BUILT TO DELIVER

FIRST CAPITAL REALTY INC.

SECOND QUARTER 2016

Shopping for Everyday Life

Corporate Profile

First Capital Realty (TSX: FCR) is one of Canada's largest owners, developers and managers of grocery anchored, retail-focused urban properties where people live and shop for everyday life. As at June 30, 2016, the Company owned interests in 161 properties, totaling approximately 25.2 million square feet of gross leasable area. First Capital Realty has an enterprise value of approximately $9.2 billion and its common shares trade on the Toronto Stock Exchange.

Financial Highlights

As at *(millions of dollars, except per share amounts)*	**June 30, 2016**	December 31, 2015
Total assets	**$ 8,691**	$ 8,279
Total equity market capitalization [1]	**$ 5,210**	$ 4,139
Enterprise value [1]	**$ 9,196**	$ 8,031
Net debt to total assets [2]	**43.1%**	42.9%
Quarterly dividend per common share	**$ 0.215**	$ 0.215

Operating Highlights

Six months ended June 30 *(millions of dollars, except per share amounts)*	**2016**	2015
Property rental revenue [2]	**$ 340**	$ 334
Net Operating Income [1] [2]	**$ 211**	$ 207
Funds from Operations ("FFO") [1] [2]		
Operating FFO	**$ 126**	$ 116
Operating FFO per diluted share	**$ 0.55**	$ 0.52
FFO	**$ 128**	$ 115
FFO per diluted share	**$ 0.56**	$ 0.52
Adjusted Funds from Operations ("AFFO") [1] [2]		
Operating AFFO	**$ 126**	$ 121
Operating AFFO per diluted share	**$ 0.53**	$ 0.51
AFFO	**$ 129**	$ 122
AFFO per diluted share	**$ 0.54**	$ 0.52

[1] These measures are not defined by IFRS. Refer to the "Results of Operations – Net Operating Income and Non-IFRS Supplemental Financial Measures" sections of the Company's Management's Discussion & Analysis for further information.

[2] Reflects joint ventures proportionately consolidated.

Urban Markets*

Greater Toronto Area	33%
Greater Montreal Area	16%
Greater Calgary Area	12%
Greater Vancouver Area	11%
Greater Edmonton Area	9%
Greater Ottawa Area	6%
Golden Horseshoe Area	6%
London Area	3%
Quebec City	2%
Red Deer and Other	2%
Total	100%

* Annual Minimum Rents as of June 30, 2016

Shopping For Everyday Life®

	# OF STORES	% OF RENT	TENANTS
Supermarkets	131	17.2%	Loblaws, Sobeys, metro, save on foods, Whole Foods, Longo's
Pharmacies	135	9.3%	Shoppers Drug Mart, Rexall, London Drugs, Jean Coutu, Uniprix, Brunet
Liquor Stores	94	3.2%	LCBO, Beer Store, BC Liquor Store, SAQ, Liquor Depot
Financial Institutions	326	9.7%	TD, RBC, CIBC, BMO, Scotiabank, Desjardins, National Bank of Canada
Restaurants	959	13.9%	Tim Hortons, Subway, Cara, aroma
Medical & Personal Services	1105	10.4%	Alberta Health Services
Fitness Facilities	76	3.4%	GoodLife Fitness, Equinox, LA Fitness
Daycare Centres & Schools	82	1.0%	Kumon, brightpath, Oxford Learning, kids & company
National & Discount Retailers	551	17.0%	Walmart, Dollarama, Winners, IKEA
Other Tenants	921	14.9%	Toys R Us, Cineplex, west elm, Sleep Country, Anthropologie

As of June 30, 2016

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, 2016 and 2015. It should be read in conjunction with the Company’s audited annual consolidated financial statements for the years ended December 31, 2015 and 2014. Additional information, including the Company's 2015 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 dollar amounts are in thousands of Canadian dollars, unless otherwise noted. Historical results and percentage relationships contained in the Company’s unaudited interim and audited annual consolidated financial statements and MD&A, including trends which might appear, should not be taken as indicative of its future operations. The information contained in this MD&A is based on information available to Management, and is dated as of August 3, 2016.

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

FORWARD-LOOKING STATEMENT ADVISORY

Certain statements contained in this MD&A constitute forward-looking statements. Other statements concerning First Capital Realty’s objectives and strategies and Management’s beliefs, plans, estimates and intentions also constitute forward-looking statements. Forward-looking statements can generally be identified by the expressions “anticipate”, “believe”, “plan”, “estimate”, “project”, “expect”, “intend”, “outlook”, “objective”, “may”, “will”, “should”, “continue” and similar expressions. The forward-looking statements are not historical facts but, rather, reflect the Company’s current expectations regarding future results or events and are based on information currently available to Management. Certain material factors and assumptions were applied in providing these forward-looking statements. Forward-looking information involves numerous assumptions such as rental income (including assumptions on timing of lease-up, development coming online and levels of percentage rent), interest rates, tenant defaults, borrowing costs (including the underlying interest rates and credit spreads), the general availability of capital and the stability of the capital markets, 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 tenants to maintain necessary 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 August 3, 2016 and are qualified by these cautionary statements.

BUSINESS OVERVIEW AND STRATEGY

First Capital Realty (TSX : FCR) is one of Canada's largest owners, developers and managers of grocery anchored, retail-focused urban properties where people live and shop for everyday life. As at June 30, 2016, the Company owned interests in 161 properties, totaling approximately 25.2 million square feet of gross leasable area ("GLA").

First Capital Realty's primary strategy is the creation of value over the long term by generating sustainable growth 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.

OUTLOOK AND CURRENT BUSINESS ENVIRONMENT

Since 2001, First Capital Realty has successfully grown its business across the country, focusing on key urban markets, dramatically enhancing the quality of its portfolio and generating modest accretion in funds from operations, while reducing leverage and achieving an investment grade credit rating. The Company expects to continue to grow its portfolio of high quality properties in urban markets in Canada 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's 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 an increasing number 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 supermarkets, 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. and international retailers including Whole Foods Market, Walmart, Marshalls, Nordstrom, Saks Fifth Avenue and others. Although such repositioning resulted in new opportunities for the Company, it also resulted in an increasingly competitive retail landscape in Canada. In addition, many retailers have announced store closures and/or bankruptcies, including Mexx, Future Shop, Black's, Nine West, Target, Sears, Jacob, Danier Leather, Le Chateau and Grand & Toy. 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, and retail competition. The Company's leasing strategy takes these factors into consideration in each trade area and its proactive management strategy helps to ensure the Company's properties remain attractive to high quality tenants and their customers.

In Management's view, 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 more stable and growing cash flow over the long term.

Growth

For the six months ended June 30, 2016, the Same Property portfolio delivered net operating income growth of 1.6% compared to the same prior year period excluding the effect of two significant lease surrender fees earned in the second quarter of 2015. Including the impact of the two lease surrender fees, Same Property NOI growth decreased by 0.2% over the same prior year period. The growth in Same Property net operating income, excluding the lease surrender fees, was primarily due to rental rate step-ups, lease renewals at higher rates and lower operating costs. Total portfolio occupancy improved to 95.2% at June 30, 2016, from 94.7% at June 30, 2015 primarily due to re-leasing a portion of the space vacated by the closure of two Target stores in the second quarter of 2015.

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, 2016, the Company had identified approximately 13.0 million square feet of incremental density available in the portfolio for future development (including 3.2 million square feet of retail and 9.8 million square feet of residential space), of which approximately 0.9 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 typically improve the quality of the property, which in turn leads to meaningful growth in property rental income. The Company's development activities primarily comprise redevelopments and expansions of existing properties in established retail trade areas in urban markets. These projects typically carry risk that is associated more with project execution rather than market risk as projects are located in well-established urban communities with existing demand for goods and services. The Company has a long and successful track record of development activities and will continue to manage carefully the risks associated with such projects.

During the first half of the year, the Company transferred 135,000 square feet of new urban retail space from development to income-producing properties at a cost of $68.3 million. Approximately 114,000 square feet of the new space was occupied at an average net rental rate of $29.77 per square foot, well above the average rent for the entire portfolio of $19.04, thus realizing on the growth potential through development and redevelopment activities.

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 six income-producing properties for $197.3 million in close proximity to the Company's existing shopping centres, adding a total of 540,000 square feet of gross leasable area to the portfolio. Additionally, the Company invested $105.5 million in development and redevelopment activities during the six month period.

The Company continues to evaluate its properties and will occasionally dispose of non-core properties. This allows the Company to redeploy 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 three properties totaling 274,200 square feet and 31.5 acres for total gross proceeds of $74.6 million.

Financing Activity

During the first half of the year, the Company repaid $98.9 million of mortgages with a weighted average effective interest rate of 5.3% and replaced those mortgages with $191.7 million of new mortgages with a substantially lower weighted average effective interest rate of 3.2%.

In April 2016, the Company redeemed its remaining 5.25% Series G and 4.95% Series H convertible debentures at par and satisfied its principal and accrued interest owing on each series 50% by the issuance of common shares and 50% in cash.

In May 2016, the Company completed the issuance of a $150.0 million principal amount of Series T senior unsecured debentures. The debentures have an effective interest rate of 3.7%, and mature on May 6, 2026 which represented a term to maturity of 10.0 years at the time of issuance.

In May 2016, the Company also issued 5.5 million common shares at a price of $21.10 for gross proceeds of $115.0 million.

Outlook

Management is focused on the following five areas to achieve its objectives through 2016 and into 2017:

- development, redevelopment and repositioning activities including land use intensification;
- selective acquisitions of strategic assets and sites in close proximity to existing properties in the Company's target urban markets;
- proactive portfolio management that results in higher rent growth;
- increasing the efficiency and productivity of operations; 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 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	2016	2015
Operations Information		
Number of properties	**161**	157
GLA (square feet)	**25,238,000**	24,270,000
Occupancy – Same Property – stable [1]	**96.3%**	96.0%
Total portfolio occupancy	**95.2%**	94.7%
Development pipeline and adjacent land (GLA) [2]		
Retail pipeline	**3,229,000**	3,456,000
Residential pipeline	**9,812,000**	10,362,000
Average rate per occupied square foot	**$ 19.04**	$ 18.70
GLA developed and brought online year-to-date	**135,000**	131,000
Same Property – stable NOI – increase (decrease) over prior year period [1] [3]	**(0.7%)**	6.5%
Total Same Property NOI – increase (decrease) over prior year period [1] [3]	**(0.2%)**	6.0%
Financial Information		
Investment properties – shopping centres [4]	**$ 8,251,667**	$ 7,716,464
Investment properties – development land [4]	**$ 73,920**	$ 34,735
Total assets	**$ 8,690,655**	$ 8,124,267
Mortgages	**$ 1,057,219**	$ 1,046,365
Credit facilities	**$ 215,758**	$ 47,785
Senior unsecured debentures	**$ 2,393,377**	$ 2,243,371
Convertible debentures	**$ 207,097**	$ 330,210
Shareholders' equity	**$ 3,961,179**	$ 3,660,290
Capitalization and Leverage		
Shares outstanding (in thousands)	**235,130**	224,337
Enterprise value [5]	**$ 9,196,000**	$ 7,736,000
Net debt to total assets [5] [6] [7]	**43.1%**	41.7%
Weighted average term to maturity on mortgages and senior unsecured debentures (years)	**5.6**	5.8

	Three months ended June 30		Six months ended June 30	
	2016	2015	**2016**	2015
Revenues, Income and Cash Flows				
Revenues and other income [8]	**$ 171,319**	$ 170,053	**$ 343,069**	$ 337,995
Net operating income ("NOI") [8] [9]	**$ 105,083**	$ 104,233	**$ 208,079**	$ 204,013
Increase (decrease) in value of investment properties, net [8]	**$ 134,880**	$ 62,672	**$ 159,749**	$ 62,338
Net income attributable to common shareholders	**$ 169,556**	$ 94,267	**$ 236,512**	$ 140,168
Net income per share attributable to common shareholders (diluted)	**$ 0.71**	$ 0.41	**$ 1.00**	$ 0.62
Cash provided by operating activities	**$ 42,704**	$ 62,172	**$ 91,043**	$ 99,865
Adjusted cash flow from operating activities [5]	**$ 70,838**	$ 68,482	**$ 128,811**	$ 122,331
Dividends				
Regular dividends	**$ 50,705**	$ 47,939	**$ 99,384**	$ 95,698
Regular dividends per common share	**$ 0.215**	$ 0.215	**$ 0.43**	$ 0.43
Weighted average number of common shares – diluted (in thousands)	**243,235**	241,494	**240,183**	239,432
Funds from Operations ("FFO") [9]				
Operating FFO [9]	**$ 64,200**	$ 60,940	**$ 125,702**	$ 115,993
Operating FFO per diluted share	**$ 0.28**	$ 0.27	**$ 0.55**	$ 0.52
Operating FFO payout ratio	**76.8%**	79.6%	**78.2%**	82.7%
FFO	**$ 66,368**	$ 59,509	**$ 128,269**	$ 114,941
FFO per diluted share	**$ 0.29**	$ 0.27	**$ 0.56**	$ 0.52
FFO payout ratio	**74.1%**	79.6%	**76.8%**	82.7%
Adjusted Funds from Operations ("AFFO") [9]				
Operating AFFO [9]	**$ 63,383**	$ 63,905	**$ 125,943**	$ 121,000
Operating AFFO per diluted share	**$ 0.26**	$ 0.27	**$ 0.53**	$ 0.51
Operating AFFO payout ratio	**82.7%**	79.6%	**81.1%**	84.3%
AFFO	**$ 66,533**	$ 63,824	**$ 129,172**	$ 121,784
AFFO per diluted share	**$ 0.28**	$ 0.27	**$ 0.54**	$ 0.52
AFFO payout ratio	**76.8%**	79.6%	**79.6%**	82.7%

(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 International Financial Reporting Standards ("IFRS"). Refer to the "Capital Structure and Liquidity – Total Capital Employed" section of this MD&A.

(6) Calculated with 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 joint ventures accounted for on an equity basis under IFRS.

(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 and Non-IFRS Supplemental Financial Measures" sections of this MD&A.

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 redevelopment activities or to major redevelopment.
>
> *Same Property with redevelopment* **–** includes properties that are largely stable, including adjacent parcels of land, but are undergoing incremental redevelopment or expansion activities (pads or building extensions) which intensify the land use. Such redevelopment activities often include 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 **–** consists of properties acquired during the period including those in close proximity to existing shopping centres. Dispositions include information for properties disposed of in the period.

Investment properties classified as held for sale **–** consists of properties that meet the held for sale criteria under IFRS.

Investment properties – development land – comprises land sites where there are no development activities underway, except for those in the planning stage.

The Company has applied the above property categorization to the fair value, capital expenditures as well as leasing and occupancy activity on its 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 two equity accounted joint ventures, net of non-controlling interests, and its share of revenues, expenses, assets and liabilities at the Company’s ownership interest.

Management presents the proportionate share of the Company's interests in its two joint ventures in the determination of many key performance measures. Management views this method as relevant in demonstrating the Company's ability to manage and monitor the underlying financial performance and cash flows of the related investments. This presentation also depicts the extent to which the underlying assets are leveraged, which are included in the Company's debt metrics.

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 its proportionate interest.

As at			**June 30, 2016**	December 31, 2015
	Condensed Consolidated Balance Sheet (1)	Adjustments for Proportionate Interest	**Proportionate Interest**	Proportionate Interest
ASSETS				
Investment properties – shopping centres	$ 8,177,417	$ 110,840	**$ 8,288,257**	$ 7,884,623
Investment properties – development land	67,420	60,692	**128,112**	80,555
Investment in joint ventures	125,398	(125,398)	**—**	—
Investment properties classified as held for sale	80,750	—	**80,750**	97,737
Other	239,670	12,088	**251,758**	221,391
Total assets	$ 8,690,655	$ 58,222	**$ 8,748,877**	$ 8,284,306
LIABILITIES				
Mortgages	$ 1,057,219	$ 45,769	**$ 1,102,988**	$ 1,026,664
Credit facilities	215,758	42,707	**258,465**	255,588
Other	3,425,025	1,220	**3,426,245**	3,362,102
Total liabilities	4,698,002	89,696	**4,787,698**	4,644,354
EQUITY				
Shareholders' equity	3,961,179	—	**3,961,179**	3,639,952
Non-controlling interest	31,474	(31,474)	**—**	—
Total equity	3,992,653	(31,474)	**3,961,179**	3,639,952
Total liabilities and equity	$ 8,690,655	$ 58,222	**$ 8,748,877**	$ 8,284,306

(1) Certain assets and liabilities have been grouped for purposes of this reconciliation.

Portfolio Overview

As at June 30, 2016, the Company had interests in 161 investment properties – shopping centres, which were 95.2% occupied with a total GLA of 25.2 million square feet and a fair value of $8.4 billion. This compares to 158 investment properties – shopping centres, which were 94.8% occupied with a total GLA of 24.4 million square feet and a fair value of $8.0 billion as at December 31, 2015. As at June 30, 2016, the average size of the shopping centres is approximately 157,000 square feet, ranging from approximately 9,200 to over 574,000 square feet.

The Same Property portfolio includes shopping centres sub-categorized in Same Property – stable and Same Property with redevelopment. The Same Property portfolio is comprised of 144 properties with a GLA of 21.5 million square feet and a fair value of $6.7 billion. These properties represent 89.4% of the Company's property count, 85.3% of its GLA and 79.7% of its fair value and generated $179.9 million in NOI for the six months ended June 30, 2016 or 85.4% 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 acquired in 2016 or 2015 and properties in close proximity to them, as well as 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, 2016**					December 31, 2015				
(millions of dollars, except other data)	**Number of Properties**	**GLA (000s sq. ft.)**	**Fair Value**	**Occupancy**	**Weighted Average Rate per Occupied Square Foot**	Number of Properties	GLA (000s sq. ft.)	Fair Value	Occupancy	Weighted Average Rate per Occupied Square Foot
Same Property – stable	**133**	**19,370**	**$ 6,054**	**96.3%**	**$ 18.69**	133	19,388	$ 5,878	95.8%	$ 18.56
Same Property with redevelopment	**11**	**2,161**	**608**	**96.0%**	**19.56**	11	2,144	584	96.6%	18.98
Total Same Property	**144**	**21,531**	**6,662**	**96.3%**	**18.77**	144	21,532	6,462	95.9%	18.60
Major redevelopment	**8**	**1,933**	**978**	**84.3%**	**23.23**	8	1,932	930	83.6%	22.95
Ground-up development	**3**	**687**	**322**	**96.9%**	**19.68**	3	601	309	93.2%	17.84
Acquisitions – 2016 (1)	**3**	**727**	**196**	**91.7%**	**18.56**	—	—	—	—%	—
Acquisitions – 2015	**—**	**98**	**131**	**84.7%**	**35.79**	—	98	129	86.7%	35.99
Investment properties classified as held for sale (2) (3)	**3**	**262**	**74**	**92.7%**	**7.39**	3	263	73	91.6%	7.89
Dispositions – 2016	**—**	**—**	**—**	**—%**	**—**	—	5	73	80.0%	20.34
Total	**161**	**25,238**	**$ 8,363**	**95.2%**	**$ 19.04**	158	24,431	$ 7,976	94.8%	$ 18.84

(1) Properties in close proximity to existing properties.

