2017

THIRD QUARTER

FIRST CAPITAL REALTY INC.

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 September 30, 2017, the Company owned interests in 159 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)*	**September 30, 2017**	December 31, 2016
Total assets [1]	**$ 9,932**	$ 9,171
Total equity market capitalization [2]	**$ 4,801**	$ 5,033
Enterprise value [2]	**$ 9,170**	$ 9,162
Net debt to total assets [1] [2]	**43.3%**	42.6%
Quarterly dividend per common share	**$ 0.215**	$ 0.215

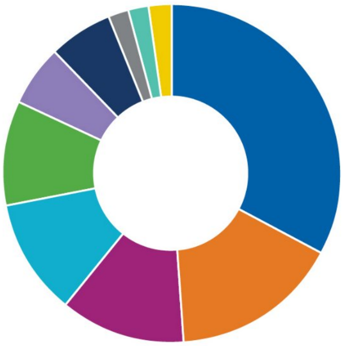
Operating Highlights

Nine months ended September 30 *(millions of dollars, except per share amounts)*	**2017**	2016
Net income attributable to common shareholders	**$ 558**	$ 325
Net income per share attributable to common shareholders (diluted)	**$ 2.25**	$ 1.36
Property rental revenue [1]	**$ 524**	$ 509
Net Operating Income [1] [2]	**$ 330**	$ 320
Funds from Operations ("FFO") [1] [2]		
Operating FFO	**$ 212**	$ 194
Operating FFO per diluted share	**$ 0.87**	$ 0.83
FFO	**$ 211**	$ 196
FFO per diluted share	**$ 0.86**	$ 0.84
Cash Flow from Operations	**$ 163**	$ 160
Adjusted Cash Flow from Operations ("ACFO") [1] [2]		
ACFO	**$ 181**	$ 178

[1] Reflects joint ventures proportionately consolidated. Refer to the "Non-IFRS Financial Measures – *Proportionate Interest*" section of the Company's Management's Discussion & Analysis for further information.

[2] These measures are not defined by IFRS. Refer to the "Non-IFRS Financial Measures" section of the Company's Management's Discussion & Analysis for further information.

Urban Markets*



Greater Toronto Area	33%
Greater Montreal Area	16%
Greater Calgary Area	12%
Greater Vancouver Area	11%
Greater Edmonton Area	10%
Greater Ottawa Area	6%
Golden Horseshoe Area	6%
London Area	2%
Quebec City	2%
Red Deer and Other	2%
Total	100%

* Annual Minimum Rents as at September 30, 2017

Shopping For Everyday Life®

	# OF STORES	% OF RENT	TENANTS
Grocery Stores	133	17.7%	
Pharmacies	132	9.4%	
Liquor Stores	100	3.5%	
Banks and Credit Unions	214	8.7%	
Restaurants and Cafes	962	13.7%	
Medical, Professional & Personal Services	1464	15.1%	
Fitness Facilities	81	3.5%	
Daycare and Learning Centres	92	1.2%	
Other Necessity-Based Retailers	550	18.1%	
Other Tenants	599	9.1%	

As at September 30, 2017

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 nine months ended September 30, 2017 and 2016. It should be read in conjunction with the Company's audited annual consolidated financial statements for the years ended December 31, 2016 and 2015. Additional information, including the Company's current Annual Information Form, is available on the SEDAR website at www.sedar.com and on the Company's website at www.fcr.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 November 7, 2017.

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; tenant financial difficulties, defaults and bankruptcies; the relative illiquidity of real property; increases in operating costs and property taxes; First Capital Realty's ability to maintain occupancy and to lease or re-lease space at current or anticipated rents; the availability and cost of equity and debt capital to finance the Company's business, including the repayment of existing indebtedness as well as development, intensification and acquisition activities; changes in interest rates and credit spreads; changes to credit ratings; the availability of a new competitive supply of retail properties which may become available either through construction, lease or sublease; unexpected costs or liabilities related to acquisitions, development and construction; 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 November 7, 2017 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 September 30, 2017, the Company owned interests in 159 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 growth 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, 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 grocery stores, fitness centres, cafés 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 Walmart, Marshalls, Nordstrom, Saks Fifth Avenue, Uniqlo 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 Sears Canada, Toys "R" Us, Lululemon, Express, Bebe, BCBG Max Azria, HMV, Mexx, Future Shop, Black's, Nine West, Target and Danier Leather. 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 nine months ended September 30, 2017, the Same Property portfolio delivered net operating income growth of 2.7% compared to the same prior year period. The growth in Same Property net operating income was primarily due to rent escalations, lease renewals at higher rates and redevelopments coming online. For the nine months ended September 30, 2017, the monthly average occupancy for the total portfolio was 94.8% compared to 94.9%, while the monthly average Same Property portfolio occupancy was 96.0% compared to 96.1% for the same prior year period, respectively.

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 September 30, 2017, the Company had identified, approximately 14.3 million square feet of incremental density available in the portfolio for future development (including 2.5 million square feet of retail and 11.9 million square feet of residential space), of which approximately 0.5 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 nine months of the year, the Company transferred 110,000 square feet of new urban retail space from development to income-producing properties at a cost of $100.2 million. Approximately 108,000 square feet of the new space was occupied at an average net rental rate of $37.44 per square foot, well above the average rent for the entire portfolio of $19.48, 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 nine months of the year, the Company acquired three income-producing properties and increased its interest in two existing properties for $26.6 million, adding a total of 59,300 square feet of gross leasable area to the portfolio. Additionally, the Company invested $114.1 million in development and redevelopment activities during this time 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 nine months of the year, the Company disposed of six properties, one land parcel, as well as one surplus building for gross proceeds of $47.1 million.

Financing Activity

During the first nine months of the year, the Company secured $103.3 million of new mortgages with a weighted average effective interest rate of 3.6% and a weighted average term of 10.0 years.

On January 31, 2017, the Company redeemed its remaining 5.40% Series E and 5.25% Series F convertible debentures, totaling $106.1 million, at par. The full redemption price and any accrued interest owing on the convertible debentures was satisfied in cash. The Company also repaid its 5.85% Series H senior unsecured debentures totaling $125.0 million.

On July 10, 2017, the Company completed the issuance of $300 million principal amount of Series U senior unsecured debentures due July 12, 2027. These debentures bear interest at a coupon rate of 3.753% per annum, payable semi-annually commencing January 12, 2018.

On August 1, 2017, the Company redeemed its remaining 4.75% Series I convertible debentures at par. The full redemption price and any accrued interest owing on the convertible debentures was satisfied in cash.

Outlook

Management is focused on the following five areas to achieve its objectives through 2017 and into 2018:

- 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.

NON-IFRS FINANCIAL MEASURES

In addition to measures determined in accordance with International Financial Reporting Standards ("IFRS"), the Company uses non-IFRS financial measures to analyze its financial performance. In Management's view, such non-IFRS financial measures are commonly accepted and meaningful indicators of financial performance in the real estate industry and provide useful supplemental information to both Management and investors. These measures do not have a standardized meaning prescribed under IFRS and therefore may not be comparable to similar measures presented by other corporations or Real Estate Investment Trusts ("REITs"), and should not be construed as an alternative to other financial measures determined in accordance with IFRS.

The following describe the non-IFRS measures the Company currently uses in evaluating is financial performance.

Proportionate Interest

"Proportionate interest" or "Proportionate share" is defined by Management as the Company's proportionate share of revenues, expenses, assets and liabilities in all of its real estate investments. Under IFRS, the Company's two equity accounted joint ventures are presented on one line item in the consolidated balance sheets and the consolidated statements of income, in aggregate. For MD&A presentation purposes, the Company's two equity accounted joint ventures are presented as if they were proportionately consolidated. To achieve the proportionate presentation of its two equity accounted joint ventures, Management allocates the Company's proportionate share of revenues, expenses, assets, and liabilities to each relevant line item which replaces the one line presentation found in the IFRS consolidated financial statements. In addition, under IFRS, the Company exercises control over a third joint venture and consolidates 100% of the revenues, expenses, assets, and liabilities in the consolidated financial statements. For MD&A presentation purposes, the consolidated joint venture is also presented as if it was proportionately consolidated. To achieve the proportionate presentation of its consolidated joint venture, Management subtracts the non-controlling interest's share (the portion the Company doesn't own) of revenue, expenses, assets, and liabilities on each relevant line item. Management presents the proportionate share of the Company's interests in its three 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. In addition, the Company's lenders require Management to calculate its debt metrics on a proportionate interest basis.

To align the Company's GLA reporting with the presentation of financial information on a proportionate interest basis, effective January 1, 2017, unless otherwise noted, all GLA is now presented at the Company's proportionate interest (23.8 million square feet at proportionate interest compared to 25.2 million square feet at 100% as at September 30, 2017). Comparative amounts and certain metrics such as occupancy and weighted average rates per occupied square foot have been restated to conform with the current presentation. These changes had minimal impact on the Company's previously disclosed metrics.

Where noted, certain sections of this MD&A exclude the Company's share of Main and Main Urban Realty ("MMUR") to enhance the relevance of the information presented, as MMUR's business operations are not focused on operating stable income-producing properties at this time. Select financial information for MMUR is presented in the "Main & Main Urban Realty" section of this MD&A.

A reconciliation from the balance sheet under IFRS to the balance sheet on a proportionate basis can be found in the "Real Estate Investments — Reconciliation of Condensed Consolidated Balance Sheets" section of this MD&A. A reconciliation from the income statement under IFRS to the income statement on a proportionate basis can be found in the "Results of Operations — Reconciliation of Condensed Consolidated Statements of Income" section of this MD&A.

Net Operating Income

Net Operating Income ("NOI") is defined by Management as property rental revenue less property operating costs. NOI is a commonly used metric for analyzing real estate performance in Canada by real estate industry analysts, investors and Management. Management believes that NOI is useful in analyzing the operating performance of the Company's shopping centre portfolio.

Total Same Property NOI

Total Same Property NOI ("SP NOI") is defined by Management as NOI from properties categorized as "Same Property — stable" and "Same Property with redevelopment" (see definitions under "Real Estate Investments — Investment Property Categories" section of this MD&A). NOI from properties that have been (i) acquired, (ii) disposed, (iii) included in major redevelopment or ground-up development or (iv) held for sale are excluded from the determination of SP NOI. SP NOI is presented on a cash basis, as it excludes straight-line rent. Management believes that SP NOI is a useful measure in understanding period over period changes in cash NOI for its Same Property portfolio due to occupancy, rental rates, operating costs and realty taxes. A reconciliation from SP NOI to total NOI can be found in the "Results of Operations - Net Operating Income" section of this MD&A.

Same Property — Stable NOI

Same Property — stable NOI is defined by Management as NOI from stable properties where the only significant activities are leasing and ongoing maintenance (see complete definition under "Real Estate Investments — Investment Property Categories" section of this MD&A). Management believes that Same Property — stable NOI is a useful measure in understanding period over period changes in cash NOI for its largest category of properties.

Funds from Operations

Funds from Operations ("FFO") is a recognized measure that is widely used by the real estate industry, particularly by publicly traded entities that own and operate income-producing properties. The Company calculates FFO in accordance with the recommendations of the Real Property Association of Canada ("REALPAC") as published in its "White Paper on Funds From Operations and Adjusted Funds From Operations for IFRS" in February 2017. Management considers FFO 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 to FFO can be found in the "Results of Operations — FFO, Operating FFO and ACFO" section of this MD&A.

Operating FFO

In addition to FFO described above, Management also calculates 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.

Adjusted Cash Flow from Operations

Adjusted Cash Flow from Operations ("ACFO") is a supplementary measure the Company uses to measure operating cash flow generated from the business. ACFO replaces the Company's previously reported Adjusted Funds from Operations ("AFFO") as its supplementary cash flow metric. The Company calculates ACFO in accordance with the recommendations of REALPAC as published in its "White Paper on Adjusted Cashflow From Operations (ACFO) for IFRS" in February 2017.

Management considers ACFO a meaningful metric to measure operating cash flows as it represents sustainable cash available to pay dividends to shareholders. ACFO includes a number of adjustments to cash flow from operations under IFRS including, eliminating seasonal and non-recurring fluctuations in working capital, adding cash flows associated with equity accounted joint ventures and deducting actual revenue sustaining capital expenditures and actual capital expenditures recoverable from tenants. Lastly, ACFO includes an adjustment to exclude the non-controlling interest's portion of cash flow from operations under IFRS, attributed to the Company's consolidated joint venture. A reconciliation of cash flow from operations under IFRS to ACFO can be found in the "Results of Operations — FFO, Operating FFO and ACFO" section of this MD&A.

Weighted average share count for FFO and Operating FFO

For purposes of calculating per share amounts for FFO and Operating FFO, the weighted average number of diluted shares outstanding is calculated assuming conversion of only those convertible debentures outstanding that would have a dilutive effect upon conversion, at the holders' contractual conversion price.

Operating FFO, FFO and ACFO Payout Ratios

Operating FFO, FFO and ACFO payout ratios are supplementary non-IFRS measures used by Management to assess the sustainability of the Company's dividend payments. Operating FFO and FFO payout ratios are calculated using dividends declared per share divided by the Operating FFO or FFO per share. The ACFO payout ratio is calculated on a rolling four quarter basis by dividing total cash dividends paid by ACFO over the same period. Management considers a rolling four quarter ACFO payout ratio more relevant than a payout ratio in any given quarter due to the impact of net working capital fluctuations period over period.

Enterprise Value

Enterprise value is the sum of the carrying value of the Company's total debt on a proportionate basis and the market value of the Company's shares outstanding at the respective quarter end date. This measure is used by the Company to assess the total amount of capital employed in generating returns to shareholders.

Net Debt

Net debt is a measure used by Management in the computation of certain debt metrics, providing information with respect to certain financial ratios used in assessing the Company's debt profile. Net debt is calculated as the sum of principal amounts outstanding on credit facilities and mortgages, bank indebtedness and the par value of senior unsecured debentures reduced by the cash balances at the end of the period. Convertible debentures are excluded as 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.

Earnings Before Interest, Taxes, Depreciation and Amortization

Earnings Before Interest, Taxes, Depreciation and Amortization, as adjusted, ("EBITDA") is a measure used by Management in the computation of certain debt metrics. EBITDA, as adjusted, is calculated as net income, adding back income tax expense, interest expense and amortization and excluding the increase or decrease in the value of investment properties, other gains (losses) and (expenses) and other non-cash or non-recurring items. The Company also adjusts for incremental leasing costs, which is a recognized adjustment to FFO.

Unencumbered Aggregate Assets

Unencumbered aggregate assets represents the value of assets that have not been pledged as security under a credit agreement or mortgage. The unencumbered aggregate asset value ratio is calculated as unencumbered aggregate assets divided by the principal amount of unsecured debt, which consists of bank indebtedness, unsecured credit facilities and senior unsecured debentures. This ratio is used by Management to assess the flexibility of the Company to obtain various forms of debt financing at a reasonable cost of capital.

SUMMARY CONSOLIDATED INFORMATION AND HIGHLIGHTS

As at September 30	**2017**	2016
Operations Information		
Number of properties	**159**	159
GLA (square feet) – at 100%	**25,168,000**	25,137,000
GLA (square feet) – at proportionate interest	**23,751,000**	23,721,000
Occupancy – Same Property – stable (1)	**96.4%**	96.2%
Total portfolio occupancy	**95.3%**	94.9%
Development pipeline and adjacent land (GLA) (2)		
Retail pipeline	**2,477,000**	3,131,000
Residential pipeline	**11,856,000**	11,156,000
Average rate per occupied square foot	**$ 19.48**	$ 19.11
GLA developed and brought online - at proportionate interest	**110,000**	159,000
Same Property – stable NOI – increase (decrease) over prior period (1) (3) (4)	**2.0%**	0.2%
Total Same Property NOI – increase (decrease) over prior period (1) (3) (4)	**2.7%**	0.8%
Financial Information (5)		
Investment properties – shopping centres (6)	**$ 9,022,883**	$ 8,320,879
Investment properties – development land (6)	**$ 79,053**	$ 73,653
Total assets	**$ 9,861,267**	$ 9,068,841
Mortgages (6)	**$ 1,025,281**	$ 1,014,259
Credit facilities	**$ 430,945**	$ 263,438
Senior unsecured debentures	**$ 2,720,626**	$ 2,546,104
Convertible debentures	**$ 54,181**	$ 207,373
Shareholders' equity	**$ 4,618,170**	$ 4,171,426
Capitalization and Leverage		
Shares outstanding (in thousands)	**243,964**	243,106
Enterprise value (1)	**$ 9,170,000**	$ 9,478,000
Net debt to total assets (1) (4)	**43.3%**	42.4%
Weighted average term to maturity on mortgages and senior unsecured debentures (years)	**5.4**	5.5

	Three months ended September 30		Nine months ended September 30	
	2017	2016	**2017**	2016
Revenues, Income and Cash Flows [5]				
Revenues and other income	**$ 179,363**	$ 172,972	**$ 538,067**	$ 516,041
NOI [1]	**$ 110,610**	$ 107,612	**$ 326,172**	$ 315,691
Increase (decrease) in value of investment properties, net	**$ 17,906**	$ 46,237	**$ 441,353**	$ 205,986
Net income attributable to common shareholders	**$ 83,046**	$ 88,464	**$ 558,256**	$ 324,975
Net income per share attributable to common shareholders (diluted)	**$ 0.34**	$ 0.36	**$ 2.25**	$ 1.36
Weighted average number of common shares – diluted – IFRS (in thousands)	**$ 248,626**	$ 250,596	**$ 249,751**	$ 243,585
Cash provided by operating activities	**$ 85,956**	$ 68,607	**$ 162,793**	$ 159,648
Dividends				
Dividends	**$ 52,612**	$ 52,375	**$ 157,733**	$ 151,759
Dividends per common share	**$ 0.215**	$ 0.215	**$ 0.645**	$ 0.645
Funds from Operations [1] [4]				
Operating FFO	**$ 73,298**	$ 68,789	**$ 212,457**	$ 194,492
Operating FFO per diluted share	**$ 0.30**	$ 0.29	**$ 0.87**	$ 0.83
Operating FFO payout ratio	**71.7%**	74.1%	**74.1%**	77.7%
FFO	**$ 73,720**	$ 67,451	**$ 210,925**	$ 195,720
FFO per diluted share	**$ 0.30**	$ 0.28	**$ 0.86**	$ 0.84
FFO payout ratio	**71.7%**	76.8%	**75.0%**	76.8%
Weighted average number of common shares – diluted – FFO (in thousands)	**245,137**	240,708	**245,014**	233,453
Adjusted Cash Flow from Operations [1] [4]				
ACFO	**$ 72,221**	$ 67,507	**$ 180,642**	$ 178,392
ACFO payout ratio on a rolling four quarter basis			**89.4%**	N/A

(1) Refer to the "Non-IFRS Financial Measures" section of this MD&A.

(2) At the Company's proportionate interest. Square footage does not include potential development on properties held by the Company's MMUR joint venture. Refer to the "Business and Operations Review – Properties Under Development – Main and Main Urban Realty" section of this MD&A.

(3) Calculated based on the year-to-date NOI. Prior period amounts not restated for current period property categories.

(4) Reflects joint ventures proportionately consolidated. Refer to the "Non-IFRS Financial Measures – *Proportionate Interest*" section of this MD&A.

(5) Presented in accordance with IFRS.

(6) Includes properties and mortgages classified as held for sale.

