FIRST CAPITAL REALTY INC.

Q2 2015

SECOND 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 June 30, 2015, the Company owned interests in 157 properties, totaling approximately 24.3 million square feet of gross leasable area. First Capital Realty has an enterprise value of approximately $7.7 billion and its common shares trade on the Toronto Stock Exchange.

Financial Highlights

As at *(thousands of dollars, except per share and other data)*		**June 30, 2015**		December 31, 2014
Total assets	**$**	**8,124,000**	$	7,908,000
Equity market capitalization (1)	**$**	**4,011,000**	$	4,038,000
Total enterprise value (2) (3)	**$**	**7,736,000**	$	7,762,000
Number of properties		**157**		158
Gross leasable area (square feet)		**24,270,000**		24,331,000
Net debt to total assets (4)		**41.7%**		42.2%
Common shares outstanding (in thousands)		**224,337**		216,374
Quarterly dividends per common share	**$**	**0.215**	$	0.215

Six months ended June 30 *(thousands of dollars, except per share and other data)*		**2015**		2014
Property rental revenue (4)	**$**	**334,220**	$	326,348
Net Operating Income ("NOI") (2) (4)	**$**	**207,210**	$	202,235
Funds from Operations ("FFO") (2) (4)				
FFO	**$**	**114,941**	$	107,492
FFO per diluted share	**$**	**0.52**	$	0.51
FFO payout ratio		**82.7%**		82.4%
Operating FFO (2) (5)	**$**	**115,993**	$	107,485
Operating FFO per diluted share	**$**	**0.52**	$	0.51
Adjusted Funds from Operations ("AFFO") (2) (4)				
AFFO	**$**	**121,784**	$	110,939
AFFO per diluted share	**$**	**0.52**	$	0.49
AFFO payout ratio		**82.7%**		85.7%
Operating AFFO (2) (6)	**$**	**121,000**	$	110,302
Operating AFFO per diluted share	**$**	**0.51**	$	0.49

(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. Refer to the "Capital Structure and Liquidity – Capital Employed", "Results of Operations – Net Operating Income ("NOI"), Non-IFRS Supplemental Financial Measures" sections of this MD&A for details.

(3) 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.

(4) Calculated with all joint ventures proportionately consolidated.

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

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

Markets*

Greater Toronto Area	32%
Greater Montreal Area	17%
Greater Calgary Area	12%
Greater Vancouver Area	10%
Greater Edmonton Area	9%
Greater Ottawa Area	7%
Golden Horseshoe Area	6%
London Area	3%
Quebec City	3%
Red Deer	1%
Total	**100%**

* Annual Minimum Rents as of June 30, 2015

Shopping For Everyday Life®

	#OF STORES	% OF RENT	TENANTS
Supermarkets	122	16.6%	Loblaws, Sobeys, metro, save on foods, Whole Foods Market, Longo's
Pharmacies	132	9.3%	Shoppers Drug Mart, Rexall, London Drugs, Jean Coutu
Liquor Stores	90	3.2%	LCBO, Beer Store, BC Liquor Store, SAQ
Financial Institutions	308	9.8%	TD, RBC, CIBC, BMO, Desjardins
Restaurants	877	13.3%	Tim Hortons, Subway, Cara, aroma
Medical & Personal Services	989	10.3%	Alberta Health Services
Fitness Facilities	83	3.1%	GoodLife Fitness, Equinox Fitness Clubs, LA Fitness
Daycare Centres & Schools	54	0.7%	Kumon, brightpath, Oxford Learning
National & Discount Retailers	462	16.9%	Canadian Tire, Walmart, Dollarama, Winners, Marshalls
Other Tenants	1,589	16.6%	PetSmart, GNC, Cineplex, Michaels

As of June 30, 2015

MD&A

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

INTRODUCTION

This Management’s Discussion and Analysis (“MD&A”) of the financial position and results of operations of First Capital Realty Inc. (“First Capital Realty”, “FCR” or the “Company”) is intended to provide readers with an assessment of performance and summarize the financial position and results of operations for the three and six months ended June 30, 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 July 29, 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 July 29, 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 June 30, 2015, the Company owned interests in 157 properties, totaling approximately 24.3 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 in 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 competitive cost of capital.

Shopping for Everyday Life®

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 demographic profiles and shopping trends that may impact the performance of its properties.

In Management's view, shopping centres, including mixed-use properties with a meaningful retail component, located in urban markets with tenants who primarily provide non-discretionary goods and services, will be less sensitive to both economic cycles and changing retail trends, thus adding to the stability and growth of 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. They also provide more flexibility to offer the appropriate merchandising mix, providing a better retail product and service offering for consumers in the property's trade area. Management believes that its adjacent site acquisitions result in a stronger retail offering 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 within its existing urban markets 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 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 in which they are situated, an existing tenant base and the ability to increase density through land use intensification. Redevelopment projects are carefully managed to minimize tenant downtime. When possible, 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, a secular trend that is occurring in most major cities around the world. 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 and office space. 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.

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 high 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 employed by the Company. 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, although the Company does maintain local operating platforms in all major urban markets. 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 competitive 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 attractive risk-adjusted return on investment, taking into account the long-term business strategy of the Company. The Company also recycles capital through the 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.

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, Black's, Nine West 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 4.2% (6.0% including the effect of two significant lease surrender fees earned) for the six months ended June 30, 2015 compared to the same prior year period. The growth in NOI was primarily due to rental rate step-ups, lease renewals at higher rental rates, and tenant openings with higher rental rates than the rental rates on tenant closures, partially offset by a decrease in Same Property occupancy primarily due to the closure of Target stores during the second quarter.

As at June 30, 2015, the Same Property portfolio was 95.8% occupied and the total portfolio was 94.7% occupied. The Company had 1.2% of the portfolio held as vacant space for re-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 June 30, 2015, the Company had identified approximately 8.7 million square feet of incremental density available in the portfolio for future development of retail (2.6 million square feet) and residential (6.2 million square feet) space of which approximately 1.1 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 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 first half of the year, the Company delivered 131,000 square feet of developed and redeveloped space of which 118,000 square feet was occupied at an average net rental rate of $32.35 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 owned by the Company. There are typically multiple bids on high quality properties, and asset valuations reflect strong demand for well-located income-producing assets. In addition, well-located urban properties rarely trade in the market and attract significant competition when they do. As a result, the urban property acquisitions completed by the Company typically do not provide material accretion to the Company's results in the immediate term. However, the Company will continue to selectively acquire high quality, well-located properties that add strategic value and/or operating synergies, provided that they will be accretive to Operating FFO over the long term. 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 first half of the year, the Company acquired four properties for $56.5 million. The properties are located within close proximity to existing shopping centres undergoing major redevelopments in Toronto and Calgary adding 69,900 square feet of existing leasable area to the portfolio. Additionally, the Company invested $110.5 million in development and redevelopment activities during the period.

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 better long-term growth. During the first half of the year, the Company disposed of a 136,700 square foot, non-core property in Delson, Quebec and a land parcel in Toronto, Ontario for total gross proceeds of $22.4 million.

Economy and Access to Capital

Canada's economy contracted in the first quarter of 2015 primarily due to the significant decline in oil prices over the past several months. The Bank of Canada has cut interest rates twice in 2015 as a result of the increased economic uncertainty. 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 half 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 represents a term to maturity of 10.5 years at the time of issuance. The Company repaid $174.6 million of mortgages during the first half of the year with a weighted average effective interest rate of 5.0% . As at June 30, 2015, the Company had $3.3 billion of unsecured debentures and mortgages outstanding at a weighted averaged effective interest rate of 4.7% and a weighted average term to maturity of 5.8 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.

In June 2015, the Company redeemed the remainder of its 5.70% convertible debentures at par and satisfied its principal and interest payment obligations by issuing common shares. Additionally, the Company extended the maturity of its operating credit facility to June 2020. As at June 30, 2015, unencumbered assets increased to $5.4 billion from $5.0 billion at December 31, 2014.

Outlook

Management is focused on the following five 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;
- proactive portfolio management that results in higher rent growth;
- increase efficiency and productivity of operations; and
- maintain financial strength and flexibility to achieve a competitive cost of capital over the long-term.

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

SUMMARY CONSOLIDATED INFORMATION AND HIGHLIGHTS

As at June 30		2015		2014
Operations Information				
Number of properties		**157**		164
GLA (square feet)		**24,270,000**		24,373,000
Occupancy – Same Property – stable (1)		**95.9%**		96.1%
Total portfolio occupancy		**94.7%**		95.5%
Development pipeline and adjacent land (GLA) (2)				
Retail pipeline		**2,556,000**		2,249,000
Residential pipeline		**6,162,000**		—
Average rate per occupied square foot	**$**	**18.70**	$	18.13
GLA developed and brought on line year-to-date		**131,000**		55,000
Same Property – stable NOI – increase over prior year period (1) (3)		**6.5%**		1.5%
Total Same Property NOI – increase over prior year period (1) (3)		**6.0%**		2.5%
Financial Information				
Investment properties – shopping centres (4)	**$**	**7,716,464**	$	7,283,908
Investment properties – development land (4)	**$**	**34,735**	$	154,465
Total assets	**$**	**8,124,267**	$	8,017,673
Mortgages (4)	**$**	**1,046,365**	$	1,261,848
Credit facilities	**$**	**47,785**	$	7,785
Senior unsecured debentures	**$**	**2,243,371**	$	2,313,149
Convertible debentures	**$**	**330,210**	$	375,876
Shareholders' equity	**$**	**3,660,290**	$	3,363,510
Capitalization and Leverage				
Shares outstanding (in thousands)		**224,337**		209,736
Enterprise value (5)	**$**	**7,736,000**	$	7,894,000
Net debt to total assets (5) (6) (7)		**41.7%**		43.1%
Weighted average maturity on mortgages and senior unsecured debentures (years)		**5.8**		5.9

	Three months ended June 30		Six months ended June 30	
	2015	2014	**2015**	2014
Revenues, Income and Cash Flows				
Revenues [8]	**$ 170,053**	$ 163,996	**$ 337,995**	$ 329,473
Net operating income ("NOI") [8] [9]	**$ 104,614**	$ 102,042	**$ 204,707**	$ 200,626
Corporate expenses, excluding non-cash compensation and incremental leasing costs [6]				
As a percentage of rental revenue	**4.2%**	3.3%	**4.4%**	3.4%
As a percentage of total assets	**0.3%**	0.3%	**0.4%**	0.3%
Increase in value of investment properties, net [8]	**$ 62,672**	$ 43,476	**$ 62,338**	$ 37,188
Net income attributable to common shareholders	**$ 94,267**	$ 77,707	**$ 140,168**	$ 112,921
Net income per share attributable to common shareholders (diluted)	**$ 0.41**	$ 0.36	**$ 0.62**	$ 0.53
Cash provided by operating activities	**$ 62,172**	$ 56,016	**$ 99,817**	$ 126,147
Adjusted cash flow from operating activities [5]	**$ 68,482**	$ 57,265	**$ 122,283**	$ 120,210
Dividends				
Regular dividends	**$ 47,939**	$ 44,214	**$ 95,698**	$ 88,181
Regular dividends per common share	**$ 0.215**	$ 0.21	**$ 0.43**	$ 0.42
Weighted average number of common shares – diluted (in thousands)	**241,494**	231,141	**239,432**	231,162
Funds from Operations ("FFO") [9]				
FFO	**$ 59,509**	$ 54,031	**$ 114,941**	$ 107,492
FFO per diluted share	**$ 0.27**	$ 0.26	**$ 0.52**	$ 0.51
FFO payout ratio	**79.6%**	80.8%	**82.7%**	82.4%
Operating FFO [9] [10]	**$ 60,940**	$ 55,412	**$ 115,993**	$ 107,485
Operating FFO per diluted share	**$ 0.27**	$ 0.26	**$ 0.52**	$ 0.51
Operating FFO payout ratio	**79.6%**	80.8%	**82.7%**	82.4%
Adjusted Funds from Operations ("AFFO") [9]				
AFFO	**$ 63,824**	$ 56,961	**$ 121,784**	$ 110,939
AFFO per diluted share	**$ 0.27**	$ 0.25	**$ 0.52**	$ 0.49
AFFO payout ratio	**79.6%**	84.0%	**82.7%**	85.7%
Operating AFFO [9] [11]	**$ 63,905**	$ 56,805	**$ 121,000**	$ 110,302
Operating AFFO per diluted share	**$ 0.27**	$ 0.25	**$ 0.51**	$ 0.49
Operating AFFO payout ratio	**79.6%**	84.0%	**84.3%**	85.7%

(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"), Non-IFRS Supplemental Financial Measures" 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 better reflect its development, redevelopment and repositioning activities on its properties, including land use intensification, and its completed and planned disposition activities. In addition, the Company revises comparative information to reflect property categories consistent with current period status. The property categories are as follows:

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 sheet that meet the IFRS criteria for such classification.

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 Sheets 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 include 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 sheets, as presented in its unaudited interim condensed consolidated financial statements to the Company's proportionate interest.

As at			**June 30, 2015**	December 31, 2014
	Condensed Consolidated Balance Sheet	**Adjustments for Equity Method to Proportionate Interest**	**Proportionate Interest**	Proportionate Interest
ASSETS				
Investment properties – shopping centres	**$ 7,636,247**	**$ 100,692**	**$ 7,736,939**	$ 7,364,745
Investment properties – development land	**28,235**	**48,662**	**76,897**	53,776
Investment in joint ventures	**135,190**	**(135,190)**	**—**	—
Investment properties classified as held for sale	**86,717**	**—**	**86,717**	205,133
Other	**237,878**	**5,226**	**243,104**	267,778
Total assets	**$ 8,124,267**	**$ 19,390**	**$ 8,143,657**	$ 7,891,432
LIABILITIES				
Mortgages	**$ 1,046,365**	**$ 12,862**	**$ 1,059,227**	$ 1,176,038
Credit facilities	**47,785**	**30,953**	**78,738**	7,785
Other	**3,345,654**	**(252)**	**3,345,402**	3,237,338
Total liabilities	**4,439,804**	**43,563**	**4,483,367**	4,421,161
EQUITY				
Shareholders' equity	**3,660,290**	**—**	**3,660,290**	3,470,271
Non-controlling interest	**24,173**	**(24,173)**	**—**	—
Total equity	**3,684,463**	**(24,173)**	**3,660,290**	3,470,271
Total liabilities and equity	**$ 8,124,267**	**$ 19,390**	**$ 8,143,657**	$ 7,891,432

Portfolio Overview

As at June 30, 2015, the Company had interests in 157 investment properties – shopping centres, that were 94.7% occupied with a total GLA of 24.3 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 95.5% occupied with a total GLA of 24.4 million square feet as at June 30, 2014. The 61,000 square feet decline in GLA since December 31, 2014 is primarily the result of net dispositions. The average size of the shopping centres is approximately 155,000 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 20.6 million square feet of GLA with a fair value of $6.2 billion. These properties represent 90.4% of the Company's property count, 85.1% of its GLA and 78.8% of its fair value. During the six months ended June 30, 2015, these properties generated $175.4 million of NOI which is 84.7% of the Company's total NOI.

The balance of the Company’s real estate assets consists of shopping centres with significant value enhancement opportunities which 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's proportionate interest in its shopping centre portfolio based on property categorization is summarized as follows:

As at	June 30, 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**	**17,968**	**$ 5,495**	**95.9%**	**$ 18.67**	127	18,027	$ 5,384	96.8%	$ 18.54
Same Property with incremental redevelopment and expansion	**15**	**2,675**	**667**	**95.5%**	**16.73**	15	2,663	625	96.9%	16.38
Total Same Property	**142**	**20,643**	**6,162**	**95.8%**	**18.42**	142	20,690	6,009	96.8%	18.26
Major redevelopment	**9**	**2,406**	**1,019**	**85.5%**	**20.88**	9	2,372	997	90.7%	19.55
Ground-up development	**3**	**557**	**299**	**90.9%**	**16.18**	3	528	261	90.9%	18.55
Acquisitions – 2015 [1]	**—**	**64**	**54**	**90.4%**	**36.13**	—	—	—	—%	—
Acquisitions – 2014	**2**	**467**	**203**	**93.1%**	**26.96**	2	472	194	92.0%	26.40
Investment properties classified as held for sale [2] [3]	**1**	**133**	**80**	**100.0%**	**13.40**	1	132	69	100.0%	13.07
Dispositions – 2015	**—**	**—**	**—**	**—%**	**—**	1	137	21	93.1%	12.65
Total	**157**	**24,270**	**$ 7,817**	**94.7%**	**$ 18.70**	158	24,331	$ 7,551	96.0%	$ 18.42

(1) 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 $6.5 million.

