First Capital Realty Inc.

2018
Third Quarter

Corporate Profile

First Capital Realty (TSX: FCR) is one of Canada's largest owners, developers and managers of grocery anchored, retail-focused urban properties where people live and shop for everyday life. As at September 30, 2018, the Company owned interests in 166 properties, totaling approximately 25.5 million square feet of gross leasable area. First Capital Realty had an enterprise value of approximately $9.3 billion and its common shares trade on the Toronto Stock Exchange.

Financial Highlights

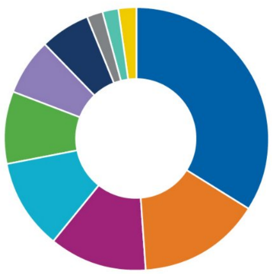
As at *(millions of dollars, except per share amounts)*	**September 30, 2018**	December 31, 2017
Total assets	**$ 10,317**	$ 9,969
Total equity market capitalization [1]	**$ 4,969**	$ 5,065
Enterprise value [1]	**$ 9,306**	$ 9,480
Net debt to total assets	**41.7%**	43.4%
Quarterly dividend per common share	**$ 0.215**	$ 0.215

Operating Highlights

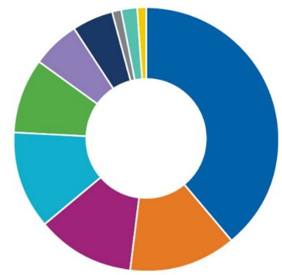
Nine months ended September 30 *(millions of dollars, except per share amounts)*	**2018**	2017
Property rental revenue	**$ 545**	$ 517
Net operating income ("NOI") [1]	**$ 340**	$ 326
Net income attributable to common shareholders	**$ 279**	$ 558
Funds from Operations ("FFO") [1]		
FFO	**$ 230**	$ 211
FFO per diluted share	**$ 0.923**	$ 0.861
FFO payout ratio	**69.9%**	74.9%
Cash provided by operating activities	**$ 169**	$ 163
Adjusted Cash Flow from Operations ("ACFO") [1]		
ACFO	**$ 196**	$ 181
ACFO payout ratio	**81.3%**	89.4%

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

Urban Markets*



	% of Annual Minimum Rent	% of Portfolio Value
Greater Toronto Area	34%	39%
Greater Montreal Area	15%	13%
Greater Calgary Area	12%	12%
Greater Vancouver Area	11%	12%
Greater Edmonton Area	9%	9%
Greater Ottawa Area	7%	6%
Golden Horseshoe Area	6%	5%
London / Windsor Area	2%	1%
Quebec City	2%	2%
Red Deer and Other	2%	1%
Total	**100%**	**100%**



*as at September 30, 2018

Shopping For Everyday Life®

	# OF STORES	% OF RENT	TENANTS
Grocery Stores	138	18.0%	Loblaws, Sobeys, metro, save on foods, Whole Foods Market, Longo's
Pharmacies	136	9.1%	Shoppers Drug Mart, Rexall, London Drugs, Jean Coutu, McKesson, Brunet
Liquor Stores	102	3.4%	LCBO, Beer Store, BC Liquor Store, SAQ, Alcanna, Western Cellars
Banks & Credit Unions	217	8.6%	TD, RBC, CIBC, BMO, Scotiabank, Desjardins, National Bank
Restaurants and Cafes	999	13.7 %	Tim Hortons, Starbucks, Cara, freshii, McDonald's, aroma espresso bar
Medical, Professional & Personal Services	1497	14.5%	Alberta Health Services, UPS, Allstate You're in good hands., H&R Block, First Choice Haircutters
Fitness Facilities	89	3.6%	GoodLife Fitness, Equinox Fitness Clubs, LA Fitness, Orangetheory Fitness, Anytime Fitness, SoulCycle
Daycare & Learning Centres	97	1.3%	E-Commerce Proof ~33%; Kumon Math. Reading. Success., brightpath, Oxford Learning, kids & company
Other Necessity-Based Retailers	578	18.4%	Canadian Tire, Walmart, Dollarama, GNC Live Well, Winners, PetSmart
Other Tenants	627	9.4%	Cineplex Entertainment, west elm, Sleep Country, Nordstrom, Sherwin Williams, Chanel

As at September 30, 2018

MD&A

MANAGEMENT'S DISCUSSION AND ANALYSIS

Table of Contents

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

INTRODUCTION

This Management's Discussion and Analysis ("MD&A") of the financial position and results of operations of First Capital Realty Inc. ("First Capital Realty", "FCR" or the "Company") is intended to provide readers with an assessment of performance and summarize the financial position and results of operations for the three and nine months ended September 30, 2018 and 2017. It should be read in conjunction with the Company's audited annual consolidated financial statements for the years ended December 31, 2017 and 2016. Additional information, including the Company's current Annual Information Form, is available on the SEDAR website at www.sedar.com and on the Company's website at www.fcr.ca.

All dollar amounts are in thousands of Canadian dollars, unless otherwise noted. Historical results and percentage relationships contained in the Company's unaudited interim and audited annual consolidated financial statements and MD&A, including trends which might appear, should not be taken as indicative of its future operations. The information contained in this MD&A is based on information available to Management and is dated as of November 6, 2018.

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

FORWARD-LOOKING STATEMENT ADVISORY

Certain statements contained in this MD&A constitute forward-looking statements. Other statements concerning First Capital Realty's objectives and strategies and Management's beliefs, plans, estimates and intentions also constitute forward-looking statements. Forward-looking statements can generally be identified by the expressions "anticipate", "believe", "plan", "estimate", "project", "expect", "intend", "outlook", "objective", "may", "will", "should", "continue" and similar expressions. The forward-looking statements are not historical facts but, rather, reflect the Company's current expectations regarding future results or events and are based on information currently available to Management. Certain material factors and assumptions were applied in providing these forward-looking statements. Forward-looking information involves numerous assumptions such as rental income (including assumptions on timing of lease-up, development coming online and levels of percentage rent), interest rates, tenant defaults, borrowing costs (including the underlying interest rates and credit spreads), the general availability of capital and the stability of the capital markets, amount of development costs, capital expenditures, operating costs and corporate expenses, level and timing of acquisitions of income-producing properties, the Company's ability to complete dispositions and the timing, terms and anticipated benefits of any such dispositions, the Company's ability to redevelop, sell or enter into partnerships with respect to the future uncommitted incremental density it has identified in its portfolio, number of shares outstanding and numerous other factors. Moreover, the assumptions underlying the Company's forward-looking statements contained in the "Outlook and Current Business Environment" section of this MD&A also include that consumer demand will remain stable, and demographic trends will continue.

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

Factors that could cause actual results or events to differ materially from those expressed, implied or projected by forward-looking statements, in addition to those factors referenced above, include, but are not limited to: general economic conditions; real property ownership; tenant financial difficulties, defaults and bankruptcies; the relative illiquidity of real property; increases in operating costs and property taxes; First Capital Realty's ability to maintain occupancy and to lease or re-lease space at current or anticipated rents; the availability and cost of equity and debt capital to finance the Company's business, including the repayment of existing indebtedness as well as development, intensification and acquisition activities; changes in interest rates and credit spreads; changes to credit ratings; the availability of a new competitive supply of retail properties which may become available either through construction, lease or sublease; unexpected costs or liabilities related to acquisitions, development and construction; geographic and tenant *concentration; residential development, sales and leasing; compliance with financial covenants; changes in governmental regulation; environmental liability and compliance costs; unexpected costs or liabilities related to dispositions; challenges associated with the integration of acquisitions into the Company; uninsured losses and First Capital Realty’s ability to obtain insurance coverage at a reasonable cost; risks in joint ventures; matters associated with significant shareholders; investments subject to credit and market risk; loss of key personnel; and the ability of tenants to maintain necessary licenses, certifications and accreditations.*

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

All forward-looking statements in this MD&A are made as of November 6, 2018 and are qualified by these cautionary statements.

BUSINESS OVERVIEW AND STRATEGY

First Capital Realty (TSX : FCR) is one of Canada’s largest owners, developers and managers of grocery anchored, retail-focused urban properties where people live and shop for everyday life. As at September 30, 2018, the Company owned interests in 166 properties, totaling approximately 25.5 million square feet of gross leasable area (“GLA”).

First Capital Realty’s primary strategy is the creation of value over the long term by generating sustainable growth in cash flow and capital appreciation of its urban portfolio. To achieve the Company’s strategic objectives, Management continues to:

- undertake selective development, redevelopment and repositioning activities on its properties, including land use intensification;
- be focused and disciplined in acquiring well-located properties, primarily where there are value creation opportunities, including sites in close proximity to existing properties in the Company’s target urban markets;
- proactively manage its existing portfolio to drive rent growth;
- increase efficiency and productivity of operations; and
- maintain financial strength and flexibility to support a competitive cost of capital.

OUTLOOK AND CURRENT BUSINESS ENVIRONMENT

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

Changing Consumer Habits

The Company continues to observe several demographic and other trends that may affect demand for retail goods and services, including an increasing reliance by consumers on online information to influence their purchasing decisions and an increasing desire to purchase products online, as well as an aging population which is increasingly focused on convenience and health-related goods and services. There is also a shift in consumer demand driven by an increasing number of ethnic consumers as a result of Canada's immigration policies. Another trend that Management continues to observe is a desire for consumers to live in urban markets and to connect with others through daily or frequent trips to grocery stores, fitness centres, cafés, restaurants as well as other tenant categories in the Company's portfolio. In addition, the retail market is experiencing a change in the consumer mindset with a growing emphasis on customer experience through events, digital innovation, sampling demonstrations and personalized premium service, allowing for more integration and connection between retailers and consumers. Retailers have responded to these changes with a renewed focus on improving the overall customer experience both online and in-store by leveraging technology.

Management is proactively responding to these consumer changes through its tenant mix, unit sizes, shopping centre locations and designs.

Evolving Retail Landscape

Over the past several years, the Company has observed an increase in entry and/or expansion into the Canadian marketplace by several major U.S. and international retailers including Marshalls, Top Shop, Nordstrom, Saks Fifth Avenue, Uniqlo and others. Although such repositioning resulted in new opportunities for the Company, it also resulted in an increasingly competitive retail landscape in Canada. In addition, many retailers have announced store closures and/or bankruptcies, including Lowe's, Town Shoes, Sears Canada, Express, Bebe, and BCBG Max Azria. Although the Company’s exposure to these retailers is limited, these store closures have, in the short term, resulted in increased availability of retail space across Canada and have the potential to impact retail rental rates and leasing fundamentals.

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

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

Growth

For the nine months ended September 30, 2018, the Same Property portfolio delivered net operating income growth of 3.1% compared to the same prior year period. The growth in Same Property net operating income was primarily due to rent escalations and increased occupancy. As at September 30, 2018, total portfolio occupancy increased 1.2% to 96.5% compared to 95.3% as at September 30, 2017. For the nine months ended September 30, 2018, the monthly average occupancy for the total portfolio was 96.2% compared to 94.8%, while the monthly average Same Property portfolio occupancy was 96.8% compared to 95.6% for the same prior year period, respectively.

Urban municipalities where the Company operates continue to focus on increasing density within the existing boundaries of infrastructure. This provides the Company with multiple development and redevelopment opportunities in its existing portfolio of urban properties, which includes an inventory of adjacent land sites and development land. Management has identified meaningful incremental density available for future redevelopment within its portfolio. As at September 30, 2018, the Company had identified approximately 22.3 million square feet of incremental density available in the portfolio for future development including 2.6 million square feet of commercial and 19.7 million square feet of residential space.

Development activities continue to provide the Company with growth within its existing portfolio of assets. These activities typically improve the quality of the property, which in turn leads to meaningful growth in property rental income. The Company’s development activities primarily comprise redevelopments and expansions of existing properties in established retail trade areas in urban markets. These projects typically carry risk that is associated more with project execution rather than market risk, as projects are located in well-established urban communities with existing demand for goods and services. The Company has a long and successful track record of development activities and will continue to manage carefully the risks associated with such projects.

During the first nine months of the year, the Company transferred 197,000 square feet of new urban retail space as well as common areas from development to income-producing properties at a cost of $224.8 million. Occupied space was transferred at an average net rental rate of $40.44 per square foot, well above the average rate for the entire portfolio of $20.14.

Transaction Activity

The property acquisition environment remains extremely competitive for assets of similar quality to those owned by the Company. There are typically multiple bids on high quality properties and asset valuations reflect strong demand for well-located income-producing assets. In addition, well-located urban properties rarely trade in the market and attract significant competition when they do. As a result, the urban property acquisitions completed by the Company typically do not provide material accretion to the Company's results in the immediate term. However, the Company will continue to selectively acquire high quality, well-located properties that add strategic value and/or operating synergies, provided that they will be accretive to FFO and net asset value over time. Therefore, the Company expects to focus on development and redevelopment of existing assets as the primary means to grow the portfolio while continuing to make selective acquisitions that complement the existing portfolio, when and if opportunities arise.

During the first nine months of the year, the Company acquired interests in eleven properties, and one land parcel for $138.2 million, adding a total of 130,200 square feet of gross leasable area to the portfolio. Additionally, the Company invested $164.7 million in development and redevelopment activities.