BUSINESS AND OPERATIONS REVIEW

Real Estate Investments

Investment Property Categories

The Company categorizes its properties for the purposes of evaluating operating performance including Total 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:

Total 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 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 façade, 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

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			**September 30, 2017**	December 31, 2016
	Condensed Consolidated Balance Sheet [1]	Adjustments for Proportionate Interest	**Proportionate Interest**	Proportionate Interest
ASSETS				
Investment properties – shopping centres	$ 8,957,133	$ 64,695	**$ 9,021,828**	$ 8,481,385
Investment properties – development land	72,041	19,537	**91,578**	156,027
Residential development inventory	5,483	9,956	**15,439**	11,127
Investment in joint ventures	179,610	(179,610)	**—**	—
Investment properties classified as held for sale	72,762	150,464	**223,226**	83,050
Other	574,238	5,969	**580,207**	439,103
Total assets	$ 9,861,267	$ 71,011	**$ 9,932,278**	$ 9,170,692
LIABILITIES				
Mortgages	$ 1,025,281	$ 41,899	**$ 1,067,180**	$ 1,042,538
Credit facilities	430,945	11,181	**442,126**	308,279
Debt secured by investment properties held for sale	10,872	60,463	**71,335**	—
Other	3,729,044	4,423	**3,733,467**	3,624,612
Total liabilities	5,196,142	117,966	**5,314,108**	4,975,429
EQUITY				
Shareholders' equity	4,618,170	—	**4,618,170**	4,195,263
Non-controlling interest	46,955	(46,955)	**—**	—
Total equity	4,665,125	(46,955)	**4,618,170**	4,195,263
Total liabilities and equity	$ 9,861,267	$ 71,011	**$ 9,932,278**	$ 9,170,692

[1] Certain assets and liabilities have been grouped for purposes of this reconciliation.

Portfolio Overview

As at September 30, 2017, the Company had interests in 159 investment properties – shopping centres, which were 95.3% occupied with a total GLA of 25.2 million square feet (23.8 million square feet at the Company's proportionate interest) and a fair value of $9.1 billion. This compares to 160 investment properties – shopping centres, which were 94.9% occupied with a total GLA of 25.3 million square feet (23.8 million square feet at the Company's proportionate share) and a fair value of $8.5 billion as at December 31, 2016. As at September 30, 2017, the average size of the shopping centres is approximately 158,000 square feet, ranging from approximately 9,200 to over 573,000 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 145 properties with a GLA of 21.8 million square feet (20.7 million square feet at the Company's proportionate interest) and a fair value of $7.4 billion. These properties represent 91.2% of the Company's property count, 87.2% of its GLA and 81.3% of its fair value and generated $284.3 million in NOI for the nine months ended September 30, 2017 or 86.0% of the Company's total NOI.

The balance of the Company's real estate assets consists of shopping centres which are in various stages of redevelopment, shopping centres acquired in 2017 or 2016 and properties in close proximity to them, as well as properties held for sale.

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

As at	**September 30, 2017**					December 31, 2016				
(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	**131**	**17,577**	**$ 6,180**	**96.4%**	**$ 18.90**	131	17,583	$ 5,831	96.3%	$ 18.77
Same Property with redevelopment	**14**	**3,128**	**1,204**	**95.8%**	**20.12**	14	3,078	1,099	96.2%	19.83
Total Same Property	**145**	**20,705**	**7,384**	**96.3%**	**19.08**	145	20,661	6,930	96.3%	18.93
Major redevelopment	**8**	**2,000**	**1,111**	**87.6%**	**23.30**	8	1,972	1,035	84.2%	23.33
Ground-up development	**1**	**109**	**193**	**100.0%**	**29.70**	1	105	176	99.4%	32.18
Acquisitions – 2017	**—**	**10**	**26**	**70.9%**	**43.19**	—	—	—	—%	—
Acquisitions – 2016	**4**	**615**	**308**	**93.2%**	**22.93**	4	617	282	93.1%	22.54
Investment properties classified as held for sale	**1**	**312**	**66**	**84.0%**	**11.26**	1	312	50	84.1%	11.39
Dispositions – 2017	**—**	**—**	**—**	**—%**	**—**	1	153	42	81.6%	15.91
Total [1]	**159**	**23,751**	**$ 9,088**	**95.3%**	**$ 19.48**	160	23,820	$ 8,515	94.9%	$ 19.30

[1] At the Company's proportionate interest, excluding the fair value of MMUR's investment properties of $55 million as at September 30, 2017 and $49 million as at December 31, 2016.

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

As at	September 30, 2017							December 31, 2016						
(millions of dollars, except other data)	**Number of Properties**	**GLA (000s sq. ft.)**	**Fair Value**	**% of Total Fair Value**	**Occupancy**	**Weighted Average Rate per Occupied Square Foot**	**% of Annual Minimum Rent**	Number of Properties	GLA (000s sq. ft.)	Fair Value	% of Total Fair Value	Occupancy	Weighted Average Rate per Occupied Square Foot	% of Annual Minimum Rent
Central Region														
Greater Toronto Area	**46**	**6,781**	**$ 3,368**	**37%**	**96.3%**	**$ 22.44**	**33%**	46	6,757	$ 3,085	36%	96.5%	$ 22.11	33%
Golden Horseshoe Area	**8**	**1,591**	**438**	**5%**	**99.1%**	**16.05**	**6%**	8	1,570	405	5%	95.7%	15.91	6%
London Area	**7**	**733**	**180**	**2%**	**94.9%**	**15.41**	**2%**	7	783	173	2%	93.7%	15.16	3%
	61	**9,105**	**3,986**	**44%**	**96.7%**	**20.74**	**41%**	61	9,110	3,663	43%	96.1%	20.46	42%
Eastern Region														
Greater Montreal Area	**32**	**4,501**	**1,243**	**14%**	**92.0%**	**16.43**	**16%**	32	4,491	1,189	14%	90.3%	16.43	15%
Greater Ottawa Area	**11**	**1,728**	**504**	**6%**	**96.7%**	**16.75**	**6%**	11	1,728	474	6%	96.9%	16.69	6%
Quebec City	**5**	**994**	**190**	**2%**	**92.3%**	**11.20**	**2%**	5	989	175	2%	93.5%	11.29	2%
Other	**2**	**219**	**44**	**—%**	**99.2%**	**13.82**	**1%**	2	218	43	1%	100.0%	13.43	1%
	50	**7,442**	**1,981**	**22%**	**93.3%**	**15.73**	**25%**	50	7,426	1,881	23%	92.5%	15.71	24%
Western Region														
Greater Calgary Area	**16**	**2,506**	**1,111**	**12%**	**94.9%**	**22.55**	**12%**	16	2,500	1,041	12%	95.5%	22.46	12%
Greater Vancouver Area	**19**	**2,145**	**1,106**	**12%**	**95.0%**	**23.28**	**11%**	20	2,241	1,054	12%	95.5%	22.64	11%
Greater Edmonton Area	**12**	**2,309**	**823**	**9%**	**97.4%**	**19.29**	**10%**	12	2,299	794	9%	97.0%	19.11	10%
Red Deer	**1**	**244**	**81**	**1%**	**92.1%**	**20.46**	**1%**	1	244	82	1%	93.1%	20.25	1%
	48	**7,204**	**3,121**	**34%**	**95.6%**	**21.63**	**34%**	49	7,284	2,971	34%	95.9%	21.37	34%
Total [1]	**159**	**23,751**	**$ 9,088**	**100%**	**95.3%**	**$ 19.48**	**100%**	160	23,820	$ 8,515	100%	94.9%	$ 19.30	100%

[1] At the Company's proportionate interest, excluding MMUR of $55 million and $49 million for 2017 and 2016, respectively.

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 September 30		Nine months ended September 30	
(millions of dollars)	**2017**	2016	**2017**	2016
Balance at beginning of period	**$ 8,961**	$ 8,252	**$ 8,453**	$ 7,871
Acquisitions				
Shopping centres and additional adjacent spaces	**16**	—	**27**	197
Shopping centres acquired for redevelopment	**—**	16	**—**	16
Development activities and property improvements	**39**	56	**155**	159
Increase (decrease) in value of investment properties, net	**19**	46	**434**	205
Dispositions	**(13)**	(50)	**(47)**	(128)
Other changes	**1**	1	**1**	1
Balance at end of period	**$ 9,023**	$ 8,321	**$ 9,023**	$ 8,321
Investment in joint ventures – shopping centres	**120**	112	**120**	112
At the Company's proportionate interest end of period (1)	**$ 9,143**	$ 8,433	**$ 9,143**	$ 8,433

(1) Includes investment properties classified as held for sale as at September 30, 2017 and 2016 totaling $121 million and $83 million, respectively.

2017 Acquisitions

Income-producing properties – Shopping Centres and Additional Adjacent Spaces

During the nine months ended September 30, 2017, the Company acquired three properties in close proximity to existing shopping centres as well as increased its interest in two existing properties, as summarized in the table below:

Count	Property	City/Province	Quarter Acquired	Interest Acquired	GLA (sq. ft.) (1)	Acquisition Cost (in millions)
1.	McKenzie Scotiabank (McKenzie Towne Centre)	Calgary, AB	Q2	100%	7,300	$ 6.5
2.	Domaine Metro Land (Centre Domaine) (2)	Montreal, QC	Q2	50%	—	2.6
3.	4455-4457 Kingston Rd. (Morningside Crossing)	Toronto, ON	Q2	100%	7,100	1.7
4.	1507 Avenue Rd. (Avenue & Lawrence)	Toronto, ON	Q3	100%	3,000	6.7
5.	300 Hunt Club Road (Hunt Club Marketplace) (3)	Ottawa, ON	Q3	33%	41,900	9.1
	Total				59,300	$ 26.6

(1) At the Company's proportionate interest, excluding MMUR.

(2) The Company acquired an additional 50% interest in the property, increasing its total ownership interest to 100%.

(3) The Company acquired an additional 33% interest in the property, increasing its total ownership interest to 66%.

2017 Dispositions

During the nine months ended September 30, 2017, the Company disposed of interests in six properties, one land parcel, as well as a surplus building, 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.	746 Baseline Rd.	London, ON	Q1	100%	48,600	2.0	
2.	McLaughlin Corners East	Mississauga, ON	Q1	50%	7,800	1.5	
3.	Carrefour St. Hubert	Longueuil, QC	Q1	100%	—	2.2	
4.	Pemberton II, 1640 Bridgman Ave.	North Vancouver, BC	Q2	100%	4,900	0.2	
5.	2525-2529 Danforth Ave.	Toronto, ON	Q3	100%	1,000	0.3	
6.	McKenzie Professional Centre	Saanich, BC	Q3	100%	44,200	2.0	
7.	Victoria Professional Centre	Victoria, BC	Q3	100%	39,600	1.6	
8.	Cook Street Plaza	Victoria, BC	Q3	100%	8,200	0.4	
	Total				154,300	10.2	$ 47.1

(1) At the Company's proportionate interest, excluding MMUR.

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, overhead including applicable salaries and 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:

Nine months ended September 30			**2017**	2016
	Total Same Property	**Other Property Categories**	**Total**	Total
Revenue sustaining	**$ 15,250**	**$ —**	**$ 15,250**	$ 10,122
Revenue enhancing	**13,803**	**11,745**	**25,548**	30,288
Expenditures recoverable from tenants	**3,917**	**670**	**4,587**	7,901
Development expenditures	**14,854**	**99,203**	**114,057**	112,992
Total [1]	**$ 47,824**	**$ 111,618**	**$ 159,442**	$ 161,303

(1) At the Company's proportionate interest, excluding MMUR.

During the nine months ended September 30, 2017, capital expenditures totaled $159.4 million compared to $161.3 million for the same prior year period. The $1.9 million decrease was primarily the result of lower recoverable expenditures offset by increased development spend over the prior year period. Development expenditures increased by $1.1 million over the same prior year period primarily related to the major redevelopment projects currently underway including Yorkville Village, King High Line and 3080 Yonge Street.

Valuation of Investment Properties

During the nine months ended September 30, 2017, the weighted average stabilized capitalization rate of the Company's investment property portfolio (at its proportionate interest) decreased from 5.5% as at December 31, 2016 to 5.3%, primarily due to an overall compression in capitalization rates in Toronto and Vancouver, as well as stabilized NOI growth across the portfolio. The Company's proportionate interest in the net increase in value of investment properties was $464.3 million for the nine months ended September 30, 2017.

The values of the Company's proportionate interest in its shopping centres and associated capitalization rates by region were as follows as at September 30, 2017 and December 31, 2016:

As at September 30, 2017		**Capitalization Rate**			
(millions of dollars)	**Number of Properties**	**Weighted Average**	**Median**	**Range**	**Fair Value**
Central Region	**61**	**5.1%**	**5.3%**	**3.8%-7.0%**	**$ 3,986**
Eastern Region	**50**	**5.9%**	**6.0%**	**5.0%-7.0%**	**1,981**
Western Region	**48**	**5.2%**	**5.3%**	**3.8%-6.0%**	**3,121**
Total or Weighted Average [1]	**159**	**5.3%**	**5.5%**	**3.8%-7.0%**	**$ 9,088**

[1] At the Company's proportionate interest, excluding MMUR.

As at December 31, 2016		Capitalization Rate			
(millions of dollars)	Number of Properties	Weighted Average	Median	Range	Fair Value
Central Region	61	5.3%	5.5%	4.1%-7.0%	$ 3,663
Eastern Region	50	5.9%	6.0%	5.0%-7.0%	1,881
Western Region	49	5.3%	5.5%	4.3%-6.5%	2,971
Total or Weighted Average [1]	160	5.5%	5.8%	4.1%-7.0%	$ 8,515

[1] At the Company's proportionate interest, excluding MMUR.

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 of 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 14.3 million square feet of incremental density available in the portfolio for future development of which 0.5 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 September 30, 2017	Square feet (in thousands) [1]		
	Retail	Residential	Total
Active Development			
Same Property with redevelopment	47	—	47
Major redevelopment	199	—	199
Ground-up development	131	156	287
	377	**156**	**533**
Future uncommitted incremental density			
Medium term	1,000	2,800	3,800
Long term	1,100	8,900	10,000
	2,100	**11,700**	**13,800**
Total development pipeline	**2,477**	**11,856**	**14,333**

(1) At the Company's proportionate interest, excluding MMUR.

The Company determines its course of action with respect to the 11.7 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 long term.

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

Invested Cost of Properties Under Development

As at September 30, 2017, the Company had $575.0 million of properties under development and development land parcels at invested cost, representing approximately 6.2% of the value of the total portfolio.

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

As at September 30, 2017			Invested Cost (in millions)		
	Number of Projects	Square Feet [1] [2] (in thousands)	Active Development	Pre-Development	Total [3]
Same Property with redevelopment	5	47	$ 19	$ —	$ 19
Major redevelopment	4	199	135	106	241
Ground-up development	2	287	141	—	141
Total development and redevelopment activities	**11**	**533**	**$ 295**	**$ 106**	**$ 401**
Total development land and adjacent land parcels				$ 174	$ 174
Total				**$ 280**	**$ 575**

(1) Includes 156,000 square feet of residential rental apartments.

(2) Square footage relates to active development only.

(3) At the Company's proportionate interest, excluding MMUR.

2017 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 nine months ended September 30, 2017, the Company completed the transfer of 110,000 square feet of new urban retail space from development to the income-producing portfolio at a cost of $100.2 million. Of the space transfered, 108,000 square feet became occupied at an average rental rate of $37.44 per square foot, well above the average rate for the portfolio of $19.48, 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 nine months ended September 30, 2017, the Company had tenant closures for redevelopment of 33,000 square feet at an average rental rate of $27.79 per square foot. Of the 33,000 square feet, 21,000 square feet was 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 5.1% 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 are higher than currently forecasted costs, if final lease terms are lower than forecasted 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, materials, architecture, lighting, parking, access, pedestrian amenities, accessibility, as well as development to Leadership in Energy and Environment Design ("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 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 47,000 square feet under active redevelopment, 42,000 square feet is subject to committed leases at a weighted average rate of $30.78 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 September 30, 2017 are as follows:

As at September 30, 2017					
			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. 685 Fairway Road, Kitchener, ON [2] *(MEC, TD Canada Trust)*	10	H2 2017	$ 14	$ 9	$ 5
2. Parkway Mall, Toronto, ON *(TD Canada Trust)*	6	H2 2017	4	2	2
3. Carrefour du Versant Ouest, Gatineau, QC *(A&W)*	2	H2 2017	2	1	1
4. 3959 Shelbourne, Victoria, BC *(CIBC)*	8	H1 2018	6	4	2
5. Brampton Corners, Brampton, ON *(PetSmart)*	21	H2 2018	9	3	6
Total Same Property with redevelopment	**47**		**$ 35**	**$ 19**	**$ 16**

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

(2) Approximately 26,000 square feet and $9 million of invested cost has been transferred to income-producing properties related to this project.

Major Redevelopment

The Company has four projects under active development in the major redevelopment property category. Of the approximately 199,000 square feet under active redevelopment, 67,100 square feet is subject to committed leases at a weighted average rate of $35.35 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 retail space.

Highlights of the Company's major redevelopment projects underway as at September 30, 2017, including costs for completed phases, are as follows:

As at September 30, 2017								
	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 *(Whole Foods Market, Equinox Fitness)*	264	227	37	H1 2018 [3]	$ 400	$ 28	$ 342	$ 30
2. 3080 Yonge Street, Toronto, ON *(Loblaws)*	245	197	48	H1 2018	131	30	89	12
3. Mount Royal West, Calgary, AB *(Urban Fare, Canadian Tire)*	93	—	93	H2 2018	70	47	—	23
4. 102 - 108 Yorkville, Toronto, ON *(Jimmy Choo, Her Majesty's Pleasure (Salon))*	21	—	21	H2 2018	48	30	—	18
Total Major Redevelopment	**623**	**424**	**199**		**$ 649**	**$ 135**	**$ 431**	**$ 83**

(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 2018; partial redevelopment of street assets is 2018 and beyond. In Q2-2017, redevelopment of the street assets at 102 - 108 Yorkville commenced and has been reclassified as a separate project.

Ground-up Development

The Company has two projects under active development in the ground-up development property category. These projects are comprised of approximately 287,000 square feet of space currently under development, of which 131,000 square feet is retail space and 156,000 square feet is residential rental apartments. A total of 48,900 square feet of the retail space currently under development is subject to committed leases at a weighted average rate of $32.04 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 planned space. Leasing of the residential space is expected to occur in mid-2018.

Highlights of the Company's ground-up projects underway as at September 30, 2017, including costs for completed phases, are as follows:

As at September 30, 2017	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 [1]	Total Estimated incl. Land	Under Development	Income-producing property	Estimated Cost to Complete
Active development								
1. The Brewery District, Edmonton, AB [2] [3]	158	109	49	H2 2019	$ 96	$ 18	$ 70	$ 8
(Loblaws City Market, Shoppers Drug Mart, GoodLife Fitness, MEC, Winners)								
2. King High Line (Shops at King Liberty), Toronto, ON [2] [4]	238	—	238	H1 2019	182	123	—	59
Total Ground-up Development	**396**	**109**	**287**		**$ 278**	**$ 141**	**$ 70**	**$ 67**

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

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

(3) Target completion date relates to buildings currently under construction. Total estimated square feet and invested cost include buildings not yet started. In Q2-2017, construction commenced on a new building and therefore target completion date has been revised to H2 2019 from H2 2017.

(4) The square feet under development comprises 82,000 square feet of retail and 156,000 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.

Costs to Complete Active and Redevelopment Activities

Costs to complete the development, redevelopment and expansion activities underway are estimated to be approximately $166 million. Costs to complete Same Property related developments are planned at $16 million. Costs to complete major redevelopments and ground-up developments, respectively, are planned at $29 million and $22 million in 2017, and $54 million and $45 million thereafter.

Main and Main Urban Realty

Main and Main Urban Realty ("MMUR") is a Toronto and Ottawa urban development partnership between the Company, Main and Main Developments (itself, a joint venture between the Company and a private developer) and a prominent Canadian institutional investor. Each of MMUR's assembly projects are located on a major street in Toronto or Ottawa. As at September 30, 2017 the Company's equity investment in MMUR is approximately $119.2 million via its direct and indirect interests which includes a loan to one of its joint venture partners. Main and Main Developments was retained to provide asset and property management services for the real estate portfolio. The Company's proportionate interest in MMUR is 37.7%.