(2) The number of properties and GLA exclude a shopping centre that was 50% held for sale as at December 31, 2015. The GLA and property count for this shopping centre was included in Same Property with redevelopment.

(3) The fair value excludes development land held for sale of $6.5 million.

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

As at	**June 30, 2016**						December 31, 2015					
(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	**45**	**7,012**	**$ 3,010**	**96.9%**	**$ 21.69**	**33%**	44	6,601	$ 2,825	96.4%	$ 21.96	33%
Golden Horseshoe Area	**8**	**1,564**	**400**	**95.9%**	**15.79**	**6%**	8	1,570	383	97.1%	15.64	6%
London Area	**7**	**781**	**171**	**95.3%**	**14.98**	**3%**	7	777	163	96.3%	14.82	3%
	60	**9,357**	**3,581**	**96.6%**	**20.16**	**42%**	59	8,948	3,371	96.5%	20.23	42%
Eastern Region												
Greater Montreal Area	**34**	**4,989**	**1,181**	**90.9%**	**15.82**	**16%**	34	4,891	1,199	90.8%	15.33	16%
Greater Ottawa Area	**11**	**1,992**	**468**	**96.0%**	**16.85**	**6%**	11	1,990	465	95.9%	16.72	6%
Quebec City	**5**	**1,011**	**174**	**95.6%**	**11.01**	**2%**	5	1,011	175	95.6%	10.82	3%
Other	**2**	**215**	**38**	**100.0%**	**13.23**	**1%**	2	215	37	100.0%	12.94	—%
	52	**8,207**	**1,861**	**93.0%**	**15.40**	**25%**	52	8,107	1,876	92.9%	15.04	25%
Western Region												
Greater Calgary Area	**16**	**2,598**	**1,028**	**96.2%**	**22.76**	**12%**	15	2,553	977	97.6%	22.54	13%
Greater Vancouver Area	**20**	**2,348**	**1,033**	**95.2%**	**22.55**	**11%**	19	2,177	927	94.5%	22.26	10%
Greater Edmonton Area	**12**	**2,484**	**778**	**96.1%**	**19.13**	**9%**	12	2,402	752	92.1%	18.91	9%
Red Deer	**1**	**244**	**82**	**95.2%**	**20.17**	**1%**	1	244	73	95.2%	20.17	1%
	49	**7,674**	**2,921**	**95.8%**	**21.43**	**33%**	47	7,376	2,729	94.8%	21.23	33%
Total	**161**	**25,238**	**$ 8,363**	**95.2%**	**$ 19.04**	**100%**	158	24,431	$ 7,976	94.8%	$ 18.84	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 as follows:

	Three months ended June 30		Six months ended June 30	
(millions of dollars)	**2016**	2015	**2016**	2015
Balance at beginning of period	**$ 8,016**	$ 7,549	**$ 7,871**	$ 7,474
Acquisitions				
Shopping centres and additional adjacent spaces	**51**	32	**197**	57
Land parcels in close proximity to existing properties	**—**	1	**—**	1
Development activities and property improvements	**54**	74	**105**	141
Increase (decrease) in value of investment properties, net	**136**	61	**158**	63
Dispositions	**(4)**	(1)	**(77)**	(22)
Other changes	**(1)**	—	**(2)**	2
Balance at end of period	**$ 8,252**	$ 7,716	**$ 8,252**	$ 7,716
Investment in joint ventures – shopping centres (1)	**111**	101	**111**	101
Proportionate interest end of period (2)	**$ 8,363**	$ 7,817	**$ 8,363**	$ 7,817

(1) At the Company's proportionate interest.

(2) Includes investment properties classified as held for sale as at June 30, 2016 and 2015 totaling $74 million and $80 million, respectively.

2016 Acquisitions

Income-producing properties – Shopping Centres and Additional Adjacent Spaces

During the six months ended June 30, 2016, the Company acquired six properties in close proximity to existing shopping centres, as summarized in the table below:

Count	Property	City/Province	Quarter Acquired	Interest Acquired	GLA (sq. ft.) (1)	Acquisition Cost (in millions)
1.	Peninsula Village	Surrey, BC	Q1	100%	170,900	$ 78.5
2.	225 Peel St. (Griffintown)	Montreal, QC	Q1	100%	108,200	56.0
3.	816-838 11th Ave. (Glenbow)	Calgary, AB	Q1	50%	23,800	10.5
4.	Yorkville Village adjacent properties	Toronto, ON	Q1, Q2	100%	—	1.8
5.	Cliffcrest Plaza	Toronto, ON	Q2	100%	72,400	31.9
6.	Whitby Mall	Whitby, ON	Q2	50%	164,700	18.6
	Total				540,000	$ 197.3

(1) At the Company's proportionate interest.

Development Properties

During the six months ended June 30, 2016, the Company acquired two development properties, as summarized in the table below:

Count	Property Name	City/Province	Quarter Acquired	Interest Acquired	Acreage(1)	Acquisition Cost (in millions)
1.	1071 King Street West (remaining 50% interest)	Toronto, ON	Q1	50%	0.3	$ 7.7
2.	2150 Lake Shore Blvd. West	Toronto, ON	Q2	50%	13.5	26.8
	Total land parcels adjacent to existing properties				**13.8**	**$ 34.5**

(1) At the Company's proportionate interest.

2016 Dispositions

During the six months ended June 30, 2016, the Company disposed of three properties as summarized in the table below:

Count	Property Name	City/Province	Quarter Sold	Interest Sold	GLA (sq. ft.)[1]	Acreage[1]	Gross Sales Price (in millions)
1.	Les Galeries de Lanaudiere	Lachenaie, QC	Q1	50%	269,500	30.5	
2.	1706-1712 152nd Street	Surrey, BC	Q2	100%	4,700	0.2	
3.	Place Kirkland Du Barry (adjacent land)	Kirkland, QC	Q2	100%	—	0.8	
	Total				274,200	31.5	$ 74.6

[1] At the Company's proportionate interest.

Capital Expenditures

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 costs related to new and renewal leasing, and capital expenditures required to maintain the physical aspects of the shopping centres, such as roof replacements and resurfacing of parking lots.

Revenue enhancing capital expenditures are those expenditures that increase the revenue generating ability of the Company's shopping centres. Revenue enhancing capital expenditures are incurred in conjunction with or in contemplation of a development or redevelopment strategy, a strategic repositioning after an acquisition, or in advance of a planned disposition to maximize the potential sale price. The Company owns and actively seeks to acquire older, well-located shopping centres in urban locations, where expenditures tend to be higher when they are subsequently repaired or redeveloped to meet the Company's standards. 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.

Capital expenditures incurred in development and redevelopment projects include pre-development costs, direct construction costs, leasing costs, tenant improvements, borrowing costs, and overhead including applicable salaries and other direct costs of internal staff directly attributable to the projects under active development.

Capital expenditures on investment properties by type and property category are summarized in the table below:

Six months ended June 30			**2016**	2015
	Total Same Property	**Other Property Categories**	**Total**	Total
Revenue sustaining	**$ 6,094**	**$ —**	**$ 6,094**	$ 10,561
Revenue enhancing	**21,280**	**4,016**	**25,296**	17,100
Expenditures recoverable from tenants	**3,299**	**—**	**3,299**	2,791
Development expenditures	**12,064**	**58,750**	**70,814**	110,494
Total	**$ 42,737**	**$ 62,766**	**$ 105,503**	$ 140,946

During the six months ended June 30, 2016, capital expenditures totaled $105.5 million compared to $140.9 million for the same prior year period. The $35.4 million decrease was primarily the result of lower development expenditures related to the large ground-up and major redevelopment projects currently underway including Yorkville Village, King High Line and The Edmonton Brewery District. In addition, revenue sustaining expenditures decreased by $4.5 million over the same prior year period primarily as a result of timing of scheduled infrastructure work during the course of the year while revenue enhancing expenditures increased by $8.2 million primarily as a result of the redevelopment of space previously occupied by anchor tenants.

Valuation of Investment Properties

During the six months ended June 30, 2016, the weighted average stabilized capitalization rate of the Company's investment property portfolio decreased from 5.7% as at December 31, 2015 to 5.5%, primarily due to overall compression in capitalization rates and the impact of acquisitions during the period. The Company's proportionate interest in the net increase in value of investment properties was $163.8 million for the six months ended June 30, 2016.

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, 2016 and December 31, 2015:

As at June 30, 2016					
		Capitalization Rate			
(millions of dollars, except other data)	**Number of Properties**	**Weighted Average**	**Median**	**Range**	**Fair Value**
Central Region	**60**	**5.3%**	**5.5%**	**4.3%-7.0%**	**$ 3,581**
Eastern Region	**52**	**6.1%**	**6.0%**	**5.3%-7.5%**	**1,861**
Western Region	**49**	**5.4%**	**5.5%**	**4.3%-6.5%**	**2,921**
Total or Weighted Average	**161**	**5.5%**	**5.8%**	**4.3%-7.5%**	**$ 8,363**

As at December 31, 2015					
		Capitalization Rate			
(millions of dollars, except other data)	Number of Properties	Weighted Average	Median	Range	Fair Value
Central Region	59	5.5%	5.8%	4.5%-7.5%	$ 3,371
Eastern Region	52	6.1%	6.0%	5.3%-7.5%	1,876
Western Region	47	5.5%	5.8%	4.5%-6.5%	2,729
Total or Weighted Average	158	5.7%	5.8%	4.5%-7.5%	$ 7,976

Properties Under Development

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

Development Pipeline

The Company has identified approximately 13.0 million square feet of incremental density available in the portfolio for future development of which 0.9 million square feet is currently under development.

A breakdown of the active development and incremental density within the portfolio by component and type is as follows:

As at June 30, 2016	Square feet (in thousands)		
	Retail	Residential	Total
Active Development			
Same Property with redevelopment	72	—	72
Major redevelopment	229	—	229
Ground-up development	328	312	640
	629	**312**	**941**
Future uncommitted incremental density			
Medium term	1,700	5,600	7,300
Long term	900	3,900	4,800
	2,600	**9,500**	**12,100**
Total development pipeline	**3,229**	**9,812**	**13,041**

The Company determines its course of action with respect to the 9.5 million square feet of uncommitted potential residential density on a case by case basis given the specifics of each property. The Company's course of action for each property may include selling the property, selling the residential density rights, entering into a joint venture with a partner to develop the property or undertaking the development of the property on its own. The majority of this density is expected to commence development over the medium term (within approximately seven years).

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.

Invested Cost of Properties Under Development

As at June 30, 2016, the Company had $596.0 million of properties under development and development land parcels at invested cost, representing approximately 7.0% of the value of the total portfolio.

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

As at June 30, 2016			Invested Cost (in millions) [3]		
	Number of Projects	Square Feet [1] [2] (in thousands)	Active Development	Pre-Development	Total
Same Property with redevelopment	5	72	$ 27	$ —	$ 27
Major redevelopment	3	229	164	96	260
Ground-up development	2	640	116	20	136
Total development and redevelopment activities	**10**	**941**	**$ 307**	**$ 116**	**$ 423**
Total development land and adjacent land parcels				$ 173	$ 173
Total				**$ 289**	**$ 596**

(1) Includes 312,000 square feet of residential rental apartments.
(2) Square footage relates to active development only and represents 100% of the space under development.
(3) At the Company's proportionate interest.

2016 Development and Redevelopment Coming Online and Space Going Offline

Development and redevelopment coming online includes both leased and unleased space transferred from development to income-producing properties at completion of construction.

During the six months ended June 30, 2016, the Company completed the transfer of 135,000 square feet of new urban retail space from development to the income-producing portfolio at a cost of $68.3 million. Of the space transfered, 114,000 square feet became occupied at an average rental rate of $29.77 per square foot, well above the average rate for the portfolio of $19.04, thus realizing on the growth potential through development and redevelopment activities. The remainder of the space transferred is expected to be leased in the next 12 months.

For the six months ended June 30, 2016, the Company had tenant closures for redevelopment of 38,000 square feet at an average rental rate of $14.60 per square foot. Of the 38,000 square feet, 16,000 square feet were demolished.

Active Development and Redevelopment Activities

The Company’s properties with development and redevelopment activities currently in progress are expected to have a weighted average going-in NOI yield of 5.3% upon completion. This yield is derived from the expected going-in run rate based on stabilized leasing and operations following completion of the development, and includes all building cost, land cost, 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.

Development and redevelopment projects may occur in phases with the completed component of the project included in income-producing properties and the incomplete component included in properties under development. The following tables show this split, where applicable, by showing the total invested cost in two categories: under development and income-producing property. In addition, the following tables reflect square footage at 100% of the space under development and invested cost at the Company's proportionate share.

Same Property with Redevelopment

The Company currently has five projects under active development in the Same Property with redevelopment property category. Of the approximately 72,000 square feet under active redevelopment, 43,000 square feet is subject to committed leases at a weighted average rate of $31.41 per square foot. The Company is currently in various stages of negotiations for the remaining planned space.

Highlights of the Company's Same Property with redevelopment projects as at June 30, 2016 are as follows:

As at June 30, 2016				Invested Cost (in millions)		
	Count/Project and Major Tenant(s)	Square Feet Under Development (in thousands)	Target Completion Date [1]	Total Estimated incl. Land	Under Development	Estimated Cost to Complete
	Active development					
1.	Pemberton Plaza, Vancouver, BC	17	H2 2016	$14	$11	$3
	(TD Canada Trust, Willowbrae Childcare Academy, White Spot)					
2.	Carrefour Belvedere, Sherbrooke, QC	5	H2 2016	6	4	2
	(Tim Hortons)					
3.	McKenzie Towne Park, Calgary, AB	4	H2 2016	3	1	2
	(Tim Hortons)					
4.	Fairway Plaza, Kitchener, ON	9	H1 2017	3	2	1
5.	685 Fairway Road, Kitchener, ON	37	H1 2018	23	9	14
	(TD Canada Trust, MEC)					
	Total Same Property with redevelopment	**72**		**$49**	**$27**	**$22**

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

Major Redevelopment

The Company has three projects under active development in the major redevelopment property category. Of the approximately 229,000 square feet under active redevelopment, 91,000 square feet is subject to committed leases at a weighted average rate of $31.94 per square foot. As construction on redevelopment projects occurs in phases, there continues to be ongoing negotiations in various stages with certain retailers for the remaining planned space.

Highlights of the Company's major redevelopment projects underway as at June 30, 2016, including costs for completed phases, are as follows:

As at June 30, 2016		Square feet (in thousands)				Invested Cost (in millions)			
	Count / Property and Major Tenant(s)	Planned Upon Completion	Completed or Existing [1]	Under Development	Target Completion Date [2]	Total Estimated incl. Land	Under Development	Income-producing property	Estimated Cost to Complete
	Active development								
1.	Yorkville Village Assets, Toronto, ON	285	225	60	H1 2017 [3]	$384	$111	$248	$25
	(Whole Foods Market, Equinox Fitness)								
2.	3080 Yonge Street, Toronto, ON	246	170	76	H2 2017	116	27	58	31
	(Loblaws)								
3.	Mount Royal West, Calgary, AB	93	—	93	H2 2018	62	26	—	36
	(Urban Fare, Canadian Tire)								
	Total Major Redevelopment	**624**	**395**	**229**		**$562**	**$164**	**$306**	**$92**

(1) Includes vacant units held for redevelopment.

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

(3) Mall completion is H1 2017; partial redevelopment of street assets is 2018 and beyond.

Ground-up Development

The Company has two projects under active development in the ground-up development property category. These projects are comprised of approximately 640,000 square feet of space currently under development, of which 328,000 square feet is retail space and 312,000 square feet is residential rental apartments. A total of 58,100 square feet of the retail space currently under development is subject to committed leases at a weighted average rate of $31.63 per square foot. As construction on ground-up developments occurs in phases, there continues to be ongoing negotiations in various stages with retailers for the remaining planned space.

Highlights of the Company's ground-up projects underway as at June 30, 2016, including costs for completed phases, are as follows:

As at June 30, 2016								
	Square feet (in thousands)				Invested Cost (in millions)			
Count/Project and Major Tenant(s)	Planned Upon Completion	Completed or Existing	Under Development	Target Completion Date [3]	Total Estimated incl. Land	Under Development	Income-producing property	Estimated Cost to Complete
Active development								
1. The Brewery District, Edmonton, AB [1]	306	129	177	H2 2017	$90	$32	$44	$14
(Loblaws City Market, Shoppers Drug Mart, GoodLife Fitness, MEC, Winners)								
2. King High Line (Shops at King Liberty), Toronto, ON [1] [2]	463	—	463	H2 2018	156	84	—	72
Total Ground-up Development	**769**	**129**	**640**		**$246**	**$116**	**$44**	**$86**

(1) The Company has a 50% ownership interest in the property.

(2) The square feet under development comprises 151,000 square feet of retail and 312,000 square feet of residential space. The Company and its development partner have entered into a binding agreement to sell, upon substantial completion, a 1/3 managing interest in the residential component of the property to Canadian Apartment Properties REIT.

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

Costs to Complete Active and Redevelopment Activities

Costs to complete the development, redevelopment and expansion activities underway are estimated to be approximately $200 million. Costs to complete Same Property related developments are planned at $22 million. Costs to complete major redevelopments and ground-up developments, respectively, are planned at $43 million and $18 million in 2016, and $49 million and $68 million thereafter.

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 current and future growth and the 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 $100.9 million has been invested as at June 30, 2016). Main and Main Developments was retained to provide asset and property management services for the real estate portfolio.

Each of Main and Main Urban Realty's 23 assembly projects are located on a major street in Toronto or Ottawa. Two projects are in the active development phase and eight projects are in the pre-development planning stage. As at June 30, 2016, the fair value of the Main and Main Urban Realty real estate property portfolio was approximately $289.9 million.

Main and Main Urban Realty has identified a total of approximately 1.7 million square feet of additional GLA available in its portfolio, comprised of 0.4 million square feet for future retail and 1.3 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 increased from 95.9% as at December 31, 2015 to 96.3% as at June 30, 2016 primarily as a result of new tenants taking occupancy across the portfolio. Total portfolio occupancy increased from 94.8% as at December 31, 2015 to 95.2% as at June 30, 2016, primarily driven by the improvement in total Same Property occupancy.