The Company continues to evaluate its properties and will occasionally dispose of non-core properties. This allows the Company to redeploy capital into its core urban redevelopment projects where population, rent growth and consumer trends present the opportunity for better long-term growth.

During the first nine months of the year, the Company disposed of a 50.5% non-managing interest in a portfolio of six properties in London, Ontario as well as two land parcels and a partial interest in one property for $77.6 million. The Company also completed the sale of 19 properties that it owned through its joint venture interest in Main and Main Urban Realty for approximately $116.8 million at the Company's interest.

Financing Activity

During the first nine months of the year, the Company repaid $96.0 million of mortgages with a weighted average effective interest rate of 5.4% and secured $176.3 million of new mortgages with a weighted average effective interest rate of 3.8% and a weighted average term of 10.6 years.

On February 28, 2018, the Company redeemed its remaining 4.45% Series J convertible debentures for $55.1 million, at par. The full redemption price and any accrued interest owing on the convertible debentures was satisfied in cash.

On July 18, 2018, the Company issued 9.8 million common shares at a price of $20.50 for gross proceeds of $200.0 million which were raised to fund the acquisition of several properties and two development projects in the Company's core urban markets.

On August 30, 2018, the Company repaid its 5.25% Series J senior unsecured debentures totaling $50.0 million.

Outlook

Management is focused on the following five areas to achieve its objectives through 2018 and into 2019:

- development, redevelopment and repositioning activities including land use intensification;
- selective acquisitions of strategic assets and sites in close proximity to existing properties in the Company's target urban markets;
- proactive portfolio management that results in higher rent growth;
- increasing the efficiency and productivity of operations; and
- maintaining financial strength and flexibility to support a competitive cost of capital over the long-term.

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

NON-IFRS FINANCIAL MEASURES

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

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

Proportionate Interest

"Proportionate interest" or "Proportionate share" is defined by Management as the Company's proportionate share of revenues, expenses, assets and liabilities in all of its real estate investments. Under IFRS, the Company's five equity accounted joint ventures are presented on one line item in the consolidated balance sheets and the consolidated statements of income, in aggregate. In the "Non-IFRS Reconciliations and Financial Measures" section of this MD&A, Management presents a consolidated balance sheet and income statement as if its joint ventures were proportionately consolidated. In addition, Management presents certain tables relating to its shopping centre portfolio by geographic region, enterprise value, and debt metrics on a proportionate basis to enhance the relevance of the information presented. The presentation of financial information at the Company's proportionate interest provides a useful and more detailed view of the operation and performance of the Company's business and how Management operates and manages the business. This presentation also depicts the extent to which the underlying assets are leveraged, which are included in the Company's debt metrics. In addition, the Company's lenders require Management to calculate its debt metrics on a proportionate interest basis.

To achieve the proportionate presentation of its five equity accounted joint ventures, Management allocates the Company's proportionate share of revenues, expenses, assets, and liabilities to each relevant line item which replaces the one line presentation found in the IFRS consolidated financial statements. In addition, under IFRS, the Company exercises control over a sixth partially owned venture and consolidates 100% of the revenues, expenses, assets, and liabilities in the consolidated financial statements. In the reconciliations, the partially owned venture is also presented as if it was proportionately consolidated. To achieve the proportionate presentation of its partially owned venture, Management subtracts the non-controlling interest's share (the portion the Company doesn't own) of revenue, expenses, assets, and liabilities on each relevant line item. The Company does not independently control its joint ventures that are accounted for using the equity method, and the proportionate presentation of these joint ventures does not necessarily represent the Company's legal claim to such items.

Where noted, certain sections of this MD&A exclude the Company's proportionate share of Main and Main Urban Realty's ("MMUR") financial information to enhance the relevance of the information presented, as MMUR's business operations are not focused on operating stable income-producing properties at this time. Additionally, in the nine months ended September 30, 2018, MMUR completed the sale of the majority of its portfolio (19 of 23 properties) for approximately $116.8 million at the Company's interest.

Select financial information for MMUR is presented in the "Main & Main Urban Realty" section of this MD&A.

Net Operating Income

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

Total Same Property NOI

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

Same Property — Stable NOI

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

Funds from Operations

Funds from Operations ("FFO") is a recognized measure that is widely used by the real estate industry, particularly by publicly traded entities that own and operate income-producing properties. The Company calculates FFO in accordance with the recommendations of the Real Property Association of Canada ("REALPAC") as published in its most recent "White Paper on Funds From Operations and Adjusted Funds From Operations for IFRS" dated February 2018. Management considers FFO a meaningful additional financial measure of operating performance, as it excludes fair value gains and losses on investment properties as well as certain other items included in the Company's net income that may not be the most appropriate determinants of the long-term operating performance of the Company, such as investment property selling costs, deferred income taxes, and any gains, losses or transaction costs recognized in business combinations. FFO provides a perspective on the financial performance of the Company that is not immediately apparent from net income determined in accordance with IFRS. A reconciliation from net income to FFO can be found in the "Non-IFRS Reconciliations and Financial Measures — FFO and ACFO" section of this MD&A.

Adjusted Cash Flow from Operations

Adjusted Cash Flow from Operations ("ACFO") is a supplementary measure the Company began using in 2017 to measure operating cash flow generated from the business. ACFO replaced the Company's previously reported Adjusted Funds from Operations ("AFFO") as its supplementary cash flow metric. The Company calculates ACFO in accordance with the recommendations of REALPAC as published in its most recent "White Paper on Adjusted Cashflow From Operations (ACFO) for IFRS" dated February 2018.

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

Weighted average share count for FFO

For purposes of calculating per share amounts for FFO, the weighted average number of diluted shares outstanding is calculated assuming conversion of only those convertible debentures outstanding that would have a dilutive effect upon conversion, at the holders' contractual conversion price. As of February 28, 2018, the Company no longer has any convertible debentures outstanding.

FFO and ACFO Payout Ratios

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

Enterprise Value

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

Net Debt

Net debt is a measure used by Management in the computation of certain debt metrics, providing information with respect to certain financial ratios used in assessing the Company's debt profile. Net debt is calculated as the sum of principal amounts outstanding on credit facilities and mortgages, bank indebtedness and the par value of senior unsecured debentures reduced by the cash balances at the end of the period. Convertible debentures outstanding prior to February 28 2018, are excluded as the Company had the option to satisfy its obligations of principal and interest payments in respect of all of its outstanding convertible debentures by the issuance of common shares. As of February 28, 2018, the Company no longer has any convertible debentures outstanding.

Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization

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

Unencumbered Aggregate Assets

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

OPERATING METRICS

The Company presents certain operating metrics and portfolio statistics in the MD&A, which include property count, property category, GLA, occupancy, weighted average rate per occupied square foot, top 40 tenants, development pipeline, and renewal activities. The Company uses these operating metrics to monitor and measure operational performance period over period. To align the Company's GLA reporting with its ownership interest in its properties, unless otherwise noted, all GLA is presented at the Company's ownership interest (23.8 million square feet at its ownership interest compared to 25.5 million square feet at 100% as at September 30, 2018). These metrics exclude the operating metrics related to the Company's interest in MMUR as its business operations are not focused on operating stable income-producing properties at this time. Furthermore, in the nine months ended September 30, 2018, MMUR completed the sale of the majority of its portfolio (19 of 23 properties) for approximately $116.8 million at the Company's interest.

SUMMARY CONSOLIDATED INFORMATION AND HIGHLIGHTS

	Three months ended September 30		Nine months ended September 30	
	2018	2017	**2018**	2017
Revenues, Income and Cash Flows [1]				
Revenues and other income	**$ 190,639**	$ 179,363	**$ 565,284**	$ 538,067
NOI [2]	**$ 114,800**	$ 110,610	**$ 340,258**	$ 326,172
Increase (decrease) in value of investment properties, net	**$ 68,528**	$ 17,906	**$ 91,417**	$ 441,353
Net income attributable to common shareholders	**$ 131,427**	$ 83,046	**$ 279,300**	$ 558,256
Net income per share attributable to common shareholders (diluted)	**$ 0.52**	$ 0.34	**$ 1.12**	$ 2.25
Weighted average number of common shares – diluted – IFRS (in thousands)	**254,100**	248,626	**249,135**	249,751
Cash provided by operating activities	**$ 72,049**	$ 85,956	**$ 168,884**	$ 162,793
Dividends				
Dividends	**$ 54,931**	$ 52,612	**$ 160,564**	$ 157,733
Dividends per common share	**$ 0.215**	$ 0.215	**$ 0.645**	$ 0.645

As at September 30	**2018**	2017
Financial Information [1]		
Investment properties – shopping centres [3]	**$ 9,610,185**	$ 9,022,883
Investment properties – development land [3]	**$ 96,196**	$ 79,053
Hotel property	**$ 58,765**	$ —
Total assets	**$ 10,317,034**	$ 9,861,267
Mortgages [3]	**$ 1,119,342**	$ 1,025,281
Credit facilities	**$ 559,520**	$ 430,945
Senior unsecured debentures	**$ 2,546,991**	$ 2,720,626
Convertible debentures	**$ —**	$ 54,181
Shareholders' equity	**$ 4,981,511**	$ 4,618,170
Capitalization and Leverage		
Shares outstanding (in thousands)	**254,803**	243,964
Enterprise value [2]	**$ 9,306,000**	$ 9,170,000
Net debt to total assets [2] [4]	**41.7%**	43.3%
Weighted average term to maturity on mortgages and senior unsecured debentures (years)	**5.1**	5.4

As at September 30	2018	2017
Operational Information		
Number of properties	**166**	159
GLA (square feet) – at 100%	**25,519,000**	25,168,000
GLA (square feet) – at ownership interest	**23,797,000**	23,751,000
Occupancy – Same Property – stable (2)	**97.0%**	96.4%
Total portfolio occupancy	**96.5%**	95.3%
Development pipeline and adjacent land (GLA) (5) (6)		
Commercial pipeline (primarily retail)	**2,603,000**	2,477,000
Residential pipeline	**19,662,000**	11,856,000
Average rate per occupied square foot	**$ 20.14**	$ 19.48
GLA developed and brought online - at ownership interest	**197,000**	110,000
Same Property – stable NOI – increase (decrease) over prior period (2) (7)	**2.9%**	2.0%
Total Same Property NOI – increase (decrease) over prior period (2) (7)	**3.1%**	2.7%

	Three months ended September 30		Nine months ended September 30	
	2018	2017	**2018**	2017
Funds from Operations (2) (4)				
FFO	**$ 76,510**	$ 73,720	**$ 229,591**	$ 210,925
FFO per diluted share	**$ 0.30**	$ 0.30	**$ 0.92**	$ 0.86
FFO payout ratio	**71.4%**	71.4%	**69.9%**	74.9%
Weighted average number of common shares – diluted – FFO (in thousands)	**254,100**	245,137	**248,697**	245,014
Adjusted Cash Flow from Operations (2) (4)				
ACFO	**$ 71,464**	$ 72,221	**$ 195,796**	$ 180,642
ACFO payout ratio on a rolling four quarter basis			**81.3%**	89.4%

(1) As presented in the Company's IFRS consolidated financial statements.

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

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

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

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

(6) Beginning in the fourth quarter of 2017, the Company has included very long term projects that have an expected commencement date beyond 15 years.

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

BUSINESS AND OPERATIONS REVIEW

Real Estate Investments

Investment Property Categories

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

Total Same Property consisting of:

Same Property **–** *stable* **–** includes stable properties where the only significant activities are leasing and ongoing maintenance. Properties that will be undergoing a redevelopment in a future period, including adjacent parcels of land, and those having planning activities underway are also in this category until such development activities commence. At that time, the property will be reclassified to either Same Property with redevelopment or to major redevelopment.

Same Property with redevelopment **–** includes properties that are largely stable, including adjacent parcels of land, but are undergoing incremental redevelopment or expansion activities (pads or building extensions) which intensify the land use. Such redevelopment activities often include façade, parking, lighting and building upgrades.

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

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

Acquisitions and dispositions **–** consists of properties acquired during the period including those in close proximity to existing shopping centres. Dispositions include information for properties disposed of in the period.

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

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

The Company has applied the above property categorization to the fair value, capital expenditures as well as leasing and occupancy activity on its shopping centre portfolio, and to its Same Property NOI analysis to further assist in understanding the Company's real estate activities and its operating and financial performance.

Portfolio Overview

As at September 30, 2018, the Company had interests in 166 properties, which were 96.5% occupied with a total GLA of 25.5 million square feet (23.8 million square feet at the Company's ownership interest) and a fair value of $9.7 billion. This compares to 161 properties, which were 96.1% occupied with a total GLA of 25.3 million square feet (24.0 million square feet at the Company's ownership interest) and a fair value of $9.3 billion as at December 31, 2017. As at September 30, 2018, the average size of the properties is approximately 154,000 square feet, ranging from approximately 6,200 to over 548,000 square feet.

The Same Property portfolio includes properties sub-categorized in Same Property – stable and Same Property with redevelopment. The Same Property portfolio is comprised of 146 properties with a GLA of 21.9 million square feet (20.6 million square feet at the Company's ownership interest) and a fair value of $7.5 billion. These properties represent 88.0% of the Company's property count, 86.4% of its GLA and 78.5% of its fair value as at September 30, 2018.

