the respective MD&A and the quarterly financial statements for discussion and analysis relating to the four quarters of 2014 and the three quarters in 2013.

SUMMARY OF SIGNIFICANT ACCOUNTING ESTIMATES AND POLICIES

Summary of Critical Accounting Estimates

The Company's unaudited interim consolidated financial statements for the three months ended March 31, 2015 and 2014 have been prepared in accordance with IAS 34, “Interim Financial Reporting” as issued by the International Accounting Standards Board. The unaudited interim consolidated financial statements have been prepared by applying the same accounting policies and methods of computation as compared with the most recent audited annual consolidated financial statements.

The MD&A for the years ended December 31, 2014 and 2013 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; estimating deferred tax assets and liabilities and identifying the key management personnel for purposes of compensation disclosure. Management determined that as at March 31, 2015, there is no change to the assessment of the significant accounting policies most affected by estimates and judgments as detailed in the Company's 2014 Annual Report.

FUTURE ACCOUNTING POLICY CHANGES

Refer to Note 4 to the unaudited interim consolidated financial statements for the three months ended March 31, 2015 for details on future accounting policy changes.

CONTROLS AND PROCEDURES

As at March 31, 2015, the Chief Executive Officer and the Chief Financial Officer of the Company, with the assistance of other staff and Management of the Company to the extent deemed necessary, have designed the Company’s disclosure controls and procedures to provide reasonable assurance that information required to be disclosed in the various reports filed or submitted by the Company under securities legislation is recorded, processed, summarized and reported accurately and have designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

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

The Company did not make any changes in its internal controls over financial reporting during the quarter ended March 31, 2015 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 2014 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.

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CONSOLIDATED FINANCIAL STATEMENTS

Table of Contents

Consolidated Balance Sheets

As at *(unaudited)(thousands of Canadian dollars)*	Notes		March 31, 2015		December 31, 2014
ASSETS					
Non-current Assets					
Real Estate Investments					
Investment properties – shopping centres	5	**$**	**7,479,370**	$	7,287,650
Investment properties – development land	5		**26,374**		17,008
Investment in joint ventures			**176,757**		138,578
Loans, mortgages and other real estate assets	6		**104,888**		96,231
Total real estate investments			**7,787,389**		7,539,467
Other non-current assets	8		**19,332**		19,415
Total non-current assets			**7,806,721**		7,558,882
Current Assets					
Cash and cash equivalents	24(d)		**23,724**		17,351
Loans, mortgages and other real estate assets	6		**71,297**		79,978
Residential development inventory			**3,974**		3,922
Amounts receivable	7		**20,976**		16,580
Other assets	8		**20,222**		26,338
			140,193		144,169
Investment properties classified as held for sale	5(d)		**75,596**		205,133
Total current assets			**215,789**		349,302
Total assets		**$**	**8,022,510**	$	7,908,184
LIABILITIES					
Non-current Liabilities					
Mortgages and credit facilities	10	**$**	**884,355**	$	919,453
Senior unsecured debentures	11		**2,243,091**		2,149,174
Convertible debentures	12		**372,983**		373,277
Other liabilities	13		**20,646**		20,555
Deferred tax liabilities	20		**462,100**		453,903
Total non-current liabilities			**3,983,175**		3,916,362
Current Liabilities					
Current portion of mortgages and credit facilities	10		**209,453**		253,957
Accounts payable and other liabilities	13		**226,473**		240,024
Total current liabilities			**435,926**		493,981
Total liabilities			**4,419,101**		4,410,343
EQUITY					
Shareholders' equity	14		**3,566,144**		3,470,271
Non-controlling interest			**37,265**		27,570
Total equity			**3,603,409**		3,497,841
Total liabilities and equity		**$**	**8,022,510**	$	7,908,184

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

Approved by the Board of Directors:

Jon Hagan
Director

Adam E. Paul
Director

Consolidated Statements of Income

(unaudited)		Three months ended March 31	
(thousands of Canadian dollars, except per share amounts)	**Notes**	**2015**	2014
Property rental revenue		**$ 163,974**	$ 162,867
Property operating costs		**63,881**	64,283
Net operating income	15	**100,093**	98,584
Other income and expenses			
Interest and other income	16	**3,968**	2,610
Interest expense	17	**(41,488)**	(42,357)
Corporate expenses	18	**(9,742)**	(8,016)
Abandoned transaction costs		**(69)**	(48)
Amortization expense		**(826)**	(1,023)
Share of profit from joint ventures		**5,919**	685
Other gains (losses) and (expenses)	19	**86**	1,246
Decrease in value of investment properties, net	5	**(334)**	(6,288)
		(42,486)	(53,191)
Income before income taxes		**57,607**	45,393
Deferred income taxes	20	**11,651**	10,484
Net income		**$ 45,956**	$ 34,909
Net income attributable to:			
Common shareholders		**$ 45,901**	$ 35,214
Non-controlling interest		**55**	(305)
		$ 45,956	$ 34,909
Net income per share attributable to common shareholders:			
Basic	21	**$ 0.21**	$ 0.17
Diluted	21	**$ 0.21**	$ 0.17

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

Consolidated Statements of Comprehensive Income

(unaudited)		Three months ended March 31	
(thousands of Canadian dollars)	**Note**	**2015**	2014
Net income		**$ 45,956**	$ 34,909
Other comprehensive (loss) income			
Items that may be reclassified subsequently to net income			
Unrealized losses on available-for-sale marketable securities		**(34)**	(19)
Reclassification of gains on available-for-sale marketable securities to net income		**56**	36
Unrealized losses gains on cash flow hedges		**(9,189)**	(4,842)
Reclassification of net losses on cash flow hedges to net income		**228**	78
		(8,939)	(4,747)
Deferred tax recovery	20	**(2,473)**	(1,248)
Other comprehensive loss		**(6,466)**	(3,499)
Comprehensive income		**$ 39,490**	$ 31,410
Comprehensive income attributable to:			
Common shareholders		**$ 39,435**	$ 31,715
Non-controlling interest		**55**	(305)
		$ 39,490	$ 31,410

Refer to accompanying notes to the unaudited 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 14(a))	(Note 14(b))			
December 31, 2014	**$ 833,298**	**$ (9,070)**	**$2,600,605**	**$ 45,438**	**$3,470,271**	**$ 27,570**	**$3,497,841**
Changes during the period:							
Net income	45,901	—	—	—	45,901	55	45,956
Issuance of common shares	—	—	87,753	—	87,753	—	87,753
Issue costs, net of tax and other	—	—	(2,757)	—	(2,757)	—	(2,757)
Dividends	(47,759)	—	—	—	(47,759)	—	(47,759)
Convertible debentures, net	—	—	9,835	16	9,851	—	9,851
Options, deferred share units and restricted share units, net	—	—	10,037	(687)	9,350	—	9,350
Other comprehensive loss	—	(6,466)	—	—	(6,466)	—	(6,466)
Contributions from non-controlling interest	—	—	—	—	—	9,640	9,640
March 31, 2015	**$ 831,440**	**$ (15,536)**	**$2,705,473**	**$ 44,767**	**$3,566,144**	**$ 37,265**	**$3,603,409**

