FIRST CAPITAL REALTY INC.

THIRD QUARTER REPORT 2014

LOCATION LOCATION LOCATION®

The power of location.

FIRST CAPITAL®

Green Shopping For Everyday Life®

Corporate Profile

First Capital Realty (TSX: FCR) is Canada's leading owner, developer and manager of well-located, high quality urban retail-centered properties where people live and shop for everyday life. As at September 30, 2014, the Company owned interests in 163 properties, totalling approximately 24.6 million square feet of gross leasable area. First Capital Realty has an enterprise value of approximately $7.7 billion and its common shares trade on the Toronto Stock Exchange.

Financial Highlights

As at *(thousands of dollars, except per share and other data)*		**September 30, 2014**		December 31, 2013
Total assets	**$**	**8,076,000**	$	7,596,000
Equity market capitalization [(1)]	**$**	**3,779,000**	$	3,690,000
Total enterprise value [(2)]	**$**	**7,688,000**	$	7,319,000
Number of properties		**163**		164
Gross leasable area ("GLA") (square feet)		**24,555,000**		24,462,000
Net debt to total assets [(3)]		**42.1%**		42.9%
Net debt to enterprise value [(3)]		**44.2%**		44.3%
Common shares outstanding (in thousands)		**215,838**		208,356
Quarterly dividends per common share	**$**	**0.215**	$	0.21

Nine months ended September 30 *(thousands of dollars, except per share and other data)*		**2014**		2013
Property rental revenue [(4)]	**$**	**489,828**	$	473,719
Net Operating Income ("NOI") [(2) (4)]	**$**	**306,820**	$	297,680
Funds from Operations ("FFO") [(2)]				
FFO	**$**	**160,897**	$	159,676
FFO per diluted share	**$**	**0.76**	$	0.77
FFO payout ratio		**83.2%**		82.0%
FFO excluding other gains (losses) and (expenses)	**$**	**162,686**	$	158,814
FFO per diluted share excluding other gains (losses) and (expenses)	**$**	**0.77**	$	0.76
Adjusted Funds from Operations ("AFFO") [(2)]				
AFFO	**$**	**168,310**	$	167,978
AFFO per diluted share	**$**	**0.74**	$	0.75
AFFO payout ratio		**85.9%**		84.0%
AFFO excluding other gains (losses) and (expenses)	**$**	**167,524**	$	161,392
AFFO per diluted share excluding other gains (losses) and (expenses)	**$**	**0.74**	$	0.72

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

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

(3) Calculated with all joint ventures proportionately consolidated.

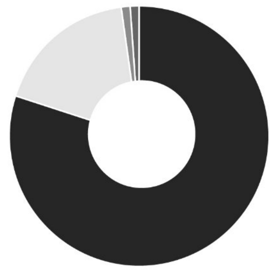
(4) Includes the Company's share of property rental revenue and NOI relating to its joint ventures accounted for on the equity basis in the interim consolidated financial statements. Refer to the "Results of Operations – Net Income" section of this MD&A.

Markets*

Markets*

- Greater Toronto Area 32%
- Calgary/Edmonton/Red Deer 23%
- Greater Montreal Area 17%
- Greater Vancouver Area 10%
- Ottawa/Gatineau 7%
- Golden Horseshoe 6%
- Southwestern Ontario 2%
- Quebec City 3%

* Annual Minimum Rents



- Large Urban Market 81%
- Medium Market 17%
- Small Market A 1%
- Small Market B 1%

DEFINITION

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

Source: Statistics Canada
As of September 30, 2014

Shopping For Everyday Life®

	#of stores	% of rent	tenants
Supermarkets[1]	126	16.9%	Loblaws, Sobeys, METRO, save on foods, Whole Foods, Longo's
Liquor Stores	91	3.1%	BC LIQUORSTORES, LCBO, SAQ, The Beer Store, Liquor Depot, Liquor Barn
Banks & other Financial Institutions	308	9.7%	Desjardins, TD, RBC, CIBC, BMO, National Bank of Canada, HSBC
Drugstores	134	9.2%	Shoppers Drug Mart, London Drugs, Rexall, Jean Coutu, Uniprix, The Medicine Shoppe Pharmacy
Medical, Personal Services and Professional	1,218	12.8%	Alberta Health Services
Fitness	67	2.6%	Equinox, GoodLife Fitness Club, LA Fitness, Nautilus Plus
Daycare Centres and Schools	54	0.6%	brightpath, KUMON, Oxford Learning, Child Safe Canada, A Child First Preschool Inc.
National & Discount Retailers	186	14.9%	Winners, Dollarama, Target, Staples, RONA, Walmart, Best Buy, Future Shop
Casual Dining & QSR	610	7.3%	aroma, Tim Hortons, Subway, McDonald's, CARA, Wendy's, Second Cup, Jack Astor's, Pizza Hut

As of September 30, 2014
[1] *43 of 126 supermarkets have a pharmacy*

MD&A

MANAGEMENT'S DISCUSSION AND ANALYSIS

Contents

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

INTRODUCTION

This Management's Discussion and Analysis ("MD&A") of the financial position and results of operations for First Capital Realty Inc. ("First Capital Realty" or the "Company") is intended to provide readers with an assessment of performance and summarize the results of operations and financial position for the three and nine months ended September 30, 2014 and 2013. It should be read in conjunction with the Company's audited annual consolidated financial statements for the years ended December 31, 2013 and 2012 contained in the Company's 2013 Annual Report. Additional information, including the Company's 2013 Annual Report and current Annual Information Form, is available on the SEDAR website at www.sedar.com and on the Company's website at www.firstcapitalrealty.ca.

All amounts are in thousands of Canadian dollars, unless otherwise noted. Historical results and percentage relationships contained in the Company's interim unaudited 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 3, 2014.

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

FORWARD-LOOKING STATEMENT ADVISORY

Certain statements contained in the "Business Overview and Strategy", "Outlook and Current Business Environment", "Business and Operations Review", "Results of Operations", "Capital Structure and Liquidity", "Summary of Significant Accounting Estimates and Policies" and "Controls and Procedures" sections of this MD&A constitute forward-looking statements. Other statements concerning First Capital Realty's objectives and strategies and Management's beliefs, plans, estimates and intentions also constitute forward-looking statements. Forward-looking statements can generally be identified by the expressions "anticipate", "believe", "plan", "estimate", "project", "expect", "intend", "outlook", "objective", "may", "will", "should", "continue" and similar expressions. The forward-looking statements are not historical facts but, rather, reflect the Company's current expectations regarding future results or events and are based on information currently available to Management. Certain material factors and assumptions were applied in providing these forward-looking statements. Forward-looking information involves numerous assumptions such as rental income (including assumptions on timing of lease-up, development coming on line and levels of percentage rent), interest rates, tenant defaults, borrowing costs (including the underlying interest rates and credit spreads), the general availability of capital and the stability of the capital markets, amount of development costs, capital expenditures, operating costs and corporate expenses, level and timing of acquisitions of income-producing properties, number of shares outstanding and numerous other factors. Moreover, the assumptions underlying the Company's forward-looking statements contained in the "Outlook and Current Business Environment" section of this MD&A also include that consumer demand will remain stable, and demographic trends will continue.

Management believes that the expectations reflected in forward-looking statements are based upon reasonable assumptions; however, Management can give no assurance that actual results will be consistent with these forward-looking statements. These forward-looking statements are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations, including the matters discussed in the "Risks and Uncertainties" section of this MD&A and the matters discussed under "Risk Factors" in the Company's current Annual Information Form from time to time.

Factors that could cause actual results or events to differ materially from those expressed, implied or projected by forward-looking statements, in addition to those factors referenced above, include, but are not limited to: general economic conditions; real property ownership; the availability of a new competitive supply of retail properties which may become available either through construction, lease or sublease; First Capital Realty's ability to maintain occupancy and to lease or re-lease space at current or anticipated rents; repayment of indebtedness and the availability of debt and equity financing; changes in interest rates and credit spreads; changes to credit ratings; tenant financial difficulties; defaults and bankruptcies; the relative illiquidity of real property; unexpected costs or liabilities related to acquisitions, development and construction; increases in operating costs and property taxes; residential development, sales and leasing; compliance with financial covenants; changes in governmental regulation; environmental liability and compliance costs; unexpected costs or liabilities related to dispositions; challenges associated with the integration of acquisitions into the Company;

uninsured losses and First Capital Realty's ability to obtain insurance coverage at a reasonable cost; risks in joint ventures; matters associated with significant shareholders; geographic concentration of assets; investments subject to credit and market risk; loss of key personnel; and the ability of health care tenants to maintain licenses, certifications and accreditations.

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

All forward-looking statements in this MD&A are made as of November 3, 2014 and are qualified by these cautionary statements.

BUSINESS OVERVIEW AND STRATEGY

First Capital Realty (TSX:FCR) is Canada's leading owner, developer and manager of well-located, high quality urban retail-centered properties where people live and shop for everyday life. As at September 30, 2014, the Company owned interests in 163 properties, totalling approximately 24.6 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 cash flow and capital appreciation of its shopping centre portfolio. To achieve the Company's strategic objectives, Management continues to:

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

Shopping for Everyday Life®

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

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

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

Urban Focus

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

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

Acquisitions

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

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

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

Development, Redevelopment and Land Use Intensification

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

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

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

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

Proactive Management

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

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

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

Increasing Efficiency and Productivity of Operations

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

Cost of Capital

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

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

Corporate Responsibility and Sustainability

First Capital Realty builds value by creating and managing high quality properties with long-term appeal in neighbourhoods and communities that the Company believes will have a good and growing customer base well into the future. The Company also takes a highly disciplined approach to the development and redevelopment of the Company's properties across Canada. In 2006, the Company embarked on the path towards sustainability with a commitment to develop all future properties to Leadership in Energy and Environmental Design ("LEED") standards. In 2009, the Company published its first Corporate Sustainability Report identifying five long-term goals. Since then, the Company has published Corporate Responsibility and Sustainability ("CRS") Reports for 2010, 2011, 2012 and 2013. These CRS reports comply with the Global Reporting Initiative ("GRI"), an international non-profit organization whose mandate is to establish guidelines for CRS reports. The Company is proud to be Canada's first publicly traded real estate company to issue a GRI-compliant and externally assured CRS report.

In April 2014, First Capital Realty was ranked sixth in Corporate Knights Inaugural Future 40 Responsible Corporate Leaders in Canada. This ranking evaluated more than 200 companies with revenues of less than $2.0 billion dollars for their sustainability and disclosure practices. First Capital Realty was the highest ranked real estate company in this list. The Company has responded to the 2014 Carbon Disclosure Project Information Request.

On the environmental front, the Company continues to develop its properties to LEED standards subject to tenant acceptance. As at September 30, 2014, 61 projects at 35 properties comprising over 1.3 million square feet of GLA were certified to LEED standards. Another 69 projects at 42 properties comprising over 2.5 million square feet of GLA are under development, in the process of construction or awaiting LEED certification.

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

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

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

Adoption of New Accounting Standards

The interim consolidated financial statements for the three and nine months ended September 30, 2014 have been prepared by applying the same accounting policies and methods of computation as compared with the most recent audited annual consolidated financial statements, except for the adoption of IFRIC 21, "Levies" ("IFRIC 21") and the interpretation of IAS 17, "Leases" ("IAS 17") with respect to the meaning of "incremental costs".

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

(a) Levies

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

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

(b) Internal Leasing Costs

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

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

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

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

SUMMARY CONSOLIDATED INFORMATION AND HIGHLIGHTS

As at September 30 *(thousands of dollars, except other data)*		**2014**		2013
Operations Information				
Number of properties		**163**		164
GLA (square feet)		**24,555,000**		24,313,000
Occupancy – same property – stable [1]		**97.0%**		96.3%
Total portfolio occupancy		**95.9%**		95.0%
Development pipeline and adjacent land (GLA) [2]		**2,414,000**		2,885,000
Average rate per occupied square foot	**$**	**18.34**	$	17.83
GLA developed and brought on line year-to-date (square feet)		**221,000**		345,000
Same property – stable NOI – increase over prior year [3] [4]		**2.0%**		2.2%
Total same property NOI – increase over prior year [3] [4]		**2.9%**		3.4%
Financial Information				
Investment properties – shopping centres [5]	**$**	**7,386,709**	$	6,996,401
Investment properties – development land [5]	**$**	**60,173**	$	159,867
Total assets	**$**	**8,075,552**	$	7,580,839
Mortgages and credit facilities [5]	**$**	**1,230,026**	$	1,371,047
Senior unsecured debentures payable	**$**	**2,273,623**	$	1,861,617
Convertible debentures payable	**$**	**374,879**	$	373,802
Shareholders' equity	**$**	**3,468,010**	$	3,313,802
Capitalization and Leverage				
Shares outstanding (in thousands)		**215,838**		208,230
Enterprise value [6]	**$**	**7,687,675**	$	7,163,666
Net debt to total assets [6] [7] [8]		**42.1%**		42.5%
Net debt to enterprise value [6] [7] [8]		**44.2%**		44.7%
Net debt to EBITDA – based on run rate on components of EBITDA [5] [6] [7] [8]		**8.19**		8.05
Weighted average maturity on mortgages and senior unsecured debentures (years) [8]		**6.1**		5.6

(thousands of dollars, except per share and other data)	Three months ended September 30 **2014**	2013	Nine months ended September 30 **2014**	2013
Revenues, Income and Cash Flows				
Revenues [9]	**$ 165,759**	$ 157,835	**$ 495,232**	$ 478,245
Net operating income [3] [9]	**$ 103,761**	$ 98,369	**$ 304,387**	$ 295,505
Corporate expenses, excluding non-cash compensation and incremental leasing costs				
As a percentage of rental revenue	**3.8%**	3.5%	**3.5%**	3.4%
As a percentage of total assets	**0.3%**	0.3%	**0.3%**	0.3%
Increase (decrease) in value of investment properties, net	**$ (7,196)**	$ 1,125	**$ 29,992**	$ 58,571
Net income attributable to common shareholders	**$ 39,020**	$ 41,078	**$ 151,941**	$ 166,960
Net income per share attributable to common shareholders (diluted)	**$ 0.18**	$ 0.20	**$ 0.71**	$ 0.80
Adjusted cash flow from operating activities [6]	**$ 60,418**	$ 64,833	**$ 180,628**	$ 177,255
Dividends				
Regular dividends	**$ 46,453**	$ 43,853	**$ 134,634**	$ 131,198
Regular dividends per common share	**$ 0.215**	$ 0.21	**$ 0.635**	$ 0.63
Weighted average number of common shares – diluted (in thousands)	**215,360**	208,819	**231,803**	210,426
Funds from Operations ("FFO") [3]				
FFO	**$ 53,405**	$ 53,535	**$ 160,897**	$ 159,676
FFO per diluted share	**$ 0.25**	$ 0.26	**$ 0.76**	$ 0.77
FFO excluding other gains (losses) and (expenses)	**$ 55,202**	$ 53,124	**$ 162,686**	$ 158,814
FFO per diluted share excluding other gains (losses) and (expenses)	**$ 0.26**	$ 0.25	**$ 0.77**	$ 0.76
Adjusted Funds from Operations ("AFFO") [3]				
AFFO	**$ 57,370**	$ 56,069	**$ 168,310**	$ 167,978
AFFO per diluted share	**$ 0.25**	$ 0.25	**$ 0.74**	$ 0.75
AFFO excluding other gains (losses) and (expenses)	**$ 57,223**	$ 54,519	**$ 167,524**	$ 161,392
AFFO per diluted share excluding other gains (losses) and (expenses)	**$ 0.25**	$ 0.24	**$ 0.74**	$ 0.72

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

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

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

(4) Calculated based on the year-to-date net operating income ("NOI").

(5) Includes properties classified as held for sale.

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

(7) Calculated with joint ventures proportionately consolidated.

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

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

BUSINESS AND OPERATIONS REVIEW

Real Estate Investments

Investment Property Categories

The Company categorizes its properties for the purposes of evaluating operating performance including same property NOI. This enables the Company to reflect better its development, redevelopment and repositioning activities on its properties, including land use intensification, and its completed and planned disposition activities. In addition, the Company revises comparative information to reflect property categories consistent with current period status. The property categories are as follows:

Investment properties **–** *shopping centres: Same property consisting of:*

> *Same property* **–** *stable* **–** includes stable properties where the only significant activities are leasing and ongoing maintenance. Properties that will be undergoing a redevelopment in a future period, including adjacent parcels of land, and those having planning activities underway are also in this category until such development activities commence. At that time, the property will be reclassified to either same property with incremental redevelopment and expansion activities or to major redevelopment.
>
> *Same property with incremental redevelopment and expansion* **–** includes properties that are largely stable, including adjacent parcels of land, but are undergoing incremental redevelopment or expansion activities (pads or building extensions) which intensify the land use. Such redevelopment activities often include facade, parking, lighting and building upgrades.

Major redevelopment **–** includes properties in planning or undergoing multi-year redevelopment projects with significant intensification, reconfiguration and building and tenant upgrades.

Ground-up development **–** consists of new construction, either on a vacant land parcel typically situated in an urban area or on an urban land site with conversion of an existing vacant building to retail use.

Acquisitions and dispositions **–** includes properties and properties adjacent to the Company's existing properties included in other categories that were acquired during the period. Dispositions include information for properties disposed of in the period.

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

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

The Company has applied the above property categorization to the fair value, capital expenditures and 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 Consolidated Condensed Balance Sheet to the Company's Proportionate Interest

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

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

As at			**September 30, 2014**	December 31, 2013
(thousands of dollars)	**Consolidated Balance Sheet (Equity Method)**	**Adjustments for Equity Method to Proportionate Interest [(1)]**	**Proportionate Interest**	Proportionate Interest
ASSETS				
Investment properties – shopping centres	**$ 7,134,637**	**$ 77,040**	**$ 7,211,677**	$ 7,038,104
Investment properties – development land	**40,141**	**33,440**	**73,581**	147,497
Investment in joint venture	**130,775**	**(130,775)**	**—**	—
Investment properties classified as held for sale	**272,104**	**—**	**272,104**	155,499
Other	**497,895**	**6,821**	**504,716**	267,493
Total assets	**$ 8,075,552**	**$ (13,474)**	**$ 8,062,078**	$ 7,608,593
LIABILITIES				
Mortgages and credit facilities	**$ 1,230,026**	**$ 10,521**	**$ 1,240,547**	$ 1,100,808
Other	**3,352,090**	**(504)**	**3,351,586**	3,184,776
Total liabilities	**$ 4,582,116**	**$ 10,017**	**$ 4,592,133**	$ 4,285,584
EQUITY				
Shareholders' equity	**$ 3,468,010**	**$ 1,935**	**$ 3,469,945**	$ 3,319,371
Non-controlling interest	**25,426**	**(25,426)**	**—**	3,638
Total equity	**$ 3,493,436**	**$ (23,491)**	**$ 3,469,945**	$ 3,323,009
Total liabilities and equity	**$ 8,075,552**	**$ (13,474)**	**$ 8,062,078**	$ 7,608,593

(1) Effective September 25, 2014, Main and Main Developments LP (Main and Main Developments), a subsidiary controlled by the Company sold all of its real estate assets to a newly-created joint venture between the Company, Main and Main Developments, and an institutional investor, in exchange for cash consideration and an equity interest in the joint venture. The Company's direct and indirect investment in the new joint venture is accounted for using the equity method. Refer to "2014 Investment Property Development and Redevelopment Activities – Main and Main Developments" section of this MD&A.

Portfolio Overview

As at September 30, 2014, the Company had interests in 163 investment properties – shopping centres, that were 95.9% occupied with a total GLA of 24.6 million square feet. This compares to 164 investment properties – shopping centres which were 95.5% occupied with a total GLA of 24.5 million square feet as at December 31, 2013. The average size of the shopping centres is approximately 151,000 square feet, with sizes ranging from approximately 11,000 to over 575,000 square feet.

The same property portfolio includes shopping centres categorized in same property – stable and same property with incremental redevelopment and expansion. The same property portfolio is comprised of 129 properties totalling 18.9 million square feet of GLA with a fair value of $5.5 billion. These properties represent 79% of the Company's property count, 77% of its GLA and 73% of its fair value. During the nine months ended September 30, 2014, these properties generated $230.2 million of NOI which is 75% of the Company's total NOI. The stability of the portfolio is reflected in the high occupancy of 96.8% as at September 30, 2014, slightly higher than 96.7% as at December 31, 2013.

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

As at	September 30, 2014					December 31, 2013				
(millions of dollars, except other data)	**Number of Properties**	**GLA (000s sq. ft.)**	**Fair Value**	**Occupancy %**	**Weighted Average Rate per Square Foot**	Number of Properties	GLA (000s sq. ft.)	Fair Value	Occupancy %	Weighted Average Rate per Square Foot
Same property – stable	**103**	**14,532**	**$ 4,151**	**97.0%**	**$ 18.13**	106	14,543	$ 4,087	96.7%	$ 17.90
Same property with incremental redevelopment and expansion	**26**	**4,395**	**1,301**	**96.1%**	**17.99**	25	4,473	1,192	96.1%	17.72
Total same property	**129**	**18,927**	**5,452**	**96.8%**	**18.09**	131	19,016	5,279	96.7%	17.86
Major redevelopment	**13**	**2,912**	**1,071**	**92.6%**	**18.21**	13	3,089	1,004	91.1%	17.89
Ground-up development	**5**	**812**	**332**	**98.9%**	**21.59**	4	674	320	98.2%	22.80
Acquisitions – 2014 [1]	**2**	**441**	**159**	**89.9%**	**25.83**	—	—	—	—%	—
Acquisitions – 2013 [1]	**2**	**278**	**198**	**94.0%**	**28.89**	2	287	226	94.0%	27.92
Investment properties classified as held for sale	**12**	**1,185**	**252**	**91.4%**	**15.14**	12	1,185	290	91.0%	14.51
Dispositions – 2014	**—**	**—**	**—**	**—%**	**—**	2	211	56	94.4%	16.95
Total	**163**	**24,555**	**$ 7,464**	**95.9%**	**$ 18.34**	164	24,462	$ 7,175	95.5%	$ 17.96

(1) Acquisitions square footage and fair value includes 12 adjacent properties and land parcels (2013 – 16 adjacent properties and land parcels) to the Company's existing properties reflected in other categories in the table.

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

A summary of the Company's shopping centre portfolio by property count and status of value enhancement activities as at September 30, 2014 and December 31, 2013 (as previously reported) is as follows:

As at September 30, 2014	Same property – stable	Same property with incremental expansion	Major redevelopment	Ground-up development	Acquisitions – CY and PY	Held for sale	Total	Development land
Stabilized	81	8	—	—	4	12	105	—
At completion	—	5	4	2	—	—	11	—
Active development	—	3	3	3	—	—	9	—
In pre-development	—	5	6	—	—	—	11	—
Early planning stages	22	5	—	—	—	—	27	—
Total property count	103	26	13	5	4	12	163	—
As at December 31, 2013	92	30	16	4	15	7	164	1

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

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

As at	**September 30, 2014**						December 31, 2013					
(millions of dollars, except other data)	**Number of Properties**	**GLA (000s sq. ft.)**	**Fair Value**	**Percent Occupied**	**Weighted Average Rate per Occupied Square Foot**	**% of Annual Minimum Rent**	Number of Properties	GLA (000s sq. ft.)	Fair Value	Percent Occupied	Weighted Average Rate per Occupied Square Foot	% of Annual Minimum Rent
Central Region												
Greater Toronto area	**44**	**6,580**	**$ 2,592**	**96.9%**	**$ 21.15**	**32%**	45	6,565	$ 2,452	96.0%	$ 20.58	32%
Kitchener/ Waterloo	**9**	**1,652**	**396**	**99.2%**	**15.17**	**6%**	10	1,746	410	98.1%	14.78	6%
London area	**7**	**693**	**164**	**95.0%**	**15.22**	**2%**	7	803	160	93.8%	14.22	3%
	60	**8,925**	**3,152**	**97.2%**	**19.57**	**40%**	62	9,114	3,022	96.2%	19.08	41%
Eastern Region												
Québec City	**5**	**1,006**	**163**	**96.0%**	**11.09**	**3%**	5	1,004	155	93.3%	11.32	3%
Greater Montreal area	**36**	**5,001**	**1,137**	**93.9%**	**15.16**	**17%**	36	4,841	1,080	95.2%	14.84	16%
Ottawa/Gatineau	**13**	**2,035**	**443**	**96.6%**	**16.70**	**7%**	13	1,929	423	96.7%	16.67	7%
Other	**1**	**121**	**22**	**98.2%**	**13.83**	**—%**	1	122	22	98.2%	13.67	—%
	55	**8,163**	**1,765**	**94.9%**	**15.02**	**27%**	55	7,896	1,680	95.4%	14.84	26%
Western Region												
Calgary	**17**	**2,815**	**1,003**	**98.2%**	**21.39**	**14%**	16	2,705	947	96.9%	20.21	13%
Edmonton	**12**	**2,396**	**678**	**94.3%**	**18.22**	**9%**	11	2,397	652	94.5%	18.04	9%
Greater Vancouver area	**19**	**2,256**	**866**	**93.6%**	**21.61**	**10%**	20	2,350	874	92.9%	21.42	11%
	48	**7,467**	**2,547**	**95.6%**	**20.45**	**33%**	47	7,452	2,473	94.9%	19.89	33%
Total	**163**	**24,555**	**$ 7,464**	**95.9%**	**$ 18.34**	**100%**	164	24,462	$ 7,175	95.5%	$ 17.96	100%

Among First Capital Realty's portfolio are 26 retail assets (at 100%) each with a value greater than $85 million or size greater than 300,000 square feet. Together, these 26 assets comprise $3.2 billion or 42% of the Company's aggregate $7.5 billion IFRS value. Nineteen of these assets are categorized as stable or stable with incremental redevelopment and expansion and the balance of seven assets are in the major redevelopment or ground-up development category.

As at September 30, 2014, the weighted average occupancy on these stable assets is 97.2% and the weighted average run rate yield on invested cost and fair value is 7.67% and 5.55%, respectively. Same property NOI growth on these assets was 2.7% and 2.1% for the nine months ended September 30, 2014 and 2013, respectively. As at September 30, 2014, the weighted average occupancy on these stable assets with incremental redevelopment or expansion activities is 95.2% and the weighted average run rate yield on cost and fair value is 6.55% and 5.23%, respectively. The same property NOI growth on these assets was 7.1% and 12.4% for the nine months ended September 30, 2014 and 2013, respectively. Once stabilized in terms of incremental redevelopment or expansion activities, the occupancy and yields are expected to increase.

As at September 30, 2014, the remaining large assets which comprise the seven development assets have a weighted average occupancy rate of 94.2% and a weighted average run rate yield on cost and fair value of 5.48% and 5.45%, respectively. These assets are expected to have improved operating metrics following completion of their various value creation activities.

The Company’s largest properties as at September 30, 2014 are listed below:

Property Name, City, Province	Gross Leasable Area (sq. ft.)	IFRS Value (000s)	Invested Cost (000s)	PreDev/UD [1] Bal (000s)	NOI Run Rate (000s)	Occupancy
Same Property — Stable						
Cedarbrae Mall Assets, Toronto, ON	546,000	$ 152,800	$ 110,540	$ —	$ 9,076	99.1%
Northgate Centre, Edmonton, AB	488,000	151,443	77,815	—	8,122	93.4%
Meadowvale Town Centre Assets, Mississauga, ON	422,000	144,599	91,038	—	8,171	97.6%
Shops at New West, New Westminster, BC	202,000	123,523	123,170	—	4,500	88.1%
York Mills Gardens Assets, Toronto, ON	190,000	109,497	78,895	—	5,558	95.8%
Royal Oak Centre, Calgary, AB	336,000	102,640	58,033	—	5,766	97.9%
South Park Centre, Edmonton, AB	375,000	100,317	68,309	—	6,272	100.0%
Morningside Crossing Assets, Toronto, ON	304,000	101,148	87,615	—	5,612	97.4%
Appleby Village Assets, Burlington, ON	252,000	97,295	71,217	—	5,046	94.0%
Fairview Mall Assets, St. Catharines, ON	388,000	94,900	73,495	—	6,558	98.5%
Meadowlark Health and Shopping Centre, Edmonton, AB	299,000	88,237	87,367	—	5,388	100.0%
Brampton Corners Shopping Centre, Brampton, ON	302,000	75,111	44,441	—	4,431	100.0%
Same Property — with incremental redevelopment and expansion [2]						
Shops at King Liberty Assets, Toronto, ON [3]	294,000	185,289	144,477	23,819	7,750	99.7%
Westmount Shopping Centre Assets, Edmonton, AB	509,000	135,551	124,721	390	6,519	88.0%
South Oakville Properties, Oakville, ON [3]	344,000	141,722	113,330	554	6,852	95.1%
Rutherford Marketplace, Vaughan, ON	194,000	117,547	108,707	16,566	5,527	100.0%
McKenzie Towne Centre Assets, Calgary, AB	214,000	98,503	50,332	327	5,447	99.5%
Carrefour St-Hubert Assets, Longueuil, QC	322,000	86,119	77,917	2,306	5,153	96.6%
Gloucester City Centre, Ottawa, ON	357,000	72,602	57,499	—	4,236	95.2%
Major redevelopment or ground-up development [2]						
Yorkville Village Assets, Toronto, ON [4]	212,000	327,058	327,145	113,290	9,055	97.4%
Place Viau Assets, Montreal, QC	264,000	117,300	133,520	36,645	4,439	100.0%
Victoria Park Centre, Toronto, ON	485,000	130,946	131,167	60	7,262	95.5%
Mount Royal Village Assets, Calgary, AB	186,000	124,308	125,529	40,925	4,517	98.4%
Macleod Trail Assets, Calgary, AB	300,000	103,111	92,362	12,806	6,804	97.7%
Semiahmoo Shopping Centre, Surrey, BC	297,000	104,154	96,848	2,489	4,574	94.6%
Place Portobello Assets, Brossard, QC	575,000	92,079	89,412	7,134	5,362	85.9%
	8,657,000	3,177,799	2,644,901	257,311	157,997	95.9%
Remainder of portfolio	15,898,000	4,332,949	3,651,135	196,186	259,492	95.9%
	24,555,000	$ 7,510,748	$ 6,296,036	$ 453,497	$ 417,489	95.9%

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

(2) See "2014 Investment Property, Development and Redevelopment Activities" section for further analysis of development activity for some of these properties.