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

As at	**June 30, 2016**			December 31, 2015		
(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	**18,660**	**96.3%**	**$ 18.69**	18,583	95.8%	$ 18.56
Same Property with redevelopment	**2,074**	**96.0%**	**19.56**	2,071	96.6%	18.98
Total Same Property	**20,734**	**96.3%**	**18.77**	20,654	95.9%	18.60
Major redevelopment	**1,629**	**84.3%**	**23.23**	1,615	83.6%	22.95
Ground-up development	**666**	**96.9%**	**19.68**	560	93.2%	17.84
Investment properties classified as held for sale	**243**	**92.7%**	**7.39**	241	91.6%	7.89
Total portfolio before acquisitions and dispositions	**23,272**	**95.3%**	**18.99**	23,070	94.8%	18.78
Acquisitions – 2016	**667**	**91.7%**	**18.56**	—	—%	—
Acquisitions – 2015	**83**	**84.7%**	**35.79**	85	86.7%	35.99
Dispositions – 2016	**—**	**—%**	**—**	4	80.0%	20.34
Total	**24,022**	**95.2%**	**$ 19.04**	23,159	94.8%	$ 18.84

During the three months ended June 30, 2016, the Company achieved a 5.9% overall rate increase per occupied square foot on 378,000 square feet of renewal leases over the expiring lease rates, of which the rate increase for the Same Property portfolio was 6.6% on 328,000 square feet of renewals.

The average rental rate per occupied square foot for the total portfolio increased from $19.02 as at March 31, 2016 to $19.04 as at June 30, 2016 primarily due to rent escalations. 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.

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

Three months ended June 30, 2016	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, 2016 [1]	**20,668**	**96.1%**	**$ 18.71**	**2,902**	**88.3%**	**$ 21.20**	**138**	**0.6%**	**1,092**	**4.4%**	**24,800**	**95.0%**	**$ 19.02**
Tenant possession	138		20.81	24		26.14	—		(162)		—		21.61
Tenant closures	(72)		(18.90)	(18)		(26.29)	—		90		—		(20.39)
Tenant closures for redevelopment	(18)		(14.69)	(16)		(9.87)	34		—		—		(12.32)
Developments – tenants coming online [2]	16		44.70	30		27.91	—		4		50		33.80
Demolitions	—		—	—		—	(13)		—		(13)		—
Reclassification	2		—	(8)		—	12		(3)		3		—
Total portfolio before 2016 acquisitions and dispositions	20,734	96.3%	$ 18.77	2,914	88.0%	$ 21.50	171	0.7%	1,021	4.1%	24,840	95.2%	$ 19.11
Acquisitions (at date of acquisition)	—	—%	—	379	94.0%	14.61	—		24		403	94.0%	14.61
Dispositions (at date of disposition)	—	—	—	(5)	100.0%	(20.78)	—		—		(5)	100.0%	(20.78)
June 30, 2016	**20,734**	**96.3%**	**$ 18.77**	**3,288**	**88.7%**	**$ 20.71**	**171**	**0.7%**	**1,045**	**4.1%**	**25,238**	**95.2%**	**$ 19.04**
Renewals	328		$ 18.94	50		$ 26.56					378		$ 19.96
Renewals – expired	(328)		$ (17.76)	(50)		$ (25.85)					(378)		$ (18.84)
Net change per square foot from renewals			$ 1.18			$ 0.71							$ 1.12
% Increase on renewal of expiring rents			6.6%			2.7%							5.9%

(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 – 2016 Development and Redevelopment Coming Online and Space Going Offline" section of this MD&A.

During the six months ended June 30, 2016, the Company achieved an 7.0% overall rate increase per occupied square foot on 690,000 square feet of renewal leases over the expiring lease rates. The rate increase for the Same Property portfolio was 7.8% on 621,000 square feet of renewals.

The average rental rate per occupied square foot for the total portfolio increased from $18.84 as at December 31, 2015 to $19.04 as at June 30, 2016 primarily due to rent escalations.

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

Six months ended June 30, 2016	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, 2015 [1]	**20,654**	**95.9%**	**$ 18.60**	**2,505**	**86.4%**	**$ 20.79**	**133**	**0.5%**	**1,139**	**4.7%**	**24,431**	**94.8%**	**$ 18.84**
Tenant possession	299		19.70	95		25.45	—		(394)		—		21.09
Tenant closures	(237)		(18.14)	(43)		(33.67)	—		280		—		(20.50)
Tenant closures for redevelopment	(20)		(16.80)	(18)		(12.17)	38		—		—		(14.60)
Developments – tenants coming online [2]	24		41.84	90		26.49	—		21		135		29.77
Redevelopments – tenant possession	—		—	5		5.30	(5)		—		—		5.30
Demolitions	—		—	—		—	(16)		—		(16)		—
Reclassifications	14		—	(8)		—	21		(63)		(36)		—
Total portfolio before 2016 acquisitions and dispositions	20,734	96.3%	$ 18.77	2,626	88.0%	$ 21.32	171	0.7%	983	4.0%	24,514	95.3%	$ 19.06
Acquisitions (at date of acquisition)	—	—%	—	667	91.5%	18.31	—		62		729	91.5%	18.31
Dispositions (at date of disposition)	—	—	—	(5)	100.0%	(20.78)	—		—		(5)	100.0%	(20.78)
June 30, 2016	**20,734**	**96.3%**	**$ 18.77**	**3,288**	**88.7%**	**$ 20.71**	**171**	**0.7%**	**1,045**	**4.1%**	**25,238**	**95.2%**	**$ 19.04**
Renewals	621		$ 18.49	69		$ 25.94					690		$ 19.23
Renewals – expired	(621)		$ (17.16)	(69)		$ (25.28)					(690)		$ (17.97)
Net change per square foot from renewals			$ 1.33			$ 0.66							$ 1.26
% Increase on renewal of expiring rents			7.8%			2.6%							7.0%

(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 – 2016 Development and Redevelopment Coming Online and Space Going Offline" section of this MD&A.

Lease Maturity Profile

The Company's lease maturity profile for its shopping centre portfolio as at June 30, 2016, excluding any contractual renewal options, is as follows:

Maturity Date	Number of Stores	Occupied Square Feet (thousands)	Percent of Total Square Feet	Annualized Minimum Rent at Expiration (thousands)	Percent of Total Annualized Minimum Rent	Average Annual Minimum Rent per Square Foot at Expiration
Month-to-month tenants (1)	162	327	1.3%	$ 4,763	1.0%	$ 14.56
2016	320	1,490	5.9%	22,129	4.6%	14.85
2017	648	2,990	11.8%	52,027	10.8%	17.40
2018	642	3,061	12.1%	54,984	11.4%	17.97
2019	637	2,779	11.0%	57,174	11.9%	20.58
2020	585	2,803	11.1%	54,727	11.4%	19.52
2021	364	1,851	7.3%	38,838	8.1%	20.98
2022	256	1,746	6.9%	40,176	8.3%	23.01
2023	189	1,527	6.1%	31,382	6.5%	20.55
2024	176	1,072	4.2%	23,822	4.9%	22.23
2025	188	1,028	4.1%	25,650	5.3%	24.96
2026	116	759	3.0%	18,985	3.9%	25.01
Thereafter	107	2,589	10.4%	56,649	11.9%	21.88
Total or Weighted Average	4,390	24,022	95.2%	$ 481,306	100.0%	$ 20.04

(1) 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 remaining lease term for the portfolio was 5.3 years as at June 30, 2016, excluding contractual renewal options, but including month-to-month and other short-term leases with tenants in properties with pre-development activities underway.

Top Forty Tenants

As at June 30, 2016, 54.5% of the Company's annualized minimum rent came from its top 40 tenants (December 31, 2015 – 54.9%). Of these rents, 78.2% came from tenants that have investment grade credit ratings and who represent many of Canada's leading supermarkets, pharmacies, national and discount retailers, financial institutions and other familiar shopping destinations. The weighted average remaining lease term for the Company's top 10 tenants was 6.2 years as at June 30, 2016, excluding contractual renewal options.

Rank	Tenant (1) (2)	Number of Stores	Square Feet (thousands)	Percent of Total Gross Leasable Area	Percent of Total Annualized Minimum Rent	DBRS Credit Rating	S&P Credit Rating	Moody's Credit Rating
1.	Loblaw Companies Limited ("Loblaw")	100	2,496	9.9%	10.2%	BBB	BBB	
2.	Sobeys	57	2,051	8.1%	6.7%	BBB (low)	BBB-	
3.	Metro	35	1,212	4.8%	3.5%	BBB	BBB	
4.	Walmart	15	1,486	5.9%	2.9%	AA	AA	Aa2
5.	Canadian Tire	25	855	3.4%	2.8%	BBB (high)	BBB+	
6.	TD Canada Trust	48	252	1.0%	2.1%	AA	AA-	Aa1
7.	RBC Royal Bank	46	250	1.0%	1.9%	AA	AA-	Aa3
8.	GoodLife Fitness	26	604	2.4%	1.8%			
9.	Dollarama	53	514	2.0%	1.8%	BBB		
10.	CIBC	37	207	0.8%	1.5%	AA	A+	Aa3
Top 10 Tenants Total		442	9,927	39.3%	35.2%			
11.	LCBO	22	215	0.9%	1.2%	AA (low)	A+	Aa2
12.	Rona	4	421	1.7%	1.1%		BBB+	
13.	BMO	32	145	0.6%	1.1%	AA	A+	Aa3
14.	Rexall	19	170	0.7%	1.1%			
15.	London Drugs	10	259	1.0%	1.1%			
16.	Restaurant Brands International	54	144	0.6%	1.0%		B+	B1
17.	Scotiabank	24	127	0.5%	0.9%	AA	A+	Aa3
18.	Staples	11	278	1.1%	0.9%		BBB-	Baa2
19.	Save-On-Foods	6	267	1.1%	0.8%			
20.	Longo's	4	170	0.7%	0.7%			
21.	Winners	9	267	1.1%	0.7%		A+	A2
22.	Whole Foods Market	3	132	0.5%	0.7%		BBB-	Baa3
23.	Starbucks	44	75	0.3%	0.7%		A-	A2
24.	Michaels	5	110	0.4%	0.6%		B+	B1
25.	Jean Coutu	12	157	0.6%	0.6%			
26.	Subway	74	88	0.4%	0.6%			
27.	SAQ	21	86	0.3%	0.6%	A (high)	A+	Aa2
28.	Cara	20	88	0.3%	0.5%			
29.	McDonald's	23	94	0.4%	0.5%		BBB+	Baa1
30.	The Beer Store	12	73	0.3%	0.5%	AA (low)	A+	Aa2
31.	Toys "R" Us	3	127	0.5%	0.4%		B-	B3
32.	Yum! Brands	28	53	0.2%	0.4%		BB	Ba3
33.	The Home Depot	2	219	0.9%	0.4%	A	A	A2
34.	Reitmans	22	116	0.5%	0.4%			
35.	Williams-Sonoma	2	38	0.2%	0.3%			
36.	Liquor Stores	14	54	0.2%	0.3%			
37.	Pet Valu	19	54	0.2%	0.3%			
38.	Bulk Barn	12	58	0.2%	0.3%			
39.	Hudson's Bay Company	2	73	0.3%	0.3%		B+	B1
40.	Uniprix	6	68	0.3%	0.3%			
Top 40 Tenants Total		**961**	**14,153**	**56.3%**	**54.5%**			

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

(2) Tenants noted include all banners of the respective retailer.

Loans, Mortgages and Other Real Estate Assets

As at		June 30, 2016		December 31, 2015
Non-current				
Loans and mortgages receivable (a)	**$**	**123,088**	$	120,173
Available-for-sale ("AFS") investment in limited partnership		**4,380**		4,269
Total non-current	**$**	**127,468**	$	124,442
Current				
Loans and mortgages receivable (a)	**$**	**4,204**	$	23,499
Fair value through profit or loss ("FVTPL") investments in securities (b)		**13,789**		11,907
Other receivable		**68**		70
Total current	**$**	**18,061**	$	35,476
Total	**$**	**145,529**	$	159,918

(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).

RESULTS OF OPERATIONS

Net Income

	Three months ended June 30				Six months ended June 30			
		2016		2015		**2016**		2015
Net income attributable to common shareholders	**$**	**169,556**	$	94,267	**$**	**236,512**	$	140,168
Net income per share attributable to common shareholders (diluted)	**$**	**0.71**	$	0.41	**$**	**1.00**	$	0.62
Weighted average number of common shares – diluted (in thousands)		**243,235**		241,494		**240,183**		239,432

For the three months ended June 30, 2016, net income attributable to common shareholders was $169.6 million or $0.71 per diluted share compared to $94.3 million or $0.41 per share (diluted) for the same prior year period. The increase in net income attributable to common shareholders of 79.9% or $75.3 million, was primarily due to a higher increase in the fair value of investment properties of $138.7 million on a proportionate basis compared to an increase of $65.5 million for the second quarter of 2015.

For the six months ended June 30, 2016, net income attributable to common shareholders was $236.5 million or $1.00 per diluted share compared to $140.2 million or $0.62 per share (diluted) for the same prior year period. The increase in net income attributable to common shareholders of 68.7% or $96.3 million, was primarily due to a higher increase in the fair value of investment properties of $163.8 million on a proportionate basis compared to an increase of $69.9 million for the first half of 2015.

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 condensed consolidated statements of income, as presented in the unaudited interim condensed consolidated financial statements, to its proportionate interest.

Three months ended June 30			**2016**			2015
	Consolidated Statements of Income	**Adjustment to proportionate interest**	**Proportionate interest**	Consolidated Statements of Income	Adjustment to proportionate interest	Proportionate interest
Property rental revenue	**$ 167,576**	**$ 1,905**	**$ 169,481**	$ 166,249	$ 1,882	$ 168,131
Property operating costs	**62,493**	**698**	**63,191**	62,016	560	62,576
Net operating income	**105,083**	**1,207**	**106,290**	104,233	1,322	105,555
Other income and expenses						
Interest and other income	**3,743**	**(41)**	**3,702**	3,804	(127)	3,677
Interest expense	**(38,809)**	**(572)**	**(39,381)**	(40,292)	(206)	(40,498)
Corporate expenses	**(8,880)**	**259**	**(8,621)**	(8,886)	229	(8,657)
Abandoned transaction costs	**(43)**	**—**	**(43)**	(474)	—	(474)
Amortization expense	**(241)**	**12**	**(229)**	(695)	(4)	(699)
Share of profit from joint ventures	**6,367**	**(6,367)**	**—**	4,093	(4,093)	—
Other gains (losses) and (expenses)	**2,203**	**(16)**	**2,187**	(1,424)	(37)	(1,461)
Increase (decrease) in value of investment properties, net	**134,880**	**3,842**	**138,722**	62,672	2,866	65,538
	99,220	**(2,883)**	**96,337**	18,798	(1,372)	17,426
Income before income taxes	**204,303**	**(1,676)**	**202,627**	123,031	(50)	122,981
Deferred income taxes	**33,071**	**—**	**33,071**	28,708	6	28,714
Net income	**$ 171,232**	**$ (1,676)**	**$ 169,556**	$ 94,323	$ (56)	$ 94,267
Net income attributable to:						
Common shareholders	**$ 169,556**	**$ —**	**$ 169,556**	$ 94,267	$ —	$ 94,267
Non-controlling interest	**1,676**	**(1,676)**	**—**	56	(56)	—
	$ 171,232	**$ (1,676)**	**$ 169,556**	$ 94,323	$ (56)	$ 94,267
Net income per share attributable to common shareholders:						
Basic	**$ 0.73**			$ 0.42		
Diluted	**$ 0.71**			$ 0.41		

Six months ended June 30	**2016**			2015		
	Condensed Consolidated Statements of Income	**Adjustment for proportionate interest**	**Proportionate interest**	Condensed Consolidated Statements of Income	Adjustment for proportionate interest	Proportionate interest
Property rental revenue	**$ 335,676**	**$ 3,830**	**$ 339,506**	$ 329,910	$ 3,654	$ 333,564
Property operating costs	**127,597**	**1,272**	**128,869**	125,897	1,113	127,010
Net operating income	**208,079**	**2,558**	**210,637**	204,013	2,541	206,554
Other income and expenses						
Interest and other income	**7,393**	**(71)**	**7,322**	8,085	(216)	7,869
Interest expense	**(79,270)**	**(880)**	**(80,150)**	(81,780)	(332)	(82,112)
Corporate expenses	**(16,890)**	**493**	**(16,397)**	(18,628)	486	(18,142)
Abandoned transaction costs	**(156)**	**—**	**(156)**	(543)	—	(543)
Amortization expense	**(461)**	**—**	**(461)**	(1,521)	(4)	(1,525)
Share of profit from joint ventures	**7,966**	**(7,966)**	**—**	10,012	(10,012)	—
Other gains (losses) and (expenses)	**1,180**	**(33)**	**1,147**	(1,338)	(127)	(1,465)
Increase (decrease) in value of investment properties, net	**159,749**	**4,011**	**163,760**	62,338	7,559	69,897
	79,511	**(4,446)**	**75,065**	(23,375)	(2,646)	(26,021)
Income before income taxes	**287,590**	**(1,888)**	**285,702**	180,638	(105)	180,533
Deferred income taxes	**49,190**	**—**	**49,190**	40,359	6	40,365
Net income	**$ 238,400**	**$ (1,888)**	**$ 236,512**	$ 140,279	$ (111)	$ 140,168
Net income attributable to:						
Common shareholders	**$ 236,512**	**$ —**	**$ 236,512**	$ 140,168	$ —	$ 140,168
Non-controlling interest	**1,888**	**(1,888)**	**—**	111	(111)	—
	$ 238,400	**$ (1,888)**	**$ 236,512**	$ 140,279	$ (111)	$ 140,168
Net income per share attributable to common shareholders:						
Basic	**$ 1.03**			$ 0.63		
Diluted	**$ 1.00**			$ 0.62		

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		
	% change	**2016**	2015	**% change**	**2016**	2015
Property rental revenue						
Base rent		**$ 90,799**	$ 89,749		**$ 181,697**	$ 179,377
Operating cost recoveries		**20,343**	19,866		**41,900**	41,810
Realty tax recoveries		**27,727**	28,009		**55,739**	55,574
Lease surrender fees		**215**	3,266		**863**	3,451
Percentage rent		**381**	484		**722**	871
Prior year operating cost and tax recovery adjustments		**(336)**	283		**(143)**	274
Temporary tenants, storage, parking and other		**2,507**	2,676		**5,011**	5,092
Total Same Property rental revenue		**141,636**	144,333		**285,789**	286,449
Property operating costs						
Recoverable operating expenses		**22,064**	21,642		**45,557**	45,783
Recoverable realty tax expenses		**30,047**	30,187		**60,290**	59,539
Other operating costs and adjustments		**(303)**	170		**42**	927
Total Same Property operating costs		**51,808**	51,999		**105,889**	106,249
Total Same Property NOI	**(2.7%)**	**$ 89,828**	$ 92,334	**(0.2%)**	**$ 179,900**	$ 180,200
Major redevelopment		**8,190**	8,041		**16,082**	16,445
Ground-up development		**2,455**	1,660		**4,410**	2,663
Acquisitions – 2016		**1,852**	—		**2,751**	—
Acquisitions – 2015		**1,149**	784		**2,370**	1,315
Investment properties classified as held for sale		**913**	629		**1,244**	1,167
Dispositions – 2016		**29**	962		**384**	1,950
Dispositions – 2015		**(40)**	93		**(32)**	370
Straight-line rent adjustment		**1,802**	882		**3,143**	2,130
Development land		**112**	170		**385**	314
NOI	**0.7%**	**$ 106,290**	105,555	**2.0%**	**$ 210,637**	$ 206,554
NOI margin		**62.7%**	62.8%		**62.0%**	61.9%

For the three months ended June 30, 2016, total Same Property NOI decreased by $2.5 million or 2.7% to $89.8 million from $92.3 million for the same prior year period. For the six months ended June 30, 2016, total Same Property NOI decreased by $0.3 million or 0.2% to $179.9 million from $180.2 million for the same prior year period. The decrease was primarily the result of two significant lease surrender fees earned in the second quarter of 2015, excluding which, total Same Property NOI growth would be 0.6% and 1.6% for the three and six months ended June 30, 2016, respectively.