In the third quarter of 2017, MMUR reclassified 14 development properties and 6 income-producing properties to held for sale. MMUR has initiated marketing of 19 properties as a portfolio sale and another development property separately. Expected closing dates are within the next 12 months. MMUR will retain three remaining development properties with the intention of completing its redevelopment plans with their respective joint venture partners.

The following table summarizes key information about MMUR's portfolio.

As at September 30		**2017**		2016
Number of assemblies		**23**		23
Number of income-producing properties		**8**		8
Projects in active development / pre-development phase		**2 / 13**		2 / 13
GLA (square feet) [1]		**156,100**		110,500
Development expenditures year-to-date [1]	**$**	**9,193**	$	4,677
Other capital expenditures year-to-date [1]	**$**	**327**	$	80
Development pipeline and adjacent land (GLA) [1]				
Retail pipeline [1]		**99,000**		113,000
Residential pipeline [1]		**553,000**		565,000
Total investment properties - shopping centres [1]	**$**	**—**	$	59,669
Total investment properties - development [1]	**$**	**19,537**	$	64,971
Total investment properties - held for sale	**$**	**150,464**	$	—
Total assets [1]	**$**	**171,950**	$	134,581
Mortgages [1]	**$**	**—**	$	2,749
Credit facilities [1]	**$**	**11,181**	$	49,900
Credit facilities secured by investment properties held for sale	**$**	**60,463**	$	—

Nine months ended September 30		**2017**		2016
Revenue [1]	**$**	**3,902**	$	2,403
Expenses [1]	**$**	**2,272**	$	1,613
Increase (decrease) in value of investment properties [1]	**$**	**19,797**	$	3,590

[1] At the Company's 37.7% proportionate interest in MMUR.

Leasing and Occupancy

Monthly average occupancy for the nine months ended September 30, 2017 was relatively consistent with the same prior year period for both the total portfolio and the Same Property portfolio. For the nine months ended September 30, 2017, the monthly average occupancy for the total portfolio was 94.8% compared to 94.9% and Same Property portfolio occupancy was 96.0% compared to 96.1% for the same prior year period, respectively.

As at September 30, 2017, total portfolio occupancy increased 0.3% to 95.3% while the Same Property portfolio occupancy was up 0.3% to 96.3% compared to June 30, 2017. The increase was primarily due to new tenants taking possession of approximately 111,000 square feet of space. Total portfolio occupancy was up 0.4% while the Same Property portfolio was up 0.1% compared to September 30, 2016.

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

As at		**September 30, 2017**			December 31, 2016	
(square feet in thousands)	**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	**16,937**	**96.4%**	**$ 18.90**	16,931	96.3%	$ 18.77
Same Property with redevelopment	**2,997**	**95.8%**	**20.12**	2,959	96.2%	19.83
Total Same Property	**19,934**	**96.3%**	**19.08**	19,890	96.3%	18.93
Major redevelopment	**1,751**	**87.6%**	**23.30**	1,660	84.2%	23.33
Ground-up development	**109**	**100.0%**	**29.70**	104	99.4%	32.18
Investment properties classified as held for sale	**263**	**84.0%**	**11.26**	263	84.1%	11.39
Total portfolio before acquisitions and dispositions	**22,057**	**95.4%**	**19.38**	21,917	95.1%	19.23
Acquisitions – 2017	**7**	**70.9%**	**43.19**	—	—%	—
Acquisitions – 2016	**573**	**93.2%**	**22.93**	574	93.1%	22.54
Dispositions – 2017	**—**	**—%**	**—**	125	81.6%	15.91
Total [1]	**22,637**	**95.3%**	**$ 19.48**	22,616	94.9%	$ 19.30

[1] At the Company's proportionate interest, excluding MMUR.

During the three months ended September 30, 2017, the Company achieved an 3.2% overall rate increase per occupied square foot on 438,000 square feet of renewal leases over the expiring lease rates, of which the rate increase for the Same Property portfolio was 2.7% on 348,000 square feet of renewals.

The average rental rate per occupied square foot for the total portfolio increased from $19.39 as at June 30, 2017 to $19.48 as at September 30, 2017 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 $25.00 to $27.00, if the portfolio were at market.

Changes in the Company's gross leasable area and occupancy for the total portfolio for the three months ended September 30, 2017 are set out below:

Three months ended September 30, 2017	Total Same Property			Major redevelopment, ground-up, acquisitions and dispositions			Vacancy				Total Portfolio [1]		
	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
June 30, 2017 [2]	**19,878**	**96.0%**	**$ 19.04**	**2,719**	**87.8%**	**$ 21.94**	**197**	**0.8%**	**1,004**	**4.2%**	**23,798**	**95.0%**	**$ 19.39**
Tenant possession	218		14.50	43		12.81	—		(261)		—		14.22
Tenant closures	(168)		(17.56)	(35)		(20.00)	—		203		—		(17.98)
Tenant closures for redevelopment	(2)		(13.54)	(1)		(126.80)	3		—		—		(52.67)
Developments – tenants coming online [3]	9		40.58	39		43.07	—		—		48		42.59
Redevelopments – tenant openings coming online	—		—	12		11.75	(12)		—		—		11.75
Demolitions	—		—	—		—	(1)		—		(1)		—
Reclassification	(1)		—	5		—	(1)		(7)		(4)		—
Total portfolio before Q3 2017 acquisitions and dispositions	19,934	96.3%	$ 19.08	2,782	88.7%	$ 22.18	186	0.8%	939	3.9%	23,841	95.3%	$ 19.46
Acquisitions (at date of acquisition)	—	—%	—	—	—%	—	—		3		3	—%	—
Dispositions (at date of disposition)	—	—	—	(79)	85.0%	15.88	—		(14)		(93)	85.0%	15.88
September 30, 2017	**19,934**	**96.3%**	**$ 19.08**	**2,703**	**88.7%**	**$ 22.37**	**186**	**0.8%**	**928**	**3.9%**	**23,751**	**95.3%**	**$ 19.48**
Renewals	348		$ 17.88	90		$ 19.07					438		$ 18.13
Renewals – expired	(348)		$ (17.41)	(90)		$ (18.14)					(438)		$ (17.56)
Net change per square foot from renewals			$ 0.47			$ 0.93							$ 0.57
% Increase on renewal of expiring rents			2.7%			5.1%							3.2 %

(1) At the Company's proportionate interest, excluding MMUR.

(2) Opening balances have been adjusted to reflect the current period presentation.

(3) For further discussion of development and redevelopment coming online and under development vacancy, refer to the "Properties Under Development – 2017 Development and Redevelopment Coming Online and Space Going Offline" section of this MD&A.

During the nine months ended September 30, 2017, the Company achieved a 6.0% overall rate increase per occupied square foot on 1,130,000 square feet of renewal leases over the expiring lease rates. The rate increase for the Same Property portfolio was 6.9% on 921,000 square feet of renewals.

The average rental rate per occupied square foot for the total portfolio increased from $19.30 as at December 31, 2016 to $19.48 as at September 30, 2017 primarily due to rent escalations.

Changes in the Company's gross leasable area and occupancy for the total portfolio for the nine months ended September 30, 2017 are set out below:

Nine months ended September 30, 2017	Total Same Property			Major redevelopment, ground-up, acquisitions and dispositions			Vacancy				Total Portfolio [1]		
	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, 2016 [2]	**19,890**	**96.3%**	**$ 18.93**	**2,726**	**86.3%**	**$ 22.01**	**188**	**0.8%**	**1,016**	**4.3%**	**23,820**	**94.9%**	**$ 19.30**
Tenant possession	555		14.86	161		12.94	—		(716)		—		14.43
Tenant closures	(544)		(15.94)	(119)		(15.76)	—		663		—		(15.91)
Tenant closures for redevelopment	(16)		(14.00)	(18)		(40.05)	33		—		(1)		(27.79)
Developments – tenants coming online [3]	42		31.41	66		41.22	—		2		110		37.44
Redevelopments – tenant possession	—		—	12		11.75	(12)		—		—		11.75
Demolitions	—		—	—		—	(21)		—		(21)		—
Reclassifications	5		—	(5)		—	(2)		(18)		(20)		—
Total portfolio before 2017 acquisitions and dispositions	19,932	96.3%	$ 19.08	2,823	88.5%	$ 22.02	186	0.8%	947	4.0%	23,888	95.3%	$ 19.45
Acquisitions (at date of acquisition)	2	27.7%	11.74	7	70.9%	—	—		8		17	53.3%	36.54
Dispositions (at date of disposition)	—	—	—	(127)	82.2%	15.78	—		(27)		(154)	82.2%	15.78
September 30, 2017	**19,934**	**96.3%**	**$ 19.08**	**2,703**	**88.7%**	**$ 22.37**	**186**	**0.8%**	**928**	**3.9%**	**23,751**	**95.3%**	**$ 19.48**
Renewals	921		$ 19.89	209		$ 18.58					1,130		$ 19.65
Renewals – expired	(921)		$ (18.61)	(209)		$ (18.18)					(1,130)		$ (18.54)
Net change per square foot from renewals			$ 1.28			$ 0.40							$ 1.11
% Increase on renewal of expiring rents			6.9%			2.2%							6.0%

(1) At the Company's proportionate interest, excluding MMUR.

(2) Opening balances have been adjusted to reflect the current period presentation.

(3) For further discussion of development and redevelopment coming online and under development vacancy, refer to the "Properties Under Development – 2017 Development and Redevelopment Coming Online and Space Going Offline" section of this MD&A.

Top Forty Tenants

As at September 30, 2017, 54.9% of the Company's annualized minimum rent came from its top 40 tenants (December 31, 2016 – 54.9%). Of these rents, 63.9% came from tenants that have investment grade credit ratings and who represent many of Canada's leading grocery stores, 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 6.5 years as at September 30, 2017, 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")	98	2,363	10.0%	10.4%	BBB	BBB	
2.	Sobeys	57	2,007	8.5%	6.5%	BB (high)	BB+	
3.	Metro	35	1,188	5.0%	3.4%	BBB	BBB	
4.	Walmart	15	1,491	6.3%	2.8%	AA	AA	Aa2
5.	Canadian Tire	25	830	3.5%	2.7%	BBB (high)	BBB+	
6.	TD Canada Trust	49	243	1.0%	2.1%	AA	AA-	Aa2
7.	RBC Royal Bank	45	241	1.0%	1.9%	AA	AA-	A1
8.	GoodLife Fitness	26	565	2.4%	1.9%			
9.	Dollarama	53	501	2.1%	1.8%	BBB		
10.	CIBC	36	195	0.8%	1.5%	AA	A+	A1
Top 10 Tenants Total		439	9,624	40.6%	35.0%			
11.	LCBO	23	213	0.9%	1.3%	AA (low)	A+	Aa2
12.	Lowes	4	361	1.5%	1.2%	A (low)	A-	A3
13.	Restaurant Brands International	62	153	0.6%	1.1%		B+	B1
14.	Rexall	17	167	0.7%	1.1%			
15.	BMO	30	131	0.5%	1.1%	AA	A+	A1
16.	London Drugs	10	233	1.0%	1.1%			
17.	Scotiabank	25	128	0.5%	1.0%	AA	A+	A1
18.	Staples	11	252	1.1%	0.9%		B+	B1
19.	Save-On-Foods	6	211	0.9%	0.8%			
20.	Winners	10	248	1.0%	0.8%		A+	A2
21.	Longo's	4	162	0.7%	0.7%			
22.	Starbucks	43	67	0.3%	0.7%		A	A2
23.	Jean Coutu	13	175	0.7%	0.7%			
24.	SAQ	21	102	0.4%	0.6%	A (high)	AA-	Aa2
25.	Michaels	5	88	0.4%	0.6%		BB-	Ba2
26.	Cara	24	101	0.4%	0.6%			
27.	Subway	70	79	0.3%	0.6%			
28.	Whole Foods Market	2	90	0.4%	0.5%		A+	Baa1
29.	McDonald's	23	87	0.4%	0.5%		BBB+	Baa1
30.	Pusateri's	1	35	0.1%	0.5%			
31.	The Beer Store	12	69	0.3%	0.5%	AA (low)	A+	Aa2
32.	Toys "R" Us	3	127	0.5%	0.4%		D	
33.	Yum! Brands	30	50	0.2%	0.4%		BB	Ba3
34.	The Home Depot	2	153	0.6%	0.4%	A	A	A2
35.	Liquor Stores	14	50	0.2%	0.3%			
36.	Williams-Sonoma	2	38	0.2%	0.3%			
37.	Pet Valu	19	54	0.2%	0.3%			
38.	Reitmans	15	57	0.2%	0.3%			
39.	Hudson's Bay Company	2	73	0.3%	0.3%		B	B2
40.	Uniprix	6	63	0.3%	0.3%			
Top 40 Tenants Total (3)		**948**	**13,441**	**56.4%**	**54.9%**			

(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.
(3) At the Company's proportionate interest, excluding MMUR.

Lease Maturity Profile

The Company's lease maturity profile for its shopping centre portfolio as at September 30, 2017, 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]	144	277	1.2%	$ 4,919	1.1%	$ 17.79
2017	150	489	2.1%	7,227	1.6%	14.78
2018	658	2,862	12.1%	49,334	10.7%	17.24
2019	666	2,886	12.2%	55,408	12.0%	19.20
2020	601	2,667	11.2%	52,715	11.4%	19.77
2021	520	2,436	10.3%	49,482	10.7%	20.31
2022	558	3,026	12.7%	64,400	14.0%	21.28
2023	232	1,740	7.3%	32,259	7.0%	18.53
2024	178	1,061	4.5%	22,914	5.0%	21.60
2025	182	965	4.1%	23,644	5.1%	24.51
2026	163	910	3.8%	24,387	5.3%	26.79
2027	165	987	4.2%	23,689	5.1%	24.01
Thereafter	121	2,331	9.6%	50,282	11.0%	21.57
Total or Weighted Average [2]	4,338	22,637	95.3%	$ 460,660	100.0%	$ 20.35

(1) Includes tenants on over hold including renewals and extensions under negotiation, month-to-month tenants and tenants in space at properties with future redevelopment.
(2) At the Company's proportionate interest, excluding MMUR.

The weighted average remaining lease term for the portfolio was 5.9 years as at September 30, 2017, excluding contractual renewal options, but including month-to-month and other short-term leases with tenants in properties with pre-development activities underway.

Loans, Mortgages and Other Real Estate Assets

As at	**September 30, 2017**	December 31, 2016
Non-current		
Loans and mortgages receivable (a)	**$ 130,070**	$ 131,955
Available-for-sale investment in limited partnership	**2,588**	3,824
Deposit on investment property (b)	**189,200**	189,200
Total non-current	**$ 321,858**	$ 324,979
Current		
Loans and mortgages receivable (a)	**112,342**	15,347
Fair value through profit or loss ("FVTPL") investments in securities (c)	**14,874**	12,969
Total current	**$ 127,216**	$ 28,316
Total	**$ 449,074**	$ 353,295

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

(b) In the third quarter of 2016, the Company advanced $189.2 million as a deposit on the acquisition of an investment property, located at One Bloor Street in Toronto, that is currently under construction. The deposit earns interest of 4.5% annually until the purchase closing date which is estimated to be in the fourth quarter of 2017.

(c) The Company has invested 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

Third Quarter Consolidated Results

(unaudited)	Three months ended September 30		Nine months ended September 30	
(thousands of dollars, except per share amounts)	**2017**	2016	**2017**	2016
Property rental revenue	**$ 170,670**	$ 167,877	**$ 517,252**	$ 503,553
Property operating costs	**60,060**	60,265	**191,080**	187,862
Net operating income	**110,610**	107,612	**326,172**	315,691
Other income and expenses				
Interest and other income	**8,693**	5,095	**20,815**	12,488
Interest expense	**(39,893)**	(38,972)	**(117,560)**	(118,242)
Corporate expenses	**(8,677)**	(7,969)	**(27,155)**	(24,859)
Abandoned transaction costs	**(7)**	(5)	**(109)**	(161)
Amortization expense	**(491)**	(496)	**(1,459)**	(957)
Share of profit from joint ventures	**21,145**	1,488	**35,894**	9,454
Other gains (losses) and (expenses)	**(501)**	(2,077)	**(3,086)**	(898)
Increase (decrease) in value of investment properties, net	**17,906**	46,237	**441,353**	205,986
	(1,825)	3,301	**348,693**	82,811
Income before income taxes	**108,785**	110,913	**674,865**	398,502
Deferred income taxes	**19,725**	22,203	**107,474**	71,393
Net income	**$ 89,060**	$ 88,710	**$ 567,391**	$ 327,109
Net income attributable to:				
Common shareholders	**$ 83,046**	$ 88,464	**$ 558,256**	$ 324,975
Non-controlling interest	**6,014**	246	**9,135**	2,134
	$ 89,060	$ 88,710	**$ 567,391**	$ 327,109
Net income per share attributable to common shareholders:				
Basic	**$ 0.34**	$ 0.37	**$ 2.28**	$ 1.40
Diluted	**$ 0.34**	$ 0.36	**$ 2.25**	$ 1.36

For the three months ended September 30, 2017, net income attributable to common shareholders was $83.0 million or $0.34 per diluted share compared to $88.5 million or $0.36 per diluted share for the same prior year period. The $5.4 million decrease in net income attributable to common shareholders, in accordance with IFRS, was primarily due to a lower increase in the fair value of investment properties of $28.3 million, partially offset by higher share of profit from joint ventures of $19.7 million, and higher interest and other income of $3.6 million compared to the same prior year period.

For the nine months ended September 30, 2017, net income attributable to common shareholders was $558.3 million or $2.25 per diluted share compared to $325.0 million or $1.36 per diluted share for the same prior year period. The $233.3 million increase in net income attributable to common shareholders, in accordance with IFRS, was primarily due to an increase of $199.3 million in the fair value of investment properties, net of the $36.1 million increase in deferred income taxes, higher share of profit from joint ventures of $26.4 million, and higher NOI of $10.5 million compared to the same prior year period.

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

The following tables provide a 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 September 30			**2017**			2016
	Consolidated Statements of Income	**Adjustment to proportionate interest**	**Proportionate interest [1]**	Consolidated Statements of Income	Adjustment to proportionate interest	Proportionate interest [1]
Property rental revenue	**$ 170,670**	**$ 2,285**	**$ 172,955**	$ 167,877	$ 1,922	$ 169,799
Property operating costs	**60,060**	**1,034**	**61,094**	60,265	623	60,888
Net operating income	**110,610**	**1,251**	**111,861**	107,612	1,299	108,911
Other income and expenses						
Interest and other income	**8,693**	**(40)**	**8,653**	5,095	(29)	5,066
Interest expense	**(39,893)**	**(592)**	**(40,485)**	(38,972)	(566)	(39,538)
Corporate expenses	**(8,677)**	**196**	**(8,481)**	(7,969)	287	(7,682)
Abandoned transaction costs	**(7)**	**—**	**(7)**	(5)	(6)	(11)
Amortization expense	**(491)**	**—**	**(491)**	(496)	—	(496)
Share of profit from joint ventures	**21,145**	**(21,145)**	**—**	1,488	(1,488)	—
Other gains (losses) and (expenses)	**(501)**	**(8)**	**(509)**	(2,077)	—	(2,077)
Increase (decrease) in value of investment properties, net	**17,906**	**14,324**	**32,230**	46,237	252	46,489
	(1,825)	**(7,265)**	**(9,090)**	3,301	(1,550)	1,751
Income before income taxes	**108,785**	**(6,014)**	**102,771**	110,913	(251)	110,662
Deferred income taxes	**19,725**	**—**	**19,725**	22,203	(5)	22,198
Net income	**$ 89,060**	**$ (6,014)**	**$ 83,046**	$ 88,710	$ (246)	$ 88,464
Net income attributable to:						
Common shareholders	**$ 83,046**	**$ —**	**$ 83,046**	$ 88,464	$ —	$ 88,464
Non-controlling interest	**6,014**	**(6,014)**	**—**	246	(246)	—
	$ 89,060	**$ (6,014)**	**$ 83,046**	$ 88,710	$ (246)	$ 88,464
Net income per share attributable to common shareholders:						
Basic	**$ 0.34**			$ 0.37		
Diluted	**$ 0.34**			$ 0.36		

[1] Refer to the "Non-IFRS Financial Measures" section of this MD&A.