(3) The Company has a 50% interest in one of the assets in this property assembly.

(4) IFRS value and invested cost includes mortgage investment of $47 million.

Refer to the Company’s 2013 Annual Report for a brief profile of each of these properties owned as at December 31, 2013.

Valuation of Investment Properties Under IFRS

During the nine months ended September 30, 2014, the weighted average stabilized capitalization rate of the Company's investment property portfolio decreased from 5.86% at December 31, 2013 to 5.82%, including the impact of dispositions, acquisitions, and development activities. The Company's proportionate interest in the net increase in value of investment properties was $35.8 million from December 31, 2013 to September 30, 2014. The company experienced a 4 basis point decrease in the weighted average stabilized capitalization rate and higher stabilized net operating income ("SNOI"), with the capitalization rate compression occurring in the Eastern and Central regions. The overall portfolio positive impact of the capitalization rate compression was partially offset by a third quarter valuation loss on a development property in the Company's Eastern region, Place Viau. The loss arose largely due to higher than expected development costs caused by integrating an additional access ramp near the end of construction, which delayed the timing of lease up, and the Company achieved lower lease rates than expected. Place Viau is a multi-phase prototype development in a high density urban area of Montreal that includes underground parking and rooftop retail and parking. At the Company's proportionate interest, this resulted in a $1.4 million decrease in the fair value of the Company's investment properties for the three months ended September 30, 2014.

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

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

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

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

Shopping Centres Valuation Method

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

Properties undergoing development, redevelopment or expansion are valued using the stabilized cash flows expected upon completion, with a deduction for costs to complete the project; capitalization rates are adjusted to reflect lease-up assumptions and construction risk, when appropriate. Adjacent land parcels held for future development are valued based on comparable sales of commercial land. Fair value of properties under development includes a deduction for costs to complete of $242.3 million.

During the nine months ended September 30, 2014, approximately 18% of the total fair value of shopping centres was determined through external appraisals (year ended December 31, 2013 – approximately 16%) and nil was determined through internal appraisals (year ended December 31, 2013 – approximately 10%).

The values of the Company's proportionate interest in its shopping centres and associated capitalization rates by region are as follows as at September 30, 2014 and December 31, 2013:

As at September 30, 2014						
		Capitalization Rate				
(millions of dollars, except other data)	Number of Properties	Weighted Average	Median	Range	Fair Value	SNOI [(1)]
Central Region	**60**	**5.67%**	**5.75%**	**4.75%-8.22%**	**$ 3,152**	**$ 172**
Eastern Region	**55**	**6.18%**	**6.00%**	**5.00%-9.00%**	**1,765**	**113**
Western Region	**48**	**5.75%**	**5.75%**	**5.00%-7.00%**	**2,547**	**143**
	163	**5.82%**	**6.00%**	**4.75%-9.00%**	**$ 7,464**	**$ 428**

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

[(1)] SNOI is not a measure defined by IFRS. SNOI reflects long-term, stable property operations, assuming a certain level of vacancy, capital and operating expenditures required to maintain a stable occupancy rate. The average vacancy rates used in determining SNOI for non-anchor tenants generally range from 2% to 5%.

The sensitivity of the fair values of shopping centres to capitalization rates as at September 30, 2014 is set out in the table below:

As at September 30, 2014	*(millions of dollars)*
(Decrease) Increase in capitalization rate	Resulting increase (decrease) in value of shopping centres
(0.75%)	$ 1,023
(0.50%)	$ 650
(0.25%)	$ 310
0.25%	$ (285)
0.50%	$ (547)
0.75%	$ (789)

Development Land Valuation Method

The primary method of appraisal for development land is the comparable sales approach, which considers recent sales activity for similar land parcels in the same or similar markets to estimate a value on either a per acre basis or on a basis of per square foot buildable. Such values are applied to the Company's properties after adjusting for factors specific to the site, including its location, zoning, servicing and configuration. During the nine months ended September 30, 2014, nil (year ended December 31, 2013 – approximately 17%) of the total fair value of development land was determined through external appraisals.

Investment Properties – Shopping Centres

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

Three months ended September 30	2014		2013	
(millions of dollars)	**Fair Value**	**Cost**	Fair Value	Cost
Balance at beginning of period	**$ 7,284**	**$ 6,084**	$ 6,921	$ 5,767
Acquisitions				
Shopping centres	**42**	**42**	—	—
Additional space adjacent to existing properties	**29**	**29**	6	6
Additional land parcels adjacent to existing properties	**31**	**31**	4	4
Development activities and portfolio improvements	**76**	**76**	64	64
Reclassification from residential development inventory	**12**	**12**	—	—
Fair value (decrease) increase	**(7)**	**—**	1	—
Dispositions	**(47)**	**(54)**	—	—
Reclassification to equity accounted joint ventures [1]	**(34)**	**(33)**	—	—
Other changes	**2**	**(1)**	—	(3)
Balance at end of period	**$ 7,387**	**$ 6,186**	$ 6,996	$ 5,838
Investment in joint ventures – shopping centres	**77**	**63**	49	40
Proportionate interest end of period	**$ 7,464**	**$ 6,249**	$ 7,045	$ 5,878

[1] Refer to "2014 Investment Property Development and Redevelopment Activities – Main and Main Developments" section of this MD&A.

Nine months ended September 30	2014		2013	
(millions of dollars)	**Fair Value**	**Cost**	Fair Value	Cost
Balance at beginning of period	**$ 7,126**	**$ 5,963**	$ 6,849	$ 5,732
Acquisitions				
Shopping centres	**79**	**79**	14	14
Additional space adjacent to existing properties	**42**	**42**	106	106
Additional land parcels adjacent to existing properties	**38**	**38**	5	5
Development activities and portfolio improvements	**165**	**165**	183	183
Reclassifications from development land	**18**	**18**	2	2
Reclassification from residential development inventory	**12**	**12**	—	—
Fair value increase	**33**	**—**	54	—
Dispositions	**(86)**	**(91)**	(224)	(201)
Reclassification to equity accounted joint ventures [1]	**(34)**	**(33)**	—	—
Other changes	**(6)**	**(7)**	7	(3)
Balance at end of period	**$ 7,387**	**$ 6,186**	$ 6,996	$ 5,838
Investment in joint ventures – shopping centres	**77**	**63**	49	40
Proportionate interest end of period	**$ 7,464**	**$ 6,249**	$ 7,045	$ 5,878

[1] Refer to "2014 Investment Property Development and Redevelopment Activities – Main and Main Developments" section of this MD&A.

Investment Properties – Development Land

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

Three months ended September 30	**2014**		2013	
(millions of dollars)	**Fair Value**	**Cost**	Fair Value	Cost
Balance at beginning of period	**$ 154**	**$ 155**	$ 134	$ 130
Acquisitions	**—**	**—**	23	23
Development activities	**—**	**—**	2	2
Fair value increase	**—**	**—**	1	1
Dispositions	**(45)**	**(46)**	—	—
Reclassification to equity accounted joint ventures [1]	**(49)**	**(49)**	—	—
Other	**—**	**1**	—	—
Balance at end of period	**$ 60**	**$ 61**	$ 160	$ 156
Investment in joint ventures – development land	**33**	**33**	—	—
Proportionate interest end of period	**$ 93**	**$ 94**	$ 160	$ 156

[1] Refer to "2014 Investment Property Development and Redevelopment Activities – Main and Main Developments" section of this MD&A.

Nine months ended September 30	**2014**		2013	
(millions of dollars)	**Fair Value**	**Cost**	Fair Value	Cost
Balance at beginning of period	**$ 166**	**$ 161**	$ 127	$ 123
Acquisitions	**19**	**19**	35	35
Development activities	**7**	**7**	8	8
Reclassification to investment property – shopping centres	**(18)**	**(18)**	(2)	(2)
Fair value increase (decrease)	**(3)**	**—**	1	—
Dispositions	**(62)**	**(59)**	(10)	(9)
Reclassification to equity accounted joint ventures [1]	**(49)**	**(49)**	—	—
Other	**—**	**—**	1	1
Balance at end of period	**$ 60**	**$ 61**	$ 160	$ 156
Investment in joint ventures – development land	**33**	**33**	—	—
Proportionate interest end of period	**$ 93**	**$ 94**	$ 160	$ 156

[1] Refer to "2014 Investment Property Development and Redevelopment Activities – Main and Main Developments" section of this MD&A.

2014 Acquisitions

Total acquisitions of investment properties, which include shopping centres, additional space and adjacent land parcels and development lands, amounted to $177.5 million, adding 0.4 million square feet of gross leasable area and 3.3 acres of land for future development.

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

Shopping Centres

During the nine months ended September 30, 2014, the Company invested $78.8 million in the acquisition of two shopping centres, comprising 255,000 square feet. The acquisition was in a new trade area in the Company's target urban markets and demonstrates the Company's continuing focus on acquiring well-located, high quality urban retail-centered properties. The acquisition is summarized in the table below:

Property Name	City	Province	Quarter Acquired	New Trade Area	Supermarket-Anchored	Drugstore-Anchored	GLA (square feet)	Acquisition Cost (in millions)
Eastern Region								
Griffintown – 100 Peel	Montreal	QC	Q3	✓			127,000	$ 42.2
Western Region								
Seton Gateway	Calgary	AB	Q1	✓	✓	✓	128,000	36.6 [1]
Total							255,000	$ 78.8

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

Shopping Centres – Additional Space and Adjacent Land Parcels

During the nine months ended September 30, 2014, the Company acquired 12 properties adjacent to existing shopping centres adding 190,800 square feet of gross leasable area and 2.9 acres of land adjacent to existing properties in established retail nodes. Total expenditures on these adjacent parcels amounted to $79.7 million. These acquisitions are set out in the table below:

Property Name	City	Province	Quarter Acquired	GLA (square feet)	Acreage	Acquisition Cost (in millions)
Central Region						
Shops at King Liberty Assets (Retail)	Toronto	ON	Q1	4,200 [1]	—	$ 1.4
Other	Toronto	ON	Q1	—	0.1	0.7
Leaside Village Assets (25 Industrial Road)	Toronto	ON	Q2	—	1.3	2.9
Yorkville Village Assets (adjacent properties)	Toronto	ON	Q3	12,000	0.2	28.5
Shops at King Liberty Assets (150 East Liberty Street)	Toronto	ON	Q3	1,000	—	1.4
South Oakville Properties (Shops of Oakville South)	Toronto	ON	Q3	99,000	—	27.1 [2]
Eastern Region						
Centre Commerciale Beaconsfield (Plaza Baie d'Urfe, 90 Morgan St.)	Baie d'Urfe	QC	Q1	60,600	—	9.4
Western Region						
Broadmoor Shopping Centre (8031 Williams Road)	Richmond	BC	Q1	—	0.3	1.8
Old Strathcona (10416 - 80 Avenue)	Edmonton	AB	Q1	14,000	—	3.0
Kingsway Mews (adjacent land)	Edmonton	AB	Q1	—	0.3	0.5
Langley Mall (Douglas Crescent)	Langley	BC	Q2	—	0.5	0.8
Shops at New West (801 Columbia Street)	New Westminster	BC	Q3	—	0.2	2.2
Total				190,800	2.9	$ 79.7

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

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

Development Lands

During the nine months ended September 30, 2014, the Company invested $19.0 million in the acquisition of two development land parcels, comprising 0.4 acres for future development of retail and mixed-use space. Refer to the "2014 Investment Property Development and Redevelopment Activities – Main and Main Developments" sections of this MD&A for further discussion.

Property Name	City	Province	Quarter Acquired	Acreage		Acquisition Cost (in millions)
Main and Main Developments [1]	Toronto	ON	Q1	0.2	$	3.6
Main and Main Developments [1]	Toronto	ON	Q2	0.2		15.4
Total				0.4	$	19.0

(1) Main and Main Developments sold all of its real estate assets to a newly-created joint venture between the Company, Main and Main Developments, and an institutional investor. The Company's direct and indirect investment in the new joint venture is accounted for using the equity method. Prior to the disposition transaction, the Company consolidated the activities of Main and Main Developments in its consolidated financial statements at 100%. Refer to "2014 Investment Property Development and Redevelopment Activities – Main & Main Developments" section of this MD&A for additional information.

2014 Dispositions

During the nine months ended September 30, 2014, the Company sold four properties representing 212,600 square feet of GLA and five land parcels representing 33.0 acres. Gross proceeds of these dispositions were $148.6 million. The Company has binding agreements to sell four properties that are expected to close in the fourth quarter of 2014, for aggregate proceeds of approximately $80 million before closing costs, subject to customary closing conditions.

Property Name	City	Province	Quarter Sold	Gross Leasable Area (square feet)	Acreage		Gross Sales Price (in millions)
Village des Valeurs	Laval	QC	Q1	26,800	—		
Kingsway Mews (Land portion)	Edmonton	AB	Q1	—	0.2		
Longwood Station	Nanaimo	BC	Q2	104,200	—		
Creditview & Mayfield	Brampton	ON	Q2	—	10.8		
Burnhamthorpe & Trafalgar	Oakville	ON	Q2	—	12.5		
The Brewery District (land parcel) [1]	Edmonton	AB	Q2	—	0.6		
800 King Street [2]	Toronto	ON	Q2	—	—		
Belmont Professional Centre	Kitchener	ON	Q3	46,500	—		
Coronation Medical Centre	Kitchener	ON	Q3	35,100	—		
Main and Main Developments [2]	Toronto	ON	Q3	—	8.9		
Dispositions for the nine months ended September 30, 2014				212,600	33.0	$	148.6
Northfield Centre	Waterloo	ON	Q4	52,400			
31 Sunpark Plaza	Calgary	AB	Q4	124,700			
Nepean Medical Centre	Ottawa	ON	Q4	47,700			
Place Bordeaux	Gatineau	QC	Q4	30,400			
Fourth quarter disposition commitments				255,200		$	79.8
Total				467,800	33.0	$	228.4

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

(2) Main and Main Developments sold all of its real estate assets to a newly-created joint venture between the Company, Main and Main Developments, and an institutional investor. The Company's direct and indirect investment in the new joint venture is accounted for using the equity method. Prior to the disposition transaction, the Company consolidated the activities of Main and Main Developments in its consolidated financial statements at 100%. Refer to "2014 Investment Property Development and Redevelopment Activities – Main & Main Developments" section of this MD&A for additional information.

In aggregate, the gross sales price on the 2014 sales have exceeded invested cost by approximately $6.7 million. The 2014 dispositions are in line with the Company's ongoing strategy of increasing the portfolio's focus on core urban markets.

Investment Properties Classified as Held For Sale

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

Included in investment properties as at September 30, 2014 are 12 shopping centres and two development land parcels with an approximate value of $272.1 million that meet the financial reporting criteria to be classified as held for sale. These properties are considered to be non-core assets. Disposition of these investment properties will provide the Company with the opportunity to redeploy capital to uses more aligned with the Company's urban focus. It is expected that approximately $80 million of these properties will be disposed of in the fourth quarter of 2014.

In addition to the properties that meet the criteria for classification as held for sale, the Company is also considering, in the remainder of 2014 and into 2015, subject to market conditions, the sale of an additional four properties comprising 484,300 square feet of GLA and three land parcels with an aggregate fair value of approximately $101.2 million.

Acquisitions and Dispositions Subsequent to September 30, 2014

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

2014 Investment Property Development and Redevelopment Activities

Development and redevelopment activities are completed selectively, based on opportunities in the Company's properties or in the markets where the Company operates. The Company's development projects comprise ground-up projects, major redevelopment and other incremental redevelopment and expansions on stable properties. All development activities are strategically managed to reduce risk and properties are generally developed after obtaining anchor lease commitments.

A summary of the Company's development portfolio is as follows:

As at September 30, 2014 *(thousands of dollars, except for other data)*	Planned Square Feet Upon Completion	Gross Leasable Area (square feet)	Square Feet Under Development	Total Est. Cost incl. Land	Investment Cost	Estimated Cost to Complete
Same property with incremental redevelopment and expansion						
Active development and at completion	—	—	25,317	$ 21,065	$ 5,726	$ 15,339
In pre-development	—	—	369,683	53,389	34,489	18,900
	—	—	395,000	74,454	40,215	34,239
Major redevelopment						
Active development and at completion	1,237,203	999,862	237,341	711,870	592,559	119,311
In pre-development	TBD	1,981,171	TBD	TBD	526,024	TBD
	1,237,203	2,981,033	237,341	711,870	1,118,583	119,311
Ground-up development						
Active development and at completion	1,237,406	803,658	433,748	396,297	307,563	88,734
Total	2,474,609	3,784,691	1,066,089	$ 1,182,621	$ 1,466,361	$ 242,284

Costs to complete the development, redevelopment and expansion activities underway are estimated to be approximately $242.3 million. Costs to complete major redevelopments and ground-up developments, respectively, are planned at $13.3 million and $25.5 million in the remainder of 2014, and $106.0 million and $63.2 million in 2015 and beyond. The cost to complete major redevelopments that are currently in the pre-development stage are labelled "to be determined" (TBD) as they have not yet been finalized.

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

Same Property with Incremental Redevelopment and Expansion

Highlights of the Company's current same property with incremental redevelopment and expansion projects are summarized in the table below. As at September 30, 2014, the invested cost in these projects totalled $40.2 million, and includes incremental investment primarily related to pads or building extensions and often includes facade, parking, lighting and building upgrades. Of the 25,317 square feet under active redevelopment, 13,409 square feet is subject to committed leases at a weighted average rate of $31.37 per square foot. The Company is currently in various stages of negotiations for the remaining planned space.

As at September 30, 2014

(thousands of dollars, except for other data)

Count	Property	Building to LEED Standards [1]	Tenants	Square Feet Under Development	Target Completion Date	Est. Cost incl. Land Total	Investment Cost	Cost to Complete
	Same property with incremental redevelopment and expansion – active development							
	Place Lorraine Lorraine, QC	✓	SAQ	6,100	Q1, 2015	$ 3,390	$ 623	$ 2,767
	Grimsby Square Shopping Centre, Grimsby, ON	✓	Pita Pit	4,870	Q4, 2014	4,361	2,860	1,501
	Fairway Plaza, Kitchener, ON	✓	State and Main	14,347	Q2, 2015	9,963	1,768	8,195
3				25,317		$ 17,714	$ 5,251	$ 12,463
	Same property with incremental redevelopment and expansion – at completion [2]							
	Gloucester City Centre Ottawa, ON		Rexall, Pet Valu	—	Q4, 2013	$ 571	$ —	$ 571
	Red Deer Village, Red Deer, AB	✓	Various tenants	—	Q1, 2014	59	—	59
	Carrefour St-Hubert Assets Longueuil, QC	✓	RBC Royal Bank, TD Canada Trust	—	Q2, 2014	1,609	475	1,134
	Langley Mall, Langley, BC			—	Q3, 2014	553	—	553
	Tomken Plaza, Mississauga, ON	✓	Bulk Barn, Dairy Queen	—	Q3, 2014	559	—	559
5				—		$ 3,351	$ 475	$ 2,876
	Same property with incremental redevelopment and expansion – in pre-development							
	Carrefour Charlemagne Charlemagne, QC	✓	Dollarama, Barbies	15,900	Q3, 2015	$ 5,886	$ 1,567	$ 4,319
	Loblaws Plaza Ottawa, ON	✓	BMO	8,000	Q2, 2016	7,002	3,253	3,749
	Faubourg-des-Prairies Montreal, QC	✓	Tim Hortons	6,874	Q3, 2015	2,427	482	1,945
	Shops at King Liberty (Retail)[3] Toronto, ON			317,572	Q2, 2017	25,604	23,819	1,785
	Pemberton Plaza, Vancouver, BC			21,337	Q1, 2016	12,470	5,368	7,102
5				369,683		$ 53,389	$ 34,489	$ 18,900
13	Total same property with incremental redevelopment and expansion			395,000		$ 74,454	$ 40,215	$ 34,239

(1) The square footage listed in this table may not match to the square footage registered for LEED certification as the associated tenants' premises may or may not be part of a LEED application.

(2) Costs to complete relate to tenant improvements and other similar residual expenditures.

(3) Costs represent the Company's 50% ownership interest.

In addition to the projects listed in the table above, the same property with incremental redevelopment and expansion projects include eight properties with projects completed in prior periods. A further five properties have projects in the early pre-development and advanced planning stages. These projects, together with the projects listed in the table above, make up the 26 properties classified as same property with incremental redevelopment and expansion. For details on select same property with incremental redevelopment and expansion, refer to the Company's 2013 Annual Report.

Major Redevelopment and Ground-up Development

The Company's properties with major redevelopment or ground-up development currently in progress or at completion are expected to yield a weighted average going-in NOI yield of 5.9% on completion, and range from 4.8% to 7.4%. 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 final lease terms include shortfalls from operating cost or property tax recoveries, or if there are unforeseen events that cause actual results to differ from assumptions. The yield reflects the Company's high standards in construction, lighting, parking, access, pedestrian amenities, accessibility as well as development to LEED standards. The quality of the Company's construction is consistent with its strategy of long term ownership and value creation.

Major Redevelopment

The Company classifies 13 properties totalling $1.1 billion in invested cost as properties with major redevelopment activities. Of the 237,341 square feet under active redevelopment, 123,507 square feet is subject to committed leases, including a supermarket tenant, at a weighted average rate of $31.47 per square foot. In addition, approximately 11,000 square feet of space is in the latter stages of lease negotiations with a national retailer. As construction on these redevelopment projects occurs in phases, there continues to be ongoing negotiations in various stages with certain retailers for the remaining planned space. For details on certain major redevelopment properties, refer to the Company's 2013 Annual Report.

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

As at September 30, 2014										
(thousands of dollars, except for other data)										
Count/Property	Building to LEED Standards [1]	Major Tenants	Planned Square Feet Upon Completion	Completed /Existing Square Feet	Square Feet Under Development	Target Completion Date	Total Est. Cost incl. Land	Investment Cost	Estimated Cost to Complete	Fair Value
Major redevelopment – with active development										
Centre D'achats Ville Mont-Royal, Montreal, QC	✓	Provigo, Pharmaprix	125,643	79,353 [2]	46,290	Q3, 2017	$ 60,991	$ 32,675	$ 28,316	
Mount Royal Village Assets, Calgary, AB		London Drugs, Oasis Spa and Wellness, GoodLife Fitness	304,432	185,948	118,484	Q4, 2016	172,403	125,529	46,874	
Yorkville Village Assets, Toronto, ON	✓	Whole Foods Market	285,000	212,433	72,567	Q2, 2016	324,266	280,145 [3]	44,121	
3			715,075	477,734	237,341		$557,660	$438,349	$119,311	

As at September 30, 2014

(thousands of dollars, except for other data)

Count/Property	Building to LEED Standards [(1)]	Major Tenants	Planned Square Feet Upon Completion	Completed /Existing Square Feet	Square Feet Under Development	Completion Date	Total Cost incl. Land	Investment Cost	Estimated Cost to Complete	Fair Value
Major redevelopment – at completion										
5051-5061 Yonge St., Toronto, ON		Michael's, Jack Astor's	37,307	37,307	—	Q3, 2013	$ 27,042	$ 27,042		
Chartwell Shopping Centre, Toronto, ON	✓	Bestco Food, CIBC, Dollarama	150,486	150,486	—	Q3, 2013	52,654	52,654		
Carrefour Soumande, Quebec City, QC		Super C	118,858	118,858	—	Q2, 2013	22,206	22,206		
Deer Valley Marketplace, Calgary, AB		Walmart, Shoppers Drug Mart, Dollarama, CIBC, RBC Royal Bank, Liquor Store, Co-op	215,477	215,477	—	Q2, 2013	52,308	52,308		
4			522,128	522,128	—		$ 154,210	$ 154,210		

As at September 30, 2014

(thousands of dollars, except for other data)

Count/Property	Building to LEED Standards [(1)]	Development Status	Current Square Feet [(4)]	Total Est. Cost incl. Land	Investment Cost	Estimated Cost to Complete	Fair Value
Major redevelopment – in pre-development							
Humbertown Shopping Centre, Toronto, ON	✓	Advanced entitlements	107,724	$ 58,330	$ 58,330		
Victoria Park Centres, Toronto, ON		Planning underway	484,554	131,167	131,167		
Place Portobello Assets, Brossard, QC		Planning underway	575,212	86,093	86,093		
Semiahmoo Shopping Centre, Surrey, BC		Planning underway	296,600	96,848	96,848		
Macleod Trail Assets, Calgary, AB		Planning underway	299,906	92,362	92,362		
3080 Yonge Street, Toronto, ON		Planning underway	217,175	61,224	61,224		
6			1,981,171	$ 526,024	$ 526,024		
13 Total major redevelopment			2,981,033	$1,237,894	$1,118,583	$ 119,311	$1,071,271

(1) The square footage listed in this table may not match to the square footage registered for LEED certification as the associated tenants' premises may or may not be part of a LEED application.

(2) Includes some square footage of an existing area that will be demolished.

(3) Investment cost excludes mortgage investment of $47 million.

(4) Includes vacant units held for redevelopment.

Ground-up Development

The Company classifies five properties totalling $325 million of invested cost as ground-up development properties underway or completed. Of the 463,746 square feet under active development, 103,166 square feet is subject to committed leases, including a supermarket tenant and a fitness centre tenant at a weighted average rate of $23.16 per square foot. As construction on ground-up developments occurs in phases, there continues to be ongoing negotiations in various stages with certain retailers for the remaining planned space. For details of select ground-up development properties, refer to the Company's 2013 Annual Report.

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

As at September 30, 2014

(thousands of dollars, except for other data)

Count	Property	Building to LEED Standards [1]	Major Tenants	Planned Square Feet Upon Completion	Completed /Existing Square Feet	Square Feet Under Development	Target Completion Date	Total Est. Cost incl. Land	Investment Cost	Estimated Cost to Complete	Fair Value
	Ground-up development – with active development										
	Place Viau Assets, Montreal, QC	✓	Walmart, Michael's, Marshalls	332,639	263,003	69,636	Q4, 2014	$ 136,669	$ 127,753	$ 8,916	
	Carrefour du Plateau-des-Grives, Gatineau, QC	✓	Canadian Tire, Sports Experts	221,743	200,743	21,000	Q2, 2015	56,050	41,113	14,937	
	The Brewery District, Edmonton, AB [3]	✓	Loblaws City Market, GoodLife Fitness	343,112	—	343,112	Q1, 2017	86,043	21,162	64,881	
3	Total ground-up development – with active development			897,494	463,746	433,748		$ 278,762	$ 190,028	$ 88,734	
	Ground-up development – at completion										
	Leaside Village, Toronto, ON	✓	Longos, The Beer Store, CIBC, Linen Chest, Pet Valu	111,765	111,765	—	Q1, 2013	$ 48,318	$ 48,318	$ —	
	Clairfield Commons (Pergola Commons), Guelph, ON	✓	RBC Royal Bank, BMO, The Beer Store, Cineplex, Dollarama, GoodLife Fitness	228,147	228,147	—	Q4, 2013	69,217	69,217	—	
2	Total ground-up development – at completion			339,912	339,912	—		$ 117,535	$ 117,535	$ —	
5	Total ground-up development			1,237,406	803,658	433,748		$ 396,297	$ 307,563	$ 88,734	$ 332,421
	Properties adjacent acquired in 2014 and 2013 included in acquisitions [2]								$ 17,028		$ 16,711

(1) The square footage listed in this table may not match to the square footage registered for LEED certification as the associated tenants' premises may or may not be part of a LEED application.

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

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

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

A summary of the Company's proportionate interest in total investment properties at cost as at September 30, 2014, with bifurcation of the income producing and development activity components, is as follows:

As at September 30, 2014	Number of Sites/ Properties [(1)]	Square Feet [(2)] (in thousands)	Investment Cost (in millions) [(3)]	Fair Value (in millions)
Shopping centres – income-producing only	163	24,555	$ 5,796	
Same property with incremental redevelopment and expansion	13	395	40	
Major redevelopment	13	237	240	
Ground-up development	5	434	54	
Shopping centres with development activities [(1) (3)]	31	1,066	334	
Land parcels adjacent to/part of existing properties	35	817	98	
Land parcels adjacent to/part of existing properties available for expansion	4	43	—	
Other development related costs			21	
Adjacent land parcels [(1)]	39	860	119	
Total shopping centres with development activities or potential development activities	70	1,926	453	
Total shopping centres			$ 6,249	$ 7,464
Development land	5	488	94	93
Total		2,414	$ 6,343	$ 7,557

(1) Property counts of shopping centres undergoing development activities and adjacent land parcels are included in the total property count for income-producing shopping centres of 163.

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

(3) Includes cost for phases under development only. Aggregate cost of the Company's investment under development is approximately $562 million, which includes shopping centres with development activities or potential of development activities of approximately $453 million, development land of approximately $94 million and residential development inventory of approximately $15 million. Refer to the "Business and Operations Review – 2014 Investment Property Development and Redevelopment Activities" section of this MD&A.

The Company has currently identified 2.4 million square feet available in the portfolio for future development of retail space, excluding 473,000 square feet classified as held for sale (December 31, 2013 – 3.2 million square feet, including 183,000 square feet classified as held for sale), as follows:

Shopping Centres with Development Activities

The Company currently has 1,066,000 square feet of retail space consisting of incremental redevelopment and expansion, major redevelopment and ground-up development that is planned with some buildings under construction. Refer to the "Business and Operations Review – 2014 Investment Property Development and Redevelopment Activities" section of this MD&A.