For the three and six months ended June 30, 2016, total NOI increased by $0.7 million and $4.1 million compared to the same prior year periods, primarily due the impact of developments coming online as well as the net contribution from acquisitions and dispositions completed since the prior year period.

NOI by Region

NOI by segment at the Company's proportionate interest is as follows:

Three months ended June 30, 2016	Central Region	Eastern Region	Western Region	Subtotal	Other [1]	Total
Property rental revenue	**$ 69,389**	**$ 45,285**	**$ 55,567**	**$ 170,241**	**$ (760)**	**$ 169,481**
Property operating costs	**26,631**	**19,383**	**18,149**	**64,163**	**(972)**	**63,191**
NOI	**$ 42,758**	**$ 25,902**	**$ 37,418**	**$ 106,078**	**$ 212**	**$ 106,290**

Three months ended June 30, 2015	Central Region	Eastern Region	Western Region	Subtotal	Other [1]	Total
Property rental revenue	$ 71,491	$ 44,351	$ 52,873	$ 168,715	$ (584)	$ 168,131
Property operating costs	26,520	18,868	17,490	62,878	(302)	62,576
NOI	$ 44,971	$ 25,483	$ 35,383	$ 105,837	$ (282)	$ 105,555

Six months ended June 30, 2016	Central Region	Eastern Region	Western Region	Subtotal	Other [1]	Total
Property rental revenue	**$ 139,523**	**$ 91,579**	**$ 109,891**	**$ 340,993**	**$ (1,487)**	**$ 339,506**
Property operating costs	**54,208**	**39,917**	**36,600**	**130,725**	**(1,856)**	**128,869**
NOI	**$ 85,315**	**$ 51,662**	**$ 73,291**	**$ 210,268**	**$ 369**	**$ 210,637**

Six months ended June 30, 2015	Central Region	Eastern Region	Western Region	Subtotal	Other [1]	Total
Property rental revenue	$ 140,837	$ 89,432	$ 104,173	$ 334,442	$ (878)	$ 333,564
Property operating costs	53,726	39,217	34,582	127,525	(515)	127,010
NOI	$ 87,111	$ 50,215	$ 69,591	$ 206,917	$ (363)	$ 206,554

[1] Other items principally consist of intercompany eliminations.

Interest and Other Income

For the three and six months ended June 30, 2016, interest and other income totaled $3.7 million and $7.3 million, compared to $3.7 million and $7.9 million respectively, for the same prior year periods. The year-to-date decrease of $0.6 million over the prior year is primarily due to lower interest income attributable to a reduction in loans and mortgages receivable outstanding.

Interest Expense

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

	Three months ended June 30		Six months ended June 30	
	2016	2015	**2016**	2015
Mortgages	**$ 12,214**	$ 12,706	**$ 24,410**	$ 26,646
Credit facilities	**1,498**	910	**3,706**	1,457
Senior unsecured debentures	**27,459**	26,696	**54,088**	52,849
Convertible debentures (non-cash)	**3,128**	5,795	**8,237**	11,715
Interest capitalized	**(4,918)**	(5,609)	**(10,291)**	(10,555)
Interest expense	**$ 39,381**	$ 40,498	**$ 80,150**	$ 82,112

For the three and six months ended June 30, 2016, interest expense decreased by $1.1 million and $2.0 million, respectively, due to repayment and maturity of mortgages with higher effective interest rates and borrowing of new mortgages at lower effective interest rates, as well as the early redemption of $120.6 million of convertible debentures.

During the six months ended June 30, 2016 and 2015, approximately 11.4% of interest expense was capitalized to real estate investments for properties undergoing development or redevelopment projects. Amounts capitalized are dependent on interest expense paid, on the phase and magnitude of development and redevelopment projects actively underway as well as the portfolio weighted average interest rate. The decrease in capitalized interest over the same prior year period is due to an overall decrease in development expenditures during the second quarter.

Corporate Expenses

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

	Three months ended June 30		Six months ended June 30	
	2016	2015	**2016**	2015
Salaries, wages and benefits	**$ 6,700**	$ 7,547	**$ 13,414**	$ 15,306
Non-cash compensation	**936**	563	**1,574**	1,345
Other corporate costs	**2,824**	2,574	**4,700**	5,607
Total corporate expenses	**10,460**	10,684	**19,688**	22,258
Amounts capitalized to investment properties under development	**(1,839)**	(2,027)	**(3,291)**	(4,116)
Corporate expenses	**$ 8,621**	$ 8,657	**$ 16,397**	$ 18,142

For the six months ended June 30, 2016, corporate expenses decreased by $1.7 million to $16.4 million compared to the same prior year period primarily due to lower employee compensation expense of $1.9 million as a result of the organizational restructuring completed in the third quarter of 2015. Other corporate costs were lower by $0.9 million over the same prior year period as a result of the restructuring, certain non-recurring costs incurred in the first quarter of 2015, as well as overall timing of spend.

The Company manages all of its acquisitions, development and redevelopment and leasing activities internally. Certain internal costs directly related to development, including salaries and related costs for planning, zoning, construction and so forth, are capitalized in accordance with IFRS to development projects as incurred. During the six months ended June 30, 2016 and 2015, approximately 18.2% and 19.7%, respectively, of compensation-related and other corporate expenses were capitalized to real estate investments for properties undergoing development or redevelopment projects. Amounts capitalized are based on development and pre-development projects underway. Changes in capitalized corporate expenses are primarily the result of timing of completion of development and redevelopment projects and the Company's current level of pre-development and early redevelopment activity.

Other Gains (Losses) and (Expenses)

The Company's proportionate share of other gains, losses and expenses is as follows:

	Three months ended June 30					
	2016			2015		
	Proportionate Statement of Income	**Included in FFO**	**Included in AFFO**	Proportionate Statement of Income	Included in FFO	Included in AFFO
Realized gains on sale of marketable securities	**$ —**	**$ —**	**$ —**	$ (81)	$ (81)	$ (81)
Unrealized gains (losses) on marketable securities classified as FVTPL	**1,550**	**1,550**	**—**	(1,062)	(1,062)	—
Net gain (loss) on prepayments of debt	**(1,239)**	**(1,239)**	**—**	(250)	(250)	—
Proceeds from Target	**3,150**	**3,150**	**3,150**	—	—	—
Pre-selling costs of residential inventory	**—**	**—**	**—**	(38)	(38)	—
Gain (loss) on sale of asset	**(16)**	**(16)**	**—**	—	—	—
Investment properties selling costs	**19**	**—**	**—**	(30)	—	—
Restructuring costs	**(1,277)**	**(1,277)**	**—**	—	—	—
	$ 2,187	**$ 2,168**	**$ 3,150**	$ (1,461)	$ (1,431)	$ (81)

	Six months ended June 30					
	2016			2015		
	Proportionate Statement of Income	**Included in FFO**	**Included in AFFO**	Proportionate Statement of Income	Included in FFO	Included in AFFO
Realized gain (loss) on sale of marketable securities	**$ 79**	**$ 79**	**$ 79**	$ 784	$ 784	$ 784
Unrealized gain (loss) on marketable securities classified as FVTPL	**1,892**	**1,892**	**—**	(1,456)	(1,456)	—
Net gain (loss) on prepayments of debt	**(1,152)**	**(1,152)**	**—**	(250)	(250)	—
Proceeds from Target	**3,150**	**3,150**	**3,150**	—	—	—
Pre-selling costs of residential inventory	**(33)**	**(33)**	**—**	(130)	(130)	—
Gain (loss) on sale of asset	**(33)**	**(33)**	**—**	—	—	—
Investment properties selling costs	**(1,420)**	**—**	**—**	(413)	—	—
Restructuring costs	**(1,336)**	**(1,336)**	**—**	—	—	—
Total	**$ 1,147**	**$ 2,567**	**$ 3,229**	$ (1,465)	$ (1,052)	$ 784

For the three months ended June 30, 2016, the Company recognized a $2.2 million gain in its proportionate statement of income compared to a $1.5 million loss in the second quarter of 2015. For the six months ended June 30, 2016, the Company recognized a $1.1 million gain in its proportionate statement of income compared to a $1.5 million loss in the same prior year period. The overall gain was primarily due to the recognition of proceeds under Target Canada's CCAA plan of arrangement related to the closure of two Target stores in the Company's portfolio, as well as higher unrealized gains on marketable securities, partially offset by $1.3 million incurred related to the organizational restructuring undertaken in the third quarter of 2015 to streamline and enhance the effectiveness of the Company's operations.

Income Taxes

For the three months ended June 30, 2016, deferred income tax expense totaled $33.1 million compared to $28.7 million for the same prior year period. For the six months ended June 30, 2016, deferred income tax expense totaled $49.2 million compared to $40.4 million for the same prior year period. The increase of $4.4 million and $8.8 million over the same prior year periods, respectively, is primarily due to the tax impact of a higher increase in fair value of investment properties over prior periods.

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 metrics 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 other items included in the Company's net income that may not be the most appropriate determinants of the long-term operating performance of the Company, such as investment property selling costs 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.

A reconciliation from net income attributable to common shareholders to the Company's proportionate interest in FFO can be found in the table below:

	Three months ended June 30		Six months ended June 30	
	2016	2015	**2016**	2015
Net income attributable to common shareholders	**$ 169,556**	$ 94,267	**$ 236,512**	$ 140,168
Add (deduct):				
(Increase) decrease in value of investment properties	**(138,722)**	(65,538)	**(163,760)**	(69,897)
Incremental leasing costs	**1,671**	1,056	**3,342**	2,013
Investment properties selling costs	**(19)**	30	**1,420**	413
Adjustment for equity accounted joint ventures	**811**	980	**1,565**	1,879
Deferred income taxes	**33,071**	28,714	**49,190**	40,365
FFO	**$ 66,368**	$ 59,509	**$ 128,269**	$ 114,941

Operating FFO

Management considers Operating FFO as its key operating performance measure that, when compared period over period, reflects the impact of certain factors on its core operations, such as changes in net operating income, interest expense, corporate expenses and other income. 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.

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 components of Operating FFO and FFO at proportionate interest are as follows:

	Three months ended June 30			Six months ended June 30		
	% change	**2016**	2015	% change	**2016**	2015
Net operating income		**$ 106,290**	$ 105,555		**$ 210,637**	$ 206,554
Interest and other income		**3,702**	3,677		**7,322**	7,869
Interest expense [(1)]		**(38,570)**	(39,849)		**(78,585)**	(80,884)
Corporate expenses [(2)]		**(6,950)**	(7,270)		**(13,055)**	(15,478)
Abandoned transaction costs		**(43)**	(474)		**(156)**	(543)
Amortization expense		**(229)**	(699)		**(461)**	(1,525)
Operating FFO	5.3%	**64,200**	60,940	8.4%	**125,702**	115,993
Other gains (losses) and (expenses) [(3)]		**2,168**	(1,431)		**2,567**	(1,052)
FFO	11.5%	**$ 66,368**	$ 59,509	11.6%	**$ 128,269**	$ 114,941
Operating FFO per diluted share	1.1%	**$ 0.28**	$ 0.27	4.8%	**$ 0.55**	$ 0.52
FFO per diluted share	6.7%	**$ 0.29**	$ 0.27	7.7%	**$ 0.56**	$ 0.52
Weighted average number of common shares – diluted – FFO (in thousands)	4.4%	**233,014**	223,298	3.5%	**229,789**	222,086

(1) Includes an adjustment to capitalize interest related to the Company's equity accounted joint ventures in accordance with the recommendations of REALpac.

(2) Includes an adjustment to capitalize incremental leasing costs in accordance with the recommendations of REALpac.

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

For the three months ended June 30, 2016, Operating FFO totaled $64.2 million or $0.28 per diluted share compared to $60.9 million or $0.27 per diluted share in the same prior year period. The 1.1% or $0.01 per diluted share increase was primarily due to higher NOI and lower interest and amortization expenses. For the three months ended June 30, 2016, FFO totaled $66.4 million or $0.29 per diluted share compared to $59.5 million or $0.27 per diluted share in the same prior year period. The increase in FFO was primarily due to higher Operating FFO and the recognition of the Target proceeds in the current quarter.

For the six months ended June 30, 2016, Operating FFO totaled $125.7 million or $0.55 per diluted share compared to $116.0 million or $0.52 per diluted share for the same prior year period. The 4.8% or $0.03 per diluted share increase was primarily due to higher NOI and lower corporate and interest expenses. For the six months ended June 30, 2016, FFO totaled $128.3 million or $0.56 per diluted share compared to $114.9 million or $0.52 per diluted share for the same prior year period, the increase was primarily due to higher Operating FFO and the recognition of the Target proceeds in the current period.

Adjusted Funds from Operations and Operating AFFO

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.

Operating AFFO and AFFO are calculated as follows:

	Three months ended June 30			Six months ended June 30		
	% change	**2016**	2015	% change	**2016**	2015
Operating FFO		**$ 64,200**	$ 60,940		**$ 125,702**	$ 115,993
Add (deduct):						
Interest expense payable in shares		**3,128**	5,795		**8,237**	11,715
Straight-line rent adjustment		**(1,802)**	(882)		**(3,143)**	(2,130)
Non-cash compensation expense		**989**	596		**1,674**	1,420
Same Property revenue sustaining capital expenditures [(1)]		**(4,601)**	(4,172)		**(9,202)**	(8,397)
Costs not capitalized during development period [(2)]		**1,605**	1,702		**2,881**	2,550
Other adjustments		**(136)**	(74)		**(206)**	(151)
Operating AFFO	(0.8%)	**$ 63,383**	$ 63,905	4.1%	**$ 125,943**	$ 121,000
Other gains (losses) and (expenses) [(3)]		**3,150**	(81)		**3,229**	784
AFFO	4.2%	**$ 66,533**	$ 63,824	6.1%	**$ 129,172**	$ 121,784
Operating AFFO per diluted share	(2.6%)	**$ 0.26**	$ 0.27	3.1%	**$ 0.53**	$ 0.51
AFFO per diluted share	2.2%	**$ 0.28**	$ 0.27	5.0%	**$ 0.54**	$ 0.52
Weighted average number of common shares – diluted – AFFO (in thousands)	1.8%	**241,598**	237,381	1.0%	**238,259**	235,987

(1) Estimated at $0.85 per square foot per annum (2015 – $0.85) 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.

For the three months ended June 30, 2016, Operating AFFO decreased by 2.6% or $0.01 per diluted share primarily due an increase in the weighted average number of diluted shares outstanding for AFFO primarily resulting from the equity offering completed in May 2016 and the impact of the redemption of convertible debentures. For the six months ended June 30, 2016, Operating AFFO increased 3.1% or $0.02 per diluted share primarily due to higher Operating FFO, partially offset by a lower adjustment for interest expense payable in shares and a higher adjustment for straight-line rent.

For the three and six months ended June 30, 2016, AFFO per share increased primarily due to higher Operating AFFO and the recognition of the Target proceeds in the current quarter.

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

	Three months ended June 30		Six months ended June 30	
	2016	2015	**2016**	2015
Cash provided by operating activities	**$ 42,704**	$ 62,172	**$ 91,043**	$ 99,865
Adjustments for equity accounted joint ventures	**1,664**	1,604	**3,090**	3,054
Realized gain (loss) on sale of marketable securities	**—**	(81)	**79**	784
Incremental leasing costs	**1,671**	1,056	**3,342**	2,013
Net change in non-cash operating items	**28,134**	6,310	**37,768**	22,414
Adjustments for residential inventory	**14**	38	**18**	182
Amortization expense	**(241)**	(695)	**(461)**	(1,521)
Non-cash interest expense	**(5,683)**	(4,037)	**(547)**	989
Costs not capitalized during development period	**1,605**	1,702	**2,881**	2,550
Same Property revenue sustaining capital expenditures	**(4,601)**	(4,172)	**(9,202)**	(8,397)
Other adjustments	**1,266**	(73)	**1,161**	(149)
AFFO	**$ 66,533**	$ 63,824	**$ 129,172**	$ 121,784

CAPITAL STRUCTURE AND LIQUIDITY

Total Capital Employed

The real estate business is capital intensive by nature. The Company's capital structure is key to financing growth and providing sustainable cash dividends to shareholders. In the real estate industry, financial leverage is used to enhance rates of return on invested capital. Management believes that the combination of debt and equity in First Capital Realty's capital structure provides stability and reduces risk, while generating an acceptable return on investment, taking into account the long-term business strategy of the Company.

As at	**June 30, 2016**	December 31, 2015
Liabilities (principal amounts outstanding)		
Bank indebtedness	**$ 13,055**	$ 26,200
Mortgages	**1,055,167**	1,020,358
Credit facilities	**215,758**	224,635
Mortgages under equity accounted joint ventures (at the Company's proportionate interest)	**45,968**	2,749
Credit facilities under equity accounted joint venture (at the Company's proportionate interest)	**42,707**	30,953
Senior unsecured debentures	**2,400,000**	2,250,000
Convertible debentures	**213,168**	337,271
Equity capitalization		
Common shares (based on closing per share price of $22.16; December 31, 2015 – $18.35)	**5,210,481**	4,138,622
Enterprise value	**$ 9,196,304**	$ 8,030,788

Key Metrics

The ratios below include measures not specifically defined in IFRS. Refer to definitions of these measures in the Company's 2015 Annual Report for additional information.

As at	June 30, 2016	December 31, 2015
Weighted average effective interest rate on mortgages and senior unsecured debentures	**4.6%**	4.7%
Weighted average maturity on mortgages and senior unsecured debentures (years)	**5.6**	5.5
Net debt to total assets [1]	**43.1%**	42.9%
Net debt to EBITDA [1]	**9.1**	8.7
Unencumbered aggregate assets	**6,123,288**	5,783,452
Unencumbered aggregate assets to unsecured debt, based on fair value	**2.4**	2.3
EBITDA interest coverage [1]	**2.5**	2.5

[1] Calculated with all joint ventures proportionately consolidated.