Nine months ended September 30			**2017**			2016
	Condensed Consolidated Statements of Income	**Adjustment for proportionate interest**	**Proportionate interest [1]**	Condensed Consolidated Statements of Income	Adjustment for proportionate interest	Proportionate interest [1]
Property rental revenue	**$ 517,252**	**$ 6,741**	**$ 523,993**	$ 503,553	$ 5,753	$ 509,306
Property operating costs	**191,080**	**2,472**	**193,552**	187,862	1,895	189,757
Net operating income	**326,172**	**4,269**	**330,441**	315,691	3,858	319,549
Other income and expenses						
Interest and other income	**20,815**	**482**	**21,297**	12,488	(100)	12,388
Interest expense	**(117,560)**	**(1,797)**	**(119,357)**	(118,242)	(1,447)	(119,689)
Corporate expenses	**(27,155)**	**849**	**(26,306)**	(24,859)	780	(24,079)
Abandoned transaction costs	**(109)**	**(11)**	**(120)**	(161)	(6)	(167)
Amortization expense	**(1,459)**	**—**	**(1,459)**	(957)	—	(957)
Share of profit from joint ventures	**35,894**	**(35,894)**	**—**	9,454	(9,454)	—
Other gains (losses) and (expenses)	**(3,086)**	**(8)**	**(3,094)**	(898)	(33)	(931)
Increase (decrease) in value of investment properties, net	**441,353**	**22,989**	**464,342**	205,986	4,263	210,249
	348,693	**(13,390)**	**335,303**	82,811	(5,997)	76,814
Income before income taxes	**674,865**	**(9,121)**	**665,744**	398,502	(2,139)	396,363
Deferred income taxes	**107,474**	**14**	**107,488**	71,393	(5)	71,388
Net income	**$ 567,391**	**$ (9,135)**	**$ 558,256**	$ 327,109	$ (2,134)	$ 324,975
Net income attributable to:						
Common shareholders	**$ 558,256**	**$ —**	**$ 558,256**	$ 324,975	$ —	$ 324,975
Non-controlling interest	**9,135**	**(9,135)**	**—**	2,134	(2,134)	—
	$ 567,391	**$ (9,135)**	**$ 558,256**	$ 327,109	$ (2,134)	$ 324,975
Net income per share attributable to common shareholders:						
Basic	**$ 2.28**			$ 1.40		
Diluted	**$ 2.25**			$ 1.36		

(1) Refer to the "Non-IFRS Financial Measures" section of this MD&A.

Net Operating Income

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

	Three months ended September 30			Nine months ended September 30		
	% change	**2017**	2016	**% change**	**2017**	2016
Property rental revenue						
Base rent		**$ 95,229**	$ 93,368		**$ 284,091**	$ 279,495
Operating cost recoveries		**19,282**	18,213		**63,344**	60,409
Realty tax recoveries		**28,941**	27,832		**87,993**	85,231
Lease surrender fees		**984**	727		**1,403**	1,590
Percentage rent		**499**	341		**1,471**	1,186
Prior year operating cost and tax recovery adjustments		**(686)**	405		**(1,137)**	(73)
Temporary tenants, storage, parking and other		**2,825**	2,840		**8,187**	7,557
Total Same Property rental revenue		**147,074**	143,726		**445,352**	435,395
Property operating costs						
Recoverable operating expenses		**21,123**	20,326		**69,620**	66,687
Recoverable realty tax expense		**31,347**	30,145		**94,943**	92,324
Prior year realty tax expense		**(854)**	197		**(1,790)**	(585)
Other operating costs and adjustments		**(936)**	(466)		**(1,684)**	74
Total Same Property operating costs		**50,680**	50,202		**161,089**	158,500
Total Same Property NOI [1]	**3.1%**	**$ 96,394**	$ 93,524	**2.7%**	**$ 284,263**	$ 276,895
Major redevelopment		**9,769**	8,881		**27,772**	25,593
Ground-up development		**720**	146		**1,792**	26
Acquisitions – 2017		**259**	—		**317**	—
Acquisitions – 2016		**3,288**	2,388		**10,225**	5,140
Investment properties classified as held for sale		**642**	693		**2,015**	2,128
Dispositions – 2017		**97**	399		**886**	1,169
Dispositions – 2016		**8**	524		**27**	1,880
Straight-line rent adjustment		**162**	1,809		**1,084**	4,951
Development land		**105**	48		**272**	306
Main and Main Urban Realty		**417**	499		**1,788**	1,461
NOI [1]	**2.7%**	**$ 111,861**	108,911	**3.4%**	**$ 330,441**	$ 319,549
NOI margin		**64.7%**	64.1%		**63.1%**	62.7%

[1] Refer to the "Non-IFRS Financial Measures" section of this MD&A.

For the three and nine months ended September 30, 2017, total NOI increased by $3.0 million and $10.9 million, respectively, compared to the same prior year periods primarily due to SP NOI growth and the net contribution from acquisitions completed in 2016. NOI margins have increased by 0.6% and 0.4%, respectively, for the three and nine months ended September 30, 2017 compared to the same prior year periods primarily due to higher percentage rent and lower compensation costs.

Same Property NOI Growth

The components of SP NOI growth and comparisons to prior year are as follows:

	Three months ended September 30		Nine months ended September 30	
	2017	2016 (1)	**2017**	2016 (1)
Same Property – Stable	**2.3%**	2.1%	**2.0%**	0.2%
Same Property with redevelopment	**7.7%**	6.5%	**6.6%**	6.5%
Total Same Property NOI Growth	**3.1%**	2.4%	**2.7%**	0.8%

(1) Prior periods as reported; not restated to reflect current period property categories.

For the three and nine months ended September 30, 2017, SP NOI increased by $2.9 million and $7.4 million, or 3.1% and 2.7%, respectively, primarily due to rent escalations, pad developments coming online, and lower operating costs.

NOI by Region

NOI by region and for MMUR at the Company's proportionate interest is as follows:

Three months ended September 30, 2017	**Central Region**	**Eastern Region**	**Western Region**	**MMUR**	**Other (1)**	**Total**
Property rental revenue	**$ 70,281**	**$ 45,917**	**$ 56,331**	**$ 1,117**	**$ (691)**	**$ 172,955**
Property operating costs	**25,411**	**18,416**	**18,292**	**700**	**(1,725)**	**61,094**
NOI	**$ 44,870**	**$ 27,501**	**$ 38,039**	**$ 417**	**$ 1,034**	**$ 111,861**

Three months ended September 30, 2016	Central Region	Eastern Region	Western Region	MMUR	Other (1)	Total
Property rental revenue	$ 70,478	$ 44,558	$ 54,763	$ 790	$ (790)	$ 169,799
Property operating costs	25,638	18,926	17,443	291	(1,410)	60,888
NOI	$ 44,840	$ 25,632	$ 37,320	$ 499	$ 620	$ 108,911

Nine months ended September 30, 2017	**Central Region**	**Eastern Region**	**Western Region**	**MMUR**	**Other (1)**	**Total**
Property rental revenue	**$ 213,795**	**$ 138,989**	**$ 170,158**	**$ 3,213**	**$ (2,162)**	**$ 523,993**
Property operating costs	**79,281**	**59,778**	**57,180**	**1,425**	**(4,112)**	**193,552**
NOI	**$ 134,514**	**$ 79,211**	**$ 112,978**	**$ 1,788**	**$ 1,950**	**$ 330,441**

Nine months ended September 30, 2016	Central Region	Eastern Region	Western Region	MMUR	Other (1)	Total
Property rental revenue	$ 208,457	$ 136,127	$ 164,654	$ 2,358	$ (2,290)	$ 509,306
Property operating costs	79,214	58,848	54,043	897	(3,245)	189,757
NOI	$ 129,243	$ 77,279	$ 110,611	$ 1,461	$ 955	$ 319,549

(1) Other items principally consist of intercompany eliminations.

Interest and Other Income

For the three and nine months ended September 30, 2017, the Company's proportionate share of interest and other income totaled $8.7 million and $21.3 million, compared to $5.1 million and $12.4 million, respectively, for the same prior year periods. The year-to-date increase of $8.9 million over the prior year was primarily due to higher loans, deposits and mortgages outstanding as well as non-recurring commitment fees earned on new loans.

Interest Expense

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

	Three months ended September 30		Nine months ended September 30	
	2017	2016	**2017**	2016
Mortgages	**$ 12,240**	$ 12,424	**$ 36,831**	$ 36,835
Credit facilities	**2,600**	2,056	**8,633**	5,762
Senior unsecured debentures	**30,421**	28,333	**85,727**	82,421
Convertible debentures	**983**	3,175	**4,420**	11,411
Interest capitalized	**(5,759)**	(6,450)	**(16,254)**	(16,740)
Interest expense	**$ 40,485**	$ 39,538	**$ 119,357**	$ 119,689

For the three months ended September 30, 2017 , interest expense increased by $0.9 million primarily due to the issuance of the new Series U senior unsecured debenture in the quarter and higher draws on the Company's credit facilities, partially offset by the early redemption of higher rate convertible debentures during the period.

For the nine months ended September 30, 2017, interest expense decreased by $0.3 million primarily due to the early redemption of higher rate convertible debentures, partially offset by the impact of new lower rate senior unsecured debenture issuances and higher draws on the Company's credit facilities.

During the nine months ended September 30, 2017 and 2016, approximately 12.0% or $16.3 million, and 12.3% or $16.7 million, respectively, 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.

Corporate Expenses

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

	Three months ended September 30		Nine months ended September 30	
	2017	2016	**2017**	2016
Salaries, wages and benefits	**$ 6,695**	$ 5,788	**$ 20,614**	$ 19,202
Non-cash compensation	**1,091**	891	**3,130**	2,465
Other corporate costs	**2,551**	2,485	**8,015**	7,185
Total corporate expenses	**10,337**	9,164	**31,759**	28,852
Amounts capitalized to investment properties under development	**(1,856)**	(1,482)	**(5,453)**	(4,773)
Corporate expenses	**$ 8,481**	$ 7,682	**$ 26,306**	$ 24,079

For the nine months ended September 30, 2017, corporate expenses increased by $2.2 million to $26.3 million compared to the same prior year period primarily due to higher employee compensation expense of $2.1 million related to new and vacant roles being filled. Other corporate costs were higher by $0.8 million over the same prior year period primarily due to higher professional fees and timing of certain costs incurred compared to the same prior year period.

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 nine months ended September 30, 2017 and 2016, approximately 17.2% or $5.5 million and 16.5% or $4.8 million, 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 September 30	**2017**		2016	
	Proportionate Statement of Income	**Included in FFO**	Proportionate Statement of Income	Included in FFO
Unrealized gain (loss) on marketable securities classified as FVTPL	**$ 1,412**	**$ 1,412**	$ (696)	$ (696)
Net gain (loss) on prepayments of debt	**(1,011)**	**(1,011)**	43	43
Investment properties selling costs	**(931)**	**—**	(739)	—
Restructuring costs	**—**	**—**	(653)	(653)
Other	**21**	**21**	(32)	(32)
Total	**$ (509)**	**$ 422**	$ (2,077)	$ (1,338)

Nine months ended September 30	**2017**		2016	
	Proportionate Statement of Income	**Included in FFO**	Proportionate Statement of Income	Included in FFO
Realized gain (loss) on sale of marketable securities	**$ —**	**$ —**	$ 79	$ 79
Unrealized gain (loss) on marketable securities classified as FVTPL	**1,905**	**1,905**	1,194	1,194
Net gain (loss) on prepayments of debt	**(3,344)**	**(3,344)**	(1,109)	(1,109)
Proceeds from Target	**—**	**—**	3,150	3,150
Investment properties selling costs	**(1,562)**	**—**	(2,159)	—
Restructuring costs	**—**	**—**	(1,988)	(1,988)
Other	**(93)**	**(93)**	(98)	(98)
Total	**$ (3,094)**	**$ (1,532)**	$ (931)	$ 1,228

For the three months ended September 30, 2017, the Company recognized $0.5 million in other losses and expenses in its proportionate statement of income compared to $2.1 million in other losses and expenses in 2016. For the nine months ended September 30, 2017, the Company recognized $3.1 million in other losses and expenses in its proportionate statement of income compared to $0.9 million in other losses and expenses in the same prior year period. The higher year-to-date loss over the same prior year period was primarily due to non-cash losses on the early redemptions of the 5.40% Series E, 5.25% Series F, and the 4.75% Series I convertible debentures in 2017, as well as the recognition of proceeds received from Target in the second quarter of 2016.

Income Taxes

For the three and nine months ended September 30, 2017, deferred income tax expense totaled $19.7 million and $107.5 million, compared to $22.2 million and $71.4 million respectively, over the same prior year periods. The decrease of $2.5 million and the increase of $36.1 million is primarily due to the tax impact of changes in the fair value of investment properties over the same prior year periods.

FFO, Operating FFO and ACFO

Funds from Operations

A reconciliation from net income attributable to common shareholders to FFO can be found in the table below:

	Three months ended September 30		Nine months ended September 30	
	2017	2016	**2017**	2016
Net income attributable to common shareholders	**$ 83,046**	$ 88,464	**$ 558,256**	$ 324,975
Add (deduct):				
(Increase) decrease in value of investment properties [1]	**(32,230)**	(46,489)	**(464,342)**	(210,249)
Incremental leasing costs [2]	**1,787**	1,644	**5,340**	4,986
Investment properties selling costs [1]	**931**	739	**1,562**	2,159
Adjustment for equity accounted joint ventures [3]	**461**	895	**2,621**	2,461
Deferred income taxes [1]	**19,725**	22,198	**107,488**	71,388
FFO [4]	**$ 73,720**	$ 67,451	**$ 210,925**	$ 195,720

(1) At the Company's proportionate interest.

(2) Adjustment to capitalize incremental leasing costs in accordance with the recommendations of REALPAC.

(3) Adjustment to capitalize interest related to the Company's equity accounted joint ventures in accordance with the recommendations of REALPAC.

(4) Refer to the "Non-IFRS Financial Measures" section of this MD&A.

Operating FFO

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

	Three months ended September 30			Nine months ended September 30		
	% change	**2017**	2016	% change	**2017**	2016
Net operating income		**$ 111,861**	$ 108,911		**$ 330,441**	$ 319,549
Interest and other income		**8,653**	5,066		**21,297**	12,388
Interest expense [1]		**(40,024)**	(38,643)		**(116,736)**	(117,228)
Corporate expenses [2]		**(6,694)**	(6,038)		**(20,966)**	(19,093)
Abandoned transaction costs		**(7)**	(11)		**(120)**	(167)
Amortization expense		**(491)**	(496)		**(1,459)**	(957)
Operating FFO [3]	6.6%	**73,298**	68,789	9.2%	**212,457**	194,492
Other gains (losses) and (expenses) [4]		**422**	(1,338)		**(1,532)**	1,228
FFO [3]	9.3%	**$ 73,720**	$ 67,451	7.8%	**$ 210,925**	$ 195,720
Operating FFO per diluted share	4.5%	**$ 0.30**	$ 0.29	4.1%	**$ 0.87**	$ 0.83
FFO per diluted share	7.5%	**$ 0.30**	$ 0.28	2.7%	**$ 0.86**	$ 0.84
Weighted average number of common shares – diluted – FFO (in thousands)	1.8%	**245,137**	240,708	5.0%	**245,014**	233,453

(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 "Non-IFRS Financial Measures" section of this MD&A.
(4) Refer to the "Results of Operations – Other Gains (Losses) and (Expenses)" section of this MD&A.

For the three months ended September 30, 2017, Operating FFO totaled $73.3 million or $0.30 per diluted share compared to $68.8 million or $0.29 per diluted share in the same prior year period. For the nine months ended September 30, 2017, Operating FFO totaled $212.5 million or $0.87 per diluted share compared to $194.5 million or $0.83 per diluted share for the same prior year period. The increase over the prior year periods was primarily due to higher NOI and interest and other income, partially offset by higher corporate expenses.

For the three months ended September 30, 2017, FFO totaled $73.7 million or $0.30 per diluted share compared to $67.5 million or $0.28 per diluted share in the same prior year period. The increase in FFO over the prior year period is due to higher Operating FFO and a higher other gain due to the appreciation of the Company's marketable securities.

For the nine months ended September 30, 2017, FFO totaled $210.9 million or $0.86 per diluted share compared to $195.7 million or $0.84 per diluted share for the same prior year period. The increase in FFO over the prior year period is due to higher Operating FFO, partially offset by lower other gains due to the Target proceeds received in the second quarter of 2016.

Adjusted Cash Flow from Operations

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

	Three months ended September 30		Nine months ended September 30	
	2017	2016	**2017**	2016
Cash provided by operating activities	**$ 85,956**	$ 68,607	**$ 162,793**	$ 159,648
Add (deduct):				
Working capital adjustments [1]	**(4,964)**	5,475	**32,243**	31,334
Adjustment for equity accounted joint ventures	**815**	1,670	**4,261**	4,185
Revenue sustaining capital expenditures	**(7,068)**	(4,028)	**(15,250)**	(10,122)
Recoverable capital expenditures	**(2,634)**	(4,602)	**(4,587)**	(7,901)
Leasing costs on properties under development	**445**	411	**1,335**	1,247
Realized gain (loss) on sale of marketable securities	**—**	—	**—**	79
Non-controlling interest	**(329)**	(26)	**(153)**	(78)
ACFO [2]	**$ 72,221**	$ 67,507	**$ 180,642**	$ 178,392

[1] Working capital adjustments primarily include adjustments for prepaid as well as accrued property taxes as their levels vary considerably over the course of the year as well as certain other adjustments as specified by the REALPAC whitepaper on ACFO issued in February 2017.

[2] Refer to the "Non-IFRS Financial Measures" section of this MD&A.

For the three and nine months ended September 30, 2017, ACFO totaled $72.2 million and $180.6 million compared to $67.5 million and $178.4 million for the same prior year periods, respectively. The increase in ACFO was primarily due to higher interest and other income, and higher NOI compared to the same prior year periods. The Company considers a rolling four quarter payout ratio (cash dividends / ACFO) to be more relevant than a payout ratio in any given quarter. For the four quarters ended September 30, 2017, the ACFO payout ratio was 89.4%.

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	September 30, 2017	December 31, 2016
Liabilities (principal amounts outstanding)		
Bank indebtedness	**$ 18,794**	$ 15,914
Mortgages	**1,025,338**	995,925
Credit facilities	**430,945**	251,481
Mortgages under equity accounted joint ventures (at the Company's proportionate interest)	**42,209**	45,612
Credit facilities under equity accounted joint venture (at the Company's proportionate interest)	**71,644**	56,798
Senior unsecured debentures	**2,725,000**	2,550,000
Convertible debentures	**55,093**	212,635
Equity capitalization [1]		
Common shares (based on closing per share price of $19.68; December 31, 2016 – $20.67)	**4,801,218**	5,033,286
Enterprise value	**$ 9,170,241**	$ 9,161,651

[1] Equity capitalization is the market value of the Company's shares outstanding at a point in time. The measures is not defined by IFRS, does not have a standard definition and, as such, may not be comparable to similar measures disclosed by other issuers.

Key Metrics

The ratios below include measures not specifically defined in IFRS.

As at	September 30, 2017	December 31, 2016
Weighted average effective interest rate on mortgages and senior unsecured debentures	**4.4%**	4.5%
Weighted average maturity on mortgages and senior unsecured debentures (years)	**5.4**	5.3
Net debt to total assets [1]	**43.3%**	42.6%
Net debt to EBITDA [1]	**9.6**	9.1
Unencumbered aggregate assets [1]	**7,357,611**	6,627,091
Unencumbered aggregate assets to unsecured debt, based on fair value [1]	**2.4**	2.4
EBITDA interest coverage [1]	**2.5**	2.5

[1] Calculated with joint ventures proportionately consolidated. Refer to the "Non-IFRS Financial Measures" section of this MD&A.