Adjacent Land Parcels

The Company has 39 land parcels adjacent to existing shopping centres with future redevelopment or expansion potential of approximately 860,000 square feet. Certain of these adjacent land parcels are in various stages of development and in various property categories.

Development Land

The Company has seven land sites of which two are classified as held for sale. The five land sites being retained have potential, if developed, to provide a further 0.1 to 0.5 million square feet of GLA. For details on select development land projects, refer to the Company's 2013 Annual Report.

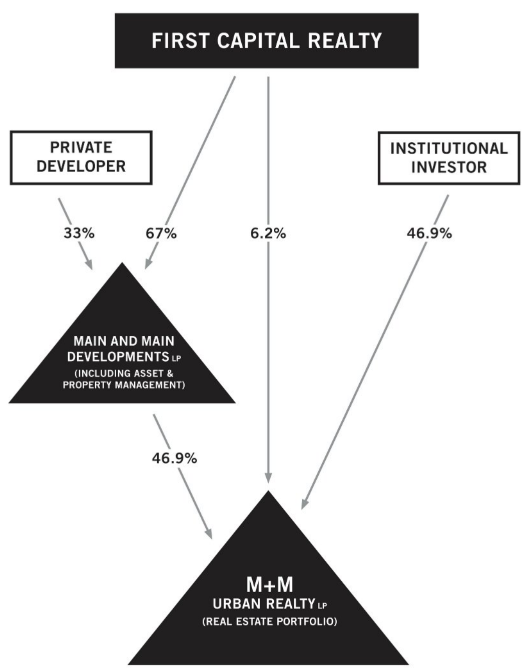
Development land by region is as follows:

Region	Number of Sites/ Properties	Square Feet (in thousands)	Acreage		Fair Value (in millions)
Central	3	260	18	$	32
Eastern	2	228	14		10
Western	—	—	—		—
Total	5	488	32	$	42

Main and Main Developments

During the third quarter of 2014, the Company's Toronto and Ottawa urban development partnership, Main and Main Developments LP ("Main and Main Developments"), sold a 46.9% interest in its real estate assets to a prominent Canadian institutional investor. As part of the transaction, Main and Main Developments was retained to provide asset and property management services for the real estate portfolio.

The transaction comprised the transfer of all of Main and Main Developments' real estate assets to a newly formed partnership (known as M+M Urban Realty LP ("MMUR")) between the Company, Main and Main Developments and the institutional investor. First Capital Realty also continues to directly own a 67% interest in Main and Main Developments and also to primarily fund its private development partner's interest. The partners of MMUR have collectively committed a total of $320.0 million of equity capital for the current and future growth and development of the MMUR portfolio, of which First Capital Realty's direct and indirect commitment is approximately $167.0 million ($86.9 million has been invested as at September 30, 2014). Decisions in MMUR are made unanimously as between Main and Main Developments and First Capital Realty together on the one hand, and the institutional investor on the other hand. The chart below illustrates in a simplified fashion the ownership of Main and Main Developments and MMUR.



The Main and Main Developments management team brings a skill set and focus to the assembly and redevelopment of sites which are much smaller than the Company's typical properties and are normally acquired or assembled via multiple adjacent parcel acquisitions, often from private individuals. Main and Main Developments' core business strategy is to create value in the MMUR portfolio through the strategic acquisition of assets in under-serviced transit-oriented urban retail nodes and then repositioning, rezoning and/or redeveloping (including through mixed use development) these assets to their highest and best use, with a view to creating and owning new urban retail formats in high-demand locations. Each of MMUR's 18 assembly projects are located on a major street in Toronto or Ottawa. Two projects in Toronto and one project in Ottawa are in the pre-development planning stage. As at September, 30, 2014, the fair value of the MMUR's portfolio was approximately $157.3 million.

Residential Development Inventory

As at September 30, 2014

(thousands of dollars, except for other data)

Property	Number of Units Constructed	Number of Units Pre-Sold	% of Units Pre-Sold	Number of Units Occupied	Target Fully Occupied/ Completion Date	Total Est. Cost incl. Land (at 50%)	Investment Cost, net of Cost of Sales (at 50%)	Estimated Costs to Complete (at 50%)	Debt Funded by Third Parties (at 50%)
Shops at King Liberty (Fuzion)	246	246	100.0%	246	Q1, 2014	$ 27,139	$ 180	$ —	$ —
Shops at King Liberty (KingsClub)	TBD	181	TBD	—	Q2, 2017	—	10,843	—	3,573
1071 King Street						—	3,718	—	—
As at September 30, 2014							$ 14,741		

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

Fuzion consists of 246 residential units in a condominium tower and approximately 9,000 square feet of retail space. Interim occupancy for the Fuzion residential units commenced during the first quarter of 2013 and registration and final closings occurred on all units in the first quarter of 2014. As at September 30, 2014, all units were sold, with possession and occupancy taken. Proceeds at the Company's 50% interest of approximately $27.1 million were received, of which approximately $22.0 million was directed to repay the Company's indebtedness on the project's credit facility. The Company's total gain realized on its share of the project was $3.0 million. During the first quarter of 2014, the Company acquired the remaining 50% interest in the retail space from its partner.

The second phase, KingsClub, is in the excavation stage of construction. Management expects that there will be approximately 160,000 square feet of retail in this phase and approximately 500 residential units based on current entitlements, and based on current market and site conditions. The expected timing for occupancy is estimated to be mid-2017.

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

	Three months ended September 30		Nine months ended September 30	
(millions of dollars)	**2014**	2013	**2014**	2013
Balance at beginning of period	**$ 25**	$ 16	**$ 21**	$ 33
Expenditures	**2**	4	**7**	12
Reclassification to investment properties – shopping centres	**(12)**	—	**(12)**	—
Recognized as cost of sales	**—**	(1)	**(1)**	(26)
Balance at end of period	**$ 15**	$ 19	**$ 15**	$ 19

Capital Expenditures on Investment Properties

Capital expenditures are incurred by the Company for maintaining and/or renovating its existing shopping centres. In addition, the Company also incurs expenditures for the purposes of expansion, redevelopment and development activities.

Revenue sustaining capital expenditures are required for maintaining the Company's shopping centre infrastructure and revenues from leasing of existing space. Revenue sustaining capital expenditures are not recoverable from tenants. Typical costs relate to ongoing investments of capital for tenant leasing costs related to new and renewal leasing, and capital to maintain the physical aspects of its shopping centres such as roof replacement programs and resurfacing of parking lots.

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

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

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

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

Historically, the Company's revenue sustaining expenditures on same property range from $0.81 to $0.87 per square foot per annum. The three-year weighted average rate of revenue sustaining expenditures on a same property basis for the nine months ended September 30, 2014 on an estimated annualized basis was $0.84 per square foot, compared to $0.84 per square foot for fiscal year 2013. Over the past three years, the Company has increased its expenditures on roof and parking lot replacements in the same property category at several of its shopping centres, which will reduce its ongoing maintenance expenditures at these centres going forward.

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

	Three months ended September 30		Nine months ended September 30	
(thousands of dollars)	**2014**	2013	**2014**	2013
Revenue sustaining – same property – stable	**$ 4,513**	$ 2,933	**$ 9,891**	$ 7,853
Revenue sustaining – same property with incremental redevelopment and expansion	**456**	466	**1,080**	2,277
Revenue sustaining – total same property	**4,969**	3,399	**10,971**	10,130
Enhancing capital expenditures				
Revenue enhancing and other	**11,905**	12,365	**30,986**	36,480
Expenditures recoverable from tenants	**1,876**	2,171	**7,242**	5,681
Development expenditures	**57,585**	48,249	**122,815**	138,372
Total	**$ 76,335**	$ 66,184	**$ 172,014**	$ 190,663

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

Nine months ended September 30						
(thousands of dollars)			**2014**			2013
	Same Property – Stable	**Same Property with incremental redevelopment and expansion**	**Total**	Same Property – Stable	Same Property with incremental redevelopment and expansion	Total
Revenue sustaining	**$ 9,891**	**$ 1,080**	**$ 10,971**	$ 7,853	$ 2,277	$ 10,130
Revenue enhancing and other	**14,839**	**1,982**	**16,821**	13,766	12,845	26,611
Expenditures recoverable from tenants	**4,284**	**1,827**	**6,111**	2,177	1,040	3,217
Development expenditures	**—**	**13,886**	**13,886**	—	33,276	33,276
Total – Same property	**$ 29,014**	**$ 18,775**	**$ 47,789**	$ 23,796	$ 49,438	$ 73,234
Major redevelopment			**77,731**			44,175
Ground-up development			**26,164**			49,924
Acquisitions – current year			**1,030**			878
Acquisitions – prior year			**4,259**			11,102
Investment properties classified as held for sale			**5,194**			2,312
Dispositions – current and prior year			**827**			2,336
Development land			**9,020**			6,702
Total			**$ 172,014**			$ 190,663

2014 Leasing and Occupancy

Same property portfolio occupancy as at September 30, 2014 of 96.8% compares to 96.4% as at June 30, 2014 and 96.7% as at December 31, 2013, and comprises 18.3 million occupied square feet. Occupancy for the remainder of the portfolio, including major redevelopments, ground-up developments, acquisitions, dispositions and assets held for sale, totalled 93.1% as at September 30, 2014, compared to 92.5% as at June 30, 2014 and 92.0% as at December 31, 2013, and comprises 5.2 million occupied square feet, providing potential net operating income growth as the redevelopment, development and expansion activities are completed. Total portfolio occupancy as at September 30, 2014 of 95.9% compares to 95.5% as at June 30, 2014 and 95.5% as at December 31, 2013.

Occupancy of the Company's shopping centre portfolio by property categorization as at September 30, 2014 is as follows:

As at	September 30, 2014			December 31, 2013		
(square feet in thousands, except other data)	**Total Occupied Square Feet**	**% Occupied**	**Weighted Average Rate per Occupied Square Foot**	Total Occupied Square Feet	% Occupied	Weighted Average Rate per Occupied Square Foot
Same property – stable	**14,089**	**97.0%**	**$ 18.13**	14,061	96.7%	$ 17.90
Same property with incremental redevelopment and expansion	**4,224**	**96.1%**	**17.99**	4,197	96.1%	17.72
Total same property	**18,313**	**96.8%**	**18.10**	18,258	96.7%	17.86
Major redevelopment	**2,697**	**92.6%**	**18.21**	2,798	91.1%	17.89
Ground-up development	**802**	**98.9%**	**21.59**	657	98.2%	22.80
Investment properties classified as held for sale	**1,084**	**91.4%**	**15.14**	1,079	91.0%	14.51
Total portfolio before acquisitions and dispositions	**22,896**	**96.0%**	**18.09**	22,792	95.6%	17.88
Acquisitions – 2014	**396**	**89.9%**	**25.83**	—	—%	—
Acquisitions – 2013	**262**	**94.0%**	**28.89**	261	94.0%	27.92
Dispositions – 2014	**—**	**—%**	**—**	200	94.4%	16.95
Development land	**—**	**—%**		120	83.1%	11.78
Total	**23,554**	**95.9%**	**$ 18.34**	23,373	95.5%	$ 17.96

For the three months ended September 30, 2014, gross new leasing on the same property portfolio totalled 122,000 square feet including incremental development spaces coming on line. This gross new leasing on the same property portfolio will generate additional minimum rent of approximately $2.6 million. The Company achieved an 8.9% increase on 522,000 square feet of renewal leases over the expiring lease rates on a same property basis. Net tenant openings totalled 47,000 square feet for the period on a same property basis.

For the nine months ended September 30, 2014, gross new leasing for the same property portfolio totalled 374,000 square feet including incremental development spaces coming on line. This gross new leasing on the same property portfolio will generate additional minimum rent of approximately $7.6 million. The Company achieved a 10.6% increase on 1,262,000 square feet of renewal leases over the expiring lease rates on a same property basis. Net tenant closures totalled 40,000 square feet for the period on a same property basis. The net increase of 4.1% on net tenant openings versus all closures was negatively impacted by new leasing with a few larger tenants at rental rates lower than what the Company achieves with smaller commercial retail unit tenants, and anchor tenant closures in centres that are in higher rental rate areas of the country.

For the remainder of the portfolio (comprising major redevelopment, ground-up development, acquisitions and dispositions), gross new leasing totalled 193,000 square feet, for the three months ended September 30, 2014, including development spaces coming on line and tenancies during construction. This gross new leasing on the remainder of the portfolio will generate additional minimum rent of approximately $3.7 million. The Company achieved a 32.4% increase on 141,000 square feet of renewal leases over the expiring lease rates for the remainder of the portfolio. Net lease closures totalled 96,000 square feet for the period on the remainder of the portfolio.

For the remainder of the portfolio (comprising major redevelopment, ground-up development, acquisitions and dispositions), gross new leasing totalled 272,000 square feet, for the nine months ended September 30, 2014, including development spaces coming on line and tenancies during construction. This gross new leasing on the remainder of the portfolio will generate additional minimum rent of approximately $5.1 million. The Company achieved a 17.1% increase on 365,000 square feet of renewal leases over the expiring lease rates for the remainder of the portfolio and net lease closures totalled 148,000 square feet for the period. The total net average rental rate increase in all lease openings versus closures of 23.4% in these properties is primarily due to redevelopment and repositioning activities underway. Spaces closed for redevelopment were in markets with higher rents than the portfolio average. Furthermore, new leasing completed at properties being prepared for future redevelopment are typically at lower rates and for shorter terms to allow the Company to have relocation or termination rights.

The average rental rate per occupied square foot for the same property portfolio increased to $18.09 as at September 30, 2014 from $17.91 as at December 31, 2013. Management believes that the weighted average rental rate per square foot for the portfolio would be in the range of $23.00 to $25.00, if the portfolio were at market. The Company continues to seek well-located properties in urban markets with below market rent for future value creation activities. The weighted average lease term for the portfolio is 5.8 years as at September 30, 2014, excluding options in favour of tenants, and including month-to-month and other short-term leases with tenants in properties with pre-development activities underway. The weighted average lease term for the Company's top 10 tenants is 7.0 years as at September 30, 2014, excluding options in favour of tenants.

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

Three months ended September 30, 2014	Total Same Property			Major redevelopment, ground-up, acquisitions and dispositions			Vacancy				Portfolio Total		
	Occupied Square Feet (thousands)	%	Weighted Average Rate per Occupied Square Foot	Occupied Square Feet (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, 2014 [1]	**18,258**	**96.4%**	**$ 17.99**	**5,029**	**92.5%**	**$ 18.66**	**151**	**0.6%**	**934**	**3.8%**	**24,372**	**95.5%**	**$ 18.13**
Tenant openings	112		19.60	33		24.25	—		(145)	—	—		20.66
Tenant closures	(65)		(20.09)	(69)		(12.49)	—		134	—	—		(16.18)
Tenant closures for redevelopment	—		—	(60)		(13.12)	60		—	—	—		(13.12)
Developments – tenant openings coming on line	10		38.05	156		17.82	—		(4)	—	162		19.10
Redevelopments – tenant openings coming on line	—		—	4		23.98	(4)		—	—	—		23.98
Demolitions	—		—	—		—	(128)		—	—	(128)		—
Reclassification	(2)		—	12		—	(28)		10	—	(8)		—
Total portfolio before dispositions and acquisitions	18,313	96.8%	$ 18.09	5,105	93.3%	$ 18.35	51	0.2%	929	3.8%	24,398	96.0%	$ 18.27
Dispositions (at date of disposition)				(73)	90.0%	(14.35)			(8)		(81)	—	(14.35)
Acquisitions (at date of acquisition)				209	87.9%	25.27			29		238	—	25.27
September 30, 2014	**18,313**	**96.8%**	**$ 18.09**	**5,241**	**93.1%**	**$ 19.20**	**51**	**0.2%**	**950**	**3.9%**	**24,555**	**95.9%**	**$ 18.34**
Renewals	522		$ 18.94	141		$ 19.39					663		$ 19.04
Renewals – expired	(522)		$(17.40)	(141)		$ (14.64)					(663)		$ (16.81)
Net increase per square foot from renewals			$ 1.54			$ 4.75							$ 2.23
% Increase on renewal of expiring rents			8.9 %			32.4%							13.3%

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

Nine months ended September 30, 2014	Total Same Property			Major redevelopment, ground-up, acquisitions and dispositions			Vacancy				Portfolio Total		
	Occupied Square Feet (thousands)	%	Weighted Average Rate per Occupied Square Foot	Occupied Square Feet (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, 2013 [1]	**18,258**	**96.7%**	**$ 17.91**	**5,114**	**92.0%**	**$ 18.14**	**179**	**0.7%**	**911**	**3.7%**	**24,462**	**95.5%**	**$ 17.96**
Tenant openings	340		19.59	101		18.92	—		(441)		—		19.44
Tenant closures	(300)		(18.78)	(145)		(15.02)	—		445		—		(17.56)
Tenant closures for redevelopment	(2)		(23.99)	(104)		(16.14)	106		—		—		(16.29)
Developments – tenant openings coming on line	34		28.00	167		18.65	—		16		217		20.20
Redevelopments – tenant openings coming on line	—		—	4		23.98	(4)		—		—		23.98
Demolitions	—		—	—		—	(163)		(29)		(192)		—
Reclassification	(17)		—	(97)		—	(67)		21		(160)		—
Total portfolio before dispositions and acquisitions	18,313	96.8%	$ 18.09	5,040	93.3%	$ 18.59	51	0.2%	923	3.8%	24,327	96.0%	$ 18.20
Dispositions (at date of disposition)				(197)	92.7%	(16.40)	—		(16)		(213)	92.7%	(16.40)
Acquisitions (at date of acquisition)				398	90.3%	25.58	—		43		441	90.3%	25.58
September 30, 2014	**18,313**	**96.8%**	**$ 18.09**	**5,241**	**93.1%**	**$ 19.20**	**51**	**0.2%**	**950**	**3.9%**	**24,555**	**95.9%**	**$ 18.34**
Renewals	1,262		$ 19.86	365		$ 20.24					1,627		$ 19.95
Renewals – expired	(1,262)		$ (17.96)	(365)		$ (17.29)					(1,627)		$ (17.81)
Net increase per square foot from renewals			$ 1.90			$ 2.95							$ 2.14
% Increase on renewal of expiring rents			10.6%			17.1%							12.0%
% Increase in rate per square foot – openings versus all closures			4.1%			23.4%							12.5%

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

Total development and redevelopment of 166,000 square feet was completed in the three months ended September 30, 2014 compared with 145,000 square feet developed in the three months ended September 30, 2013. The occupied development and redevelopment space was leased at an average rental rate of $19.21 per square foot for the three months ended September 30, 2014 compared to $23.45 per square foot during the comparative period of 2013.

Total development and redevelopment of 221,000 square feet was completed in the nine months ended September 30, 2014 compared with 345,000 square feet developed in the nine months ended September 30, 2013. The occupied development and redevelopment space was leased at an average rental rate of $20.28 per square foot for the nine months ended September 30, 2014 compared to $24.19 per square foot during the comparative period of 2013.

Development and redevelopment coming on line during the nine months ended September 30, 2014 included the following:

Property Name	Building to LEED standards [1]	City	Province	Square Feet	Major Tenants of Developed Space
Same property with incremental redevelopment and expansion					
Shops at New West		Westminster	BC	5,000	Various tenants
Carrefour St-Hubert Assets		Longueuil	QC	4,000	TD Canada Trust
Eagleson Place	✓	Ottawa	ON	10,000	Kids & Company (Daycare)
Hunt Club Marketplace [2]	✓	Ottawa	ON	12,000	Spaces with leasing underway
Red Deer Village	✓	Red Deer	AB	5,000	Spaces with leasing underway
Other				8,000	
Shops at King Liberty Assets		Toronto	ON	1,000	Other
Tomken Plaza	✓	Mississauga	ON	6,000	Bulk Barn and Dairy Queen
Langley Mall		Langley	BC	2,000	Tim Hortons
Major redevelopment					
Centre D'achats Ville Mont-Royal Assets		Montreal	QC	13,000	Scotiabank, Subway and various other tenants
Yorkville Village Assets	✓	Toronto	ON	11,000	Andrew's and various other tenants
Mount Royal Village Assets		Calgary	AB	5,000	Calgary Family Dental
Ground-up development					
Place Viau Assets	✓	Montreal	QC	53,000	Marshalls and Michael's
Carrefour du Plateau-des-Grives		Gatineau	QC	86,000	Canadian Tire
Total development brought on line				221,000	
Total development brought on line				217,000	
Total other redevelopment brought on line				4,000	
				221,000	

[1] The square footage listed in this table may not match to the square footage registered for LEED certification as the associated tenants' premises may or may not be part of a LEED application.

[2] The Company has 33.33% ownership interest in the property. The square footage represents 100% of GLA that came on line.

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

Lease Maturities

The Company's lease maturity profile for its shopping centre portfolio as at September 30, 2014 is as follows:

Maturity Date [1]	Number of Stores	Occupied Square Feet (000s)	Percent of Total Square Feet	Annualized Minimum Rent at Expiration (000s)	Percent of Total Annualized Minimum Rent	Average Annual Minimum Rent per Square Foot at Expiration
Month-to-month tenants [2]	185	244	1.0%	$ 4,512	1.0%	$ 18.51
2014 (remainder of the year)	130	631	2.6%	8,958	2.0%	14.19
2015	590	2,172	8.8%	38,002	8.3%	17.50
2016	538	2,201	9.0%	35,862	7.9%	16.29
2017	595	2,959	12.1%	53,185	11.7%	17.97
2018	591	2,910	11.8%	53,429	11.7%	18.36
2019	503	2,635	10.7%	54,677	12.0%	20.75
2020	220	1,321	5.4%	25,770	5.7%	19.51
2021	198	1,299	5.3%	28,529	6.3%	21.96
2022	240	1,619	6.6%	38,341	8.4%	23.68
2023	186	1,744	7.1%	34,220	7.5%	19.63
2024	171	1,043	4.2%	22,755	5.0%	21.81
Thereafter	133	2,776	11.3%	57,257	12.5%	20.63
Total Weighted Average	4,280	23,554	95.9%	$ 455,497	100.0%	$ 19.34

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

Included in 2014 lease maturities of 631,000 square feet is 372,000 square feet related to the same property portfolio, which represents 59.0% of the lease maturities for the total shopping centre portfolio. The expiring leases on the same property basis generate an annual minimum rent of $6.7 million, representing 74.3% of the annual minimum rent from the expiring leases for the remainder of 2014 for the total shopping centre portfolio.

Top Forty Tenants

As at September 30, 2014, 54.8% of the Company's annualized minimum rent came from its top 40 tenants (December 31, 2013 – 54.4%). Of those rents, 80.8% is from top 40 tenants that have investment grade credit ratings and who represent many of Canada's leading supermarket operators, drugstore chains, national and discount retailers, banks and other familiar shopping destinations.

	Tenant	Number of Stores	Square Feet (thousands)	Percent of Total Gross Leasable Area	Percent of Total Annualized Minimum Rent	DBRS Credit Rating	S&P Credit Rating	Moody's Credit Rating
1	Loblaws [1]	100	2,497	10.2%	10.2%	BBB	BBB	
2	Sobeys [2]	58	2,012	8.2%	6.9%	BBB (low)	BBB-	
3	Metro	33	1,200	4.9%	3.5%	BBB	BBB	
4	Canadian Tire	26	916	3.7%	3.0%	BBB (high)	BBB+	
5	Walmart	15	1,481	6.0%	3.0%	AA	AA	Aa2
6	TD Canada Trust	46	245	1.0%	2.0%	AA	AA-	Aa1
7	RBC Royal Bank	47	260	1.1%	2.0%	AA	AA-	Aa3
8	Dollarama	43	442	1.8%	1.6%	BBB		
9	CIBC	36	202	0.8%	1.6%	AA	A+	Aa3
10	GoodLife Fitness	18	414	1.7%	1.4%			
Top 10 Tenants Total		422	9,669	39.4%	35.2%			
11	Rona	4	421	1.7%	1.4%	BB (high)	BB+	
12	LCBO	21	210	0.9%	1.2%	AA (low)	AA-	Aa2
13	Rexall	21	180	0.7%	1.1%			
14	BMO	30	134	0.5%	1.0%	AA	A+	Aa3
15	London Drugs	9	231	0.9%	1.0%			
16	Scotiabank	23	132	0.5%	1.0%	AA	A+	Aa2
17	Staples	11	254	1.0%	0.9%		BBB-	Baa2
18	Tim Hortons	50	132	0.5%	0.8%	BBB		
19	Alberta Health Services	3	157	0.6%	0.7%	AAA	AAA	Aaa
20	Longo's	4	170	0.7%	0.7%			
21	Save-On-Foods	6	267	1.1%	0.7%			
22	Starbucks	44	71	0.3%	0.7%		A-	A3
23	Jean Coutu	12	155	0.6%	0.6%			
24	Subway	71	84	0.3%	0.6%			
25	Hudson's Bay Company	4	253	1.0%	0.5%		B+	B1
26	TOYS "R" US	4	156	0.6%	0.5%		B-	B3
27	Whole Foods Market	2	90	0.4%	0.5%		BBB-	
28	Winners	6	194	0.8%	0.5%		A+	A3
29	Michael's	4	87	0.4%	0.5%		B	B3
30	SAQ	22	95	0.4%	0.5%	A (high)	A+	Aa2
31	Cara	20	83	0.3%	0.5%			
32	Best Buy	5	140	0.6%	0.5%		BB	Baa2
33	Yum! Brands	29	58	0.2%	0.5%		BBB	Baa3
34	Target	2	246	1.0%	0.5%		A	A2
35	McDonald's	21	84	0.3%	0.4%		A	A2
36	Reitmans	26	132	0.5%	0.4%			
37	The Beer Store	11	66	0.3%	0.4%	AA (low)	AA-	Aa2
38	The Home Depot	2	219	0.9%	0.4%	A	A	A2
39	Pet Valu	19	51	0.2%	0.3%			
40	Bulk Barn	12	58	0.2%	0.3%			
Top 40 Tenants Total		**920**	**14,279**	**57.8%**	**54.8%**			

(1) As at September 30, 2014, Loblaw Companies Limited ("Loblaws") comprises 10.2% of the Company's annualized minimum rent (December 31, 2013 – 4.2%) as a result of the merger of Loblaws and Shoppers Drug Mart completed in Q1 2014. The Company earned base rent revenue of $10.5 million and $31.5 million for the three and nine months ended September 30, 2014 from Loblaws, respectively.

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

Loans, Mortgages and Other Real Estate Assets

As at (thousands of dollars)	**September 30, 2014**	December 31, 2013
Loans and mortgages receivable (a)	**$ 86,780**	$ 68,150
Available-for-sale ("AFS") investments in equity securities	**4,099**	3,631
Total non-current loans, mortgages and other real estate assets	**90,879**	71,781
Fair value through profit or loss ("FVTPL") investments in equity securities (b)	**31,123**	27,764
AFS investments in equity securities	**387**	455
Loans and mortgages receivable (c)	**44,438**	24,457
Loans receivable from sales of residential inventory	**—**	22,522
Other receivable	**250**	2,251
Total current loans, mortgages and other real estate assets	**76,198**	77,449
Total mortgages and other real estate assets	**$ 167,077**	$ 149,230

(a) Loans and mortgages receivable are secured by interests in investment properties or shares of entities owning investment properties and bear interest at a weighted average coupon and effective interest rate as at September 30, 2014 of 5.60% and 5.90% per annum, respectively (December 31, 2013 – 6.33% per annum). The loans and mortgages receivable mature between 2015 and 2025.

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

(c) The Company has loans and mortgages receivable secured by interests in investment properties or shares of entities owning investment properties and bear interest at a weighted average coupon and effective interest rate of 9.56% per annum (December 31, 2013 – 9.54% per annum). The loans and mortgages receivable mature between 2014 and 2015.

Scheduled principal receipts of loans and mortgages receivable as at September 30, 2014 are as follows:

(thousands of dollars, except other data)	Payments on Maturity	Weighted Average Interest Rate
2014 (remainder of the year)	$ 24,445	9.68%
2015	22,258	9.40%
2016	4,846	8.02%
2017	3,522	5.29%
2019 to 2025	74,949	5.61%
	130,020	7.10%
Unamortized deferred financing fees, premiums and discounts, net and interest receivable	1,198	
	$ 131,218	
Current	$ 44,438	9.56%
Non-current	86,780	5.90%
	$ 131,218	7.10%

RESULTS OF OPERATIONS

Net Income

		Three months ended September 30			Nine months ended September 30		
(thousands of dollars, except share and per share amounts)		**2014**		2013		**2014**		2013
Net income attributable to common shareholders	**$**	**39,020**	$	41,078	**$**	**151,941**	$	166,960
Net income per share attributable to common shareholders (diluted)	**$**	**0.18**	$	0.20	**$**	**0.71**	$	0.80
Weighted average number of common shares – diluted (in thousands)		**215,360**		208,819		**231,803**		210,426

Net income attributable to common shareholders for the three months ended September 30, 2014 was $39.0 million or $0.18 per share (diluted) compared to $41.1 million or $0.20 per share (diluted) for the same prior year period. Net income attributable to common shareholders for the nine months ended September 30, 2014 was $151.9 million or $0.71 per share (diluted) compared to $167.0 million or $0.80 per share (diluted) for the same prior year period.

For the three months ended September 30, 2014, the decrease in net income as compared to the same prior year period is primarily due to a $8.3 million decrease in fair value gain on investment properties and the related decrease in deferred income taxes, partially offset by an increase in NOI resulting from net acquisitions, development and redevelopment projects coming on line, same property growth and an increase in share of profit from joint ventures resulting from an increase in fair value gain on investment properties. On a per share basis, the decrease is also partially due to the increase in the weighted average number of common shares outstanding resulting from various equity financing activities and growth of the Company.