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

As at	**June 30, 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**	**6,675**	**$ 2,788**	**95.9% $**	**21.69**	**33%**	44	6,637	$ 2,674	96.6% $	21.23	32%
Golden Horseshoe Area	**8**	**1,582**	**377**	**93.0%**	**15.72**	**6%**	8	1,604	382	99.0%	15.11	6%
London Area	**7**	**686**	**163**	**97.5%**	**15.42**	**2%**	7	691	166	98.0%	15.40	3%
	59	**8,943**	**3,328**	**95.5%**	**20.17**	**41%**	59	8,932	3,222	97.1%	19.66	41%
Eastern Region												
Quebec City	**5**	**1,009**	**170**	**95.9%**	**10.79**	**3%**	5	1,009	168	96.1%	11.20	3%
Greater Montreal Area	**34**	**4,894**	**1,163**	**90.5%**	**15.04**	**16%**	35	5,019	1,173	93.6%	15.02	17%
Greater Ottawa Area	**11**	**1,991**	**456**	**96.5%**	**16.61**	**7%**	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	**8,015**	**1,812**	**92.8%**	**14.87**	**26%**	52	8,113	1,791	94.8%	14.91	27%
Western Region												
Greater Calgary Area	**15**	**2,525**	**965**	**97.7%**	**22.36**	**13%**	15	2,454	911	98.3%	21.81	12%
Red Deer	**1**	**245**	**73**	**98.0%**	**19.69**	**1%**	1	244	73	98.8%	19.73	1%
Greater Edmonton Area	**12**	**2,362**	**723**	**95.2%**	**18.57**	**9%**	12	2,396	684	95.0%	18.38	9%
Greater Vancouver Area	**19**	**2,180**	**916**	**93.8%**	**22.15**	**10%**	19	2,192	870	93.8%	22.22	10%
	47	**7,312**	**2,677**	**95.7%**	**20.99**	**33%**	47	7,286	2,538	95.9%	20.74	32%
Total	**157**	**24,270**	**$ 7,817**	**94.7% $**	**18.70**	**100%**	158	24,331	$ 7,551	96.0% $	18.42	100%

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 June 30		Six months ended June 30	
(millions of dollars)	**2015**	2014	**2015**	2014
Balance at beginning of period	**$ 7,549**	$ 7,210	**$ 7,474**	$ 7,126
Acquisitions				
Shopping centres and additional adjacent spaces	**32**	4	**57**	37
Additional interest in existing property	**—**	—	**—**	15
Land parcels in close proximity to existing properties	**1**	50	**1**	6
Development activities and property improvements	**74**	18	**141**	89
Reclassifications from development land	**—**	—	**—**	18
Increase in value of investment properties, net	**61**	45	**63**	40
Dispositions	**(1)**	(35)	**(22)**	(39)
Other changes	**—**	(8)	**2**	(8)
Balance at end of period	**$ 7,716**	$ 7,284	**$ 7,716**	$ 7,284
Investment in joint ventures – shopping centres [1]	**101**	49	**101**	49
Proportionate interest end of period [2]	**$ 7,817**	$ 7,333	**$ 7,817**	$ 7,333

[1] At the Company's proportionate interest.

[2] Includes investment properties classified as held for sale totaling $80 million.

2015 Acquisitions

Income producing properties – Shopping Centres and Additional Adjacent Spaces

During the six months ended June 30, 2015, the Company acquired four 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
3.	1030 King St. West (Shops at King Liberty)	Toronto	ON	Q2	17,900	25.7
4.	930, 932-17th Ave. SW (Mount Royal Village)	Calgary	AB	Q2	9,600	6.0
	Total				69,900	$ 56.5

Development Properties

During the six months ended June 30, 2015, the Company invested $1.4 million in the acquisition of two development properties, comprising 0.2 acres for future development of retail and mixed-use space, as summarized in the table below:

Count	Property Name	City	Province	Quarter Acquired	Acreage		Acquisition Cost (in millions)
	Land parcels adjacent to existing properties						
1.	3009 Boulevard St-Charles (Centre Kirkland-St. Charles)	Kirkland	QC	Q2	0.2	$	0.9
2.	1200 Block of Marine Drive (Pemberton Plaza)	North Vancouver	BC	Q2	—		0.5
	Total land parcels adjacent to existing properties				**0.2**	**$**	**1.4**

2015 Dispositions

During the six months ended June 30, 2015, the Company sold two properties, representing 136,700 square feet of GLA for gross proceeds of $22.4 million. These dispositions are in line with the Company's strategy of increasing the portfolio's focus on core urban markets.

	Property Name	City	Province	Quarter Sold	Gross Leasable Area (square feet)	Acreage		Gross Sales Price (in millions)
1.	Plaza Delson	Delson	QC	Q1	136,700	—	$	21.5
2.	717 Hillsdale Ave. (1670 Bayview Ave.)	Toronto	ON	Q2	—	0.1		0.9
	Total				136,700	0.1	$	22.4

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 generally not recoverable from tenants. However, certain leases provide the ability to recover from tenants over time, a portion of capital expenditures to maintain the physical aspects of the Company's shopping centres.

Revenue sustaining capital expenditures generally include tenant improvement construction costs related to new and renewal leasing, and capital expenditures required to maintain the physical aspects of the shopping centres, such as roof replacement 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.

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 redeveloped to meet the Company's standards.

In addition to the 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 annualized rate of revenue sustaining expenditures on a Same Property basis for the six months ended June 30, 2015 was $0.84 per square foot.

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

Six months ended June 30			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	**$ 9,217**	**$ 1,344**	**$ 10,561**	$ 5,399	$ 612	$ 6,011
Revenue enhancing and other	**13,788**	**1,326**	**15,114**	4,188	1,887	6,075
Expenditures recoverable from tenants	**2,313**	**120**	**2,433**	2,750	1,051	3,801
Development expenditures	**—**	**16,052**	**16,052**	—	7,670	7,670
Total Same Property	**$ 25,318**	**$ 18,842**	**$ 44,160**	$ 12,337	$ 11,220	$ 23,557
Major redevelopment			**46,374**			37,339
Ground-up development			**47,884**			16,771
Acquisitions – current year			**150**			304
Acquisitions – prior year			**1,223**			3,148
Investment properties classified as held for sale			**839**			5,671
Dispositions – current and prior year			**15**			112
Development land			**301**			6,125
Total			**$ 140,946**			$ 93,027

Valuation of Investment Properties Under IFRS

During the six months ended June 30, 2015, the weighted average stabilized capitalization rate of the Company's investment property portfolio decreased from 5.8% as at December 31, 2014 to 5.7%, including the impact of dispositions, acquisitions, and development activities. The Company experienced a decrease in the weighted average stabilized capitalization rate due to capitalization rate compression primarily occurring in the Western region, specifically in the Greater Vancouver Area. The Company's proportionate interest in the net increase in value of investment properties was $69.9 million for the six months ended June 30, 2015.

The values of the Company's proportionate interest in its shopping centres and associated capitalization rates by region were as follows as at June 30, 2015 and December 31, 2014:

As at June 30, 2015		Capitalization Rate			
(millions of dollars, except other data)	**Number of Properties**	**Weighted Average**	**Median**	**Range**	**Fair Value**
Central Region	**59**	**5.6%**	**5.8%**	**4.8%-7.5%**	**$ 3,328**
Eastern Region	**51**	**6.1%**	**6.0%**	**5.3%-7.5%**	**1,812**
Western Region	**47**	**5.5%**	**5.8%**	**4.5%-6.5%**	**2,677**
Total or Weighted Average	**157**	**5.7%**	**5.9%**	**4.5%-7.5%**	**$ 7,817**

As at December 31, 2014					
		Capitalization Rate			
(millions of dollars, except other data)	Number of Properties	Weighted Average	Median	Range	Fair Value
Central Region	59	5.6%	5.8%	4.8%-8.2%	$ 3,222
Eastern Region	52	6.2%	6.0%	5.0%-7.5%	1,791
Western Region	47	5.7%	5.8%	5.0%-7.0%	2,538
Total or Weighted Average	158	5.8%	6.0%	4.8%-8.2%	$ 7,551

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 June 30, 2015, the Company had $584.0 million of properties under development at invested cost, which includes $203.0 million pertaining to pre-development activities related to certain uncommitted future development projects.

A breakdown of invested cost on active developments by component is as follows:

As at June 30, 2015 *(in millions of dollars)*	Number of Properties	Square Feet [1] (in thousands)	Invested Cost: Active Development	Pre-Development Activities	Total
2015 Development and Redevelopment Activities					
Same Property with incremental redevelopment and expansion	6	64	$ 20	$ —	$ 20
Major redevelopment	9	228	125	117	242
Ground-up development	3	786	101	18	119
Total 2015 development and redevelopment activities	**18**	**1,078**	**$ 246**	**$ 135**	**$ 381**

(1) Includes 312,000 square feet of residential rental apartments for which the Company's interest is 50%.

The Company has also identified future uncommitted development potential within its portfolio as follows:

As at June 30, 2015	Square Feet [1] (in thousands)
Retail	1,790
Residential	5,850
Future uncommitted development potential	**7,640**

(1) Includes developable square feet that the Company estimates could be approved. Future development potential does not include properties from Main and Main Developments.

The Company has identified 5.9 million square feet of potential residential density within its portfolio and will assess its course of action with respect to this density on a case by case basis given the specifics of each property. The Company's course of action for each property may include selling the residential density rights, selling the property, joint venturing with a partner to develop the property or undertaking the development of the property on its own. The majority of this density is for development commencement over the medium term (within approximately seven years).

In addition to the future development pipeline above, the Company has identified further development potential of up to 0.9 million square feet of retail and 4.2 million square feet of residential GLA in the portfolio for development, which may become realizable over the longer term.

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

For the six months ended June 30, 2015, the Company had tenant closures for redevelopment of 72,000 square feet at an average rental rate of $16.55 per square foot. Of this 72,000 square feet, 49,000 square feet was demolished during the quarter.

As at June 30, 2015, the Company had 285,000 square feet of vacant space (1.2% vacancy) being held primarily for major redevelopment and expansion projects in various stages of pre-development activities. This 285,000 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 and six months ended June 30, 2015, the Company completed 78,000 and 131,000 square feet, respectively, in development and redevelopment activities. During this period, 118,000 square feet of this space was occupied at an average rental rate of $32.35 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 are expected to have a weighted average going-in NOI yield of 5.7% on completion, and range from 4.9% to 8.6%. 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 current forecast costs, if final lease terms include shortfalls from base rent, operating cost or property tax recoveries, or if there are other unforeseen events that cause actual results to differ from assumptions. The quality of the Company's construction is consistent with its strategy of long-term ownership and value creation, and factors in the Company's high standards in construction, lighting, parking, access, pedestrian amenities, accessibility, as well as development to LEED standards.

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

As at June 30, 2015					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	64,000	—	64,000	$ 47,690	$ 20,457	$ —	$ 27,233
Major redevelopment							
Active development	706,000	478,000	228,000	614,583	124,708	403,110	86,765
Ground-up development							
Active development and at completion	1,343,000	557,000	786,000	416,626	101,226	193,479	121,921
Total	2,113,000	1,035,000	1,078,000	$1,078,899	$ 246,391	$ 596,589	$ 235,919

Costs to complete the development, redevelopment and expansion activities underway are estimated to be approximately $235.9 million. Costs to complete Same Property related developments are planned at $16.9 million for the remainder of 2015 and $10.3 million thereafter. Costs to complete major redevelopments and ground-up developments, respectively, are planned at $41.4 million and $30.3 million for the remainder of 2015, and $45.3 million and $91.6 million thereafter.

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 June 30, 2015, the invested cost in these projects totaled $20.5 million, and includes incremental investment primarily related to pads or building extensions and often includes façade, parking, lighting and building upgrades. Of the 64,000 square feet under active redevelopment, 24,000 square feet is subject to committed leases at a weighted average rate of $33.62 per square foot. The Company is currently in various stages of negotiations for the remaining planned space.

As at June 30, 2015							
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	Dollarama	10,000	Q3, 2015	$ 4,113	$ 2,369	$ 1,744
2.	Wellington Corners, London, ON	BMO	4,000	Q1, 2016	1,907	634	1,273
3.	Kingston Square, Toronto, ON	Tim Hortons, The Beer Store	8,000	Q2, 2016	8,751	1,707	7,044
4.	Pemberton Plaza, Vancouver, BC	TD Canada Trust	21,000	Q2, 2016	16,376	7,431	8,945
5.	Fairway Plaza, Kitchener, ON	Leasing underway	13,000	Q2, 2016	8,677	3,423	5,254
6.	Loblaws Plaza, Ottawa, ON	BMO	8,000	Q3, 2016	7,866	4,893	2,973
	Total Same Property with incremental redevelopment and expansion		64,000		$ 47,690	$ 20,457	$ 27,233

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 $1.1 billion in invested cost as properties with major redevelopment activities. Of approximately 228,000 square feet under active redevelopment, 87,000 square feet is subject to committed leases at a weighted average rate of $31.23 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 June 30, 2015									
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
	Major redevelopment – with active development								
1.	Yorkville Village Assets, Toronto, ON	Whole Foods Market, Equinox Fitness	285,000	242,000	43,000	Q2, 2016	$ 349,532	$ 312,757	$ 36,775
2.	Carre Lucerne Assets, Montreal, QC	Provigo, Pharmaprix	117,000	31,000	86,000	Q3, 2017	54,060	43,696	10,364
3.	Mount Royal Village Assets, Calgary, AB	London Drugs, Urban Fare, GoodLife Fitness	304,000	205,000	99,000	Q4, 2017	210,991	171,365	39,626
			706,000	478,000	228,000		$ 614,583	$ 527,818	$ 86,765
	Major redevelopment – in pre-development								
1.	Humbertown Shopping Centre, Toronto, ON	Advanced entitlements		108,000				$ 60,019	
2.	Victoria Park Centres, Toronto, ON	Planning underway		476,000				132,296	
3.	Place Portobello Assets, Brossard, QC	Planning underway		576,000				88,596	
4.	Semiahmoo Shopping Centre, Surrey, BC	Planning underway		230,000				99,237	
5.	Macleod Trail Assets, Calgary, AB	Planning underway		300,000				93,185	
6.	3080 Yonge Street, Toronto, ON	Planning underway		236,000				72,863	
				1,926,000	—			$ 546,196	$ —
	Total major redevelopment			2,404,000	228,000		$ 614,583	$ 1,074,014	$ 86,765

[1] Includes vacant units held for redevelopment.

Ground-up Development

The Company classifies three properties totaling $313.1 million in invested cost as ground-up development properties underway or completed. Properties under active development are comprised of approximately 786,000 square feet of which 474,000 square feet is retail space, including 74,000 square feet subject to committed leases at a weighted average rate of $25.88 per square foot, and 312,000 square feet is residential rental apartments. 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 June 30, 2015										
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
	Ground-up development – with active development								
1.	The Brewery District Edmonton, AB [1]	Loblaws City Market, GoodLife Fitness	317,000	—	317,000	Q4, 2017	$ 79,592	$ 45,841	$ 33,751
	King High Line (Shops at King Liberty), Toronto, ON [1] [2] [3]		469,000	—	469,000	Q4, 2017	138,353	55,385	82,968
	Total ground-up development – with active development		786,000	—	786,000		$ 217,945	$ 101,226	$ 116,719
	Ground-up development – at completion								
1.	Place Viau Assets, Montreal, QC	Walmart, Michaels, Marshalls, Dollarama	335,000	335,000	—	Q1, 2015	$ 143,820	$ 139,328	$ 4,492
2.	Carrefour du Plateau-des-Grives	Canadian Tire, Sports Experts	222,000	222,000	—	Q2, 2015	54,861	54,151	710
	Total ground-up development – at completion		557,000	557,000	—		$ 198,681	$ 193,479	$ 5,202
	Ground-up development – pre-development								
	Rutherford Marketplace, Vaughan, ON (Residential) [2]		—	—	—			$ 18,406	
	Total ground-up development – pre-development		—	—	—			$ 18,406	
	Total ground-up development		1,343,000	557,000	786,000		$ 416,626	$ 313,111	$ 121,921

[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 312,000 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 $83.0 million has been invested as at June 30, 2015).

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 seven projects in Toronto are in the pre-development planning stage. As at June 30, 2015, the fair value of the Main and Main Urban Realty's portfolio was approximately $234.2 million.

Main and Main Urban Realty has identified a total of approximately 1.9 million square feet of additional GLA available in its portfolio, comprised of 0.3 million square feet for future retail and 1.6 million square feet for future residential development. The Company's proportionate interest in Main and Main Urban Realty is 37.7%.

Leasing and Occupancy

Total Same Property occupancy decreased from 96.8% as at December 31, 2014 to 95.8% as at June 30, 2015 primarily as a result of the closure of a Target store in the second quarter. Total portfolio occupancy, which decreased from 96.0% as at December 31, 2014 to 94.7% as at June 30, 2015, was primarily driven by the decrease in total Same Property occupancy, as well as the closure of another Target store (included in the major redevelopment category), partially offset by the impact of the Company's leasing, development and redevelopment initiatives.

Occupancy of the Company's shopping centre portfolio by property categorization as at June 30, 2015 was as follows:

As at	**June 30, 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	**17,232**	**95.9%**	**$ 18.67**	17,449	96.8%	$ 18.54
Same Property with incremental redevelopment and expansion	**2,555**	**95.5%**	**16.73**	2,582	96.9%	16.38
Total Same Property	**19,787**	**95.8%**	**18.42**	20,031	96.8%	18.26
Major redevelopment	**2,058**	**85.5%**	**20.88**	2,152	90.7%	19.55
Ground-up development	**506**	**90.9%**	**16.18**	480	90.9%	18.55
Investment properties classified as held for sale	**132**	**100.0%**	**13.40**	132	100.0%	13.07
Total portfolio before acquisitions and dispositions	**22,483**	**94.6%**	**18.56**	22,795	96.1%	18.36
Acquisitions – 2015	**58**	**90.4%**	**36.13**	—	—%	—
Acquisitions – 2014	**436**	**93.1%**	**26.96**	434	92.0%	26.40
Dispositions – 2015	**—**	**—%**	**—**	127	93.1%	12.65
Total	**22,977**	**94.7%**	**$ 18.70**	23,356	96.0%	$ 18.42

During the three months ended June 30, 2015, the Company achieved a 5.0% overall rate increase per occupied square foot on 642,000 square feet of renewal leases over the expiring lease rates (or 5.6% excluding fixed rate renewals), of which the rate increase for the Same Property portfolio was 7.2% on 590,000 square feet of renewals.

During the six months ended June 30, 2015, the Company achieved a 7.9% overall rate increase per occupied square foot on 1,053,000 square feet of renewal leases over the expiring lease rates (or 8.5% excluding fixed rate renewals), of which the rate increase for the Same Property portfolio was 9.6% on 977,000 square feet of renewals.