The balance of the Company's real estate assets consists of properties which are in various stages of redevelopment, properties acquired in 2018 or 2017 and properties in close proximity to them, as well as properties held for sale.

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

As at	**September 30, 2018**				December 31, 2017			
	Number of Properties	**GLA (000s sq. ft.)**	**Occupancy**	**Weighted Average Rate per Occupied Square Foot**	Number of Properties	GLA (000s sq. ft.)	Occupancy	Weighted Average Rate per Occupied Square Foot
Same Property – stable	**132**	**17,542**	**97.0%**	**$ 19.66**	132	17,538	96.9%	$ 19.52
Same Property with redevelopment	**14**	**3,016**	**96.9%**	**18.94**	14	2,978	96.7%	18.46
Total Same Property	**146**	**20,558**	**97.0%**	**19.56**	146	20,516	96.9%	19.37
Major redevelopment	**10**	**2,234**	**92.8%**	**24.23**	10	2,287	90.3%	23.15
Ground-up development	**1**	**139**	**98.7%**	**30.19**	1	112	97.4%	29.70
Acquisitions – 2018	**5**	**122**	**92.6%**	**31.15**	—	—	—%	—
Acquisitions – 2017	**2**	**289**	**94.1%**	**31.79**	2	270	93.7%	29.99
Investment properties classified as held for sale	**2**	**455**	**96.3%**	**13.81**	2	499	90.9%	13.42
Dispositions – 2018	**—**	**—**	**—%**	**—**	—	307	98.8%	14.68
Total	**166**	**23,797**	**96.5%**	**$ 20.14**	161	23,991	96.1%	$ 19.69

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

As at	**September 30, 2018**							December 31, 2017						
(millions of dollars, except other data)	**Number of Properties**	**GLA (000s sq. ft.)**	**Fair Value[1]**	**% of Total Fair Value**	**Occupancy**	**Weighted Average Rate per Occupied Square Foot**	**% of Annual Minimum Rent**	Number of Properties	GLA (000s sq. ft.)	Fair Value[1]	% of Total Fair Value	Occupancy	Weighted Average Rate per Occupied Square Foot	% of Annual Minimum Rent
Central Region														
Greater Toronto Area	**49**	**6,888**	**$ 3,869**	**39%**	**97.2%**	**$ 23.74**	**34%**	47	6,806	$ 3,593	38%	97.2%	$ 22.97	34%
Golden Horseshoe Area	**8**	**1,601**	**442**	**5%**	**99.0%**	**16.41**	**6%**	8	1,601	446	5%	99.0%	16.21	6%
London/Windsor Area [2]	**7**	**504**	**115**	**1%**	**97.9%**	**14.25**	**2%**	7	733	179	2%	94.6%	15.49	2%
	64	**8,993**	**4,426**	**45%**	**97.5%**	**23.74**	**42%**	62	9,140	4,218	45%	97.3%	21.18	42%
Eastern Region														
Greater Montreal Area	**32**	**4,372**	**1,270**	**13%**	**94.0%**	**16.61**	**15%**	32	4,441	1,235	13%	93.0%	16.37	15%
Greater Ottawa Area	**13**	**1,895**	**584**	**6%**	**96.4%**	**18.07**	**7%**	12	1,990	569	6%	97.1%	17.17	7%
Quebec City	**5**	**995**	**187**	**2%**	**94.1%**	**11.27**	**2%**	5	994	190	2%	93.6%	11.10	2%
Other	**2**	**220**	**44**	**—%**	**94.6%**	**13.75**	**1%**	2	220	44	—%	94.6%	13.93	1%
	52	**7,482**	**2,085**	**21%**	**94.7%**	**16.19**	**25%**	51	7,645	2,038	21%	94.2%	15.78	25%
Western Region														
Greater Calgary Area	**17**	**2,595**	**1,159**	**12%**	**97.4%**	**22.75**	**12%**	16	2,505	1,119	12%	96.9%	22.71	12%
Greater Vancouver Area	**20**	**2,165**	**1,143**	**12%**	**97.0%**	**23.96**	**11%**	19	2,145	1,111	12%	96.1%	23.44	11%
Greater Edmonton Area	**12**	**2,318**	**860**	**9%**	**98.0%**	**19.14**	**9%**	12	2,312	830	9%	97.1%	19.39	9%
Red Deer	**1**	**244**	**77**	**1%**	**91.5%**	**21.31**	**1%**	1	244	80	1%	92.0%	20.28	1%
	50	**7,322**	**3,239**	**34%**	**97.3%**	**21.91**	**33%**	48	7,206	3,140	34%	96.6%	21.78	33%
Total	**166**	**23,797**	**$ 9,750**	**100%**	**96.5%**	**$ 20.14**	**100%**	161	23,991	$ 9,396	100%	96.1%	$ 19.69	100%

[1] At the Company's proportionate interest, excluding the fair value of MMUR's shopping centre properties of $43 million as at September 30, 2018 and $58 million as at December 31, 2017. Includes hotel property at net book value as at September 30, 2018.

[2] In the first quarter of 2018, the Company disposed of a 50.5% non-managing interest in a portfolio of six properties in London, Ontario.

Investment Properties – Shopping Centres

A continuity of the Company's investments in its shopping centre acquisitions, dispositions, development and portfolio improvement activities is as follows:

	Three months ended September 30		Nine months ended September 30	
(millions of dollars)	**2018**	2017	**2018**	2017
Balance at beginning of period	**$ 9,415**	$ 8,961	**$ 9,317**	$ 8,453
Acquisitions				
Shopping centres and additional adjacent spaces	**70**	16	**91**	27
Development activities and property improvements	**63**	39	**192**	155
Increase (decrease) in value of investment properties, net	**69**	19	**81**	434
Dispositions	**(6)**	(13)	**(78)**	(47)
Other changes	**(1)**	1	**7**	1
Balance at end of period [1]	**$ 9,610**	$ 9,023	**$ 9,610**	$ 9,023

[1] Includes investment properties classified as held for sale as at September 30, 2018 and 2017 totaling $103 million and $66 million, respectively.

2018 Acquisitions

Income-producing properties and Additional Adjacent Spaces

During the nine months ended September 30, 2018, the Company acquired eleven properties, as summarized in the table below:

Count	Property Name	City/Province	Quarter Acquired	Interest Acquired	GLA (sq. ft.)	Acquisition Cost (in millions)
1.	121 Scollard St. (Yorkville Village)	Toronto, ON	Q1	100%	4,500	$ 8.4
2.	731, 739 - 10th Avenue SW (GM Glenbow)	Calgary, AB	Q1	50%	10,400	6.0
3.	812 - 11th Avenue SW (GM Glenbow)	Calgary, AB	Q1	50%	5,500	1.8
4.	Molson Building	Calgary, AB	Q2	75%	12,800	5.4
5.	Hazelton Hotel (Yorkville Village) [1]	Toronto, ON	Q3	60%	6,700	45.0
6.	775 King Street West (Liberty Village)	Toronto, ON	Q3	100%	18,000	23.7
7.	6555 West Boulevard (Kerrisdale Village)	Vancouver, BC	Q3	100%	30,400	19.4
8.	1525 Avenue Road	Toronto, ON	Q3	100%	3,200	12.0
9.	221 - 227 Sterling Road (Bloor & Sterling)	Toronto, ON	Q3	35%	29,400	6.8
10.	216 Elgin Street	Ottawa, ON	Q3	50%	6,200	5.7
11.	Yorkville Village adjacent property	Toronto, ON	Q3	100%	3,100	2.2
	Total				130,200	$ 136.4

[1] The acquisition of the hotel property was accounted for as a business combination under IFRS 3 "Business Combinations". Refer to Note 5 of the unaudited interim condensed consolidated financial statements for further details. GLA represents retail space only.

Development Properties

During the nine months ended September 30, 2018, the Company acquired one adjacent land parcel, as summarized in the table below:

Count	Property Name	City/Province	Quarter Acquired	Interest Acquired	Acreage	Acquisition Cost (in millions)
	Development lands					
1.	2194 Lake Shore Blvd. West	Toronto, ON	Q1	50%	0.2	$ 1.8
	Total development lands				0.2	$ 1.8

2018 Dispositions

During the nine months ended September 30, 2018, the Company disposed of a 50.5% non-managing interest in a portfolio of six properties in London, Ontario as well as two land parcels and a partial interest in one property planned for redevelopment for $77.6 million, as summarized in the table below:

Count	Property Name	City/Province	Quarter Sold	Interest Sold	GLA (sq. ft.)	Acreage	Gross Sales Price (in millions)
1.	Eagleson Cope Drive (land)	Ottawa, ON	Q1	100%	102,900	11.2	
2.	Wellington Corners	London, ON	Q1	50.5%	40,800	7.0	
3.	Sunningdale Village	London, ON	Q1	50.5%	36,600	6.0	
4.	Byron Village	London, ON	Q1	50.5%	44,000	6.0	
5.	Hyde Park Plaza	London, ON	Q1	50.5%	26,100	5.0	
6.	Stoneybrook Plaza	London, ON	Q1	50.5%	27,900	4.9	
7.	Adelaide Shoppers	London, ON	Q1	50.5%	9,700	1.7	
8.	130 Michael Cowpland Drive (land)	Ottawa, ON	Q1	100%	—	1.4	
9.	200 West Esplanade	Vancouver, BC	Q3	50%	19,200	0.2	
	Total				307,200	43.4	$ 77.6

Capital Expenditures

Capital expenditures are incurred by the Company for maintaining and/or renovating its existing properties. 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 property infrastructure and revenues from leasing of existing space. Revenue sustaining capital expenditures are generally not recoverable from tenants. However, certain leases provide the ability to recover from tenants, over time, a portion of capital expenditures to maintain the physical aspects of the Company's properties. Revenue sustaining capital expenditures generally include tenant improvement costs related to new and renewal leasing, and capital expenditures required to maintain the physical aspects of the properties, such as roof replacements and resurfacing of parking lots.

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

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

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

Nine months ended September 30				**2018**	2017
	Total Same Property	**Other Property Categories**		**Total**	Total
Revenue sustaining	**$ 10,067**	**$ —**		**$ 10,067**	$ 15,250
Revenue enhancing	**15,790**	**5,934**		**21,724**	25,548
Expenditures recoverable from tenants	**2,265**	**900**		**3,165**	4,587
Development expenditures	**18,107**	**146,581**		**164,688**	114,057
Total	**$ 46,229**	**$ 153,415**		**$ 199,644**	$ 159,442

During the nine months ended September 30, 2018, capital expenditures totaled $199.6 million compared to $159.4 million for the same prior year period. The $40.2 million increase was primarily due to increased development spend related to the Yorkville street assets, King High Line and Mount Royal West development projects, offset by lower spend on revenue enhancing and revenue sustaining expenditures.

Valuation of Investment Properties

During the nine months ended September 30, 2018, the weighted average stabilized capitalization rate of the Company's investment property portfolio remained unchanged from 5.3% as at December 31, 2017. The net increase in the fair value of investment properties of $91.4 million was primarily due to stabilized NOI growth and to a lesser extent the overall compression of stabilized capitalization rates across the portfolio for the nine months ended September 30, 2018.

The values of the Company's shopping centres and associated stabilized capitalization rates by region were as follows as at September 30, 2018 and December 31, 2017:

As at September 30, 2018		**Stabilized Capitalization Rate**			
(millions of dollars)	**Number of Properties**	**Weighted Average**	**Median**	**Range**	**Fair Value**
Central Region	**64**	**5.0%**	**5.3%**	**3.7%-7.0%**	**$ 4,353**
Eastern Region	**52**	**5.9%**	**6.0%**	**4.4%-7.8%**	**2,018**
Western Region	**50**	**5.2%**	**5.3%**	**3.8%-6.3%**	**3,239**
Total or Weighted Average	**166**	**5.3%**	**5.5%**	**3.7%-7.8%**	**$ 9,610**

As at December 31, 2017		Stabilized Capitalization Rate			
(millions of dollars)	Number of Properties	Weighted Average	Median	Range	Fair Value
Central Region	62	5.1%	5.3%	3.8%-7.0%	$ 4,204
Eastern Region	51	5.9%	6.0%	5.0%-7.0%	1,973
Western Region	48	5.2%	5.3%	3.8%-6.0%	3,140
Total or Weighted Average	161	5.3%	5.5%	3.8%-7.0%	$ 9,317

Properties Under Development

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

Development Pipeline

As at September 30, 2018, the Company's portfolio is comprised of 23.8 million square feet of GLA at the Company's ownership interest. Substantially all of this GLA is located in Canada's six largest urban growth markets which are undergoing significant land use intensification. As such, Management has identified meaningful incremental density available for future development within its existing portfolio. As at September 30, 2018, Management had identified approximately 22.3 million square feet of incremental density. This incremental density represents an opportunity that is almost as large as the size of the Company's existing portfolio.

Management undertakes a quarterly review of its entire portfolio and updates all of its future uncommitted incremental density. Management stratifies the density by project commencement time frame. Medium term includes project commencement expected within the next 7 years, long term between 8 and 15 years and very long term beyond 15 years. The Company's incremental density is classified by type between commercial and residential. Commercial density primarily consists of retail density.