For the nine months ended September 30, 2014, the decrease in net income as compared to the same prior year period is primarily due to a $28.6 million decrease in fair value gains on investment properties and the related decrease in deferred income taxes, as well as an increase in interest expense. These decreases were partially offset by an increase in NOI resulting from net acquisitions, development and redevelopment projects coming on line, same property growth, and an increase in share of profit from joint ventures resulting from an increase in fair value gain on investment properties. On a per share basis, the decrease is also partially due to the increase in the weighted average number of common shares outstanding resulting from various equity financing activities and growth of the Company.

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

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

						Three months ended September 30
(thousands of dollars)			**2014**			2013
	Consolidated Statements of Income (Equity method)	**Adjustment for equity method to proportionate interest**	**Proportionate interest**	Consolidated Statements of Income (Equity method)	Adjustment for equity method to proportionate interest	Proportionate interest
				(Restated) [1]		*(Restated)* [1]
Property rental revenue	**$ 162,306**	**$ 1,174**	**$ 163,480**	$ 154,804	$ 1,084	$ 155,888
Property operating costs	**58,545**	**350**	**58,895**	56,435	343	56,778
Net operating income	**103,761**	**824**	**104,585**	98,369	741	99,110
Other income and expenses						
Interest and other income	**3,453**	**—**	**3,453**	3,031	—	3,031
Interest expense	**(44,374)**	**(129)**	**(44,503)**	(41,109)	(138)	(41,247)
Corporate expenses	**(7,740)**	**—**	**(7,740)**	(7,240)	—	(7,240)
Abandoned transaction costs	**(478)**	**—**	**(478)**	(726)	—	(726)
Amortization expense	**(1,089)**	**—**	**(1,089)**	(943)	—	(943)
Share of profit from joint ventures	**6,449**	**(6,449)**	**—**	603	(603)	—
Other gains (losses) and (expenses)	**(2,881)**	**(58)**	**(2,939)**	409	—	409
Increase (decrease) in value of investment properties, net	**(7,196)**	**5,812**	**(1,384)**	1,125	—	1,125
	(53,856)	**(824)**	**(54,680)**	(44,850)	(741)	(45,591)
Income before income taxes	**49,905**	**—**	**49,905**	53,519	—	53,519
Deferred income taxes	**9,245**	**—**	**9,245**	12,453	—	12,453
Net income	**$ 40,660**	**$ —**	**$ 40,660**	$ 41,066	$ —	$ 41,066

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

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

	Nine months ended September 30					
(thousands of dollars)			**2014**			2013
	Consolidated Statements of Income (Equity method)	**Adjustment for equity method to proportionate interest**	**Proportionate interest**	Consolidated Statements of Income (Equity method)	Adjustment for equity method to proportionate interest	Proportionate interest
				(Restated) [(1)]		*(Restated)* [(1)]
Property rental revenue	**$ 486,370**	**$ 3,458**	**$ 489,828**	$ 470,511	$ 3,208	$ 473,719
Property operating costs	**181,983**	**1,025**	**183,008**	175,006	1,033	176,039
Net operating income	**304,387**	**2,433**	**306,820**	295,505	2,175	297,680
Other income and expenses						
Interest and other income	**8,862**	**—**	**8,862**	7,734	—	7,734
Interest expense	**(129,428)**	**(384)**	**(129,812)**	(123,969)	(452)	(124,421)
Corporate expenses	**(22,795)**	**—**	**(22,795)**	(21,676)	—	(21,676)
Abandoned transaction costs	**(760)**	**—**	**(760)**	(1,281)	—	(1,281)
Amortization expense	**(3,179)**	**—**	**(3,179)**	(2,866)	—	(2,866)
Share of profit from joint ventures	**7,840**	**(7,840)**	**—**	1,723	(1,723)	—
Other gains (losses) and (expenses)	**(4,004)**	**(57)**	**(4,061)**	(3,859)	—	(3,859)
Increase in value of investment properties, net	**29,992**	**5,848**	**35,840**	58,571	—	58,571
	(113,472)	**(2,433)**	**(115,905)**	(85,623)	(2,175)	(87,798)
Income before income taxes	**190,915**	**—**	**190,915**	209,882	—	209,882
Deferred income taxes	**37,600**	**—**	**37,600**	42,912	—	42,912
Net income	**$ 153,315**	**$ —**	**$ 153,315**	$ 166,970	$ —	$ 166,970

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

Funds from Operations and Adjusted Funds from Operations

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

Funds from Operations

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

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

FFO for the three months ended September 30, 2014 totalled $53.4 million or $0.25 per share (diluted) compared to $53.5 million or $0.26 per share (diluted) in the same prior year period. The decrease in FFO is primarily due to losses on prepayments of debt in the current year period and a gain on settlement of litigation in the prior year period. On a per share basis, the decrease is also partially due to the increase in the weighted average number of common shares outstanding resulting from various equity financing activities.

FFO for the nine months ended September 30, 2014 totalled $160.9 million or $0.76 per share (diluted) compared to $159.7 million or $0.77 per share (diluted) in the same prior year period. The increase in FFO is primarily due to the increase in NOI resulting from same property NOI growth and development and redevelopment projects coming on line, partially offset by higher interest expense and by lower other gains (losses) and expenses as compared to the prior year period. On a per share basis, the decrease is also partially due to the increase in the weighted average number of common shares outstanding.

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

	Three months ended September 30		Nine months ended September 30	
(thousands of dollars)	**2014**	2013	**2014**	2013
		(Restated) [1]		*(Restated)* [1]
Net income for the period	**$ 40,660**	$ 41,066	**$ 153,315**	$ 166,970
Add (deduct):				
Increase (decrease) in value of investment properties, net	**1,384**	(1,125)	**(35,840)**	(58,571)
Incremental leasing costs	**897**	1,125	**3,550**	3,664
Investment properties – selling costs	**1,142**	2	**2,272**	4,721
Deferred income taxes	**9,245**	12,453	**37,600**	42,912
Non-controlling interest	**77**	14	**—**	(20)
FFO	**$ 53,405**	$ 53,535	**$ 160,897**	$ 159,676

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

The components of FFO with proportionate interest are as follows:

	Three months ended September 30			Nine months ended September 30		
(thousands of dollars, except share and per share amounts and percentages)	% change	**2014**	2013	% change	**2014**	2013
			(Restated) [1]			*(Restated)* [1]
Net operating income		**$ 104,585**	$ 99,110		**$ 306,820**	$ 297,680
Interest expense		**(44,503)**	(41,247)		**(129,812)**	(124,421)
Corporate expenses		**(6,843)**	(6,115)		**(19,245)**	(18,012)
Abandoned transaction costs		**(478)**	(726)		**(760)**	(1,281)
Amortization expense (corporate assets and credit facility costs)		**(1,089)**	(943)		**(3,179)**	(2,866)
Interest and other income		**3,453**	3,031		**8,862**	7,734
Non-controlling interest		**77**	14		**—**	(20)
FFO excluding other gains (losses) and (expenses)	3.9 %	**55,202**	53,124	2.4 %	**162,686**	158,814
Other gains (losses) and (expenses) [2]		**(1,797)**	411		**(1,789)**	862
FFO	(0.2)%	**$ 53,405**	$ 53,535	0.8 %	**$ 160,897**	$ 159,676
FFO per diluted share	(3.8)%	**$ 0.25**	$ 0.26	(1.3)%	**$ 0.76**	$ 0.77
FFO per diluted share excluding other gains (losses) and (expenses)	4.0 %	**$ 0.26**	$ 0.25	1.3 %	**$ 0.77**	$ 0.76
Weighted average number of common shares – diluted – FFO (in thousands)	1.7 %	**212,367**	208,819	1.1 %	**210,936**	208,672

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

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

Adjusted Funds from Operations

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

AFFO for the three months ended September 30, 2014 totalled $57.4 million or $0.25 per share (diluted) compared to $56.1 million or $0.25 per share (diluted) for the same prior year period. AFFO increased as a result of a higher add back for losses of prepayments of debt for the current period.

AFFO for the nine months ended September 30, 2014 totalled $168.3 million or $0.74 per share (diluted) compared to $168.0 million or $0.75 per share (diluted) for the same prior year period. AFFO on a per share basis decreased due to the increase in the weighted average number of common shares outstanding.

AFFO is calculated as follows:

	Three months ended September 30			Nine months ended September 30		
(thousands of dollars, except share and per share amounts and percentages)	% change	**2014**	2013	% change	**2014**	2013
FFO		**$ 53,405**	$ 53,535		**$ 160,897**	$ 159,676
Add (deduct):						
Interest expense payable in shares		**5,990**	5,956		**17,769**	17,311
Rental revenue recorded on a straight-line basis		**(1,468)**	(2,055)		**(4,928)**	(7,815)
Non-cash compensation expense		**703**	694		**2,102**	2,262
Same property revenue sustaining capital expenditures [1]		**(3,966)**	(3,522)		**(11,970)**	(10,567)
Change in cumulative unrealized losses (gains) on marketable securities		**573**	1,171		**(659)**	2,137
Losses on prepayments of debt		**1,229**	29		**1,567**	4,064
Hedge accounting losses (gains)		**40**	(27)		**80**	(290)
Pre-selling costs of residential inventory units		**102**	(34)		**137**	(187)
Transition services and protective rights agreement		**—**	—		**1,450**	—
Costs not capitalized during development period [2]		**841**	386		**2,107**	1,602
Other adjustments		**(79)**	(64)		**(242)**	(215)
AFFO	2.3%	**57,370**	56,069	0.2 %	**168,310**	167,978
Deduct: other (gains) losses and (expenses) [3]		**(147)**	(1,550)		**(786)**	(6,586)
AFFO excluding Other (gains) losses and (expenses)	5.0%	**$ 57,223**	$ 54,519	3.8 %	**$ 167,524**	$ 161,392
AFFO per diluted share	—%	**$ 0.25**	$ 0.25	(1.3)%	**$ 0.74**	$ 0.75
AFFO per diluted share excluding other (gains) losses and (expenses)	4.2%	**$ 0.25**	$ 0.24	2.8 %	**$ 0.74**	$ 0.72
Weighted average number of common shares – diluted – AFFO (in thousands)	1.5%	**228,983**	225,539	1.6 %	**227,586**	224,006

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

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

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

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

	Three months ended September 30		Nine months ended September 30	
(thousands of dollars)	**2014**	2013	**2014**	2013
		(Restated) [1]		*(Restated)* [1]
Cash provided by operating activities	**$ 58,236**	$ 51,228	**$ 184,383**	$ 128,397
Share of profit from joint ventures	**651**	617	**2,035**	1,764
Distribution from joint ventures	**(493)**	(543)	**(1,626)**	(1,531)
Realized gains on sale of marketable securities	**147**	237	**784**	2,484
Incremental leasing costs	**897**	1,125	**3,550**	3,664
Net change in non-cash operating items	**(261)**	9,887	**17,325**	37,473
Expenditures on residential development inventory	**2,443**	3,718	**6,631**	11,385
Receipts of proceeds from sales of residential inventory	**—**	—	**(27,711)**	—
Amortization expense	**(1,089)**	(943)	**(3,179)**	(2,866)
Non-cash interest expense and change in accrued interest	**3,810**	(1,700)	**(3,219)**	(4,670)
Convertible debenture interest paid in common shares	**(9,934)**	(10,286)	**(19,913)**	(19,054)
Convertible debenture interest payable in common shares	**5,990**	5,956	**17,769**	17,311
Costs not capitalized during development period	**841**	386	**2,107**	1,602
Pre-selling costs of residential inventory	**102**	(34)	**137**	(187)
Transition services and protective rights agreement	**—**	—	**1,450**	—
Gain on sale of residential inventory	**—**	—	**—**	2,965
Same property revenue sustaining capital expenditures	**(3,966)**	(3,522)	**(11,970)**	(10,567)
Non-controlling interest	**77**	14	**—**	(20)
Other adjustments	**(81)**	(71)	**(243)**	(172)
AFFO	**$ 57,370**	$ 56,069	**$ 168,310**	$ 167,978

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

Net Operating Income (“NOI”)

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

NOI increased to approximately $104.6 million for the three months ended September 30, 2014 from $99.1 million for the same prior year period. NOI increased to $306.8 million for the nine months ended September 30, 2014 from $297.7 million for the same prior year period.

On a comparative period basis, the shopping centre portfolio size increased by 0.4 million square feet due to net property acquisitions and net development and redevelopment space coming on line. The overall occupancy increased by 0.9% as compared to 95.0% as at September 30, 2013. The increase in overall occupancy primarily arises as a result of the Company's development, redevelopment initiatives and leasing activities. On a same property – stable basis, occupancy increased to 97.0% (September 30, 2013 – 96.3%). The increase in overall shopping centre portfolio NOI resulted from growth in base rent from tenants due to increases in rental rates from step-ups and lease renewals, as well as acquisitions and developments coming on line, where average rental rates and recovery terms were higher than the rental rates and recovery terms of disposed properties and closures of spaces for redevelopment.

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

	Three months ended September 30		Nine months ended September 30	
(thousands of dollars, except other data)	**2014**	2013	**2014**	2013
Property rental revenue				
Base rent [1]	**$ 102,826**	$ 97,530	**$ 307,127**	$ 295,287
Operating cost recoveries	**24,047**	22,019	**73,657**	69,310
Realty tax recoveries	**30,453**	28,656	**90,733**	86,917
Straight-line rent	**1,468**	2,055	**4,928**	7,815
Lease surrender fees	**589**	257	**1,489**	651
Percentage rent	**594**	552	**1,519**	1,837
Prior year operating cost and tax recovery adjustments	**(1,068)**	52	**(1,889)**	393
Temporary tenants, storage, parking and other	**4,571**	4,767	**12,264**	11,509
Total property rental revenue	**163,480**	155,888	**489,828**	473,719
Property operating costs				
Recoverable operating expenses	**26,220**	25,412	**84,606**	80,638
Recoverable realty tax expenses	**34,663**	31,377	**100,813**	95,278
Prior year operating cost and tax expense adjustments	**(346)**	(281)	**(1,603)**	(773)
Other operating costs and adjustments	**(1,642)**	270	**(808)**	896
Total property operating costs	**58,895**	56,778	**183,008**	176,039
NOI	**$ 104,585**	$ 99,110	**$ 306,820**	$ 297,680
NOI margin	**64.0%**	63.6%	**62.6%**	62.8%
Operating cost recovery percentage	**91.7%**	86.6%	**87.1%**	86.0%
Tax recovery percentage	**87.9%**	91.3%	**90.0%**	91.2%

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

The change in the total portfolio NOI margin is primarily driven by occupancy, non recoverable operating costs, operating costs and tax recovery margins and base rent growth. For the nine months ended September 30, 2014, the total portfolio NOI margin has decreased slightly to 62.6% from 62.8% when compared to the prior year period. This decrease arises from the decrease in total same property NOI margin to 63.7% from 64.1%, which arises as a result of prior year operating cost and tax recovery adjustments, mainly on one property recently developed.

For the three months ended September 30, 2014, the total portfolio NOI margin has increased to 64.0% from 63.6% as compared to the same prior year period. The increase is primarily attributable due to improvements in occupancy for major redevelopment projects, and current year acquisitions.

The total portfolio operating costs and tax recoveries margin was 88.7% for the nine months ended September 30, 2014, remaining consistent compared to the 88.8% for the same prior year period. The total portfolio operating cost and tax recoveries margin has increased to 89.5% for the three months ended September 30, 2014 from 89.2% for the same prior period due to improvements in occupancy.

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

	NOI Margin				Operating Cost and Tax Recoveries Margin				% Occupied	
	Three months ended September 30		Nine months ended September 30		Three months ended September 30		Nine months ended September 30		As at September 30	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
Same property – stable	**64.9%**	65.3%	**63.8%**	64.6%	**94.7%**	92.8%	**92.2%**	92.2%	**97.0%**	96.3%
Same property with incremental redevelopment and expansion	**63.1%**	63.1%	**63.1%**	62.7%	**94.7%**	92.7%	**91.4%**	90.7%	**96.1%**	95.5%
Total same property	**64.5%**	64.8%	**63.7%**	64.1%	**94.7%**	92.7%	**92.0%**	91.8%	**96.8%**	96.2%
Major redevelopment	**59.3%**	56.4%	**56.4%**	56.4%	**76.6%**	77.9%	**78.1%**	79.8%	**92.6%**	90.7%
Ground-up development	**69.6%**	70.9%	**62.1%**	67.5%	**63.4%**	95.8%	**79.2%**	94.8%	**98.9%**	96.6%
Acquisitions – 2014	**75.8%**	—%	**75.0%**	—%	**92.3%**	—%	**92.2%**	—%	**89.9%**	—%
Acquisitions – 2013	**62.0%**	62.5%	**60.6%**	58.7%	**73.8%**	79.8%	**81.5%**	80.2%	**94.0%**	94.1%
Investment properties classified as held for sale	**63.2%**	60.8%	**64.3%**	60.6%	**90.6%**	87.0%	**86.3%**	84.8%	**91.4%**	91.7%
Dispositions and other	**61.4%**	62.9%	**64.0%**	61.1%	**120.7%**	55.0%	**95.4%**	72.2%	**—%**	78.8%
	64.0%	63.6%	**62.6%**	62.8%	**89.5%**	89.2%	**88.7%**	88.8%	**95.9%**	95.0%

Same property – stable NOI increased by 2.0% for the nine months ended September 30, 2014 compared to the same prior year period, primarily attributed to increases in rental rates due to step-ups, lease renewals, and tenant openings with higher rental rates than the rental rates on tenant closures. This is offset by the decrease in NOI margin due to an increase in other non-recoverable operating costs and prior year operating costs and tax recovery adjustments.

Same property – stable NOI increased by 3.2% for the three months ended September 30, 2014 compared to the same prior year period, primarily attributed to increases in rental rates due to step-ups, lease renewals, and tenant openings with higher rental rates than the rental rates on tenant closures. This is offset by the decrease in NOI margin due to an increase in other non-recoverable operating costs and prior year operating costs and tax recovery adjustments.

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

	Three months ended September 30			Nine months ended September 30		
(thousands of dollars, except for percentages)	% change	**2014**	2013	% change	**2014**	2013
Same property – stable NOI	3.2%	**$ 60,804**	$ 58,896	2.0%	**$ 178,789**	$ 175,200
Same property with incremental redevelopment and expansion NOI	5.8%	**17,578**	16,610	6.2%	**51,390**	48,391
Total same property	3.8%	**78,382**	75,506	2.9%	**230,179**	223,591
Major redevelopment		**12,192**	12,041		**35,826**	35,535
Ground-up development		**3,963**	2,706		**10,727**	7,617
Acquisitions – 2014		**1,303**	1,937		**2,207**	—
Acquisitions – 2013		**2,333**	—		**7,171**	3,685
Investment properties classified as held for sale		**4,247**	3,764		**12,604**	10,898
Dispositions – 2014		**173**	—		**1,835**	—
Dispositions – 2013		**—**	1,101		**—**	8,411
Rental revenue recognized on a straight-line basis		**1,496**	2,055		**5,001**	7,815
Development land		**496**	—		**1,270**	128
NOI		**$ 104,585**	$ 99,110		**$ 306,820**	$ 297,680

For the three and nine months ended September 30, 2014 in comparison to the same prior year period, each region experienced growth in base rent and recoveries from tenants resulting from an increase in rental rates due to step-ups and lease renewals, in addition to net acquisitions and developments coming on line, with average rental rates and recovery terms in excess of the rental rates and recovery terms of disposed properties and closures of spaces for redevelopment.

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

Three months ended September 30, 2014 *(thousands of dollars)*		**Central Region**		**Eastern Region**		**Western Region**		**Subtotal**		**Other[1]**		**Total**
Property rental revenue	**$**	**69,731**	**$**	**42,218**	**$**	**51,797**	**$**	**163,746**	**$**	**(266)**	**$**	**163,480**
Property operating costs		**26,154**		**16,321**		**16,593**		**59,068**		**(173)**		**58,895**
Net operating income	**$**	**43,577**	**$**	**25,897**	**$**	**35,204**	**$**	**104,678**	**$**	**(93)**	**$**	**104,585**

Three months ended September 30, 2013 *(thousands of dollars)*		Central Region		Eastern Region		Western Region		Subtotal		Other[1]		Total
Property rental revenue	$	66,727	$	40,113	$	49,290	$	156,130	$	(242)	$	155,888
Property operating costs		25,121		15,479		16,486		57,086		(308)		56,778
Net operating income	$	41,606	$	24,634	$	32,804	$	99,044	$	66	$	99,110

Nine months ended September 30, 2014 *(thousands of dollars)*		**Central Region**		**Eastern Region**		**Western Region**		**Subtotal**		**Other[1]**		**Total**
Property rental revenue	**$**	**208,270**	**$**	**127,685**	**$**	**154,671**	**$**	**490,626**	**$**	**(798)**	**$**	**489,828**
Property operating costs		**80,056**		**52,444**		**50,945**		**183,445**		**(437)**		**183,008**
Net operating income	**$**	**128,214**	**$**	**75,241**	**$**	**103,726**	**$**	**307,181**	**$**	**(361)**	**$**	**306,820**

Nine months ended September 30, 2013 *(thousands of dollars)*		Central Region		Eastern Region		Western Region		Subtotal		Other[1]		Total
Property rental revenue	$	202,669	$	122,611	$	149,311	$	474,591	$	(872)	$	473,719
Property operating costs		77,554		49,651		50,041		177,246		(1,207)		176,039
Net operating income	$	125,115	$	72,960	$	99,270	$	297,345	$	335	$	297,680

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

Interest and Other Income

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

		Three months ended September 30			Nine months ended September 30	
(thousands of dollars)		**2014**		2013	**2014**		2013
Interest, dividend and distribution income from marketable securities and cash investments	**$**	**1,432**	$	1,095	**$**	**3,243**	$	2,659
Interest income from mortgages and loans receivable		**2,021**		1,821		**5,619**		4,179
Fees and other income		**—**		115		**—**		896
	$	**3,453**	$	3,031	**$**	**8,862**	$	7,734

The increase in interest and other income for the three and nine months ended September 30, 2014 is primarily due to an increase in mortgages and loans receivable and marketable securities balances.

Fee income for the nine months ended September 30, 2013 includes approximately $0.9 million of fees received in connection with the sale of a portfolio of properties and management fees earned from partners and other items.

Interest Expense

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

	Three months ended September 30		Nine months ended September 30	
(thousands of dollars)	**2014**	2013	**2014**	2013
Mortgages and credit facilities	**$ 16,407**	$ 17,942	**$ 49,162**	$ 58,326
Senior unsecured debentures	**28,278**	23,065	**80,223**	65,481
Convertible debenture (cashless)	**—**			
Coupon interest (payable in shares)	**5,035**	5,049	**14,933**	14,681
Accretion of discounts on bifurcation for accounting purposes	**397**	383	**1,184**	1,124
Amortization of deferred issue costs	**558**	524	**1,652**	1,506
	5,990	5,956	**17,769**	17,311
Interest capitalized to investment properties and residential inventory under development	**(6,172)**	(5,716)	**(17,342)**	(16,697)
Total interest expense	**$ 44,503**	$ 41,247	**$ 129,812**	$ 124,421

Mortgage and credit facilities interest expense for the three and nine months ended September 30, 2014 has decreased due to net repayments of mortgages during the past 12 months and due to the decrease in the weighted average borrowing rate from 5.30% per annum as at September 30, 2013 to 5.06% per annum as at September 30, 2014.

The increase in interest expense for the senior unsecured debentures for the three and nine months ended September 30, 2014 is primarily due to the issuances of $510.0 million principal amount senior unsecured debentures with a weighted average coupon rate of 4.60% (weighted average effective rate of 4.59%) during 2014 and the issuances of $450.0 million principal amount of senior unsecured debentures with a weighted average coupon rate of 3.97% (weighted average effective rate of 4.12%) in 2013, partially offset by the repayment of $53.9 million of principal amount with a weighted average coupon rate of 5.36% (weighted average effective rate of 5.52%) during the year ended December 31, 2013 and the repayment of $100.0 million of principal amount with a weighted average coupon rate of 5.32% (weighted average effective rate of 5.47%) during 2014 as described in the "Capital Structure and Liquidity" section of this MD&A.

The increase in convertible debentures interest expense for the three and nine months ended September 30, 2014 is a result of net issuances in 2013 of $55.5 million, partially offset by repurchases in the Normal Course Issuer Bid ("NCIB") of $3.2 million and $1.6 million during 2013 and 2014, respectively. Refer to the "Capital Structure and Liquidity" section of this MD&A.

During the nine months ended September 30, 2014 and 2013, respectively, approximately 11.8% and 11.9% of interest expense was capitalized to real estate investments for properties undergoing development or redevelopment projects. Amounts capitalized are based on development and redevelopment projects actively underway. The increase in capitalized interest is commensurate with the increase in development and redevelopment expenditures that qualify for interest capitalization during the three and nine months ended September 30, 2014. This increase resulted from the commencement of certain significant development and redevelopment projects in the current year. The timing of completion of development and redevelopment projects compared to the commencement of new projects is commensurate with the increase in the level of interest expense capitalized compared to the same prior year period.

Corporate Expenses

	Three months ended September 30		Nine months ended September 30	
(thousands of dollars, except for percentages)	**2014**	2013	**2014**	2013
		(Restated)		*(Restated)*
Salaries, wages and benefits	**$ 6,078**	$ 4,868	**$ 18,247**	$ 16,495
Non-cash compensation	**664**	643	**1,993**	2,107
Other corporate costs	**2,984**	3,158	**7,990**	7,882
	9,726	8,669	**28,230**	26,484
Amounts capitalized to investment properties under development and residential inventory (1)	**(1,986)**	(1,429)	**(5,435)**	(4,808)
	$ 7,740	$ 7,240	**$ 22,795**	$ 21,676
Corporate expenses, excluding non-cash compensation and incremental leasing costs				
As a percentage of rental revenue	**3.8%**	3.5%	**3.5%**	3.4%
As a percentage of total assets	**0.3%**	0.3%	**0.3%**	0.3%

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

The overall level of net corporate expenses has increased by 6.9% and increased by 5.2% for the three and nine months ended September 30, 2014, respectively, as compared to the same prior year period. The variances for the three and nine months ended September 30 is primarily as a result of the timing of the recognition of incentive compensation in the prior year period.

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

The Company manages all of its acquisitions, development and redevelopment and leasing activities internally. Certain internal costs directly related to development, including salaries and related costs for planning, zoning, leasing, construction, etc., are capitalized in accordance with IFRS to development projects and residential inventory, as incurred.

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

During the nine months ended September 30, 2014 and 2013, respectively, approximately 20.7% and 19.7% of compensation-related and other corporate expenses were capitalized to real estate investments for properties undergoing development or redevelopment projects. Amounts capitalized are based on development and pre-development projects underway. The increase in capitalized corporate expenses resulted from the commencement of certain significant development and redevelopment projects in the current year. As at September 30, 2014, costs being capitalized related largely to these significant projects, as well as to projects in the pre-development stage. The timing of completion of development and redevelopment projects compared to the commencement of new projects and pre-development activity is commensurate with the increase in the level of corporate expenses capitalized compared to the same prior year period.

Other Gains (Losses) and (Expenses)

	Three months ended September 30					
	2014			2013		
(thousands of dollars)	**Included in Consolidated Statements of Income**	**Included in FFO**	**Included in AFFO**	Included in Consolidated Statements of Income	Included in FFO	Included in AFFO
Realized gains on sale of marketable securities	**$ 147**	**$ 147**	**$ 147**	$ 237	$ 237	$ 237
Change in cumulative unrealized gains (losses) on marketable securities classified as FVTPL	**(573)**	**(573)**	**—**	(1,171)	(1,171)	—
Losses on prepayments of debt	**(1,229)**	**(1,229)**	**—**	(29)	(29)	—
Unrealized losses (gains) on hedges	**(40)**	**(40)**	**—**	27	27	—
Gain on settlement of litigation	**—**	**—**	**—**	1,376	1,376	1,376
Loss on foreign currency exchange	**—**	**—**	**—**	(7)	(7)	(7)
Pre-selling costs of residential inventory	**(102)**	**(102)**	**—**	(22)	(22)	(56)
Investment properties – selling costs	**(1,142)**	**—**	**—**	(2)	—	—
	$ (2,939)	**$ (1,797)**	**$ 147**	$ 409	$ 411	$ 1,550

	Nine months ended September 30					
	2014			2013		
(thousands of dollars)	**Included in Consolidated Statements of Income**	**Included in FFO**	**Included in AFFO**	Included in Consolidated Statements of Income	Included in FFO	Included in AFFO
Realized gains on sale of marketable securities	**$ 784**	**$ 784**	**$ 784**	$ 2,484	$ 2,484	$ 2,484
Change in cumulative unrealized gains (losses) on marketable securities classified as FVTPL	**659**	**659**	**—**	(2,137)	(2,137)	—
Losses on prepayments of debt	**(1,567)**	**(1,567)**	**—**	(4,064)	(4,064)	—
Unrealized losses (gains) on hedges	**(80)**	**(80)**	**—**	290	290	—
Gain on settlement of litigation	**—**	**—**	**—**	1,376	1,376	1,376
Gain on foreign currency exchange	**2**	**2**	**2**	43	43	43
Pre-selling costs of residential inventory	**(137)**	**(137)**	**—**	(95)	(95)	(282)
Transition services and protective rights agreement	**(1,450)**	**(1,450)**	**—**	—	—	—
Net gain on sale of residential inventory	**—**	**—**	**—**	2,965	2,965	2,965
Investment properties – selling costs	**(2,272)**	**—**	**—**	(4,721)	—	—
	$ (4,061)	**$ (1,789)**	**$ 786**	$ (3,859)	$ 862	$ 6,586

For the nine months ended September 30, 2014, the losses on prepayments of debt primarily relate to penalties on the early redemption of $100.0 million 5.32% Series F senior unsecured debentures and penalties for the early repayment of $54.0 million of mortgages paid in the first quarter of 2014.