The average rental rate per occupied square foot for the Same Property portfolio increased from $18.26 as at December 31, 2014 to $18.42 as at June 30, 2015 primarily as a result of Target closures and leasing initiatives. 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 June 30, 2015	Total Same Property			Major redevelopment, ground-up, acquisitions and dispositions			Vacancy				Total Portfolio		
	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
March 31, 2015 [1]	**19,946**	**96.4%**	**$ 18.24**	**3,231**	**91.1%**	**$ 19.38**	**167**	**0.7%**	**894**	**3.7%**	**24,238**	**95.6%**	**$ 18.40**
Tenant openings	119		17.57	21		26.68			(139)		1		18.92
Tenant closures	(287)		(11.69)	(141)		(9.19)			428		—		(10.87)
Tenant closures for redevelopment	(9)		(17.41)	(8)		(16.13)	17				—		(16.79)
Developments – tenant openings coming online [2]	17		26.98	59		32.02			2		78		30.90
Demolitions	—		—	—		—	(48)		—		(48)		—
Reclassification	1		—	—		—	149		(177)		(27)		—
Total portfolio before 2015 acquisitions and dispositions	19,787	95.8%	$ 18.42	3,162	87.9%	$ 20.31	285	1.2%	1,008	4.2%	24,242	94.7%	$ 18.68
Acquisitions (at date of acquisition)	—	—%	—	28	100%	40.50	—		—		28	100.0%	40.5
June 30, 2015	**19,787**	**95.8%**	**$ 18.42**	**3,190**	**88.0%**	**$ 20.49**	**285**	**1.2%**	**1,008**	**4.2%**	**24,270**	**94.7%**	**$ 18.70**
Renewals	590		$ 17.62	52		$ 19.77					642		$ 17.80
Renewals – expired	(590)		$ (16.44)	(52)		$ (22.74)					(642)		$ (16.96)
Net change per square foot from renewals			$ 1.18			$ (2.97)							$ 0.84
% Increase (decrease) on renewal of expiring rents			7.2%			(13.1)%							5.0%

(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.

Six months ended June 30, 2015	Total Same Property			Major redevelopment, ground-up, acquisitions and dispositions			Vacancy				Total Portfolio		
	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	241		18.20	38		26.29			(279)		—		19.31
Tenant closures	(489)		(15.67)	(163)		(11.26)			652		—		(14.57)
Tenant closures for redevelopment	(27)		(21.54)	(45)		(13.62)	72				—		(16.55)
Developments – tenant openings coming online [(2)]	22		27.90	96		33.36			13		131		32.35
Demolitions	—		—	—		—	(49)		(32)		(81)		—
Reclassification	9		—	8		—	178		(241)		(46)		—
Total portfolio before 2015 acquisitions and dispositions	19,787	95.8%	$ 18.42	3,259	88.3%	$ 19.92	285	1.2%	1,004	4.1%	24,335	94.7%	$ 18.63
Acquisitions (at date of acquisition)	—	—%	—	58	82.5%	35.68	—		14		72	80.6%	35.68
Dispositions (at date of disposition)	—	—	—	(127)	93.1%	(12.65)	—		(10)		(137)	92.7%	(12.65)
June 30, 2015	**19,787**	**95.8%**	**$ 18.42**	**3,190**	**88.0%**	**$ 20.49**	**285**	**1.2%**	**1,008**	**4.2%**	**24,270**	**94.7%**	**$ 18.70**
Renewals	977		$ 20.07	76		$ 21.53					1,053		$ 20.17
Renewals – expired	(977)		$ (18.31)	(76)		$ (23.46)					(1,053)		$ (18.69)
Net change per square foot from renewals			$ 1.76			$ (1.93)							$ 1.48
% Increase on renewal of expiring rents			9.6%			(8.2)%							7.9%

(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.

Top Forty Tenants

As at June 30, 2015, 54.7% of the Company's annualized minimum rent came from its top 40 tenants (December 31, 2014 – 55.1%). Of these rents, 77.1% 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 was 6.6 years as at June 30, 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")	98	2,399	9.9%	10.1%	BBB	BBB	
2	Sobeys	55	1,947	8.0%	6.6%	BBB (low)	BBB-	
3	Metro	33	1,163	4.8%	3.4%	BBB	BBB	
4	Canadian Tire	28	946	3.9%	3.2%	BBB (high)	BBB+	
5	Walmart	15	1,483	6.1%	3.0%	AA	AA	Aa2
6	TD Canada Trust	46	243	1.0%	2.1%	AA	AA-	Aa1
7	RBC Royal Bank	46	256	1.1%	2.0%	AA	AA-	Aa3
8	Dollarama	47	456	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		423	9,524	39.3%	35.1%			
11	Rona	4	421	1.7%	1.4%	BB (high)	BB+	
12	LCBO	21	214	0.9%	1.3%	AA (low)	A+	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	1.0%	0.9%		BBB-	Baa2
17	Restaurant Brands International	51	137	0.6%	0.9%	BB (low)	B+	
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%	0.7%			
21	Starbucks	44	71	0.3%	0.7%		A-	A3
22	Jean Coutu	12	155	0.6%	0.6%			
23	Subway	73	87	0.4%	0.6%			
24	Cara	21	94	0.4%	0.6%			
25	Whole Foods Market	2	90	0.4%	0.5%		BBB-	
26	Toys "R" Us	4	156	0.6%	0.5%		B-	B3
27	Best Buy	5	140	0.6%	0.5%		BB	Baa2
28	Michaels	5	110	0.5%	0.5%		B+	B3
29	SAQ	20	88	0.4%	0.5%	A (high)	A+	Aa2
30	Reitmans	25	128	0.5%	0.5%			
31	Yum! Brands	30	59	0.2%	0.5%		BBB	Baa3
32	McDonald's	21	84	0.3%	0.5%		A-	A3
33	Winners	6	194	0.8%	0.4%		A+	A3
34	The Beer Store	11	66	0.3%	0.4%	AA (low)	A+	Aa2
35	The Home Depot	2	219	0.9%	0.4%	A	A	A2
36	Williams-Sonoma	2	39	0.2%	0.4%			
37	Liquor Stores	14	54	0.2%	0.4%			
38	Pet Valu	21	57	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		**936**	**13,658**	**56.4%**	**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.

Lease Maturity Profile

The Company's lease maturity profile for its shopping centre portfolio as at June 30, 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]	161	311	1.3%	$ 5,037	1.1%	$ 16.21
2015 (remainder of the year)	250	934	3.8%	15,524	3.4%	16.62
2016	552	2,194	9.0%	34,236	7.6%	15.61
2017	596	2,932	12.1%	52,432	11.6%	17.88
2018	598	2,943	12.1%	53,876	11.9%	18.31
2019	594	2,701	11.1%	56,071	12.4%	20.76
2020	436	2,239	9.2%	44,613	9.9%	19.92
2021	207	1,327	5.5%	29,200	6.5%	22.01
2022	234	1,539	6.3%	36,559	8.1%	23.75
2023	183	1,511	6.2%	30,904	6.8%	20.45
2024	178	1,077	4.4%	23,293	5.1%	21.62
2025	140	847	3.5%	21,255	4.7%	25.08
Thereafter	107	2,422	10.2%	49,705	10.9%	20.53
Total or Weighted Average	4,236	22,977	94.7%	$ 452,705	100.0%	$ 19.70

[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 weighted average lease term for the portfolio was 6.4 years as at June 30, 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 expiring leases on the Same Property portfolio generate an annual minimum rent of $12.6 million, representing 81.4% of the annual minimum rent from the expiring leases for the remainder of 2015 for the total shopping centre portfolio.

Loans, Mortgages and Other Real Estate Assets

As at	June 30, 2015	December 31, 2014
Non-current		
Loans and mortgages receivable (a)	**$ 82,746**	$ 92,132
Available-for-sale ("AFS") investment in limited partnership	**4,062**	4,099
Total non-current	**$ 86,808**	$ 96,231
Current		
Fair value through profit or loss ("FVTPL") investments in equity securities (b)	**$ 11,721**	$ 33,370
AFS investments in equity securities	**—**	292
Loans and mortgages receivable (a)	**46,912**	46,067
Other receivable	**241**	249
Total current	**$ 58,874**	$ 79,978
Total	**$ 145,682**	$ 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 June 30, 2015 are as follows:

	Scheduled Amortization	Payments on Maturity	Total	Weighted Average Coupon Rate	Weighted Average Effective Interest Rate
2015 (remainder of the year)	$ 491	$ 41,034	$ 41,525	5.96%	5.96%
2016	206	9,473	9,679	8.79%	9.00%
2017	217	3,037	3,254	7.26%	7.26%
2018	229	—	229	—%	—%
2019	183	25,812	25,995	6.18%	5.88%
2020 to 2025	509	47,375	47,884	5.50%	5.50%
	$ 1,835	$ 126,731	$ 128,566	6.08%	6.03%
Unamortized deferred financing fees, net			1,092		
			$ 129,658		
Current			$ 46,912	6.18%	6.22%
Non-current			82,746	6.02%	5.93%
			$ 129,658	6.08%	6.03%

RESULTS OF OPERATIONS

Net Income

	Three months ended June 30		Six months ended June 30	
	2015	2014	**2015**	2014
Net income attributable to common shareholders	**$ 94,267**	$ 77,707	**$ 140,168**	$ 112,921
Net income per share attributable to common shareholders (diluted)	**$ 0.41**	$ 0.36	**$ 0.62**	$ 0.53
Weighted average number of common shares – diluted (in thousands)	**241,494**	231,141	**239,432**	231,162

For the three months ended June 30, 2015, net income attributable to common shareholders was $94.3 million or $0.41 per share (diluted) compared to $77.7 million or $0.36 per share (diluted) for the same prior year period. For the six months ended June 30, 2015, net income attributable to common shareholders was $140.2 million or $0.62 per share (diluted) compared to $112.9 million or $0.53 per share (diluted) for the same prior year period.

For the three and six months ended June 30, 2015, the increases in net income of 13.9% or $0.05 and 17.0% or $0.09 per share (diluted), respectively, 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 periods, higher total Same Property NOI, lower interest expense and higher interest and other income. The above increases in net income were partially offset by higher corporate expenses.

Reconciliation of Condensed 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 condensed consolidated financial statements, to proportionate interest.

						Three months ended June 30
			2015			2014
	Condensed Consolidated Statements of Income	**Adjustment for equity method to proportionate interest**	**Proportionate interest**	Condensed Consolidated Statements of Income	Adjustment for equity method to proportionate interest	Proportionate interest
Property rental revenue	**$ 166,630**	**$ 1,865**	**$ 168,495**	$ 161,197	$ 1,110	$ 162,307
Property operating costs	**62,016**	**560**	**62,576**	59,155	290	59,445
Net operating income	**104,614**	**1,305**	**105,919**	102,042	820	102,862
Other income and expenses						
Interest and other income	**3,423**	**(110)**	**3,313**	2,799	—	2,799
Interest expense	**(40,292)**	**(206)**	**(40,498)**	(42,697)	(123)	(42,820)
Corporate expenses	**(8,886)**	**229**	**(8,657)**	(7,041)	—	(7,041)
Abandoned transaction costs	**(474)**	**—**	**(474)**	(233)	—	(233)
Amortization expense	**(695)**	**(4)**	**(699)**	(1,067)	—	(1,067)
Share of profit from joint ventures	**4,093**	**(4,093)**	**—**	706	(706)	—
Other gains (losses) and (expenses)	**(1,424)**	**(37)**	**(1,461)**	(2,369)	—	(2,369)
Increase in value of investment properties, net	**62,672**	**2,866**	**65,538**	43,476	9	43,485
	18,417	**(1,355)**	**17,062**	(6,426)	(820)	(7,246)
Income before income taxes	**123,031**	**(50)**	**122,981**	95,616	—	95,616
Deferred income taxes	**28,708**	**6**	**28,714**	17,870	—	17,870
Net income	**$ 94,323**	**$ (56)**	**$ 94,267**	$ 77,746	$ —	$ 77,746
Net income attributable to:						
Common shareholders	**$ 94,267**	**$ —**	**$ 94,267**	$ 77,707	$ —	$ 77,707
Non-controlling interest	**56**	**(56)**	**—**	39	—	39
	$ 94,323	**$ (56)**	**$ 94,267**	$ 77,746	$ —	$ 77,746
Net income per share attributable to common shareholders:						
Basic	**$ 0.42**			$ 0.37		
Diluted	**$ 0.41**			$ 0.36		

	Six months ended June 30					
			2015			2014
	Condensed Consolidated Statements of Income	**Adjustment for equity method to proportionate interest**	**Proportionate interest**	Condensed Consolidated Statements of Income	Adjustment for equity method to proportionate interest	Proportionate interest
Property rental revenue	**$ 330,604**	**$ 3,616**	**$ 334,220**	$ 324,064	$ 2,284	$ 326,348
Property operating costs	**125,897**	**1,113**	**127,010**	123,438	675	124,113
Net operating income	**204,707**	**2,503**	**207,210**	200,626	1,609	202,235
Other income and expenses						
Interest and other income	**7,391**	**(178)**	**7,213**	5,409	—	5,409
Interest expense	**(81,780)**	**(332)**	**(82,112)**	(85,054)	(254)	(85,308)
Corporate expenses	**(18,628)**	**486**	**(18,142)**	(15,057)	—	(15,057)
Amortization expense	**(1,521)**	**(4)**	**(1,525)**	(2,090)	—	(2,090)
Abandoned transaction costs	**(543)**	**—**	**(543)**	(281)	—	(281)
Share of profit from joint ventures	**10,012**	**(10,012)**	**—**	1,391	(1,391)	—
Other gains (losses) and (expenses)	**(1,338)**	**(127)**	**(1,465)**	(1,123)	—	(1,123)
Increase in value of investment properties, net	**62,338**	**7,559**	**69,897**	37,188	36	37,224
	(24,069)	**(2,608)**	**(26,677)**	(59,617)	(1,609)	(61,226)
Income before income taxes	**180,638**	**(105)**	**180,533**	141,009	—	141,009
Deferred income taxes	**40,359**	**6**	**40,365**	28,354	—	28,354
Net income	**$ 140,279**	**$ (111)**	**$ 140,168**	$ 112,655	$ —	$ 112,655
Net income attributable to:						
Common shareholders	**$ 140,168**	**$ —**	**$ 140,168**	$ 112,921	$ —	$ 112,921
Non-controlling interest	**111**	**(111)**	**—**	(266)	—	(266)
	$ 140,279	**$ (111)**	**$ 140,168**	$ 112,655	$ —	$ 112,655
Net income per share attributable to common shareholders:						
Basic	**$ 0.63**			$ 0.54		
Diluted	**$ 0.62**			$ 0.53		

Net Operating Income

NOI is defined as property rental revenue less property operating costs. NOI is commonly used as a primary method for analyzing real estate performance in Canada and, in Management's opinion, is useful in analyzing the operating performance of the Company's shopping centre portfolio. 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.

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

	Three months ended June 30		Six months ended June 30	
	2015	2014	**2015**	2014
Property rental revenue				
Base rent	**$ 103,212**	$ 102,254	**$ 206,013**	$ 204,301
Operating cost recoveries	**23,555**	23,021	**49,090**	49,610
Realty tax recoveries	**32,267**	30,269	**63,916**	60,280
Straight-line rent adjustment	**882**	1,708	**2,130**	3,460
Lease surrender fees	**3,407**	485	**3,591**	900
Percentage rent	**801**	692	**1,373**	925
Prior year operating cost and tax recovery adjustments	**292**	(109)	**525**	(820)
Temporary tenants, storage, parking and other	**4,079**	3,987	**7,582**	7,692
Total property rental revenue	**168,495**	162,307	**334,220**	326,348
Property operating costs				
Recoverable operating expenses	**26,982**	27,241	**56,500**	58,386
Recoverable realty tax expenses	**35,949**	33,088	**70,907**	66,150
Prior year operating cost and tax expense adjustments	**(113)**	(854)	**(153)**	(1,257)
Other operating costs and adjustments	**(242)**	(30)	**(244)**	834
Total property operating costs	**62,576**	59,445	**127,010**	124,113
NOI	**$ 105,919**	$ 102,862	**$ 207,210**	$ 202,235
NOI margin	**62.9%**	63.4%	**62.0%**	62.0%

For the three months ended June 30, 2015, NOI increased to $105.9 million from $102.9 million for the same prior year period. For the six months ended June 30, 2015, NOI increased to $207.2 million from $202.2 million for the same prior year period. The increase in NOI resulted from growth in base rent from tenants due to increases in rental rates from step-ups and lease renewals, as well as acquisitions and developments coming online, partially offset by the loss of NOI previously generated by dispositions completed since June 30, 2014. The significant increase in lease surrender fee income was primarily due to two major lease terminations in the second quarter of 2015.

For the three months ended June 30, 2015, the total portfolio NOI margin decreased from 63.4% to 62.9% when compared to the same prior year period. For the six months ended June 30, 2015, the total portfolio NOI margin remained unchanged at 62.0% compared to the same prior year period. 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.