As a substantial part of the portfolio is located in urban markets where significant land use intensification continues to occur, Management expects future incremental density will continue to grow and provide the Company with increased opportunity to redevelop its generally low density properties.

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

As at September 30, 2018	Square feet (in thousands)		
	Commercial	Residential	Total
Active Development			
Same Property with redevelopment	19	—	19
Major redevelopment	96	—	96
Ground-up development	88	162	250
	203	**162**	**365**
Future uncommitted incremental density			
Medium term	1,100	2,600	3,700
Long term	1,100	12,200	13,300
Very long term	200	4,700	4,900
	2,400	**19,500**	**21,900**
Total development pipeline	**2,603**	**19,662**	**22,265**

The Company determines its course of action with respect to the 19.5 million square feet of uncommitted potential residential density on a case by case basis given the specifics of each property. The Company's course of action for each property may include selling the property, selling the residential density rights, entering into a joint venture with a partner to develop the property or undertaking the development of the property on its own. Approximately 2.9 million of the Company's 22.3 million square feet of identified incremental density has been included as part of the fair value of investment properties on the consolidated balance sheet. The 2.9 million square feet is comprised of 0.4 million square feet in active development which is valued as part of the overall property and 2.5 million of uncommitted incremental density valued at approximately $151 million. The remaining 19.4 million square feet of identified incremental density is expected to be included in the future, based on certain factors including the expiry or removal of tenant encumbrances and zoning approvals. The majority of the incremental residential density is located above income producing shopping centers or their parking areas. As such, the Company takes a measured approach with a view to maximizing long term value when obtaining zoning approvals based on the redevelopment plans for its portfolio as a whole.

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

Invested Cost of Properties Under Development

As at September 30, 2018, the Company had $627.0 million of properties under development and development land parcels at invested cost, representing approximately 6.5% of the value of the total investment property portfolio.

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

As at September 30, 2018			Invested Cost (in millions)		
	Number of Projects	Square Feet [1] [2] (in thousands)	Active Development	Pre-Development	Total
Same Property with redevelopment	4	19	$ 4	$ —	$ 4
Major redevelopment	4	96	67	108	175
Ground-up development	2	250	163	2	165
Total development and redevelopment activities	**10**	**365**	**$ 234**	**$ 110**	**$ 344**
Total development land, adjacent land parcels, and other [3]				$ 283	$ 283
Total				**$ 393**	**$ 627**

[1] Includes 162,000 square feet of residential rental apartments.

[2] Square footage relates to active development only.

[3] Includes all other property categories.

2018 Development and Redevelopment Coming Online and Space Going Offline

Development and redevelopment coming online includes both leased and unleased space transferred from development to income-producing properties at completion of construction. Costs transferred to income-producing properties often involves judgment in cost allocations related to the space transferred in the period. Therefore, the cost per square foot transferred in any one period may not be indicative of the total project cost per square foot.

During the nine months ended September 30, 2018, the Company completed the transfer of 197,000 square feet of new urban retail space as well as common areas from development to the income-producing portfolio at a cost of $224.8 million. Of the space transferred, 180,000 square feet became occupied at an average rental rate of $40.44 per square foot, well above the average rate for the portfolio of $20.14.

For the nine months ended September 30, 2018, the Company had tenant closures for redevelopment of 94,000 square feet at an average rental rate of $8.46 per square foot. Of the 94,000 square feet, 28,000 square feet was demolished.

Active Development and Redevelopment Activities

The Company’s properties with development and redevelopment activities currently in progress are expected to have a weighted average going-in NOI yield of 5.1% upon completion. This yield is derived from the expected going-in run rate based on stabilized leasing and operations following completion of the development, and includes all building cost, land cost incremental to the development, interest and other carrying costs, as well as capitalized staff compensation and other expenses. However, actual rates of return could differ if development costs are higher than currently forecasted costs, if final lease terms are lower than forecasted base rent, operating cost or property tax recoveries, or if there are other unforeseen events that cause actual results to differ from assumptions. The quality of the Company’s construction is consistent with its strategy of long-term ownership and value creation, and factors in the Company's high standards in construction, materials, architecture, lighting, parking, access, pedestrian amenities, accessibility, as well as development to LEED standards.

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

Same Property with Redevelopment

The Company currently has four projects under active development in the Same Property with redevelopment property category. Of the 19,000 square feet under active redevelopment approximately 16,000 square feet is subject to committed leases at a weighted average rate of $35.33 per square foot.

Highlights of the Company's Same Property with redevelopment projects as at September 30, 2018 are as follows:

As at September 30, 2018				Invested Cost (in millions)		
	Count/Project and Major Tenant(s)	Square Feet Under Development (in thousands)	Target Completion Date [(1)]	Total Estimated incl. Land	Under Development	Estimated Cost to Complete
	Active development					
1.	Place Portobello, Brossard, QC *(Wendy's)*	2	H2 2018	$ 2	$ 1	$ 1
2.	Carrefour du Plateau, Gatineau, QC *(La Cage aux Sports)*	7	H1 2019	3	1	2
3.	South Park Centre, Edmonton, AB *(Jollibee)*	5	H1 2019	3	1	2
4.	Lakeview Plaza, Calgary, AB *(Pet Valu)*	5	H1 2019	3	1	2
	Total Same Property with redevelopment	**19**		**$ 11**	**$ 4**	**$ 7**

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

Major Redevelopment

The Company has four projects under active development in the major redevelopment property category. Of the approximately 96,000 square feet under active redevelopment, 17,800 square feet is subject to committed leases at a weighted average rate of $49.74 per square foot. As construction on redevelopment projects occurs in phases, there continues to be ongoing negotiations in various stages with certain retailers for the remaining planned space.

Highlights of the Company's major redevelopment projects underway as at September 30, 2018, including costs for completed phases, are as follows:

As at September 30, 2018		Square feet (in thousands)				Invested Cost (in millions)			
	Count / Property and Major Tenant(s)	Planned Upon Completion	Completed or Existing	Under Development	Target Completion Date [(1)]	Total Estimated incl. Land	Under Development	Income-producing property	Estimated Cost to Complete
	Active development								
1.	3080 Yonge Street, Toronto, ON *(Loblaws, Tim Horton's)*	245	205	40	H2 2018	$ 134	$ 33	$ 97	4
2.	Mount Royal West, Calgary, AB *(Urban Fare, Canadian Tire)*	94	61	33	H2 2018	70	19	41	10
3.	102 - 108 Yorkville, Toronto, ON *(Jimmy Choo, Brunello Cucinelli, Versace, Her Majesty's Pleasure (Salon))*	21	18	3	H2 2018	49	5	41	3
4.	Wilderton, Montreal, QC *(Metro, Pharmaprix, Tim Hortons, SAQ*	132	112	20	H2 2022	58	10	15	33
	Total Major Redevelopment	**492**	**396**	**96**		**$ 311**	**$ 67**	**$ 194**	**$ 50**

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

Ground-up Development

The Company has two projects under active development in the ground-up development property category. These projects are comprised of approximately 250,000 square feet of space currently under development, of which 88,000 square feet is retail space and 162,000 square feet is residential rental apartments. A total of 35,900 square feet of the retail space currently under development is subject to committed leases at a weighted average rate of $25.58 per square foot. As construction on ground-up developments occurs in phases, there continues to be ongoing negotiations in various stages with retailers for the planned space. Leasing of the residential space began in the second half of 2018 and will continue in 2019.

Highlights of the Company's ground-up projects underway as at September 30, 2018, including costs for completed phases, are as follows:

As at September 30, 2018	Square feet (in thousands)				Invested Cost (in millions)			
Count/Project and Major Tenant(s)	Planned Upon Completion	Completed or Existing	Under Development	Target Completion Date [1]	Total Estimated incl. Land	Under Development	Income-producing property	Estimated Cost to Complete
Active development								
1. The Brewery District, Edmonton, AB [2] [3]	150	116	34	H2 2019	$ 98	$ 20	$ 75	$ 3
(Loblaws City Market, Shoppers Drug Mart, GoodLife Fitness, MEC, Winners)								
2. King High Line (Shops at King Liberty), Toronto, ON [2] [4]	239	23	216	H2 2019	197	143	25	29
(Longo's, Canadian Tire, Shoppers Drug Mart, Winners, Kids & Company)								
Total Ground-up Development	**389**	**139**	**250**		**$ 295**	**$ 163**	**$ 100**	**$ 32**

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

[2] The Company has a 50% ownership interest in the property.

[3] Target completion date relates to buildings currently under construction.

[4] The square feet under development comprises 54,000 square feet of retail and 162,000 square feet of residential space. The Company and its development partner have entered into a binding agreement to sell, upon substantial completion, a 1/3 managing interest in the residential component of the property to Canadian Apartment Properties REIT.

In addition to the projects listed above, information regarding the ground-up development related to the Company's equity accounted investment can be found in the "Main and Main Urban Realty" section of this MD&A.

Residential Inventory

The Company has commenced a residential development project to build and sell fifty townhomes on land adjacent to the Company's Rutherford Marketplace property. The development is being managed by the Company's 50% development partner, who purchased 50% of the land in the fourth quarter of 2016. Total invested cost in the project at the Company's share is estimated to be $22.5 million with a target completion date in the first half of 2020.

Costs to Complete Active and Redevelopment Activities

Costs to complete the development, redevelopment and expansion activities underway are estimated to be approximately $104 million. Costs to complete Same Property related developments are planned at $7 million. Costs to complete major redevelopments and ground-up developments, respectively, are planned at $21 million and $6 million in 2018, and $29 million and $26 million thereafter. Costs to complete developments in other property categories are planned at $16 million for 2018 and $18 million for 2019.

Main and Main Urban Realty

MMUR, an equity accounted joint venture, is a Toronto and Ottawa urban development partnership between the Company, Main and Main Developments (itself, a partially owned venture between the Company and a private developer) and a prominent Canadian institutional investor. The Company's net economic interest in MMUR is 37.7%. Main and Main Developments was retained to provide asset and property management services for the real estate portfolio.

In the nine months ended September 30, 2018, MMUR completed the sale of 19 of its 23 properties for approximately $116.8 million at the Company's interest, and a portion of the loan to one of its joint venture partners was repaid. As at September 30, 2018, MMUR has one property classified as held for sale with an expected closing date within the next several months.

As at September 30, 2018 the Company's total investment in MMUR is approximately $33.8 million via its direct and indirect interests which includes a loan to one of its joint venture partners.

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

As at		**September 30, 2018**		December 31, 2017
Number of assemblies		**4**		23
Number of income-producing properties		**1**		8
Projects in active development / pre-development phase		**2/1**		2 / 13
GLA (square feet) [1]		**26,100**		156,100
Development pipeline and adjacent land (GLA) [1]				
Retail pipeline [1]		**32,983**		32,983
Residential pipeline [1]		**244,946**		244,946
Total investment properties - development [1]	**$**	**42,411**	$	27,240
Total investment properties - held for sale [1] [2]	**$**	**43,305**	$	150,107
Residential development inventory [1]	**$**	**—**	$	10,219
Total assets [1]	**$**	**103,908**	$	194,249
Credit facilities [1]	**$**	**13,883**	$	12,195
Credit facilities secured by investment properties held for sale [1]	**$**	**18,553**	$	60,635

Nine months ended		**September 30, 2018**		September 30, 2017
Revenue and other income [1]	**$**	**4,403**	$	3,902
Expenses and property selling costs [1]	**$**	**4,342**	$	2,272
Increase (decrease) in value of investment properties [1]	**$**	**15,192**	$	19,797
Development expenditures [1]	**$**	**13,263**	$	9,193
Other capital expenditures [1]	**$**	**119**	$	327

(1) At the Company's 37.7% interest in MMUR.

(2) Two properties are held for sale and include one income-producing property and one in pre-development.

Through the Company's ownership interest in MMUR, the Company has commenced construction of a 40-storey residential rental tower and retail podium at Dundas and Aukland in Toronto, with a total expected GLA of 347,000 square feet, of which 295,000 is residential space and 52,000 is retail space. Total estimated costs for the project at the Company's ownership interest are $56.5 million and at September 30, 2018 estimated costs to complete are $41.6 million with a target completion date in the first half of 2021.

Leasing and Occupancy

As at September 30, 2018, total portfolio occupancy increased 1.2% to 96.5% while the Same Property portfolio occupancy was up 0.8% compared to September 30, 2017. The increase was primarily related to significant leasing activity over the last twelve months resulting from tenants taking possession of approximately 0.9 million square feet of space. Total portfolio occupancy increased 0.4% to 96.5% while the Same Property portfolio occupancy increased 0.1% to 97.0% compared to December 31, 2017.

For the nine months ended September 30, 2018, the monthly average occupancy for the total portfolio was 96.2% compared to 94.8%, and the Same Property portfolio occupancy was 96.8% compared to 95.6% for the same prior year period, respectively.