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.

Outstanding 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 September 30, 2017 is summarized in the table below:

	Mortgages	Credit Facilities/Bank Indebtedness	Senior Unsecured Debentures	Total	% Due
2017 (remainder of the year)	$ 38,041	$ 1,638	$ 125,000	$ 164,679	3.8%
2018	150,713	88,464	150,000	389,177	9.0%
2019	130,497	62,711	150,000	343,208	8.0%
2020	68,105	162,576	175,000	405,681	9.4%
2021	93,987	—	175,000	268,987	6.2%
2022	163,618	205,994	450,000	819,612	19.0%
2023	13,870	—	300,000	313,870	7.3%
2024	74,668	—	300,000	374,668	8.7%
2025	66,770	—	300,000	366,770	8.5%
2026	186,662	—	300,000	486,662	11.3%
2027	80,616	—	300,000	380,616	8.8%
	1,067,547	521,383	2,725,000	4,313,930	100.0%
Add (deduct): unamortized deferred financing costs, premiums and discounts, net	(367)	—	(4,374)	(4,741)	
Total	$ 1,067,180	$ 521,383	$ 2,720,626	$ 4,309,189	

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 nine months ended September 30, 2017, including its proportionate share of mortgages in equity accounted joint ventures, are set out below:

Nine months ended September 30, 2017	Amount	Weighted Average Effective Interest Rate
Balance at beginning of period	$ 1,042,531	4.3%
Mortgage borrowings	103,273	3.6%
Mortgage repayments	(53,866)	3.3%
Scheduled amortization on mortgages	(23,395)	—
Amortization of financing costs and net premium	(1,363)	—
Balance at end of period	$ 1,067,180	4.3%

As at September 30, 2017, 100% (December 31, 2016 – 100%) of the outstanding mortgages bore interest at fixed interest rates. The average remaining term of mortgages outstanding decreased from 4.8 years as at December 31, 2016 on $1.0 billion of mortgages to 4.7 years as at September 30, 2017 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 September 30, 2017 is summarized in the table below:

As at September 30, 2017	Scheduled Amortization	Payments on Maturity	Total	Weighted Average Effective Interest Rate
2017 (remainder of the year)	$ 7,395	$ 30,646	$ 38,041	5.2%
2018	26,392	124,321	150,713	5.4%
2019	23,783	106,714	130,497	6.5%
2020	22,247	45,858	68,105	5.3%
2021	20,590	73,397	93,987	4.4%
2022	15,664	147,954	163,618	3.9%
2023	13,870	—	13,870	—
2024	13,398	61,270	74,668	4.0%
2025	10,875	55,895	66,770	3.5%
2026	5,479	181,183	186,662	3.3%
2027	753	79,863	80,616	3.6%
	$ 160,446	$ 907,101	$ 1,067,547	4.3%
Add: unamortized deferred financing costs and premiums and discounts, net			(367)	
Total			$ 1,067,180	

Credit Facilities

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

The Company has the flexibility under its unsecured credit facilities to draw funds based on Canadian bank prime rates and Canadian bankers' acceptances ("BA rates") for Canadian dollar-denominated borrowings, and LIBOR rates or U.S. prime rates for U.S. dollar-denominated borrowings. As of September 30, 2017, the Company had drawn US$271.3 million, as well as CAD$18.8 million in bank indebtedness on its unsecured credit facilities. 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 second quarter, the Company extended the maturity of its $800 million unsecured facility to June 30, 2022 on substantially the same terms. During the third quarter, the Company completed an extension of one of its secured construction facilities from September 29, 2017 to March 31, 2018.

The Company's credit facilities, including its proportionate share of facilities under the equity accounted joint ventures, as at September 30, 2017 are summarized in the table below:

As at September 30, 2017	Borrowing Capacity	Amounts Drawn	Bank Indebtedness and Outstanding Letters of Credit	Available to be Drawn	Interest Rates	Maturity Date
Unsecured operating facilities						
Revolving facility maturing 2022 (1)	$ 800,000	$ (187,200)	$ (50,931)	$ 561,869	BA + 1.20% or Prime + 0.20% or US$ LIBOR + 1.20%	June 30, 2022
Non-revolving facility maturing 2020 (2)	150,000	(151,395)	—	—	BA + 1.20% or Prime + 0.20% or US$ LIBOR + 1.20%	October 30, 2020
Secured construction facilities						
Maturing 2018	115,000	(57,403)	(1,475)	56,122	BA + 1.125% or Prime + 0.125%	February 13, 2018
Maturing 2018	15,907	(15,572)	—	335	BA + 1.125% or Prime + 0.125%	March 31, 2018
Credit facilities under equity accounted joint ventures	84,663	(71,644)	(98)	12,921	Between Prime - 0.15% and Prime + 1.5%	Between October 2017 and February 2020
Secured Facilities						
Maturing 2019	11,875	(11,875)	—	—	BA + 1.125% or Prime + 0.125%	September 27, 2019
Maturing 2018	7,500	(7,500)	—	—	BA + 1.125% or Prime + 0.125%	September 6, 2018
Total	$ 1,184,945	$ (502,589)	$ (52,504)	$ 631,247		

(1) The Company had drawn in U.S. dollars the equivalent of CAD$184.3 million which was revalued at CAD$187.2 million as at September 30, 2017.

(2) The Company had drawn in U.S. dollars the equivalent of CAD$150.0 million which was revalued at CAD$151.4 million as at September 30, 2017.

Senior Unsecured Debentures

As at September 30, 2017			Interest Rate		Remaining Term to Maturity	Principal Outstanding
Series	Maturity Date	Interest Payment Dates	Coupon	Effective	(years)	
I	November 30, 2017	May 30, November 30	5.70%	5.79%	0.2	125,000
J	August 30, 2018	February 28, August 30	5.25%	5.66%	0.9	50,000
K	November 30, 2018	May 31, November 30	4.95%	5.17%	1.2	100,000
L	July 30, 2019	January 30, July 30	5.48%	5.61%	1.8	150,000
M	April 30, 2020	April 30, October 30	5.60%	5.60%	2.6	175,000
N	March 1, 2021	March 1, September 1	4.50%	4.63%	3.4	175,000
O	January 31, 2022	January 31, July 31	4.43%	4.59%	4.3	200,000
P	December 5, 2022	June 5, December 5	3.95%	4.18%	5.2	250,000
Q	October 30, 2023	April 30, October 30	3.90%	3.97%	6.1	300,000
R	August 30, 2024	August 30, February 28	4.79%	4.72%	6.9	300,000
S	July 31, 2025	January 31, July 31	4.32%	4.24%	7.8	300,000
T	May 6, 2026	November 5, May 5	3.60%	3.56%	8.6	300,000
U	July 12, 2027	January 12, July 12	3.75%	3.82%	9.8	300,000
	Weighted Average or Total		4.42%	4.48%	5.7	$ 2,725,000

On July 10, 2017, the Company completed the issuance of $300 million principal amount of Series U senior unsecured debentures due July 12, 2027. These debentures bear interest at a coupon rate of 3.753% per annum, payable semi-annually commencing January 12, 2018.

Convertible Debentures

As at September 30, 2017			Interest Rate						
Series	Maturity Date	Interest Payment Dates	Coupon	Effective	Remaining Term to Maturity (yrs)	Principal at Issue Date	**Principal**	**Liability**	**Equity**
J	February 28, 2020	March 31 September 30	4.45%	5.34%	2.4	57,500	55,093	54,181	386
	Weighted Average or Total		4.45%	5.34%	2.4	$ 57,500	$ 55,093	$ 54,181	$ 386

(i) Interest

During the nine months ended September 30, 2017, 0.1 million common shares (nine months ended September 30, 2016 – 0.7 million common shares) were issued totaling $2.4 million (nine months ended September 30, 2016 – $13.6 million) to pay accrued interest to holders of convertible debentures.

During the nine months ended September 30, 2017, the Company also paid $3.9 million (nine months ended September 30, 2016 – $0.1 million) in cash to pay accrued interest to holders of convertible debentures.

(ii) Principal Redemption

On January 31, 2017, the Company redeemed its remaining 5.40% Series E and 5.25% Series F convertible debentures at par. The full redemption price and any accrued interest owing on each series of convertible debentures was satisfied in cash.

On August 1, 2017, the Company redeemed its remaining 4.75% Series I convertible debentures at par. The full redemption price and any accrued interest owing on the convertible debentures was satisfied in cash.

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

Effective August 29, 2016, the Company renewed its normal course issuer bid ("NCIB") for all of its then outstanding series of convertible debentures. The NCIB expired on August 28, 2017 and was not renewed by the Company. All purchases made under the NCIB were at market prices prevailing at the time of purchase determined by or on behalf of the Company.

For the nine months ended September 30, 2017 and 2016, principal amounts of convertible debentures purchased and amounts paid for the purchases are summarized in the table below:

Nine months ended September 30		**2017**		2016
	Principal Amount Purchased	**Amount Paid**	Principal Amount Purchased	Amount Paid
Total	**$ 110**	**$ 112**	$ 3,762	$ 3,810

Shareholders' Equity

Shareholders' equity amounted to $4.6 billion as at September 30, 2017, compared to $4.2 billion as at December 31, 2016. During the nine months ended September 30, 2017, a total of 0.5 million common shares were issued as follows: 329 thousand shares from the exercise of common share options and settlement of restricted, performance, and deferred share units, and 124 thousand shares for interest payments on convertible debentures.

As at November 6, 2017, there were 244.0 million common shares outstanding.

Share Purchase Options

As at September 30, 2017, the Company had 4.4 million share purchase options outstanding, with an average exercise price of $18.65, which, if exercised, would result in the Company receiving proceeds of $82.7 million.

Liquidity

Liquidity risk exists due to the possibility of the Company not being able to generate sufficient cash flow, and/or not having access to sufficient debt and equity capital to fund its ongoing operations and growth and to refinance or meet existing payment obligations. The Company manages its liquidity risk by staggering debt maturities, renegotiating expiring credit arrangements proactively, using revolving credit facilities, maintaining a large 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)	**September 30, 2017**	December 31, 2016
Total available under credit facilities	**$ 631**	$ 809
Cash and cash equivalents	**$ 17**	$ 12
Unencumbered aggregate assets	**$ 7,358**	$ 6,627

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 for 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.

Planned and completed financings subsequent to September 30, 2017, and availability on existing credit facilities, address substantially all of the contractual 2017 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 September 30		Nine months ended September 30	
	2017	2016	**2017**	2016
Cash provided by operating activities	**$ 85,956**	$ 68,607	**$ 162,793**	$ 159,648
Cash provided by financing activities	**26,098**	278,421	**64,471**	407,529
Cash used in investing activities	**(118,827)**	(262,683)	**(224,902)**	(468,742)
Net change in cash and cash equivalents	**$ (6,773)**	$ 84,345	**$ 2,362**	$ 98,435

Contractual Obligations

An analysis of the Company's contractual maturities of its material financial liabilities and other contractual commitments, at its proportionate share, as at September 30, 2017 is set out below:

As at September 30, 2017	Payments due by period				
	Remainder of 2017	2018 to 2019	2020 to 2021	Thereafter	Total
Scheduled mortgage principal amortization	$ 7,395	$ 50,175	$ 42,837	$ 60,039	$ 160,446
Mortgage principal repayments on maturity	30,646	231,035	119,255	526,165	907,101
Credit facilities and bank indebtedness	1,638	151,175	162,576	205,994	521,383
Senior unsecured debentures	125,000	300,000	350,000	1,950,000	2,725,000
Interest obligations (1)	46,871	313,687	236,596	287,435	884,589
Land leases (expiring between 2023 and 2061)	267	2,285	2,296	19,520	24,368
Contractually committed costs to complete current development projects	54,780	22,318	—	—	77,098
Other committed costs	63,130	23,725	—	—	86,855
Total contractual obligations (2)	$ 329,727	$ 1,094,400	$ 913,560	$ 3,049,153	$ 5,386,840

(1) Interest obligations include expected interest payments on mortgages and credit facilities as at September 30, 2017 (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 unless the Company has disclosed its intention to settle in cash.

The Company has $52.5 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 $172.1 million, of which $77.1 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 $123.8 million (December 31, 2016 – $108.1 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 September 30		Nine months ended September 30	
(in dollars)	**2017**	2016	**2017**	2016
Dividend per common share	**$ 0.215**	$ 0.215	**$ 0.645**	$ 0.645

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), as issuer; (ii) guarantor subsidiaries; (iii) non-guarantor subsidiaries; (iv) consolidation adjustments; and (v) the total consolidated amounts.

(millions of dollars)									Three months ended September 30	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
	FCR [1]		Guarantors [2]		Non-Guarantors [3]		Consolidation Adjustments [4]		Total Consolidated	
Property rental revenue	**$ 73**	$ 72	**$ 98**	$ 94	**$ 2**	$ 2	**$ (2)**	$ —	**$ 171**	$ 168
NOI [5]	**50**	45	**62**	57	**—**	—	**(1)**	6	**111**	108
Net income attributable to common shareholders	**83**	89	**69**	72	**—**	(6)	**(69)**	(67)	**83**	88

(millions of dollars)									Nine months ended September 30	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
	FCR [1]		Guarantors [2]		Non-Guarantors [3]		Consolidation Adjustments [4]		Total Consolidated	
Property rental revenue	**$ 218**	$ 211	**$ 301**	$ 298	**$ 5**	$ 6	**$ (7)**	$ (11)	**$ 517**	$ 504
NOI [5]	**146**	132	**182**	170	**2**	2	**(4)**	12	**326**	316
Net income attributable to common shareholders	**558**	325	**451**	259	**13**	12	**(464)**	(271)	**558**	325

(millions of dollars)					As at September 30, 2017
	FCR [1]	Guarantors [2]	Non-Guarantors [3]	Consolidation Adjustments [4]	Total Consolidated
Current assets	**$ 136**	**$ 140**	**$ 211**	**$ (188)**	**$ 299**
Non-current assets	**9,083**	**4,925**	**31**	**(4,476)**	**9,563**
Current liabilities	**500**	**138**	**2**	**18**	**658**
Non-current liabilities	**4,053**	**521**	**105**	**(141)**	**4,538**

(millions of dollars)					As at December 31, 2016
	FCR [1]	Guarantors [2]	Non-Guarantors [3]	Consolidation Adjustments [4]	Total Consolidated
Current assets	$ 355	$ 398	$ 28	$ (607)	$ 174
Non-current assets	8,832	5,699	379	(5,979)	8,931
Current liabilities	841	489	4	(605)	729
Non-current liabilities	4,112	1,821	164	(1,955)	4,142

(1) This column represents FCR and all of its subsidiaries; FCR's subsidiaries are presented under the equity method.

(2) This column represents the aggregate of all Guarantor subsidiaries.

(3) This column represents the aggregate of all Non-Guarantor subsidiaries.

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

(5) Refer to the "Non-IFRS Financial Measures" section of this MD&A.

RELATED PARTY TRANSACTIONS

Significant Shareholder

Gazit-Globe Ltd. ("Gazit") is a significant shareholder of the Company, and, as of September 30, 2017, beneficially owned 32.6% (December 31, 2016 – 36.4%) of the common shares of the Company. Norstar Holdings Inc. is the ultimate controlling party of Gazit. In the first quarter of 2017, Gazit disposed of 9,000,000 common shares of the Company.

Corporate and other amounts receivable include amounts due from Gazit. Gazit reimburses the Company for certain accounting and administrative services provided to it by the Company.

Joint Venture

During the three and nine months ended September 30, 2017, a subsidiary of Main and Main Developments earned property-related and asset management fees from MMUR, which are included in interest and other income in the amount of $0.7 million and $1.9 million, respectively (September 30, 2016 – $0.6 million and $1.6 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.

SUBSEQUENT EVENTS

Fourth Quarter Dividend

The Company announced that it will pay a fourth quarter dividend of $0.215 per common share on January 16, 2018 to shareholders of record on December 29, 2017.

QUARTERLY FINANCIAL INFORMATION

	2017			2016				2015
(share counts in thousands)	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Property rental revenue	**$ 170,670**	$ 171,729	$ 174,853	$ 172,731	$ 167,877	$ 167,576	$ 168,100	$ 164,244
Net operating income [(1)]	**$ 110,610**	$ 108,678	$ 106,884	$ 106,306	$ 107,612	$ 105,083	$ 102,996	$ 103,295
Net income attributable to common shareholders	**$ 83,046**	$ 271,539	$ 203,671	$ 57,739	$ 88,464	$ 169,556	$ 66,957	$ 38,947
Net income per share attributable to common shareholders:								
Basic	**$ 0.34**	$ 1.11	$ 0.83	$ 0.24	$ 0.37	$ 0.73	$ 0.30	$ 0.17
Diluted	**$ 0.34**	$ 1.09	$ 0.82	$ 0.24	$ 0.36	$ 0.71	$ 0.29	$ 0.17
Weighted average number of diluted common shares outstanding – IFRS	**248,626**	250,516	250,232	252,602	250,596	243,235	243,467	226,537
Operating FFO [(1)]	**$ 73,298**	$ 70,473	$ 68,686	$ 66,239	$ 68,789	$ 64,200	$ 61,504	$ 58,424
Operating FFO per diluted share [(1)]	**$ 0.30**	$ 0.29	$ 0.28	$ 0.27	$ 0.29	$ 0.28	$ 0.27	$ 0.26
FFO [(1)]	**$ 73,720**	$ 70,580	$ 66,625	$ 66.824	$ 67,451	$ 66,368	$ 61,902	$ 58,848
FFO per diluted share [(1)]	**$ 0.30**	$ 0.29	$ 0.27	$ 0.27	$ 0.28	$ 0.29	$ 0.27	$ 0.26
Weighted average number of diluted common shares outstanding – FFO	**245,137**	245,186	244,820	244,554	240,708	233,014	226,692	226,537
Cash provided by operating activities	**$ 85,956**	$ 30,867	$ 45,970	$ 96,950	$ 68,607	$ 42,704	$ 48,339	$ 84,757
ACFO [(1)]	**$ 72,221**	$ 58,741	$ 49,680	$ 53,470	$ 67,507	$ 63,762	$ 47,246	N/A
Dividend per common share	**$ 0.215**	$ 0.215	$ 0.215	$ 0.215	$ 0.215	$ 0.215	$ 0.215	$ 0.215
Total assets	**$ 9,861,267**	$ 9,688,357	$ 9,334,216	$ 9,104,553	$ 9,068,841	$ 8,690,655	$ 8,387,567	$ 8,278,526
Total mortgages and credit facilities	**$ 1,456,226**	$ 1,609,827	$ 1,527,179	$ 1,248,646	$ 1,277,697	$ 1,272,977	$ 1,322,909	$ 1,248,637
Shareholders' equity	**$ 4,618,170**	$ 4,577,648	$ 4,352,882	$ 4,195,263	$ 4,171,426	$ 3,961,179	$ 3,666,239	$ 3,639,952
Other								
Number of properties	**159**	160	160	160	159	161	160	158
GLA - at 100% (in thousands)	**25,168**	25,217	25,215	25,278	25,137	25,238	24,800	24,431
GLA - at proportionate interest (in thousands)	**23,751**	23,798	23,791	23,820	23,721	23,911	23,667	23,615
Monthly average occupancy %	**95.0%**	94.8%	94.6%	94.9%	95.0%	95.0%	94.7%	94.6%
Total portfolio occupancy %	**95.3%**	95.0%	94.5%	94.9%	94.9%	95.1%	95.0%	94.7%

(1) Refer to the "Non-IFRS Financial Measures" section of this MD&A.

CRITICAL ACCOUNTING ESTIMATES

The Company's unaudited interim condensed consolidated financial statements for the three and nine months ended September 30, 2017 and 2016 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 2016 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. With the exception of the note below, Management determined that as at September 30, 2017, there is no change to the assessment of the significant accounting policies most affected by estimates and judgments as detailed in the Company's 2016 Annual Report.