NOI Margin

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 June 30		Six months ended June 30		Three months ended June 30		Six months ended June 30		As at June 30	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
Same Property – stable	**64.6%**	64.4%	**63.5%**	63.1%	**92.9%**	90.4%	**93.0%**	90.4%	**95.9%**	96.1%
Same Property with incremental redevelopment and expansion	**63.5%**	63.3%	**62.2%**	62.1%	**88.6%**	91.5%	**89.4%**	90.4%	**95.5%**	96.9%
Total Same Property	**64.5%**	64.3%	**63.4%**	63.0%	**92.4%**	90.5%	**92.6%**	90.4%	**95.8%**	96.2%
Major redevelopment	**54.2%**	56.4%	**55.1%**	54.5%	**74.7%**	77.8%	**73.7%**	78.1%	**85.5%**	91.0%
Ground-up development	**48.3%**	54.9%	**44.1%**	52.1%	**72.4%**	86.2%	**68.7%**	81.0%	**90.9%**	98.2%
Acquisitions – 2015	**74.8%**	—%	**74.6%**	—%	**87.0%**	—%	**79.9%**	—%	**90.4%**	—%
Acquisitions – 2014	**59.3%**	71.5%	**59.5%**	68.7%	**84.2%**	86.4%	**85.0%**	86.8%	**93.1%**	91.3%
Investment properties classified as held for sale	**60.6%**	73.7%	**60.8%**	73.5%	**58.4%**	96.0%	**60.1%**	99.1%	**100.0%**	100.0%
Dispositions and other	**44.7%**	64.4%	**62.4%**	63.6%	**66.6%**	86.5%	**56.9%**	86.7%	**—%**	90.4%
Total portfolio	**62.9%**	63.4%	**62.0%**	62.0%	**88.7%**	88.3%	**88.7%**	88.2%	**94.7%**	95.5%

For the three months ended June 30, 2015, the Same Property NOI margin improved to 64.5% from 64.3% for the same prior year period, primarily due to improved Same Property recovery margin of 92.4%, an improvement of 1.9% from the same prior year period, partially offset by lower occupancy. For the six months ended June 30, 2015, the Same Property NOI margin improved to 63.4% from 63.0% for the same prior year period, primarily due to improved Same Property recovery margin of 92.6%, an improvement of 2.2% from the same prior year period.

Total portfolio NOI margin and operating cost and tax recovery margins are primarily driven by the performance of the Same Property portfolio but also impacted by development, redevelopment and repositioning activities in the remainder of the portfolio.

NOI by Property Category

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

	Three months ended June 30			Six months ended June 30		
	% change	**2015**	2014	% change	**2015**	2014
Same Property – stable	8.4%	**$ 80,862**	$ 74,613	6.5%	**$ 157,583**	$ 147,969
Same Property with incremental redevelopment and expansion	1.5%	**9,063**	8,925	1.8%	**17,835**	17,512
Total Same Property	7.6%	**89,925**	83,538	6.0%	**175,418**	165,481
Major redevelopment		**9,580**	10,966		**19,348**	20,765
Ground-up development		**1,652**	1,486		**2,651**	2,807
Acquisitions – 2015		**447**	—		**618**	—
Acquisitions – 2014		**2,201**	1,404		**4,469**	2,344
Investment properties classified as held for sale		**1,000**	838		**1,945**	1,627
Dispositions – 2015		**(10)**	426		**43**	845
Dispositions – 2014		**99**	2,153		**310**	4,342
Straight-line rent adjustment		**882**	1,710		**2,130**	3,461
Development land		**143**	341		**278**	563
NOI		**$ 105,919**	$ 102,862		**$ 207,210**	$ 202,235

For the three and six months ended June 30, 2015, Same Property NOI increased by 4.0% and 4.2%, respectively, compared to the same prior year periods, primarily due to rental rate step-ups growth on lease renewals and higher rental rates on tenant openings versus tenant closures, partially offset by a decrease in Same Property occupancy. Including the impact of two significant lease surrender fees, the increase in Same Property NOI was 7.6% and 6.0%, respectively, for the three and six months ended June 30, 2015.

NOI by Region

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

Three months ended June 30, 2015	**Central Region**	**Eastern Region**	**Western Region**	**Subtotal**	**Other[1]**	**Total**
Property rental revenue	**$ 71,855**	**$ 44,351**	**$ 52,873**	**$ 169,079**	**$ (584)**	**$ 168,495**
Property operating costs	**26,520**	**18,868**	**17,490**	**62,878**	**(302)**	**62,576**
NOI	**$ 45,335**	**$ 25,483**	**$ 35,383**	**$ 106,201**	**$ (282)**	**$ 105,919**

Three months ended June 30, 2014	Central Region	Eastern Region	Western Region	Subtotal	Other[1]	Total
Property rental revenue	$ 68,458	$ 42,421	$ 51,813	$ 162,692	$ (385)	$ 162,307
Property operating costs	26,126	16,995	16,804	59,925	(480)	59,445
NOI	$ 42,332	$ 25,426	$ 35,009	$ 102,767	$ 95	$ 102,862

Six months ended June 30, 2015	**Central Region**	**Eastern Region**	**Western Region**	**Subtotal**	**Other[1]**	**Total**
Property rental revenue	**$ 141,493**	**$ 89,432**	**$ 104,173**	**$ 335,098**	**$ (878)**	**$ 334,220**
Property operating costs	**53,726**	**39,217**	**34,582**	**127,525**	**(515)**	**127,010**
NOI	**$ 87,767**	**$ 50,215**	**$ 69,591**	**$ 207,573**	**$ (363)**	**$ 207,210**

Six months ended June 30, 2014	Central Region	Eastern Region	Western Region	Subtotal	Other[1]	Total
Property rental revenue	$ 138,539	$ 85,467	$ 102,874	$ 326,880	$ (532)	$ 326,348
Property operating costs	53,902	36,124	34,352	124,378	(265)	124,113
NOI	$ 84,637	$ 49,343	$ 68,522	$ 202,502	$ (267)	$ 202,235

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

Interest and Other Income

For the three months ended June 30, 2015, the increase of $0.5 million in interest and other income is primarily due to new asset management fees earned in Main and Main Developments in 2015, as well as higher income from loans and mortgages receivable, partially offset by lower income from marketable securities. For the six months ended June 30, 2015, the increase of $1.8 million in interest and other income is primarily due to new asset management fees earned in Main and Main Developments in 2015, as well as higher income from loans and mortgages receivable.

Interest Expense

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

	Three months ended June 30		Six months ended June 30	
	2015	2014	**2015**	2014
Mortgages	**$ 12,706**	$ 15,585	**$ 26,646**	$ 31,945
Credit facilities	**910**	523	**1,457**	810
Senior unsecured debentures	**26,696**	27,005	**52,849**	51,945
Convertible debenture (non-cash)	**5,795**	5,937	**11,715**	11,778
Interest capitalized to investment properties	**(5,609)**	(6,230)	**(10,555)**	(11,170)
Interest expense	**$ 40,498**	$ 42,820	**$ 82,112**	$ 85,308

For the three and six months ended June 30, 2015, interest expense on mortgages decreased due to net repayments over the last 12 months and a decrease in the weighted average effective interest rate from 4.9% as at June 30, 2014 to 4.6% as at June 30, 2015.

The increase in interest expense for the senior unsecured debentures for the six months ended June 30, 2015 is primarily due to the issuance of $300 million principal amount senior unsecured debentures with a weighted average effective interest rate of 4.27% since June 17, 2014, partially offset by the redemption of $225 million of senior unsecured debentures with a weighted average effective interest rate of 5.8% over the same period, as indicated in the "Capital Structure and Liquidity" section of this MD&A.

During the six months ended June 30, 2015 and 2014, approximately 11.4% and 11.6%, respectively, of interest expense was capitalized to real estate investments for properties undergoing development or redevelopment projects. Amounts capitalized are dependent on the phase and magnitude of development and redevelopment projects actively underway. The slight decrease in capitalized interest over the prior year period is commensurate with the Company's current level of pre-development and early redevelopment activity compared to the level of active development.

Corporate Expenses

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

	Three months ended June 30		Six months ended June 30	
	2015	2014	**2015**	2014
Salaries, wages and benefits	**$ 7,547**	$ 5,927	**$ 15,306**	$ 12,169
Non-cash compensation	**563**	681	**1,345**	1,329
Other corporate costs	**2,574**	2,333	**5,607**	5,008
Total corporate expenses	**10,684**	8,941	**22,258**	18,506
Amounts capitalized to investment properties under development and residential inventory	**(2,027)**	(1,900)	**(4,116)**	(3,449)
Corporate expenses	**$ 8,657**	$ 7,041	**$ 18,142**	$ 15,057
Corporate expenses, excluding non-cash compensation and incremental leasing costs				
As a percentage of rental revenue	**4.2%**	3.3%	**4.4%**	3.4%
As a percentage of total assets	**0.3%**	0.3%	**0.4%**	0.3%

For the three and six months ended June 30, 2015, net corporate expenses increased by $1.6 million and $3.1 million, respectively, compared to the same prior year period, primarily as a result of higher compensation and staff turnover costs ($1.0 million and $2.3 million, respectively) and Main and Main Developments ($0.5 million and $1.0 million, respectively). The Company's corporate expenses relating to Main and Main Developments increased as a result of the partial sale of its real estate assets to an institutional investor during the third quarter of 2014. The Company also earned management fee income from the institutional investor of $0.3 million and $0.6 million, respectively, for the three and six months ended June 30, 2015, which partially offsets the increased corporate expenses.

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 six months ended June 30, 2015 and 2014, approximately 19.7% and 20.1%, 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 is primarily the result of timing of completion of development and redevelopment projects and the Company's current level of pre-development and early redevelopment activity.

Other Gains (Losses) and (Expenses)

	Three months ended June 30					
			2015			2014
	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 (losses) on sale of marketable securities	**$ (81)**	**$ (81)**	**$ (81)**	$ 156	$ 156	$ 156
Unrealized losses on marketable securities classified as FVTPL	**(1,062)**	**(1,062)**	**—**	(54)	(54)	—
Losses on prepayments of debt	**(250)**	**(250)**	**—**	(76)	(76)	—
Unrealized gains on hedges	**—**	**—**	**—**	60	60	—
Pre-selling costs of residential inventory	**(38)**	**(38)**	**—**	(17)	(17)	—
Executive transition expense	**—**	**—**	**—**	(1,450)	(1,450)	—
Investment properties – selling costs	**(30)**	**—**	**—**	(988)	—	—
	$ (1,461)	**$ (1,431)**	**$ (81)**	$ (2,369)	$ (1,381)	$ 156

	Six months ended June 30					
			2015			2014
	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	**$ 784**	**$ 784**	**$ 784**	$ 637	$ 637	$ 637
Unrealized gains (losses) on marketable securities classified as FVTPL	**(1,456)**	**(1,456)**	**—**	1,231	1,231	—
Losses on prepayments of debt	**(250)**	**(250)**	**—**	(338)	(338)	—
Unrealized losses on hedges	**—**	**—**	**—**	(39)	(39)	—
Pre-selling costs of residential inventory and other	**(130)**	**(130)**	**—**	(34)	(34)	—
Executive transition expense	**—**	**—**	**—**	(1,450)	(1,450)	—
Investment properties – selling costs	**(413)**	**—**	**—**	(1,130)	—	—
Total	**$ (1,465)**	**$ (1,052)**	**$ 784**	$ (1,123)	$ 7	$ 637

For the three and six months ended June 30, 2015, the losses on prepayments of debt primarily relate to $7.5 million of repurchases of convertible debentures under the NCIB.

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

Income Taxes

For the three and six months ended June 30, 2015, deferred income taxes increased compared to the same prior year periods primarily due to the increase in the value of investment properties, as well as a result of the increase in the corporate income tax rate in the Province of Alberta.

Non-IFRS Supplemental Financial Measures

In Management's view, FFO and AFFO are commonly accepted and meaningful indicators of financial performance in the real estate industry. 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

The Company 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 as well as certain items other included in the Company's IFRS net income that may not be the most appropriate determinants of the long-term operating performance of the Company, such as investment property selling costs and deferred income taxes. FFO provides a perspective on the financial performance of the Company that is not immediately apparent from net income determined in accordance with IFRS.

Operating Funds from Operations

Management considers Operating FFO as its key operating performance measure that, when compared period over period, reflects the impact on its core operations, such as changes in net operating income, interest expense, corporate expenses and other income. Therefore, Operating FFO excludes the impact of certain items in other gains (losses) and (expenses) that are not considered part of the Company's on-going core operations. A reconciliation from net income attributable to common shareholders to Operating FFO and FFO can be found below.

The weighted average number of diluted shares outstanding for FFO and Operating 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.

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

	Three months ended June 30		Six months ended June 30	
	2015	2014	**2015**	2014
Net income attributable to common shareholders	**$ 94,267**	$ 77,707	**$ 140,168**	$ 112,921
Add (deduct):				
Increase in value of investment properties, net	**(65,538)**	(43,485)	**(69,897)**	(37,224)
Incremental leasing costs and other	**1,056**	951	**2,013**	2,310
Investment properties – selling costs	**30**	988	**413**	1,131
Adjustment for equity accounted joint ventures	**980**	—	**1,879**	—
Deferred income taxes	**28,714**	17,870	**40,365**	28,354
FFO	**$ 59,509**	$ 54,031	**$ 114,941**	$ 107,492

The components of FFO at proportionate interest are as follows:

	Three months ended June 30			Six months ended June 30		
	% change	**2015**	2014	% change	**2015**	2014
Net operating income		**$ 105,919**	$ 102,862		**$ 207,210**	$ 202,235
Interest and other income		**3,313**	2,799		**7,213**	5,409
Interest expense		**(39,849)**	(42,820)		**(80,884)**	(85,308)
Corporate expenses and other		**(7,270)**	(6,129)		**(15,478)**	(12,480)
Abandoned transaction costs		**(474)**	(233)		**(543)**	(281)
Amortization expense (corporate assets and credit facility costs)		**(699)**	(1,067)		**(1,525)**	(2,090)
Operating FFO [(1)]	10.0%	**60,940**	55,412	7.9%	**115,993**	107,485
Add: Other gains (losses) and (expenses) [(2)]		**(1,431)**	(1,381)		**(1,052)**	7
FFO	10.1%	**$ 59,509**	$ 54,031	6.9%	**$ 114,941**	$ 107,492
FFO per diluted share	3.8%	**$ 0.27**	$ 0.26	2.0%	**$ 0.52**	$ 0.51
Operating FFO per diluted share	3.8%	**$ 0.27**	$ 0.26	2.0%	**$ 0.52**	$ 0.51
Weighted average number of common shares – diluted – FFO (in thousands)	5.9%	**223,298**	210,786	5.7%	**222,086**	210,193

(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.

For the three months ended June 30, 2015, Operating FFO totaled $60.9 million or $0.27 per share (diluted) compared to $55.4 million or $0.26 per share (diluted) in the same prior year period. The 3.8% or $0.01 increase was primarily due to higher Same Property NOI and lower interest expense as a result of lower total debt compared to the same prior year period, partially offset by higher corporate expenses. For the three months ended June 30, 2015, FFO totaled $59.5 million or $0.27 per share (diluted) compared to $54.0 million or $0.26 per share (diluted) in the same prior year period primarily due to higher Operating FFO .

For the six months ended June 30, 2015, Operating FFO totaled $116.0 million or $0.52 per share (diluted) compared to $107.5 million or $0.51 per share (diluted) for the same prior year period. The 2.0% or $0.01 per share (diluted) increase is primarily due to higher Same Property NOI and lower interest expense as a result of lower total debt compared to the same prior year period, partially offset by higher corporate expenses. For the six months ended June 30, 2015, FFO totaled $114.9 million or $0.52 per share (diluted) compared to $107.5 million or $0.51 per share (diluted) for the same prior year period primarily due to higher Operating FFO.

Adjusted Funds from Operations and Operating Adjusted Funds from Operations

AFFO is a supplementary measure that the Company uses to measure operating cash flow generated from the business. In calculating AFFO, the Company adjusts FFO for non-cash and other items including interest payable in shares, straight-line rent adjustment, non-cash compensation expense, Same Property capital expenditures and leasing costs for maintaining shopping centre infrastructures and certain other gains or losses. Residential inventory pre-sale costs are recognized in AFFO when the Company recognizes revenue from the sale of residential units. In addition, the Company calculates Operating AFFO by excluding from AFFO the effects of certain other gains (losses) and (expenses) that are not deemed part of the Company's on-going core operations. The weighted average number of diluted shares outstanding for AFFO is adjusted to assume conversion of all the outstanding convertible debentures, calculated using the holders' contractual conversion price to be consistent with the treatment of the interest expense payable in shares in AFFO.

AFFO is calculated as follows:

	Three months ended June 30			Six months ended June 30		
	% change	**2015**	2014	% change	**2015**	2014
FFO		**$ 59,509**	$ 54,031		**$ 114,941**	$ 107,492
Add (deduct):						
Interest expense payable in shares		**5,795**	5,937		**11,715**	11,778
Straight-line rent adjustment		**(882)**	(1,708)		**(2,130)**	(3,460)
Non-cash compensation expense		**596**	703		**1,420**	1,399
Same Property revenue sustaining capital expenditures [1]		**(4,172)**	(3,996)		**(8,397)**	(8,004)
Unrealized losses (gains) on marketable securities		**1,062**	54		**1,456**	(1,231)
Losses on prepayments of debt		**250**	76		**250**	338
Hedge accounting (gains) losses		**—**	(60)		**—**	39
Pre-selling costs of residential inventory units		**38**	18		**130**	37
Executive transition expense		**—**	1,450		**—**	1,450
Costs not capitalized during development period [2]		**1,702**	549		**2,550**	1,266
Other adjustments		**(74)**	(93)		**(151)**	(165)
AFFO	12.0%	**63,824**	56,961	9.8%	**121,784**	110,939
Deduct: other (gains) losses and expenses [3]		**81**	(156)		**(784)**	(637)
Operating AFFO [4]	12.5%	**$ 63,905**	$ 56,805	9.7%	**$ 121,000**	$ 110,302
AFFO per diluted share	8.0%	**$ 0.27**	$ 0.25	6.1%	**$ 0.52**	$ 0.49
Operating AFFO per diluted share	8.0%	**$ 0.27**	$ 0.25	4.1%	**$ 0.51**	$ 0.49
Weighted average number of common shares – diluted – AFFO (in thousands)	4.4%	**237,381**	227,449	4.0%	**235,987**	226,859

(1) Estimated at $0.84 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.