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

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

Income Taxes

	Three months ended September 30		Nine months ended September 30	
(thousands of dollars)	**2014**	2013	**2014**	2013
Deferred income taxes	**$ 9,245**	$ 12,453	**$ 37,600**	$ 42,912

Deferred income taxes decreased compared to the same prior year period primarily due to the change in the value of investment properties.

CAPITAL STRUCTURE AND LIQUIDITY

Capital Employed

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

As at (thousands of dollars, except for other data)	**September 30, 2014**	December 31, 2013
Common shares outstanding (in thousands)	**215,838**	208,356
Mortgages and credit facilities (principal amount)	**$ 1,221,946**	$ 1,350,307
Mortgage on equity accounted joint ventures (principal amount at the Company's interest)	**10,535**	10,859
Senior unsecured debentures (principal amount)	**2,285,000**	1,875,000
Convertible debentures (principal amount)	**390,865**	392,917
Equity capitalization		
Common shares (based on closing per share price of $17.51; December 31, 2013 – $17.71)	**3,779,329**	3,689,981
Total enterprise value (total capital employed)	**$ 7,687,675**	$ 7,319,064
Net debt to total assets [(1)]	**42.1%**	42.9%
Net debt to total assets (at invested cost) [(1)]	**49.5%**	50.5%
Net debt to total assets (based on unsecured debt covenants) [(1)] [(2)]	**42.9%**	44.6%
Net debt to enterprise value [(1)]	**44.2%**	44.3%
Weighted average interest rate on fixed rate debt and senior unsecured debentures	**4.94%**	5.09%
Net debt/EBITDA [(1)]	**8.26**	8.21
Net debt/EBITDA – on run rate on components of EBITDA [(1)]	**8.19**	8.18
Weighted average maturity on mortgages, other secured debt and senior unsecured debentures (years) [(3)]	**6.1**	5.3
Unencumbered aggregate assets to unsecured debt		
Total, based on IFRS value [(4)]	**2.18**	2.29
Based on unsecured debt covenants [(5)]	**2.10**	2.15
EBITDA interest coverage [(1)]	**2.33**	2.38
EBITDA interest coverage excluding capitalized interest on development [(1)]	**2.70**	2.76

(1) Calculated with the joint ventures proportionately consolidated.

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

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

(4) Includes all unencumbered assets at IFRS values.

(5) Includes unencumbered assets as defined by debt covenants, except investment properties under development and deferred tax assets, with shopping centres valued under IFRS using the average capitalization rate over the last 10 fiscal quarters.

Measures used in these ratios are defined below:

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

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

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

Since January 1, 2013, the Company has issued $960 million of unsecured debt for terms from 8.4 years to 11.1 years using certain proceeds to repay early over $350 million in debt and over $240 million in debt upon maturity resulting in an extension of the term to maturity for all term debt from 5.3 years at January 1, 2013 to 6.1 years at September 30, 2014. In addition, the Company increased its equity capital by approximately $166 million since the beginning of 2013.

These financings, along with planned and completed financings subsequent to September 30, 2014, and availability on existing credit facilities, address substantially all of the remaining contractual 2014 debt maturities and contractually committed costs to complete current development projects.

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

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

Credit Ratings

Since November 14, 2012, DBRS rates the Company's senior unsecured debentures as BBB (high) with a stable trend. According to DBRS, a credit rating in the BBB category is generally an indication of adequate credit quality and an acceptable capacity for the payment of financial obligations. DBRS indicates that BBB rated obligations may be vulnerable to future events. A rating trend, expressed as positive, stable or negative, provides guidance in respect of DBRS' opinion regarding the outlook for the rating in question.

Since November 20, 2012, Moody's rates the Company's senior unsecured debentures as Baa2 with a stable outlook. As defined by Moody's, a credit rating of Baa2 denotes that these debentures are subject to moderate credit risk and are of medium grade and, as such, may possess certain speculative characteristics. A rating outlook provided by Moody's, expressed as positive, stable, negative or developing, is an opinion regarding the outlook for the rating in question over the medium term.

Consolidated Debt and Principal Amortization Maturity Profile

(thousands of dollars)	Mortgages and Other Secured Debt	Senior Unsecured Debentures	Total	% Due
2014 (remainder of the year)	$ 41,940	$ —	$ 41,940	1.19%
2015	243,800	125,000	368,800	10.52%
2016	182,687	—	182,687	5.21%
2017	105,245	250,000	355,245	10.13%
2018	141,425	150,000	291,425	8.31%
2019	122,239	150,000	272,239	7.76%
2020	59,581	175,000	234,581	6.69%
2021	85,189	175,000	260,189	7.42%
2022	173,083	450,000	623,083	17.77%
2023	3,523	300,000	303,523	8.65%
2024 – 2025	63,234	510,000	573,234	16.35%
	1,221,946	2,285,000	3,506,946	100.00%
Add (deduct): unamortized deferred financing costs and premium and discounts, net	8,080	(11,377)	(3,297)	—
	$ 1,230,026	$ 2,273,623	$ 3,503,649	100.00%

Mortgages and Credit Facilities

The changes in the book value of the Company's mortgages and credit facilities during the nine months ended September 30, 2014, excluding the $10.5 million mortgage on an equity accounted joint venture, are set out below:

(thousands of dollars, except for percentages)	Mortgages and Other Secured Debt	Weighted Average Interest Rate	Outstanding cheques	Secured Credit Facilities	Weighted Average Interest Rate	Total
Balance, December 31, 2013	$ 1,361,582	5.21%	$ 5,000	$ —	—	$ 1,366,582
Additional borrowings	79,533	4.03%	—	45,000	3.00%	124,533
Vendor take back	2,500	6.00%	—	—	—	2,500
Repayments	(182,992)	5.88%	(5,000)	(45,000)	—	(232,992)
Scheduled amortization	(27,398)	—%	—	—	—	(27,398)
Amortization and expensing of issue costs and net premium	(3,199)	—	—	—	—	(3,199)
Balance, September 30, 2014	$ 1,230,026	5.06%	$ —	$ —	—%	$ 1,230,026

As at September 30, 2014, 99.4% (December 31, 2013 – 97.0%) of the outstanding mortgage and property-specific debt liabilities bore interest at fixed interest rates. The fixed mortgage rates provide an effective matching for rental income from leases, which typically have fixed terms ranging from 5 to 10 years, and incremental contractual rent steps during the term of the lease. The average remaining term of mortgages outstanding has increased from 4.0 years as at December 31, 2013 on $1.4 billion of mortgages to 4.6 years as at September 30, 2014 on $1.0 billion of mortgages after reflecting the application of cash balances, borrowing activity, assumptions and repayments during the period.

During the nine months ended September 30, 2014, the Company prepaid or repaid at maturity $183.0 million amount of mortgage financing with a weighted average interest rate of 5.88% per annum.

During the nine months ended September 30, 2014, the Company financed approximately $82.0 million of mortgages which were secured on four of its properties.

Mortgages and Other Secured Debt Maturity and Lender Type Profile

					Breakdown of Mortgage Maturities by Type of Lender (as a percentage)		
(thousands of dollars, except for percentages)	Scheduled Amortization	Payments on Maturity	Total	Weighted Average Interest Rate	Banks	Conduits	Insurance Co's and Pension Funds
2014 (remainder of the year)	$ 8,639	$ 33,301	$ 41,940	6.32%	22.3%	8.6%	69.0%
2015	30,690	213,110	243,800	4.98%	8.2%	32.6%	59.1%
2016	25,154	157,533	182,687	5.09%	33.4%	5.2%	61.4%
2017	22,343	82,902	105,245	5.17%	7.6%	38.8%	53.6%
2018	18,380	123,045	141,425	5.53%	4.9%	0.4%	94.7%
2019	15,525	106,714	122,239	6.36%	33.6%	0.4%	66.0%
2020	13,723	45,858	59,581	5.20%	10.4%	0.9%	88.7%
2021	11,792	73,397	85,189	5.05%	70.3%	0.7%	29.1%
2022	6,021	167,062	173,083	3.99%	31.9%	7.7%	60.4%
2023	3,523	—	3,523	—%	47.4%	—%	52.6%
2024 – 2025	3,661	59,573	63,234	3.97%	63.5%	—%	36.6%
	$ 159,451	$ 1,062,495	$ 1,221,946	5.06%	25.3%	12.2%	62.5%
Add: unamortized deferred financing costs and premium and discounts, net			8,080				
			$ 1,230,026				

The Company's strategy is to manage its long-term debt by staggering maturity dates in order to mitigate risk associated with short-term volatility in the debt markets. As at September 30, 2014, the Company had mortgages maturing in the remainder of 2014 of $33.3 million at an average interest rate of 6.32% per annum and $8.6 million of scheduled amortization of principal balances in 2014. The Company's liquidity position, as at September 30, 2014 which is approximately $1.0 billion, including $221.9 million in cash, also provides the Company with significant flexibility in addressing these 2014 and 2015 maturities.

Credit Facilities

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

On June 13, 2014, the Company completed an increase and extension of its senior unsecured revolving credit facility with a syndicate of nine banks, increasing the availability from $600 million to $700 million and extending the maturity to June 30, 2017. The facility pricing was also reduced from C$BA + 1.325% or Prime rate + 0.325% to C$BA + 1.20% or Prime rate + 0.20%.

On June 30, 2014, the Company extended the maturity of, and reduced the pricing on its $75 million secured credit facility. The maturity has been extended by one year to December 31, 2015 and the facility pricing has been reduced from BA + 1.25% or Prime rate + 0.25% to BA + 1.125% or Prime rate + 0.125%.

The following table summarizes the details of the Company's lines of credit as at September 30, 2014:

(thousands of dollars, except other data)	Borrowing Capacity	Amounts Drawn	Outstanding Letters of Credit	Available to be Drawn	Interest Rates	Maturity Date
Secured by development properties	$ 75,000	$ —	$ (23)	$ 74,977	BA + 1.125% or Prime + 0.125%	December 31, 2015
Unsecured	700,000	—	(42,296)	657,704	C$ BA + 1.20% or Prime + 0.20% or US$ LIBOR + 1.20%	June 30, 2017
Total secured and unsecured facilities	$ 775,000	$ —	$ (42,319)	$ 732,681		

Senior Unsecured Debentures

(thousands of dollars, except for other data)				Interest Rate			Principal Outstanding	
Maturity Date	Interest Payment Dates	Series	Date of Issue	Coupon	Effective	Remaining Term to Maturity (yrs)	**September 30, 2014**	December 31, 2013
October 30, 2014	April 30, October 30	F	April 5, 2007	5.32%	5.47%	0.1	**$ —**	$ 100,000
June 1, 2015	June 1, December 1	G	November 20, 2009	5.95%	6.13%	0.7	**125,000**	125,000
January 31, 2017	July 31, January 31	H	January 21, 2010	5.85%	5.99%	2.3	**125,000**	125,000
November 30, 2017	May 30, November 30	I	April 13, 2010	5.70%	5.85%	3.2	**50,000**	50,000
November 30, 2017	May 30, November 30	I	April 13, 2010	5.70%	5.82%	3.2	**25,000**	25,000
November 30, 2017	May 30, November 30	I	June 14, 2010	5.70%	5.70%	3.2	**50,000**	50,000
August 30, 2018	February 28, August 30	J	July 12, 2010	5.25%	5.66%	3.9	**50,000**	50,000
November 30, 2018	May 31, November 30	K	August 25, 2010	4.95%	5.30%	4.2	**50,000**	50,000
November 30, 2018	May 31, November 30	K	October 26, 2010	4.95%	5.04%	4.2	**50,000**	50,000
July 30, 2019	January 30, July 30	L	January 21, 2011	5.48%	5.61%	4.8	**150,000**	150,000
April 30, 2020	April 30, October 30	M	March 30, 2011	5.60%	5.73%	5.6	**110,000**	110,000
April 30, 2020	April 30, October 30	M	June 13, 2011	5.60%	5.39%	5.6	**65,000**	65,000
March 1, 2021	March 1, September 1	N	April 4, 2012	4.50%	4.63%	6.4	**175,000**	175,000
January 31, 2022	January 31, July 31	O	June 1, 2012	4.43%	4.56%	7.3	**100,000**	100,000
January 31, 2022	January 31, July 31	O	July 17, 2012	4.43%	4.42%	7.3	**50,000**	50,000
January 31, 2022	January 31, July 31	O	August 29, 2013	4.43%	4.83%	7.3	**50,000**	50,000
December 5, 2022	June 5, December 5	P	December 5, 2012	3.95%	4.16%	8.2	**150,000**	150,000
December 5, 2022	June 5, December 5	P	January 14, 2013	3.95%	4.20%	8.2	**100,000**	100,000
October 30, 2023	April 30, October 30	Q	March 26, 2013	3.90%	4.06%	9.1	**125,000**	125,000
October 30, 2023	April 30, October 30	Q	May 15, 2013	3.90%	3.90%	9.1	**175,000**	175,000
August 30, 2024	August 30, February 28	R	January 20, 2014	4.79%	4.91%	9.9	**150,000**	—
August 30, 2024	August 30, February 28	R	February 18, 2014	4.79%	4.63%	9.9	**75,000**	—
August 30, 2024	August 30, February 28	R	March 11, 2014	4.79%	4.43%	9.9	**75,000**	—
July 31, 2025	July 31, January 31	S	June 17, 2014	4.32%	4.43%	10.8	**150,000**	—
July 31, 2025	July 31, January 31	S	July 14, 2014	4.32%	4.33%	10.8	**60,000**	—
				4.78%	4.89%	6.9	**$ 2,285,000**	$ 1,875,000

On January 20, 2014, the Company completed the issuance of $150.0 million principal amount of senior unsecured debentures, Series R, due August 30, 2024. These debentures bear interest at a coupon rate of 4.79% per annum payable semi-annually commencing August 30, 2014. On February 18, 2014, the Company completed the issuance of an additional $75 million principal amount of the senior unsecured debentures, Series R, which was a re-opening of this series of debentures with an effective rate of 4.63% per annum. On March 11, 2014, the Company completed the issuance of an additional $75 million principal amount of the senior unsecured debentures, Series R, which was a second re-opening of this series of debentures with an effective rate of 4.43% per annum.

On June 17, 2014, the Company completed the issuance of $150.0 million principal amount of senior unsecured debentures, Series S, due July 31, 2025. These debentures bear interest at a coupon rate of 4.32% per annum payable semi-annually commencing January 31, 2015. On July 14, 2014, the Company completed the issuance of an additional $60 million principal amount of the senior unsecured debentures, Series S, which was a re-opening of this series of debentures with an effective rate of 4.33% per annum.

On July 14, 2014, the Company redeemed $50.0 million principal amount outstanding of its $100.0 million 5.32% Series F senior unsecured debentures due October 30, 2014. The debentures were redeemed at a price of $1,011.77 for each $1,000 principal amount of debentures outstanding. In addition, accrued and unpaid interest was paid on the debentures up to but excluding the redemption date. In connection with the redemption, total cash of $51.1 million was paid to the holders, which consisted of $50.0 million of principal, $0.5 million in premium and $0.5 million in accrued but unpaid interest. On August 7, 2014, the remaining outstanding aggregate principal amount of this series of debentures at a price of $1,009.13 for each $1,000 principal amount of debentures outstanding. In addition, accrued and unpaid interest was paid on the debentures up to but excluding the redemption date. In connection with the redemption, total cash of $51.2 million was paid to the holders, which consisted of $50.0 million of principal, $0.5 million in premium and $0.7 million in accrued but unpaid interest.

Convertible Debentures

(thousands of dollars, except other data)

As at September 30, 2014

Maturity Date	Interest Payment Dates	Series	Date of Issue	Interest Rate Coupon	Interest Rate Effective	Remaining Term to Maturity (yrs)	Principal at Issue Date	**Principal**	**Liability**	**Equity**
June 30, 2017	March 31 September 30	D	December 30, 2009	5.70%	6.88%	2.8	$ 50,000	**$ 42,903**	**$ 41,650**	**$ 983**
January 31, 2019	March 31 September 30	E	April 28, 2011	5.40%	6.90%	4.3	57,500	**56,804**	**53,647**	**2,165**
January 31, 2019	March 31 September 30	F	August 9, 2011	5.25%	6.07%	4.3	57,500	**56,669**	**54,930**	**385**
March 31, 2018	March 31 September 30	G	December 15, 2011	5.25%	6.66%	3.5	50,000	**49,982**	**47,811**	**1,155**
March 31, 2017	March 31 September 30	H	February 16, 2012	4.95%	6.51%	2.5	75,000	**74,841**	**72,182**	**1,492**
July 31, 2019	March 31 September 30	I	May 22, 2012	4.75%	6.19%	4.8	52,500	**52,500**	**49,694**	**1,439**
February 28, 2020	March 31 September 30	J	February 19, 2013	4.45%	5.34%	5.4	57,500	**57,166**	**54,965**	**401**
				5.08%	6.35%	3.9	$ 400,000	**$ 390,865**	**$ 374,879**	**$ 8,020**

(i) Principal and Interest

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

During the nine months ended September 30, 2014, 1.1 million common shares (nine months ended September 30, 2013 – 1.1 million common shares) were issued totalling $19.9 million (nine months ended September 30, 2013 – $19.1 million) to pay interest to holders of convertible debentures.

(ii) Principal Redemptions

For the nine months ended September 30, 2014, the Company issued 22,104 common shares in connection with $0.5 million convertible debentures redeemed or converted.

(iii) Normal Course Issuer Bid

On August 27, 2014, the Company renewed its NCIB for all of its then outstanding series of convertible unsecured subordinated debentures. The NCIB will expire on August 26, 2015 or such earlier date as First Capital Realty completes its purchases pursuant to the NCIB. All purchases made under the NCIB are at market prices prevailing at the time of purchase determined by or on behalf of First Capital Realty.

For the nine months ended September 30, 2014 and 2013, principal amounts of convertible debentures purchased and amounts paid for the purchases are represented in the table below:

	Nine months ended September 30			
(thousands of dollars)		**2014**		2013
	Principal Amount Purchased	**Amount Paid**	Principal Amount Purchased	Amount Paid
Total	**$ 1,552**	**$ 1,567**	$ 2,415	$ 2,635

Shareholders' Equity

Shareholders' equity amounted to $3.5 billion as at September 30, 2014, compared to $3.3 billion as at December 31, 2013.

As at September 30, 2014, the Company had 215.8 million (December 31, 2013 – 208.4 million) issued and outstanding common shares with a stated capital of $2.6 billion (December 31, 2013 – $2.5 billion). During the nine months ended September 30, 2014, a total of 7.5 million common shares were issued for proceeds of $137.8 million as follows: 5.3 million shares from public offerings, 1.1 million shares for interest payments on convertible debentures and 1.1 million shares from the exercise of common share options.

On September 12, 2014, the Company issued 5,250,000 common shares on a bought-deal basis at a price of $19.06 per share for gross proceeds of $100.0 million, with 883,000 and 167,000 of these units purchased by affiliates of Gazit-Globe Ltd. and Alony-Hetz Properties and Investments Ltd., respectively (refer to the "Related Party Transactions" section of this MD&A for additional information). Issue costs associated with the offering were approximately $2.7 million. The Company will use the net proceeds from the offering for acquisitions, development and redevelopment activities, repayment of secured and unsecured debt maturing throughout 2015 and for general corporate purposes.

As at October 31, 2014, there were 215.8 million common shares outstanding.

Share Purchase Options

As at September 30, 2014, the Company had outstanding 5.2 million share purchase options, with an average exercise price of $16.65. The options are exercisable by the holder at any time after vesting up to 10 years from the date of grant. The options have been issued at various times pursuant to the Company's stock option plan to the employees, officers and directors of the Company. The options granted permit the holder to acquire shares at an exercise price approximately equal to the market price of such shares at the date the option is granted. The purpose of granting options is to encourage the holder to acquire an ownership interest in the Company over a period of time, which acts as a financial incentive to align the interests of the holder with the long-term interests of the Company and its shareholders.

If all options outstanding as at September 30, 2014 were exercised, 5.2 million shares would be issued and the Company would receive proceeds of approximately $86.7 million.

Liquidity

As at (millions of dollars)	**September 30, 2014**	December 31, 2013
Revolving credit facilities	**$ 775**	$ 675
Cash and cash equivalents	**222**	5
Unencumbered assets		
Total, based on IFRS value (1)	**4,988**	4,292
Based on debt covenants (2)	**4,809**	4,038

(1) Includes all unencumbered assets at IFRS values.

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

Cash flow from operations is dependent on occupancy levels of properties, rental rates achieved, collections of rent and costs to maintain or lease space. The Company's strategy is to maintain debt in the range of 35% to 50% of enterprise value based on current market conditions. As at September 30, 2014, this debt ratio was 44.2% based on the Company's calculation. Maturing debt is generally repaid from proceeds from existing liquidity.

Cash and cash equivalents were $221.9 million as at September 30, 2014 (December 31, 2013 – $5.0 million). As at September 30, 2014, the Company had secured and unsecured credit facilities totalling $775.0 million of which $732.7 million is available to be drawn. The Company also had unencumbered assets with a fair value of approximately $5.0 billion. During the nine months ended September 30, 2014, the Company issued $510.0 million of senior unsecured debentures, the net proceeds of which are being used to repay secured and unsecured debt maturing throughout 2014 and 2015. This increased liquidity was partially used to prepay or repay $183.0 million of mortgage debt during the nine months ended September 30, 2014. As a result, the Company also held average cash balances of approximately $192.8 million during the period. These transactions demonstrate the Company's access to capital and various sources of financing. Management believes that it has sufficient resources to meet its operational and investing requirements in the near and longer term based on the availability of capital in various markets.

The Company has historically used secured mortgages, term loans and revolving credit facilities, senior unsecured debentures, convertible debentures and equity issues to finance its growth and repay debt. The actual level and type of future borrowings will be determined based on prevailing interest rates, various costs of debt and equity capital, capital market conditions and Management's general view of the required leverage in the business.

Cash Flows

	Three months ended September 30		Nine months ended September 30	
(thousands of dollars)	**2014**	2013	**2014**	2013
Adjusted cash flow from operating activities	**$ 60,418**	$ 64,833	**$ 180,628**	$ 177,255
Net change in non-cash operating items	**261**	(9,887)	**(17,325)**	(37,473)
Receipts of proceeds from sales of residential inventory	**—**	—	**27,711**	—
Expenditures on residential development inventory	**(2,443)**	(3,718)	**(6,631)**	(11,385)
Cash provided by operating activities	**58,236**	51,228	**184,383**	128,397
Cash provided by (used in) financing activities	**(5,563)**	(10,074)	**269,368**	125,000
Cash used in investing activities	**(91,940)**	(104,755)	**(236,810)**	(239,365)
Net change in cash and cash equivalents	**$ (39,267)**	$ (63,601)	**$ 216,941**	$ 14,032

Operating Activities

For the nine months ended September 30, 2014, cash provided by operating activities increased primarily due to cash flow generated from growth in net operating income from income from the Company's shopping centre portfolio, the receipts of proceeds from sales of residential inventory, the timing of receipts and payments on working capital and other non-cash items and decreased expenditures on residential development inventory.

Financing Activities

For the nine months ended September 30, 2014, financing activities are higher as a result of the issuance of common shares and net debenture issuance during the year. These activities are more fully described in the "Capital Structure and Liquidity" section of this MD&A.

Investing Activities

The decrease in cash used in investing activities for the nine months ended September 30, 2014 results from decreased investments in loans, mortgages and other real estate assets and decreased capital expenditures on investment properties as compared to the prior period activity. Details of the Company's investments in acquisitions and developments are provided in the "Business and Operations Review" section of this MD&A.

Contractual Obligations

	Payments Due by Period									
(thousands of dollars)		Remainder of 2014		2015 to 2016		2017 to 2018		Thereafter		Total
Mortgages										
Scheduled amortization	$	8,639	$	55,844	$	40,723	$	54,245	$	159,451
Payments on maturity		33,301		370,643		205,947		452,604		1,062,495
Total mortgage obligations		41,940		426,487		246,670		506,849		1,221,946
Mortgage on equity accounted joint venture		110		10,425		—		—		10,535
Senior unsecured debentures		—		125,000		400,000		1,760,000		2,285,000
Loans and mortgage payable (1)		16,407		3,644		—		—		20,051
Interest obligations (2)		41,095		304,751		243,556		357,816		947,218
Land leases (expiring between 2023 and 2061)		245		1,964		1,988		18,564		22,761
Contractual committed costs to complete current development projects		47,626		85,122		—		—		132,748
Other committed costs		15,735		51,275		—		—		67,010
Total contractual obligations (3)	$	163,158	$	1,008,668	$	892,214	$	2,643,229	$	4,707,269

(1) Loan and mortgage payable include a $3.6 million loan relating to residential development inventory and a $16.4 million third-party loan which is secured by $16.5 million in Government of Canada bonds.

(2) Interest obligations include expected interest payments on mortgages and credit facilities as at September 30, 2014 (assuming balances remain outstanding through to maturity) and senior unsecured debentures, as well as standby credit facility fees.

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

In addition, the Company has $42.3 million of outstanding letters of credit that have been issued by financial institutions primarily to support certain of the Company's obligations related to its development projects.

The Company's estimated cost to complete properties currently under development is $242.3 million, of which $132.7 million is contractually committed. The balance of the costs to complete will only be committed once leases are signed and/or construction activities are underway. These contractual and potential obligations primarily consist of construction contracts and additional planned development expenditures and are expected to be funded in the normal course as the work is completed.

Contingencies

The Company is involved in litigation and claims which arise from time to time in the normal course of business. In the opinion of Management, none of these 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 $46.9 million (December 31, 2013 – $60.0 million) to various lenders in connection with certain obligations, including loans advanced to its partners secured by the partners' interest in the entity and underlying assets. Refer to the Note 29 to the interim consolidated financial statements.

DIVIDENDS

The Company has paid regular quarterly dividends to common shareholders since it commenced operations as a public company in 1994. Dividends on the common shares, if any, that are declared are at the discretion of the Board of Directors and are set from time to time after taking into consideration the Company's capital requirements, its alternative sources of capital and common industry cash distribution practices.

	Three months ended September 30		Nine months ended September 30	
	2014	2013	**2014**	2013
Regular dividends paid per common share	**$ 0.215**	$ 0.21	**$ 0.635**	$ 0.63
Payout ratio calculated as a percentage of:				
Funds from operations	**85.5%**	81.7%	**83.2%**	82.0%
Adjusted funds from operations	**85.8%**	84.5%	**85.9%**	84.0%

Quarterly Dividend

The Company announced that it will pay a fourth quarter dividend of $0.215 per common share on January 9, 2015 to shareholders of record on December 31, 2014.

SUMMARY OF FINANCIAL RESULTS OF LONG-TERM DEBT GUARANTORS

The Company's senior unsecured debentures are guaranteed by the wholly owned subsidiaries of First Capital Realty, other than nominee subsidiaries and inactive subsidiaries. All such current and future wholly owned subsidiaries will provide a guarantee of the debentures. In the case of default by First Capital Realty, the indenture trustee will, subject to the indenture, be entitled to seek redress from such wholly owned subsidiaries for the guaranteed obligations in the same manner and upon the same terms that it may seek to enforce the obligations of First Capital Realty. These guarantees are intended to eliminate structural subordination, which arises as a consequence of a significant portion of First Capital Realty's assets being held in various subsidiaries.

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

	FCR (1)		Guarantors (2)		Non-Guarantors (3)		Consolidation Adjustments (4)		Total Consolidated	
(millions of dollars)	Three months ended September 30									
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
Statement of Income Data:										
Property rental revenue	**$ 67**	$ 73	**$ 102**	$ 87	**$ 1**	$ 1	**$ (8)**	$ (6)	**$ 162**	$ 155
NOI	**42**	45	**61**	53	**1**	1	**—**	(1)	**104**	98
Net income attributable to common shareholders	**39**	41	**37**	42	**13**	1	**(50)**	(43)	**39**	41

	FCR (1)		Guarantors (2)		Non-Guarantors (3)		Consolidation Adjustments (4)		Total Consolidated	
(millions of dollars)	Nine months ended September 30									
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
Statement of Income Data:										
Property rental revenue	**$ 200**	$ 183	**$ 306**	$ 305	**$ 4**	$ 4	**$ (24)**	$ (21)	**$ 486**	$ 471
NOI	**125**	113	**179**	181	**2**	2	**(2)**	—	**304**	296
Net income attributable to common shareholders	**152**	167	**155**	165	**12**	3	**(167)**	(168)	**152**	167

Balance Sheet Data		FCR [1]		Guarantors [2]		Non-Guarantors [3]		Consolidation Adjustments [4]		Total Consolidated
(millions of dollars)										**September 30, 2014**
Current assets	**$**	**492**	**$**	**245**	**$**	**9**	**$**	**(82)**	**$**	**664**
Non-current assets		**6,884**		**4,431**		**207**		**(4,110)**		**7,412**
Current liabilities		**576**		**109**		**164**		**(215)**		**634**
Non-current liabilities		**3,306**		**610**		**1**		**31**		**3,948**

Balance Sheet Data		FCR [1]		Guarantors [2]		Non-Guarantors [3]		Consolidation Adjustments [4]		Total Consolidated
(millions of dollars)										December 31, 2013
Current assets	$	203	$	129	$	3	$	(3)	$	332
Non-current assets		6,630		4,324		176		(3,866)		7,264
Current liabilities		544		110		17		(56)		615
Non-current liabilities		2,966		635		122		(65)		3,658

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

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

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

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

RELATED PARTY TRANSACTIONS

(a) Major Shareholder

Gazit-Globe Ltd. (“Gazit”) is the principal shareholder of the Company, and, as of September 30, 2014, beneficially owns 44.1% (December 31, 2013 – 45.3%) of the common shares of the Company. Norstar Holdings Inc. is the ultimate controlling party. As of September 30, 2014, Alony-Hetz Properties and Investments Ltd. (‘‘Alony-Hetz’’) also beneficially owns 8.3% (December 31, 2013 – 8.5%) of the common shares of the Company. Alony-Hetz and Gazit have entered into a shareholders’ agreement pursuant to which, among other terms, (i) Gazit has agreed to vote its common shares of the Company in favour of the election of up to two representatives of Alony-Hetz to the Board of Directors of the Company, and (ii) Alony-Hetz has agreed to vote its common shares of the Company in favour of the election of the nominees of Gazit as the remaining directors of the Company.