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

As at	**September 30, 2018**			December 31, 2017		
(square feet in thousands)	**Total Occupied Square Feet**	**% Occupied**	**Weighted Average Rate per Occupied Square Foot**	Total Occupied Square Feet	% Occupied	Weighted Average Rate per Occupied Square Foot
Same Property – stable	**17,017**	**97.0%**	**$ 19.66**	16,993	96.9%	$ 19.52
Same Property with redevelopment	**2,923**	**96.9%**	**18.94**	2,880	96.7%	18.46
Total Same Property	**19,940**	**97.0%**	**19.56**	19,873	96.9%	19.37
Major redevelopment	**2,074**	**92.8%**	**24.23**	2,066	90.3%	23.15
Ground-up development	**137**	**98.7%**	**30.19**	109	97.4%	29.70
Investment properties classified as held for sale	**438**	**96.3%**	**13.81**	454	90.9%	13.42
Total portfolio before acquisitions and dispositions	**22,589**	**96.6%**	**19.94**	22,502	96.1%	19.64
Acquisitions – 2018	**113**	**92.6%**	**31.15**	—	—%	—
Acquisitions – 2017	**272**	**94.1%**	**31.79**	252	93.7%	29.99
Dispositions – 2018	**—**	**—%**	**—**	303	98.8%	14.68
Total [1]	**22,974**	**96.5%**	**$ 20.14**	23,057	96.1%	$ 19.69

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

During the three months ended September 30, 2018, the Company completed 643,000 square feet of lease renewals across the portfolio. The Company achieved a 8.7% lease renewal rate increase when comparing the per square foot net rental rate in the last year of the expiring term to the per square foot net rental rate in the first year of the renewal term. For the three months ended September 30, 2018, the Company achieved a 11.7% lease renewal rate increase when comparing the net rental rate in the last year of the expiring term to the *average* net rental rate over the renewal term.

The average rental rate per occupied square foot for the total portfolio increased from $19.96 as at June 30, 2018 to $20.14 as at September 30, 2018 primarily due to renewal lifts and developments coming online. Management believes that the weighted average rental rate per square foot for the portfolio would be in the range of $25.00 to $27.00, if the portfolio were at market.

Changes in the Company's gross leasable area and occupancy for the total portfolio for the three months ended September 30, 2018 are set out below:

Three months ended September 30, 2018	Total Same Property			Major redevelopment, ground-up, acquisitions and dispositions			Vacancy				Total Portfolio [1]		
	Occupied Square Feet (thousands)	%	Weighted Average Rate per Occupied Square Foot	Occupied Square Feet (thousands)	%	Weighted Average Rate per Occupied Square Foot	Under Redevelop-ment Square Feet (thousands)	%	Vacant Square Feet (thousands)	%	Total Square Feet (thousands)	Occupied Square Feet %	Weighted Average Rate per Occupied Square Foot
June 30, 2018 [2]	**19,883**	**96.8%**	**$ 19.47**	**2,929**	**92.5%**	**$ 23.30**	**110**	**0.5%**	**778**	**3.3%**	**23,700**	**96.3%**	**$ 19.96**
Tenant possession	96		20.16	22		19.54	—		(118)		—		20.04
Tenant closures	(62)		(20.60)	(27)		(14.10)	—		89		—		(18.60)
Tenant closures for redevelopment	—		—	—		—	—		—		—		—
Developments – tenants coming online [3]	22		31.47	37		57.62	—		17		76		48.00
Redevelopments – tenant possession	—		—	1		—	(1)		—		—		—
Demolitions	—		—	—		—	(58)		—		(58)		—
Reclassification	1		—	—		—	(6)		9		4		—
Total portfolio before Q3 2018 acquisitions and dispositions	19,940	97.0%	$ 19.56	2,962	93.6%	$ 23.61	45	0.2%	775	3.3%	23,722	96.5%	$ 20.08
Acquisitions (at date of acquisition)	—	—%	—	90	95.6%	31.97	—		4		94	95.6%	31.97
Dispositions (at date of disposition)	—	—%	—	(18)	92.2%	11.55	—		(1)		(19)	92.2%	11.55
September 30, 2018	**19,940**	**97.0%**	**$ 19.56**	**3,034**	**93.7%**	**$ 23.93**	**45**	**0.2%**	**778**	**3.3%**	**23,797**	**96.5%**	**$ 20.14**
Renewals	573		$ 16.42	70		$ 16.13					643		$ 16.39
Renewals – expired	(573)		$ (15.05)	(70)		$ (15.32)					(643)		$ (15.08)
Net change per square foot from renewals			$ 1.37			$ 0.81							$ 1.31
% Increase on renewal of expiring rents (first year of renewal term)			9.1%			5.3%							8.7%
% increase on renewal of expiring rents (average rate in renewal term)													11.7%

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

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

(3) For further discussion of development and redevelopment coming online and under development vacancy, refer to the "Properties Under Development – 2018 Development and Redevelopment Coming Online and Space Going Offline" section of this MD&A.

During the nine months ended September 30, 2018, the Company completed 2,040,000 square feet of lease renewals across the portfolio. The Company achieved a 8.0% lease renewal rate increase when comparing the per square foot net rental rate in the last year of the expiring term to the per square foot net rental rate in the first year of the renewal term. For the nine months ended September 30, 2018, the Company achieved a 10.5% lease renewal rate increase when comparing the net rental rate in the last year of the expiring term to the *average* net rental rate over the renewal term.

The average rental rate per occupied square foot for the total portfolio increased from $19.69 as at December 31, 2017 to $20.14 as at September 30, 2018 primarily due to renewal lifts and developments coming online. Total portfolio average rental rate was up $0.66 or 3.4% compared to September 30, 2017 primarily due to rent escalations.

Changes in the Company's gross leasable area and occupancy for the total portfolio for the nine months ended September 30, 2018 are set out below:

Nine months ended September 30, 2018	Total Same Property			Major redevelopment, ground-up, acquisitions and dispositions			Vacancy				Total Portfolio [1]		
	Occupied Square Feet (thousands)	%	Weighted Average Rate per Occupied Square Foot	Occupied Square Feet (thousands)	%	Weighted Average Rate per Occupied Square Foot	Under Redevelop-ment Square Feet (thousands)	%	Vacant Square Feet (thousands)	%	Total Square Feet (thousands)	Occupied Square Feet %	Weighted Average Rate per Occupied Square Foot
December 31, 2017 [2]	**19,873**	**96.9%**	**$ 19.37**	**3,184**	**91.6%**	**$ 21.72**	**151**	**0.6%**	**783**	**3.3%**	**23,991**	**96.1%**	**$ 19.69**
Tenant possession	299		20.65	77		19.13	—		(376)		—		20.34
Tenant closures	(283)		(17.52)	(99)		(19.58)	—		382		—		(18.05)
Tenant closures for redevelopment	—		—	(94)		(8.46)	94		—		—		(8.46)
Developments – tenants coming online [3]	35		33.29	145		42.16	—		17		197		40.44
Redevelopments – tenant possession	—		—	11		6.58	(11)		—		—		6.58
Demolitions	—		—	—		—	(100)		—		(100)		—
Reclassifications	11		—	—		—	(89)		(32)		(110)		—
Total portfolio before 2018 acquisitions and dispositions	19,935	97.0%	$ 19.56	3,224	94.1%	$ 22.81	45	0.2%	774	3.2%	23,978	96.6%	$ 20.01
Acquisitions (at date of acquisition)	5	100%	18.00	112	92.3%	30.95	—		9		126	92.6%	30.35
Dispositions (at date of disposition)	—	—%	—	(302)	98.2%	14.60	—		(5)		(307)	98.2%	14.60
September 30, 2018	**19,940**	**97.0%**	**$ 19.56**	**3,034**	**93.7%**	**$ 23.93**	**45**	**0.2%**	**778**	**3.3%**	**23,797**	**96.5%**	**$ 20.14**
Renewals	1,750		$ 18.39	290		$ 18.64					2,040		$ 18.42
Renewals – expired	(1,750)		$ (17.07)	(290)		$ (16.96)					(2,040)		$ (17.06)
Net change per square foot from renewals			$ 1.32			$ 1.68							$ 1.36
% Increase on renewal of expiring rents (first year of renewal term)			7.7%			9.9 %							8.0%
% increase on renewal of expiring rents (average rate in renewal term)													10.5%

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

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

(3) For further discussion of development and redevelopment coming online and under development vacancy, refer to the "Properties Under Development – 2018 Development and Redevelopment Coming Online and Space Going Offline" section of this MD&A.

Top Forty Tenants

As at September 30, 2018, 55.2% of the Company's annualized minimum rent came from its top 40 tenants (December 31, 2017 – 55.1%). Of these rents, 67.2% came from tenants that have investment grade credit ratings and who represent many of Canada's leading grocery stores, pharmacies, national and discount retailers, financial institutions and other familiar retailers. The weighted average remaining lease term for the Company's top 10 tenants was 7.3 years as at September 30, 2018, excluding contractual renewal options.

Rank	Tenant [1] [2]	Number of Stores	Square Feet (thousands)	Percent of Total Gross Leasable Area	Percent of Total Annualized Minimum Rent	DBRS Credit Rating	S&P Credit Rating	Moody's Credit Rating
1.	Loblaw Companies Limited ("Loblaw")	100	2,230	9.4%	10.0%	BBB	BBB	
2.	Sobeys	56	1,924	8.1%	6.1%	BB (high)	BB+	
3.	Metro	48	1,327	5.6%	3.9%	BBB	BBB	
4.	Canadian Tire	27	892	3.7%	2.8%	BBB (high)	BBB+	
5.	Walmart	15	1,491	6.3%	2.7%	AA	AA	Aa2
6.	TD Canada Trust	50	249	1.0%	2.1%	AA	AA-	Aa1
7.	RBC Royal Bank	45	248	1.0%	1.9%	AA	AA-	Aa2
8.	GoodLife Fitness	26	565	2.4%	1.8%			
9.	Dollarama	53	504	2.1%	1.7%	BBB		
10.	Save-On-Foods	10	356	1.5%	1.6%			
Top 10 Tenants Total		430	9,786	41.1%	34.6%			
11.	CIBC	38	207	0.9%	1.5%	AA	A+	Aa2
12.	McKesson	26	230	1.0%	1.3%		BBB+	Baa2
13.	LCBO	23	209	0.9%	1.2%	AA (low)	A+	Aa2
14.	Lowe's	4	361	1.5%	1.2%	A (low)	A-	A3
15.	Restaurant Brands International	61	152	0.6%	1.1%		B+	B1
16.	London Drugs	10	233	1.0%	1.0%			
17.	BMO	30	127	0.5%	1.0%	AA	A+	Aa2
18.	Scotiabank	25	128	0.5%	1.0%	AA	A+	Aa2
19.	Longo's	5	178	0.7%	0.8%			
20.	Staples	10	237	1.0%	0.8%		B+	B1
21.	Winners	11	274	1.2%	0.8%		A+	A2
22.	Recipe Unlimited	30	127	0.5%	0.8%			
23.	Nordstrom	1	40	0.2%	0.7%	BBB (high)	BBB+	Baa1
24.	Starbucks	46	68	0.3%	0.7%		BBB+	Baa1
25.	Michaels	5	88	0.4%	0.6%		BB-	Ba2
26.	SAQ	21	102	0.4%	0.6%	A (high)	AA-	Aa2
27.	Subway	70	78	0.3%	0.5%			
28.	Whole Foods Market	2	90	0.4%	0.5%		A+	Baa1
29.	McDonald's	23	88	0.4%	0.5%		BBB+	Baa1
30.	Pusateri's	1	35	0.1%	0.5%			
31.	The Beer Store	12	69	0.3%	0.5%	AA (low)	A+	Aa2
32.	Toys "R" Us	3	127	0.5%	0.4%			
33.	Yum! Brands	30	50	0.2%	0.4%		BB	Ba3
34.	Alcanna Inc.	15	56	0.2%	0.4%			
35.	The Home Depot	2	153	0.6%	0.3%	A	A	A2
36.	Williams-Sonoma	2	38	0.2%	0.3%			
37.	Pet Valu	19	53	0.2%	0.3%			
38.	Equinox	2	38	0.2%	0.3%		B	B2
39.	Bulk Barn	12	58	0.2%	0.3%			
40.	National Bank	8	35	0.1%	0.3%	AA (low)	A	Aa3
Top 40 Tenants Total		**977**	**13,515**	**56.6%**	**55.2%**			

[1] The names noted above may be the names of the parent entities and are not necessarily the covenants under the leases.
[2] Tenants noted include all banners of the respective retailer.

Lease Maturity Profile

The Company's lease maturity profile for its portfolio as at September 30, 2018, excluding any contractual renewal options, is as follows:

Maturity Date	Number of Stores	Occupied Square Feet (thousands)	Percent of Total Square Feet		Annualized Minimum Rent at Expiration (thousands)	Percent of Total Annualized Minimum Rent		Average Annual Minimum Rent per Square Foot at Expiration
Month-to-month tenants [1]	182	355	1.5%	$	5,895	1.2%	$	16.61
2018	164	567	2.4%		9,804	2.0%		17.29
2019	680	2,207	9.3%		46,930	9.4%		21.26
2020	652	2,810	11.8%		57,035	11.5%		20.30
2021	538	2,302	9.7%		48,675	9.8%		21.14
2022	630	3,106	13.0%		69,672	14.0%		22.43
2023	572	3,347	14.1%		64,915	13.1%		19.39
2024	228	1,746	7.3%		33,428	6.7%		19.14
2025	197	1,014	4.3%		25,242	5.1%		24.89
2026	168	970	4.1%		25,525	5.1%		26.33
2027	182	1,187	5.0%		27,571	5.6%		23.22
2028	169	1,064	4.5%		28,529	5.7%		26.82
Thereafter	125	2,299	9.5%		53,964	10.8%		23.47
Total or Weighted Average [2]	4,487	22,974	96.5%	$	497,185	100.0%	$	21.64

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

The weighted average remaining lease term for the portfolio was 6.9 years as at September 30, 2018, excluding contractual renewal options, but including month-to-month and other short-term leases.