For the three months ended June 30, 2015, Operating AFFO totaled $63.9 million or $0.27 per share (diluted) compared to $56.8 million or $0.25 per share (diluted) for the same prior year period primarily as a result of higher Operating FFO. For the three months ended June 30, 2015, AFFO totaled $63.8 million or $0.27 per share (diluted) compared to $57.0 million or $0.25 per share (diluted) for the same prior year period primarily as a result of higher FFO.

For the six months ended June 30, 2015, Operating AFFO totaled $121.0 million or $0.51 per share (diluted) compared to $110.3 million or $0.49 per share (diluted) for the same prior year period primarily as a result of higher Operating FFO. For the six months ended June 30, 2015, AFFO totaled $121.8 million or $0.52 per share (diluted) compared to $110.9 million or $0.49 per share (diluted) for the same prior year period primarily as a result of higher FFO.

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

	Three months ended June 30		Six months ended June 30	
	2015	2014	**2015**	2014
Cash provided by operating activities	**$ 62,172**	$ 56,016	**$ 99,817**	$ 126,147
Share of profit from joint ventures	**4,093**	701	**10,012**	1,383
Distribution from joint ventures	**(563)**	(649)	**(1,185)**	(1,133)
Adjustment for equity accounted joint ventures	**(1,927)**	—	**(5,773)**	—
Realized gains (losses) on sale of marketable securities	**(81)**	156	**784**	637
Incremental leasing costs	**1,056**	948	**2,013**	2,654
Net change in non-cash operating items	**6,310**	768	**22,414**	17,666
Expenditures on residential development inventory	**—**	481	**52**	4,108
Receipts of proceeds from sales of residential inventory	**—**	—	**—**	(27,711)
Amortization expense	**(695)**	(1,067)	**(1,521)**	(2,090)
Non-cash interest expense and change in accrued interest	**(9,285)**	(4,224)	**(342)**	(7,030)
Settlement of restricted share units	**—**	—	**48**	—
Convertible debenture interest paid in common shares	**(549)**	—	**(10,384)**	(9,980)
Convertible debenture interest payable in common shares	**5,795**	5,937	**11,715**	11,778
Costs not capitalized during development period	**1,702**	549	**2,550**	1,266
Pre-selling costs of residential inventory	**38**	17	**130**	36
Executive transition expense	**—**	1,450	**—**	1,450
Same Property revenue sustaining capital expenditures	**(4,172)**	(3,996)	**(8,397)**	(8,004)
Non-controlling interest	**—**	(36)	**—**	(77)
Other adjustments	**(70)**	(90)	**(149)**	(161)
AFFO	**$ 63,824**	$ 56,961	**$ 121,784**	$ 110,939

CAPITAL STRUCTURE AND LIQUIDITY

Total Capital Employed

The real estate business is capital intensive by nature. The Company's capital structure is key to financing growth and providing sustainable cash dividends to shareholders. In the real estate industry, financial leverage is used to enhance rates of return on invested capital. Management believes that the combination of debt, 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	June 30, 2015	December 31, 2014
Common shares outstanding (in thousands)	**224,337**	216,374
Liabilities (principal amounts outstanding)		
Mortgages	**$ 1,040,967**	$ 1,158,466
Credit facilities	**47,785**	7,785
Mortgages under equity accounted joint ventures (at the Company's proportionate interest)	**12,949**	10,425
Credit facilities under equity accounted joint venture (at the Company's proportionate interest)	**30,953**	—
Senior unsecured debentures	**2,250,000**	2,160,000
Convertible debentures	**342,097**	388,174
Equity capitalization		
Common shares (based on closing per share price of $17.88; December 31, 2014 – $18.66)	**4,011,146**	4,037,543
Total enterprise value	**$ 7,735,897**	$ 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 in the Company's 2014 Annual Report for additional information.

As at	June 30, 2015	December 31, 2014
Weighted average effective interest rate on mortgages and senior unsecured debentures	**4.7%**	4.8%
Weighted average maturity on mortgages and senior unsecured debentures (years)	**5.8**	5.9
Net debt to total assets [1]	**41.7%**	42.2%
Net debt to EBITDA [1]	**8.4**	8.2
Unencumbered aggregate assets [2]	**5,447,494**	4,959,208
Unencumbered aggregate assets to unsecured debt, based on fair value [2]	**2.4**	2.3
EBITDA interest coverage [1]	**2.4**	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 fair values.

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

	Mortgages	Credit Facilities	Senior Unsecured Debentures	Total	% Due
2015 (remainder of the year)	$ 53,444	$ —	$ —	$ 53,444	1.6%
2016	183,555	7,785	—	191,340	5.7%
2017	106,136	—	250,000	356,136	10.7%
2018	142,340	—	150,000	292,340	8.8%
2019	123,178	—	150,000	273,178	8.2%
2020	60,544	40,000	175,000	275,544	8.3%
2021	86,177	—	175,000	261,177	7.8%
2022	158,159	—	450,000	608,159	18.2%
2023	5,398	—	300,000	305,398	9.1%
2024	64,245	—	300,000	364,245	10.9%
2025 and thereafter	57,791	—	300,000	357,791	10.7%
	1,040,967	47,785	2,250,000	3,338,752	100.0%
Add (deduct): unamortized deferred financing costs and premium and discounts, net	5,398	—	(6,629)	(1,231)	
Total	$ 1,046,365	$ 47,785	$ 2,243,371	$ 3,337,521	

Mortgages and Credit Facilities

The changes in the Company's mortgages and credit facilities during the six months ended June 30, 2015, excluding mortgages on an equity accounted joint venture, are set out below:

Six months ended June 30, 2015	Mortgages	Weighted Average Effective Interest Rate	Secured Credit Facilities	Weighted Average Effective Interest Rate	Unsecured Credit Facilities	Weighted Average Interest Rate	Total
Balance at beginning of period	$1,165,624	4.7%	$ 7,785	2.1%	$ —	—%	$1,173,409
Mortgage borrowings	73,000	3.2%	—	—%	—	—%	73,000
Amounts drawn on credit facilities	—	—%	—	—%	40,000	3.1%	40,000
Mortgage repayments	(174,599)	5.0%	—	—%	—	—%	(174,599)
Scheduled amortization on mortgages	(15,898)	—%	—	—%	—	—%	(15,898)
Amortization and expensing of financing costs and net premium	(1,762)	—%	—	—%	—	—%	(1,762)
Balance at end of period	$1,046,365	4.6%	$ 7,785	2.1%	$ 40,000	3.1%	$1,094,150

As at June 30, 2015, 100% (December 31, 2014 – 100%) of the outstanding mortgages bore interest at fixed interest rates. The average remaining term of mortgages outstanding increased from 3.8 years as at December 31, 2014 on $1.2 billion of mortgages to 4.2 years as at June 30, 2015 on $1.0 billion of mortgages after reflecting borrowing activity and repayments during the period.

Mortgage Maturity Profile

As at June 30, 2015	Scheduled Amortization	Payments on Maturity	Total	Weighted Average Effective Interest Rate
2015 (remainder of the year)	$ 14,850	$ 38,594	$ 53,444	4.4%
2016	26,023	157,532	183,555	4.0%
2017	23,234	82,902	106,136	4.0%
2018	19,295	123,045	142,340	5.7%
2019	16,464	106,714	123,178	6.3%
2020	14,686	45,858	60,544	5.2%
2021	12,780	73,397	86,177	4.5%
2022	7,507	150,652	158,159	3.9%
2023	5,398	—	5,398	—%
2024	4,671	59,574	64,245	4.0%
2025 and thereafter	1,896	55,895	57,791	3.7%
	$ 146,804	$ 894,163	$ 1,040,967	4.6%
Add: unamortized deferred financing costs, net			5,398	
Total			$ 1,046,365	

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 June 30, 2015, the Company had mortgages maturing in 2015 of $38.6 million, at an average effective interest rate of 4.4% per annum, as well as $14.9 million of scheduled amortization of principal balances. The Company’s liquidity position of approximately $0.8 billion as at June 30, 2015 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.

Effective June 30, 2015, the Company completed an extension of its senior unsecured revolving credit facility to June 30, 2020 from June 30, 2017 previously, on the same terms.

The following table summarizes the details of the Company's credit facilities as at June 30, 2015:

As at June 30, 2015	Borrowing Capacity	Amounts Drawn	Bank Overdraft and Outstanding Letters of Credit	Available to be Drawn	Interest Rates	Maturity Date
Unsecured facility	$ 800,000	$ (40,000)	$ (45,886)	$ 714,114	BA + 1.20% or Prime + 0.20% or US$ LIBOR + 1.20%	June 30, 2020
Secured by development properties	75,000	—	(23)	74,977	BA + 1.125% or Prime + 0.125%	December 31, 2015
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	$ (47,785)	$ (45,984)	$ 789,184		

Senior Unsecured Debentures

As at June 30, 2015			Interest Rate		Remaining Term to Maturity	**Principal Outstanding**
Series	Maturity Date	Interest Payment Dates	Coupon	Effective	(years)	**June 30, 2015**
H	January 31, 2017	July 31, January 31	5.85%	5.99%	1.6	**$ 125,000**
I	November 30, 2017	May 30, November 30	5.70%	5.79%	2.4	**125,000**
J	August 30, 2018	February 28, August 30	5.25%	5.66%	3.2	**50,000**
K	November 30, 2018	May 31, November 30	4.95%	5.17%	3.4	**100,000**
L	July 30, 2019	January 30, July 30	5.48%	5.61%	4.1	**150,000**
M	April 30, 2020	April 30, October 30	5.60%	5.60%	4.8	**175,000**
N	March 1, 2021	March 1, September 1	4.50%	4.63%	5.7	**175,000**
O	January 31, 2022	January 31, July 31	4.43%	4.59%	6.6	**200,000**
P	December 5, 2022	June 5, December 5	3.95%	4.18%	7.4	**250,000**
Q	October 30, 2023	April 30, October 30	3.90%	3.97%	8.3	**300,000**
R	August 30, 2024	August 30, February 28	4.79%	4.72%	9.2	**300,000**
S	July 31, 2025	July 31, January 31	4.32%	4.24%	10.1	**300,000**
	Weighted Average or Total		4.70%	4.78%	6.6	**$ 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 an effective interest rate of 3.86% per annum with a coupon payable semi-annually commencing July 31, 2015.

Convertible Debentures

As at June 30, 2015									
			Interest Rate						
Series	Maturity Date	Interest Payment Dates	Coupon	Effective	Remaining Term to Maturity (yrs)	Principal at Issue Date	**Principal**	**Liability**	**Equity**
E	January 31, 2019	March 31 September 30	5.40%	6.90%	3.6	$ 57,500	**$ 56,269**	**$ 53,619**	**$ 2,145**
F	January 31, 2019	March 31 September 30	5.25%	6.07%	3.6	57,500	**55,700**	**54,256**	**378**
G	March 31, 2018	March 31 September 30	5.25%	6.66%	2.8	50,000	**49,665**	**47,930**	**1,148**
H	March 31, 2017	March 31 September 30	4.95%	6.51%	1.8	75,000	**71,992**	**70,159**	**1,435**
I	July 31, 2019	March 31 September 30	4.75%	6.19%	4.1	52,500	**51,971**	**49,628**	**1,424**
J	February 28, 2020	March 31 September 30	4.45%	5.34%	4.7	57,500	**56,500**	**54,618**	**396**
	Weighted Average/Total		5.00%	6.28%	3.3	$ 350,000	**$ 342,097**	**$ 330,210**	**$ 6,926**

(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 six months ended June 30, 2015, 0.5 million common shares (six months ended June 30, 2014 – 0.6 million common shares) were issued totaling $10.4 million (six months ended June 30, 2014 – $10.0 million) to pay interest to holders of convertible debentures.

(ii) Principal Redemption and Holder Conversion

On June 30, 2015, the Company redeemed its remaining Series D 5.70% convertible debentures at par by issuing common shares in satisfaction of the remaining principal outstanding and interest owing.

During the six months ended June 30, 2015, the Company issued 38,827 common shares in connection with $0.7 million convertible debentures converted by the holder.

(iii) 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.

For the six months ended June 30, 2015 and 2014, principal amounts of convertible debentures purchased and amounts paid for the purchases are represented in the table below:

	Six months ended June 30			
	2015		2014	
	Principal Amount Purchased	**Amount Paid**	Principal Amount Purchased	Amount Paid
Total	**$ 7,463**	**$ 7,499**	$ 14	$ 15

Shareholders' Equity

Shareholders' equity amounted to $3.7 billion as at June 30, 2015, compared to $3.5 billion as at December 31, 2014.

As at June 30, 2015, the Company had 224.3 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 six months ended June 30, 2015, a total of 8.0 million common shares were issued as follows: 4.4 million shares from public offerings, 2.2 million shares for the redemption of the Series D convertible debenture, 0.9 million shares from the exercise of common share options, Restricted Share Units ("RSUs") and Deferred Share Units ("DSUs") and 0.5 million shares for interest payments on convertible debentures.

As at July 28, 2015, there were 224.4 million common shares outstanding.

Share Purchase Options

As at June 30, 2015, the Company had 4.9 million share purchase options outstanding, with an average exercise price of $17.37. 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 June 30, 2015 were exercised, approximately 4.9 million shares would be issued and the Company would receive proceeds of $84.6 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)	**June 30, 2015**	December 31, 2014
Available under credit facilities	**$ 789**	$ 875
Cash and cash equivalents	**12**	17
Unencumbered assets		
Total, based on fair value	**5,447**	4,959
Based on debt covenants [1]	**5,232**	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.

During the six months ended June 30, 2015, the Company issued $90.0 million of senior unsecured debentures, repaid, net of additional borrowings, $101.6 million of mortgage debt, and redeemed or repurchased $46.1 million of convertible debentures. 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, credit facilities, senior unsecured debentures, convertible debentures and equity issuances to finance its growth and repay debt. The actual level and type of future borrowings will be determined based on prevailing interest rates, various costs of debt and equity capital, capital market conditions and Management's general view of the required leverage in the business.

Cash Flows

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

	Three months ended June 30		Six months ended June 30	
	2015	2014	**2015**	2014
Cash provided by operating activities	**$ 62,172**	$ 56,016	**$ 99,817**	$ 126,147
Cash provided by (used in) financing activities	**(63,701)**	137,635	**1,757**	274,931
Cash used in investing activities	**(27,194)**	(25,598)	**(123,924)**	(144,870)
Net change in cash and cash equivalents	**$ (28,723)**	$ 168,053	**$ (22,350)**	$ 256,208

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 June 30		Six months ended June 30	
	2015	2014	**2015**	2014
Cash provided by operating activities	**$ 62,172**	$ 56,016	**$ 99,817**	$ 126,147
Net change in non-cash operating items	**6,310**	768	**22,414**	17,666
Receipts of proceeds from sales of residential inventory	**—**	—	**—**	(27,711)
Expenditures on residential development inventory	**—**	481	**52**	4,108
Adjusted cash flow from operating activities	**$ 68,482**	$ 57,265	**$ 122,283** —	$ 120,210

Contractual Obligations

	Payments Due by Period				
	Remainder of 2015	2016 to 2017	2018 to 2019	Thereafter	Total
Scheduled mortgage principal amortization	$ 14,850	$ 49,257	$ 35,759	$ 46,938	$ 146,804
Mortgage principal repayments on maturity	38,594	240,434	229,759	385,376	894,163
Mortgages under equity accounted joint ventures	10,200	—	2,749	—	12,949
Credit facilities	—	7,785	—	40,000	47,785
Credit facilities under equity accounted joint venture	—	2,711	28,242	—	30,953
Senior unsecured debentures	—	250,000	300,000	1,700,000	2,250,000
Interest obligations (1)	78,004	285,751	225,417	292,453	881,625
Land leases (expiring between 2023 and 2061)	484	1,962	1,989	17,302	21,737
Contractual committed costs to complete current development projects	68,753	11,554	—	—	80,307
Other committed costs	17,722	51,275	—	—	68,997
Total contractual obligations (2)	$ 228,607	$ 900,729	$ 823,915	$ 2,482,069	$ 4,435,320

(1) Interest obligations include expected interest payments on mortgages and credit facilities as at June 30, 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 has $46.0 million of bank overdrafts and 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 $235.9 million, of which $80.3 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 $67.3 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 June 30		Six months ended June 30	
(in dollars)	**2015**	2014	**2015**	2014
Regular dividends paid per common share	**$ 0.215**	$ 0.21	**$ 0.43**	$ 0.42

Quarterly Dividend

The Company announced that it will pay a third quarter dividend of $0.215 per common share on October 9, 2015 to shareholders of record on September 28, 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) consolidation 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 June 30	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
Property rental revenue	**$ 70**	$ 65	**$ 105**	$ 101	**$ 2**	$ 2	**$ (10)**	$ (7)	**$ 167**	$ 161
NOI	**45**	42	**60**	60	**1**	1	**(1)**	(1)	**105**	102
Net income attributable to common shareholders	**94**	78	**37**	72	**46**	1	**(83)**	(73)	**94**	78

Statement of Income Data	FCR (1)		Guarantors (2)		Non-Guarantors (3)		Consolidation Adjustments (4)		Total Consolidated	
(millions of dollars)									Six months ended June 30	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
Property rental revenue	**$ 136**	$ 133	**$ 210**	$ 204	**$ 4**	$ 3	**$ (19)**	$ (16)	**$ 331**	$ 324
NOI	**86**	83	**120**	118	**2**	2	**(3)**	(2)	**205**	201
Net income attributable to common shareholders	**140**	113	**60**	118	**97**	1	**(157)**	(119)	**140**	113

Balance Sheet Data	FCR (1)	Guarantors (2)	Non-Guarantors (3)	Consolidation Adjustments (4)	Total Consolidated
(millions of dollars)					As at June 30, 2015
Current assets	**$ 77**	**$ 311**	**$ 16**	**$ (188)**	**$ 216**
Non-current assets	**7,383**	**4,692**	**358**	**(4,525)**	**7,908**
Current liabilities	**371**	**252**	**246**	**(436)**	**433**
Non-current liabilities	**3,404**	**548**	**129**	**(74)**	**4,007**

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 June 30, 2015, beneficially owns 42.4% (December 31, 2014 – 44.0%) of the common shares of the Company. Norstar Holdings Inc. is the ultimate controlling party. As of June 30, 2015, Alony-Hetz Properties and Investments Ltd. (‘‘Alony-Hetz’’) also beneficially owns 6.2% (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 25 to the Company’s unaudited interim condensed consolidated financial statements for the three and six months ended June 30, 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 and six months ended June 30, 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 interest and other income in the amount of $0.3 million and $0.7 million, respectively.