During the third quarter of 2014, Gazit and Alony-Hetz purchased 883,000 and 167,000 of the common shares of the Company, respectively, under the Company’s 5,250,000 common share equity offering for $19.06 per share. Gazit and Alony-Hetz purchased the common shares as part of and at the same price as the public offering, and no underwriting commissions were paid by the Company in connection with the common shares purchased by them.

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

Refer to Note 30 to the Company's interim consolidated financial statements for the three and nine months ended September 30, 2014 and 2013, as well as the Company's audited annual consolidated financial statements for the year ended December 31, 2013 for a description and the amounts of related party transactions, as well as the amounts due from Gazit.

(b) Subsidiaries of the Company

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

SUBSEQUENT EVENT

Succession Planning

On November 3, 2014, the Board of Directors of First Capital Realty Inc. announced the appointment of Adam Paul as President and Chief Executive Officer of the Company and as a member of the Board of Directors of the Company, effective in the first quarter of 2015. The appointment of a successor to First Capital Realty's long-standing CEO, Dori Segal, is part of the Board's overall succession planning with respect to leadership roles at the Company. Mr. Segal will assume a new role, becoming the Executive Vice Chairman of the Board of Directors of the Company and Chairman of the Executive Committee of the Board. Amounts payable to Mr. Segal as a result of this change have not yet been finalized.

QUARTERLY FINANCIAL INFORMATION

	2014			2013				2012
(thousands of dollars, except per share and other data, and thousands of shares)	**Q3**	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Property rental revenue	**$ 162,306**	$ 161,197	$ 162,867	$ 161,094	$ 154,804	$ 157,910	$ 157,797	$ 155,021
Property operating costs	**58,545**	59,155	64,283	58,588	56,435	58,518	60,054	58,908
Net operating income	**103,761**	102,042	98,584	102,506	98,369	99,392	97,743	96,113
Increase (decrease) in value of investment properties, net [1]	**(7,196)**	43,476	(6,288)	2,261	1,125	41,848	15,599	32,813
Net income attributable to common shareholders	**39,020**	77,707	35,214	47,901	41,078	73,163	52,720	69,890
Net income per share attributable to common shareholders:								
Basic	**0.18**	0.37	0.17	0.23	0.20	0.35	0.25	0.34
Diluted	**0.18**	0.36	0.17	0.23	0.20	0.34	0.25	0.33
Weighted average number of diluted common shares outstanding – EPS	**215,360**	231,141	209,597	228,908	208,819	225,785	211,581	222,633
FFO	**$ 53,405**	$ 54,031	$ 53,461	$ 55,816	$ 53,535	$ 53,305	$ 52,879	$ 49,099
FFO per diluted share	**0.25**	0.26	0.26	0.27	0.26	0.26	0.25	0.24
Cash provided by operating activities	**58,236**	56,016	70,131	84,556	51,228	38,951	38,220	66,012
Weighted average number of diluted common shares outstanding – FFO	**212,367**	210,786	209,597	209,486	208,819	209,010	208,207	207,930
AFFO	**$ 57,370**	$ 56,961	$ 53,978	$ 57,190	$ 56,069	$ 57,699	$ 54,252	$ 52,374
AFFO per diluted share	**0.25**	0.25	0.24	0.25	0.25	0.26	0.24	0.24
Weighted average number of diluted shares outstanding – AFFO	**228,983**	227,449	226,260	226,183	225,539	225,785	223,686	222,632
Regular dividend	**$ 0.215**	$ 0.21	$ 0.21	$ 0.21	$ 0.21	$ 0.21	$ 0.21	$ 0.21
Fair value of investment properties – shopping centres	**7,386,709**	7,283,908	7,210,150	7,126,008	6,996,401	6,920,530	6,940,557	6,849,078
Weighted average capitalization rate of shopping centres	**5.82%**	5.85%	5.86%	5.86%	5.89%	5.89%	5.98%	6.00%
Total assets	**$ 8,075,552**	$ 8,017,673	$ 7,784,774	$ 7,596,255	$ 7,580,839	$ 7,531,620	$ 7,518,732	$ 7,261,617
Total mortgages and credit facilities	**1,230,026**	1,269,633	1,245,691	1,366,583	1,371,047	1,387,240	1,547,530	1,597,234
Shareholders' equity	**3,468,010**	3,363,510	3,321,059	3,319,370	3,313,802	3,304,866	3,267,033	3,245,168
Other data								
Number of properties	**163**	164	164	164	164	164	172	175
Gross leasable area (in thousands)	**24,555**	24,373	24,525	24,462	24,313	24,123	25,029	24,969
Occupancy %	**95.9%**	95.5%	95.3%	95.5%	95.0%	95.2%	95.1%	95.6%

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

Refer to the applicable MD&A and the quarterly financial statements for discussion and analysis relating to the first three quarters of 2014, the four quarters in 2013, and the fourth quarter of 2012.

OUTLOOK AND CURRENT BUSINESS ENVIRONMENT

The forward-looking statements contained in this section and elsewhere in this MD&A are not historical facts but, rather, reflect the Company's current expectations regarding future results or events and are based on information currently available to Management. Certain material factors and assumptions were applied in providing these forward-looking statements. See the "Forward-Looking Statement Advisory" section of this MD&A.

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

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

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

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

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

Canada's economy is growing at a relatively modest pace but uncertainty remains with the pace of growth in the United States and timing of changes in monetary policies by the U.S. Federal Reserve Bank. There is also uncertainty in the global economic environment and, as a result, long-term bond yields have increased in volatility while declining overall in the first nine months of 2014. The equity and long-term debt markets are accessible, though pricing can vary based on current market outlook for growth and interest rates. In this environment, the Company will continue to focus on maintaining access to all sources of long-term capital at the lowest possible cost. In particular, the Company is focussed on continuing to extend the term and stagger the maturity of its debt.

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

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

Specifically, Management is focussed on the following six areas to achieve its objectives through 2014 and into 2015:
- development, redevelopment and repositioning activities including land use intensification;
- selective acquisitions of strategic assets and adjacent sites;
- selective dispositions of non-core assets;
- proactive portfolio management that results in higher rent growth;
- increase efficiency and productivity of operations; and
- maintain financial strength to achieve the lowest cost of capital.

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

Guidance

Readers should refer to the Company's 2014 third quarter results press release dated November 3, 2014, as filed on SEDAR at www.sedar.com, for a discussion of the Company's 2014 specific guidance.

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

SUMMARY OF SIGNIFICANT ACCOUNTING ESTIMATES AND POLICIES

Summary of Critical Accounting Estimates

The Company's interim consolidated financial statements for the three and nine months ended September 30, 2014 and 2013 have been prepared in accordance with IAS 34, "Interim Financial Reporting" as issued by the International Accounting Standards Board. The interim consolidated financial statements have been prepared by applying the same accounting policies and methods of computation as compared with the most recent audited annual consolidated audited financial statements, except for the adoption of IFRIC 21 and the interpretation of IAS 17 with respect to the meaning of "incremental costs". Refer to Note 3 to the interim consolidated financial statements for the three and nine months ended September 30, 2014 for further discussion.

The MD&A for the years ended December 31, 2013 and 2012 contains a discussion of the significant accounting policies most affected by estimates and judgments used in preparation of the consolidated financial statements, being the accounting policies relating to estimates of fair values of investment properties; valuation of financial instruments both for disclosure and measurement purposes; valuation of stock options; assessment of hedge effectiveness, and estimating deferred tax assets and liabilities. Management determined that as at September 30, 2014, there is no change to the assessment of the significant accounting policies most affected by estimates and judgments as detailed in the MD&A for the years ended December 31, 2013 and 2012.

FUTURE ACCOUNTING POLICY CHANGES

Refer to Note 4 to the interim consolidated financial statements for the three and nine months ended September 30, 2014 for details on future accounting policy changes.

CONTROLS AND PROCEDURES

As at September 30, 2014, the Chief Executive Officer and the Chief Financial Officer of the Company, with the assistance of other staff and Management of the Company to the extent deemed necessary, have designed the Company's disclosure controls and procedures to provide reasonable assurance that information required to be disclosed in the various reports filed or submitted by the Company under securities legislation is recorded, processed, summarized and reported accurately and have designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. In the design of its internal controls over financial reporting, the Company used the 1992 framework published by the Committee of Sponsoring Organizations of the Treadway Commission (the "1992 COSO Framework").

In May 2013, the Committee of Sponsoring Organizations of the Treadway Commission published an updated version (the "COSO 2013 Framework") of its 1992 COSO Framework. The COSO 2013 Framework further formalizes the principles embedded in the original 1992 COSO Framework, incorporates business and operating environment changes over the past two decades and improves the 1992 COSO Framework's ease of use and application. Management has undertaken an assessment of its internal controls and procedures in preparation for the transition to the COSO 2013 Framework. Based on its assessment to date, Management does not foresee any significant changes to its existing design.

The Company did not make any changes in its internal controls over financial reporting during the quarter ended September 30, 2014 that have had, or are reasonably likely to have, a material effect on the Company's internal controls over financial reporting. On an ongoing basis, the Company will continue to analyze its controls and procedures for potential areas of improvement.

Management does recognize that any controls and procedures, no matter how well designed and operated, can only provide reasonable assurance and not absolute assurance of achieving the desired control objectives. In the unforeseen event that lapses in the disclosure controls and procedures or internal controls over financial reporting occur and/or mistakes happen, the Company intends to take the necessary steps to minimize the consequences thereof.

RISKS AND UNCERTAINTIES

First Capital Realty, as an owner of income-producing properties and development properties, is exposed to numerous business risks in the normal course of its business that can impact both short- and long-term performance. Income-producing and development properties are affected by general economic conditions and local market conditions such as oversupply of similar properties or a reduction in tenant demand. It is the responsibility of Management, under the supervision of the Board of Directors, to identify and, to the extent possible, mitigate or minimize the impact of all such business risks. The major categories of risk the Company encounters in conducting its business and some of the actions it takes to mitigate these risks are outlined in the Company's 2013 Annual Report. The Company's most current Annual Information Form provides a more detailed discussion of these and other risks and can be found on SEDAR at www.sedar.com and the Company's website at www.firstcapitalrealty.ca.

Consolidated Balance Sheets

As at *(unaudited) (thousands of Canadian dollars)*	Note	**September 30, 2014**	December 31, 2013
ASSETS			
Non-Current Assets			
Real Estate Investments			
Investment properties – shopping centres	5	**$ 7,134,637**	$ 6,989,055
Investment properties – development land	5	**40,141**	147,497
Investment in joint ventures	6	**130,775**	38,166
Loans, mortgages and other real estate assets	7	**90,879**	71,781
Total real estate investments		**7,396,432**	7,246,499
Other non-current assets	10	**15,099**	17,965
Total non-current assets		**7,411,531**	7,264,464
Current Assets			
Cash and cash equivalents	28(d)	**221,916**	4,975
Loans, mortgages and other real estate assets	8	**76,198**	77,449
Residential development inventory		**14,741**	21,569
Amounts receivable	9	**15,235**	18,600
Other assets	10	**63,827**	53,699
		391,917	176,292
Investment properties classified as held for sale	5(d)	**272,104**	155,499
Total current assets		**664,021**	331,791
Total assets		**$ 8,075,552**	$ 7,596,255
LIABILITIES			
Non-Current Liabilities			
Mortgages and credit facilities	12	**$ 959,450**	$ 1,089,969
Senior unsecured debentures	13	**2,148,768**	1,762,026
Convertible debentures	14	**374,879**	374,012
Other liabilities	15	**19,592**	21,476
Deferred tax liabilities	23	**444,941**	410,278
Total non-current liabilities		**3,947,630**	3,657,761
Current Liabilities			
Current portion of mortgages and credit facilities	12	**248,775**	254,367
Current portion of senior unsecured debentures	13	**124,855**	99,927
Accounts payable and other liabilities	16	**239,055**	238,945
		612,685	593,239
Mortgages on investment properties classified as held for sale	5(d), 12	**21,801**	22,247
Total current liabilities		**634,486**	615,486
Total liabilities		**4,582,116**	4,273,247
EQUITY			
Shareholders' equity	17	**3,468,010**	3,319,370
Non-controlling interest		**25,426**	3,638
Total equity		**3,493,436**	3,323,008
Total liabilities and equity		**$ 8,075,552**	$ 7,596,255

See accompanying notes to the interim consolidated financial statements.

Approved by the Board of Directors:

Chaim Katzman
Chairman of the Board

Dori J. Segal
Director

Consolidated Statements of Income

(unaudited)		Three months ended September 30		Nine months ended September 30	
(thousands of Canadian dollars, except per share amounts)	**Note**	**2014**	2013	**2014**	2013
			(Restated – Note 3)		*(Restated – Note 3)*
Property rental revenue		**$ 162,306**	$ 154,804	**$ 486,370**	$ 470,511
Property operating costs		**58,545**	56,435	**181,983**	175,006
Net operating income	18	**103,761**	98,369	**304,387**	295,505
Other income and expenses					
Interest and other income	19	**3,453**	3,031	**8,862**	7,734
Interest expense	20	**(44,374)**	(41,109)	**(129,428)**	(123,969)
Corporate expenses	21	**(7,740)**	(7,240)	**(22,795)**	(21,676)
Abandoned transaction costs		**(478)**	(726)	**(760)**	(1,281)
Amortization expense		**(1,089)**	(943)	**(3,179)**	(2,866)
Share of profit from joint ventures		**6,449**	603	**7,840**	1,723
Other gains (losses) and (expenses)	22	**(2,881)**	409	**(4,004)**	(3,859)
Increase (decrease) in value of investment properties, net	5	**(7,196)**	1,125	**29,992**	58,571
		(53,856)	(44,850)	**(113,472)**	(85,623)
Income before income taxes		**49,905**	53,519	**190,915**	209,882
Deferred income taxes	23	**9,245**	12,453	**37,600**	42,912
Net income		**$ 40,660**	$ 41,066	**$ 153,315**	$ 166,970
Net income attributable to:					
Common shareholders		**$ 39,020**	$ 41,078	**$ 151,941**	$ 166,960
Non-controlling interest		**1,640**	(12)	**1,374**	10
		$ 40,660	$ 41,066	**$ 153,315**	$ 166,970
Net income per share attributable to common shareholders:					
Basic	24	**$ 0.18**	$ 0.20	**$ 0.72**	$ 0.80
Diluted	24	**$ 0.18**	$ 0.20	**$ 0.71**	$ 0.80

See accompanying notes to the interim consolidated financial statements.

Consolidated Statements of Comprehensive Income

As at (unaudited)		Three months ended September 30		Nine months ended September 30	
(thousands of Canadian dollars)	**Note**	**2014**	2013	**2014**	2013
Net income		**$ 40,660**	$ 41,066	**$ 153,315**	$ 166,970
Other comprehensive (loss) income					
Items that may be reclassified subsequently to net income					
Unrealized gains (losses) on available-for-sale marketable securities		**7**	86	**74**	(264)
Reclassification of gains on available-for-sale marketable securities to net income		**6**	21	**58**	48
Unrealized (losses) gains on cash flow hedges		**(2,108)**	534	**(8,317)**	3,397
Reclassification of losses on cash flow hedges to net income		**333**	85	**498**	892
		(1,762)	726	**(7,687)**	4,073
Deferred tax (recovery) expense		**(467)**	177	**(2,040)**	1,095
Other comprehensive (loss) income	27	**(1,295)**	549	**(5,647)**	2,978
Comprehensive income		**$ 39,365**	$ 41,615	**$ 147,668**	$ 169,948
Comprehensive income attributable to:					
Common shareholders		**$ 37,725**	$ 41,627	**$ 146,294**	$ 169,938
Non-controlling interest		**1,640**	(12)	**1,374**	10
		$ 39,365	$ 41,615	**$ 147,668**	$ 169,948

See accompanying notes to the interim consolidated financial statements.

Consolidated Statements of Changes in Equity

(unaudited) (thousands of Canadian dollars)	Retained Earnings	Accumulated Other Comprehensive Loss	Share Capital	Contributed Surplus and Other Equity Items	Total Shareholders' Equity	Non-Controlling Interest	Total Equity
		(Note 27(a))	*(Note 17(a))*	*(Note 17(b))*			
December 31, 2013	$ 817,867	$ (407)	$ 2,457,310	$ 44,600	$ 3,319,370	$ 3,638	$ 3,323,008
Changes during the period:							
Net income	151,941	—	—	—	151,941	1,374	153,315
Issuance of common shares	—	—	100,065	—	100,065		100,065
Issue costs, net of tax and other	—	—	(2,723)	—	(2,723)	—	(2,723)
Dividends	(134,634)	—	—	—	(134,634)	—	(134,634)
Convertible debentures, net	—	—	19,914	(42)	19,872	—	19,872
Redemption and conversion of convertible debentures	—	—	500	—	500	—	500
Options, deferred share units and restricted share units, net	—	—	17,330	1,936	19,266	—	19,266
Other comprehensive loss	—	(5,647)	—	—	(5,647)	—	(5,647)
Contributions from non-controlling interest	—	—	—	—	—	20,414	20,414
September 30, 2014	$ 835,174	$ (6,054)	$ 2,592,396	$ 46,494	$ 3,468,010	$ 25,426	$ 3,493,436

See accompanying notes to the interim consolidated financial statements.

Consolidated Statements of Changes in Equity

(unaudited) (thousands of Canadian dollars)	Retained Earnings	Accumulated Other Comprehensive Loss	Share Capital	Contributed Surplus and Other Equity Items	Total Shareholders' Equity	Non-Controlling Interest	Total Equity
		(Note 27(a))	*(Note 17(a))*	*(Note 17(b))*			
December 31, 2012	$ 778,096	$ (4,180)	$ 2,426,836	$ 44,416	$ 3,245,168	$ 3,386	$ 3,248,554
Changes during the period:							
Net income	166,960	—	—	—	166,960	10	166,970
Issue costs, net of tax and other	—	—	(134)	—	(134)	—	(134)
Dividends	(131,198)	—	—	—	(131,198)	—	(131,198)
Convertible debenture, net	—	—	19,054	262	19,316	—	19,316
Options, deferred share units and restricted share units, net	—	—	8,154	2,558	10,712	—	10,712
Expiry of warrants	—	—	1,677	(1,677)	—	—	—
Other comprehensive income	—	2,978	—	—	2,978	—	2,978
Contributions from non-controlling interest	—	—	—	—	—	106	106
September 30, 2013	$ 813,858	$ (1,202)	$ 2,455,587	$ 45,559	$ 3,313,802	$ 3,502	$ 3,317,304

See accompanying notes to the interim consolidated financial statements.

Consolidated Statements of Cash Flows

(unaudited)		Three months ended September 30		Nine months ended September 30	
(thousands of Canadian dollars)	**Note**	**2014**	2013	**2014**	2013
OPERATING ACTIVITIES					
Net income		**$ 40,660**	$ 41,066	**$ 153,315**	$ 166,970
Adjustments for:					
(Increase) decrease in value of investment properties, net	5	**7,196**	(1,125)	**(29,992)**	(58,571)
Interest expense	20	**44,374**	41,109	**129,428**	123,969
Capitalized interest	20	**6,173**	5,716	**17,343**	16,697
Cash interest paid	20	**(44,422)**	(34,840)	**(123,638)**	(116,942)
Amortization expense		**1,089**	943	**3,179**	2,866
Share of profit of joint ventures	6	**(6,449)**	(603)	**(7,840)**	(1,723)
Distribution from joint ventures		**493**	543	**1,626**	1,531
Items not affecting cash and other items	28(a)	**11,304**	12,024	**37,207**	42,458
Net change in non-cash operating items	28(b)	**261**	(9,887)	**(17,325)**	(37,473)
Receipts of proceeds from sales of residential inventory		**—**	—	**27,711**	—
Expenditures on residential development inventory		**(2,443)**	(3,718)	**(6,631)**	(11,385)
Cash provided by operating activities		**58,236**	51,228	**184,383**	128,397
FINANCING ACTIVITIES					
Mortgage financings and credit facilities					
Borrowings, net of financing costs		**88,150**	603	**126,557**	1,040
Mortgage financings and loans on residential development inventory		**—**	878	**—**	7,371
Repayment of mortgage and loans on residential development inventories and other		**(1,452)**	—	**(10,867)**	—
Principal installment payments		**(9,142)**	(9,266)	**(27,398)**	(29,869)
Repayments		**(118,038)**	(7,067)	**(228,751)**	(174,460)
Issuance of senior unsecured debentures, net of issue costs	13	**59,785**	48,880	**510,288**	445,905
Repayment of senior unsecured debentures	13	**(101,045)**	—	**(101,045)**	(55,350)
Issuance of convertible debentures, net of issue costs	14	**—**	—	**—**	55,488
Purchase of convertible debentures	14(b)	**(1,552)**	(505)	**(1,567)**	(2,638)
Issuance of common shares, net of issue costs		**101,363**	—	**113,337**	7,805
Payment of dividends		**(44,045)**	(43,597)	**(131,599)**	(130,398)
Net contributions from non-controlling interest		**20,413**	—	**20,413**	106
Cash provided by (used in) financing activities		**(5,563)**	(10,074)	**269,368**	125,000
INVESTING ACTIVITIES					
Acquisition of shopping centres	5(c)	**(99,733)**	(9,768)	**(156,694)**	(114,089)
Acquisition of development land	5(c)	**—**	(23,297)	**(19,050)**	(35,028)
Net proceeds from property dispositions	5(d)	**84,713**	—	**140,113**	182,935
Deferred purchase price of shopping centre	16	**—**	—	**(4,993)**	—
Capital expenditures on investment properties		**(76,335)**	(66,184)	**(172,014)**	(190,663)
Changes in investing-related prepaid expenses and other liabilities		**17,857**	(6,429)	**13,221**	(10,166)
Changes in loans, mortgages and other real estate assets	28(c)	**(18,442)**	923	**(37,393)**	(72,354)
Cash used in investing activities		**(91,940)**	(104,755)	**(236,810)**	(239,365)
Net increase (decrease) in cash and cash equivalents		**(39,267)**	(63,601)	**216,941**	14,032
Cash and cash equivalents, beginning of the period		**261,183**	141,648	**4,975**	64,015
Cash and cash equivalents, end of the period	28(d)	**$ 221,916**	$ 78,047	**$ 221,916**	$ 78,047

See accompanying notes to the interim consolidated financial statements.

Notes to the Interim Consolidated Financial Statements

1. DESCRIPTION OF THE COMPANY

First Capital Realty Inc. (the "Company") is a corporation existing under the laws of Ontario, Canada and engages in the business of acquiring, developing, redeveloping, owning and managing well-located, high quality urban retail-centered properties. The Company is listed on the Toronto Stock Exchange ("TSX") under the symbol "FCR", and its head office is located at 85 Hanna Avenue, Suite 400, Toronto, Ontario, M6K 3S3.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These unaudited interim consolidated financial statements have been prepared in accordance with IAS 34, "Interim Financial Reporting" as issued by the International Accounting Standards Board ("IASB"), and as such, do not include all of the disclosures included in the audited annual consolidated financial statements. These unaudited interim consolidated financial statements should be read in conjunction with the Company's audited annual consolidated financial statements for the years ended December 31, 2013 and 2012.

(b) Basis of presentation

The interim consolidated financial statements are prepared on a going concern basis and have been presented in Canadian dollars rounded to the nearest thousand, unless otherwise indicated. The accounting policies set out below have been applied consistently in all material respects. These interim consolidated financial statements have been prepared by applying the same accounting policies, assessments of estimates and judgments, and methods of computation as compared with the most recent audited annual consolidated financial statements, except for those items identified in Note 3 – "Change in Accounting Policies".

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

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

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

(c) Approval of interim consolidated financial statements

These unaudited interim consolidated financial statements were approved by the Board of Directors and authorized for issue on November 3, 2014.

3. CHANGE IN ACCOUNTING POLICIES

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

(a) Levies

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

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

(b) Internal leasing costs

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

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

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

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

4. FUTURE ACCOUNTING POLICY CHANGES

Financial instruments

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

A new general hedge accounting standard, part of IFRS 9 (2013), was issued in November 2013 permitting more hedging strategies used for risk management to qualify for hedge accounting.

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

Revenue from contracts with customers

IFRS 15, "Revenue from Contracts with Customers" ("IFRS 15"), was issued in May 2014, which will replace 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; financial instruments and other contractual rights or obligations within the scope of IFRS 9, IFRS 10, "Consolidated Financial Statements", and IFRS 11, "Joint Arrangements". In addition to the five-step model, the standard specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. The incremental costs of obtaining a contract must be recognized as an asset if the entity expects to recover these costs. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities.

IFRS 15 is required for annual periods beginning on or after January 1, 2017. Earlier adoption is permitted. The Company is in the process of assessing the impact of IFRS 15 on its consolidated financial statements.

5. INVESTMENT PROPERTIES

(a) Activity

(unaudited)					Nine months ended September 30, 2014	
(thousands of Canadian dollars)	Central Region	Eastern Region	Western Region	Total	Shopping Centres	Development Land
Balance at beginning of period	$ 3,141,304	$ 1,639,162	$ 2,511,585	$ 7,292,051	$ 7,126,008	$ 166,043
Acquisitions	81,178	51,541	44,870	177,589	158,539	19,050
Capital expenditures	80,486	49,730	41,798	172,014	164,823	7,191
Reclassifications between shopping centres and development land	—	—	—	—	17,618	(17,618)
Reclassification from residential development inventory	12,481	—	—	12,481	12,481	—
Increase (decrease) in value of investment properties, net	40,660	(19,965)	9,297	29,992	33,450	(3,458)
Straight-line rent and other changes	393	426	598	1,417	1,417	—
Dispositions	(110,455)	(3,310)	(34,871)	(148,636)	(86,201)	(62,435)
Reclassification to equity accounted joint ventures [1]	(82,900)	—	—	(82,900)	(34,300)	(48,600)
Revaluation of deferred purchase price of shopping centre (Note 16)	—	—	(7,126)	(7,126)	(7,126)	—
Balance at end of period	$ 3,163,147	$ 1,717,584	$ 2,566,151	$ 7,446,882	$ 7,386,709	$ 60,173
Investment properties – non-current					$ 7,134,637	$ 40,141
Investment properties classified as held for sale					252,072	20,032
Total					$ 7,386,709	$ 60,173

[1] Effective September 25, 2014, a subsidiary controlled by the Company sold all of its real estate assets to a newly-created joint venture between the Company, the subsidiary, and an institutional investor, in exchange for cash consideration and an equity interest in the joint venture. The Company's direct and indirect investment in the new joint venture is accounted for using the equity method. Refer to Note 6 – "Investment in Joint Venture" for additional information.

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

Investment properties with a fair value of $2.6 billion (December 31, 2013 – $3.0 billion) are pledged as security for $1.2 billion in mortgages and credit facilities.

(b) Investment property valuation

Valuation method

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

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

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

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

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

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

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

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

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

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

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

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

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

As at (unaudited)	**September 30, 2014**			December 31, 2013		
Shopping Centres	**Fair Value [1] (C$ millions)**	**SNOI [2] (C$ millions)**	**Weighted Average Capitalization Rate**	Fair Value [1] (C$ millions)	SNOI [2] (C$ millions)	Weighted Average Capitalization Rate
Central Region	**$ 3,131.0**	**$ 172.0**	**5.67%**	$ 3,021.9	$ 167.0	5.75%
Eastern Region	**1,709.0**	**113.0**	**6.18%**	1,630.7	104.0	6.31%
Western Region	**2,547.0**	**143.0**	**5.75%**	2,473.4	143.0	5.70%
	$ 7,387.0	**$ 428.0**	**5.82%**	$ 7,126.0	$ 414.0	5.86%

(1) Fair value of properties under development includes a deduction for costs to complete of $242.3 million as at September 30, 2014 (December 31, 2013 – $95.5 million).

(2) SNOI is not a measure defined by IFRS. SNOI reflects long-term, stable property operations, assuming a certain level of vacancy, capital and operating expenditures required to maintain a stable occupancy rate. The average vacancy rates used in determining SNOI for non-anchor tenants generally range from 2% to 5%.