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 Maturity Profile

The maturity profile of the Company's proportionate share of its mortgages and credit facilities as well as its senior unsecured debentures as at June 30, 2016 is summarized in the table below:

	Mortgages	Credit Facilities/Bank Indebtedness	Senior Unsecured Debentures	Total	% Due
2016 (remainder of the year)	$ 71,381	$ 1,071	$ —	$ 72,452	1.9%
2017	110,849	9,424	250,000	370,273	9.8%
2018	151,165	74,441	150,000	375,606	10.0%
2019	128,120	—	150,000	278,120	7.4%
2020	65,646	—	175,000	240,646	6.4%
2021	91,442	186,584	175,000	453,026	12.0%
2022	160,985	—	450,000	610,985	16.2%
2023	11,147	—	300,000	311,147	8.2%
2024	71,815	—	300,000	371,815	9.9%
2025	63,854	—	300,000	363,854	9.6%
2026 and thereafter	174,731	—	150,000	324,731	8.6%
	1,101,135	271,520	2,400,000	3,772,655	100.0%
Add (deduct): unamortized deferred financing costs, premiums and discounts, net	1,853	—	(6,623)	(4,770)	
Total	$ 1,102,988	$ 271,520	$ 2,393,377	$ 3,767,885	

The Company’s strategy is to manage its long-term debt by staggering maturity dates in order to mitigate risk associated with short-term volatility in the debt markets. The Company also intends to maintain financial 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.

Mortgages

The changes in the Company’s mortgages during the six months ended June 30, 2016, including its proportionate share of mortgages in equity accounted joint ventures, are set out below:

Six months ended June 30, 2016	Amount	Weighted Average Effective Interest Rate
Balance at beginning of period	$ 1,026,752	4.5%
Mortgage borrowings	191,650	3.2%
Mortgage repayments	(98,903)	5.3%
Scheduled amortization on mortgages	(14,721)	—
Amortization of financing costs and net premium	(1,790)	—
Balance at end of period	$ 1,102,988	4.3%

As at June 30, 2016, 100% (December 31, 2015 – 100%) of the outstanding mortgages bore interest at fixed interest rates. The average remaining term of mortgages outstanding increased from 4.1 years as at December 31, 2015 on $1.0 billion of mortgages to 4.9 years as at June 30, 2016 on $1.1 billion of mortgages after reflecting borrowing activity and repayments during the period.

Mortgage Maturity Profile

The maturity profile of the Company’s proportionate share of mortgages as at June 30, 2016 is summarized in the table below:

As at June 30, 2016	Scheduled Amortization	Payments on Maturity	Total	Weighted Average Effective Interest Rate
2016 (remainder of the year)	$ 14,608	$ 56,773	$ 71,381	4.0%
2017	27,947	82,902	110,849	4.0%
2018	24,095	127,070	151,165	5.4%
2019	21,406	106,714	128,120	6.5%
2020	19,788	45,858	65,646	5.3%
2021	18,045	73,397	91,442	4.4%
2022	13,031	147,954	160,985	4.0%
2023	11,147	—	11,147	—%
2024	10,545	61,270	71,815	4.0%
2025	7,959	55,895	63,854	3.6%
2026 and thereafter	2,488	172,243	174,731	3.3%
	$ 171,059	$ 930,076	$ 1,101,135	4.3%
Add: unamortized deferred financing costs and premiums and discounts, net			1,853	
Total			$ 1,102,988	

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 credit facilities provide liquidity primarily for financing acquisitions, development and redevelopment activities and for general corporate purposes.

The Company has the ability to draw on its unsecured facility in Canadian or U.S. dollars and as of June 30, 2016, had drawn CAD$25.0 million and US$115.0 million. Concurrently with the U.S. dollar draws, the Company entered into cross currency swaps to exchange its U.S. dollar borrowings into Canadian dollar borrowings.

During the first quarter, the Company completed an extension of one of its secured construction facilities from March 31, 2016 to March 31, 2017 and effective June 30, 2016, the Company extended the maturity of its $800 million unsecured facility to June 30, 2021 on substantially the same terms.

The Company's credit facilities, including its proportionate share of facilities under the equity accounted joint ventures, as at June 30, 2016 are summarized in the table below:

As at June 30, 2016	Borrowing Capacity	Amounts Drawn	Bank Indebtedness and Outstanding Letters of Credit	Available to be Drawn	Interest Rates	Maturity Date
Revolving operating facility						
Unsecured facility	$ 800,000	$ (173,529)	$ (41,882)	$ 584,589	BA + 1.20% or Prime + 0.20% or US$ LIBOR + 1.20%	June 30, 2021
Secured construction facilities						
Maturing 2018	112,500	(34,444)	—	78,056	BA + 1.125% or Prime + 0.125%	February 13, 2018
Maturing 2017	7,953	(7,785)	(75)	93	BA + 1.125% or Prime + 0.125%	March 31, 2017
Credit facilities under equity accounted joint ventures	63,639	(42,707)	—	20,932	Between Prime - 0.15% and Prime + 1.5%	Between November 2016 and April 2018
Total	$ 984,092	$ (258,465)	$ (41,957)	$ 683,670		

Senior Unsecured Debentures

As at June 30, 2016			Interest Rate		Remaining Term to Maturity	Principal Outstanding
Series	Maturity Date	Interest Payment Dates	Coupon	Effective	(years)	
H	January 31, 2017	January 31, July 31	5.85%	5.99%	0.6	$ 125,000
I	November 30, 2017	May 30, November 30	5.70%	5.79%	1.4	125,000
J	August 30, 2018	February 28, August 30	5.25%	5.66%	2.2	50,000
K	November 30, 2018	May 31, November 30	4.95%	5.17%	2.4	100,000
L	July 30, 2019	January 30, July 30	5.48%	5.61%	3.1	150,000
M	April 30, 2020	April 30, October 30	5.60%	5.60%	3.8	175,000
N	March 1, 2021	March 1, September 1	4.50%	4.63%	4.7	175,000
O	January 31, 2022	January 31, July 31	4.43%	4.59%	5.6	200,000
P	December 5, 2022	June 5, December 5	3.95%	4.18%	6.4	250,000
Q	October 30, 2023	April 30, October 30	3.90%	3.97%	7.3	300,000
R	August 30, 2024	August 30, February 28	4.79%	4.72%	8.2	300,000
S	July 31, 2025	January 31, July 31	4.32%	4.24%	9.1	300,000
T	May 6, 2026	November 5, May 5	3.60%	3.71%	9.9	150,000
	Weighted Average or Total		4.63%	4.71%	5.9	$ 2,400,000

On May 6, 2016 the Company completed the issuance of $150.0 million principal amount of Series T senior unsecured debentures due May 6, 2026. These debentures bear interest at a coupon rate of 3.604% per annum, payable semi-annually commencing November 6, 2016.

Convertible Debentures

As at June 30, 2016

Series	Maturity Date	Interest Payment Dates	Interest Rate: Coupon	Interest Rate: 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%	2.6	$ 57,500	$ 54,670	$ 52,751	$ 2,084
F	January 31, 2019	March 31 September 30	5.25%	6.07%	2.6	57,500	51,601	50,608	351
I	July 31, 2019	March 31 September 30	4.75%	6.19%	3.1	52,500	51,231	49,525	1,404
J	February 28, 2020	March 31 September 30	4.45%	5.34%	3.7	57,500	55,666	54,213	389
	Weighted Average or Total		4.96%	6.12%	3.0	$ 225,000	$ 213,168	$ 207,097	$ 4,228

(i) Principal and Interest

During the six months ended June 30, 2016, 0.4 million common shares (six months ended June 30, 2015 – 0.5 million common shares) were issued totaling $8.4 million (six months ended June 30, 2015 – $10.4 million) to pay interest to holders of convertible debentures.

(ii) Principal Redemption

On April 1, 2016, the Company redeemed its remaining 5.25% Series G and 4.95% Series H convertible debentures at par. The full redemption price and any accrued interest owing on each series of convertible debentures was satisfied 50% by the issuance of common shares and 50% in cash.

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

On August 27, 2015, the Company renewed its NCIB for all of its then outstanding series of convertible debentures. The NCIB will expire on August 26, 2016 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, 2016 and 2015, principal amounts of convertible debentures purchased and amounts paid for the purchases are summarized in the table below:

Six months ended June 30	**2016**		2015	
	Principal Amount Purchased	**Amount Paid**	Principal Amount Purchased	Amount Paid
Total	**$ 3,515**	**$ 3,557**	$ 7,463	$ 7,499

Shareholders' Equity

Shareholders' equity amounted to $4.0 billion as at June 30, 2016, compared to $3.6 billion as at December 31, 2015.

As at June 30, 2016, the Company had 235.1 million (December 31, 2015 – 225.5 million) issued and outstanding common shares with a stated capital of $3.0 billion (December 31, 2015 – $2.8 billion). During the six months ended June 30, 2016, a total of 9.6 million common shares were issued as follows: 5.5 million from a public offering, 3.1 million shares from the redemption of the series G and H convertible debentures, 0.6 million shares from the exercise of common share options and 0.4 million shares for interest payments on convertible debentures.

As at August 2, 2016, there were 235.2 million common shares outstanding.

Liquidity

Liquidity risk exists due to the possibility of the Company not being able to generate sufficient cash flow, and/or not having access to sufficient debt and equity capital to fund its ongoing operations and growth and to refinance or meet existing payment obligations. The Company manages its liquidity risk by staggering debt maturities, renegotiating expiring credit arrangements proactively, using revolving credit facilities, maintaining a large pool of unencumbered assets, and issuing equity when deemed appropriate.

Sources of liquidity primarily consist of cash flow from operations, cash and cash equivalents, and available capacity under the Company's existing revolving credit facilities. If necessary, the Company is also able to obtain financing on its unencumbered assets. The following table summarizes the Company's liquidity position:

As at (millions of dollars)		**June 30, 2016**		December 31, 2015
Total available under credit facilities	**$**	**684**	$	673
Cash and cash equivalents	**$**	**10**	$	9
Unencumbered aggregate assets	**$**	**6,123**	$	5,783

The Company has historically used mortgages, credit facilities, senior unsecured debentures, convertible debentures and equity issuances to finance its growth and repay debt. The actual level and type of future borrowings will be determined based on prevailing interest rates, various costs of debt and equity capital, capital market conditions and Management's view of the appropriate leverage in the business. Management believes that it has sufficient resources to meet its operational and investing requirements in the near and longer term based on the availability of capital in various markets.

Planned and completed financings subsequent to June 30, 2016, and availability on existing credit facilities, address substantially all of the remaining contractual 2016 debt maturities and contractually committed costs to complete current development projects.

Cash Flows

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

	Three months ended June 30				Six months ended June 30			
		2016		2015		**2016**		2015
Cash provided by operating activities	**$**	**42,704**	$	62,172	**$**	**91,043**	$	99,865
Cash provided by (used in) financing activities		**102,617**		(63,701)		**129,108**		1,710
Cash used in investing activities		**(127,289)**		(27,194)		**(206,061)**		(123,925)
Net change in cash and cash equivalents	**$**	**18,032**	$	(28,723)	**$**	**14,090**	$	(22,350)

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			
		2016		2015		**2016**		2015
Cash provided by operating activities	**$**	**42,704**	$	62,172	**$**	**91,043**	$	99,865
Net change in non-cash operating items		**28,134**		6,310		**37,768**		22,414
Expenditures on residential development inventory		**—**		—		**—**		52
Adjusted cash flow from operating activities	**$**	**70,838**	$	68,482	**$**	**128,811**	$	122,331

For the six months ended June 30, 2016, adjusted cash flow from operating activities improved by $6.5 million primarily due to higher NOI of $4.1 million, lower corporate expenses of $1.7 million, and lower cash interest paid of $0.6 million.

Contractual Obligations

An analysis of the Company's contractual maturities of its material financial liabilities and other contractual commitments as at June 30, 2016 is set out below:

	Payments due by period				
	Remainder of 2016	2017 to 2018	2019 to 2020	Thereafter	Total
Scheduled mortgage principal amortization	$ 14,608	$ 52,042	$ 41,194	$ 63,215	$ 171,059
Mortgage principal repayments on maturity	56,773	209,972	152,572	510,759	930,076
Credit facilities and bank indebtedness	1,073	83,864	—	186,583	271,520
Senior unsecured debentures	—	400,000	325,000	1,675,000	2,400,000
Interest obligations [1]	80,690	290,414	222,687	269,717	863,508
Land leases (expiring between 2023 and 2061)	475	1,940	1,962	16,211	20,588
Contractually committed costs to complete current development projects	67,514	33,593	—	—	101,107
Other committed costs	31,728	—	—	—	31,728
Total contractual obligations [2]	$ 252,861	$ 1,071,825	$ 743,415	$ 2,721,485	$ 4,789,586

(1) Interest obligations include expected interest payments on mortgages and credit facilities as at June 30, 2016 (assuming balances remain outstanding through to maturity) and senior unsecured debentures, as well as standby credit facility fees.

(2) The Company has the option 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 $42.0 million of bank overdrafts and outstanding letters of credit issued by financial institutions to support certain of the Company's contractual obligations.

The Company's estimated cost to complete properties currently under development is $200.0 million, of which $101.1 million is contractually committed. The balance of the costs to complete will only be committed once leases are signed and/or construction is underway. These contractual and potential obligations primarily consist of construction contracts and additional planned development expenditures and are expected to be funded in the normal course as the work is completed.

Contingencies

The Company is involved in litigation and claims which arise from time to time in the normal course of business. In the opinion of Management, none of these contingencies, individually or in the aggregate, would result in a liability that would have a material adverse effect on the financial position of the Company. The Company is contingently liable, jointly and severally, for approximately $90.3 million (December 31, 2015 – $78.4 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 are declared at the discretion of the Board of Directors and are set from time to time after taking into consideration the Company's capital requirements, its alternative sources of capital and common industry cash distribution practices.

	Three months ended June 30		Six months ended June 30	
(in dollars)	**2016**	2015	**2016**	2015
Regular dividends paid per common share	**$ 0.215**	$ 0.215	**$ 0.430**	$ 0.430

The Company announced that it will pay a third quarter dividend of $0.215 per common share on October 12, 2016 to shareholders of record on September 28, 2016.

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 present select 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.

(millions of dollars)										Three months ended June 30
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
	FCR (1)		Guarantors (2)		Non-Guarantors (3)		Consolidation Adjustments (4)		Total Consolidated	
Property rental revenue	**$ 70**	$ 70	**$ 102**	$ 105	**$ 2**	$ 2	**$ (6)**	$ (11)	**$ 168**	$ 166
NOI	**44**	45	**57**	60	**1**	1	**3**	(2)	**105**	104
Net income attributable to common shareholders	**170**	94	**130**	37	**16**	46	**(146)**	(83)	**170**	94

(millions of dollars)										Six months ended June 30
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
	FCR (1)		Guarantors (2)		Non-Guarantors (3)		Consolidation Adjustments (4)		Total Consolidated	
Property rental revenue	**$ 140**	$ 136	**$ 204**	$ 210	**$ 4**	$ 4	**$ (12)**	$ (20)	**$ 336**	$ 330
NOI	**87**	86	**113**	120	**2**	2	**6**	(4)	**208**	204
Net income attributable to common shareholders	**237**	140	**187**	60	**18**	97	**(205)**	(157)	**237**	140

(millions of dollars)					As at June 30, 2016
	FCR (1)	Guarantors (2)	Non-Guarantors (3)	Consolidation Adjustments (4)	Total Consolidated
Current assets	**$ 379**	**$ 615**	**$ 31**	**$ (850)**	**$ 175**
Non-current assets	**8,298**	**5,291**	**385**	**(5,459)**	**8,515**
Current liabilities	**834**	**(182)**	**271**	**(435)**	**488**
Non-current liabilities	**3,852**	**1,562**	**121**	**(1,325)**	**4,210**

(millions of dollars)					As at December 31, 2015
	FCR (1)	Guarantors (2)	Non-Guarantors (3)	Consolidation Adjustments (4)	Total Consolidated
Current assets	$ 135	$ 230	$ 23	$ (218)	$ 170
Non-current assets	7,715	4,910	334	(4,851)	8,108
Current liabilities	559	210	263	(584)	448
Non-current liabilities	3,623	589	89	(138)	4,163

(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 a significant shareholder of the Company, and, as of June 30, 2016, beneficially owned 37.7% (December 31, 2015 – 42.2%) of the common shares of the Company. Norstar Holdings Inc. is the ultimate controlling party of Gazit.

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.

Effective April 3, 2016, a shareholders' agreement between Gazit and Alony-Hetz Properties and Investments Ltd. (''Alony-Hetz'') was terminated. Prior to the termination of the agreement, Alony-Hetz was a related party and as of March 31, 2016, beneficially owned 5.7% of the common shares of the Company. Pursuant to the terminated shareholders' agreement, among other terms, (i) Gazit 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 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.

Joint Venture

During the three and six months ended June 30, 2016, a subsidiary of Main and Main Developments earned property-related and asset management fees from MMUR, which are included in interest and other income on a proportionate basis in the amount of $0.5 million and $0.9 million (June 30, 2015 – $0.3 million and $0.7 million).

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.