(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 14(a))	(Note 14(b))			
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
Issue costs, net of tax and other	—	—	(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

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

Consolidated Statements of Cash Flows

(unaudited)		Three months ended March 31	
(thousands of Canadian dollars)	**Notes**	**2015**	2014
OPERATING ACTIVITIES			
Net income		**$ 45,956**	$ 34,909
Adjustments for:			
Decrease in value of investment properties, net	5	**334**	6,288
Interest expense	17	**41,488**	42,357
Capitalized interest	17	**4,946**	4,940
Cash interest paid	17	**(45,541)**	(34,511)
Amortization expense		**826**	1,023
Share of profit of joint ventures		**(5,919)**	(685)
Distribution from joint ventures		**622**	484
Items not affecting cash and other items	24(a)	**11,090**	8,140
Net change in non-cash operating items	24(b)	**(16,102)**	(16,898)
Receipts of proceeds from sales of residential inventory		**—**	27,711
Expenditures on residential development inventory		**(52)**	(3,627)
Cash provided by operating activities		**37,648**	70,131
FINANCING ACTIVITIES			
Mortgage financings and credit facilities			
Borrowings, net of financing costs		**—**	33
Principal instalment payments		**(8,324)**	(9,249)
Repayments		**(70,480)**	(106,065)
Repayment of mortgage and loans on residential development inventory and other		**(3,572)**	(8,631)
Issuance of senior unsecured debentures, net of issue costs	11	**93,573**	301,938
Purchase of convertible debentures	12(b)	**(1,326)**	(15)
Issuance of common shares, net of issue costs		**92,467**	3,040
Payment of dividends		**(46,520)**	(43,755)
Contributions from non-controlling interest		**9,640**	—
Cash provided by financing activities		**65,458**	137,296
INVESTING ACTIVITIES			
Acquisition of shopping centres	5(c)	**(25,209)**	(53,498)
Acquisition of development land	5(c)	**—**	(3,555)
Net proceeds from property dispositions	5(d)	**21,116**	3,938
Contributions to joint ventures		**(32,882)**	—
Capital expenditures on investment properties		**(66,923)**	(40,169)
Changes in investing-related prepaid expenses and other liabilities		**5,859**	(15,148)
Changes in loans, mortgages and other real estate assets	24(c)	**1,306**	(10,840)
Cash used in investing activities		**(96,733)**	(119,272)
Net increase in cash and cash equivalents		**6,373**	88,155
Cash and cash equivalents, beginning of period		**17,351**	4,975
Cash and cash equivalents, end of period	24(d)	**$ 23,724**	$ 93,130

Refer to accompanying notes to the unaudited 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, Canada, 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 unaudited interim consolidated financial statements have been prepared in accordance with IAS 34, “Interim Financial Reporting” as issued by the International Accounting Standards Board (“IASB”), and as such, do not include all of the disclosures that would be included in annual consolidated financial statements. These unaudited interim consolidated financial statements should be read in conjunction with the Company’s audited annual consolidated financial statements for the years ended December 31, 2014 and 2013.

(b) Basis of presentation

These unaudited 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. These unaudited 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 audited annual consolidated financial statements, except for those items identified in Note 3 – “Change in Accounting Policies”.

Comparative information in the unaudited 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 any changes are not material to the unaudited 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”.

(c) Approval of unaudited interim consolidated financial statements

These unaudited interim consolidated financial statements were approved by the Board of Directors and authorized for issue on May 4, 2015.

3. CHANGE IN ACCOUNTING POLICY

Investment Property (Annual Improvements 2011-2013 Cycle)

The amended IAS 40, "Investment Property" ("IAS 40") is effective for annual periods after July 1, 2014 and the Company was required to apply the amendment prospectively for the first time in these unaudited interim consolidated financial statements. The Company was required to adopt the amendment on January 1, 2015. The amended IAS 40 clarifies that IFRS 3, "Business Combinations" ("IFRS 3"), not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or a business combination. In previous periods, the Company has relied on IFRS 3, not IAS 40, in determining whether an acquisition is of an asset or is a business acquisition. The adoption of the amendment by the Company did not result in a material impact to the consolidated financial statements.

4. FUTURE ACCOUNTING POLICY CHANGES

Financial instruments

IFRS 9, "Financial Instruments" ("IFRS 9"), issued in July 2014, and replaces IAS 39, "Financial Instruments: Recognition and Measurement" ("IAS 39"). IFRS 9 addresses the classification and measurement of all financial assets and financial liabilities within the scope of the current IAS 39 and a new expected credit loss impairment model that will require more timely recognition of expected credit losses and a substantially reformed model for hedge accounting. Also included 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 or as fair value through other comprehensive income ("FVTOCI"). No amounts are reclassified out of other comprehensive income ("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, permitting additional hedging strategies used for risk management to qualify for hedge accounting.

The IASB has set January 1, 2018 as the effective date for the mandatory application of IFRS 9. The Company is in the process of assessing the impact of IFRS 9 on its consolidated financial statements.

Revenue from contracts with customers

IFRS 15, "Revenue from Contracts with Customers" ("IFRS 15"), was issued in May 2014, and replaces IAS 11, "Construction Contracts", IAS 18, "Revenue Recognition", IFRIC 13, "Customer Loyalty Programmes", IFRIC 15, "Agreements for the Construction of Real Estate", IFRIC 18, "Transfers of Assets from Customers", and SIC-31, "Revenue – Barter Transactions Involving Advertising Services". IFRS 15 provides a single, principles-based five-step model that will apply to all contracts with customers with limited exceptions, including, but not limited to, leases within the scope of IAS 17 "Leases"; financial instruments and other contractual rights or obligations within the scope of IFRS 9, IFRS 10, "Consolidated Financial Statements", and IFRS 11, "Joint Arrangements". In addition to the five-step model, the standard specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. The incremental costs of obtaining a contract must be recognized as an asset if the entity expects to recover these costs. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities.

IFRS 15 is required for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted. The Company is in the process of assessing the impact of IFRS 15 on its consolidated financial statements.