Revised Approach to Investment Property Valuations

Effective January 1, 2017, the Company's policy in determining the fair value of its investment properties at the end of each reporting period, includes the following approaches:

1. Internal valuations - by certified staff appraisers employed by the Company, in accordance with professional appraisal standards and IFRS. Every investment property has an internal valuation completed at least once a year.
2. Value updates - primarily consisting of Management's review of the key assumptions from previous internal valuations and updating the value for changes in the property cash flow, physical condition and changes in market conditions.

External appraisals are obtained periodically by Management. These appraisals are used as data points, together with other market information accumulated by Management, in arriving at its conclusions on key assumptions and values. External appraisals are completed by an independent appraisal firm, in accordance with professional appraisal standards and IFRS.

FUTURE ACCOUNTING POLICY CHANGES

Refer to Note 3 of the unaudited interim condensed consolidated financial statements for the three and nine months ended September 30, 2017 for details on future accounting policy changes.

CONTROLS AND PROCEDURES

As at September 30, 2017, 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 September 30, 2017 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 2016 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.fcr.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**	**September 30, 2017** **(unaudited)**	December 31, 2016 (audited)
ASSETS			
Non-current Assets			
Real Estate Investments			
Investment properties – shopping centres	4	**$ 8,957,133**	$ 8,370,298
Investment properties – development land	4	**72,041**	67,149
Investment in joint ventures		**179,610**	146,422
Loans, mortgages and other real estate assets	5	**321,858**	324,979
Total real estate investments		**9,530,642**	8,908,848
Other non-current assets	7	**32,007**	21,997
Total non-current assets		**9,562,649**	8,930,845
Current Assets			
Cash and cash equivalents	23(d)	**17,459**	12,217
Loans, mortgages and other real estate assets	5	**127,216**	28,316
Residential development inventory		**5,483**	5,010
Amounts receivable	6	**24,745**	21,175
Other assets	7	**50,953**	23,940
		225,856	90,658
Investment properties classified as held for sale	4(d)	**72,762**	83,050
Total current assets		**298,618**	173,708
Total assets		**$ 9,861,267**	$ 9,104,553
LIABILITIES			
Non-current Liabilities			
Mortgages	9	**$ 863,759**	$ 878,008
Credit facilities	9	**350,470**	243,696
Senior unsecured debentures	10	**2,545,824**	2,296,551
Convertible debentures	11	**54,181**	103,765
Other liabilities	12	**20,735**	27,076
Deferred tax liabilities	19	**702,846**	593,293
Total non-current liabilities		**4,537,815**	4,142,389
Current Liabilities			
Bank indebtedness	23(d)	**18,794**	15,914
Mortgages	9	**150,650**	109,167
Credit facilities	9	**80,475**	7,785
Senior unsecured debentures	10	**174,802**	249,891
Convertible debentures	11	**—**	103,868
Accounts payable and other liabilities	12	**222,734**	232,466
		647,455	719,091
Mortgages on investment properties classified as held for sale	4(d), 9	**10,872**	9,990
Total current liabilities		**658,327**	729,081
Total liabilities		**5,196,142**	4,871,470
EQUITY			
Shareholders' equity	13	**4,618,170**	4,195,263
Non-controlling interest		**46,955**	37,820
Total equity		**4,665,125**	4,233,083
Total liabilities and equity		**$ 9,861,267**	$ 9,104,553

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 September 30		Nine months ended September 30	
(thousands of dollars, except per share amounts)	**Note**	**2017**	2016	**2017**	2016
Property rental revenue		**$ 170,670**	$ 167,877	**$ 517,252**	$ 503,553
Property operating costs		**60,060**	60,265	**191,080**	187,862
Net operating income	14	**110,610**	107,612	**326,172**	315,691
Other income and expenses					
Interest and other income	15	**8,693**	5,095	**20,815**	12,488
Interest expense	16	**(39,893)**	(38,972)	**(117,560)**	(118,242)
Corporate expenses	17	**(8,677)**	(7,969)	**(27,155)**	(24,859)
Abandoned transaction costs		**(7)**	(5)	**(109)**	(161)
Amortization expense		**(491)**	(496)	**(1,459)**	(957)
Share of profit from joint ventures		**21,145**	1,488	**35,894**	9,454
Other gains (losses) and (expenses)	18	**(501)**	(2,077)	**(3,086)**	(898)
Increase (decrease) in value of investment properties, net	4	**17,906**	46,237	**441,353**	205,986
		(1,825)	3,301	**348,693**	82,811
Income before income taxes		**108,785**	110,913	**674,865**	398,502
Deferred income taxes	19	**19,725**	22,203	**107,474**	71,393
Net income		**$ 89,060**	$ 88,710	**$ 567,391**	$ 327,109
Net income attributable to:					
Common shareholders		**$ 83,046**	$ 88,464	**$ 558,256**	$ 324,975
Non-controlling interest		**6,014**	246	**9,135**	2,134
		$ 89,060	$ 88,710	**$ 567,391**	$ 327,109
Net income per share attributable to common shareholders:					
Basic	20	**$ 0.34**	$ 0.37	**$ 2.28**	$ 1.40
Diluted	20	**$ 0.34**	$ 0.36	**$ 2.25**	$ 1.36

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

Interim Condensed Consolidated Statements of Comprehensive Income

(unaudited)		Three months ended September 30		Nine months ended September 30	
(thousands of dollars)	**Note**	**2017**	2016	**2017**	2016
Net income		**$ 89,060**	$ 88,710	**$ 567,391**	$ 327,109
Other comprehensive income (loss)					
Unrealized gain (loss) on cash flow hedges [1]		**10,619**	(1,721)	**14,352**	(12,711)
Reclassification of net losses on cash flow hedges to net income		**380**	398	**1,284**	1,042
		10,999	(1,323)	**15,636**	(11,669)
Deferred tax expense (recovery)	19	**2,926**	(352)	**4,160**	(3,104)
Other comprehensive income (loss)		**8,073**	(971)	**11,476**	(8,565)
Comprehensive income		**$ 97,133**	$ 87,739	**$ 578,867**	$ 318,544
Comprehensive income attributable to:					
Common shareholders		**$ 91,119**	$ 87,493	**$ 569,732**	$ 316,410
Non-controlling interest		**6,014**	246	**9,135**	2,134
		$ 97,133	$ 87,739	**$ 578,867**	$ 318,544

[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, 2016	**$ 1,022,863**	**$ (11,698)**	**$ 3,142,399**	**$ 41,699**	**$ 4,195,263**	**$ 37,820**	**$ 4,233,083**
Changes during the period:							
Net income	558,256	—	—	—	558,256	9,135	567,391
Issue costs, net of tax	—	—	(176)	—	(176)	—	(176)
Dividends	(157,733)	—	—	—	(157,733)	—	(157,733)
Interest on convertible debentures paid in common shares	—	—	2,442	—	2,442	—	2,442
Conversion of convertible debentures	—	—	107	(3)	104	—	104
Options, deferred share units, restricted share units, and performance share units, net	—	—	6,051	2,487	8,538	—	8,538
Other comprehensive gain (loss)	—	11,476	—	—	11,476	—	11,476
Contributions from (distributions to) non-controlling interest, net					—	—	—
September 30, 2017	**$ 1,423,386**	**$ (222)**	**$ 3,150,823**	**$ 44,183**	**$ 4,618,170**	**$ 46,955**	**$ 4,665,125**

(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, 2015	$ 844,382	$ (17,062)	$ 2,768,983	$ 43,649	$ 3,639,952	$ 28,362	$ 3,668,314
Changes during the period:							
Net income	324,975	—	—	—	324,975	2,134	327,109
Issuance of common shares	—	—	287,589	—	287,589	—	287,589
Issue costs, net of tax and other	—	—	(9,125)	—	(9,125)	—	(9,125)
Dividends	(151,759)	—	—	—	(151,759)	—	(151,759)
Interest on convertible debentures paid in common shares	—	—	13,645	—	13,645	—	13,645
Redemption and conversion of convertible debentures	—	—	60,294	(1,184)	59,110	—	59,110
Options, deferred share units and restricted share units, net	—	—	13,659	1,945	15,604	—	15,604
Other comprehensive gain (loss)	—	(8,565)	—	—	(8,565)	—	(8,565)
Contributions from (distributions to) non-controlling interest, net	—	—	—	—	—	2,674	2,674
September 30, 2016	$ 1,017,598	$ (25,627)	$ 3,135,045	$ 44,410	$ 4,171,426	$ 33,170	$ 4,204,596

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

Interim Condensed Consolidated Statements of Cash Flows

(unaudited)		Three months ended September 30		Nine months ended September 30	
(thousands of dollars)	**Note**	**2017**	2016	**2017**	2016
OPERATING ACTIVITIES					
Net income		**$ 89,060**	$ 88,710	**$ 567,391**	$ 327,109
Adjustments for:					
(Increase) decrease in value of investment properties, net	4	**(17,906)**	(46,237)	**(441,353)**	(205,986)
Interest expense	16	**39,893**	38,972	**117,560**	118,242
Amortization expense		**491**	496	**1,459**	957
Share of profit of joint ventures		**(21,145)**	(1,488)	**(35,894)**	(9,454)
Distributions from joint ventures		**—**	—	**—**	573
Cash interest paid associated with operating activities	16	**(38,121)**	(36,223)	**(116,319)**	(106,710)
Items not affecting cash and other items	23(a)	**21,136**	22,790	**110,708**	71,098
Net change in non-cash operating items	23(b)	**12,548**	1,587	**(40,759)**	(36,181)
Cash provided by operating activities		**85,956**	68,607	**162,793**	159,648
FINANCING ACTIVITIES					
Mortgages and credit facilities					
Borrowings, net of financing costs	9	**—**	50,912	**417,929**	284,401
Principal instalment payments	9	**(7,298)**	(7,109)	**(21,609)**	(21,548)
Repayments		**(163,535)**	(35,414)	**(196,446)**	(231,136)
Issuance of senior unsecured debentures, net of issue costs	10	**298,254**	152,347	**298,254**	300,922
Repayment of senior unsecured debentures	10	**—**	—	**(125,000)**	—
Settlement of hedges		**1,618**	—	**1,618**	(4,074)
Repayment of convertible debentures		**(51,189)**	—	**(157,325)**	(60,294)
Repurchase of convertible debentures	11(c)	**(5)**	(253)	**(112)**	(3,810)
Issuance of common shares, net of issue costs		**696**	167,042	**4,330**	287,969
Payment of dividends		**(52,443)**	(50,554)	**(157,168)**	(147,575)
Net contributions from (distributions to) non-controlling interest		**—**	1,450	**—**	2,674
Cash provided by financing activities		**26,098**	278,421	**64,471**	407,529
INVESTING ACTIVITIES					
Acquisition of shopping centres	4(c)	**(8,084)**	(15,450)	**(18,844)**	(212,973)
Acquisition of development land	4(c)	**—**	—	**—**	(34,728)
Net proceeds from property dispositions	4(d)	**29,742**	45,116	**45,552**	118,431
Distributions from joint ventures		**1,453**	1,390	**4,535**	49,284
Contributions to joint ventures		**(676)**	(7,290)	**(1,828)**	(11,626)
Capital expenditures on investment properties		**(58,588)**	(55,801)	**(159,442)**	(161,303)
Changes in investing-related prepaid expenses and other liabilities		**519**	652	**(2,392)**	(4,063)
Changes in loans, mortgages and other real estate assets	23(c)	**(83,193)**	(231,300)	**(92,483)**	(211,764)
Cash used in investing activities		**(118,827)**	(262,683)	**(224,902)**	(468,742)
Net increase (decrease) in cash and cash equivalents (bank indebtedness)		**(6,773)**	84,345	**2,362**	98,435
Cash and cash equivalents (bank indebtedness), beginning of period		**5,438**	(2,946)	**(3,697)**	(17,036)
Cash and cash equivalents (bank indebtedness), end of period	23(d)	**$ (1,335)**	$ 81,399	**$ (1,335)**	$ 81,399

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, 2016 and 2015.

(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.

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 President and Chief Executive Officer, who is the chief operating decision maker.

(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 November 7, 2017.

3. ADOPTION OF NEW AND AMENDED IFRS PRONOUNCEMENTS

(a) Recent Accounting Pronouncements Not Yet Adopted

The IASB has issued new standards and amendments to existing standards. These changes are not yet adopted by the Company and could have an impact on future periods. These changes are described in detail below:

Financial instruments

IFRS 9, “Financial Instruments” (“IFRS 9”), was issued in July 2014, and replaces IAS 39, “Financial Instruments: Recognition and Measurement” (“IAS 39”). IFRS 9 addresses the classification and measurement of all financial assets and financial liabilities within the scope of the current IAS 39 and introduced a new expected credit loss impairment model that will require more timely recognition of expected credit losses and a substantially reformed model for hedge accounting. Also included are the requirements to measure debt-based financial assets at either amortized cost or fair value through profit or loss (“FVTPL”) and to measure equity-based financial assets as either FVTPL or fair value through other comprehensive income (“FVTOCI”). No amounts are reclassified out of other comprehensive income (“OCI”) if the FVTOCI option is elected. Additionally, embedded derivatives in financial assets would no longer be bifurcated and accounted for separately under IFRS 9.

The revised hedge accounting model permits additional hedging strategies used for risk management to qualify for hedge accounting.

IFRS 9 is required for annual periods beginning on or after January 1, 2018. The Company has assessed the impact of IFRS 9 to its consolidated financial statements and has concluded that the impact is limited to a potential change in classification of some of its loans and receivables, and available for sale financial assets to fair value through profit and loss, as well as additional disclosures required by IFRS 7, "Financial Instruments - Disclosure" upon initial adoption of IFRS 9. The Company has chosen as its accounting policy to continue to apply the hedge accounting requirements under IAS 39 instead of the requirements under IFRS 9 - Hedge Accounting.

Revenue from contracts with customers

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

IFRS 15 is required for annual periods beginning on or after January 1, 2018. The Company has assessed the impact of IFRS 15 to its consolidated financial statements and has concluded that the pattern of revenue recognition will remain unchanged upon adoption of the standard. The impact will be limited to additional note disclosure on the disaggregation of its revenue streams, specifically its operating cost recoveries.

Leases

IFRS 16, “Leases” (“IFRS 16”), was issued in January 2016, and replaces IAS 17, “Leases” (“IAS 17”). IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Certain leases will be exempt from these requirements. The most significant effect expected of the new requirements will be an increase in lease assets and financial liabilities for lessees with material off-balance sheet leases. Lessor accounting requirements under IFRS 16 are carried forward from IAS 17 and accordingly, leases will continue to be classified and accounted for as operating or finance leases by lessors.

IFRS 16 is required for annual periods beginning on or after January 1, 2019. Earlier adoption is permitted. The Company is currently assessing the impact of IFRS 16 to its consolidated financial statements. Based on a preliminary assessment of the standard, the Company does not expect this standard to have a significant impact on its consolidated financial statements as leases with tenants are expected to be accounted for as operating leases in the same manner they are currently being applied. The Company is expected to complete its evaluation by the third quarter of 2018.

Investment property

The amendments to IAS 40, "Investment Property", clarify the accounting guidance and evidence required when an entity transfers to, or from, investment property. The amendments are effective for annual periods beginning on or after January 1, 2018. The Company has concluded there is no impact to its consolidated financial statements.

Uncertainty over income tax treatments

IFRIC 23, "Uncertainty over Income Tax Treatments", was issued in June 2017 as a clarification to requirements under IAS 12 "Income Taxes". IFRIC 23 clarifies the application of various recognition and measurement requirements when there is uncertainty over income tax treatments. This interpretation is effective for annual reporting periods beginning on or after January 1, 2019. The Company is in the process of assessing the impact of IFRIC 23 on its consolidated financial statements.

4. INVESTMENT PROPERTIES

(a) Activity

The following tables summarize the changes in the Company's investment properties for the nine months ended September 30, 2017 and year ended December 31, 2016:

	Nine months ended September 30, 2017					
	Central Region	**Eastern Region**	**Western Region**	**Total**	**Shopping Centres**	**Development Land**
Balance at beginning of period	$ **3,711,238**	$ **1,825,533**	$ **2,983,726**	$ **8,520,497**	$ **8,453,348**	$ **67,149**
Acquisitions	**8,414**	**11,739**	**6,478**	**26,631**	**26,631**	**—**
Capital expenditures	**95,261**	**21,449**	**42,732**	**159,442**	**155,126**	**4,316**
Increase (decrease) in value of investment properties, net	**242,186**	**65,731**	**133,436**	**441,353**	**433,765**	**7,588**
Straight-line rent and other changes	**46**	**741**	**332**	**1,119**	**1,119**	**—**
Dispositions	**(11,790)**	**(1,716)**	**(33,600)**	**(47,106)**	**(47,106)**	**—**
Balance at end of period	$ **4,045,355**	$ **1,923,477**	$ **3,133,104**	$ **9,101,936**	$ **9,022,883**	$ **79,053**
Investment properties					$ **8,957,133**	$ **72,041**
Investment properties classified as held for sale					**65,750**	**7,012**
Total					$ **9,022,883**	$ **79,053**

							Year ended December 31, 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		168,885	63,066	88,997	320,948		286,220	34,728
Capital expenditures		124,233	21,659	72,226	218,118		215,504	2,614
Reclassification to residential development inventory		(5,010)	—	—	(5,010)		(5,010)	—
Increase (decrease) in value of investment properties, net		110,167	21,096	86,815	218,078		217,574	504
Straight-line rent and other changes		2,239	1,148	2,461	5,848		5,848	—
Dispositions		(27,135)	(102,403)	(10,061)	(139,599)		(132,549)	(7,050)
Revaluation of deferred purchase price of shopping centre		—	—	(4,958)	(4,958)		(4,958)	—
Balance at end of period	$	3,711,238	$ 1,825,533	$ 2,983,726	$ 8,520,497	$	8,453,348	$ 67,149
Investment properties						$	8,370,298	$ 67,149
Investment properties classified as held for sale							83,050	—
Total						$	8,453,348	$ 67,149

Investment properties with a fair value of $2.5 billion (December 31, 2016 – $2.4 billion) are pledged as security for $1.5 billion in mortgages and credit facilities.

(b) Investment property valuation

Effective January 1, 2017, the Company's policy in determining the fair value of its investment properties at the end of each reporting period, includes the following approaches:

1. Internal valuations - by certified staff appraisers employed by the Company, in accordance with professional appraisal standards and IFRS. Every investment property has an internal valuation completed at least once a year.
2. Value updates - primarily consisting of management's review of the key assumptions from previous internal valuations and updating the value for changes in the property cash flow, physical condition and changes in market conditions.

External appraisals are obtained periodically by Management. These appraisals are used as data points, together with other market information accumulated by Management, in arriving at its conclusions on key assumptions and values. External appraisals are completed by an independent appraisal firm, in accordance with professional appraisal standards and IFRS.

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

As at		**September 30, 2017**			December 31, 2016	
($ millions)		**Fair Value**	**Weighted Average Capitalization Rate**		Fair Value	Weighted Average Capitalization Rate
Central Region	**$**	**3,986**	**5.1%**	$	3,663	5.3%
Eastern Region		**1,916**	**5.9%**		1,819	6.0%
Western Region		**3,121**	**5.2%**		2,971	5.3%
Total or Weighted Average	**$**	**9,023**	**5.3%**	$	8,453	5.5%

The sensitivity of the fair values of shopping centres to capitalization rates as at September 30, 2017 is set out in the table below:

As at September 30, 2017	*(millions of dollars)*
(Decrease) Increase in capitalization rate	Resulting increase (decrease) in fair value of shopping centres
(0.75%)	$ 1,363
(0.50%)	$ 864
(0.25%)	$ 413
0.25%	$ (366)
0.50%	$ (705)
0.75%	$ (1,016)

Additionally, a 1% increase or decrease in stabilized net operating income ("SNOI") would result in an $88 million increase or a $77 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 the capitalization rate would result in an increase in the fair value of shopping centres of $500 million, and a 1% decrease in SNOI coupled with a 0.25% increase in the capitalization rate would result in a decrease in the fair value of shopping centres of $445 million.