QUARTERLY FINANCIAL INFORMATION

	2016		2015				2014	
(share counts in thousands)	**Q2**	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Property rental revenue	**$ 167,576**	$ 168,100	$ 164,244	$ 160,638	$ 166,249	$ 163,661	$ 161,700	$ 161,854
Net operating income	**105,083**	102,996	103,295	102,584	104,233	99,780	102,151	103,309
Net income attributable to common shareholders	**169,556**	66,957	38,947	24,750	94,267	45,901	44,807	39,020
Net income per share attributable to common shareholders:								
Basic	**$ 0.73**	$ 0.30	$ 0.17	$ 0.11	$ 0.42	$ 0.21	$ 0.21	$ 0.18
Diluted	**$ 0.71**	$ 0.29	$ 0.17	$ 0.11	$ 0.41	$ 0.21	$ 0.21	$ 0.18
Weighted average number of diluted common shares outstanding – EPS	**243,235**	243,467	226,537	225,536	241,494	223,652	226,114	215,360
Cash provided by operating activities	**$ 42,704**	$ 48,339	$ 84,757	$ 59,811	$ 62,172	$ 37,696	$ 84,472	$ 58,236
Operating FFO	**$ 64,200**	$ 61,504	$ 58,424	$ 61,651	$ 60,940	$ 55,054	$ 57,611	$ 55,202
Operating FFO per diluted share	**$ 0.28**	$ 0.27	$ 0.26	$ 0.27	$ 0.27	$ 0.25	$ 0.27	$ 0.26
FFO	**$ 66,368**	$ 61,902	$ 58,848	$ 47,477	$ 59,509	$ 55,432	$ 48,080	$ 53,405
FFO per diluted share	**$ 0.29**	$ 0.27	$ 0.26	$ 0.21	$ 0.27	$ 0.25	$ 0.22	$ 0.25
Weighted average number of diluted common shares outstanding – FFO	**233,014**	226,692	226,537	225,537	223,298	220,861	217,299	212,367
AFFO	**$ 66,533**	$ 62,642	$ 59,498	$ 62,306	$ 63,824	$ 57,960	$ 61,460	$ 57,370
AFFO per diluted share	**$ 0.28**	$ 0.26	$ 0.25	$ 0.26	$ 0.27	$ 0.24	$ 0.26	$ 0.25
Operating AFFO	**$ 63,383**	$ 62,563	$ 59,498	$ 62,306	$ 63,905	$ 57,095	$ 61,092	$ 57,223
Operating AFFO per diluted share	**$ 0.28**	$ 0.26	$ 0.25	$ 0.26	$ 0.27	$ 0.24	$ 0.26	$ 0.25
Weighted average number of diluted shares outstanding – AFFO	**241,598**	240,440	240,409	239,504	237,381	237,315	233,784	228,983
Regular dividend	**$ 0.215**	$ 0.215	$ 0.215	$ 0.215	$ 0.215	$ 0.215	$ 0.215	$ 0.215
Total assets	**$ 8,690,655**	$ 8,387,567	$ 8,278,526	$ 8,212,411	$ 8,124,267	$ 8,022,510	$ 7,908,184	$ 8,075,552
Total mortgages and credit facilities	**1,272,977**	1,322,909	1,248,637	1,201,018	1,094,150	1,093,808	1,173,410	1,230,026
Shareholders' equity	**3,961,179**	3,666,239	3,639,952	3,645,911	3,660,290	3,566,144	3,470,271	3,468,010
Other								
Number of properties	**161**	160	158	158	157	157	158	163
Gross leasable area (in thousands)	**25,238**	24,800	24,431	24,256	24,270	24,238	24,331	24,555
Total portfolio occupancy %	**95.2%**	95.0%	94.8%	94.7%	94.7%	95.6%	96.0%	95.9%

CRITICAL ACCOUNTING ESTIMATES

The Company's unaudited interim condensed consolidated financial statements for the three and six months ended June 30, 2016 and 2015 have been prepared in accordance with IAS 34, "Interim Financial Reporting" as issued by the International Accounting Standards Board. The unaudited interim condensed consolidated financial statements have been prepared by applying the same accounting policies and methods of computation as compared with the most recent audited annual consolidated financial statements.

The Company's 2015 Annual Report contains a discussion of the significant accounting policies most affected by estimates and judgments used in the preparation of the consolidated financial statements, being the accounting policies relating to estimates of fair values of investment properties, valuation of financial instruments both for disclosure and measurement purposes, and estimating deferred tax assets and liabilities. Management determined that as at June 30, 2016, there is no change to the assessment of the significant accounting policies most affected by estimates and judgments as detailed in the Company's 2015 Annual Report.

FUTURE ACCOUNTING POLICY CHANGES

Refer to Note 3 of the unaudited interim condensed consolidated financial statements for the three and six months ended June 30, 2016 for details on future accounting policy changes.

CONTROLS AND PROCEDURES

As at June 30, 2016, the Chief Executive Officer and the Chief Financial Officer of the Company, with the assistance of other staff and Management of the Company to the extent deemed necessary, have designed the Company's disclosure controls and procedures to provide reasonable assurance that information required to be disclosed in the various reports filed or submitted by the Company under securities legislation is recorded, processed, summarized and reported accurately and have designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

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

The Company did not make any changes in its internal controls over financial reporting during the quarter ended June 30, 2016 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 2015 Annual Report. The Company's most current Annual Information Form, which provides a detailed description of these and other risks that may affect the Company, can be found on SEDAR at www.sedar.com and on the Company's website at www.firstcapitalrealty.ca.

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INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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Interim Condensed Consolidated Balance Sheets

As at *(thousands of dollars)*	Note	**June 30, 2016** **(unaudited)**	December 31, 2015 (audited)
ASSETS			
Non-current Assets			
Real Estate Investments			
Investment properties – shopping centres	4	**$ 8,177,417**	$ 7,779,482
Investment properties – development land	4	**67,420**	29,853
Investment in joint ventures		**125,398**	160,119
Loans, mortgages and other real estate assets	5	**127,468**	124,442
Total real estate investments		**8,497,703**	8,093,896
Other non-current assets	7	**17,513**	14,284
Total non-current assets		**8,515,216**	8,108,180
Current Assets			
Cash and cash equivalents	23(d)	**10,109**	9,164
Loans, mortgages and other real estate assets	5	**18,061**	35,476
Amounts receivable	6	**26,959**	17,705
Other assets	7	**39,560**	10,264
		94,689	72,609
Investment properties classified as held for sale	4(d)	**80,750**	97,737
Total current assets		**175,439**	170,346
Total assets		**$ 8,690,655**	$ 8,278,526
LIABILITIES			
Non-current Liabilities			
Mortgages	9	**$ 941,435**	$ 839,891
Credit facilities	9	**207,973**	216,850
Senior unsecured debentures	10	**2,268,479**	2,244,091
Convertible debentures	11	**207,097**	327,343
Other liabilities	12	**35,840**	29,685
Deferred tax liabilities	19	**549,558**	504,701
Total non-current liabilities		**4,210,382**	4,162,561
Current Liabilities			
Bank indebtedness	23(d)	**13,055**	26,200
Mortgages	9	**115,784**	184,111
Credit facilities	9	**7,785**	7,785
Senior unsecured debentures	10	**124,898**	—
Accounts payable and other liabilities	12	**226,098**	229,555
Total current liabilities		**487,620**	447,651
Total liabilities		**4,698,002**	4,610,212
EQUITY			
Shareholders' equity	13	**3,961,179**	3,639,952
Non-controlling interest		**31,474**	28,362
Total equity		**3,992,653**	3,668,314
Total liabilities and equity		**$ 8,690,655**	$ 8,278,526

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)	**Note**	**2016**	2015	**2016**	2015
Property rental revenue		**$ 167,576**	$ 166,249	**$ 335,676**	$ 329,910
Property operating costs		**62,493**	62,016	**127,597**	125,897
Net operating income	14	**105,083**	104,233	**208,079**	204,013
Other income and expenses					
Interest and other income	15	**3,743**	3,804	**7,393**	8,085
Interest expense	16	**(38,809)**	(40,292)	**(79,270)**	(81,780)
Corporate expenses	17	**(8,880)**	(8,886)	**(16,890)**	(18,628)
Abandoned transaction costs		**(43)**	(474)	**(156)**	(543)
Amortization expense		**(241)**	(695)	**(461)**	(1,521)
Share of profit from joint ventures		**6,367**	4,093	**7,966**	10,012
Other gains (losses) and (expenses)	18	**2,203**	(1,424)	**1,180**	(1,338)
Increase (decrease) in value of investment properties, net	4	**134,880**	62,672	**159,749**	62,338
		99,220	18,798	**79,511**	(23,375)
Income before income taxes		**204,303**	123,031	**287,590**	180,638
Deferred income taxes	19	**33,071**	28,708	**49,190**	40,359
Net income		**$ 171,232**	$ 94,323	**$ 238,400**	$ 140,279
Net income attributable to:					
Common shareholders		**$ 169,556**	$ 94,267	**$ 236,512**	$ 140,168
Non-controlling interest		**1,676**	56	**1,888**	111
		$ 171,232	$ 94,323	**$ 238,400**	$ 140,279
Net income per share attributable to common shareholders:					
Basic	20	**$ 0.73**	$ 0.42	**$ 1.03**	$ 0.63
Diluted	20	**$ 0.71**	$ 0.41	**$ 1.00**	$ 0.62

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**	**2016**	2015	**2016**	2015
Net income		**$ 171,232**	$ 94,323	**$ 238,400**	$ 140,279
Other comprehensive income (loss)					
Unrealized gain (loss) on available-for-sale marketable securities [1]		**—**	—	**—**	(34)
Reclassification of gain (loss) on available-for-sale marketable securities to net income		**—**	91	**—**	147
Unrealized gain (loss) on cash flow hedges [1]		**(4,590)**	6,746	**(10,990)**	(2,443)
Reclassification of net losses on cash flow hedges to net income		**335**	279	**644**	507
		(4,255)	7,116	**(10,346)**	(1,823)
Deferred tax expense (recovery)	19	**(1,042)**	1,797	**(2,748)**	(675)
Other comprehensive income (loss)		**(3,213)**	5,319	**(7,598)**	(1,148)
Comprehensive income		**$ 168,019**	$ 99,642	**$ 230,802**	$ 139,131
Comprehensive income attributable to:					
Common shareholders		**$ 166,343**	$ 99,586	**$ 228,914**	$ 139,020
Non-controlling interest		**1,676**	56	**1,888**	111
		$ 168,019	$ 99,642	**$ 230,802**	$ 139,131

[1] Items that may subsequently be reclassified to net income.

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, 2015	**$ 844,382**	**$ (17,062)**	**$ 2,768,983**	**$ 43,649**	**$ 3,639,952**	**$ 28,362**	**$ 3,668,314**
Changes during the period:							
Net income	236,512	—	—	—	236,512	1,888	238,400
Issuance of common shares	—	—	115,016	—	115,016	—	115,016
Issue costs, net of tax	—	—	(3,598)	—	(3,598)	—	(3,598)
Dividends	(99,384)	—	—	—	(99,384)	—	(99,384)
Interest on convertible debentures paid in common shares	—	—	8,363	—	8,363	—	8,363
Redemption of convertible debentures	—	—	60,294	(1,175)	59,119	—	59,119
Options, deferred share units, restricted share units, and performance share units, net	—	—	11,836	961	12,797	—	12,797
Other comprehensive loss	—	(7,598)	—	—	(7,598)	—	(7,598)
Contributions (distributions) from non-controlling interest, net	—	—	—	—	—	1,224	1,224
June 30, 2016	**$ 981,510**	**$ (24,660)**	**$ 2,960,894**	**$ 43,435**	**$ 3,961,179**	**$ 31,474**	**$ 3,992,653**

(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
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)
Interest on convertible debentures paid in common shares	—	—	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)
Contributions (distributions) from non-controlling interest, net	—	—	—	—	—	(3,508)	(3,508)
June 30, 2015	$ 877,768	$ (10,218)	$ 2,748,454	$ 44,286	$ 3,660,290	$ 24,173	$ 3,684,463

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)	**Note**	**2016**	2015	**2016**	2015
OPERATING ACTIVITIES					
Net income		**$ 171,232**	$ 94,323	**$ 238,400**	$ 140,279
Adjustments for:					
(Increase) decrease in value of investment properties, net	4	**(134,880)**	(62,672)	**(159,749)**	(62,338)
Interest expense	16	**38,809**	40,292	**79,270**	81,780
Amortization expense		**241**	695	**461**	1,521
Share of profit of joint ventures		**(6,367)**	(4,093)	**(7,966)**	(10,012)
Distributions from joint ventures		**—**	563	**573**	1,185
Cash interest paid associated with operating activities	16	**(30,120)**	(30,460)	**(70,486)**	(71,055)
Items not affecting cash and other items	23(a)	**31,923**	29,834	**48,308**	40,971
Net change in non-cash operating items	23(b)	**(28,134)**	(6,310)	**(37,768)**	(22,414)
Expenditures on residential development inventory		**—**	—	**—**	(52)
Cash provided by operating activities		**42,704**	62,172	**91,043**	99,865
FINANCING ACTIVITIES					
Mortgages and credit facilities					
Borrowings, net of financing costs	9	**(12,935)**	111,511	**148,026**	111,511
Principal instalment payments	9	**(6,987)**	(7,574)	**(14,439)**	(15,898)
Repayments		**(32,555)**	(104,119)	**(110,259)**	(174,599)
Repayment of loans on residential development inventory		**—**	—	**—**	(3,572)
Issuance of senior unsecured debentures, net of issue costs	10	**148,575**	—	**148,575**	93,573
Settlement of hedges		**(3,256)**	—	**(4,074)**	—
Repayment of convertible debentures		**(60,294)**	—	**(60,294)**	—
Repurchase of convertible debentures	11(c)	**(348)**	(6,173)	**(3,557)**	(7,499)
Issuance of common shares, net of issue costs		**117,723**	3,412	**120,927**	95,831
Payment of dividends		**(48,530)**	(47,609)	**(97,021)**	(94,129)
Net contributions from (distributions to) non-controlling interest		**1,224**	(13,149)	**1,224**	(3,508)
Cash provided by (used in) financing activities		**102,617**	(63,701)	**129,108**	1,710
INVESTING ACTIVITIES					
Acquisition of shopping centres	4(c)	**(51,737)**	(33,158)	**(197,523)**	(58,366)
Acquisition of development land	4(c)	**(27,011)**	—	**(34,728)**	—
Net proceeds from property dispositions	4(d)	**3,451**	846	**73,315**	21,964
Distributions from joint ventures		**2,732**	45,098	**47,894**	45,098
Contributions to joint ventures		**(4,336)**	—	**(4,336)**	(32,882)
Capital expenditures on investment properties		**(54,747)**	(74,013)	**(105,502)**	(140,936)
Changes in investing-related prepaid expenses and other liabilities		**3,791**	4,583	**(4,717)**	10,441
Changes in loans, mortgages and other real estate assets	23(c)	**568**	29,450	**19,536**	30,756
Cash used in investing activities		**(127,289)**	(27,194)	**(206,061)**	(123,925)
Net increase (decrease) in cash and cash equivalents (bank indebtedness)		**18,032**	(28,723)	**14,090**	(22,350)
Cash and cash equivalents (bank indebtedness), beginning of period		**(20,978)**	23,724	**(17,036)**	17,351
Cash and cash equivalents (bank indebtedness), end of period	23(d)	**$ (2,946)**	$ (4,999)	**$ (2,946)**	$ (4,999)

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 condensed consolidated financial statements have been prepared in accordance with IAS 34, "Interim Financial Reporting" as issued by the International Accounting Standards Board ("IASB"), and as such, do not include all of the disclosures that would be included in audited annual consolidated financial statements. These unaudited interim condensed consolidated financial statements should be read in conjunction with the Company's audited annual consolidated financial statements for the years ended December 31, 2015 and 2014.

(b) Basis of presentation

These unaudited interim condensed consolidated financial statements are prepared on a going concern basis and have been presented in Canadian dollars rounded to the nearest thousand, unless otherwise indicated. These unaudited interim condensed consolidated financial statements have been prepared by applying the same accounting policies, assessments of estimates and judgments, and methods of computation as compared with the most recent audited annual consolidated financial statements, except for those items identified in Note 3 – "Adoption of New and Amended IFRS Pronouncements".

Comparative information in the unaudited interim condensed consolidated financial statements includes reclassification of certain balances to provide consistency with current period classification. The current period classification more appropriately reflects the Company's core operations and any changes are not material to the unaudited interim condensed consolidated financial statements as a whole.

Additionally, management, in measuring the Company's performance or making operating decisions, distinguishes its operations on a geographical basis. The Company operates in Canada and has three operating segments: Eastern, which includes operations primarily in Quebec and the Greater Ottawa Area; Central, which includes the Company's Ontario operations excluding the Greater Ottawa Area; and Western, which includes operations in Alberta and British Columbia. Operating segments are reported in a manner consistent with internal reporting provided to the chief operating decision maker, who is the President and Chief Executive Officer.

(c) Approval of unaudited interim condensed consolidated financial statements

These unaudited interim condensed consolidated financial statements were approved by the Board of Directors and authorized for issue on August 3, 2016.

3. ADOPTION OF NEW AND AMENDED IFRS PRONOUNCEMENTS

(a) IFRS Amendments

The Company has adopted the new and amended International Financial Reporting Standards ("IFRS") pronouncement listed below as of January 1, 2016, in accordance with the transitional provisions outlined.

Joint Arrangements

The amendments to IFRS 11, “Joint Arrangement” (“IFRS 11”) are effective for annual periods beginning on or after January 1, 2016. The amended standard addresses accounting for acquisitions of interests in joint operations. The amendments address how a joint operator should account for the acquisition of an interest in a joint operation in which the activity of the joint operation constitutes a business. IFRS 11, as amended, now requires that such transactions shall be accounted for using the principles related to business combinations accounting as outlined in IFRS 3, "Business Combinations". The Company adopted the amendments effective January 1, 2016 which are not expected to have a material effect on its 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 the Company's audited annual consolidated financial statements for the year ended December 31, 2015.

- IFRS 9, "Financial Instruments"
- IFRS 15, "Revenue from Contracts with Customers"
- IFRS 16, "Leases"

The Company is in the process of evaluating the impact of adopting these standards on the Company's consolidated 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, 2016 and for the year ended December 31, 2015:

					Six months ended June 30, 2016	
	Central Region	**Eastern Region**	**Western Region**	**Total**	**Shopping Centres**	**Development Land**
Balance at beginning of period	**$ 3,337,859**	**$ 1,820,967**	**$ 2,748,246**	**$ 7,907,072**	**$ 7,870,719**	**$ 36,353**
Acquisitions	**87,100**	**56,198**	**88,953**	**232,251**	**197,523**	**34,728**
Capital expenditures	**56,111**	**8,625**	**40,766**	**105,502**	**104,882**	**620**
Increase (decrease) in value of investment properties, net	**99,811**	**(8,532)**	**68,470**	**159,749**	**157,530**	**2,219**
Straight-line rent and other changes	**1,176**	**796**	**1,184**	**3,156**	**3,156**	**—**
Dispositions	**(2,376)**	**(71,798)**	**(3,011)**	**(77,185)**	**(77,185)**	**—**
Revaluation of deferred purchase price of shopping centre	**—**	**—**	**(4,958)**	**(4,958)**	**(4,958)**	**—**
Balance at end of period	**$ 3,579,681**	**$ 1,806,256**	**$ 2,939,650**	**$ 8,325,587**	**$ 8,251,667**	**$ 73,920**
Investment properties					**$ 8,177,417**	**$ 67,420**
Investment properties classified as held for sale					**74,250**	**6,500**
Total					**$ 8,251,667**	**$ 73,920**

					Year ended December 31, 2015	
	Central Region	Eastern Region	Western Region	Total	Shopping Centres	Development Land
Balance at beginning of year	$ 3,207,544	$ 1,744,533	$ 2,557,714	$ 7,509,791	$ 7,474,329	$ 35,462
Acquisitions	29,030	18,539	50,130	97,699	97,699	—
Capital expenditures	115,596	69,091	91,289	275,976	275,133	843
Reclassifications between shopping centres and development land	—	—	—	—	1,546	(1,546)
Reclassification from residential development inventory	4,016	—	—	4,016	—	4,016
Increase (decrease) in value of investment properties, net	(20,100)	12,705	45,168	37,773	40,195	(2,422)
Straight-line rent and other changes	3,383	(2,374)	3,945	4,954	4,954	—
Dispositions	(1,610)	(21,527)	—	(23,137)	(23,137)	—
Balance at end of year	$ 3,337,859	$ 1,820,967	$ 2,748,246	$ 7,907,072	$ 7,870,719	$ 36,353
Investment properties					$ 7,779,482	$ 29,853
Investment properties classified as held for sale					91,237	6,500
Total					$ 7,870,719	$ 36,353

Investment properties with a fair value of $2.3 billion (December 31, 2015 – $2.4 billion) are pledged as security for $1.3 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, 2016**		December 31, 2015
($ millions)	**Fair Value**	**Weighted Average Capitalization Rate**	Fair Value	Weighted Average Capitalization Rate
Central Region	**$ 3,532**	**5.3%**	$ 3,328	5.5%
Eastern Region	**1,799**	**6.1%**	1,814	6.1%
Western Region	**2,921**	**5.4%**	2,729	5.5%
Total or Weighted Average	**$ 8,252**	**5.5%**	$ 7,871	5.7%

The sensitivity of the fair values of shopping centres to capitalization rates as at June 30, 2016 is set out in the table below:

As at June 30, 2016	*(millions of dollars)*
(Decrease) Increase in capitalization rate	Resulting increase (decrease) in value of shopping centres
(0.75)%	$ 1,222
(0.50)%	$ 776
(0.25)%	$ 373
0.25%	$ (328)
0.50%	$ (635)
0.75%	$ (918)

Additionally, a 1% increase or decrease in stabilized net operating income ("SNOI") would result in a $84 million increase or a $71 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 $454 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 $402 million.