Loans, Mortgages and Other Assets

As at		**September 30, 2018**		December 31, 2017
Non-current				
Loans and mortgages receivable classified as FVTPL (a)	**$**	**20,381**	$	—
Loans and mortgages receivable classified as amortized cost (a)		**6,422**		130,576
Other investments		**12,090**		2,587
Total non-current	**$**	**38,893**	$	133,163
Current				
Loans and mortgages receivable classified as FVTPL (a)	**$**	**75,526**	$	—
Loans and mortgages receivable classified as amortized cost (a)		**123,499**		125,265
FVTPL investments in securities (b)		**24,877**		21,720
Total current	**$**	**223,902**	$	146,985
Total	**$**	**262,795**	$	280,148

(a) Loans and mortgages receivable are primarily secured by interests in investment properties or shares of entities owning investment properties. Effective January 1, 2018, the Company reclassified certain loans and mortgages receivable to FVTPL from amortized cost upon adoption of IFRS 9.

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

RESULTS OF OPERATIONS

Net Operating Income

The Company's net operating income for its portfolio is presented below:

	Three months ended September 30			Nine months ended September 30		
	% change	**2018**	2017	**% change**	**2018**	2017
Property rental revenue						
Base rent		**$ 96,434**	$ 93,824		**$ 287,951**	$ 279,706
Operating cost recoveries		**21,361**	18,854		**65,660**	62,331
Realty tax recoveries		**29,217**	28,110		**88,141**	85,276
Lease surrender fees		**16**	979		**1,908**	1,398
Percentage rent		**1,008**	525		**2,114**	1,424
Prior year operating cost and tax recovery adjustments		**66**	(633)		**(1,040)**	(878)
Temporary tenants, storage, parking and other		**2,948**	2,810		**8,601**	8,177
Total Same Property rental revenue		**151,050**	144,469		**453,335**	437,434
Property operating costs						
Recoverable operating expenses		**22,965**	20,711		**72,156**	68,624
Recoverable realty tax expense		**31,257**	30,627		**95,278**	92,476
Prior year realty tax expense		**(225)**	(756)		**(1,977)**	(1,693)
Other operating costs and adjustments		**(70)**	(868)		**(358)**	(1,479)
Total Same Property operating costs		**53,927**	49,714		**165,099**	157,928
Total Same Property NOI (1)	**2.5%**	**$ 97,123**	$ 94,755	**3.1%**	**$ 288,236**	$ 279,506
Major redevelopment		**10,894**	11,644		**32,691**	33,616
Ground-up development		**606**	720		**2,101**	1,792
Acquisitions – 2018		**1,458**	—		**1,586**	—
Acquisitions – 2017		**1,878**	257		**4,586**	317
Investment properties classified as held for sale		**1,603**	1,404		**4,216**	4,166
Dispositions – 2018		**25**	1,107		**1,010**	3,366
Dispositions – 2017		**11**	551		**72**	2,268
Straight-line rent adjustment		**1,196**	165		**5,739**	1,119
Development land		**6**	7		**21**	22
NOI (1)	**3.8%**	**$ 114,800**	$ 110,610	**4.3%**	**$ 340,258**	$ 326,172
NOI margin		**62.9%**	64.8%		**62.4%**	63.1%

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

For the three and nine months ended September 30, 2018, total NOI increased by $4.2 million and $14.1 million, respectively, compared to the same prior year periods primarily due to SP NOI growth and increases in straight-line rent due to higher occupancy levels and new tenants taking possession of recently completed development space. NOI margins have decreased by 1.9% and 0.7%, respectively, for the three and nine months ended September 30, 2018 compared to the same prior year periods primarily due to higher operating costs, lower prior year tax adjustments, lower margins on NOI related to the hotel property as well as lower lease surrender fees in the third quarter of 2018 compared to the third quarter of 2017.

Same Property NOI Growth

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

	Three months ended September 30		Nine months ended September 30	
	2018	2017 (1)	**2018**	2017 (1)
Same Property – Stable	**2.4%**	2.3%	**2.9%**	2.0%
Same Property with redevelopment	**3.2%**	7.7%	**4.8%**	6.6%
Total Same Property NOI Growth	**2.5%**	3.1%	**3.1%**	2.7%

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

For the three and nine months ended September 30, 2018, SP NOI increased by $2.4 million and $8.7 million, or 2.5% and 3.1%, respectively, primarily due to rent escalations and increased occupancy.

NOI by Region

NOI is presented by region as follows:

Three months ended September 30, 2018	**Central Region**	**Eastern Region**	**Western Region**	**Other (1)**	**Total**
Property rental revenue	**$ 77,045**	**$ 46,485**	**$ 59,349**	**$ (511)**	**$ 182,368**
Property operating costs	**29,678**	**19,641**	**19,932**	**(1,683)**	**67,568**
NOI	**$ 47,367**	**$ 26,844**	**$ 39,417**	**$ 1,172**	**$ 114,800**

Three months ended September 30, 2017	Central Region	Eastern Region	Western Region	Other (1)	Total
Property rental revenue	$ 70,281	$ 44,749	$ 56,331	$ (691)	$ 170,670
Property operating costs	25,411	18,082	18,292	(1,725)	60,060
NOI	$ 44,870	$ 26,667	$ 38,039	$ 1,034	$ 110,610

Nine months ended September 30, 2018	**Central Region**	**Eastern Region**	**Western Region**	**Other (1)**	**Total**
Property rental revenue	**$ 226,144**	**$ 144,192**	**$ 176,498**	**$ (1,829)**	**$ 545,005**
Property operating costs	**87,470**	**62,166**	**59,440**	**(4,329)**	**204,747**
NOI	**$ 138,674**	**$ 82,026**	**$ 117,058**	**$ 2,500**	**$ 340,258**

Nine months ended September 30, 2017	Central Region	Eastern Region	Western Region	Other (1)	Total
Property rental revenue	$ 213,795	$ 135,461	$ 170,158	$ (2,162)	$ 517,252
Property operating costs	79,281	58,731	57,180	(4,112)	191,080
NOI	$ 134,514	$ 76,730	$ 112,978	$ 1,950	$ 326,172

(1) Other items principally consist of intercompany eliminations.

Interest and Other Income

For the three and nine months ended September 30, 2018, the Company's interest and other income totaled $8.3 million and $20.3 million, compared to $8.7 million and $20.8 million, respectively, for the same prior year periods. The decrease of $0.5 million for the nine months ended September 30, 2018 was primarily due to lower interest and financing fees earned on loans and mortgages receivable, partially offset by higher fees and other income compared to the same prior year period.

Interest Expense

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

	Three months ended September 30		Nine months ended September 30	
	2018	2017	**2018**	2017
Mortgages	**$ 11,814**	$ 11,879	**$ 33,985**	$ 35,719
Credit facilities	**4,480**	2,095	**13,552**	7,455
Senior unsecured debentures	**28,659**	30,421	**85,528**	85,727
Convertible debentures	**—**	983	**446**	4,420
Interest capitalized	**(6,516)**	(5,485)	**(19,425)**	(15,761)
Interest expense	**$ 38,437**	$ 39,893	**$ 114,086**	$ 117,560

For the three months ended September 30, 2018, interest expense decreased by $1.5 million primarily due to less senior unsecured and convertible debentures outstanding and higher capitalized interest, partially offset by the impact of increased draws on the Company's credit facilities.

For the nine months ended September 30, 2018, interest expense decreased by $3.5 million primarily due to the early redemption of higher rate convertible debentures, higher capitalized interest, lower interest on mortgages, offset by higher interest on credit facility borrowings.

During the nine months ended September 30, 2018 and 2017, approximately 14.5% or $19.4 million, and 11.8% or $15.8 million, respectively, of interest expense was capitalized to real estate investments for properties undergoing development or redevelopment projects. The increase in capitalized interest of $3.7 million is due to higher cumulative development expenditures and increased draws on construction facilities compared to the same prior year periods. Amounts capitalized are dependent on interest expense paid, on the phase and magnitude of development and redevelopment projects actively underway as well as the portfolio weighted average interest rate.

Corporate Expenses

The Company's corporate expenses is as follows:

	Three months ended September 30		Nine months ended September 30	
	2018	2017	**2018**	2017
Salaries, wages and benefits	**$ 6,804**	$ 6,807	**$ 20,895**	$ 21,014
Non-cash compensation	**1,119**	1,091	**3,650**	3,130
Other corporate costs	**2,848**	2,641	**9,958**	8,463
Total corporate expenses	**10,771**	10,539	**34,503**	32,607
Amounts capitalized to investment properties under development	**(1,789)**	(1,862)	**(5,723)**	(5,452)
Corporate expenses	**$ 8,982**	$ 8,677	**$ 28,780**	$ 27,155

For the three and nine months ended September 30, 2018, corporate expenses increased by $0.3 million and $1.6 million compared to the same prior year period primarily due to higher non-cash compensation and other corporate costs related to legal and professional fees, as well as higher information technology costs.

The Company manages all of its acquisitions, development and redevelopment and leasing activities internally. Certain internal costs directly related to development, including salaries and related costs for planning, zoning, construction and so forth, are capitalized in accordance with IFRS to development projects as incurred. During the nine months ended September 30, 2018 and 2017, approximately 16.6% or $5.7 million and 16.7% or $5.5 million, respectively, of compensation-related and other corporate expenses were capitalized to real estate investments for properties undergoing development or redevelopment projects. Amounts capitalized are based on development and pre-development projects underway, and have increased due to a greater number of development projects having commenced over the prior year.

Other Gains (Losses) and (Expenses)

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

Three months ended September 30	**2018**		2017	
	Consolidated Statement of Income	**Included in FFO**	Consolidated Statement of Income	Included in FFO
Realized gain (loss) on sale of marketable securities	**$ 66**	**$ 66**	$ —	$ —
Unrealized gain (loss) on marketable securities	**70**	**70**	1,412	1,412
Net gain (loss) on prepayments of debt	**—**	**—**	(1,011)	(1,011)
Gain on below market purchase [1]	**13,975**	**—**	—	—
Transaction costs [2]	**(2,052)**	**—**	—	—
Investment properties selling costs	**(397)**	**—**	(923)	—
Other	**(35)**	**(35)**	21	21
Total per consolidated statement of income	**$ 11,627**	**$ 101**	$ (501)	$ 422
Other gains (losses) and (expenses) under equity accounted joint ventures	**(745)**	**(697)**	(8)	—
Total at the Company's proportionate interest [3]	**$ 10,882**	**$ (596)**	$ (509)	$ 422

Nine months ended September 30	**2018**		2017	
	Consolidated Statement of Income	**Included in FFO**	Consolidated Statement of Income	Included in FFO
Realized gain (loss) on sale of marketable securities	**$ 4,189**	**$ 4,189**	$ —	$ —
Unrealized gain (loss) on marketable securities	**253**	**253**	1,905	1,905
Net gain (loss) on prepayments of debt (non-cash)	**(726)**	**(726)**	(3,344)	(3,344)
Gain on below market purchase [1]	**13,975**	**—**	—	—
Transaction costs [2]	**(2,052)**	**—**	—	—
Investment properties selling costs	**(1,896)**	**—**	(1,554)	—
Other	**(156)**	**(156)**	(93)	(93)
Total per consolidated statement of income	**$ 13,587**	**$ 3,560**	$ (3,086)	$ (1,532)
Other gains (losses) and (expenses) under equity accounted joint ventures	**(1,230)**	**(697)**	(8)	—
Total at the Company's proportionate interest [3]	**$ 12,357**	**$ 2,863**	$ (3,094)	$ (1,532)

(1) Adjustment to exclude gain on below market purchase of hotel property in accordance with the recommendations of REALPAC.

(2) Adjustment to transaction costs incurred as part of hotel property acquisition in accordance with the recommendations of REALPAC.

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

For the three months ended September 30, 2018, the Company recognized $11.6 million in other gains and expenses in its consolidated statement of income compared to $0.5 million in other losses and expenses in 2017. The gain in the quarter was primarily due to $11.9 million in net gains recognized on the purchase of the Hazelton Hotel, offset by investment property selling costs of $0.4 million. For the nine months ended September 30, 2018, the Company recognized $13.6 million in other gains in its consolidated statement of income compared to $3.1 million in other losses and expenses in the same prior year period. The gain for the nine months ended September 30, 2018 was primarily due to $11.9 million in net gains recognized on the purchase of the Hazelton Hotel, and net gains on marketable securities of $4.4 million, partially offset by investment property selling costs of $1.9 million and a $0.7 million non-cash loss on the early redemption of the Series J convertible debentures.