(c) Investment properties – Acquisitions

During the three and nine months ended September 30, 2014 and 2013, the Company acquired shopping centres and development lands for rental income and future development and redevelopment opportunities as follows:

Three months ended September 30	**2014**		2013	
(unaudited) (thousands of Canadian dollars)	**Shopping Centres**	**Development Land**	Shopping Centres	Development Land
Total purchase price, including acquisition costs	**$ 101,578**	**$ —**	$ 9,768	$ 23,297
Deferred purchase price and ground lease liabilities	**(1,845)**	**—**	—	—
Total cash paid	**$ 99,733**	**$ —**	$ 9,768	$ 23,297

Nine months ended September 30	**2014**		2013	
(unaudited) (thousands of Canadian dollars)	**Shopping Centres**	**Development Land**	Shopping Centres	Development Land
Total purchase price, including acquisition costs	**$ 158,539**	**$ 19,050**	$ 124,774	$ 35,028
Deferred purchase price and ground lease liabilities	**(1,845)**	**—**	—	—
Mortgage assumptions and vendor take-back mortgages on acquisitions	**—**	**—**	(9,957)	—
Difference between principal amount and fair value of assumed mortgage financing	**—**	**—**	(728)	—
Total cash paid	**$ 156,694**	**$ 19,050**	$ 114,089	$ 35,028

(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 *(unaudited) (thousands of Canadian dollars, except other data)*	**September 30, 2014**	December 31, 2013
Aggregate fair value	**$ 272,104**	$ 155,499
Mortgages secured by investment properties classified as held for sale	**$ 21,801**	$ 22,247
Weighted average coupon interest rate of mortgages secured by investment properties	**4.03%**	4.03%

For the three and nine months ended September 30, 2014 and 2013, the Company sold shopping centres and development land as follows:

Three months ended September 30	**2014**	2013
(unaudited) (thousands of Canadian dollars)	**Shopping Centres and Development Land**	Shopping Centres and Development Land
Total sales price	**$ 92,285**	$ —
Mortgages assumed and vendor take-back mortgages on sale	**(6,760)**	—
Property selling costs	**(812)**	—
Repayment of loans	**—**	—
Total cash proceeds	**$ 84,713**	$ —

Nine months ended September 30	**2014**	2013
(unaudited) (thousands of Canadian dollars)	**Shopping Centres and Development Land**	Shopping Centres and Development Land
Total sales price	**$ 148,636**	$ 233,443
Mortgages assumed and vendor take-back mortgages on sale	**(6,760)**	(48,268)
Property selling costs	**(1,763)**	(2,240)
Repayment of loans	**—**	—
Total cash proceeds	**$ 140,113**	$ 182,935

(e) Reconciliation of investment properties to total assets

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

As at September 30, 2014 *(unaudited) (thousands of Canadian dollars)*	**Central Region**	**Eastern Region**	**Western Region**	**Total**
Total shopping centres and development land [(1)]	**$ 3,163,147**	**$ 1,717,584**	**$ 2,566,151**	**$ 7,446,882**
A reconciliation of shopping centres and development land to total assets is as follows:				
Cash and cash equivalents				**221,916**
Loans, mortgages and other real estate assets				**167,077**
Other assets				**78,926**
Amounts receivable				**15,235**
Investment in joint ventures				**130,775**
Residential development inventory				**14,741**
Total assets				**$ 8,075,552**

As at December 31, 2013 *(unaudited) (thousands of Canadian dollars)*	Central Region	Eastern Region	Western Region	Total
Total shopping centres and development land [1]	$ 3,141,304	$ 1,639,162	$ 2,511,585	$ 7,292,051
A reconciliation of shopping centres and development land to total assets is as follows:				
Cash and cash equivalents				4,975
Loans, mortgages and other real estate assets				149,230
Other assets				71,664
Amounts receivable				18,600
Investment in joint ventures				38,166
Residential development inventory				21,569
Total assets				$ 7,596,255

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

6. INVESTMENT IN JOINT VENTURES

The Company contractually controls Main and Main Developments LP ("MMLP"), a subsidiary in which it holds a 67% ownership interest, until such time that all loans receivable to the joint venture partner have been paid in full. At such time that the loans receivable to the Company are paid in full, all decisions regarding the activities of MMLP will require unanimous consent of the partners.

Effective September 25, 2014, MMLP sold its real estate assets to a newly-created joint venture, M+M Urban Realty LP ("MMUR") between the Company, MMLP and an institutional investor, in exchange for cash consideration and an equity interest in MMUR. Upon closing of the transaction, the Company, through direct and indirect investment, owns on a consolidated basis 53.1% interest in MMUR, which the Company has determined to be a joint venture as all decisions regarding the activities of MMUR are made unanimously as between MMLP and the Company on one hand, and the institutional investor on the other hand. Accordingly, the Company accounts for its interests in MMUR using the equity method.

In addition, the Company has a 50% ownership interest in a joint venture that operates a shopping centre located in Ottawa, Ontario which is accounted for using the equity method.

Summarized financial information of the joint ventures financial position and performance are set out below:

As at *(in thousands of dollars)*	**September 30, 2014**	December 31, 2013
Total assets	**$ 276,824**	$ 101,012
Total liabilities	**24,684**	24,681
Net assets at 100%	**252,140**	76,331
The Company's investment in equity accounted joint ventures	**$ 130,775**	$ 38,166

For the nine months ended *(in thousands of dollars)*	**September 30, 2014**	September 30, 2013
Revenue	**$ 6,916**	$ 6,416
Expenses	**2,930**	2,970
Increase in value of investment properties, net	**11,694**	—
Net income and total comprehensive income at 100%	**15,680**	3,446
The Company's share of income in equity accounted joint ventures	**$ 7,840**	$ 1,723

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

As at *(unaudited) (thousands of Canadian dollars)*		**September 30, 2014**		December 31, 2013
Loans and mortgages receivable (a)	**$**	**86,780**	$	68,150
Available-for-sale ("AFS") investments in equity securities		**4,099**		3,631
Total	**$**	**90,879**	$	71,781

(a) Loans and mortgages receivable are secured by interests in investment properties or shares of entities owning investment properties and bear interest at a weighted average coupon and effective interest rate as at September 30, 2014 of 5.60% and 5.90% per annum, respectively (December 31, 2013 – coupon and effective interest rate of 6.33% per annum). The loans and mortgages receivable mature between 2015 and 2025.

Scheduled principal receipts of current and non-current loans and mortgages receivable as at September 30, 2014 are as follows:

(unaudited) (thousands of Canadian dollars, except other data)		Payments on Maturity	Weighted Average Effective Interest Rate
2014 (remainder of the year)	$	24,445	9.68%
2015		22,258	9.40%
2016		4,846	8.02%
2017		3,522	5.29%
2019 to 2025		74,949	5.61%
		130,020	7.10%
Unamortized deferred financing fees, premiums and discounts, net and interest receivable		1,198	
	$	131,218	
Current (Note 8)	$	44,438	9.56%
Non-current		86,780	5.90%
	$	131,218	7.10%

As at September 30, 2014, the fair value of the Company's loans and mortgages receivable was approximately $130.8 million (December 31, 2013 – $91.6 million).

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

As at *(unaudited) (thousands of Canadian dollars)*	**September 30, 2014**	December 31, 2013
FVTPL investments in equity securities (a)	**$ 31,123**	$ 27,764
AFS investments in equity securities	**387**	455
Loans and mortgages receivable (b)	**44,438**	24,457
Loans receivable from sales of residential inventory	**—**	22,522
Other receivable	**250**	2,251
Total	**$ 76,198**	$ 77,449

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

(b) The Company has loans and mortgages receivable secured by interests in investment properties (or shares of entities owning investment properties) and bear interest at a weighted average coupon and effective interest rate of 9.56% per annum (December 31, 2013 – 9.54% per annum). The loans and mortgages receivable mature during the 12 months ending September 30, 2015. Refer to Note 7(a).

9. AMOUNTS RECEIVABLE

As at *(unaudited) (thousands of Canadian dollars)*	**September 30, 2014**	December 31, 2013
Trade receivables (net of allowances for doubtful accounts of $3.5 million (December 31, 2013 – $2.8 million))	**$ 13,731**	$ 17,161
Construction and development related chargebacks and receivables	**374**	348
Corporate and other amounts receivable	**1,130**	1,091
Total	**$ 15,235**	$ 18,600

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.

10. OTHER ASSETS

As at *(unaudited) (thousands of Canadian dollars)*	Note	**September 30, 2014**	December 31, 2013
Non-current			
Fixtures, equipment and computer hardware and software (net of accumulated amortization of $8.0 million)		**$ 8,422**	$ 8,070
Deferred financing costs on credit facilities (net of accumulated amortization of $2.5 million)		**1,574**	1,451
Environmental indemnity and insurance proceeds receivable	15	**4,418**	8,444
Held to maturity investment in bond		**685**	—
Total		**$ 15,099**	$ 17,965
Current			
Deposits and costs on investment properties under option		**$ 4,544**	$ 8,095
Prepaid expenses		**30,682**	6,648
Other deposits		**848**	2,826
Restricted cash	16 (b)	**11,048**	10,366
Derivatives at fair value	16 (a)	**234**	3,148
Residential inventory deposits		**—**	5,189
Held to maturity investment in bond (a)	16 (d)	**16,471**	17,427
Total		**$ 63,827**	$ 53,699

(a) In connection with the acquisition of a property, the Company assumed a third-party loan that had previously been defeased. The defeasance collateral is a bond issued by an agency of the Canadian federal government with an effective interest rate of 1.25% per annum (contractual rate of 5.96% per annum) and matures in November 2014 (Note 16(d)).

11. CAPITAL MANAGEMENT

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

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

As at *(unaudited) (thousands of Canadian dollars, except per share amounts)*	**September 30, 2014**	December 31, 2013
Liabilities (principal amounts outstanding)		
Mortgages	**$ 1,221,946**	$ 1,350,000
Mortgage on equity accounted joint venture (at the Company's interest)	**10,535**	10,859
Senior unsecured debentures	**2,285,000**	1,875,000
Convertible debentures	**390,865**	392,917
Equity Capitalization		
Common shares based on closing per share price of $17.51 (December 31, 2013 – $17.71)	**3,779,329**	3,690,000
	$ 7,687,675	$ 7,318,776

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

As at (unaudited)	Measure/ covenant	**September 30, 2014**	December 31, 2013
Net debt to enterprise value	N/A	**44.2%**	44.3%
Net debt to total assets (investment properties at cost)	<65%		
Joint ventures proportionately consolidated		**51.1%**	50.5%
Joint ventures proportionately consolidated, cash balances, net		**49.5%**	50.5%
Net debt to total assets (investment properties at IFRS value)	<65%		
Joint ventures proportionately consolidated		**43.7%**	43.0%
Joint ventures proportionately consolidated, cash balances, net		**42.1%**	42.9%
Joint ventures proportionately consolidated, cash balances, net, using ten quarter average capitalization rate (1)		**42.9%**	44.6%
Unencumbered aggregate assets to unsecured debt (investment properties at IFRS value)	>1.30		
Joint ventures proportionately consolidated		**2.17**	2.29
Joint ventures proportionately consolidated, using ten quarter average capitalization rate (1)		**2.10**	2.15
Unencumbered aggregate assets to unsecured debt (investment properties at cost)	>1.30		
Joint ventures proportionately consolidated		**1.76**	1.90
Shareholders' equity, using four quarter average (billions of Canadian dollars) (1)	>$1.4B (TD, BNS)	**$ 3.4**	$ 3.3
Secured indebtedness to total assets (investment properties at fair value) (1)	<40% (TD)	**15.4%**	18.2%

(unaudited) Rolling four quarters ended	Measure/ Covenant	**September 30, 2014**	December 31, 2013
Net debt/EBITDA		**8.26**	8.21
Interest coverage (EBITDA to interest expense)	>1.65		
Joint ventures proportionately consolidated (1)		**2.33**	2.34
Fixed charges coverage (consolidated EBITDA to debt service)	>1.5		
Joint ventures proportionately consolidated (1)		**1.92**	1.89

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

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

- Debt consists of principal amounts outstanding on mortgages and credit facilities and the par value of senior unsecured debentures. Convertible debentures are excluded as it is the Company's intention to continue to satisfy its obligations of principal and interest payments in respect of all of its outstanding convertible debentures by the issuance of common shares.
- Net debt is calculated as Debt, as defined above, reduced by cash balances at the end of the period.
- Secured indebtedness includes mortgages which are collateralized against investment property.
- Enterprise value consists of the market value of the Company's common shares, the par value of senior unsecured debentures and convertible debentures, and principal amounts outstanding on mortgages, loans and credit facilities.
- EBITDA is calculated as net income, adding back income tax expense, interest expense and amortization and excluding the increase or decrease in the value of investment properties, other gains (losses) and (expenses) and other non-cash or non-recurring items. The Company also adjusts for incremental leasing costs and costs not capitalized during the development period, which are recognized adjustments to FFO and AFFO, respectively.

- Fixed charges include regular principal and interest payments and capitalized interest in the calculation of interest expense and do not include non-cash interest on convertible debentures.
- Unencumbered assets include the value of assets that have not been pledged as security under any credit agreement or mortgage. The unencumbered asset value ratio is calculated as unencumbered assets divided by the principal amount of the unsecured debt, which consists of the senior unsecured debentures.

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

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

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

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

12. MORTGAGES AND CREDIT FACILITIES

(i) Mortgages

As at *(unaudited) (thousands of Canadian dollars)*		**September 30, 2014**		December 31, 2013
Fixed rate mortgages	**$**	**1,222,240**	$	1,331,833
Floating rate mortgages and secured credit facilities		**7,786**		29,750
Outstanding cheques		**—**		5,000
	$	**1,230,026**	$	1,366,583
Current	**$**	**248,775**	$	254,367
Mortgages on investment properties classified as held for sale		**21,801**		22,247
Non-current		**959,450**		1,089,969
	$	**1,230,026**	$	1,366,583

Mortgages and the secured credit facilities are secured by investment properties. Of the fair value of investment properties of $7.4 billion as at September 30, 2014 (December 31, 2013 – $7.3 billion), approximately $2.6 billion (December 31, 2013 – $3.0 billion) has been pledged as security under the mortgages and the secured credit facilities.

As at September 30, 2014, the fair value of the Company's mortgages and credit facilities was approximately $1.3 billion (December 31, 2013 – $1.4 billion).

Mortgages bear coupon interest at a weighted average interest rate of 5.06% per annum as at September 30, 2014 (December 31, 2013 – 5.21% per annum) and mature in the years ranging from 2014 to 2025. The weighted average effective interest rate on all fixed rate mortgage financing as at September 30, 2014 is 4.72% per annum (December 31, 2013 – 4.90% per annum).

(ii) Credit facilities

On June 13, 2014, the Company completed an increase and extension of its senior unsecured revolving credit facility with a syndicate of nine banks, increasing the availability from $600 million to $700 million and extending the maturity to June 30, 2017. The facility pricing was also reduced from C$BA + 1.325% or Prime rate + 0.325% to C$BA + 1.20% or Prime rate + 0.20%.

On June 30, 2014, the Company extended the maturity of, and reduced the pricing on its $75 million secured credit facility. The maturity has been extended by one year to December 31, 2015 and the facility pricing has been reduced from BA + 1.25% or Prime rate + 0.25% to BA + 1.125% or Prime rate + 0.125%.

The following table summarizes the details of the Company's credit facilities as at September 30, 2014:

(unaudited) (thousands of Canadian dollars, except other data)	Borrowing Capacity	Amounts Drawn	Outstanding Letters of Credit	Available to be Drawn	Interest Rates	Maturity Date
Secured by development properties	$ 75,000	$ —	$ (23)	$ 74,977	BA + 1.125% or Prime + 0.125%	December 31, 2015
Unsecured	700,000	—	(42,296)	657,704	C$ BA + 1.20% or Prime + 0.20% or US$ LIBOR + 1.20%	June 30, 2017
Total facilities	$ 775,000	$ —	$ (42,319)	$ 732,681		

Principal repayments of mortgages and credit facilities outstanding as at September 30, 2014 are as follows:

(unaudited) (thousands of Canadian dollars, except other data)	Scheduled Amortization	Payments on Maturity	Total	Coupon Weighted Average Interest Rate
2014 (remainder of the year)	$ 8,639	$ 33,301	$ 41,940	6.32%
2015	30,690	213,110	243,800	4.98%
2016	25,154	157,533	182,687	5.09%
2017	22,343	82,902	105,245	5.17%
2018	18,380	123,045	141,425	5.53%
2019 to 2025	54,245	452,604	506,849	4.84%
	$ 159,451	$ 1,062,495	$ 1,221,946	5.06%
Unamortized deferred financing costs, premiums and discounts, net			8,080	
			$ 1,230,026	

As at September 30, 2014, the Company had mortgages maturing of $33.3 million at an average interest rate of 6.32% per annum and $8.6 million of scheduled amortization of principal balances during the remainder of 2014.

13. SENIOR UNSECURED DEBENTURES

As at (unaudited) (thousands of Canadian dollars, except other data)						**September 30, 2014**	December 31, 2013
			Interest Rate				
Maturity Date	Series	Date of Issue	Coupon	Effective	**Principal Outstanding**	**Liability**	Liability
October 30, 2014	F	April 5, 2007	5.32%	5.47%	**$ —**	**$ —**	$ 99,927
June 1, 2015	G	November 20, 2009	5.95%	6.13%	**125,000**	**124,855**	124,699
January 31, 2017	H	January 21, 2010	5.85%	5.99%	**125,000**	**124,614**	124,501
November 30, 2017	I	April 13, 2010	5.70%	5.85%	**50,000**	**49,785**	49,740
November 30, 2017	I	April 13, 2010	5.70%	5.82%	**25,000**	**24,915**	24,898
November 30, 2017	I	June 14, 2010	5.70%	5.70%	**50,000**	**49,996**	49,993
August 30, 2018	J	July 12, 2010	5.25%	5.66%	**50,000**	**49,454**	49,328
November 30, 2018	K	August 25, 2010	4.95%	5.30%	**50,000**	**49,355**	49,254
November 30, 2018	K	October 26, 2010	4.95%	5.04%	**50,000**	**49,829**	49,802
July 30, 2019	L	January 21, 2011	5.48%	5.61%	**150,000**	**149,191**	149,083
April 30, 2020	M	March 30, 2011	5.60%	5.73%	**110,000**	**109,331**	109,255
April 30, 2020	M	June 13, 2011	5.60%	5.39%	**65,000**	**65,653**	65,727
March 1, 2021	N	April 4, 2012	4.50%	4.63%	**175,000**	**173,793**	173,675
January 31, 2022	O	June 1, 2012	4.43%	4.56%	**100,000**	**99,231**	99,165
January 31, 2022	O	July 17, 2012	4.43%	4.42%	**50,000**	**50,033**	50,037
January 31, 2022	O	August 29, 2013	4.43%	4.83%	**50,000**	**48,771**	48,664
December 5, 2022	P	December 5, 2012	3.95%	4.16%	**150,000**	**147,868**	147,708
December 5, 2022	P	January 14, 2013	3.95%	4.20%	**100,000**	**98,259**	98,133
October 30, 2023	Q	March 26, 2013	3.90%	4.06%	**125,000**	**123,471**	123,374
October 30, 2023	Q	May 15, 2013	3.90%	3.90%	**175,000**	**174,992**	174,990
August 30, 2024	R	January 20, 2014	4.79%	4.91%	**150,000**	**148,591**	—
August 30, 2024	R	February 18, 2014	4.79%	4.63%	**75,000**	**75,928**	—
August 30, 2024	R	March 11, 2014	4.79%	4.43%	**75,000**	**77,137**	—
July 31, 2025	S	June 17, 2014	4.32%	4.43%	**150,000**	**148,579**	—
July 31, 2025	S	July 14, 2014	4.32%	4.33%	**60,000**	**59,992**	—
			4.78%	4.89%	**$ 2,285,000**	**$ 2,273,623**	$ 1,861,953
Current						**$ 124,855**	$ 99,927
Non-current						**2,148,768**	1,762,026
						$ 2,273,623	$ 1,861,953

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

On January 20, 2014, the Company completed the issuance of $150.0 million principal amount of senior unsecured debentures, Series R, due August 30, 2024. These debentures bear interest at a coupon rate of 4.79% per annum payable semi-annually commencing August 30, 2014. On February 18, 2014, the Company completed the issuance of an additional $75.0 million principal amount of the senior unsecured debentures, Series R, which was a re-opening of this series of debentures with an effective rate of 4.63% per annum. On March 11, 2014, the Company completed the issuance of an additional $75.0 million principal amount of the senior unsecured debentures, Series R, which was a second re-opening of this series of debentures with an effective rate of 4.43% per annum.

On June 17, 2014, the Company completed the issuance of $150.0 million principal amount of senior unsecured debentures, Series S, due July 31, 2025. These debentures bear interest at a coupon rate of 4.32% per annum payable semi-annually commencing July 31, 2014. On July 14, 2014, the Company completed the issuance of an additional

$60.0 million principal amount of the senior unsecured debentures, Series S, which was a re-opening of this series of debentures with an effective rate of 4.33% per annum.

On July 14, 2014, the Company redeemed $50.0 million principal amount outstanding of its $100.0 million 5.32% Series F senior unsecured debentures due October 30, 2014. The debentures were redeemed at a price of $1,011.77 for each $1,000 principal amount of debentures outstanding. In addition, accrued and unpaid interest was paid on the debentures up to but excluding the redemption date. In connection with the redemption, total cash of $51.1 million was paid to the holders, which consisted of $50.0 million of principal, $0.5 million in premium and $0.5 million in accrued but unpaid interest. On August 7, 2014, the Company redeemed the remaining outstanding aggregate principal amount of this series of debentures redeemed at a price of $1,009.13 for each $1,000 principal amount of debentures outstanding. In addition, accrued and unpaid interest was paid on the debentures up to but excluding the redemption date. In connection with the redemption, total cash of $51.2 million was paid to the holders, which consisted of $50.0 million of principal, $0.5 million in premium and $0.7 million in accrued but unpaid interest.

The fair value of the senior unsecured debentures is approximately $2.4 billion as at September 30, 2014 (December 31, 2013 – $1.9 billion).

14. CONVERTIBLE DEBENTURES

As at *(unaudited) (thousands of Canadian dollars, except other data)*				**September 30, 2014**			December 31, 2013		
		Interest Rate							
Maturity Date	Date of Issue	Coupon	Effective	**Principal**	**Liability**	**Equity**	Principal	Liability	Equity
June 30, 2017	December 30, 2009	5.70%	6.88%	**$ 42,903**	**$ 41,650**	**$ 983**	$ 42,917	$ 41,362	$ 984
January 31, 2019	April 28, 2011	5.40%	6.90%	**56,804**	**53,647**	**2,165**	57,500	53,844	2,192
January 31, 2019	August 9, 2011	5.25%	6.07%	**56,669**	**54,930**	**385**	57,500	55,477	390
March 31, 2018	December 15, 2011	5.25%	6.66%	**49,982**	**47,811**	**1,155**	50,000	47,427	1,155
March 31, 2017	February 16, 2012	4.95%	6.51%	**74,841**	**72,182**	**1,492**	75,000	71,620	1,495
July 31, 2019	May 22, 2012	4.75%	6.19%	**52,500**	**49,694**	**1,439**	52,500	49,277	1,439
February 28, 2020	February 19, 2013	4.45%	5.34%	**57,166**	**54,965**	**401**	57,500	55,005	403
		5.08%	6.35%	**$ 390,865**	**$ 374,879**	**$ 8,020**	$ 392,917	$ 374,012	$ 8,058

(a) Principal and interest

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

During the nine months ended September 30, 2014, 1.1 million common shares (nine months ended September 30, 2013 – 1.1 million common shares) were issued for $19.9 million (nine months ended September 30, 2013 – $19.1 million) to pay interest to holders of the convertible debentures. Each series of the Company's convertible unsecured subordinated debentures bears interest payable semi-annually and is convertible at the option of the holders in the conversion periods into common shares of the Company at the conversion prices indicated below.

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

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

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

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

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

(b) Normal course issuer bid

On August 27, 2014, the Company renewed its normal course issuer bid (“NCIB”) for all of its then outstanding series of convertible unsecured subordinated debentures. The NCIB will expire on August 26, 2015 or such earlier date as the Company completes its purchases pursuant to the NCIB. All purchases made under the NCIB are at market prices prevailing at the time of purchase determined by or on behalf of the Company.

For the nine months ended September 30, 2014 and 2013, principal amounts of convertible debentures purchased and amounts paid for the purchases are represented in the table below:

(unaudited) (thousands of Canadian dollars)	**Nine months ended September 30, 2014**		Nine months ended September 30, 2013	
	Principal Amount Purchased	**Amount Paid**	Principal Amount Purchased	Amount Paid
Total	**$ 1,552**	**$ 1,567**	$ 2,415	$ 2,635

(c) Fair value

Based on TSX closing bid prices, as at September 30, 2014, the fair value of the convertible debentures was approximately $393.1 million (December 31, 2013 – $390.1 million).

15. OTHER LIABILITIES

As at (unaudited) (thousands of Canadian dollars)	**September 30, 2014**	December 31, 2013
Asset retirement obligations (a)	**$ 7,691**	$ 11,168
Ground leases payable	**10,202**	10,308
Deferred purchase price of investment property – shopping centre	**1,699**	—
	$ 19,592	$ 21,476

(a) The Company has obligations for environmental remediation at certain sites within its property portfolio. The amounts recorded as liabilities are net of those environmental indemnity and insurance proceeds receivable (Note 10).

16. ACCOUNTS PAYABLE AND OTHER LIABILITIES

As at *(unaudited) (thousands of Canadian dollars)*	Note		September 30, 2014		December 31, 2013
Trade payables and accruals		**$**	**54,254**	$	46,618
Construction and development payables			**47,031**		41,260
Dividends payable			**46,287**		43,755
Interest payable			**32,901**		32,021
Tenant deposits			**19,944**		18,779
Derivatives at fair value (a)			**49**		936
Short positions in marketable securities (b)			**9,120**		8,089
Mortgage payable (c)			**3,572**		8,800
Loan payable (d)	10(a)		**16,364**		17,427
Deferred purchase price of investment property – shopping centre			**9,533**		21,260
		$	**239,055**	$	238,945

(a) The Company enters into forward contracts and interest rate swaps as part of its strategy for managing certain interest rate risks. For those contracts to which the Company has applied hedge accounting, the Company has recorded the changes in fair value for the effective portion of the derivative in OCI from the date of designation. For those interest rate swaps to which the Company does not apply hedge accounting, the change in fair value is recognized in other gains (losses) and (expenses) (Note 22).

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

As at *(unaudited) (thousands of Canadian dollars)*	Designated as Hedging Instrument	Maturity		September 30, 2014		December 31, 2013
Bond forward contracts	Yes	October 2014	**$**	**—**	$	321
Interest rate swaps	Yes	March 2022 - July 2024		**185**		2,827
Interest rate swaps	N/A	N/A		**—**		(936)
			$	**185**	$	2,212

(b) The Company invests from time to time in long and short positions in publicly traded real estate and related securities, which are recorded at market value (Note 8). As at September 30, 2014, a restricted cash balance of $11.0 million (Note 10) was maintained on account with the Company's security broker as collateral for the Company's investment in short positions.

(c) The mortgage payable relating to residential development inventory bears interest at an effective rate of 1% per annum. During the nine months ended September 30, 2014, $5.2 million of this loan has been repaid.

(d) In connection with the acquisition of a property, the Company assumed a third-party loan that had previously been defeased. The defeasance collateral is a bond issued by an agency of the Canadian federal government. The effective interest rate of the loan is 1.25% per annum (contractual rate of 5.96% per annum) and matures in November 2014 (Note 10(a)).

17. SHAREHOLDERS' EQUITY

(a) Share capital

The authorized share capital of the Company consists of an unlimited number of authorized preference shares and common shares. The preference shares may be issued from time to time in one or more series, each series comprising the number of shares, designations, rights, privileges, restrictions and conditions which the Board of Directors determines by resolution; preference shares are non-voting and rank in priority to the common shares with respect to dividends and distributions upon dissolution. No preference shares have been issued. The common shares carry one vote each and participate equally in the income of the Company and the net assets of the Company upon dissolution. Dividends are payable on the common shares as and when declared by the Board of Directors.

The following table sets forth the particulars of the issued and outstanding common shares of the Company:

		Nine months ended September 30, 2014		Nine months ended September 30, 2013	
(unaudited) (thousands of Canadian dollars and thousands of common shares)	**Note**	**Number of Common Shares**	**Stated Capital**	Number of Common Shares	Stated Capital
Issued and outstanding at beginning of period		**208,356**	**$ 2,457,310**	206,546	$ 2,426,836
Payment of interest on convertible debentures	14	**1,132**	**19,914**	1,102	19,054
Redemption and conversion of convertible debentures		**22**	**500**	—	—
Exercise of options		**1,078**	**17,330**	582	8,154
Issuance of common shares		**5,250**	**100,065**	—	—
Expiry of warrants		**—**	**—**	—	1,677
Share issue costs and other, net of tax effect		**—**	**(2,723)**	—	(134)
Issued and outstanding at end of period		**215,838**	**$ 2,592,396**	208,230	$ 2,455,587

On September 12, 2014, the Company issued 5,250,000 common shares on a bought-deal basis at a price of $19.06 per share for gross proceeds of $100.0 million with 883,000 and 167,000 of these units purchased by affiliates of Gazit-Globe Ltd. and Alony-Hetz Properties and Investments Ltd., respectively. Refer to Note 30 – "Related Party Transactions" for additional information. Issue costs associated with the offering were approximately $2.7 million.

(b) Contributed surplus and other equity items

Contributed surplus and other equity items comprise the following:

(unaudited) (thousands of Canadian dollars)	**Nine months ended September 30, 2014**				Nine months ended September 30, 2013				
	Contributed Surplus	**Convertible Debentures Equity Component**	**Options Restricted and Deferred Share Units**	**Total**	Contributed Surplus	Convertible Debentures Equity Component	Options Restricted and Deferred Share Units	Warrants	Total
		(Note 14)				(Note 14)			
Balance at beginning of period	**$ 19,278**	**$ 8,058**	**$ 17,264**	**$ 44,600**	$19,401	$ 7,702	$15,636	$ 1,677	$ 44,416
Issuance of convertible debentures	**—**	**(19)**	**—**	**(19)**	—	403	—	—	403
Purchase of convertible debentures	**(4)**	**(19)**	**—**	**(23)**	(105)	(36)	—	—	(141)
Options vested	**—**	**—**	**601**	**601**	—	—	917	—	917
Exercise of options	**—**	**—**	**(767)**	**(767)**	—	—	(207)	—	(207)
Deferred share units vested	**—**	**—**	**710**	**710**	—	—	618	—	618
Restricted share units vested	**—**	**—**	**1,392**	**1,392**	—	—	1,230	—	1,230
Expiry of warrants	**—**	**—**	**—**	**—**	—	—	—	(1,677)	(1,677)
Balance at end of period	**$ 19,274**	**$ 8,020**	**$ 19,200**	**$ 46,494**	$ 19,296	$ 8,069	$ 18,194	$ —	$ 45,559

(c) Stock options

As of September 30, 2014, the Company is authorized to grant up to 15.2 million (December 31, 2013 – 15.2 million) common share options to the employees, officers and directors of the Company. As of September 30, 2014, 3.4 million (December 31, 2013 – 3.8 million) common share options are available to be granted. Options granted by the Company generally expire 10 years from the date of grant and vest over five years.