(c) Investment properties – Acquisitions

During the three and six months ended June 30, 2016 and 2015, the Company acquired shopping centres and development land for rental income and future development and redevelopment opportunities as follows:

Three months ended June 30		**2016**		2015
	Shopping Centres	**Development Land**	Shopping Centres	Development Land
Total purchase price, including acquisition costs	**$ 51,737**	**$ 27,011**	$ 33,158	$ —
Total cash paid	**$ 51,737**	**$ 27,011**	$ 33,158	$ —

Six months ended June 30		**2016**		2015
	Shopping Centres	**Development Land**	Shopping Centres	Development Land
Total purchase price, including acquisition costs	**$ 197,523**	**$ 34,728**	$ 58,366	$ —
Total cash paid	**$ 197,523**	**$ 34,728**	$ 58,366	$ —

(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, 2016**		December 31, 2015
Aggregate fair value	**$**	**80,750**	$	97,737

The decrease of $17.0 million in investment properties classified as held for sale from December 31, 2015, arose primarily from dispositions completed partially offset by additional properties classified as held for sale in the current year period.

For the three and six months ended June 30, 2016 and 2015, the Company sold shopping centres and development land as follows:

	Three months ended June 30		Six months ended June 30	
	2016	2015	**2016**	2015
Total selling price	**$ 3,882**	$ 877	**$ 77,185**	$ 22,377
Vendor take-back mortgage on sale	**(450)**	—	**(2,450)**	—
Property selling costs	**19**	(31)	**(1,420)**	(413)
Total cash proceeds	**$ 3,451**	$ 846	**$ 73,315**	$ 21,964

(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, 2016	**Central Region**	**Eastern Region**	**Western Region**	**Total**
Total shopping centres and development land [1]	**$ 3,579,681**	**$ 1,806,256**	**$ 2,939,650**	**$ 8,325,587**
Cash and cash equivalents				**10,109**
Loans, mortgages and other real estate assets				**145,529**
Other assets				**57,073**
Amounts receivable				**26,959**
Investment in joint ventures				**125,398**
Total assets				**$ 8,690,655**

As at December 31, 2015	Central Region	Eastern Region	Western Region	Total
Total shopping centres and development land [1]	$ 3,337,859	$ 1,820,967	$ 2,748,246	$ 7,907,072
Cash and cash equivalents				9,164
Loans, mortgages and other real estate assets				159,918
Other assets				24,548
Amounts receivable				17,705
Investment in joint ventures				160,119
Total assets				$ 8,278,526

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

5. LOANS, MORTGAGES AND OTHER REAL ESTATE ASSETS

As at		June 30, 2016		December 31, 2015
Non-current				
Loans and mortgages receivable (a)	**$**	**123,088**	$	120,173
Available-for-sale ("AFS") investment in limited partnership		**4,380**		4,269
Total non-current	**$**	**127,468**	$	124,442
Current				
Loans and mortgages receivable (a)	**$**	**4,204**	$	23,499
Fair value through profit or loss ("FVTPL") investments in securities (b)		**13,789**		11,907
Other receivable		**68**		70
Total current	**$**	**18,061**	$	35,476
Total	**$**	**145,529**	$	159,918

(a) Loans and mortgages receivable are secured by interests in investment properties or shares of entities owning investment properties. As at June 30, 2016, these receivables bear interest at a weighted average effective interest rates of 6.3% (December 31, 2015 – 6.3%) and mature between 2016 and 2025.

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

6. AMOUNTS RECEIVABLE

As at		June 30, 2016		December 31, 2015
Trade receivables (net of allowances for doubtful accounts of $3.4 million; December 31, 2015 – $2.8 million)	**$**	**21,943**	$	16,064
Construction and development related chargebacks and receivables		**—**		780
Corporate and other amounts receivable		**5,016**		861
Total	**$**	**26,959**	$	17,705

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	Note	June 30, 2016	December 31, 2015
Non-current			
Fixtures, equipment and computer hardware and software (net of accumulated amortization of $4.4 million; December 31, 2015 - $3.9 million)		**$ 6,958**	$ 3,153
Deferred financing costs on credit facilities (net of accumulated amortization of $3.3 million; December 31, 2015 - $3.1 million)		**2,335**	2,172
Environmental indemnity and insurance proceeds receivable	12(a)	**8,220**	8,274
Held-to-maturity investment in bond		**—**	685
Total non-current		**$ 17,513**	$ 14,284
Current			
Deposits and costs on investment properties under option		**$ 2,446**	$ 3,824
Prepaid expenses		**33,585**	4,457
Other deposits		**360**	1,924
Restricted cash		**690**	59
Derivatives at fair value	22	**2,479**	—
Total current		**$ 39,560**	$ 10,264
Total		**$ 57,073**	$ 24,548

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, revolving credit facilities and bank indebtedness, 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, 2016	December 31, 2015
Liabilities (principal amounts outstanding)		
Bank indebtedness	**$ 13,055**	$ 26,200
Mortgages	**1,055,167**	1,020,358
Credit facilities	**215,758**	224,635
Mortgages under equity accounted joint venture (at the Company’s interest)	**47,097**	3,878
Credit facilities under equity accounted joint venture (at the Company's interest)	**60,251**	43,669
Senior unsecured debentures	**2,400,000**	2,250,000
Convertible debentures	**213,168**	337,271
Equity Capitalization		
Common shares (based on closing per share price of $22.16; December 31, 2015 – $18.35)	**5,210,481**	4,138,622
Total Capital Employed	**$ 9,214,977**	$ 8,044,633

The Company is subject to financial covenants in agreements governing its senior unsecured debentures and its credit facilities. In accordance with the terms of the Company's credit agreements, all ratios are calculated with joint ventures proportionately consolidated. As at June 30, 2016, the Company remains in compliance with all of its applicable financial covenants. The following table summarizes a number of the Company's key ratios:

As at	Measure/ Covenant	June 30, 2016	December 31, 2015
Net debt to total assets		**43.1%**	42.9%
Unencumbered aggregate assets to unsecured debt, using 10 quarter average capitalization rate [1]	≥1.3	**2.1**	2.2
Shareholders' equity, using four quarter average (billions) [1]	>$1.6B	**$ 3.7**	$ 3.6
Secured indebtedness to total assets [1]	<35%	**13.6%**	13.1%
For the rolling four quarters ended			
Interest coverage (EBITDA to interest expense) [1]	>1.65	**2.5**	2.5
Fixed charge coverage (EBITDA to debt service) [1]	>1.50	**2.1**	2.1

(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 are meaningful measures for this reason. Measures used in these ratios are defined in the Company's audited annual consolidated financial statements for the years ended December 31, 2015 and 2014.

9. MORTGAGES AND CREDIT FACILITIES

As at	June 30, 2016	December 31, 2015
Fixed rate mortgages	**$ 1,057,219**	$ 1,024,002
Unsecured facility	**173,529**	195,000
Secured construction facilities	**42,229**	29,635
Mortgages and credit facilities	**$ 1,272,977**	$ 1,248,637
Current	**$ 123,569**	$ 191,896
Non-current	**1,149,408**	1,056,741
Total	**$ 1,272,977**	$ 1,248,637

Mortgages and secured construction facilities are secured by the Company's investment properties. As at June 30, 2016, approximately $2.3 billion (December 31, 2015 – $2.4 billion) of investment properties out of $8.3 billion (December 31, 2015 – $7.9 billion) had been pledged as security under mortgages and the secured facilities (Note 4(a)).

As at June 30, 2016, mortgages bear coupon interest at a weighted average coupon rate of 4.6% (December 31, 2015 – 4.8%) and mature in the years ranging from 2016 to 2026. The weighted average effective interest rate on all mortgages as at June 30, 2016 is 4.4% (December 31, 2015 – 4.5%).

Principal repayments of mortgages outstanding as at June 30, 2016 are as follows:

	Scheduled Amortization	Payments on Maturity	Total	Weighted Average Effective Interest Rate
2016 (remainder of the year)	$ 14,252	$ 56,773	$ 71,025	4.0%
2017	27,071	82,902	109,973	4.0%
2018	23,189	124,321	147,510	5.4%
2019	20,469	106,714	127,183	6.5%
2020	18,819	45,858	64,677	5.3%
2021 to 2026	57,165	477,634	534,799	3.7%
	$ 160,965	$ 894,202	$ 1,055,167	4.4%
Unamortized deferred financing costs and premiums, net			2,052	
Total			$ 1,057,219	

The Company's credit facilities as at June 30, 2016 are summarized in the table below:

As at June 30, 2016		Borrowing Capacity		Amounts Drawn		Bank Indebtedness and Outstanding Letters of Credit		Available to be Drawn	Interest Rates	Maturity Date
Revolving Operating Facilities										
Unsecured facility	$	800,000	$	(173,529)	$	(41,882)	$	584,589	BA + 1.20% or Prime + 0.20% or US$ LIBOR + 1.20%	June 30, 2021
Secured Construction Facilities										
Maturing 2018		112,500		(34,444)		—		78,056	BA + 1.125% or Prime + 0.125%	February 13, 2018
Maturing 2017		7,953		(7,785)		(75)		93	BA + 1.125% or Prime + 0.125%	March 31, 2017
Total	$	920,453	$	(215,758)	$	(41,957)	$	662,738		

The Company has the ability to draw on its unsecured facility in Canadian or U.S. dollars and as of June 30, 2016, had drawn CAD$25.0 million and US$115.0 million. Concurrently with the U.S. dollar draws, the Company entered into cross currency swaps to exchange its U.S. dollar borrowings into Canadian dollar borrowings.

Effective June 30, 2016, the Company extended the maturity of its $800 million unsecured facility to June 30, 2021 on substantially the same terms.

10. SENIOR UNSECURED DEBENTURES

As at							**June 30, 2016**		December 31, 2015
		Interest Rate							
Series	Maturity Date	Coupon	Effective		**Principal Outstanding**		**Liability**		Liability
H	January 31, 2017	5.85%	5.99%	**$**	**125,000**	**$**	**124,898**	$	124,814
I	November 30, 2017	5.70%	5.79%		**125,000**		**124,856**		124,809
J	August 30, 2018	5.25%	5.66%		**50,000**		**49,729**		49,678
K	November 30, 2018	4.95%	5.17%		**100,000**		**99,506**		99,411
L	July 30, 2019	5.48%	5.61%		**150,000**		**149,461**		149,382
M	April 30, 2020	5.60%	5.60%		**175,000**		**174,987**		174,985
N	March 1, 2021	4.50%	4.63%		**175,000**		**174,088**		174,002
O	January 31, 2022	4.43%	4.59%		**200,000**		**198,444**		198,323
P	December 5, 2022	3.95%	4.18%		**250,000**		**246,848**		246,637
Q	October 30, 2023	3.90%	3.97%		**300,000**		**298,718**		298,643
R	August 30, 2024	4.79%	4.72%		**300,000**		**301,396**		301,466
S	July 31, 2025	4.32%	4.24%		**300,000**		**301,854**		301,941
T	May 6, 2026	3.60%	3.71%		**150,000**		**148,592**		—
Weighted Average or Total		4.63%	4.71%	**$**	**2,400,000**	**$**	**2,393,377**	$	2,244,091
Current					**125,000**		**124,898**		—
Non-current					**2,275,000**		**2,268,479**		2,244,091
Total				**$**	**2,400,000**	**$**	**2,393,377**	$	2,244,091

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

On May 6, 2016 the Company completed the issuance of $150.0 million principal amount of Series T senior unsecured debentures due May 6, 2026. These debentures bear interest at a coupon rate of 3.604% per annum, payable semi-annually commencing November 6, 2016.

11. CONVERTIBLE DEBENTURES

As at				June 30, 2016			December 31, 2015		
		Interest Rate							
Series	Maturity Date	Coupon	Effective	**Principal**	**Liability**	**Equity**	Principal	Liability	Equity
H	March 31, 2017	4.95%	6.66%	—	—	—	71,006	69,697	1,415
G	March 31, 2018	5.25%	6.51%	—	—	—	49,582	48,144	1,146
E	January 31, 2019	5.40%	6.90%	**54,670**	**52,751**	**2,084**	55,060	52,793	2,099
F	January 31, 2019	5.25%	6.07%	**51,601**	**50,608**	**351**	53,720	52,506	365
I	July 31, 2019	4.75%	6.19%	**51,231**	**49,525**	**1,404**	51,604	49,579	1,414
J	February 28, 2020	4.45%	5.34%	**55,666**	**54,213**	**389**	56,299	54,624	394
	Weighted Average or Total	4.96%	6.12%	**$ 213,168**	**$ 207,097**	**$ 4,228**	$ 337,271	$ 327,343	$ 6,833

(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.

During the six months ended June 30, 2016, 0.4 million common shares (six months ended June 30, 2015 – 0.5 million common shares) were issued for $8.4 million (six months ended June 30, 2015 – $10.4 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
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

On April 1, 2016, the Company redeemed its remaining 5.25% Series G and 4.95% Series H convertible debentures at par. The full redemption price and any accrued interest owing on each series of convertible debentures was satisfied 50% by the issuance of common shares and 50% in cash.

(c) Normal course issuer bid

On August 27, 2015, 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, 2016 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, 2016 and 2015, principal amounts of convertible debentures purchased and amounts paid for the purchases are represented in the table below:

Six months ended June 30		**2016**		2015
	Principal Amount Purchased	**Amount Paid**	Principal Amount Purchased	Amount Paid
Total	**$ 3,515**	**$ 3,557**	$ 7,463	$ 7,499

12. ACCOUNTS PAYABLE AND OTHER LIABILITIES

As at	Note	**June 30, 2016**	December 31, 2015
Non-current			
Asset retirement obligations (a)		**$ 8,286**	$ 8,353
Ground leases payable		**9,583**	9,789
Derivatives at fair value	22	**14,944**	8,171
Deferred purchase price of investment property – shopping centre		**1,747**	1,699
Deferred income		**1,280**	1,673
Total non-current		**$ 35,840**	$ 29,685
Current			
Trade payables and accruals		**$ 70,731**	$ 59,222
Construction and development payables		**43,107**	49,593
Dividends payable		**50,553**	48,491
Interest payable		**36,903**	38,537
Tenant deposits		**23,871**	23,391
Derivatives at fair value	22	**933**	788
Deferred purchase price of investment property – shopping centre		**—**	9,533
Total current		**$ 226,098**	$ 229,555
Total		**$ 261,938**	$ 259,240

(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		2016		2015	
	Note	Number of Common Shares	Stated Capital	Number of Common Shares	Stated Capital
Issued and outstanding at beginning of period		**225,538**	**$ 2,768,983**	216,374	$ 2,600,605
Payment of interest on convertible debentures	11	**427**	**8,363**	545	10,384
Redemption and conversion of convertible debentures	11	**3,080**	**60,294**	2,152	38,614
Exercise of options and restricted and deferred share units		**634**	**11,836**	817	13,826
Issuance of common shares		**5,451**	**115,016**	4,449	87,753
Share issue costs and other, net of tax effect		**—**	**(3,598)**	—	(2,728)
Issued and outstanding at end of period		**235,130**	**$ 2,960,894**	224,337	$ 2,748,454

Regular dividends paid per common share were $0.43 for the six months ended June 30, 2016 (six months ended June 30, 2015 – $0.43).

On May 16, 2016, the Company issued 5.5 million common shares at a price of $21.10 for gross proceeds of $115.0 million.

(b) Contributed surplus and other equity items

Contributed surplus and other equity items comprise the following:

Six months ended June 30			2016				2015	
	Contributed Surplus	Convertible Debentures Equity Component	Stock-based Compensation Plan Awards	Total	Contributed Surplus	Convertible Debentures Equity Component	Stock-based Compensation Plan Awards	Total
Balance at beginning of period	**$ 19,532**	**$ 6,833**	**$ 17,284**	**$ 43,649**	$ 19,292	$ 7,964	$ 18,182	$ 45,438
Redemption of convertible debentures in common shares	**—**	**(2,561)**	**—**	**(2,561)**	—	(885)	—	(885)
Repurchase of convertible debentures	**1,430**	**(44)**	**—**	**1,386**	153	(153)	—	—
Options vested	**—**	**—**	**406**	**406**	—	—	248	248
Exercise of options	**—**	**—**	**(1,022)**	**(1,022)**	—	—	(778)	(778)
Deferred share units vested	**—**	**—**	**412**	**412**	—	—	579	579
Restricted share units	**—**	**—**	**1,002**	**1,002**	—	—	911	911
Performance share units	**—**	**—**	**163**	**163**	—	—	—	—
Exercise of restricted and deferred share units	**—**	**—**	**—**	**—**	—	—	(1,227)	(1,227)
Balance at end of period	**$ 20,962**	**$ 4,228**	**$ 18,245**	**$ 43,435**	$ 19,445	$ 6,926	$ 17,915	$ 44,286

(c) Stock options

As of June 30, 2016, the Company is authorized to grant up to 15.2 million (December 31, 2015 – 15.2 million) common share options to the employees, officers and directors of the Company. As of June 30, 2016, 1.7 million (December 31, 2015 – 2.7 million) common share options are available to be granted to the employees, officers and directors of the Company. In addition, as at June 30, 2016, 4.5 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, 2016 have exercise prices ranging from $9.81 – $19.96 (December 31, 2015 – $9.81 – $19.96).

During the six months ended June 30, 2016, $0.3 million (six months ended June 30, 2015 – $0.2 million) was recorded as an expense related to stock options.

Six months ended June 30		**2016**		2015
	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	**4,199**	**$ 17.56**	4,956	$ 16.89
Granted (a)	**1,000**	**16.69**	881	18.93
Exercised (b)	**(634)**	**17.05**	(817)	15.97
Forfeited	**(19)**	**19.01**	(148)	18.39
Expired	**(2)**	**15.47**	—	—
Outstanding at end of period	**4,544**	**$ 18.09**	4,872	$ 17.37

(a) The fair value associated with the options issued was calculated using the Black-Scholes model for option valuation based on the assumptions in the following table and is recognized as compensation expense over the vesting period.