5. INVESTMENT PROPERTIES

(a) Activity

The following tables summarize the changes in the Company's investment properties for the three months ended March 31, 2015 and for the year ended December 31, 2014:

					Three months ended March 31, 2015	
(thousands of Canadian dollars)	**Central Region**	**Eastern Region**	**Western Region**	**Total**	**Shopping Centres**	**Development Land**
Balance at beginning of period	**$ 3,207,544**	**$ 1,744,533**	**$ 2,557,714**	**$ 7,509,791**	**$ 7,474,329**	**$ 35,462**
Acquisitions	**1,422**	**354**	**23,433**	**25,209**	**25,209**	**—**
Capital expenditures	**22,523**	**23,956**	**20,458**	**66,937**	**66,789**	**148**
Increase (decrease) in value of investment properties, net	**(2,638)**	**1,576**	**728**	**(334)**	**2,402**	**(2,736)**
Straight-line rent and other changes	**2,471**	**(3,630)**	**2,396**	**1,237**	**1,237**	**—**
Dispositions	**—**	**(21,500)**	**—**	**(21,500)**	**(21,500)**	**—**
Balance at end of period	**$ 3,231,322**	**$ 1,745,289**	**$ 2,604,729**	**$ 7,581,340**	**$ 7,548,466**	**$ 32,874**
Investment properties – non-current					**$ 7,479,370**	**$ 26,374**
Investment properties classified as held for sale					**69,096**	**6,500**
Total					**$ 7,548,466**	**$ 32,874**

					Year ended December 31, 2014	
(thousands of Canadian dollars)	Central Region	Eastern Region	Western Region	Total	Shopping Centres	Development Land
Balance at beginning of year	$ 3,141,304	$ 1,639,162	$ 2,511,585	$ 7,292,051	$ 7,126,008	$ 166,043
Acquisitions	88,940	87,798	50,164	226,902	207,852	19,050
Capital expenditures	111,051	74,362	68,088	253,501	246,257	7,244
Reclassifications between shopping centres and development land	—	—	—	—	40,988	(40,988)
Reclassification to residential development inventory	25,151	—	—	25,151	25,151	—
Increase (decrease) in value of investment properties, net	62,801	(26,959)	6,236	42,078	47,162	(5,084)
Straight-line rent and other changes	1,591	1,984	2,275	5,850	5,850	—
Dispositions	(140,394)	(31,814)	(73,508)	(245,716)	(183,513)	(62,203)
Reclassification to equity accounted joint ventures	(82,900)	—	—	(82,900)	(34,300)	(48,600)
Revaluation of deferred purchase price of shopping centre (Note 13)	—	—	(7,126)	(7,126)	(7,126)	—
Balance at end of year	$ 3,207,544	$ 1,744,533	$ 2,557,714	$ 7,509,791	$ 7,474,329	$ 35,462
Investment properties – non-current					$ 7,287,650	$ 17,008
Investment properties classified as held for sale					186,679	18,454
Total					$ 7,474,329	$ 35,462

Investment properties with a fair value of $2.6 billion (December 31, 2014 – $2.7 billion) are pledged as security for $1.1 billion in mortgages and credit facilities.

(b) Investment property valuation

Capitalization rates and stabilized net operating income ("SNOI"), by region, for investment properties – shopping centres are set out in the table below:

As at	**March 31, 2015**			December 31, 2014		
Shopping Centres	**Fair Value (1) ($ millions)**	**SNOI (2) ($ millions)**	**Weighted Average Capitalization Rate**	Fair Value (1) ($ millions)	SNOI (2) ($ millions)	Weighted Average Capitalization Rate
Central Region	**$ 3,224.0**	**$ 178.0**	**5.63%**	$ 3,200.0	$ 177.0	5.63%
Eastern Region	**1,737.0**	**108.0**	**6.15%**	1,736.0	104.0	6.18%
Western Region	**2,588.0**	**143.0**	**5.68%**	2,538.0	143.0	5.74%
Total or Weighted Average	**$ 7,549.0**	**$ 429.0**	**5.77%**	$ 7,474.0	$ 424.0	5.79%

(1) Fair value of properties under development includes a deduction for costs to complete of $267.6 million as at March 31, 2015 (December 31, 2014 – $308.9 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%.

The sensitivity of the fair values of shopping centres to capitalization rates as at March 31, 2015 is set out in the table below:

As at March 31, 2015	*(millions of Canadian dollars)*
(Decrease) Increase in capitalization rate	Resulting increase (decrease) in value of shopping centres
(0.75)%	$ 1,041
(0.50)%	$ 661
(0.25)%	$ 316
0.25%	$ (289)
0.50%	$ (556)
0.75%	$ (801)

Additionally, a 1% increase or decrease in SNOI would result in an increase or decrease, respectively, in the fair value of shopping centres of $70 million. A 1% increase in SNOI coupled with a 0.25% decrease in capitalization rate would result in an increase in the fair value of shopping centres of $388 million, and a 1% decrease in SNOI coupled with a 0.25% increase in capitalization rate would result in a decrease in the fair value of shopping centres of $356 million.

(c) Investment properties – Acquisitions

During the three months ended March 31, 2015 and 2014, the Company acquired shopping centres and development land for rental income and future development and redevelopment opportunities as follows:

Three months ended March 31	**2015**		2014	
(thousands of Canadian dollars)	**Shopping Centres**	**Development Land**	Shopping Centres	Development Land
Total purchase price, including acquisition costs	**$ 25,209**	**$ —**	$ 53,498	$ 3,555
Total cash paid	**$ 25,209**	**$ —**	$ 53,498	$ 3,555

(d) Investment properties classified as held for sale

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

As at (thousands of Canadian dollars)	**March 31, 2015**	December 31, 2014
Aggregate fair value	**$ 75,596**	$ 205,133

The $129.5 million decrease in investment properties classified as held for sale from December 31, 2014, arises from a first quarter 2015 disposition of $21.5 million with the remainder being transfers back to investment properties - shopping centres and investment properties - development land resulting from a slower than expected disposition program.