Income Taxes

For the three and nine months ended September 30, 2018, deferred income tax expense totaled $22.9 million and $62.8 million, compared to $19.7 million and $107.5 million respectively, over the same prior year periods. The increase of $3.1 million and the decrease of $44.7 million is primarily due to the tax impact of changes in the fair value of investment properties over the same prior year periods.

Net Income Attributable to Common Shareholders

For the three months ended September 30, 2018, net income attributable to common shareholders was $131.4 million or $0.52 per diluted share compared to $83.0 million or $0.34 per diluted share for the same prior year period. The $48.4 million increase in net income attributable to common shareholders was primarily due to higher fair value gains net of deferred taxes of $47.5 million.

For the nine months ended September 30, 2018, net income attributable to common shareholders was $279.3 million or $1.12 per diluted share compared to $558.3 million or $2.25 per diluted share for the same prior year period. The $279.0 million decrease in net income attributable to common shareholders was primarily due to lower fair value gains net of deferred taxes of $305.2 million, higher other gains (losses) and (expenses) of $16.7 million, and higher NOI of $14.1 million.

CAPITAL STRUCTURE AND LIQUIDITY

Total Capital Employed

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

As at	**September 30, 2018**	December 31, 2017
Liabilities (principal amounts outstanding)		
Bank indebtedness	**$ 33,562**	$ 3,144
Mortgages	**1,120,200**	1,060,342
Credit facilities	**559,520**	581,627
Mortgages under equity accounted joint ventures (at the Company's proportionate interest) (1)	**41,310**	41,987
Credit facilities under equity accounted joint venture (at the Company's proportionate interest) (1)	**32,435**	72,830
Senior unsecured debentures	**2,550,000**	2,600,000
Convertible debentures	**—**	55,093
Equity capitalization (2)		
Common shares (based on closing per share price of $19.50; December 31, 2017 – $20.72)	**4,968,666**	5,064,612
Enterprise value (1)	**$ 9,305,693**	$ 9,479,635

(1) Refer to the "Non-IFRS Financial Measures" section of this MD&A.
(2) Equity capitalization is the market value of the Company's shares outstanding at a point in time. The measures is not defined by IFRS, does not have a standard definition and, as such, may not be comparable to similar measures disclosed by other issuers.

Key Metrics

The ratios below include measures not specifically defined in IFRS.

As at	**September 30, 2018**	December 31, 2017
Weighted average effective interest rate on mortgages and senior unsecured debentures	**4.3%**	4.4%
Weighted average maturity on mortgages and senior unsecured debentures (years)	**5.1**	5.4
Net debt to total assets [1]	**41.7%**	43.4%
Net debt to Adjusted EBITDA [1]	**9.4**	9.7
Unencumbered aggregate assets [1]	**$ 7,339,952**	$ 7,374,086
Unencumbered aggregate assets to unsecured debt, based on fair value [1]	**2.4**	2.4
Adjusted EBITDA interest coverage [1]	**2.5**	2.5

[1] Calculated with joint ventures proportionately consolidated in accordance with the Company's debt covenants. Refer to the "Non-IFRS Financial Measures" section of this MD&A.

Credit Ratings

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

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

Outstanding Debt and Principal Maturity Profile

The maturity profile of the Company's mortgages and credit facilities as well as its senior unsecured debentures as at September 30, 2018 is summarized in the table below:

	Mortgages	Credit Facilities/Bank Indebtedness	Senior Unsecured Debentures	Total	% Due
2018 (remainder of the year)	$ 35,136	$ —	$ 100,000	$ 135,136	3.2%
2019	131,333	112,099	150,000	393,432	9.2%
2020	90,318	199,742	175,000	465,060	10.9%
2021	95,582	—	175,000	270,582	6.4%
2022	167,167	4,313	450,000	621,480	14.6%
2023	17,554	276,928	300,000	594,482	13.9%
2024	78,491	—	300,000	378,491	8.9%
2025	70,738	—	300,000	370,738	8.7%
2026	158,153	—	300,000	458,153	10.8%
2027	86,115	—	300,000	386,115	9.1%
2028	148,550	—	—	148,550	3.4%
Thereafter	41,063	—	—	41,063	0.9%
	1,120,200	593,082	2,550,000	4,263,282	100.0%
Add (deduct): unamortized deferred financing costs, premiums and discounts, net	(858)	—	(3,009)	(3,867)	
Total	$ 1,119,342	$ 593,082	$ 2,546,991	$ 4,259,415	

The Company's strategy is to manage its long-term debt by staggering maturity dates in order to mitigate risk associated with short-term volatility in the debt markets. The Company also intends to maintain financial strength to support a reasonable cost of debt and equity capital over the long term. When it is deemed appropriate, the Company will raise equity as a source of financing and may strategically sell non-core assets to best redeploy capital and take advantage of market opportunities.

Mortgages

The changes in the Company's mortgages during the nine months ended September 30, 2018 are set out below:

Nine months ended September 30, 2018	Amount	Weighted Average Effective Interest Rate
Balance at beginning of period	$ 1,060,339	4.3%
Mortgage borrowings	176,250	3.8%
Mortgage repayments	(95,973)	5.4%
Scheduled amortization on mortgages	(20,427)	—%
Amortization of financing costs and net premium	(847)	—%
Balance at end of period	$ 1,119,342	4.1%

As at September 30, 2018, 100% (December 31, 2017 – 100%) of the outstanding mortgages bore interest at fixed interest rates. The average remaining term of mortgages outstanding increased from 4.7 years as at December 31, 2017 on $1.1 billion of mortgages to 5.3 years as at September 30, 2018 on $1.1 billion of mortgages after reflecting borrowing activity and repayments during the period.

Mortgage Maturity Profile

The maturity profile of the Company's mortgages as at September 30, 2018 is summarized in the table below:

As at September 30, 2018	Scheduled Amortization	Payments on Maturity	Total	Weighted Average Effective Interest Rate
2018 (remainder of the year)	$ 6,690	$ 28,446	$ 35,136	5.8%
2019	24,619	106,714	131,333	6.5%
2020	22,425	67,893	90,318	4.4%
2021	22,185	73,397	95,582	4.6%
2022	19,213	147,954	167,167	3.9%
2023	17,554	—	17,554	N/A
2024	17,221	61,270	78,491	4.0%
2025	14,843	55,895	70,738	3.5%
2026	10,095	148,058	158,153	3.2%
2027	6,251	79,864	86,115	3.6%
2028	2,828	145,722	148,550	3.8%
Thereafter	2,593	38,470	41,063	3.6%
	$ 166,517	$ 953,683	$ 1,120,200	4.1%
Add: unamortized deferred financing costs and premiums and discounts, net			(858)	
Total			$ 1,119,342	

Credit Facilities

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

The Company has the flexibility under its unsecured credit facilities to draw funds based on Canadian bank prime rates and Canadian bankers' acceptances ("BA rates") for Canadian dollar-denominated borrowings, and LIBOR rates or U.S. prime rates for U.S. dollar-denominated borrowings. As of September 30, 2018, the Company had drawn US$342.3 million, as well as CAD$33.6 million in bank indebtedness on its unsecured credit facilities. Concurrently with the U.S. dollar draws, the Company entered into cross currency swaps to exchange its U.S. dollar borrowings into Canadian dollar borrowings.

During the first quarter, the Company entered into a new borrowing tranche under an existing credit facility with a borrowing capacity of CAD$50 million, key terms of which are presented in the table below. The Company also extended the maturity of its $15.9 million secured facility to March 31, 2019 on substantially the same terms.

During the second quarter, the Company extended the maturities of its $800 million unsecured facility and $7.5 million secured facility to, June 30, 2023 and April 30, 2019, respectively.

In the third quarter, the Company entered into two new secured credit facilities with a borrowing capacity of CAD$20.7 million and CAD$4.3 million, respectively, key terms of which are presented in the table below. The Company also extended the maturity of its $7.5 million secured facility to October 30, 2019.

The Company's credit facilities, including its proportionate share of facilities under the equity accounted joint ventures, as at September 30, 2018 are summarized in the table below:

As at September 30, 2018	Borrowing Capacity	Amounts Drawn	Bank Indebtedness and Outstanding Letters of Credit	Available to be Drawn	Interest Rates	Maturity Date
Unsecured operating facilities						
Revolving facility maturing 2023 [(1)]	$ 800,000	$ (243,366)	$ (51,754)	$ 504,880	BA + 1.20% or Prime + 0.20% or US$ LIBOR + 1.20%	June 30, 2023
Non-revolving facility maturing 2020 [(2)]	150,000	(150,033)	(16,874)	—	BA + 1.20% or Prime + 0.20% or US$ LIBOR + 1.20%	October 31, 2020
Additional Tranche [(3)]	50,000	(49,709)	—	—	BA + 1.10% or Prime + 0.10% or US$ LIBOR + 1.10%	October 31, 2020
Secured construction facilities						
Maturing 2019	115,000	(74,452)	(668)	39,880	BA + 1.125% or Prime + 0.125%	February 13, 2019
Maturing 2019	15,907	(15,572)	—	335	BA + 1.125% or Prime + 0.125%	March 31, 2019
Credit facilities under equity accounted joint ventures	42,960	(32,435)	—	10,525	Between Prime - 0.15% and Prime + 1.4%	Between March 2019 and February 2020
Secured Facilities						
Maturing 2019	20,734	(2,700)	(793)	17,241	BA + 1.125% or Prime + 0.125%	December 31, 2019
Maturing 2019	11,875	(11,875)	—	—	BA + 1.125% or Prime + 0.125%	September 27, 2019
Maturing 2019	7,500	(7,500)	—	—	BA + 1.125% or Prime + 0.125%	October 30, 2019
Maturing 2022	4,313	(4,313)	—	—	BA + 1.125% or Prime + 0.125%	September 28, 2022
Total	$ 1,218,289	$ (591,955)	$ (70,089)	$ 572,861		

(1) The Company had drawn in U.S. dollars the equivalent of CAD$245.3 million which was revalued at CAD$243.4 million as at September 30, 2018.

(2) The Company had drawn in U.S. dollars the equivalent of CAD$150.0 million which was revalued at CAD$150.0 million as at September 30, 2018.

(3) The Company had drawn in U.S. dollars the equivalent of CAD$50.0 million which was revalued at CAD$49.7 million as at September 30, 2018.

Senior Unsecured Debentures

As at September 30, 2018			Interest Rate		Remaining Term to Maturity	Principal Outstanding
Series	Maturity Date	Interest Payment Dates	Coupon	Effective	(years)	
K	November 30, 2018	May 31, November 30	4.95%	5.17%	0.2	100,000
L	July 30, 2019	January 30, July 30	5.48%	5.61%	0.8	150,000
M	April 30, 2020	April 30, October 30	5.60%	5.60%	1.6	175,000
N	March 1, 2021	March 1, September 1	4.50%	4.63%	2.4	175,000
O	January 31, 2022	January 31, July 31	4.43%	4.59%	3.3	200,000
P	December 5, 2022	June 5, December 5	3.95%	4.18%	4.2	250,000
Q	October 30, 2023	April 30, October 30	3.90%	3.97%	5.1	300,000
R	August 30, 2024	August 30, February 28	4.79%	4.72%	5.9	300,000
S	July 31, 2025	January 31, July 31	4.32%	4.24%	6.8	300,000
T	May 6, 2026	November 6, May 6	3.60%	3.56%	7.6	300,000
U	July 12, 2027	January 12, July 12	3.75%	3.82%	8.8	300,000
	Weighted Average or Total		4.34%	4.39%	5.0	$ 2,550,000

Convertible Debentures

(i) Interest

During the nine months ended September 30, 2018, no common shares (nine months ended September 30, 2017 – 0.1 million common shares) were issued to pay accrued interest to holders of the convertible debentures (nine months ended September 30, 2017 – $2.4 million).

During the nine months ended September 30, 2018, the Company paid $1.0 million (nine months ended September 30, 2017 – $3.9 million) in cash to pay accrued interest to holders of convertible debentures.

(ii) Principal Redemption

On February 28, 2018, the Company redeemed its remaining 4.45% Series J convertible debentures for $55.1 million, at par. The full redemption price and any accrued interest owing on the convertible debentures was satisfied in cash. The Company no longer has any convertible debentures outstanding.

Shareholders' Equity

Shareholders' equity amounted to $5.0 billion as at September 30, 2018, compared to $4.6 billion as at December 31, 2017. During the nine months ended September 30, 2018, a total of 10.4 million common shares were issued as follows: 9.8 million shares from a public offering and 0.6 million shares from the exercise of common share options and settlement of restricted, and deferred share units.

As at November 5, 2018, there were 254.8 million common shares outstanding.

Share Purchase Options

As at September 30, 2018, the Company had 4.7 million share purchase options outstanding, with an average exercise price of $19.27, which, if exercised, would result in the Company receiving proceeds of $91.3 million.

Liquidity

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

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

As at (millions of dollars)	**September 30, 2018**	December 31, 2017
Total available under credit facilities	**$ 573**	$ 504
Cash and cash equivalents	**$ 16**	$ 12
Unencumbered aggregate assets	**$ 7,340**	$ 7,374

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

Planned and completed financings subsequent to September 30, 2018, and availability on existing credit facilities, address substantially all of the contractual 2018 debt maturities and contractually committed costs to complete current development projects.