Six months ended June 30	**2016**	2015
Share options granted (thousands)	**1,000**	881
Term to expiry	**10 years**	10 years
Exercise price	**$19.69**	$18.93
Weighted average volatility rate	**15.0%**	15.0%
Weighted average expected option life	**6 years**	6 years
Weighted average dividend yield	**4.35%**	4.56%
Weighted average risk free interest rate	**0.78%**	1.20%
Fair value (thousands)	**$1,082**	$920

(b) The weighted average market share price at which options were exercised for the six months ended June 30, 2016 was $21.18 (six months ended June 30, 2015 – $19.47).

(d) Share unit plans

The Company’s share unit plans include a Directors' Deferred Share Unit Plan and a Restricted Share Unit Plan that provides for the issuance of Restricted Share Units and Performance Share Units. 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, (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 and, (iii) in the case of a Performance Share Unit (“PSU”), on the third anniversary of the grant date. Holders of units granted under each plan receive dividends in the form of additional units when the Company declares dividends on its common shares.

Six months ended June 30		2016		2015
(in thousands)	**DSUs**	**RSUs / PSUs**	DSUs	RSUs
Outstanding at beginning of period	**349**	**374**	452	328
Granted (a)	**12**	**171**	17	92
Dividends declared	**7**	**6**	9	8
Exercised	**—**	**—**	(77)	(3)
Forfeited	**—**	**—**	—	(3)
Outstanding at end of period	**368**	**551**	401	422
Share units available to be granted based on the current reserve [1]	**238**	**166**	278	381
Expense recorded for the period	**$260**	**$1,017**	$414	$745

[1] Common shares required under the DSU plan or the RSU plan may be issued from treasury or acquired in the secondary market through an intermediary.

(a) The fair value of the DSUs granted during the six months ended June 30, 2016 was $0.3 million (six months ended June 30, 2015 – $0.3 million), measured based on the Company's prevailing share price on the date of grant. The fair value of the RSUs and PSUs granted during the six months ended June 30, 2016 was $3.5 million (six months ended June 30, 2015 – $1.7 million), measured based on the Company's share price on the date of grant. The fair value of awards granted under the above plans is recognized as compensation expense over the respective vesting periods.

(b) The fair value associated with PSUs is calculated using the Monte-Carlo valuation model based on the assumptions below as well as a performance adjustment factor based on the total shareholder return of the Company's common shares relative to the S&P/TSX Capped REIT Index.

Six months ended June 30	2016
PSUs granted (thousands)	**106**
Term to expiry	**3 years**
Weighted average volatility rate	**13.4%**
Weighted average correlation	**41.9%**
Weighted average total shareholder return	**8.8%**
Weighted average risk free interest rate	**0.6%**
Fair value (thousands)	**$2,197**

14. NET OPERATING INCOME

Net operating income is presented by segment as follows:

Three months ended June 30, 2016		Central Region		Eastern Region		Western Region		Subtotal		Other [1]		Total
Property rental revenue	**$**	**68,601**	**$**	**44,167**	**$**	**55,567**	**$**	**168,335**	**$**	**(759)**	**$**	**167,576**
Property operating costs		**26,259**		**19,056**		**18,149**		**63,464**		**(971)**		**62,493**
Net operating income	**$**	**42,342**	**$**	**25,111**	**$**	**37,418**	**$**	**104,871**	**$**	**212**	**$**	**105,083**

Three months ended June 30, 2015		Central Region		Eastern Region		Western Region		Subtotal		Other [1]		Total
Property rental revenue	$	70,708	$	43,252	$	52,873	$	166,833	$	(584)	$	166,249
Property operating costs		26,278		18,550		17,490		62,318		(302)		62,016
Net operating income	$	44,430	$	24,702	$	35,383	$	104,515	$	(282)	$	104,233

Six months ended June 30, 2016		Central Region		Eastern Region		Western Region		Subtotal		Other [1]		Total
Property rental revenue	**$**	**137,947**	**$**	**89,325**	**$**	**109,891**	**$**	**337,163**	**$**	**(1,487)**	**$**	**335,676**
Property operating costs		**53,602**		**39,251**		**36,600**		**129,453**		**(1,856)**		**127,597**
Net operating income	**$**	**84,345**	**$**	**50,074**	**$**	**73,291**	**$**	**207,710**	**$**	**369**	**$**	**208,079**

Six months ended June 30, 2015		Central Region		Eastern Region		Western Region		Subtotal		Other [1]		Total
Property rental revenue	$	139,427	$	87,188	$	104,173	$	330,788	$	(878)	$	329,910
Property operating costs		53,271		38,559		34,582		126,412		(515)		125,897
Net operating income	$	86,156	$	48,629	$	69,591	$	204,376	$	(363)	$	204,013

[1] Other items principally consist of intercompany eliminations.

For the three and six months ended June 30, 2016, property operating costs include $5.5 million and $11.0 million, respectively (three and six months ended June 30, 2015 – $5.9 million and $11.3 million, respectively) related to employee compensation.

15. INTEREST AND OTHER INCOME

		Three months ended June 30				Six months ended June 30			
	Note		**2016**		2015		**2016**		2015
Interest, dividend and distribution income from marketable securities and cash investments	5	**$**	**269**	$	393	**$**	**584**	$	1,043
Interest income from loans and mortgages receivable	5		**1,958**		2,149		**4,054**		4,933
Fees and other income			**1,516**		1,262		**2,755**		2,109
Total		**$**	**3,743**	$	3,804	**$**	**7,393**	$	8,085

16. INTEREST EXPENSE

	Note	Three months ended June 30		Six months ended June 30	
		2016	2015	**2016**	2015
Mortgages	9	**$ 11,831**	$ 12,582	**$ 23,903**	$ 26,396
Credit facilities	9	**1,309**	828	**3,333**	1,375
Senior unsecured debentures	10	**27,459**	26,696	**54,088**	52,849
Convertible debentures (non-cash)	11	**3,128**	5,795	**8,237**	11,715
Total interest expense		**43,727**	45,901	**89,561**	92,335
Interest capitalized to investment properties under development		**(4,918)**	(5,609)	**(10,291)**	(10,555)
Interest expense		**$ 38,809**	$ 40,292	**$ 79,270**	$ 81,780
Convertible debenture interest paid in common shares	11	**(8)**	(549)	**(8,363)**	(10,384)
Change in accrued interest		**(7,738)**	(8,528)	**1,634**	1,361
Effective interest rate in excess of coupon interest rate on senior unsecured and convertible debentures		**4**	(218)	**(166)**	(448)
Coupon interest rate in excess of effective interest rate on assumed mortgages		**518**	939	**1,237**	1,876
Amortization of deferred financing costs		**(1,465)**	(1,476)	**(3,126)**	(3,130)
Cash interest paid associated with operating activities		**$ 30,120**	$ 30,460	**$ 70,486**	$ 71,055

17. CORPORATE EXPENSES

	Three months ended June 30		Six months ended June 30	
	2016	2015	**2016**	2015
Salaries, wages and benefits	**$ 6,865**	$ 7,697	**$ 13,714**	$ 15,639
Non-cash compensation	**935**	563	**1,574**	1,345
Other corporate costs	**2,919**	2,652	**4,893**	5,759
Total corporate expenses	**10,719**	10,912	**20,181**	22,743
Amounts capitalized to investment properties under development	**(1,839)**	(2,026)	**(3,291)**	(4,115)
Corporate expenses	**$ 8,880**	$ 8,886	**$ 16,890**	$ 18,628

18. OTHER GAINS (LOSSES) AND (EXPENSES)

	Three months ended June 30		Six months ended June 30	
	2016	2015	**2016**	2015
Realized gain (loss) on sale of marketable securities	**$ —**	$ (81)	**$ 79**	$ 784
Unrealized gain (loss) on marketable securities classified as FVTPL	**1,550**	(1,062)	**1,892**	(1,456)
Net gain (loss) on prepayments of debt	**(1,239)**	(250)	**(1,152)**	(250)
Proceeds from Target	**3,150**	—	**3,150**	—
Pre-selling costs of residential inventory	**—**	(2)	**—**	(3)
Gain (loss) on sale of asset	**—**	—	**(33)**	—
Investment properties selling costs	**19**	(29)	**(1,420)**	(413)
Restructuring costs	**(1,277)**	—	**(1,336)**	—
Total	**$ 2,203**	$ (1,424)	**$ 1,180**	$ (1,338)

During the three months ended June 30, 2016, the Company recognized a $1.2 million loss on prepayment of debt related to the redemption of series G and H convertible debentures. During the quarter, the Company also recognized $3.2 million in proceeds under Target Canada's CCAA plan of arrangement related to the closure of two Target stores in 2015 in the Company's portfolio.

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, 2016 and 2015:

	Three months ended June 30		Six months ended June 30	
	2016	2015	**2016**	2015
Income tax expense at the Canadian federal and provincial income tax rate of 26.6% (2015 – 26.4%)	**$ 54,344**	$ 32,480	**$ 76,499**	$ 47,688
Increase (decrease) in income taxes due to:				
Non-taxable portion of capital gains and other	**(22,060)**	(11,437)	**(27,812)**	(15,263)
Impact of change in statutory income tax rate	**—**	7,375	**—**	7,375
Other	**787**	290	**503**	559
Deferred income taxes	**$ 33,071**	$ 28,708	**$ 49,190**	$ 40,359

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 during the second quarter of 2015.

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	
	2016	2015	**2016**	2015
Net income attributable to common shareholders	**$ 169,556**	$ 94,267	**$ 236,512**	$ 140,168
Adjustment for dilutive effect of convertible debentures, net of tax	**2,308**	3,738	**4,603**	7,485
Income for diluted per share amounts	**$ 171,864**	$ 98,005	**$ 241,115**	$ 147,653
(in thousands)				
Weighted average number of shares outstanding for basic per share amounts	**232,327**	222,822	**229,324**	221,539
Options	**687**	476	**465**	547
Convertible debentures	**10,221**	18,196	**10,394**	17,346
Weighted average diluted share amounts	**243,235**	241,494	**240,183**	239,432

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	**2016**	2015
Common share options	19.96	**—**	291

Six months ended June 30	Exercise Price	Number of Shares if Exercised	
(in dollars, number of options in thousands)		**2016**	2015
Common share options	$19.96	**231**	291
Common share options	$20.24	**145**	—

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 from tenants by investing in well-located properties in urban markets that attract high quality tenants, ensuring that its tenant mix is diversified, and by limiting its exposure to any one tenant. As at June 30, 2016, Loblaw Companies Limited ("Loblaw") accounts for 10.2% of the Company's annualized minimum rent and has an investment grade credit rating. Other than Loblaw, no other tenant accounts for more than 10% of the annualized minimum rent. A tenant's success over the term of its lease and its ability to fulfill its lease obligations is subject to many factors. There can be no assurance that a tenant will be able to fulfill all of its existing commitments and leases up to the expiry date. The Company typically mitigates the risk of credit loss from debtors by obtaining registered mortgage charges on real estate properties.

The Company's leases typically have lease terms between 5 and 20 years and may include clauses to enable periodic upward revision of the rental rates, and lease contract extension at the option of the lessee.

(c) Liquidity risk

Real estate investments are relatively illiquid. This tends to limit the Company's ability to sell components of its portfolio promptly in response to changing economic or investment conditions. If the Company were required to quickly liquidate its assets, there is a risk that it would realize sale proceeds of less than the current value of its real estate investments.

An analysis of the Company's contractual maturities of its material financial liabilities and other contractual commitments as at June 30, 2016 is set out below:

	Payments Due by Period				
	Remainder of 2016	2017 to 2018	2019 to 2020	Thereafter	Total
Scheduled mortgage principal amortization	$ 14,252	$ 50,260	$ 39,288	$ 57,165	$ 160,965
Mortgage principal repayments on maturity	56,773	207,223	152,572	477,634	894,202
Credit facilities and bank indebtedness	—	42,230	—	186,583	228,813
Senior unsecured debentures	—	400,000	325,000	1,675,000	2,400,000
Interest obligations (1)	79,453	286,063	219,982	262,991	848,489
Land leases (expiring between 2023 and 2061)	475	1,940	1,962	16,211	20,588
Contractual committed costs to complete current development projects	70,770	34,777	—	—	105,547
Other committed costs	35,703	—	—	—	35,703
Total contractual obligations (2)	$ 257,426	$ 1,022,493	$ 738,804	$ 2,675,584	$ 4,694,307

(1) Interest obligations include expected interest payments on mortgages and credit facilities as at June 30, 2016 (assuming balances remain outstanding through to maturity), and senior unsecured debentures, as well as standby credit facility fees.

(2) The Company has the option 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 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, 2016, there was $173.5 million (December 31, 2015 – $195.0 million) of cash advances drawn against the Company's revolving credit facilities.

In addition, as at June 30, 2016, the Company has $42.0 million (December 31, 2015 – $55.6 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 unaudited interim condensed consolidated balance sheets is as follows:

As at			June 30, 2016			December 31, 2015
	Level 1	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
Measured at fair value						
Financial Assets						
FVTPL investments in equity securities	**$ 13,789**	**$ —**	**$ —**	$ 11,907	$ —	$ —
AFS investments in limited partnership	**—**	**—**	**4,380**	—	—	4,269
Derivatives at fair value – assets	**—**	**2,479**	**—**	—	—	—
Financial Liabilities						
Derivatives at fair value – liabilities	**—**	**15,877**	**—**	—	8,959	—
Measured at amortized cost						
Financial Assets						
Loans and mortgages receivable	**$ —**	**$ —**	**$ 125,739**	$ —	$ —	$ 141,354
Financial Liabilities						
Mortgages	**—**	**1,080,470**	**—**	—	1,048,090	—
Credit facilities	**—**	**215,758**	**—**	—	224,635	—
Senior unsecured debentures	**—**	**2,617,916**	**—**	—	2,414,392	—
Convertible debentures	**218,398**	**—**	**—**	341,874	—	—

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

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

As at	Designated as Hedging Instrument	Maturity	**June 30, 2016**	December 31, 2015
Bond forward contracts	Yes	July 2016	**$ (933)**	$ (788)
Interest rate swaps	Yes	March 2022 - Sept 2026	**(14,944)**	(8,171)
Cross currency swaps	No	July 2016	**2,479**	—
Total			**$ (13,398)**	$ (8,959)

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, 2016, the interest rates ranged from 1.3% to 2.6% (December 31, 2015 – 1.5% to 3.2%).

23. SUPPLEMENTAL CASH FLOW INFORMATION

(a) Items not affecting cash and other items

		Three months ended June 30		Six months ended June 30	
	Note	**2016**	2015	**2016**	2015
Straight-line rent adjustment		**$ (1,806)**	$ (892)	**$ (3,156)**	$ (2,143)
Investment properties selling costs	18	**(19)**	29	**1,420**	413
Realized (gain) loss on sale of marketable securities	18	**—**	81	**(79)**	(784)
Unrealized (gain) loss on marketable securities classified as FVTPL	18	**(1,550)**	1,062	**(1,892)**	1,456
Net (gain) loss on prepayments of debt	18	**1,239**	250	**1,152**	250
Non-cash compensation expense		**988**	596	**1,673**	1,420
Deferred income taxes	19	**33,071**	28,708	**49,190**	40,359
Total		**$ 31,923**	$ 29,834	**$ 48,308**	$ 40,971

(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	
	2016	2015	**2016**	2015
Amounts receivable	**$ (5,721)**	$ (160)	**$ (9,254)**	$ (4,537)
Prepaid expenses	**(17,069)**	(14,160)	**(29,121)**	(23,054)
Trade payables and accruals	**(5,754)**	4,813	**1,354**	5,325
Tenant security and other deposits	**2,462**	2,295	**425**	93
Other working capital changes	**(2,052)**	902	**(1,172)**	(241)
Total	**$ (28,134)**	$ (6,310)	**$ (37,768)**	$ (22,414)

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

	Three months ended June 30		Six months ended June 30	
	2016	2015	**2016**	2015
Advances of loans and mortgages receivable	**$ (1,262)**	$ (6,728)	**$ (1,262)**	$ (27,469)
Repayments of loans and mortgages receivable	**1,830**	36,007	**20,710**	36,056
Investment in marketable securities, net	**—**	—	**(742)**	(2,403)
Proceeds from disposition of marketable securities	**—**	171	**830**	24,572
Total	**$ 568**	$ 29,450	**$ 19,536**	$ 30,756

(d) Cash and cash equivalents (bank indebtedness)

As at	**June 30, 2016**	December 31, 2015
Cash [1]	**$ 10,109**	$ 9,164
Bank indebtedness	**(13,055)**	(26,200)
Total	**$ (2,946)**	$ (17,036)

[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 $90.3 million (December 31, 2015 – $78.4 million) to various lenders in connection with certain third-party obligations, including, without limitation, loans advanced to its joint arrangement partners secured by the partners' interest in the joint arrangements and underlying assets.

(c) The Company is contingently liable by way of letters of credit in the amount of $29.7 million (December 31, 2015 – $29.4 million), issued by financial institutions on the Company's behalf in the ordinary course of business.

(d) The Company has obligations as lessee under long-term leases for land. Annual commitments under these ground leases are approximately $0.5 million (December 31, 2015 – $0.9 million) with a total obligation of $20.6 million (December 31, 2015 – $21.1 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 up to October 2022.

25. RELATED PARTY TRANSACTIONS

(a) Major Shareholder

Gazit-Globe Ltd. ("Gazit") is a significant shareholder of the Company and, as of June 30, 2016, beneficially owns 37.7% (December 31, 2015 – 42.2%) of the common shares of the Company. Norstar Holdings Inc. is the ultimate controlling party of Gazit.

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	
	2016	2015	**2016**	2015
Reimbursements for professional services	**$ 68**	$ 54	**$ 143**	$ 105

As at June 30, 2016, amounts due from Gazit were $0.1 million (December 31, 2015 – $0.1 million).

Effective April 3, 2016, a shareholders' agreement between Gazit and Alony-Hetz Properties and Investments Ltd. (''Alony-Hetz'') was terminated. Prior to the termination of the agreement, Alony-Hetz was a related party and as of March 31, 2016, beneficially owned 5.7% of the common shares of the Company. Pursuant to the terminated shareholders' agreement, among other terms, (i) Gazit 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 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.

(b) Joint venture

During the three and six months ended June 30, 2016, a subsidiary of Main and Main Developments LP earned property-related and asset management fees from M+M Urban Realty LP, which are included in the Company's consolidated fees and other income in the amount of $0.6 million and $1.0 million (June 30, 2015 – $0.5 million and $0.9 million).

(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 EVENT

The Company announced that it will pay a third quarter dividend of $0.215 per common share on October 12, 2016 to shareholders of record on September 28, 2016.

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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
4.75% Convertible Debentures: FCR.DB.I
4.45% Convertible Debentures: FCR.DB.J

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Gareth Burton
Senior Vice President, Construction

Carmine Francella
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