For the three months ended March 31, 2015 and 2014, the Company sold shopping centres and development land as follows:

Three months ended March 31	**2015**	2014
(thousands of Canadian dollars)	**Shopping Centres and Development Land**	Shopping Centres and Development Land
Total sales price	**$ 21,500**	$ 4,046
Property selling costs	**(384)**	(108)
Total cash proceeds	**$ 21,116**	$ 3,938

(e) Reconciliation of investment properties to total assets

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

As at March 31, 2015 *(thousands of Canadian dollars)*	**Central Region**	**Eastern Region**	**Western Region**	**Total**
Total shopping centres and development land [1]	**$ 3,231,322**	**$ 1,745,289**	**$ 2,604,729**	**$ 7,581,340**
Cash and cash equivalents				**23,724**
Loans, mortgages and other real estate assets				**176,185**
Other assets				**39,554**
Amounts receivable				**20,976**
Investment in joint ventures				**176,757**
Residential development inventory				**3,974**
Total assets				**$ 8,022,510**

As at December 31, 2014 *(thousands of Canadian dollars)*	Central Region	Eastern Region	Western Region	Total
Total shopping centres and development land [1]	$ 3,207,544	$ 1,744,533	$ 2,557,714	$ 7,509,791
Cash and cash equivalents				17,351
Loans, mortgages and other real estate assets				176,209
Other assets				45,753
Amounts receivable				16,580
Investment in joint ventures				138,578
Residential development inventory				3,922
Total assets				$ 7,908,184

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

6. LOANS, MORTGAGES AND OTHER REAL ESTATE ASSETS

As at (thousands of Canadian dollars)	**March 31, 2015**	December 31, 2014
Non-current		
Loans and mortgages receivable (a)	**$ 100,710**	$ 92,132
FVTPL investments in limited partnership	**4,178**	4,099
Total non-current	**$ 104,888**	$ 96,231
Current		
FVTPL investments in in equity securities (b)	**$ 12,783**	$ 33,370
Available-for-sale investments in equity securities	**161**	292
Loans and mortgages receivable (a)	**58,103**	46,067
Other receivable	**250**	249
Total current	**71,297**	79,978
Total	**$ 176,185**	$ 176,209

(a) Loans and mortgages receivable are secured by interests in investment properties or shares of entities owning investment properties. The non-current balance of the these receivables bear interest at a weighted average coupon and effective interest rate as at March 31, 2015 of 5.97% and 5.93% per annum, respectively (December 31, 2014 – 5.65% and 5.93% per annum) and mature between 2016 and 2025. The current balance of loans and mortgages receivable bear interest at a weighted average coupon and effective interest rate of 8.01% per annum (December 31, 2014 – 9.59% per annum).

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

7. AMOUNTS RECEIVABLE

As at (thousands of Canadian dollars)	**March 31, 2015**	December 31, 2014
Trade receivables (net of allowances for doubtful accounts of $3.1 million (December 31, 2014 – $3.1 million))	**$ 20,142**	$ 15,106
Construction and development related chargebacks and receivables	**490**	374
Corporate and other amounts receivable	**344**	1,100
Total	**$ 20,976**	$ 16,580

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

8. OTHER ASSETS

As at (thousands of Canadian dollars)	Notes	March 31, 2015	December 31, 2014
Non-current			
Fixtures, equipment and computer hardware and software (net of accumulated amortization of $5.9 million)		**$ 9,807**	$ 9,721
Deferred financing costs on credit facilities (net of accumulated amortization of $2.9 million)		**1,441**	1,591
Environmental indemnity and insurance proceeds receivable	13	**5,399**	5,418
Deposits and costs on investment properties under option		**2,000**	2,000
Held-to-maturity investment in bond		**685**	685
Total non-current		**$ 19,332**	$ 19,415
Current			
Deposits and costs on investment properties under option		**$ 1,870**	$ 4,144
Prepaid expenses		**16,244**	7,388
Other deposits		**1,787**	792
Restricted cash		**321**	13,733
Derivatives at fair value	23	**—**	281
Total current		**$ 20,222**	$ 26,338
Total		**$ 39,554**	$ 45,753

9. CAPITAL MANAGEMENT

The Company manages its capital, taking into account the long-term business objectives of the Company, to provide stability and reduce risk while generating an acceptable return on investment over the long term to shareholders. The Company's capital structure currently includes common shares, senior unsecured debentures, mortgages, convertible debentures and secured and unsecured revolving credit facilities, which together provide the Company with the 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:

As at (thousands of Canadian dollars, except per share amounts)	March 31, 2015	December 31, 2014
Liabilities (principal amounts outstanding)		
Mortgages	**$ 1,087,445**	$ 1,166,251
Mortgage on equity accounted joint venture (at the Company's interest)	**14,189**	10,425
Senior unsecured debentures	**2,250,000**	2,160,000
Convertible debentures	**386,865**	388,174
Equity Capitalization		
Common shares (based on closing per share price of $19.73; December 31, 2014 – $18.66)	**4,379,047**	4,037,543
Total	**$ 8,117,546**	$ 7,762,393

The Company monitors a number of financial ratios in conjunction with its credit agreements and financial planning. In accordance with the terms of the Company's credit agreements, all ratios are calculated with joint ventures proportionately consolidated, as set out in the table below:

	Measure/ Covenant	**March 31, 2015**	December 31, 2014
As at			
Net debt to total assets		**41.8%**	42.2%
Unencumbered aggregate assets to unsecured debt, using 10 quarter average capitalization rate [1]	≥1.3	**2.2**	2.2
Shareholders' equity, using four quarter average (billions of Canadian dollars) [1]	>$1.4B	**$ 3.5**	$ 3.4
Secured indebtedness to total assets [1]	<40%	**13.8%**	15.0%
For the rolling four quarters ended			
Interest coverage (EBITDA to interest expense) [1]	>1.65	**2.3**	2.3
Fixed charge coverage (EBITDA to debt service) [1]	>1.50	**1.9**	1.9

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

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

- Debt consists of principal amounts outstanding on mortgages and credit facilities 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 any draws under the secured facilities which are collateralized against investment property.
- EBITDA, as adjusted, 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 do 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. The unencumbered aggregate assets to unsecured debt ratio is calculated as unencumbered assets divided by the principal amount of the unsecured debt, which consists of the senior unsecured debentures and any draws under the unsecured facility.

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 a reasonable 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 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 a reasonable cost.

The Company is subject to financial covenants in agreements governing its senior unsecured debentures, unsecured and secured revolving credit facilities. As at March 31, 2015, the Company remains in compliance with all of its applicable financial covenants.

10. MORTGAGES AND CREDIT FACILITIES

As at (thousands of Canadian dollars)	**March 31, 2015**	December 31, 2014
Fixed rate mortgages	**$ 1,086,023**	$ 1,165,625
Secured facility	**7,785**	7,785
	$ 1,093,808	$ 1,173,410
Current	**$ 209,453**	$ 253,957
Non-current	**884,355**	919,453
Total	**$ 1,093,808**	$ 1,173,410

Mortgages and the secured facility are secured by investment properties. Of the fair value of investment properties of $7.6 billion as at March 31, 2015 (December 31, 2014 – $7.5 billion), approximately $2.6 billion (December 31, 2014 – $2.7 billion) has been pledged as security under the mortgages and the secured facility (Note 5(a)).