Subsidiaries of the Company

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

SUBSEQUENT EVENT

Partial Sale of King High Line

Subsequent to June 30, 2015, the Company and its existing partner entered into an agreement to sell to Canadian Apartment Properties REIT, a one-third managing interest in the residential component of its King High Line mixed-use development for $60.3 million. The Company and its existing partner will each retain an equal one-third interest in the residential component after the sale, which will close following substantial completion of construction expected in 2018.

QUARTERLY FINANCIAL INFORMATION

	2015		2014				2013	
(share counts in thousands)	**Q2**	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Property rental revenue	**$ 166,630**	$ 163,974	$ 162,071	$ 162,306	$ 161,197	$ 162,867	$ 161,094	$ 154,804
Net operating income	**104,614**	100,093	102,522	103,761	102,042	98,584	102,506	98,369
Net income attributable to common shareholders	**94,267**	45,901	44,807	39,020	77,707	35,214	47,901	41,078
Net income per share attributable to common shareholders:								
Basic	**$ 0.42**	$ 0.21	$ 0.21	$ 0.18	$ 0.37	$ 0.17	$ 0.23	$ 0.20
Diluted	**$ 0.41**	$ 0.21	$ 0.21	$ 0.18	$ 0.36	$ 0.17	$ 0.23	$ 0.20
Weighted average number of diluted common shares outstanding – EPS	**241,494**	223,652	226,114	215,360	231,141	209,597	228,908	208,819
Cash provided by operating activities	**$ 62,172**	$ 37,648	$ 82,593	$ 58,236	$ 56,016	$ 70,131	$ 84,556	$ 51,228
Operating FFO	**$ 60,940**	$ 55,054	$ 57,611	$ 55,202	$ 55,412	$ 52,073	$ 55,666	$ 53,124
Operating FFO per diluted share	**$ 0.27**	$ 0.25	$ 0.27	$ 0.26	$ 0.26	$ 0.25	$ 0.27	$ 0.25
FFO	**$ 59,509**	$ 55,432	$ 48,080	$ 53,405	$ 54,031	$ 53,461	$ 55,816	$ 53,535
FFO per diluted share	**$ 0.27**	$ 0.25	$ 0.22	$ 0.25	$ 0.26	$ 0.26	$ 0.27	$ 0.26
Weighted average number of diluted common shares outstanding – FFO	**223,298**	220,861	217,299	212,367	210,786	209,597	209,486	208,819
AFFO	**$ 63,824**	$ 57,960	$ 61,460	$ 57,370	$ 56,961	$ 53,978	$ 57,190	$ 56,069
AFFO per diluted share	**0.27**	0.24	0.26	0.25	0.25	0.24	0.25	0.25
Operating AFFO	**$ 63,905**	$ 57,095	$ 61,092	$ 57,223	$ 56,805	$ 53,495	$ 57,110	$ 53,318
Operating AFFO per diluted share	**$ 0.27**	$ 0.24	$ 0.26	$ 0.25	$ 0.25	$ 0.24	$ 0.25	$ 0.24
Weighted average number of diluted shares outstanding – AFFO	**237,381**	237,315	233,784	228,983	227,449	226,260	226,183	225,539
Regular dividend	**$ 0.215**	$ 0.215	$ 0.215	$ 0.215	$ 0.21	$ 0.21	$ 0.21	$ 0.21
Total assets	**$ 8,124,267**	$ 8,022,510	$ 7,908,184	$ 8,075,552	$ 8,017,673	$ 7,784,774	$ 7,596,255	$ 7,580,839
Total mortgages and credit facilities	**1,094,150**	1,093,808	1,173,410	1,230,026	1,269,633	1,245,691	1,366,583	1,371,047
Shareholders' equity	**3,660,290**	3,566,144	3,470,271	3,468,010	3,363,510	3,321,059	3,319,370	3,313,802
Other data								
Number of properties	**157**	157	158	163	164	164	164	164
Gross leasable area (in thousands)	**24,270**	24,238	24,331	24,555	24,373	24,525	24,462	24,313
Total portfolio occupancy %	**94.7%**	95.6%	96.0%	95.9%	95.5%	95.3%	95.5%	95.0%

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

SUMMARY OF SIGNIFICANT ACCOUNTING ESTIMATES AND POLICIES

Summary of Critical Accounting Estimates

The Company's unaudited interim condensed consolidated financial statements for the three and six months ended June 30, 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 condensed consolidated financial statements have been prepared by applying the same accounting policies and methods of computation as compared with the most recent audited annual consolidated financial statements.

The 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 June 30, 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.

ADOPTION OF NEW AND AMENDED IFRS PRONOUNCEMENTS

Refer to Note 3 to the unaudited interim condensed consolidated financial statements for the three and six months ended June 30, 2015 for details on the Adoption of New and Amended IFRS Pronouncements.

CONTROLS AND PROCEDURES

As at June 30, 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 June 30, 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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INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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Interim Condensed Consolidated Balance Sheets

As at	Notes	June 30, 2015	December 31, 2014
(thousands of dollars)		**(unaudited)**	(audited)
ASSETS			
Non-current Assets			
Real Estate Investments			
Investment properties – shopping centres	4	**$ 7,636,247**	$ 7,287,650
Investment properties – development land	4	**28,235**	17,008
Investment in joint ventures		**135,190**	138,578
Loans, mortgages and other real estate assets	5	**86,808**	96,231
Total real estate investments		**7,886,480**	7,539,467
Other non-current assets	7	**21,541**	19,415
Total non-current assets		**7,908,021**	7,558,882
Current Assets			
Cash and cash equivalents	23(d)	**12,087**	17,351
Loans, mortgages and other real estate assets	5	**58,874**	79,978
Residential development inventory		**3,976**	3,922
Amounts receivable	6	**21,117**	16,580
Other assets	7	**33,475**	26,338
		129,529	144,169
Investment properties classified as held for sale	4(d)	**86,717**	205,133
Total current assets		**216,246**	349,302
Total assets		**$ 8,124,267**	$ 7,908,184
LIABILITIES			
Non-current Liabilities			
Mortgages	9	**$ 875,777**	$ 919,453
Credit facilities	9	**40,000**	—
Senior unsecured debentures	10	**2,243,371**	2,149,174
Convertible debentures	11	**330,210**	373,277
Other liabilities	12	**25,559**	20,555
Deferred tax liabilities	19	**491,627**	453,903
Total non-current liabilities		**4,006,544**	3,916,362
Current Liabilities			
Bank indebtedness	23(d)	**17,086**	—
Mortgages	9	**170,588**	246,172
Credit facilities	9	**7,785**	7,785
Accounts payable and other liabilities	12	**237,801**	240,024
Total current liabilities		**433,260**	493,981
Total liabilities		**4,439,804**	4,410,343
EQUITY			
Shareholders' equity	13	**3,660,290**	3,470,271
Non-controlling interest		**24,173**	27,570
Total equity		**3,684,463**	3,497,841
Total liabilities and equity		**$ 8,124,267**	$ 7,908,184

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

Approved by the Board of Directors:

Jon Hagan
Director

Adam E. Paul
Director

Interim Condensed Consolidated Statements of Income

(unaudited)		Three months ended June 30		Six months ended June 30	
(thousands of dollars, except per share amounts)	**Notes**	**2015**	2014	**2015**	2014
Property rental revenue		**$ 166,630**	$ 161,197	**$ 330,604**	$ 324,064
Property operating costs		**62,016**	59,155	**125,897**	123,438
Net operating income	14	**104,614**	102,042	**204,707**	200,626
Other income and expenses					
Interest and other income	15	**3,423**	2,799	**7,391**	5,409
Interest expense	16	**(40,292)**	(42,697)	**(81,780)**	(85,054)
Corporate expenses	17	**(8,886)**	(7,041)	**(18,628)**	(15,057)
Abandoned transaction costs		**(474)**	(233)	**(543)**	(281)
Amortization expense		**(695)**	(1,067)	**(1,521)**	(2,090)
Share of profit from joint ventures		**4,093**	706	**10,012**	1,391
Other gains (losses) and (expenses)	18	**(1,424)**	(2,369)	**(1,338)**	(1,123)
Increase in value of investment properties, net	4	**62,672**	43,476	**62,338**	37,188
		18,417	(6,426)	**(24,069)**	(59,617)
Income before income taxes		**123,031**	95,616	**180,638**	141,009
Deferred income taxes	19	**28,708**	17,870	**40,359**	28,354
Net income		**$ 94,323**	$ 77,746	**$ 140,279**	$ 112,655
Net income attributable to:					
Common shareholders		**$ 94,267**	$ 77,707	**$ 140,168**	$ 112,921
Non-controlling interest		**56**	39	**111**	(266)
		$ 94,323	$ 77,746	**$ 140,279**	$ 112,655
Net income per share attributable to common shareholders:					
Basic	20	**$ 0.42**	$ 0.37	**$ 0.63**	$ 0.54
Diluted	20	**$ 0.41**	$ 0.36	**$ 0.62**	$ 0.53

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

Interim Condensed Consolidated Statements of Comprehensive Income

(unaudited)		Three months ended June 30		Six months ended June 30	
(thousands of dollars)	**Note**	**2015**	2014	**2015**	2014
Net income		**$ 94,323**	$ 77,746	**$ 140,279**	$ 112,655
Other comprehensive income (loss)					
Items that may subsequently be reclassified to net income					
Unrealized gains (losses) on available-for-sale marketable securities		**—**	86	**(34)**	67
Reclassification of gains on available-for-sale marketable securities to net income		**91**	16	**147**	52
Unrealized gains (losses) on cash flow hedges		**6,746**	(1,367)	**(2,443)**	(6,209)
Reclassification of net losses on cash flow hedges to net income		**279**	87	**507**	165
		7,116	(1,178)	**(1,823)**	(5,925)
Deferred tax expense (recovery)	19	**1,797**	(323)	**(675)**	(1,572)
Other comprehensive income (loss)		**5,319**	(855)	**(1,148)**	(4,353)
Comprehensive income		**$ 99,642**	$ 76,891	**$ 139,131**	$ 108,302
Comprehensive income attributable to:					
Common shareholders		**$ 99,586**	$ 76,852	**$ 139,020**	$ 108,568
Non-controlling interest		**56**	39	**111**	(266)
		$ 99,642	$ 76,891	**$ 139,131**	$ 108,302

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

Interim Condensed Consolidated Statements of Changes in Equity

(unaudited)(thousands of dollars)	Retained Earnings	Accumulated Other Comprehensive Loss	Share Capital	Contributed Surplus and Other Equity Items	Total Shareholders' Equity	Non-Controlling Interest	Total Equity
			(Note 13(a))	*(Note 13(b))*			
December 31, 2014	**$ 833,298**	**$ (9,070)**	**$2,600,605**	**$ 45,438**	**$3,470,271**	**$ 27,570**	**$3,497,841**
Changes during the period:							
Net income	140,168	—	—	—	140,168	111	140,279
Issuance of common shares	—	—	87,753	—	87,753	—	87,753
Issue costs, net of tax and other	—	—	(2,728)	—	(2,728)	—	(2,728)
Dividends	(95,698)	—	—	—	(95,698)	—	(95,698)
Convertible debentures, net	—	—	10,384	—	10,384	—	10,384
Redemption and conversion of convertible debentures	—	—	38,614	(885)	37,729	—	37,729
Options, deferred share units and restricted share units, net	—	—	13,826	(267)	13,559	—	13,559
Other comprehensive loss	—	(1,148)	—	—	(1,148)	—	(1,148)
Distributions to non-controlling interest	—	—	—	—	—	(3,508)	(3,508)
June 30, 2015	**$ 877,768**	**$ (10,218)**	**$2,748,454**	**$ 44,286**	**$3,660,290**	**$ 24,173**	**$3,684,463**

(unaudited)(thousands of 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	112,921	—	—	—	112,921	(266)	112,655
Issue costs, net of tax and other	—	—	(9)	—	(9)	—	(9)
Dividends	(88,181)	—	—	—	(88,181)	—	(88,181)
Convertible debentures, net	—	—	9,980	—	9,980	—	9,980
Options, deferred share units and restricted share units, net	—	—	12,599	1,183	13,782	—	13,782
Other comprehensive loss	—	(4,353)	—	—	(4,353)	—	(4,353)
June 30, 2014	$ 842,607	$ (4,760)	$2,479,880	$ 45,783	$ 3,363,510	$ 3,372	$3,366,882

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

Interim Condensed Consolidated Statements of Cash Flows

(unaudited)		Three months ended June 30		Six months ended June 30	
(thousands of dollars)	**Notes**	**2015**	2014	**2015**	2014
OPERATING ACTIVITIES					
Net income		**$ 94,323**	$ 77,746	**$ 140,279**	$ 112,655
Adjustments for:					
Increase in value of investment properties, net	4	**(62,672)**	(43,476)	**(62,338)**	(37,188)
Interest expense	16	**40,292**	42,697	**81,780**	85,054
Capitalized interest	16	**5,609**	6,230	**10,555**	11,170
Amortization expense		**695**	1,067	**1,521**	2,090
Share of profit of joint ventures		**(4,093)**	(706)	**(10,012)**	(1,391)
Distribution from joint ventures		**563**	649	**1,185**	1,133
Cash interest paid	16	**(36,069)**	(44,704)	**(81,610)**	(79,215)
Items not affecting cash and other items	23(a)	**29,834**	17,762	**40,923**	25,902
Net change in non-cash operating items	23(b)	**(6,310)**	(768)	**(22,414)**	(17,666)
Receipts of proceeds from sales of residential inventory		**—**	—	**—**	27,711
Expenditures on residential development inventory		**—**	(481)	**(52)**	(4,108)
Cash provided by operating activities		**62,172**	56,016	**99,817**	126,147
FINANCING ACTIVITIES					
Mortgages and credit facilities					
Borrowings, net of financing costs		**111,511**	38,374	**111,511**	38,407
Principal instalment payments		**(7,574)**	(9,007)	**(15,898)**	(18,256)
Repayments		**(104,119)**	(4,648)	**(174,599)**	(110,713)
Repayment of mortgage and loans on residential development inventory and other		**—**	(784)	**(3,572)**	(9,415)
Issuance of senior unsecured debentures, net of issue costs	10	**—**	148,565	**93,573**	450,503
Repurchase of convertible debentures	11(c)	**(6,173)**	—	**(7,499)**	(15)
Issuance of common shares, net of issue costs		**3,412**	8,934	**95,879**	11,974
Payment of dividends		**(47,609)**	(43,799)	**(94,129)**	(87,554)
Distributions to non-controlling interest		**(13,149)**	—	**(3,509)**	—
Cash provided by (used in) financing activities		**(63,701)**	137,635	**1,757**	274,931
INVESTING ACTIVITIES					
Acquisition of shopping centres	4(c)	**(33,158)**	(3,463)	**(58,366)**	(56,961)
Acquisition of development land	4(c)	**—**	(15,495)	**—**	(19,050)
Net proceeds from property dispositions	4(d)	**846**	51,462	**21,964**	55,400
Deferred purchase price of shopping centre	12	**—**	(4,993)	**—**	(4,993)
Distributions from joint ventures		**45,098**	—	**45,098**	—
Contributions to joint ventures		**—**	—	**(32,882)**	—
Capital expenditures on investment properties		**(74,013)**	(52,858)	**(140,936)**	(93,027)
Changes in investing-related prepaid expenses and other liabilities		**4,583**	7,860	**10,442**	(7,288)
Changes in loans, mortgages and other real estate assets	23(c)	**29,450**	(8,111)	**30,756**	(18,951)
Cash used in investing activities		**(27,194)**	(25,598)	**(123,924)**	(144,870)
Net increase (decrease) in cash and cash equivalents		**(28,723)**	168,053	**(22,350)**	256,208
Cash and cash equivalents, beginning of period		**23,724**	93,130	**17,351**	4,975
Cash and cash equivalents (bank indebtedness), end of period	23(d)	**$ (4,999)**	$ 261,183	**$ (4,999)**	$ 261,183

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

Notes to the Interim Condensed Consolidated Financial Statements

1. DESCRIPTION OF THE COMPANY

First Capital Realty Inc. ("First Capital Realty", "FCR", or the “Company”) is a corporation existing under the laws of Ontario, Canada, and engages in the business of acquiring, developing, redeveloping, owning and managing well-located, 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 audited 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 – “Adoption of New and Amended IFRS Pronouncements”.

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 Greater Ottawa Area; Central, which includes the Company’s Ontario operations excluding Greater Ottawa Area; and Western, which includes operations in Alberta and British Columbia. Operating segments are reported in a manner consistent with internal reporting provided to the chief operating decision maker, who is the President and Chief Executive Officer.

(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 July 29, 2015.

3. ADOPTION OF NEW AND AMENDED IFRS PRONOUNCEMENTS

The Company has adopted the new and amended International Financial Reporting Standards ("IFRS") pronouncement listed below as at January 1, 2015, in accordance with the transitional provisions outlined in the respective standard.