The outstanding options as at September 30, 2014 have exercise prices ranging from $9.81–$19.02 (December 31, 2013 – $9.81 – $18.97) and comprise the following:

(unaudited) (In Canadian dollars, except other data)	**September 30, 2014**					September 30, 2013				
	Outstanding Options			**Vested Options**		Outstanding Options			Vested Options	
Exercise Price Range ($)	**Number of Common Shares Issuable (in thousands)**	**Weighted Average Exercise Price per Common Share**	**Weighted Average Remaining Life (years)**	**Number of Common Shares Issuable (in thousands)**	**Weighted Average Exercise Price per Common Share**	Number of Common Shares Issuable (in thousands)	Weighted Average Exercise Price per Common Share	Weighted Average Remaining Life (years)	Number of Common Shares Issuable (in thousands)	Weighted Average Exercise Price per Common Share
9.81-10.81	**99**	**$ 9.81**	**4.5**	**99**	**$ 9.81**	130	$ 9.85	4.9	130	$ 9.85
13.00-14.26	**766**	**$ 13.83**	**4.4**	**766**	**$ 13.83**	1,178	$ 13.76	5.0	1,178	$ 13.76
15.46-16.96	**2,361**	**$ 16.43**	**3.4**	**2,081**	**$ 16.53**	2,856	$ 16.37	4.4	2,347	$ 16.52
17.77-19.02	**1,980**	**$ 18.36**	**8.2**	**451**	**$ 18.40**	1,870	$ 18.48	8.4	277	$ 18.14
9.81-19.02	**5,206**	**$ 16.65**	**5.4**	**3,397**	**$ 15.97**	6,034	$ 16.38	5.7	3,932	$ 15.58

During the three months ended September 30, 2014, $0.2 million (three months ended September 30, 2013 – $0.3 million) was recorded as an expense related to stock options. During the nine months ended September 30, 2014, $0.5 million (nine months ended September 30, 2013 – $0.8 million) was recorded as an expense related to stock options.

(unaudited) (In Canadian dollars, except other data)	**Nine months ended September 30, 2014**		Nine months ended September 30, 2013	
	Number of Common Shares Issuable (in thousands)	**Weighted Average Exercise Price**	Number of Common Shares Issuable (in thousands)	Weighted Average Exercise Price
Outstanding at beginning of period	**5,968**	**$ 16.37**	5,676	$ 15.65
Granted (a)	**544**	**17.88**	1,036	18.97
Exercised (b)	**(1,079)**	**15.36**	(582)	13.80
Forfeited	**(148)**	**18.04**	(70)	17.24
Expired	**(79)**	**18.73**	(26)	17.02
Outstanding at end of period	**5,206**	**$ 16.65**	6,034	$ 16.38

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

(unaudited)	Nine months ended September 30	
	2014	2013
Share options granted (thousands)	**544**	1,036
Term to expiry	**10 years**	10 years
Exercise price	**$ 17.88**	$ 18.97
Weighted average volatility rate	**15.0%**	15.0%
Weighted average expected option life	**6 years**	6 years
Weighted average dividend yield	**4.70%**	4.32%
Weighted average risk free interest rate	**1.85%**	1.39%
Fair value (thousands)	**$ 604**	$ 1,233

(b) The weighted average market share price at which options were exercised for the nine months ended September 30, 2014 was $18.39 (nine months ended September 30, 2013 – $19.10).

(d) Share unit plans

The Company's share unit plans include a Directors' Deferred Share Unit Plan and a Restricted Share Unit Plan. Under the plans, a participant is entitled to receive one common share, or equivalent cash value, at the Company's option, (i) in the case of a Deferred Share Unit ("DSU"), upon redemption by the holder after the date that the holder ceases to be a director of the Company and any of its subsidiaries (the "Retirement Date") but no later than December 15 of the first calendar year commencing after the Retirement Date, and (ii) in the case of a Restricted Share Unit ("RSU") on December 15 of the third calendar year following the year in respect of which the RSU is granted. Holders of RSUs and DSUs receive dividends in the form of additional units when the Company declares dividends on its common shares.

(unaudited)	**Nine months ended September 30, 2014**		Nine months ended September 30, 2013	
(in thousands)	**Deferred Share Units**	**Restricted Share Units**	Deferred Share Units	Restricted Share Units
Outstanding at beginning of period	**393**	**286**	345	302
Granted (a)	**32**	**107**	21	117
Dividends declared	**15**	**13**	13	15
Forfeited	**—**	**—**	—	(31)
Outstanding at end of period	**440**	**406**	379	403
Share units available to be granted based on the current reserve	**315**	**947**	201	438
Expense recorded for the period *(thousands of Canadian dollars)*	**$ 600**	**$ 1,149**	$ 570	$ 1,003

(a) The fair value of the DSUs granted during the nine months ended September 30, 2014 was $0.6 million (nine months ended September 30, 2013 – $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, 2014 was $1.6 million (nine months ended September 30, 2013 – $2.2 million), measured based on the Company's share price on the date of grant.

18. NET OPERATING INCOME

Net operating income is as follows:

Three months ended September 30, 2014 *(unaudited) (thousands of Canadian dollars)*	**Central Region**	**Eastern Region**	**Western Region**	**Subtotal**	**Other (1)**	**Total**
Property rental revenue	**$ 69,731**	**$ 41,044**	**$ 51,797**	**$ 162,572**	**$ (266)**	**$ 162,306**
Property operating costs	**26,154**	**15,971**	**16,593**	**58,718**	**(173)**	**58,545**
Net operating income	**$ 43,577**	**$ 25,073**	**$ 35,204**	**$ 103,854**	**$ (93)**	**$ 103,761**

Three months ended September 30, 2013 *(unaudited) (thousands of Canadian dollars)*	Central Region	Eastern Region	Western Region	Subtotal	Other (1)	Total
Property rental revenue	$ 66,727	$ 39,029	$ 49,290	$ 155,046	$ (242)	$ 154,804
Property operating costs	25,121	15,136	16,486	56,743	(308)	56,435
Net operating income	$ 41,606	$ 23,893	$ 32,804	$ 98,303	$ 66	$ 98,369

Nine months ended September 30, 2014 *(unaudited) (thousands of Canadian dollars)*	**Central Region**	**Eastern Region**	**Western Region**	**Subtotal**	**Other (1)**	**Total**
Property rental revenue	**$ 208,270**	**$ 124,227**	**$ 154,671**	**$ 487,168**	**$ (798)**	**$ 486,370**
Property operating costs	**80,056**	**51,419**	**50,945**	**182,420**	**(437)**	**181,983**
Net operating income	**$ 128,214**	**$ 72,808**	**$ 103,726**	**$ 304,748**	**$ (361)**	**$ 304,387**

Nine months ended September 30, 2013 (unaudited) (thousands of Canadian dollars)		Central Region		Eastern Region		Western Region		Subtotal		Other [1]		Total
Property rental revenue	$	202,669	$	119,403	$	149,311	$	471,383	$	(872)	$	470,511
Property operating costs		77,554		48,618		50,041		176,213		(1,207)		175,006
Net operating income	$	125,115	$	70,785	$	99,270	$	295,170	$	335	$	295,505

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

For the three months ended September 30, 2014, property operating costs includes $5.4 million (three months ended September 30, 2013 – $5.1 million) related to employee compensation. Property operating costs for the nine months ended September 30, 2014 includes $17.1 million (nine months ended September 30, 2013 – $15.5 million) related to employee compensation.

19. INTEREST AND OTHER INCOME

(unaudited)		Three months ended September 30		Nine months ended September 30	
(thousands of Canadian dollars)	**Notes**	**2014**	2013	**2014**	2013
Interest, dividend and distribution income from marketable securities and cash investments	7,8	**$ 1,432**	$ 1,095	**$ 3,243**	$ 2,659
Interest income from mortgages and loans receivable	7,8	**2,021**	1,821	**5,619**	4,179
Fees and other income		**—**	115	**—**	896
		$ 3,453	$ 3,031	**$ 8,862**	$ 7,734

20. INTEREST EXPENSE

(unaudited)		Three months ended September 30		Nine months ended September 30	
(thousands of Canadian dollars)	**Note**	**2014**	2013	**2014**	2013
Mortgages and credit facilities		**$ 16,278**	$ 17,804	**$ 48,778**	$ 57,874
Senior unsecured debentures		**28,278**	23,065	**80,223**	65,481
Convertible debentures					
Coupon interest		**5,035**	5,049	**14,933**	14,681
Accretion of discounts		**397**	383	**1,184**	1,124
Amortization of deferred issue costs		**558**	524	**1,652**	1,506
Total interest expense		**50,546**	46,825	**146,770**	140,666
Interest capitalized to investment properties and residential development inventory		**(6,172)**	(5,716)	**(17,342)**	(16,697)
Interest expense		**$ 44,374**	$ 41,109	**$ 129,428**	$ 123,969
Convertible debenture interest paid in common shares	14	**(9,934)**	(10,286)	**(19,913)**	(19,054)
Change in accrued interest		**4,795**	(1,151)	**(880)**	(3,156)
Effective interest rate in excess of coupon rate on senior unsecured and convertible debentures		**(290)**	(362)	**(944)**	(1,087)
Effective interest in excess of coupon interest on assumed mortgages		**1,015**	1,149	**3,138**	3,551
Other non-cash interest expense		**(1,711)**	(1,335)	**(4,534)**	(3,978)
Interest capitalized to investment properties and residential development inventory		**6,173**	5,716	**17,343**	16,697
Cash interest paid		**$ 44,422**	$ 34,840	**$ 123,638**	$ 116,942

21. CORPORATE EXPENSES

(unaudited)	Three months ended September 30		Nine months ended September 30	
(thousands of Canadian dollars)	**2014**	2013	**2014**	2013
		(Restated – Note 3)		*(Restated – Note 3)*
Salaries, wages and benefits	**$ 6,078**	$ 4,868	**$ 18,247**	$ 16,495
Non-cash compensation	**664**	643	**1,993**	2,107
Other corporate costs	**2,984**	3,158	**7,990**	7,882
	9,726	8,669	**28,230**	26,484
Amounts capitalized to investment properties under development and residential inventory	**(1,986)**	(1,429)	**(5,435)**	(4,808)
Total	**$ 7,740**	$ 7,240	**$ 22,795**	$ 21,676

22. OTHER GAINS (LOSSES) AND (EXPENSES)

(unaudited)		Three months ended September 30		Nine months ended September 30	
(thousands of Canadian dollars)	**Note**	**2014**	2013	**2014**	2013
Realized gains on sale of marketable securities		**$ 147**	$ 237	**$ 784**	$ 2,484
Change in cumulative unrealized (losses) gains on marketable securities classified as FVTPL		**(573)**	(1,171)	**659**	(2,137)
Losses on prepayments of debt		**(1,229)**	(29)	**(1,567)**	(4,064)
Unrealized (losses) gains on hedges	15(a)	**(40)**	27	**(80)**	290
Gain on settlement of litigation		**—**	1,376	**—**	1,376
Gain on foreign currency exchange		**—**	(7)	**2**	43
Pre-selling costs of residential inventory		**(44)**	(22)	**(80)**	(95)
Transition services and protective rights agreement		**—**	—	**(1,450)**	—
Net gain on sale of residential inventory (a)		**—**	—	**—**	2,965
Investment properties – selling costs		**(1,142)**	(2)	**(2,272)**	(4,721)
Other income			—		—
Total		**$ (2,881)**	$ 409	**$ (4,004)**	$ (3,859)

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

(unaudited)	Three months ended September 30		Nine months ended September 30	
(thousands of Canadian dollars)	**2014**	2013	**2014**	2013
Sales	**$ —**	$ 609	**$ 977**	$ 28,792
Cost of sales	**—**	(609)	**(977)**	(25,827)
Net gain on sale	**$ —**	$ —	**$ —**	$ 2,965

23. INCOME TAXES

The major components of income tax expense include the following:

(unaudited)	Three months ended September 30		Nine months ended September 30	
(thousands of Canadian dollars)	**2014**	2013	**2014**	2013
Deferred income taxes	**$ 9,245**	$ 12,453	**$ 37,600**	$ 42,912

The following reconciles the Company's statutory tax rate to its effective tax rate for the three and nine months ended September 30, 2014 and 2013:

(unaudited)	Three months ended September 30		Nine months ended September 30	
(thousands of Canadian dollars)	**2014**	2013	**2014**	2013
Income tax expense at the Canadian federal and provincial income tax rate of 26.27% (2013 – 26.27%)	**$ 13,113**	$ 14,058	**$ 50,161**	$ 55,102
(Decrease) increase in income taxes due to:				
Non-taxable portion of capital gains and other	**(2,136)**	(1,644)	**(11,040)**	(13,245)
Non-deductible interest	**105**	101	**312**	295
Changes in timing of reversals	**—**	9	**—**	1,001
Other	**(1,837)**	(71)	**(1,833)**	(241)
Deferred income taxes	**$ 9,245**	$ 12,453	**$ 37,600**	$ 42,912

24. PER SHARE CALCULATIONS

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

(unaudited)	Three months ended September 30		Nine months ended September 30	
(thousands of Canadian dollars, except per share amounts and other data)	**2014**	2013	**2014**	2013
Net income attributable to common shareholders	**$ 39,020**	$ 41,078	**$ 151,941**	$ 166,960
Adjustment for dilutive effect of convertible debentures, net of tax	**548**	—	**12,242**	1,321
Income for diluted per share amounts	**$ 39,568**	$ 41,078	**$ 164,183**	$ 168,281
(in thousands)				
Weighted average number of shares outstanding for basic per share amounts	**211,759**	208,403	**210,372**	207,961
Options	**591**	416	**558**	711
Convertible debentures	**3,010**	—	**20,873**	1,754
Weighted average diluted share amounts	**215,360**	208,819	**231,803**	210,426
Basic net income per share attributable to common shareholders	**$ 0.18**	$ 0.20	**$ 0.72**	$ 0.80
Diluted net income per share attributable to common shareholders	**$ 0.18**	$ 0.20	**$ 0.71**	$ 0.80

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			
(unaudited) (in Canadian dollars, number of options in thousands)	**Exercise Price**	**2014**	Exercise Price	2013
Common share options	**$ 18.97**	**846**	$ 17.90	849
Common share options	**$ 19.02**	**50**	$ 18.97	1,022
Convertible debentures - 5.70%	**$ 18.75**	**2,287**	$ 18.75	2,344
Convertible debentures - 5.40%	**$ 22.62**	**3,004**	$ 22.62	2,541
Convertible debentures - 5.25%	**$ 23.77**	**2,997**	$ 23.77	2,418
Convertible debentures - 5.25%	**$ 23.25**	**2,643**	$ 23.25	2,150
Convertible debentures - 4.95%	**$ 23.75**	**3,958**	$ 23.75	3,157
Convertible debentures - 4.75%	**$26.75-$27.75**	**2,777**	$26.75-$27.75	1,962
Convertible debentures - 4.45%	**$ —**	**—**	$26.75-$27.75	2,148

Nine months ended September 30		Number of Shares if Exercised		
(unaudited) (in Canadian dollars, number of options in thousands)	**Exercise Price**	**2014**	Exercise Price	2013
Common share options	**$ 18.97**	**846**	$ 17.90	849
Common share options	**$ 19.02**	**50**	$ 18.97	1,022
Convertible debentures - 5.70%	**$ —**	**—**	$ 18.75	2,182
Convertible debentures - 5.40%	**$ —**	**—**	$ 22.62	2,369
Convertible debentures - 5.25%	**$ —**	**—**	$ 23.77	2,251
Convertible debentures - 5.25%	**$ —**	**—**	$ 23.25	2,003
Convertible debentures - 4.95%	**$ —**	**—**	$ 23.75	2,951
Convertible debentures - 4.75%	**$ —**	**—**	$26.75-$27.75	1,824

Regular dividends paid per common share were $0.215 for the three months ended September 30, 2014 (three months ended September 30, 2013 – $0.210). Regular dividends paid per common share were $0.635 for the nine months ended September 30, 2014 (nine months ended September 30, 2013 – $0.630).

25. RISK MANAGEMENT

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

(a) Interest rate risk

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

(b) Credit risk

Credit risk arises from the possibility that tenants and/or debtors may experience financial difficulty and be unable or unwilling to fulfill their lease commitments or loan obligations. The Company mitigates the risk of credit loss by investing in well-located properties in urban markets that attract high quality tenants, ensuring that its tenant mix is diversified, and by limiting its exposure to any one tenant. As at September 30, 2014, Loblaw Companies Limited ("Loblaws") accounts for 10.2% of the Company's annualized minimum rent and has an investment grade credit rating. Other than Loblaws, no other tenant accounts for more than 6.9% of the annualized minimum rent. A tenant's success over the term of its lease and its ability to fulfill its lease obligations is subject to many factors. There can be no assurance that a tenant will be able to fulfill all of its existing commitments and leases up to the expiry date.

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

(c) Liquidity risk

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

An analysis of the Company's contractual maturities of its material financial liabilities and other contractual commitments as at September 30, 2014 is set out below:

(unaudited)	Payments Due by Period				
(thousands of Canadian dollars)	Remainder of 2014	2015 to 2016	2017 to 2018	Thereafter	Total
Mortgages					
Scheduled amortization	$ 8,639	$ 55,844	$ 40,723	$ 54,245	$ 159,451
Payments on maturity	33,301	370,643	205,947	452,604	1,062,495
Total mortgage obligations	41,940	426,487	246,670	506,849	1,221,946
Mortgage on equity accounted joint venture	110	10,425	—	—	10,535
Senior unsecured debentures	—	125,000	400,000	1,760,000	2,285,000
Loan and mortgage payable (1)	16,407	3,644	—	—	20,051
Interest obligations (2)	41,095	304,751	243,556	357,816	947,218
Land leases (expiring between 2023 and 2061)	245	1,964	1,988	18,564	22,761
Contractual committed costs to complete current development projects	47,626	85,122	—	—	132,748
Other committed costs	15,735	51,275	—	—	67,010
Total contractual obligations (3)	$ 163,158	$ 1,008,668	$ 892,214	$ 2,643,229	$ 4,707,269

(1) Loans and mortgage payable include a $3.6 million loan relating to residential development inventory (Note 16) and a $16.4 million third–party loan which is secured by $16.5 million in Government of Canada bonds (Note 16).

(2) Interest obligations include expected interest payments on mortgages and credit facilities as at September 30, 2014 (assuming balances remain outstanding through to maturity), and senior unsecured debentures, as well as standby credit facility fees.

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

The Company's total estimated costs to complete development projects currently under construction are $242.3 million with $132.7 million contractually committed as at September 30, 2014.

The Company manages its liquidity risk by staggering debt maturities; renegotiating expiring credit arrangements proactively; using undrawn lines of credit; and issuing equity when considered appropriate. As at September 30, 2014, there was nil (December 31, 2013 – nil) of cash advances drawn against the Company's revolving credit facilities.

In addition, as at September 30, 2014, the Company has $42.3 million (December 31, 2013 – $43.4 million) of outstanding letters of credit that have been issued by financial institutions primarily to support certain of the Company's contractual obligations.

26. FAIR VALUE MEASUREMENT

The fair value hierarchy of financial instruments measured at fair value on the Consolidated Balance Sheets is as follows:

As at (unaudited)		**September 30, 2014**			December 31, 2013		
(thousands of Canadian dollars)	**Notes**	**Level 1**	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
Financial Assets							
FVTPL investments in equity securities	8	**$ 31,123**	**$ —**	**$ —**	$ 27,764	$ —	$ —
AFS investments in equity securities	7,8	**387**	**—**	**4,099**	455	—	3,631
Derivatives at fair value – assets	10	**—**	**234**	**—**	—	3,148	—
Financial Liabilities							
Derivatives at fair value – liabilities	16	**—**	**49**	**—**	—	936	—
Short positions in marketable securities	16	**9,120**	**—**	**—**	8,089	—	—

The fair values of the Company's cash and cash equivalents, amounts receivable, deposits, loans receivable from sales of residential inventory, restricted cash and accounts payable and other liabilities approximate their carrying values as at September 30, 2014 and December 31, 2013 due to their short term nature.

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

The fair value of derivative instruments 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, 2014, the interest rates ranged from 2.05% to 4.02% (December 31, 2013 – 2.77% to 4.50%).

27. SUPPLEMENTAL OTHER COMPREHENSIVE INCOME (LOSS) INFORMATION

(a) Accumulated other comprehensive loss

Nine months ended September 30			**2014**			2013
(unaudited) (thousands of Canadian dollars)	**Opening Balance January 1**	**Net Change During the Year**	**Closing Balance September 30**	Opening Balance January 1	Net Change During the Year	Closing Balance September 30
Change in cumulative unrealized (losses) gains on available-for-sale marketable securities	**$ (124)**	**$ 116**	**$ (8)**	$ 19	$ (160)	$ (141)
Unrealized losses on cash flow hedges	**(283)**	**(5,763)**	**(6,046)**	(4,199)	3,138	(1,061)
Accumulated other comprehensive loss	**$ (407)**	**$ (5,647)**	**$ (6,054)**	$ (4,180)	$ 2,978	$ (1,202)

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

Three months ended September 30			**2014**			2013
(unaudited) (thousands of Canadian dollars)	**Before-Tax Amount**	**Tax (Expense) Recovery**	**Net of Tax Amount**	Before-Tax Amount	Tax (Expense) Recovery	Net of Tax Amount
Unrealized gains on AFS marketable securities	**$ 7**	**$ (1)**	**$ 6**	$ 86	$ (23)	$ 63
Reclassification of gains on AFS marketable securities to net income	**6**	**(1)**	**5**	21	(6)	15
Unrealized (losses) gains on cash flow hedges	**(2,108)**	**556**	**(1,552)**	534	(126)	408
Reclassification of losses on cash flow hedges to net income	**333**	**(87)**	**246**	85	(22)	63
Other comprehensive (loss) income	**$ (1,762)**	**$ 467**	**$ (1,295)**	$ 726	$ (177)	$ 549

Nine months ended September 30			**2014**			2013
(unaudited) (thousands of Canadian dollars)	**Before-Tax Amount**	**Tax (Expense) Recovery**	**Net of Tax Amount**	Before-Tax Amount	Tax (Expense) Recovery	Net of Tax Amount
Unrealized gains (losses) on AFS marketable securities	**$ 74**	**$ (9)**	**$ 65**	$ (264)	$ 69	$ (195)
Reclassification of gains (losses) on AFS marketable securities to net income	**58**	**(7)**	**51**	48	(13)	35
Unrealized (losses) gains on cash flow hedges	**(8,317)**	**2,186**	**(6,131)**	3,397	(917)	2,480
Reclassification of losses on cash flow hedges to net income	**498**	**(130)**	**368**	892	(234)	658
Other comprehensive (loss) income	**$ (7,687)**	**$ 2,040**	**$ (5,647)**	$ 4,073	$ (1,095)	$ 2,978

28. SUPPLEMENTAL CASH FLOW INFORMATION

(a) Items not affecting cash and other items

(unaudited)		Three months ended September 30		Nine months ended September 30	
(thousands of Canadian dollars)	**Note**	**2014**	2013	**2014**	2013
Rental revenue recognized on a straight-line basis		**$ (1,480)**	$ (2,064)	**$ (4,969)**	$ (7,855)
Investment properties – selling costs	22	**1,142**	2	**2,272**	4,725
Realized gains on sale of marketable securities	22	**(147)**	(237)	**(784)**	(2,484)
Change in cumulative unrealized losses (gains) on marketable securities classified as FVTPL	22	**573**	1,171	**(659)**	2,137
Losses on prepayments of debt	22	**1,229**	29	**1,567**	4,064
Gain on sale of residential inventory	22	**—**	—	**—**	(2,965)
Non-cash compensation expense		**702**	690	**2,102**	2,257
Loss (gain) on foreign currency exchange	22	**—**	7	**(2)**	(43)
Deferred income taxes	23	**9,245**	12,453	**37,600**	42,912
Unrealized (gains) losses on hedges	22	**40**	(27)	**80**	(290)
		$ 11,304	$ 12,024	**$ 37,207**	$ 42,458

(b) Net change in non-cash operating items

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

(unaudited)	Three months ended September 30		Nine months ended September 30	
(thousands of Canadian dollars)	**2014**	2013	**2014**	2013
Amounts receivable	**$ 6,543**	$ 3,894	**$ 3,156**	$ (2,670)
Prepaid expenses	**(1,950)**	(4,243)	**(24,208)**	(23,828)
Trade payables and accruals	**(5,603)**	(7,390)	**1,649**	(6,265)
Tenant security and other deposits	**2,329**	179	**2,969**	403
Other working capital changes	**(1,058)**	(2,327)	**(891)**	(5,113)
	$ 261	$ (9,887)	**$ (17,325)**	$ (37,473)

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

(unaudited)	Three months ended September 30		Nine months ended September 30	
(thousands of Canadian dollars)	**2014**	2013	**2014**	2013
Increase in loans and mortgages receivable, net	**$ (17,949)**	$ 2,766	**$ (35,494)**	$ (60,151)
Investment in marketable securities, net	**(8,887)**	(5,608)	**(25,350)**	(40,876)
Proceeds from disposition of marketable securities	**8,394**	3,765	**23,451**	28,673
	$ (18,442)	$ 923	**$ (37,393)**	$ (72,354)

(d) Cash and cash equivalents

As at *(unaudited) (thousands of Canadian dollars)*	**September 30, 2014**	December 31, 2013
Cash	**$ 221,541**	$ 4,679
Term deposits	**375**	296
	$ 221,916	$ 4,975

29. 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, for approximately $46.9 million (December 31, 2013 – $60.0 million) to various lenders in connection with certain obligations, including loans advanced to its joint venture partners secured by the partners' interest in the joint ventures and underlying assets.

(c) The Company is contingently liable by way of letters of credit in the amount of $42.3 million (December 31, 2013 – $43.4 million), issued by financial institutions on the Company's behalf in the ordinary course of business.

(d) The Company has obligations as lessee under long-term finance leases for land. Annual commitments under these ground leases are approximately $1.0 million (December 31, 2013 – $1.0 million) with a total obligation of $22.8 million (December 31, 2013 – $23.5 million).

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

(f) The Company has an outstanding commitment to purchase an income property on completion of construction for a price at an agreed-upon capitalization rate. Closing of the purchase is expected in 2017.

(g) The Company has binding agreements to sell four properties that are expected to close in the fourth quarter of 2014, for aggregate proceeds of approximately $80 million before closing costs, subject to customary closing conditions.

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

30. RELATED PARTY TRANSACTIONS

(a) Major Shareholder

Gazit-Globe Ltd. ("Gazit") is the principal shareholder of the Company and, as of September 30, 2014, beneficially owns 44.1% (December 31, 2013 – 45.3%) of the common shares of the Company. Norstar Holdings Inc. is the ultimate controlling party. As of September 30, 2014, Alony-Hetz Properties and Investments Ltd. (''Alony-Hetz'') also beneficially owns 8.3% (December 31, 2013 – 8.5%) of the common shares of the Company. Alony-Hetz and Gazit have entered into a shareholders' agreement pursuant to which, among other terms, (i) Gazit has agreed to vote its common shares of the Company in favour of the election of up to two representatives of Alony-Hetz to the Board of Directors of the Company, and (ii) Alony-Hetz has agreed to vote its common shares of the Company in favour of the election of the nominees of Gazit as the remaining directors of the Company.

During the third quarter of 2014, Gazit and Alony-Hetz purchased 883,000 and 167,000 of the common shares of the Company, respectively, under the Company's 5,250,000 common share equity offering for $19.06 per share. Gazit and Alony-Hetz purchased the common shares as part of and at the same price as the public offering (refer to Note 17(a)), and no underwriting commissions were paid by the Company in connection with the common shares purchased by them.

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

Such amounts consist of the following:

(unaudited)	Three months ended September 30		Nine months ended September 30	
(thousands of Canadian dollars)	**2014**	2013	**2014**	2013
Reimbursements for professional services	**$ 156**	$ 186	**$ 536**	$ 537

As at September 30, 2014, amounts due from Gazit were $0.3 million (December 31, 2013 – $0.2 million).

(b) Subsidiaries of the Company

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

31. SUBSEQUENT EVENTS

Dividend

The Company announced that it will pay a fourth quarter dividend of $0.215 per common share on January 9, 2015 to shareholders of record on December 31, 2014.

Succession Planning

On November 3, 2014, the Board of Directors of First Capital Realty Inc. announced the appointment of Adam Paul as President and Chief Executive Officer of the Company and as a member of the Board of Directors of the Company, effective in the first quarter of 2015. The appointment of a successor to First Capital Realty's long-standing CEO, Dori Segal, is part of the Board’s overall succession planning with respect to leadership roles at the Company. Mr. Segal will assume a new role, becoming the Executive Vice Chairman of the Board of Directors of the Company and Chairman of the Executive Committee of the Board. Amounts payable to Mr. Segal as a result of this change have not yet been finalized.

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

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Gregory J. Menzies
Executive Vice President, Eastern Canada

Jodi M. Shpigel
Senior Vice President, Central Canada

Roger J. Chouinard
General Counsel and Corporate Secretary

Ralph Huizinga
Vice President, Acquisitions &
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