Mortgages bear coupon interest at a weighted average interest rate of 5.1% per annum as at March 31, 2015 (December 31, 2014 – 5.0% per annum) and mature in the years ranging from 2015 to 2025. The weighted average effective interest rate on all mortgages as at March 31, 2015 is 4.7% per annum (December 31, 2014 – 4.7% per annum).

Principal repayments of mortgages and secured facility outstanding as at March 31, 2015 are as follows:

(thousands of Canadian dollars, except other data)	Scheduled Amortization	Payments on Maturity	Total	Weighted Average Effective Interest Rate
2015 (remainder of the year)	$ 21,778	$ 142,658	$ 164,436	5.22%
2016	24,523	165,318	189,841	3.84%
2017	21,686	82,902	104,588	4.02%
2018	17,696	123,045	140,741	5.69%
2019	14,814	106,714	121,528	6.32%
2020 to 2025	36,830	329,481	366,311	4.26%
	$ 137,327	$ 950,118	$ 1,087,445	4.72%
Unamortized deferred financing costs, net			6,363	
Total			$ 1,093,808	

The following table summarizes the details of the Company's credit facilities as at March 31, 2015:

(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 + 1.125% or Prime + 0.125%	December 31, 2015
Unsecured facility	800,000	—	(41,980)	758,020	BA + 1.20% or Prime + 0.20% or US$ LIBOR + 1.20%	June 30, 2017
Secured facility	7,953	(7,785)	(75)	93	BA + 1.125% or Prime + 0.125%	March 31, 2016
Total credit facilities	$ 882,953	$ (7,785)	$ (42,078)	$ 833,090		

11. SENIOR UNSECURED DEBENTURES

As at (thousands of Canadian dollars, except other data)					**March 31, 2015**	December 31, 2014
		Interest Rate				
Series	Maturity Date	Coupon	Effective	**Principal Outstanding**	**Liability**	Liability
H	January 31, 2017	5.85%	5.99%	**$ 125,000**	**$ 124,692**	$ 124,653
I	November 30, 2017	5.70%	5.79%	**125,000**	**124,739**	124,717
J	August 30, 2018	5.25%	5.66%	**50,000**	**49,541**	49,498
K	November 30, 2018	4.95%	5.17%	**100,000**	**99,273**	99,229
L	July 30, 2019	5.48%	5.61%	**150,000**	**149,267**	149,230
M	April 30, 2020	5.60%	5.60%	**175,000**	**174,984**	174,984
N	March 1, 2021	4.50%	4.63%	**175,000**	**173,875**	173,835
O	January 31, 2022	4.43%	4.59%	**200,000**	**198,147**	198,091
P	December 5, 2022	3.95%	4.18%	**250,000**	**246,327**	246,227
Q	October 30, 2023	3.90%	3.97%	**300,000**	**298,535**	298,499
R	August 30, 2024	4.79%	4.72%	**300,000**	**301,588**	301,622
S	July 31, 2025	4.32%	4.24%	**300,000**	**302,123**	208,589
	Weighted Average/Total	4.70%	4.77%	**$ 2,250,000**	**$ 2,243,091**	$ 2,149,174

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

On January 26, 2015, the Company completed the issuance of an additional $90.0 million principal amount of the Series S senior unsecured debentures, which was a re-opening of this series of debentures. These debentures bear interest at a coupon rate of 4.32% per annum, payable semi-annually commencing July 31, 2015.

12. CONVERTIBLE DEBENTURES

As at (thousands of Canadian dollars, except other data)				**March 31, 2015**			December 31, 2014		
		Interest Rate							
Series	Maturity Date	Coupon	Effective	**Principal**	**Liability**	**Equity**	Principal	Liability	Equity
D	June 30, 2017	5.70%	6.88%	**$ 42,903**	**$ 41,860**	**$ 983**	$ 42,903	$ 41,756	$ 983
E	January 31, 2019	5.40%	6.90%	**56,458**	**53,636**	**2,152**	56,593	53,608	2,158
F	January 31, 2019	5.25%	6.07%	**56,481**	**54,926**	**384**	56,549	54,904	384
G	March 31, 2018	5.25%	6.66%	**49,813**	**47,929**	**1,151**	49,927	47,900	1,154
H	March 31, 2017	4.95%	6.51%	**72,321**	**70,233**	**1,442**	72,561	70,228	1,446
I	July 31, 2019	4.75%	6.19%	**52,220**	**49,718**	**1,431**	52,500	49,841	1,439
J	February 28, 2020	4.45%	5.34%	**56,669**	**54,681**	**397**	57,141	55,040	400
	Weighted Average/Total	5.08%	6.35%	**$ 386,865**	**$ 372,983**	**$ 7,940**	$ 388,174	$ 373,277	$ 7,964

(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 20-day volume weighted average trading price of the Company's common shares ending five days prior to maturity date. The Company also has the option of paying the semi-annual interest through the issuance of common shares. 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. 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, 2015, 0.5 million common shares (three months ended March 31, 2014 – 0.6 million common shares) were issued for $9.8 million (three months ended March 31, 2014 – $10.0 million) to pay interest to holders of the convertible debentures. Each series of the Company's convertible 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 27, 2014, the Company renewed its normal course issuer bid ("NCIB") for all of its then outstanding series of convertible debentures. The NCIB will expire on August 26, 2015 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, 2015 and 2014, principal amounts of convertible debentures purchased and amounts paid for the purchases are represented in the table below:

(thousands of Canadian dollars)				
Three months ended March 31		**2015**		2014
	Principal Amount Purchased	**Amount Paid**	Principal Amount Purchased	Amount Paid
Total	**$ 1,309**	**$ 1,326**	$ 14	$ 15

13. ACCOUNTS PAYABLE AND OTHER LIABILITIES

As at (thousands of Canadian dollars)	**March 31, 2015**	December 31, 2014
Non-current		
Asset retirement obligations (a)	**$ 8,793**	$ 8,973
Ground leases payable	**10,154**	9,883
Deferred purchase price of investment property – shopping centre	**1,699**	1,699
Total non-current	**$ 20,646**	$ 20,555
Current		
Trade payables and accruals	**$ 58,398**	$ 57,841
Construction and development payables	**50,430**	46,399
Dividends payable	**47,608**	46,520
Interest payable	**29,303**	39,192
Tenant deposits	**19,922**	22,130
Derivatives at fair value	**11,279**	2,370
Short positions in marketable securities	**—**	12,467
Mortgage payable	**—**	3,572
Deferred purchase price of investment property – shopping centre	**9,533**	9,533
Total current	**$ 226,473**	$ 240,024
Total	**$ 247,119**	$ 260,579

(a) The Company has obligations for environmental remediation at certain sites within its property portfolio. The amounts recorded as liabilities are net of those environmental indemnity and insurance proceeds receivable (Note 8).