(c) Investment properties – Acquisitions

During the nine months ended September 30, 2017 and 2016, the Company acquired shopping centres and development land for rental income and future development and redevelopment opportunities as follows:

Three months ended September 30	**2017**		2016	
	Shopping Centres	**Development Land**	Shopping Centres	Development Land
Total purchase price, including acquisition costs	**$ 15,871**	**$ —**	$ 15,450	$ —
Mortgage assumptions and vendor take-back mortgages on acquisitions	**(7,787)**	**—**	—	—
Total cash paid	**$ 8,084**	**$ —**	$ 15,450	$ —

Nine months ended September 30	**2017**		2016	
	Shopping Centres	**Development Land**	Shopping Centres	Development Land
Total purchase price, including acquisition costs	**$ 26,631**	**$ —**	$ 212,973	$ 34,728
Mortgage assumption on acquisition	**(7,787)**	**—**	—	—
Total cash paid	**$ 18,844**	**$ —**	$ 212,973	$ 34,728

(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	**September 30, 2017**	December 31, 2016
Aggregate fair value	**$ 72,762**	$ 83,050
Mortgages secured by investment properties classified as held for sale	**$ 10,872**	$ 9,990
Weighted average effective interest rate of mortgages secured by investment properties classified as held for sale	**4.6%**	4.1%

The decrease of $10.3 million in investment properties classified as held for sale from December 31, 2016, primarily arose from dispositions completed in the year, offset by new investment properties classified as held for sale and changes in fair value.

For the three and nine months ended September 30, 2017 and 2016, the Company sold shopping centres and development land as follows:

	Three months ended September 30		Nine months ended September 30	
	2017	2016	**2017**	2016
Total selling price	**$ 30,665**	$ 50,355	**$ 47,106**	$ 127,540
Vendor take-back mortgage on sale	**—**	(4,500)	**—**	(6,950)
Property selling costs	**(923)**	(739)	**(1,554)**	(2,159)
Total cash proceeds	**$ 29,742**	$ 45,116	**$ 45,552**	$ 118,431

(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 September 30, 2017	**Central Region**	**Eastern Region**	**Western Region**	**Total**
Total shopping centres and development land [1]	**$ 4,045,355**	**$ 1,923,477**	**$ 3,133,104**	**$ 9,101,936**
Cash and cash equivalents				**17,459**
Loans, mortgages and other real estate assets				**449,074**
Other assets				**82,960**
Amounts receivable				**24,745**
Investment in joint ventures				**179,610**
Residential development inventory				**5,483**
Total assets				**$ 9,861,267**

As at December 31, 2016	Central Region	Eastern Region	Western Region	Total
Total shopping centres and development land [1]	$ 3,711,238	$ 1,825,533	$ 2,983,726	$ 8,520,497
Cash and cash equivalents				12,217
Loans, mortgages and other real estate assets				353,295
Other assets				45,937
Amounts receivable				21,175
Investment in joint ventures				146,422
Residential development inventory				5,010
Total assets				$ 9,104,553

(1) Includes investment properties classified as held for sale.

5. LOANS, MORTGAGES AND OTHER REAL ESTATE ASSETS

As at	September 30, 2017	December 31, 2016
Non-current		
Loans and mortgages receivable (a)	**$ 130,070**	$ 131,955
Available-for-sale investment in limited partnership	**2,588**	3,824
Deposit on investment property (b)	**189,200**	189,200
Total non-current	**$ 321,858**	$ 324,979
Current		
Loans and mortgages receivable (a)	**$ 112,342**	$ 15,347
Fair value through profit or loss ("FVTPL") investments in securities (c)	**14,874**	12,969
Total current	**$ 127,216**	$ 28,316
Total	**$ 449,074**	$ 353,295

(a) Loans and mortgages receivable are secured by interests in investment properties or shares of entities owning investment properties. As at September 30, 2017, these receivables bear interest at weighted average effective interest rates of 7.9% (December 31, 2016 – 6.9%) and mature between 2017 and 2023.

(b) In the third quarter of 2016, the Company advanced $189.2 million as a deposit on the acquisition of an investment property, located at One Bloor Street in Toronto, that is currently under construction. The deposit earns interest of 4.5% until the purchase closing date which is estimated to be the fourth quarter of 2017.

(c) The Company has invested 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	September 30, 2017	December 31, 2016
Trade receivables (net of allowances for doubtful accounts of $2.2 million; December 31, 2016 – $3.6 million)	**$ 22,635**	$ 19,291
Corporate and other amounts receivable	**2,110**	1,884
Total	**$ 24,745**	$ 21,175

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	September 30, 2017	December 31, 2016
Non-current			
Fixtures, equipment and computer hardware and software (net of accumulated amortization of $6.7 million; December 31, 2016 - $5.1 million)		**$ 12,400**	$ 9,986
Deferred financing costs on credit facilities (net of accumulated amortization of $3.8 million; December 31, 2016 - $3.5 million)		**2,482**	2,453
Environmental indemnity and insurance proceeds receivable	12(a)	**6,884**	6,875
Derivatives at fair value	22	**10,241**	2,683
Total non-current		**$ 32,007**	$ 21,997
Current			
Deposits and costs on investment properties under option		**$ 3,837**	$ 2,668
Prepaid expenses		**36,141**	6,719
Other deposits		**336**	1,074
Restricted cash		**50**	3,724
Derivatives at fair value	22	**10,589**	9,755
Total current		**$ 50,953**	$ 23,940
Total		**$ 82,960**	$ 45,937

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, 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.

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

As at	September 30, 2017	December 31, 2016
Liabilities (principal amounts outstanding)		
Bank indebtedness	**$ 18,794**	$ 15,914
Mortgages	**1,025,338**	995,925
Credit facilities	**430,945**	251,481
Mortgages under equity accounted joint ventures (at the Company's interest)	**42,209**	46,741
Credit facilities under equity accounted joint venture (at the Company's interest)	**101,075**	80,131
Senior unsecured debentures	**2,725,000**	2,550,000
Convertible debentures	**55,093**	212,635
Equity Capitalization		
Common shares (based on closing per share price of $19.68; December 31, 2016 – $20.67)	**4,801,218**	5,033,286
Total capital employed	**$ 9,199,672**	$ 9,186,113

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 September 30, 2017, 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	September 30, 2017	December 31, 2016
Net debt to total assets		**43.3%**	42.6%
Unencumbered aggregate assets to unsecured debt, using 10 quarter average capitalization rate (1)	≥1.3	**2.1**	2.0
Shareholders' equity, using four quarter average (billions) (1)	>$1.6B	**$ 4.4**	$ 4.0
Secured indebtedness to total assets (1)	<35%	**12.4%**	12.7%
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	**2.2**	2.2

(1) Calculations required under the Company's credit facility agreements or indentures 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, 2016 and 2015.

9. MORTGAGES AND CREDIT FACILITIES

As at	September 30, 2017	December 31, 2016
Fixed rate mortgages	**$ 1,025,281**	$ 997,165
Unsecured facilities	**338,595**	183,451
Secured facilities	**92,350**	68,030
Mortgages and credit facilities	**$ 1,456,226**	$ 1,248,646
Current	**$ 231,125**	$ 116,952
Mortgages on investment properties classified as held for sale	**10,872**	9,990
Non-current	**1,214,229**	1,121,704
Total	**$ 1,456,226**	$ 1,248,646

Mortgages and secured facilities are secured by the Company's investment properties. As at September 30, 2017, approximately $2.5 billion (December 31, 2016 – $2.4 billion) of investment properties out of $9.1 billion (December 31, 2016 – $8.5 billion) (Note 4(a)) had been pledged as security under the mortgages and the secured facilities.

As at September 30, 2017, mortgages bear coupon interest at a weighted average coupon rate of 4.4% (December 31, 2016 – 4.5%) and mature in the years ranging from 2017 to 2027. The weighted average effective interest rate on all mortgages as at September 30, 2017 is 4.4% (December 31, 2016 – 4.4%).

Principal repayments of mortgages outstanding as at September 30, 2017 are as follows:

	Scheduled Amortization	Payments on Maturity	Total	Weighted Average Effective Interest Rate
2017 (remainder of the year)	$ 7,174	$ 30,646	$ 37,820	5.2%
2018	25,486	124,321	149,807	5.4%
2019	22,846	106,714	129,560	6.5%
2020	21,278	45,858	67,136	5.3%
2021	19,588	73,397	92,985	4.4%
2022 to 2027	54,990	493,040	548,030	3.6%
	$ 151,362	$ 873,976	$ 1,025,338	4.4%
Unamortized deferred financing costs and premiums, net			(57)	
Total			$ 1,025,281	

The Company has the ability under its unsecured credit facilities to draw funds based on Canadian bank prime rates and Canadian bankers' acceptances ("BA rates") for Canadian dollar-denominated borrowings, and LIBOR rates or U.S. prime rates for U.S. dollar-denominated borrowings. As of September 30, 2017, the Company had drawn US$271.3 million, as well as CAD$18.8 million in bank indebtedness on its unsecured credit facilities. 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 second quarter, the Company extended the maturity of its $800 million unsecured facility to June 30, 2022 on substantially the same terms.

The Company's credit facilities as at September 30, 2017 are summarized in the table below:

As at September 30, 2017	Borrowing Capacity	Amounts Drawn	Bank Indebtedness and Outstanding Letters of Credit	Available to be Drawn	Interest Rates	Maturity Date
Unsecured Operating Facilities						
Revolving facility maturing 2022 (1)	$ 800,000	$ (187,200)	$ (50,931)	$ 561,869	BA + 1.20% or Prime + 0.20% or US$ LIBOR + 1.20%	June 30, 2022
Non-revolving facility maturing 2020 (2)	150,000	(151,395)	—	—	BA + 1.20% or Prime + 0.20% or US$ LIBOR + 1.20%	October 30, 2020
Secured Construction Facilities						
Maturing 2018	115,000	(57,403)	(1,475)	56,122	BA + 1.125% or Prime + 0.125%	February 13, 2018
Maturing 2018	15,907	(15,572)	—	335	BA + 1.125% or Prime + 0.125%	March 31, 2018
Secured Facilities						
Maturing 2019	11,875	(11,875)	—	—	BA + 1.125% or Prime + 0.125%	September 27, 2019
Maturing 2018	7,500	(7,500)	—	—	BA + 1.125% or Prime + 0.125%	September 6, 2018
Total	$ 1,100,282	$ (430,945)	$ (52,406)	$ 618,326		

(1) The Company had drawn in U.S. dollars the equivalent of CAD$184.3 million which was revalued at CAD$187.2 million as at September 30, 2017.

(2) The Company had drawn in U.S. dollars the equivalent of CAD$150.0 million which was revalued at CAD$151.4 million as at September 30, 2017.

10. SENIOR UNSECURED DEBENTURES

As at				**September 30, 2017**		December 31, 2016
		Interest Rate				
Series	Maturity Date	Coupon	Effective	**Principal Outstanding**	**Liability**	Liability
H	January 31, 2017	5.85%	5.99%	**$ —**	**$ —**	$ 124,985
I	November 30, 2017	5.70%	5.79%	**125,000**	**124,983**	124,906
J	August 30, 2018	5.25%	5.66%	**50,000**	**49,819**	49,761
K	November 30, 2018	4.95%	5.17%	**100,000**	**99,755**	99,602
L	July 30, 2019	5.48%	5.61%	**150,000**	**149,669**	149,542
M	April 30, 2020	5.60%	5.60%	**175,000**	**174,990**	174,988
N	March 1, 2021	4.50%	4.63%	**175,000**	**174,313**	174,177
O	January 31, 2022	4.43%	4.59%	**200,000**	**198,759**	198,567
P	December 5, 2022	3.95%	4.18%	**250,000**	**247,398**	247,066
Q	October 30, 2023	3.90%	3.97%	**300,000**	**298,911**	298,794
R	August 30, 2024	4.79%	4.72%	**300,000**	**301,212**	301,323
S	July 31, 2025	4.32%	4.24%	**300,000**	**301,633**	301,768
T	May 6, 2026	3.60%	3.56%	**300,000**	**300,887**	300,963
U	July 12, 2027	3.75%	3.82%	**$ 300,000**	**298,297**	—
Weighted Average or Total		4.42%	4.48%	**$ 2,725,000**	**$ 2,720,626**	$ 2,546,442
Current				**175,000**	**174,802**	249,891
Non-current				**2,550,000**	**2,545,824**	2,296,551
Total				**$ 2,725,000**	**$ 2,720,626**	$ 2,546,442

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

On July 10, 2017, the Company completed the issuance of $300 million principal amount of Series U senior unsecured debentures due July 12, 2027. These debentures bear interest at a coupon rate of 3.753% per annum, payable semi-annually commencing January 12, 2018.

11. CONVERTIBLE DEBENTURES

As at					**September 30, 2017**			December 31, 2016	
		Interest Rate							
Series	Maturity Date	Coupon	Effective	**Principal**	**Liability**	**Equity**	Principal	Liability	Equity
E	January 31, 2019	5.40%	6.90%	**—**	**—**	**—**	54,666	53,095	2,084
F	January 31, 2019	5.25%	6.07%	**—**	**—**	**—**	51,584	50,773	351
I	July 31, 2019	4.75%	6.19%	**—**	**—**	**—**	51,210	49,822	1,403
J	February 28, 2020	4.45%	5.34%	**55,093**	**54,181**	**386**	55,175	53,943	386
	Weighted Average or Total	4.45%	5.34%	**$ 55,093**	**$ 54,181**	**$ 386**	$ 212,635	$ 207,633	$ 4,224
	Current			**—**	**—**		106,250	103,868	
	Non-current			**55,093**	**54,181**		106,385	103,765	
	Total			**$ 55,093**	**$ 54,181**	**$ 386**	$ 212,635	$ 207,633	$ 4,224

(a) Principal and interest

The Company has the option of repaying the convertible debentures on maturity in cash or 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 in cash or 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 nine months ended September 30, 2017, 0.1 million common shares (nine months ended September 30, 2016 – 0.7 million common shares) were issued for $2.4 million (nine months ended September 30, 2016 – $13.6 million) to pay accrued interest to holders of the convertible debentures.

During the nine months ended September 30, 2017, the Company also paid $3.9 million (nine months ended September 30, 2016 – $0.1 million) in cash to pay accrued interest to holders of convertible debentures.

Each series of the Company's convertible debentures pays interest 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
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 [3]

(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 February 28, 2018 and $27.75 per common share thereafter.

(b) Principal redemption

On January 31, 2017, the Company redeemed its remaining 5.40% Series E and 5.25% Series F convertible debentures at par. The full redemption price and any accrued interest owing on each series of convertible debentures was satisfied in cash.

On August 1, 2017, the Company redeemed its remaining 4.75% Series I convertible debentures at par. The full redemption price and any accrued interest owing on the convertible debentures was satisfied in cash.

(c) Normal course issuer bid

Effective August 29, 2016, the Company renewed its normal course issuer bid ("NCIB") for all of its then outstanding series of convertible debentures. The NCIB expired on August 28, 2017 and was not renewed by the Company. All purchases made under the NCIB were at market prices prevailing at the time of purchase determined by or on behalf of the Company.

For the nine months ended September 30, 2017 and 2016, principal amounts of convertible debentures purchased and amounts paid for the purchases are represented in the table below:

Nine months ended September 30	**2017**		2016	
	Principal Amount Purchased	**Amount Paid**	Principal Amount Purchased	Amount Paid
Total	**$ 110**	**$ 112**	$ 3,762	$ 3,810

12. ACCOUNTS PAYABLE AND OTHER LIABILITIES

As at	Note	September 30, 2017	December 31, 2016
Non-current			
Asset retirement obligations (a)		**$ 8,147**	$ 7,815
Ground leases payable		**9,102**	9,423
Derivatives at fair value	22	**1,418**	6,469
Deferred purchase price of investment property – shopping centre		**1,773**	1,763
Deferred income		**295**	1,606
Total non-current		**$ 20,735**	$ 27,076
Current			
Trade payables and accruals		**$ 65,282**	$ 66,343
Construction and development payables		**44,600**	49,204
Dividends payable		**52,452**	52,330
Interest payable		**34,016**	38,016
Tenant deposits		**26,384**	26,573
Total current		**$ 222,734**	$ 232,466
Total		**$ 243,469**	$ 259,542

(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 totaling $6.9 million 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 common shares and preference shares. The common shares carry one vote each and participate equally in the income 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 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 following table sets forth the particulars of the issued and outstanding common shares of the Company:

Nine months ended September 30			**2017**		2016
	Note	**Number of Common Shares**	**Stated Capital**	Number of Common Shares	Stated Capital
Issued and outstanding at beginning of period		**243,507**	**$ 3,142,399**	225,538	$ 2,768,983
Payment of interest on convertible debentures	11	**124**	**2,442**	673	13,645
Conversion of convertible debentures	11	**4**	**107**	3,080	60,294
Exercise of options, and settlement of any restricted, performance and deferred share units		**329**	**6,051**	728	13,659
Issuance of common shares		**—**	**—**	13,087	287,589
Share issue costs and other, net of tax effect		**—**	**(176)**	—	(9,125)
Issued and outstanding at end of period		**243,964**	**$ 3,150,823**	243,106	$ 3,135,045

Quarterly dividends declared per common share were $0.645 for the nine months ended September 30, 2017 (nine months ended September 30, 2016 – $0.645).

(b) Contributed surplus and other equity items

Contributed surplus and other equity items comprise the following:

Nine months ended September 30			**2017**					2016
	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	**$ 20,954**	**$ 4,224**	**$ 16,521**	**$ 41,699**	$ 19,532	$ 6,833	$ 17,284	$ 43,649
Redemption of convertible debentures	**3,834**	**(3,837)**	**—**	**(3)**	1,386	(2,561)	—	(1,175)
Repurchase of convertible debentures	**1**	**(1)**	**—**	**—**	36	(45)	—	(9)
Options vested	**—**	**—**	**654**	**654**	—	—	618	618
Exercise of options	**(272)**	**—**	**(874)**	**(1,146)**	—	—	(1,146)	(1,146)
Deferred share units	**—**	**—**	**564**	**564**	—	—	559	559
Restricted share units	**—**	**—**	**1,705**	**1,705**	—	—	1,563	1,563
Performance share units	**—**	**—**	**1,047**	**1,047**	—	—	351	351
Settlement of any restricted, performance and deferred share units	**—**	**—**	**(337)**	**(337)**	—	—	—	—
Balance at end of period	**$ 24,517**	**$ 386**	**$ 19,280**	**$ 44,183**	$ 20,954	$ 4,227	$ 19,229	$ 44,410

(c) Stock options

As of September 30, 2017, the Company is authorized to grant up to 19.7 million (December 31, 2016 – 15.2 million) common share options to the employees, officers and directors of the Company. As of September 30, 2017, 5.5 million (December 31, 2016 – 1.7 million) common share options are available to be granted to the employees, officers and directors of the Company. In addition, as at September 30, 2017, 4.4 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 September 30, 2017 have exercise prices ranging from \$9.81 – \$20.24 (December 31, 2016 – \$9.81 – \$20.24).

During the nine months ended September 30, 2017, \$0.6 million (nine months ended September 30, 2016 – \$0.5 million) was recorded as an expense related to stock options.

Nine months ended September 30		**2017**		2016
	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	**4,206**	**$ 18.15**	4,199	$ 17.56
Granted (a)	**869**	**20.07**	1,000	19.69
Exercised (b)	**(531)**	**16.98**	(728)	17.18
Forfeited	**(111)**	**18.89**	(30)	18.96
Expired	**(1)**	**17.67**	(2)	15.47
Outstanding at end of period	**4,432**	**$ 18.65**	4,439	$ 18.09

(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.

Nine months ended September 30	**2017**	2016
Share options granted (thousands)	**869**	1,000
Term to expiry	**10 years**	10 years
Exercise price	**$20.07**	$19.69
Weighted average volatility rate	**15.0%**	15.0%
Weighted average expected option life	**6 years**	6 years
Weighted average dividend yield	**4.26%**	4.35%
Weighted average risk free interest rate	**1.31%**	0.78%
Fair value (thousands)	**$1,125**	$1,082

(b) The weighted average market share price at which options were exercised for the nine months ended September 30, 2017 was $20.14 (nine months ended September 30, 2016 – $21.34).