(a) Investment Property (Annual Improvements 2011-2013 Cycle)

The amended IAS 40, "Investment Property" ("IAS 40") is effective for annual periods after July 1, 2014. The amended IAS 40 clarifies that judgment is required to determine whether the acquisition of investment property is the acquisition of an asset or a group of assets or a business combination within the scope of IFRS 3, "Business Combinations". The adoption of the amendment by the Company did not result in a material impact to the consolidated financial statements.

(b) Recent Accounting Pronouncements Not Yet Adopted

The IASB has issued new standards and amendments to existing standards. These changes are not yet adopted by the Company and could have an impact on future periods. These changes are described in detail in the Company's 2014 consolidated financial statements.

- IFRS 15, "Revenue from Contracts with Customers"
- IFRS 9, "Financial Instruments"

The Company is in the process of evaluating the impact of adopting these standards on the Company's consolidated audited annual financial statements.

4. INVESTMENT PROPERTIES

(a) Activity

The following tables summarize the changes in the Company's investment properties for the six months ended June 30, 2015 and for the year ended December 31, 2014:

					Six months ended June 30, 2015	
	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	**27,128**	**1,290**	**29,948**	**58,366**	**58,366**	**—**
Capital expenditures	**46,574**	**43,791**	**50,581**	**140,946**	**140,608**	**338**
Increase (decrease) in value of investment properties, net	**14,542**	**(6,667)**	**54,463**	**62,338**	**63,403**	**(1,065)**
Straight-line rent and other changes	**2,424**	**(3,292)**	**3,003**	**2,135**	**2,135**	**—**
Dispositions	**(850)**	**(21,527)**	**—**	**(22,377)**	**(22,377)**	**—**
Balance at end of period	**$ 3,297,362**	**$ 1,758,128**	**$ 2,695,709**	**$ 7,751,199**	**$ 7,716,464**	**$ 34,735**
Investment properties					**$ 7,636,247**	**$ 28,235**
Investment properties classified as held for sale					**80,217**	**6,500**
Total					**$ 7,716,464**	**$ 34,735**

					Year ended December 31, 2014	
	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 $2.4 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 by region for investment properties – shopping centres are set out in the table below:

As at	**June 30, 2015**		December 31, 2014	
Shopping Centres	**Fair Value ($ millions)**	**Weighted Average Capitalization Rate**	Fair Value ($ millions)	Weighted Average Capitalization Rate
Central Region	**$ 3,289**	**5.6%**	$ 3,200	5.6%
Eastern Region	**1,750**	**6.2%**	1,736	6.2%
Western Region	**2,677**	**5.5%**	2,538	5.7%
Total or Weighted Average	**$ 7,716**	**5.7%**	$ 7,474	5.8%

The sensitivity of the fair values of shopping centres to capitalization rates as at June 30, 2015 is set out in the table below:

As at June 30, 2015	*(millions of dollars)*
(Decrease) Increase in capitalization rate	Resulting increase (decrease) in value of shopping centres
(0.75)%	$ 1,081
(0.50)%	$ 685
(0.25)%	$ 324
0.25%	$ (305)
0.50%	$ (582)
0.75%	$ (837)

Additionally, a 1% increase or decrease in stabilized net operating income ("SNOI") would result in a $67 million increase or a $76 million decrease, respectively, in the fair value of shopping centres. 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%. 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 $399 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 $237 million.

(c) Investment properties – Acquisitions

During the three and six months ended June 30, 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 June 30	**2015**		2014	
	Shopping Centres	**Development Land**	Shopping Centres	Development Land
Total purchase price, including acquisition costs	**$ 33,158**	**$ —**	$ 3,463	$ 15,495
Total cash paid	**$ 33,158**	**$ —**	$ 3,463	$ 15,495

Six months ended June 30	**2015**		2014	
	Shopping Centres	**Development Land**	Shopping Centres	Development Land
Total purchase price, including acquisition costs	**$ 58,366**	**$ —**	$ 56,961	$ 19,050
Total cash paid	**$ 58,366**	**$ —**	$ 56,961	$ 19,050

(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	**June 30, 2015**	December 31, 2014
Aggregate fair value	**$ 86,717**	$ 205,133

The decrease of $118.4 million in investment properties classified as held for sale from December 31, 2014, arises from 2015 dispositions of $22.4 million with the remainder being transferred back to investment properties – shopping centres and Investment properties – development land resulting from a slower disposition program than previously planned.

For the three and six months ended June 30, 2015 and 2014, the Company sold shopping centres and development land as follows:

	Three months ended June 30		Six months ended June 30	
	2015	2014	**2015**	2014
	Shopping Centres and Development Land	Shopping Centres and Development Land	**Shopping Centres and Development Land**	Shopping Centres and Development Land
Total sales price	**$ 877**	$ 52,305	**$ 22,377**	$ 56,351
Property selling costs	**(31)**	(843)	**(413)**	(951)
Total cash proceeds	**$ 846**	$ 51,462	**$ 21,964**	$ 55,400

(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 June 30, 2015	**Central Region**	**Eastern Region**	**Western Region**	**Total**
Total shopping centres and development land [1]	**$ 3,297,362**	**$ 1,758,128**	**$ 2,695,709**	**$ 7,751,199**
Cash and cash equivalents				**12,087**
Loans, mortgages and other real estate assets				**145,682**
Other assets				**55,016**
Amounts receivable				**21,117**
Investment in joint ventures				**135,190**
Residential development inventory				**3,976**
Total assets				**$ 8,124,267**

As at December 31, 2014	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.

5. LOANS, MORTGAGES AND OTHER REAL ESTATE ASSETS

As at		**June 30, 2015**		December 31, 2014
Non-current				
Loans and mortgages receivable (a)	**$**	**82,746**	$	92,132
Available-for-sale ("AFS") investment in limited partnership		**4,062**		4,099
Total non-current	**$**	**86,808**	$	96,231
Current				
Fair value through profit or loss ("FVTPL") investments in equity securities (b)	**$**	**11,721**	$	33,370
AFS investments in equity securities		—		292
Loans and mortgages receivable (a)		**46,912**		46,067
Other receivable		**241**		249
Total current	**$**	**58,874**	$	79,978
Total	**$**	**145,682**	$	176,209

(a) Loans and mortgages receivable are secured by interests in investment properties or shares of entities owning investment properties. As at June 30, 2015, the non-current balance of these receivables bear interest at weighted average coupon and effective interest rates of 6.02% and 5.93% per annum, respectively (December 31, 2014 – 5.65% and 5.93% per annum, respectively) and mature between 2016 and 2025. The current balance of loans and mortgages receivable bears interest at a weighted average coupon and effective interest rate of 6.22% 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).

6. AMOUNTS RECEIVABLE

As at		**June 30, 2015**		December 31, 2014
Trade receivables (net of allowances for doubtful accounts of $2.7 million (December 31, 2014 – $3.1 million))	**$**	**19,832**	$	15,106
Construction and development related chargebacks and receivables		**480**		374
Corporate and other amounts receivable		**805**		1,100
Total	**$**	**21,117**	$	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.

7. OTHER ASSETS

As at	Notes	June 30, 2015	December 31, 2014
Non-current			
Fixtures, equipment and computer hardware and software (net of accumulated amortization of $6.3 million)		**$ 10,117**	$ 9,721
Deferred financing costs on credit facilities (net of accumulated amortization of $3.0 million)		**2,589**	1,591
Environmental indemnity and insurance proceeds receivable	12(a)	**5,688**	5,418
Deposits and costs on investment properties under option		**2,000**	2,000
Held-to-maturity investment in bond		**685**	685
Derivatives at fair value		**462**	—
Total non-current		**$ 21,541**	$ 19,415
Current			
Deposits and costs on investment properties under option		**$ 1,983**	$ 4,144
Prepaid expenses		**30,442**	7,388
Other deposits		**728**	792
Restricted cash		**322**	13,733
Derivatives at fair value	22	**—**	281
Total current		**$ 33,475**	$ 26,338
Total		**$ 55,016**	$ 45,753

8. CAPITAL MANAGEMENT

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

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

As at	June 30, 2015	December 31, 2014
Liabilities (principal amounts outstanding)		
Mortgages	**$ 1,040,967**	$ 1,158,466
Credit facilities	**47,785**	7,785
Mortgages under equity accounted joint venture (at the Company's interest)	**14,078**	10,425
Credit facilities under equity accounted joint venture (at the Company's interest)	**43,669**	—
Senior unsecured debentures	**2,250,000**	2,160,000
Convertible debentures	**342,097**	388,174
Equity Capitalization		
Common shares (based on closing per share price of $17.88; December 31, 2014 – $18.66)	**4,011,146**	4,037,543
Total	**$ 7,749,742**	$ 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:

As at	Measure/ Covenant	June 30, 2015	December 31, 2014
Net debt to total assets		**41.7%**	42.2%
Unencumbered aggregate assets to unsecured debt, using 10 quarter average capitalization rate (1)	≥1.3	**2.3**	2.2
Shareholders' equity, using four quarter average (billions of Canadian dollars) (1)	>$1.5B	**$ 3.5**	$ 3.4
Secured indebtedness to total assets (1)	<35%	**13.5%**	15.0%
For the rolling four quarters ended			
Interest coverage (EBITDA to interest expense) (1)	>1.65	**2.4**	2.3
Fixed charge coverage (EBITDA to debt service) (1)	>1.50	**2.0**	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 in the Company's audited annual consolidated financial statements for the years ended December 31, 2014 and 2013.

9. MORTGAGES AND CREDIT FACILITIES

As at	June 30, 2015	December 31, 2014
Fixed rate mortgages	**$ 1,046,365**	$ 1,165,625
Secured facility	**7,785**	7,785
Unsecured facility	**40,000**	—
Mortgages and credit facilities	**$ 1,094,150**	$ 1,173,410
Current	**$ 178,373**	$ 253,957
Non-current	**915,777**	919,453
Total	**$ 1,094,150**	$ 1,173,410

Mortgages and the secured facility are secured by investment properties. As at June 30, 2015, approximately $2.4 billion (December 31, 2014 – $2.7 billion) of investment properties of $7.8 billion (December 31, 2014 – $7.5 billion) has been pledged as security under the mortgages and the secured facility (Note 4(a)).

As at June 30, 2015, mortgages bear coupon interest at a weighted average coupon rate of 4.9% per annum (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 June 30, 2015 is 4.6% per annum (December 31, 2014 – 4.7% per annum).

Principal repayments of mortgages and the secured facility outstanding as at June 30, 2015 are as follows:

	Scheduled Amortization	Payments on Maturity	Total	Weighted Average Effective Interest Rate
2015 (remainder of the year)	$ 14,850	$ 38,594	$ 53,444	4.36%
2016	26,023	157,532	183,555	4.02%
2017	23,234	82,902	106,136	4.02%
2018	19,295	123,045	142,340	5.69%
2019	16,464	106,714	123,178	6.32%
2020 to 2025	46,938	385,376	432,314	4.11%
	$ 146,804	$ 894,163	$ 1,040,967	4.56%
Unamortized deferred financing costs, net			5,398	
Total			$ 1,046,365	

Effective June 30, 2015, the Company extended the maturity of its $800 million unsecured facility to June 30, 2020 on the same terms.

The following table summarizes the details of the Company’s credit facilities as at June 30, 2015:

	Borrowing Capacity	Amounts Drawn	Bank Overdraft and Outstanding Letters of Credit	Available to be Drawn	Interest Rates	Maturity Date
Unsecured facility	$ 800,000	$ (40,000)	$ (45,886)	$ 714,114	BA + 1.20% or Prime + 0.20% or US$ LIBOR + 1.20%	June 30, 2020
Secured by development properties	75,000	—	(23)	74,977	BA + 1.125% or Prime + 0.125%	December 31, 2015
Secured facility	7,953	(7,785)	(75)	93	BA + 1.125% or Prime + 0.125%	March 31, 2016
Total credit facilities	$ 882,953	$ (47,785)	$ (45,984)	$ 789,184		

10. SENIOR UNSECURED DEBENTURES

As at					**June 30, 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**	**$ 124,732**	$ 124,653
I	November 30, 2017	5.70%	5.79%	**125,000**	**124,763**	124,717
J	August 30, 2018	5.25%	5.66%	**50,000**	**49,586**	49,498
K	November 30, 2018	4.95%	5.17%	**100,000**	**99,319**	99,229
L	July 30, 2019	5.48%	5.61%	**150,000**	**149,305**	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**	**173,916**	173,835
O	January 31, 2022	4.43%	4.59%	**200,000**	**198,205**	198,091
P	December 5, 2022	3.95%	4.18%	**250,000**	**246,428**	246,227
Q	October 30, 2023	3.90%	3.97%	**300,000**	**298,570**	298,499
R	August 30, 2024	4.79%	4.72%	**300,000**	**301,537**	301,622
S	July 31, 2025	4.32%	4.24%	**300,000**	**302,026**	208,589
	Weighted Average/Total	4.70%	4.78%	**$ 2,250,000**	**$ 2,243,371**	$ 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.

11. CONVERTIBLE DEBENTURES

As at				**June 30, 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	$ 41,756	$ 983
E	January 31, 2019	5.40%	6.90%	**56,269**	**53,619**	**2,145**	56,593	53,608	2,158
F	January 31, 2019	5.25%	6.07%	**55,700**	**54,256**	**378**	56,549	54,904	384
G	March 31, 2018	5.25%	6.66%	**49,665**	**47,930**	**1,148**	49,927	47,900	1,154
H	March 31, 2017	4.95%	6.51%	**71,992**	**70,159**	**1,435**	72,561	70,228	1,446
I	July 31, 2019	4.75%	6.19%	**51,971**	**49,628**	**1,424**	52,500	49,841	1,439
J	February 28, 2020	4.45%	5.34%	**56,500**	**54,618**	**396**	57,141	55,040	400
	Weighted Average/Total	5.00%	6.28%	**$ 342,097**	**$ 330,210**	**$ 6,926**	$ 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 six months ended June 30, 2015, 0.5 million common shares (six months ended June 30, 2014 – 0.6 million common shares) were issued for $10.4 million (six months ended June 30, 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
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) Principal redemption and holder conversion

On June 30, 2015, the Company redeemed its remaining Series D 5.70% convertible debentures at par by issuing common shares in satisfaction of the remaining principal outstanding and interest owing.

During the six months ended June 30, 2015, the Company issued 38,827 common shares in connection with $0.7 million convertible debentures converted by the holder.

(c) 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 six months ended June 30, 2015 and 2014, principal amounts of convertible debentures purchased and amounts paid for the purchases are represented in the table below:

	Six months ended June 30, 2015		Six months ended June 30, 2014	
	Principal Amount Purchased	**Amount Paid**	Principal Amount Purchased	Amount Paid
Total	**$ 7,463**	**$ 7,499**	$ 14	$ 15

12. ACCOUNTS PAYABLE AND OTHER LIABILITIES

As at	June 30, 2015	December 31, 2014
Non-current		
Asset retirement obligations (a)	**$ 9,078**	$ 8,973
Ground leases payable	**10,073**	9,883
Derivatives at fair value	**4,709**	—
Deferred purchase price of investment property – shopping centre	**1,699**	1,699
Total non-current	**$ 25,559**	$ 20,555
Current		
Trade payables and accruals	**$ 64,257**	$ 57,841
Construction and development payables	**56,019**	46,399
Dividends payable	**47,772**	46,520
Interest payable	**37,832**	39,192
Tenant deposits	**22,103**	22,130
Derivatives at fair value	**285**	2,370
Short positions in marketable securities	**—**	12,467
Loan payable	**—**	3,572
Deferred purchase price of investment property – shopping centre	**9,533**	9,533
Total current	**$ 237,801**	$ 240,024
Total	**$ 263,360**	$ 260,579

(a) The Company has obligations for environmental remediation at certain sites within its property portfolio. The Company has also recognized a related environmental indemnity and insurance proceeds receivable in other assets (Note 7).

13. 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:

Six months ended June 30		**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	11	**545**	**10,384**	582	9,980
Redemption and conversion of convertible debentures	11	**2,152**	**38,614**	—	—
Exercise of options		**817**	**13,826**	798	12,599
Issuance of common shares		**4,449**	**87,753**	—	—
Share issue costs and other, net of tax effect		**—**	**(2,728)**	—	(9)
Issued and outstanding at end of period		**224,337**	**$ 2,748,454**	209,736	$ 2,479,880

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:

Six months ended June 30			**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 11)				(Note 11)		
Balance at beginning of period	**$ 19,292**	**$ 7,964**	**$ 18,182**	**$ 45,438**	$ 19,278	$ 8,058	$ 17,264	$ 44,600
Redemption of convertible debentures in common shares	**—**	**(885)**	**—**	**(885)**	—	—	—	—
Repurchase of convertible debentures	**153**	**(153)**	**—**	**—**	—	—	—	—
Options vested	**—**	**—**	**248**	**248**	—	—	350	350
Exercise of options	**—**	**—**	**(778)**	**(778)**	—	—	(625)	(625)
Deferred share units vested	**—**	**—**	**579**	**579**	—	—	519	519
Restricted share units vested	**—**	**—**	**911**	**911**	—	—	939	939
Exercise of restricted and deferred share units	**—**	**—**	**(1,227)**	**(1,227)**	—	—	—	—
Balance at end of period	**$ 19,445**	**$ 6,926**	**$ 17,915**	**$ 44,286**	$ 19,278	$ 8,058	$ 18,447	$ 45,783

(c) Stock options

As of June 30, 2015, 2.6 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 June 30, 2015, 4.9 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 June 30, 2015 have exercise prices ranging from $9.81 – $19.96 (December 31, 2014 – $9.81 – $19.02).

During the six months ended June 30, 2015, $0.2 million (six months ended June 30, 2014 – $0.3 million) was recorded as an expense related to stock options.