14. 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:

(thousands of Canadian dollars and thousands of common shares)					
Three months ended March 31			**2015**		2014
	Note	**Number of Common Shares**	**Stated Capital**	Number of Common Shares	Stated Capital
Issued and outstanding at beginning of period		**216,374**	**$ 2,600,605**	208,356	$ 2,457,310
Payment of interest on convertible debentures	12	**514**	**9,835**	582	9,980
Exercise of options		**611**	**10,037**	212	3,222
Issuance of common shares		**4,450**	**87,753**	—	—
Share issue costs and other, net of tax effect		**—**	**(2,757)**	—	(5)
Issued and outstanding at end of period		**221,949**	**$ 2,705,473**	209,150	$ 2,470,507

On February 3, 2015, the Company issued 4.4 million common shares at a price of $19.80 per share for gross proceeds of $86.5 million. Issue costs associated with the offering were approximately $3.7 million.

(b) Contributed surplus and other equity items

Contributed surplus and other equity items comprise the following:

(thousands of Canadian dollars)								
Three months ended March 31			**2015**					2014
	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	Total
		(Note 12)				(Note 12)		
Balance at beginning of period	**$ 19,292**	**$ 7,964**	**$ 18,182**	**$ 45,438**	$ 19,278	$ 8,058	$ 17,264	$ 44,600
Purchase of convertible debentures	**40**	**(24)**	**—**	**16**	—	—	—	—
Options vested	**—**	**—**	**157**	**157**	—	—	230	230
Exercise of options	**—**	**—**	**(434)**	**(434)**	—	—	(183)	(183)
Deferred share units vested	**—**	**—**	**382**	**382**	—	—	261	261
Restricted share units vested	**—**	**—**	**435**	**435**	—	—	436	436
Exercise of restricted and deferred share units	**—**	**—**	**(1,227)**	**(1,227)**	—	—	—	—
Balance at end of period	**$ 19,332**	**$ 7,940**	**$ 17,495**	**$ 44,767**	$ 19,278	$ 8,058	$ 18,008	$ 45,344

(c) Stock options

As of March 31, 2015, 3.0 million (December 31, 2014 – 3.3 million) common share options are available to be granted to the employees, officers and directors of the Company. In addition, as at March 31, 2015, 4.6 million common share options were outstanding. 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, 2015 have exercise prices ranging from $9.81 – $19.96 (December 31, 2014 – $9.81 – $19.02).

During the three months ended March 31, 2015, $0.1 million (three months ended March 31, 2014 – $0.2 million) was recorded as an expense related to stock options.

(In Canadian dollars, except other data)				
Three months ended March 31		**2015**		2014
	Number of Common Shares Issuable (in thousands)	**Weighted Average Exercise Price**	Number of Common Shares Issuable (in thousands)	Weighted Average Exercise Price
Outstanding at beginning of period	**4,956**	**$ 16.89**	5,968	$ 16.37
Granted (a)	**301**	**19.96**	494	17.77
Exercised (b)	**(611)**	**15.71**	(213)	14.29
Forfeited	**(42)**	**18.26**	(12)	18.33
Outstanding at end of period	**4,604**	**$ 17.24**	6,237	$ 16.55

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

Three months ended March 31		2015		2014
Share options granted (thousands)		**301**		494
Term to expiry		**10 years**		10 years
Exercise price	**$**	**19.96**	$	17.77
Weighted average volatility rate		**15.0%**		15.0%
Weighted average expected option life		**6 years**		6 years
Weighted average dividend yield		**4.38%**		4.72%
Weighted average risk free interest rate		**1.13%**		1.87%
Fair value (thousands)	**$**	**323**	$	548

(b) The weighted average market share price at which options were exercised for the three months ended March 31, 2015 was $19.59 (three months ended March 31, 2014 – $17.56).

(d) Share unit plans

The Company's share unit plans include a Directors' Deferred Share Unit Plan and a 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.

(in thousands) **Three months ended March 31**				**2015**				2014
		Deferred Share Units		**Restricted Share Units**		Deferred Share Units		Restricted Share Units
Outstanding at beginning of period		**452**		**328**		393		286
Granted (a)		**9**		**19**		10		101
Dividends declared		**4**		**3**		5		5
Exercised		**(77)**		**(3)**		—		—
Forfeited		**—**		**(3)**		—		—
Outstanding at end of period		**388**		**344**		408		392
Share units available to be granted based on the current reserve		**290**		**486**		172		378
Expense recorded for the period *(thousands of Canadian dollars)*	**$**	**403**	**$**	**342**	$	223	$	351

(a) The fair value of the DSUs granted during the three months ended March 31, 2015 was $0.2 million (three months ended March 31, 2014 – $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, 2015 was $0.4 million (three months ended March 31, 2014 – $1.6 million), measured based on the Company's share price on the date of grant.

15. NET OPERATING INCOME

Net operating income is as follows:

Three months ended March 31, 2015 *(thousands of Canadian dollars)*	Central Region	Eastern Region	Western Region	Subtotal	Other [1]	Total
Property rental revenue	**$ 69,032**	**$ 43,936**	**$ 51,300**	**$ 164,268**	**$ (294)**	**$ 163,974**
Property operating costs	**26,993**	**20,009**	**17,092**	**64,094**	**(213)**	**63,881**
Net operating income	**$ 42,039**	**$ 23,927**	**$ 34,208**	**$ 100,174**	**$ (81)**	**$ 100,093**

Three months ended March 31, 2014 *(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

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

Property operating costs for the three months ended March 31, 2015 include $5.4 million (three months ended March 31, 2014 – $5.9 million) related to employee compensation.