(d) Share unit plans

The Company's share unit plans include a Directors' Deferred Share Unit ("DSU") Plan and a Restricted Share Unit ("RSU") Plan that provides for the issuance of Restricted Share Units and Performance Share Units ("PSU"). Under the DSU and RSU 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 DSU, upon redemption by the holder after the date that the holder ceases to be a director of the Company and any of its subsidiaries (the "Retirement Date") but no later than December 15 of the first calendar year commencing after the Retirement Date, and (ii) in the case of a 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. Under the PSU plan, a participant is entitled to receive 0.5 – 1.5 common shares per PSU granted, or equivalent cash value at the Company's option, 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.

Nine months ended September 30		**2017**		2016
(in thousands)	**DSUs**	**RSUs / PSUs**	DSUs	RSUs / PSUs
Outstanding at beginning of period	**275**	**471**	349	374
Granted (a) (b)	**22**	**191**	26	171
Dividends declared	**9**	**23**	11	10
Exercised	**—**	**(19)**	—	—
Forfeited	**—**	**(18)**	—	—
Outstanding at end of period	**306**	**648**	386	555
Expense recorded for the period	**$379**	**$2,492**	$328	$1,683

(a) The fair value of the DSUs granted during the nine months ended September 30, 2017 was $0.4 million (nine months ended September 30, 2016 – $0.4 million), measured based on the Company's prevailing share price on the date of grant. The fair value of the RSUs granted during the nine months ended September 30, 2017 was $1.6 million (nine months ended September 30, 2016 – $1.3 million), measured based on the Company's share price on the date of grant.

(b) The fair value of the PSUs granted during the nine months ended September 30, 2017 was $2.2 million (nine months ended September 30, 2016 – $2.2 million). The fair value is calculated using the Monte-Carlo simulation model based on the assumptions below as well as a market adjustment factor based on the total shareholder return of the Company's common shares relative to the S&P/TSX Capped REIT Index.

Nine months ended September 30	**2017**	2016
PSUs granted (thousands)	**112**	106
Term to expiry	**3 years**	3 years
Weighted average volatility rate	**14.3%**	13.4%
Weighted average correlation	**40.4%**	41.9%
Weighted average total shareholder return	**0.5%**	8.8%
Weighted average risk free interest rate	**0.95%**	0.60%
Fair value (thousands)	**$2,238**	$2,197

The fair value of awards granted under the above plans is recognized as compensation expense over the respective vesting periods.

14. NET OPERATING INCOME

Net operating income is presented by segment as follows:

Three months ended September 30, 2017	**Central Region**	**Eastern Region**	**Western Region**	**Subtotal**	**Other [1]**	**Total**
Property rental revenue	**$ 70,281**	**$ 44,749**	**$ 56,331**	**$ 171,361**	**$ (691)**	**$ 170,670**
Property operating costs	**25,411**	**18,082**	**18,292**	**61,785**	**(1,725)**	**60,060**
Net operating income	**$ 44,870**	**$ 26,667**	**$ 38,039**	**$ 109,576**	**$ 1,034**	**$ 110,610**

Three months ended September 30, 2016	Central Region	Eastern Region	Western Region	Subtotal	Other [1]	Total
Property rental revenue	$ 70,498	$ 43,388	$ 54,763	$ 168,649	$ (772)	$ 167,877
Property operating costs	25,638	18,594	17,443	61,675	(1,410)	60,265
Net operating income	$ 44,860	$ 24,794	$ 37,320	$ 106,974	$ 638	$ 107,612

Nine months ended September 30, 2017	**Central Region**	**Eastern Region**	**Western Region**	**Subtotal**	**Other [1]**	**Total**
Property rental revenue	**$ 213,795**	**$ 135,461**	**$ 170,158**	**$ 519,414**	**$ (2,162)**	**$ 517,252**
Property operating costs	**79,281**	**58,731**	**57,180**	**195,192**	**(4,112)**	**191,080**
Net operating income	**$ 134,514**	**$ 76,730**	**$ 112,978**	**$ 324,222**	**$ 1,950**	**$ 326,172**

Nine months ended September 30, 2016	Central Region	Eastern Region	Western Region	Subtotal	Other [1]	Total
Property rental revenue	$ 208,469	$ 132,703	$ 164,654	$ 505,826	$ (2,273)	$ 503,553
Property operating costs	79,214	57,850	54,043	191,107	(3,245)	187,862
Net operating income	$ 129,255	$ 74,853	$ 110,611	$ 314,719	$ 972	$ 315,691

(1) Other items principally consist of intercompany eliminations.

For the three and nine months ended September 30, 2017, property operating costs include $4.4 million and $15.2 million, respectively, (three and nine months ended September 30, 2016 – $5.2 million and $16.2 million, respectively) related to employee compensation.

15. INTEREST AND OTHER INCOME

		Three months ended September 30		Nine months ended September 30	
	Note	**2017**	2016	**2017**	2016
Interest, dividend and distribution income from marketable securities	5	**$ 210**	$ 267	**$ 746**	$ 851
Interest income from loans, deposit and mortgages receivable	5	**5,187**	3,198	**13,687**	7,310
Fees and other income		**3,296**	1,630	**6,382**	4,327
Total		**$ 8,693**	$ 5,095	**$ 20,815**	$ 12,488

16. INTEREST EXPENSE

		Three months ended September 30		Nine months ended September 30	
	Note	**2017**	2016	**2017**	2016
Mortgages	9	**$ 11,879**	$ 12,054	**$ 35,719**	$ 35,957
Credit facilities	9	**2,095**	1,860	**7,455**	5,193
Senior unsecured debentures	10	**30,421**	28,333	**85,727**	82,421
Convertible debentures	11	**983**	3,175	**4,420**	11,411
Total interest expense		**45,378**	45,422	**133,321**	134,982
Interest capitalized to investment properties under development		**(5,485)**	(6,450)	**(15,761)**	(16,740)
Interest expense		**$ 39,893**	$ 38,972	**$ 117,560**	$ 118,242
Convertible debenture interest paid in common shares	11	**—**	(5,282)	**(2,442)**	(13,645)
Change in accrued interest		**(823)**	3,540	**4,000**	5,174
Effective interest rate less than (in excess of) coupon interest rate on senior unsecured and convertible debentures		**260**	7	**625**	(159)
Coupon interest rate in excess of effective interest rate on assumed mortgages		**243**	499	**1,089**	1,737
Amortization of deferred financing costs		**(1,452)**	(1,513)	**(4,513)**	(4,639)
Cash interest paid associated with operating activities		**$ 38,121**	$ 36,223	**$ 116,319**	$ 106,710

17. CORPORATE EXPENSES

	Three months ended September 30		Nine months ended September 30	
	2017	2016	**2017**	2016
Salaries, wages and benefits	**$ 6,868**	$ 5,957	**$ 21,175**	$ 19,671
Non-cash compensation	**1,091**	891	**3,130**	2,465
Other corporate costs	**2,580**	2,603	**8,302**	7,496
Total corporate expenses	**10,539**	9,451	**32,607**	29,632
Amounts capitalized to investment properties under development	**(1,862)**	(1,482)	**(5,452)**	(4,773)
Corporate expenses	**$ 8,677**	$ 7,969	**$ 27,155**	$ 24,859

18. OTHER GAINS (LOSSES) AND (EXPENSES)

	Three months ended September 30		Nine months ended September 30	
	2017	2016	**2017**	2016
Realized gain (loss) on sale of marketable securities	**$ —**	$ —	**$ —**	$ 79
Unrealized gain (loss) on marketable securities classified as FVTPL	**1,412**	(696)	**1,905**	1,194
Net gain (loss) on prepayments of debt	**(1,011)**	43	**(3,344)**	(1,109)
Proceeds from Target	**—**	—	**—**	3,150
Investment properties selling costs	**(923)**	(739)	**(1,554)**	(2,159)
Restructuring costs	**—**	(653)	**—**	(1,988)
Other	**21**	(32)	**(93)**	(65)
Total	**$ (501)**	$ (2,077)	**$ (3,086)**	$ (898)

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 nine months ended September 30, 2017 and 2016:

	Three months ended September 30		Nine months ended September 30	
	2017	2016	**2017**	2016
Income tax expense at the Canadian federal and provincial income tax rate of 26.6%	**$ 28,937**	$ 29,503	**$ 179,514**	$ 106,002
Increase (decrease) in income taxes due to:				
Non-taxable portion of capital gains and other	**(8,736)**	(8,241)	**(71,654)**	(36,053)
Other	**(476)**	941	**(386)**	1,444
Deferred income taxes	**$ 19,725**	$ 22,203	**$ 107,474**	$ 71,393

20. PER SHARE CALCULATIONS

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

	Three months ended September 30		Nine months ended September 30	
	2017	2016	**2017**	2016
Net income attributable to common shareholders	**$ 83,046**	$ 88,464	**$ 558,256**	$ 324,975
Adjustment for dilutive effect of convertible debentures, net of tax	**721**	2,330	**2,891**	6,933
Income for diluted per share amounts	**$ 83,767**	$ 90,794	**$ 561,147**	$ 331,908
(in thousands)				
Weighted average number of shares outstanding for basic per share amounts	**244,854**	239,846	**244,662**	232,857
Options	**283**	862	**352**	596
Convertible debentures	**3,489**	9,888	**4,737**	10,132
Weighted average diluted share amounts	**248,626**	250,596	**249,751**	243,585

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 September 30	Number of Shares if Exercised		
(in dollars, number of shares in thousands)	Exercise Price	**2017**	2016
Common share options	$20.07	**869**	—
Common share options	$20.24	**145**	—

Nine months ended September 30	Number of Shares if Exercised		
(in dollars, number of options in thousands)	Exercise Price	**2017**	2016
Common share options and convertible debentures	N/A	**—**	—

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 September 30, 2017, Loblaw Companies Limited (“Loblaw”) accounts for 10.4% 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 September 30, 2017 is set out below:

As at September 30, 2017	Payments Due by Period				
	Remainder of 2017	2018 to 2019	2020 to 2021	Thereafter	Total
Scheduled mortgage principal amortization	$ 7,174	$ 48,332	$ 40,866	$ 54,990	$ 151,362
Mortgage principal repayments on maturity	30,646	231,035	119,255	493,040	873,976
Credit facilities and bank indebtedness	—	92,350	151,395	205,994	449,739
Senior unsecured debentures	125,000	300,000	350,000	1,950,000	2,725,000
Interest obligations (1)	45,708	306,649	233,905	282,012	868,274
Land leases (expiring between 2023 and 2061)	267	2,285	2,296	19,520	24,368
Contractual committed costs to complete current development projects	57,094	22,318	—	—	79,412
Other committed costs	63,130	23,926	—	—	87,056
Total contractual obligations (2)	$ 329,019	$ 1,026,895	$ 897,717	$ 3,005,556	$ 5,259,187

(1) Interest obligations include expected interest payments on mortgages and credit facilities as at September 30, 2017 (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 unless the Company has disclosed its intention to settle in cash.

The Company manages its liquidity risk by staggering debt maturities; renegotiating expiring credit arrangements proactively; using unsecured credit facilities; and issuing equity when considered appropriate. As at September 30, 2017, there was $338.6 million (December 31, 2016 – $183.5 million) of cash advances drawn against the Company's unsecured credit facilities.

In addition, as at September 30, 2017, the Company has $52.5 million (December 31, 2016 – $48.2 million) of bank overdrafts and outstanding letters of credit issued by financial institutions primarily to support certain of the Company's contractual obligations.

22. FAIR VALUE MEASUREMENT

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

As at	September 30, 2017			December 31, 2016		
	Level 1	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
Measured at fair value						
Financial Assets						
FVTPL investments in securities	**$ 14,874**	**$ —**	**$ —**	$ 12,969	$ —	$ —
AFS investments in limited partnership	**—**	**—**	**2,588**	—	—	3,824
Derivatives at fair value – assets	**—**	**20,830**	**—**	—	12,438	—
Financial Liabilities						
Derivatives at fair value – liabilities	**—**	**1,418**	**—**	—	6,469	—
Measured at amortized cost						
Financial Assets						
Loans and mortgages receivable	**$ —**	**$ —**	**$ 242,390**	$ —	$ —	$ 144,379
Financial Liabilities						
Mortgages	**—**	**1,039,103**	**—**	—	996,835	—
Credit facilities	**—**	**430,945**	**—**	—	251,481	—
Senior unsecured debentures	**—**	**2,812,421**	**—**	—	2,691,059	—
Convertible debentures	**56,195**	**—**	**—**	214,423	—	—

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 as well as currency risk in relation to movements in the Canadian to U.S. exchange rate. 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 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 September 30, 2017, the interest rates ranged from 2.1% to 4.0% (December 31, 2016 – 1.7% to 3.3%). The fair values of the Company's asset (liability) hedging instruments are as follows:

	Designated as Hedging Instrument	Maturity as at September 30, 2017	**September 30, 2017**	December 31, 2016
Derivative assets				
Bond forward contracts	Yes	October 2017	**$ 6,404**	$ 6,279
Interest rate swaps	Yes	June 2025 - March 2027	**10,241**	2,683
Cross currency swaps	No	October 2017	**4,185**	3,476
Total			**$ 20,830**	$ 12,438
Derivative liabilities				
Interest rate swaps	Yes	March 2022 - July 2024	**1,418**	6,469
Total			**$ 1,418**	$ 6,469

23. SUPPLEMENTAL CASH FLOW INFORMATION

(a) Items not affecting cash and other items

	Note	Three months ended September 30		Nine months ended September 30	
		2017	2016	**2017**	2016
Straight-line rent adjustment		**$ (165)**	$ (1,812)	**$ (1,119)**	$ (4,968)
Investment properties selling costs	18	**923**	739	**1,554**	2,159
Realized (gain) loss on sale of marketable securities	18	**—**	—	**—**	(79)
Unrealized (gain) loss on marketable securities classified as FVTPL	18	**(1,412)**	696	**(1,905)**	(1,194)
Net (gain) loss on prepayments of debt	18	**1,011**	(43)	**3,304**	1,109
Non-cash compensation expense		**1,168**	975	**3,323**	2,646
Deferred income taxes	19	**19,632**	22,203	**105,458**	71,393
Other non-cash items		**(21)**	32	**93**	32
Total		**$ 21,136**	$ 22,790	**$ 110,708**	$ 71,098

(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 September 30		Nine months ended September 30	
	2017	2016	**2017**	2016
Amounts receivable	**$ 3,970**	$ 8,327	**$ (3,570)**	$ (927)
Prepaid expenses	**8,192**	(1,595)	**(29,422)**	(30,716)
Trade payables and accruals	**1,717**	(5,863)	**(5,101)**	(4,509)
Tenant security and other deposits	**(245)**	1,593	**(204)**	2,018
Other working capital changes	**(1,086)**	(875)	**(2,462)**	(2,047)
Total	**$ 12,548**	$ 1,587	**$ (40,759)**	$ (36,181)

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

	Three months ended September 30		Nine months ended September 30	
	2017	2016	**2017**	2016
Advances of loans and mortgages receivable	**$ (83,256)**	$ (231,348)	**$ (94,525)**	$ (232,610)
Repayments of loans and mortgages receivable	**63**	48	**2,042**	20,758
Investment in marketable securities, net	**—**	—	**—**	(742)
Proceeds from disposition of marketable securities	**—**	—	**—**	830
Total	**$ (83,193)**	$ (231,300)	**$ (92,483)**	$ (211,764)

(d) Cash and cash equivalents (bank indebtedness)

As at	**September 30, 2017**	December 31, 2016
Cash [(1)]	**$ 17,459**	$ 12,217
Bank indebtedness	**(18,794)**	(15,914)
Total	**$ (1,335)**	$ (3,697)

(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 $123.8 million (December 31, 2016 – $108.1 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 $33.7 million (December 31, 2016 – $32.3 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 $1.1 million (December 31, 2016 – $1.0 million) with a total obligation of $24.4 million (December 31, 2016 – $20.1 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) Significant Shareholder

Gazit-Globe Ltd. ("Gazit") is a significant shareholder of the Company and, as of September 30, 2017, beneficially owns 32.6% (December 31, 2016 – 36.4%) of the common shares of the Company. Norstar Holdings Inc. is the ultimate controlling party of Gazit. In the first quarter of 2017, Gazit disposed of 9,000,000 common shares of the Company.

Corporate and other amounts receivable include amounts due from Gazit. Gazit reimburses the Company for certain accounting and administrative services provided to it by the Company. Such amounts consist of the following:

	Three months ended September 30		Nine months ended September 30	
	2017	2016	**2017**	2016
Reimbursements for professional services	**$ —**	$ —	**$ 97**	$ 143

As at September 30, 2017, amounts due from Gazit were $0.1 million (December 31, 2016 – $0.1 million).

(b) Joint venture

During the three and nine months ended September 30, 2017, 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 $0.7 million and $1.9 million (September 30, 2016 – $0.6 million and $1.6 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 EVENTS

Fourth Quarter Dividend

The Company announced that it will pay a fourth quarter dividend of $0.215 per common share on January 16, 2018 to shareholders of record on December 29, 2017.

Shareholder Information

HEAD OFFICE
Shops at King Liberty
85 Hanna Avenue, Suite 400
Toronto, Ontario M6K 3S3
Tel: 416 504 4114
Fax: 416 941 1655

MONTREAL OFFICE
Place Viau
7600 boulevard Viau, Suite 113
Montréal, Québec H1S 2P3
Tel: 514 332 0031
Fax: 514 332 5135

CALGARY OFFICE
Mount Royal Village, Suite 400
1550 8th Street SW
Calgary, Alberta T2R 1K1
Tel: 403 257 6888
Fax: 403 257 6899

EDMONTON OFFICE
Northgate Centre, Unit 2004
9499-137 Avenue
Edmonton, Alberta T5E 5R8
Tel: 780 475 3695
Fax: 780 478 6716

VANCOUVER OFFICE
Shops at New West
800 Carnarvon Street, Suite 320
New Westminster, BC V3M 0G3
Tel: 604 278 0056
Fax: 604 242 0266

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EXECUTIVE LEADERSHIP TEAM
Adam E. Paul
President and Chief Executive Officer

Kay Brekken
Executive Vice President and
Chief Financial Officer

Jordan Robins
Executive Vice President and
Chief Operating Officer

Gareth Burton
Senior Vice President, Construction

Carmine Francella
Senior Vice President, Leasing

Alison Harnick
General Counsel and Corporate Secretary

Sandra Levy
Vice President, People and Corporate Affairs

Maryanne McDougald
Senior Vice President, Operations

Gregory J. Menzies
Project Lead, Yorkville Village

Jodi M. Shpigel
Senior Vice President, Development

AUDITORS
Ernst & Young LLP
Toronto, Ontario

DIRECTORS
Dori J. Segal
Chairman, First Capital Realty Inc.
Vice-Chairman and CEO, Gazit Globe
Toronto, Ontario

Jon Hagan, C.P.A., C.A.
Consultant, JN Hagan Consulting
Barbados

Allan S. Kimberley
Corporate Director
Toronto, Ontario

Annalisa King
Corporate Director
Vancouver, British Columbia

Bernard McDonell
Corporate Director
Apple Hill, Ontario

Adam E. Paul, C.P.A., C.A
President and Chief Executive Officer,
First Capital Realty Inc.
Toronto, Ontario

Mia Stark
Chief Executive Director of Gazit Brasil,
São Paulo, Brazil

Andrea Stephen, C.P.A., C.A.
Corporate Director
Toronto, Ontario

FIRST CAPITAL

First Capital Realty Inc.
Corporate Head Office
Shops at King Liberty
85 Hanna Ave, Suite 400
Toronto, Ontario M6K 3S3

T 416.504.4114
F 416.941.1655
www.fcr.ca