Six months ended June 30		**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)	**881**	**18.93**	494	17.77
Exercised (b)	**(817)**	**15.97**	(799)	14.99
Forfeited	**(148)**	**18.39**	(145)	18.03
Expired	**—**	**—**	(44)	18.54
Outstanding at end of period	**4,872**	**$ 17.37**	5,474	$ 16.63

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

Six months ended June 30	**2015**	2014
Share options granted (thousands)	**881**	494
Term to expiry	**10 years**	10 years
Exercise price	**$ 18.93**	$ 17.77
Weighted average volatility rate	**15.0%**	15.0%
Weighted average expected option life	**6 years**	6 years
Weighted average dividend yield	**4.56%**	4.72%
Weighted average risk free interest rate	**1.20%**	1.87%
Fair value (thousands)	**$ 920**	$ 548

(b) The weighted average market share price at which options were exercised for the six months ended June 30, 2015 was $19.47 (six months ended June 30, 2014 – $18.27).

(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 of grant for RSUs granted prior to June 1, 2015, and, for all subsequent RSUs granted, on the third anniversary of the grant date. Holders of RSUs and DSUs receive dividends in the form of additional units when the Company declares dividends on its common shares.

Six months ended June 30		**2015**		2014
(in thousands)	**Deferred Share Units**	**Restricted Share Units**	Deferred Share Units	Restricted Share Units
Outstanding at beginning of period	**452**	**328**	393	286
Granted (a)	**17**	**92**	27	102
Dividends declared	**9**	**8**	10	9
Exercised	**(77)**	**(3)**	—	—
Forfeited	**—**	**(3)**	—	—
Outstanding at end of period	**401**	**422**	430	397
Share units available to be granted based on the current reserve	**278**	**381**	326	577
Expense recorded for the period	**$ 414**	**$ 745**	$ 473	$ 771

(a) The fair value of the DSUs granted during the six months ended June 30, 2015 was $0.3 million (six months ended June 30, 2014 – $0.5 million), measured based on the Company's prevailing share price on the date of grant. The fair value of the RSUs granted during the six months ended June 30, 2015 was $1.7 million (six months ended June 30, 2014 – $1.6 million), measured based on the Company's share price on the date of grant.

14. NET OPERATING INCOME

Net operating income is as follows:

Three months ended June 30, 2015	Central Region	Eastern Region	Western Region	Subtotal	Other [1]	Total
Property rental revenue	$ 71,089	$ 43,252	$ 52,873	$ 167,214	$ (584)	$ 166,630
Property operating costs	26,278	18,550	17,490	62,318	(302)	62,016
Net operating income	$ 44,811	$ 24,702	$ 35,383	$ 104,896	$ (282)	$ 104,614

Three months ended June 30, 2014	Central Region	Eastern Region	Western Region	Subtotal	Other [1]	Total
Property rental revenue	$ 68,458	$ 41,312	$ 51,813	$ 161,583	$ (386)	$ 161,197
Property operating costs	26,126	16,705	16,804	59,635	(480)	59,155
Net operating income	$ 42,332	$ 24,607	$ 35,009	$ 101,948	$ 94	$ 102,042

Six months ended June 30, 2015	Central Region	Eastern Region	Western Region	Subtotal	Other [1]	Total
Property rental revenue	$ 140,121	$ 87,188	$ 104,173	$ 331,482	$ (878)	$ 330,604
Property operating costs	53,271	38,559	34,582	126,412	(515)	125,897
Net operating income	$ 86,850	$ 48,629	$ 69,591	$ 205,070	$ (363)	$ 204,707

Six months ended June 30, 2014	Central Region	Eastern Region	Western Region	Subtotal	Other [1]	Total
Property rental revenue	$ 138,539	$ 83,183	$ 102,874	$ 324,596	$ (532)	$ 324,064
Property operating costs	53,902	35,448	34,352	123,702	(264)	123,438
Net operating income	$ 84,637	$ 47,735	$ 68,522	$ 200,894	$ (268)	$ 200,626

[1] Other items principally consist of operating costs and other adjustments not attributable to a region.

For the three and six months ended June 30, 2015, property operating costs include $5.9 million and $11.3 million, respectively (three and six months ended June 30, 2014 – $5.8 million and $11.6 million, respectively) related to employee compensation.

15. INTEREST AND OTHER INCOME

		Three months ended June 30		Six months ended June 30	
	Note	2015	2014	2015	2014
Interest, dividend and distribution income from marketable securities and cash investments	6	$ 393	$ 952	$ 1,043	$ 1,811
Interest income from loans and mortgages receivable	6	2,149	1,847	4,933	3,598
Fees and other income		881	—	1,415	—
Total		$ 3,423	$ 2,799	$ 7,391	$ 5,409

16. INTEREST EXPENSE

		Three months ended June 30		Six months ended June 30	
	Note	**2015**	2014	**2015**	2014
Mortgages		**$ 12,582**	$ 15,461	**$ 26,396**	$ 31,690
Credit facilities		**828**	524	**1,375**	811
Senior unsecured debentures		**26,696**	27,005	**52,849**	51,945
Convertible debentures (non-cash)		**5,795**	5,937	**11,715**	11,778
Total interest expense		**45,901**	48,927	**92,335**	96,224
Interest capitalized to investment properties		**(5,609)**	(6,230)	**(10,555)**	(11,170)
Interest expense		**$ 40,292**	$ 42,697	**$ 81,780**	$ 85,054
Convertible debenture interest paid in common shares	11	**(549)**	—	**(10,384)**	(9,980)
Change in accrued interest		**(8,528)**	(3,481)	**1,361**	(5,675)
Effective interest rate in excess of coupon rate on senior unsecured and convertible debentures		**(218)**	(303)	**(448)**	(654)
Effective interest in excess of coupon interest on assumed mortgages		**939**	1,018	**1,876**	2,123
Other non-cash interest expense		**(1,476)**	(1,457)	**(3,130)**	(2,823)
Interest capitalized to investment properties and residential development inventory		**5,609**	6,230	**10,555**	11,170
Cash interest paid		**$ 36,069**	$ 44,704	**$ 81,610**	$ 79,215

17. CORPORATE EXPENSES

	Three months ended June 30		Six months ended June 30	
	2015	2014	**2015**	2014
Salaries, wages and benefits	**$ 7,697**	$ 5,927	**$ 15,639**	$ 12,169
Non-cash compensation	**563**	681	**1,345**	1,329
Other corporate costs	**2,652**	2,333	**5,759**	5,008
Total corporate expenses	**10,912**	8,941	**22,743**	18,506
Amounts capitalized to investment properties under development	**(2,026)**	(1,900)	**(4,115)**	(3,449)
Corporate expenses	**$ 8,886**	$ 7,041	**$ 18,628**	$ 15,057

18. OTHER GAINS (LOSSES) AND (EXPENSES)

		Three months ended June 30		Six months ended June 30	
	Note	**2015**	2014	**2015**	2014
Realized gains (losses) on sale of marketable securities		**$ (81)**	$ 156	**$ 784**	$ 637
Unrealized gains (losses) on marketable securities classified as FVTPL		**(1,062)**	(54)	**(1,456)**	1,231
Losses on prepayments of debt		**(250)**	(76)	**(250)**	(338)
Unrealized gains (losses) on hedges	22	**—**	60	**—**	(39)
Pre-selling costs of residential inventory		**(2)**	(17)	**(3)**	(34)
Executive transition expense		**—**	(1,450)	**—**	(1,450)
Investment properties – selling costs		**(29)**	(988)	**(413)**	(1,130)
Total		**$ (1,424)**	$ (2,369)	**$ (1,338)**	$ (1,123)

19. INCOME TAXES

The following reconciles the Company's expected tax expense computed at the statutory tax rate to its actual tax expense for the three and six months ended June 30, 2015 and 2014:

	Three months ended June 30		Six months ended June 30	
	2015	2014	**2015**	2014
Income tax expense at the Canadian federal and provincial income tax rate of 26.4% (2014 – 26.3%)	**$ 32,480**	$ 25,117	**$ 47,688**	$ 37,043
(Decrease) increase in income taxes due to:				
Non-taxable portion of capital gains and other	**(11,437)**	(7,474)	**(15,263)**	(8,904)
Impact of change in statutory income tax rate	**7,375**	—	**7,375**	—
Non-deductible interest expense	**110**	105	**215**	207
Other	**180**	122	**344**	8
Deferred income taxes	**$ 28,708**	$ 17,870	**$ 40,359**	$ 28,354

During the second quarter, the Canadian federal and provincial income tax rate increased primarily due to an increase in the general corporate income tax rate in the Province of Alberta.

20. PER SHARE CALCULATIONS

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

	Three months ended June 30		Six months ended June 30	
	2015	2014	**2015**	2014
Net income attributable to common shareholders	**$ 94,267**	$ 77,707	**$ 140,168**	$ 112,921
Adjustment for dilutive effect of convertible debentures, net of tax	**3,738**	4,378	**7,485**	8,685
Income for diluted per share amounts	**$ 98,005**	$ 82,085	**$ 147,653**	$ 121,606
(in thousands)				
Weighted average number of shares outstanding for basic per share amounts	**222,822**	210,183	**221,539**	209,658
Options	**476**	603	**547**	535
Convertible debentures	**18,196**	20,355	**17,346**	20,969
Weighted average diluted share amounts	**241,494**	231,141	**239,432**	231,162

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 June 30	Number of Shares if Exercised			
(in dollars, number of options in thousands)	**Exercise Price**	**2015**	Exercise Price	2014
Common share options	**$ 19.96**	**291**	$ 18.97	899

Six months ended June 30	Number of Shares if Exercised			
(in dollars, number of options in thousands)	**Exercise Price**	**2015**	Exercise Price	2014
Common share options	**$ 19.96**	**291**	$ 18.97	899

Regular dividends paid per common share were $0.215 for the three months ended June 30, 2015 (three months ended June 30, 2014 – $0.21). Regular dividends paid per common share were $0.43 for the six months ended June 30, 2015 (six months ended June 30, 2014 – $0.42).

21. RISK MANAGEMENT

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

(a) Interest rate risk

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

(b) Credit risk

Credit risk arises from the possibility that tenants and/or debtors may experience financial difficulty and be unable or unwilling to fulfill their lease commitments or loan obligations. The Company mitigates the risk of credit loss 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 June 30, 2015, Loblaw Companies Limited ("Loblaw") accounts for 10.1% of the Company's annualized minimum rent and has an investment grade credit rating. Other than Loblaw, no other tenant accounts for more than 6.6% 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 June 30, 2015 is set out below:

	Payments Due by Period				
	Remainder of 2015	2016 to 2017	2018 to 2019	Thereafter	Total
Scheduled mortgage principal amortization	$ 14,850	$ 49,257	$ 35,759	$ 46,938	$ 146,804
Mortgage principal repayments on maturity	38,594	240,434	229,759	385,376	894,163
Mortgages under equity accounted joint ventures	10,200	—	3,878	—	14,078
Credit facilities	—	7,785	—	40,000	47,785
Credit facilities under equity accounted joint venture	—	3,825	39,844	—	43,669
Senior unsecured debentures	—	250,000	300,000	1,700,000	2,250,000
Interest obligations (1)	78,004	285,751	225,417	292,453	881,625
Land leases (expiring between 2023 and 2061)	484	1,962	1,989	17,302	21,737
Contractual committed costs to complete current development projects	68,753	11,554	—	—	80,307
Other committed costs	17,722	51,275	—	—	68,997
Total contractual obligations (2)	$ 228,607	$ 901,843	$ 836,646	$ 2,482,069	$ 4,449,165

(1) Interest obligations include expected interest payments on mortgages and credit facilities as at June 30, 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 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 $235.9 million, with $80.3 million contractually committed as at June 30, 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 June 30, 2015, there was $40.0 million (December 31, 2014 – nil) of cash advances drawn against the Company's revolving credit facilities.

In addition, as at June 30, 2015, the Company has $46.0 million (December 31, 2014 – $42.2 million) of bank overdrafts and outstanding letters of credit issued by financial institutions primarily to support certain of the Company's contractual obligations.

22. FAIR VALUE MEASUREMENT

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

As at				**June 30, 2015**			December 31, 2014
	Note	**Level 1**	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
Measured at fair value							
Financial Assets							
FVTPL investments in equity securities	5	**$ 11,721**	**$ —**	**$ —**	$ 33,370	$ —	$ —
AFS investments in equity securities	5	**—**	**—**	**4,062**	292	—	4,099
Derivatives at fair value – assets	7	**—**	**462**	**—**	—	281	—
Financial Liabilities							
Derivatives at fair value – liabilities	12	**—**	**4,994**	**—**	—	2,370	—
Short positions in marketable securities	12	**—**	**—**	**—**	12,467	—	—
Measured at amortized cost							
Financial Assets							
Loans and mortgages receivable (current and non-current)	5	**$ —**	**$ —**	**$ 128,534**	$ —	$ —	$ 136,569
Financial Liabilities							
Mortgages and credit facilities	9	**—**	**1,076,084**	**—**	—	1,227,879	—
Senior unsecured debentures	10	**2,431,910**	**—**	**—**	2,326,507	—	—
Convertible debentures	11	**349,213**	**—**	**—**	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 other comprehensive income 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 18).

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

As at	Designated as Hedging Instrument	Maturity	**June 30, 2015**	December 31, 2014
Bond forward contracts	Yes	July 2015	**$ (285)**	$ 281
Interest rate swaps	Yes	March 2022 - July 2024	**(4,247)**	(2,370)
Net			**$ (4,532)**	$ (2,089)

The fair value of derivative instruments is determined using present value forward pricing and swap calculations at interest rates that reflect current market conditions. The models also take into consideration the credit quality of counterparties, interest rate curves and forward rate curves. As at June 30, 2015, the interest rates ranged from 1.89% to 3.48% (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 June 30, 2015 and December 31, 2014 due to their short-term nature.

23. SUPPLEMENTAL CASH FLOW INFORMATION

(a) Items not affecting cash and other items

		Three months ended June 30		Six months ended June 30	
	Notes	**2015**	2014	**2015**	2014
Straight-line rent adjustment		**$ (892)**	$ (1,714)	**$ (2,143)**	$ (3,489)
Investment properties – selling costs	18	**29**	988	**413**	1,130
Realized gains on sale of marketable securities	18	**81**	(156)	**(784)**	(637)
Unrealized losses (gains) on marketable securities classified as FVTPL	18	**1,062**	54	**1,456**	(1,231)
Losses on prepayments of debt	18	**250**	76	**250**	338
Non-cash compensation expense		**596**	704	**1,420**	1,400
Settlement of restricted share units		**—**	—	**(48)**	—
Gain on foreign currency exchange	18	**—**	—	**—**	(2)
Deferred income taxes	19	**28,708**	17,870	**40,359**	28,354
Unrealized (gains) losses on hedges	18	**—**	(60)	**—**	39
Total		**$ 29,834**	$ 17,762	**$ 40,923**	$ 25,902

(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 June 30		Six months ended June 30	
	2015	2014	**2015**	2014
Amounts receivable	**$ (160)**	$ 3,875	**$ (4,537)**	$ (3,387)
Prepaid expenses	**(14,160)**	(14,623)	**(23,054)**	(22,258)
Trade payables and accruals	**4,813**	6,879	**5,325**	7,252
Tenant security and other deposits	**2,295**	2,363	**93**	640
Other working capital changes	**902**	738	**(241)**	87
Total	**$ (6,310)**	$ (768)	**$ (22,414)**	$ (17,666)

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

	Three months ended June 30		Six months ended June 30	
	2015	2014	**2015**	2014
Advances of loans and mortgages receivable	**$ (6,728)**	$ (8,642)	**$ (27,469)**	$ (17,808)
Receipts of loans and mortgages receivable	**36,007**	—	**36,056**	263
Investment in marketable securities, net	**—**	(7,275)	**(2,403)**	(16,463)
Proceeds from disposition of marketable securities	**171**	7,806	**24,572**	15,057
Net	**$ 29,450**	$ (8,111)	**$ 30,756**	$ (18,951)

(d) Cash and cash equivalents

As at		June 30, 2015		December 31, 2014
Cash [1]	$	12,087	$	17,251
Term deposits		—		100
Bank indebtedness		(17,086)		—
Total	$	(4,999)	$	17,351

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

24. 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 $67.3 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 bank overdrafts and letters of credit in the amount of $46.0 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 $21.7 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 is contingently liable by way of a put option on a property by the owner that is exercisable between October 2015 and October 2022.

25. RELATED PARTY TRANSACTIONS

(a) Major Shareholder

Gazit-Globe Ltd. ("Gazit") is the principal shareholder of the Company and, as of June 30, 2015, beneficially owns 42.4% (December 31, 2014 – 44.0%) of the common shares of the Company. Norstar Holdings Inc. is the ultimate controlling party. As of June 30, 2015, Alony-Hetz Properties and Investments Ltd. (''Alony-Hetz'') also beneficially owns 6.2% (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 June 30		Six months ended June 30	
	2015	2014	**2015**	2014
Reimbursements for professional services	**$ 54**	$ 175	**$ 105**	$ 380

As at June 30, 2015, amounts due from Gazit were $0.1 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 and six months ended June 30, 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 $0.5 million and $0.9 million, respectively.

(c) Subsidiaries of the Company

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

26. SUBSEQUENT EVENTS

Dividend

The Company announced that it will pay a third quarter dividend of $0.215 per common share on October 9, 2015 to shareholders of record on September 28, 2015.

Partial Sale of King High Line

Subsequent to June 30, 2015, the Company and its existing partner entered into an agreement to sell to Canadian Apartment Properties REIT, a one-third managing interest in the residential component of its King High Line mixed-use development for $60.3 million. The Company and its existing partner will each retain an equal one-third interest in the residential component after the sale, which will close following substantial completion of construction expected in 2018.

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

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