16. INTEREST AND OTHER INCOME

		Three months ended March 31	
(thousands of Canadian dollars)	**Note**	**2015**	2014
Interest, dividend and distribution income from marketable securities and cash investments	6	**$ 650**	$ 859
Interest income from loans and mortgages receivable	6	**2,784**	1,751
Fees and other income		**534**	—
Total		**$ 3,968**	$ 2,610

17. INTEREST EXPENSE

		Three months ended March 31	
(thousands of Canadian dollars)	**Note**	**2015**	2014
Mortgages and credit facilities		**$ 14,361**	$ 16,516
Senior unsecured debentures		**26,153**	24,940
Convertible debentures			
Coupon interest		**4,870**	4,921
Accretion of discounts		**400**	386
Amortization of deferred issue costs		**650**	534
Total interest expense		**46,434**	47,297
Interest capitalized to investment properties		**(4,946)**	(4,940)
Interest expense		**$ 41,488**	$ 42,357
Convertible debenture interest paid in common shares	12	**(9,835)**	(9,980)
Change in accrued interest		**9,889**	(2,194)
Effective interest rate in excess of coupon rate on senior unsecured and convertible debentures		**(230)**	(351)
Effective interest in excess of coupon interest on assumed mortgages		**937**	1,105
Other non-cash interest expense		**(1,654)**	(1,366)
Interest capitalized to investment properties and residential development inventory		**4,946**	4,940
Cash interest paid		**$ 45,541**	$ 34,511

18. CORPORATE EXPENSES

	Three months ended March 31	
(thousands of Canadian dollars)	**2015**	2014
Salaries, wages and benefits	**$ 7,942**	$ 6,242
Non-cash compensation	**782**	648
Other corporate costs	**3,107**	2,675
Total corporate expenses	**11,831**	9,565
Amounts capitalized to investment properties under development	**(2,089)**	(1,549)
Corporate expenses	**$ 9,742**	$ 8,016

19. OTHER GAINS (LOSSES) AND (EXPENSES)

		Three months ended March 31	
(thousands of Canadian dollars)	**Note**	**2015**	2014
Realized gains on sale of marketable securities		**$ 865**	$ 481
Change in cumulative unrealized (losses) gains on marketable securities classified as FVTPL		**(395)**	1,285
Losses on prepayments of debt		**—**	(262)
Unrealized losses on hedges	23	**—**	(99)
Pre-selling costs of residential inventory		**—**	(17)
Investment properties – selling costs		**(384)**	(142)
Total		**$ 86**	$ 1,246

20. INCOME TAXES

The major components of income tax expense include the following:

	Three months ended March 31	
(thousands of Canadian dollars)	**2015**	2014
Deferred income taxes	**$ 11,651**	$ 10,484

The following reconciles the Company's statutory tax rate to its effective tax rate for the three months ended March 31, 2015 and 2014:

	Three months ended March 31	
(thousands of Canadian dollars)	**2015**	2014
Income tax expense at the Canadian federal and provincial income tax rate of 26.3% (2014 – 26.3%)	**$ 15,125**	$ 11,926
(Decrease) increase in income taxes due to:		
Non-taxable portion of capital gains and other	**(3,836)**	(1,430)
Non-deductible interest expense	**105**	102
Other	**257**	(114)
Deferred income taxes	**$ 11,651**	$ 10,484

21. PER SHARE CALCULATIONS

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

	Three months ended March 31	
(thousands of Canadian dollars, except per share amounts and other data)	**2015**	2014
Net income attributable to common shareholders	**$ 45,901**	$ 35,214
Adjustment for dilutive effect of convertible debentures, net of tax	**525**	—
Income for diluted per share amounts	**$ 46,426**	$ 35,214
(in thousands)		
Weighted average number of shares outstanding for basic per share amounts	**220,241**	209,127
Options	**620**	470
Convertible debentures	**2,791**	—
Weighted average diluted share amounts	**223,652**	209,597
Basic net income per share attributable to common shareholders	**$ 0.21**	$ 0.17
Diluted net income per share attributable to common shareholders	**$ 0.21**	$ 0.17

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

Three months ended March 31	Number of Shares if Exercised			
(in Canadian dollars, number of options in thousands)	**Exercise Price**	**2015**	Exercise Price	2014
Common share options	**$ —**	**—**	$ 17.77	494
Common share options	**$ —**	**—**	$ 17.90	821
Common share options	**$ —**	**—**	$ 18.97	979
Common share options	**$ 19.96**	**301**	$ —	—
Convertible debentures - 5.70%	**$ 18.75**	**2,287**	$ 18.75	2,357
Convertible debentures - 5.40%	**$ 22.62**	**2,780**	$ 22.62	3,159
Convertible debentures - 5.25%	**$ 23.77**	**2,779**	$ 23.77	3,159
Convertible debentures - 5.25%	**$ 23.25**	**2,453**	$ 23.25	2,747
Convertible debentures - 4.95%	**$ 23.75**	**3,562**	$ 23.75	4,120
Convertible debentures - 4.75%	**$26.75-$27.75**	**2,572**	$26.75-$27.75	2,884
Convertible debentures - 4.45%	**—**	**—**	$26.75-$27.75	3,159

Regular dividends paid per common share were $0.215 for the three months ended March 31, 2015 (three months ended March 31, 2014 – $0.21).

22. RISK MANAGEMENT

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

(a) Interest rate risk

The Company structures its financings so as to stagger the maturities of its debt, thereby mitigating its exposure to interest rate and other credit market fluctuations. A portion of the Company's mortgages, loans and credit facilities are floating rate instruments. From time to time, the Company may enter into interest rate swap contracts 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 high quality tenants, ensuring that its tenant mix is diversified, and by limiting its exposure to any one tenant. As at March 31, 2015, Loblaw Companies Limited ("Loblaw") accounts for 9.9% of the Company's annualized minimum rent and has an investment grade credit rating. Other than Loblaw, no other tenant accounts for more than 6.7% 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 tends to limit the Company's ability to sell components of its portfolio promptly in response to changing economic or investment conditions. If the Company were required to quickly liquidate its assets, there is a risk that it would realize sale proceeds of less than the current value of its real estate investments.

An analysis of the Company's contractual maturities of its material financial liabilities and other contractual commitments as at March 31, 2015 is set out below:

	Payments Due by Period				
(thousands of Canadian dollars)	Remainder of 2015	2016 to 2017	2018 to 2019	Thereafter	Total
Mortgages					
Scheduled amortization	$ 21,778	$ 46,209	$ 32,510	$ 36,830	$ 137,327
Payments on maturity	142,658	248,220	229,759	329,481	950,118
Total mortgage obligations	164,436	294,429	262,269	366,311	1,087,445
Mortgage on equity accounted joint ventures	10,313	—	3,876	—	14,189
Senior unsecured debentures	—	250,000	300,000	1,700,000	2,250,000
Interest obligations (1)	117,555	280,935	217,409	280,512	896,411
Land leases (expiring between 2023 and 2061)	726	1,962	1,989	17,302	21,979
Contractual committed costs to complete current development projects	90,579	11,498	—	—	102,077
Other committed costs	39,462	51,275	—	—	90,737
Total contractual obligations (2)	$ 423,071	$ 890,099	$ 785,543	$ 2,364,125	$ 4,462,838

(1) Interest obligations include expected interest payments on mortgages and credit facilities as at March 31, 2015 (assuming balances remain outstanding through to maturity), and senior unsecured debentures, as well as standby credit facility fees.

(2) 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 convertible debentures have been excluded from this table.

The Company's total estimated costs to complete development projects currently under construction are $267.6 million, with $102.1 million contractually committed as at March 31, 2015.

The Company manages its liquidity risk by staggering debt maturities; renegotiating expiring credit arrangements proactively; using revolving credit facilities; and issuing equity when considered appropriate. As at March 31, 2015, there was nil (December 31, 2014 – nil) of cash advances drawn against the Company's revolving credit facilities.

In addition, as at March 31, 2015, the Company has $42.1 million (December 31, 2014 – $42.2 million) of outstanding letters of credit issued by financial institutions primarily to support certain of the Company's contractual obligations.

23. FAIR VALUE MEASUREMENT

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

As at			**March 31, 2015**			December 31, 2014	
(thousands of Canadian dollars)	**Note**	**Level 1**	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
Measured at fair value							
Financial Assets							
FVTPL investments in equity securities	6	**$ 12,783**	**$ —**	**$ 4,178**	$ 33,370	$ —	$ 4,099
AFS investments in equity securities	6	**161**	**—**	**—**	292	—	—
Derivatives at fair value – assets		**—**	**—**	**—**	—	281	—
Financial Liabilities							
Derivatives at fair value – liabilities		**—**	**11,279**	**—**	—	2,370	—
Short positions in marketable securities		**—**	**—**	**—**	12,467	—	—
Measured at amortized cost							
Financial Assets							
Loans and mortgages receivable (current and non-current)		**—**	**—**	**157,072**	—	—	136,569
Financial Liabilities							
Mortgages and credit facilities		**—**	**1,126,111**	**—**	—	1,227,879	—
Senior unsecured debentures		**—**	**2,489,881**	**—**	—	2,326,507	—
Convertible debentures		**395,947**	**—**	**—**	392,003	—	—

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 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 19).

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

As at (thousands of Canadian dollars)	Designated as Hedging Instrument	Maturity	**March 31, 2015**	December 31, 2014
Bond forward contracts	Yes	April 2015	**$ (4,953)**	$ 281
Interest rate swaps	Yes	March 2022 - July 2024	**(6,326)**	(2,370)
Net			**$ (11,279)**	$ (2,089)

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, 2015, the interest rates ranged from 1.42% to 3.26% (December 31, 2014 – 1.88% to 3.71%).

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, 2015 and December 31, 2014 due to their short-term nature.

24. SUPPLEMENTAL CASH FLOW INFORMATION

(a) Items not affecting cash and other items

		Three months ended March 31	
(thousands of Canadian dollars)	**Notes**	**2015**	2014
Rental revenue recognized on a straight-line basis		**$ (1,251)**	$ (1,775)
Investment properties – selling costs	19	**384**	142
Realized gains on sale of marketable securities	19	**(865)**	(481)
Change in cumulative unrealized losses (gains) on marketable securities classified as FVTPL	19	**395**	(1,285)
Losses on prepayments of debt	19	**—**	262
Non-cash compensation expense		**824**	696
Settlement of restricted share units		**(48)**	—
Deferred income taxes	20	**11,651**	10,484
Unrealized (gains) losses on hedges	19	**—**	99
Other non-cash items		**—**	(2)
Total		**$ 11,090**	$ 8,140

(b) Net change in non-cash operating items

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

	Three months ended March 31	
(thousands of Canadian dollars)	**2015**	2014
Amounts receivable	**$ (4,377)**	$ (7,262)
Prepaid expenses	**(8,894)**	(7,635)
Trade payables and accruals	**512**	373
Tenant security and other deposits	**(2,202)**	(1,723)
Other working capital changes	**(1,141)**	(651)
Total	**$ (16,102)**	$ (16,898)

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

	Three months ended March 31	
(thousands of Canadian dollars)	**2015**	2014
Advances of loans and mortgages receivable	**$ (20,741)**	$ (9,166)
Receipts of loans and mortgages receivable	**49**	263
Investment in marketable securities, net	**(2,403)**	(9,188)
Proceeds from disposition of marketable securities	**24,401**	7,251
Net	**$ 1,306**	$ (10,840)

(d) Cash and cash equivalents

As at (thousands of Canadian dollars)	**March 31, 2015**	December 31, 2014
Cash	**$ 23,724**	$ 17,251
Term deposits	**—**	100
Total	**$ 23,724**	$ 17,351

25. COMMITMENTS AND CONTINGENCIES

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

(b) The Company is contingently liable, jointly and severally or as guarantor, for approximately $67.7 million (December 31, 2014 – $68.2 million) to various lenders in connection with certain third-party obligations, including, without limitation, loans advanced to its joint arrangement partners secured by the partners' interest in the joint arrangements and underlying assets.

(c) The Company is contingently liable by way of letters of credit in the amount of $42.1 million (December 31, 2014 – $42.2 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, 2014 – $1.0 million) with a total obligation of $22.0 million (December 31, 2014 – $22.2 million).

(e) The Company is involved, in the normal course of business, in discussions, and has various agreements, with respect to possible acquisitions of new properties and dispositions of existing properties in its portfolio. None of these commitments or contingencies, individually or in aggregate, would have a significant impact on the financial position of the Company.

(f) The Company has a call option, which expires in October 2022, to purchase a 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.

26. RELATED PARTY TRANSACTIONS

(a) Major Shareholder

Gazit-Globe Ltd. ("Gazit") is the principal shareholder of the Company and, as of March 31, 2015, beneficially owns 42.9% (December 31, 2014 – 44.0%) of the common shares of the Company. Norstar Holdings Inc. is the ultimate controlling party. As of March 31, 2015, Alony-Hetz Properties and Investments Ltd. (''Alony-Hetz'') also beneficially owns 6.3% (December 31, 2014 – 8.3%) 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 as directed by Gazit with respect to the election of 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:

	Three months ended March 31	
(thousands of Canadian dollars)	**2015**	2014
Reimbursements for professional services	**$ 51**	$ 183

As at March 31, 2015, amounts due from Gazit were $0.3 million (December 31, 2014 – $0.2 million).

(b) Joint venture

M+M Urban Realty LP ("MMUR") is a joint venture which is equity accounted by Main and Main Developments LP ("MMLP"). MMLP is consolidated in the Company's financial statements.

During the three months ended March 31, 2015, a subsidiary of MMLP earned property-related and asset management fees from MMUR, which are included in the Company's consolidated fees and other income in the amount of $0.4 million.

(c) Subsidiaries of the Company

These unaudited 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.

27. SUBSEQUENT EVENT

Dividend

The Company announced that it will pay a second quarter dividend of $0.215 per common share on July 9, 2015 to shareholders of record on June 30, 2015.

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