Cash Flows

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

	Three months ended September 30		Nine months ended September 30	
	2018	2017	**2018**	2017
Cash provided by operating activities	**$ 72,049**	$ 85,956	**$ 168,884**	$ 162,793
Cash provided by financing activities	**85,522**	39,610	**(4,103)**	67,350
Cash used in investing activities	**(153,676)**	(118,826)	**(160,757)**	(224,901)
Net change in cash and cash equivalents	**$ 3,895**	$ 6,740	**$ 4,024**	$ 5,242

The following table presents the excess (shortfall) of cash provided by operating activities over dividends declared:

	Three months ended September 30		Nine months ended September 30	
	2018	2017	**2018**	2017
Cash provided by operating activities	**$ 72,049**	$ 85,956	**$ 168,884**	$ 162,793
Dividends declared	**(54,931)**	(52,612)	**(160,564)**	(157,733)
Excess (shortfall) of cash provided by operating activities over dividends declared	**17,118**	33,344	**8,320**	5,060

Cash provided by operating activities exceeded dividends declared for all periods reported.

Contractual Obligations

An analysis of the Company's contractual maturities of its material financial liabilities and other contractual commitments, as at September 30, 2018 is set out below:

As at September 30, 2018	Payments due by period				
	Remainder of 2018	2019 to 2020	2021 to 2022	Thereafter	Total
Scheduled mortgage principal amortization	$ 6,690	$ 47,044	$ 41,398	$ 71,385	$ 166,517
Mortgage principal repayments on maturity	28,446	174,607	221,351	529,279	953,683
Credit facilities and bank indebtedness	—	311,841	4,313	276,928	593,082
Senior unsecured debentures	100,000	325,000	625,000	1,500,000	2,550,000
Interest obligations (1)	42,803	296,518	222,870	244,457	806,648
Land leases (expiring between 2023 and 2061)	268	2,024	1,942	19,031	23,265
Contractually committed costs to complete current development projects	43,190	8,547	—	—	51,737
Other committed costs	26,500	82,955	—	—	109,455
Total contractual obligations	$ 247,897	$ 1,248,536	$ 1,116,874	$ 2,641,080	$ 5,254,387

(1) Interest obligations include expected interest payments on mortgages and credit facilities as at September 30, 2018 (assuming balances remain outstanding through to maturity) and senior unsecured debentures, as well as standby credit facility fees.

The Company has $36.6 million of outstanding letters of credit issued by financial institutions to support certain of the Company's contractual obligations and $33.6 million of bank overdrafts.

The Company's estimated cost to complete properties currently under development is $103.7 million, of which $51.7 million is contractually committed. The balance of the costs to complete will only be committed once leases are signed and/or construction is underway. These contractual and potential obligations primarily consist of construction contracts and additional planned development expenditures and are expected to be funded in the normal course as the work is completed.

Contingencies

The Company is involved in litigation and claims which arise from time to time in the normal course of business. In the opinion of Management, none of these contingencies, individually or in the aggregate, would result in a liability that would have a material adverse effect on the financial position of the Company. The Company is contingently liable, jointly and severally, for approximately $140.0 million (December 31, 2017 – $119.1 million) to various lenders in connection with certain obligations, including loans advanced to its partners secured by the partners' interest in the entity and underlying assets.

NON-IFRS RECONCILIATIONS AND FINANCIAL MEASURES

Reconciliation of Condensed Consolidated Balance Sheets to the Company's Proportionate Interest

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

As at	**September 30, 2018**			December 31, 2017		
	Consolidated Balance Sheet [1]	**Adjustments for Proportionate Interest**	**Proportionate Interest** [2]	Consolidated Balance Sheet [1]	Adjustments for Proportionate Interest	Proportionate Interest [2]
ASSETS						
Investment properties – shopping centres	**$ 9,507,035**	**$ 80,814**	**$ 9,587,849**	$ 9,226,206	$ 78,775	$ 9,304,981
Investment properties – development land	**63,559**	**42,411**	**105,970**	72,041	27,240	99,281
Residential development inventory	**8,532**	**—**	**8,532**	5,483	10,219	15,702
Hotel property	**58,765**	**—**	**58,765**	—	—	—
Loans, mortgages and other assets	**262,795**	**2,975**	**265,770**	280,148	2,849	282,997
Cash and cash equivalents	**15,531**	**2,319**	**17,850**	11,507	1,753	13,260
Amounts receivable	**34,038**	**11,099**	**45,137**	25,437	376	25,813
Other assets	**90,686**	**6,896**	**97,582**	47,387	1,570	48,957
Investment in joint ventures	**140,306**	**(140,306)**	**—**	202,231	(202,231)	—
Investment properties classified as held for sale	**135,787**	**43,305**	**179,092**	98,112	150,107	248,219
Total assets	**$ 10,317,034**	**$ 49,513**	**$10,366,547**	$ 9,968,552	$ 70,658	$10,039,210
LIABILITIES						
Mortgages	**$ 1,119,342**	**$ 41,183**	**$ 1,160,525**	$ 1,053,260	$ 41,772	$ 1,095,032
Credit facilities	**559,520**	**13,883**	**573,403**	581,627	12,195	593,822
Bank indebtedness	**33,562**	**—**	**33,562**	3,144	—	3,144
Senior unsecured debentures	**2,546,991**	**—**	**2,546,991**	2,595,966	—	2,595,966
Convertible debentures	**—**	**—**	**—**	54,293	—	54,293
Deferred tax liabilities	**783,250**	**—**	**783,250**	720,431	—	720,431
Debt secured by investment properties held for sale	**—**	**18,553**	**18,553**	7,079	60,635	67,714
Accounts payable and other liabilities	**262,816**	**5,936**	**268,752**	257,068	4,669	261,737
Total liabilities	**5,305,481**	**79,555**	**5,385,036**	5,272,868	119,271	5,392,139
EQUITY						
Shareholders' equity	**4,981,511**	**—**	**4,981,511**	4,647,071	—	4,647,071
Non-controlling interest	**30,042**	**(30,042)**	**—**	48,613	(48,613)	—
Total equity	**5,011,553**	**(30,042)**	**4,981,511**	4,695,684	(48,613)	4,647,071
Total liabilities and equity	**$ 10,317,034**	**$ 49,513**	**$10,366,547**	$ 9,968,552	$ 70,658	$10,039,210

(1) The consolidated balance sheets have been presented on a non-classified basis for purposes of this reconciliation.

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

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

The following tables provide a reconciliation of the Company's condensed consolidated statements of income, as presented in its unaudited interim condensed consolidated financial statements, to its proportionate interest.

Three months ended September 30			**2018**			2017
	Consolidated Statements of Income	**Adjustment to proportionate interest**	**Proportionate interest [(1)]**	Consolidated Statements of Income	Adjustment to proportionate interest	Proportionate interest [(1)]
Property rental revenue	**$ 182,368**	**$ 1,961**	**$ 184,329**	$ 170,670	$ 2,285	$ 172,955
Property operating costs	**67,568**	**642**	**68,210**	60,060	1,034	61,094
Net operating income	**114,800**	**1,319**	**116,119**	110,610	1,251	111,861
Other income and expenses						
Interest and other income	**8,271**	**(704)**	**7,567**	8,693	(40)	8,653
Interest expense	**(38,437)**	**(488)**	**(38,925)**	(39,893)	(592)	(40,485)
Corporate expenses	**(8,982)**	**296**	**(8,686)**	(8,677)	196	(8,481)
Abandoned transaction costs	**(60)**	**—**	**(60)**	(7)	—	(7)
Amortization expense	**(1,087)**	**—**	**(1,087)**	(491)	—	(491)
Share of profit from joint ventures	**487**	**(487)**	**—**	21,145	(21,145)	—
Other gains (losses) and (expenses)	**11,627**	**(745)**	**10,882**	(501)	(8)	(509)
Increase (decrease) in value of investment properties, net	**68,528**	**(55)**	**68,473**	17,906	14,324	32,230
	40,347	**(2,183)**	**38,164**	(1,825)	(7,265)	(9,090)
Income before income taxes	**155,147**	**(864)**	**154,283**	108,785	(6,014)	102,771
Deferred income taxes	**22,858**	**(2)**	**22,856**	19,725	—	19,725
Net income	**$ 132,289**	**$ (862)**	**$ 131,427**	$ 89,060	$ (6,014)	$ 83,046
Net income attributable to:						
Common shareholders	**$ 131,427**	**$ —**	**$ 131,427**	$ 83,046	$ —	$ 83,046
Non-controlling interest	**862**	**(862)**	**—**	6,014	(6,014)	—
	$ 132,289	**$ (862)**	**$ 131,427**	$ 89,060	$ (6,014)	$ 83,046
Net income per share attributable to common shareholders:						
Basic	**$ 0.52**			$ 0.34		
Diluted	**$ 0.52**			$ 0.34		

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

Nine months ended September 30			2018			2017
	Consolidated Statements of Income	**Adjustment for proportionate interest**	**Proportionate interest [1]**	Consolidated Statements of Income	Adjustment for proportionate interest	Proportionate interest [1]
Property rental revenue	**$ 545,005**	**$ 6,223**	**$ 551,228**	$ 517,252	$ 6,741	$ 523,993
Property operating costs	**204,747**	**2,202**	**206,949**	191,080	2,472	193,552
Net operating income	**340,258**	**4,021**	**344,279**	326,172	4,269	330,441
Other income and expenses						
Interest and other income	**20,279**	**1,919**	**22,198**	20,815	482	21,297
Interest expense	**(114,086)**	**(1,694)**	**(115,780)**	(117,560)	(1,797)	(119,357)
Corporate expenses	**(28,780)**	**879**	**(27,901)**	(27,155)	849	(26,306)
Abandoned transaction costs	**(124)**	**(1)**	**(125)**	(109)	(11)	(120)
Amortization expense	**(2,215)**	**—**	**(2,215)**	(1,459)	—	(1,459)
Share of profit from joint ventures	**30,143**	**(30,143)**	**—**	35,894	(35,894)	—
Other gains (losses) and (expenses)	**13,587**	**(1,230)**	**12,357**	(3,086)	(8)	(3,094)
Increase (decrease) in value of investment properties, net	**91,417**	**17,825**	**109,242**	441,353	22,989	464,342
	10,221	**(12,445)**	**(2,224)**	348,693	(13,390)	335,303
Income before income taxes	**350,479**	**(8,424)**	**342,055**	674,865	(9,121)	665,744
Deferred income taxes	**62,757**	**(2)**	**62,755**	107,474	14	107,488
Net income	**$ 287,722**	**$ (8,422)**	**$ 279,300**	$ 567,391	$ (9,135)	$ 558,256
Net income attributable to:						
Common shareholders	**$ 279,300**	**$ —**	**$ 279,300**	$ 558,256	$ —	$ 558,256
Non-controlling interest	**8,422**	**(8,422)**	**—**	9,135	(9,135)	—
	$ 287,722	**$ (8,422)**	**$ 279,300**	$ 567,391	$ (9,135)	$ 558,256
Net income per share attributable to common shareholders:						
Basic	**$ 1.13**			$ 2.28		
Diluted	**$ 1.12**			$ 2.25		

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

FFO and ACFO

Funds from Operations

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

	Three months ended September 30		Nine months ended September 30	
	2018	2017	**2018**	2017
Net income attributable to common shareholders	**$ 131,427**	$ 83,046	**$ 279,300**	$ 558,256
Add (deduct):				
(Increase) decrease in value of investment properties [1]	**(68,473)**	(32,230)	**(109,242)**	(464,342)
Adjustment for equity accounted joint ventures [2]	**287**	461	**1,198**	2,621
Incremental leasing costs [3]	**1,639**	1,787	**4,822**	5,340
Amortization expense [4]	**252**	—	**252**	—
Gain on below market purchase [5]	**(13,975)**	—	**(13,975)**	—
Transaction costs [6]	**2,052**	—	**2,052**	—
Investment properties selling costs [1]	**445**	931	**2,429**	1,562
Deferred income taxes [1]	**22,856**	19,725	**62,755**	107,488
FFO [7]	**$ 76,510**	$ 73,720	**$ 229,591**	$ 210,925

(1) At the Company's proportionate interest.
(2) Adjustment to capitalize interest related to the Company's equity accounted joint ventures in accordance with the recommendations of REALPAC.
(3) Adjustment to capitalize incremental leasing costs in accordance with the recommendations of REALPAC.
(4) Adjustment to hotel property amortization in accordance with the recommendations of REALPAC.
(5) Adjustment to exclude gain on below market purchase of hotel property in accordance with the recommendations of REALPAC.
(6) Adjustment to transaction costs incurred as part of hotel property acquisition in accordance with the recommendations of REALPAC.
(7) Refer to the "Non-IFRS Financial Measures" section of this MD&A.

The components of FFO at proportionate interest are as follows:

	Three months ended September 30			Nine months ended September 30		
	% change	**2018**	2017	% change	**2018**	2017
Net operating income		**$ 116,119**	$ 111,861		**$ 344,279**	$ 330,441
Interest and other income		**7,567**	8,653		**22,198**	21,297
Interest expense [1]		**(38,638)**	(40,024)		**(114,582)**	(116,736)
Corporate expenses [2]		**(7,047)**	(6,694)		**(23,079)**	(20,966)
Abandoned transaction costs		**(60)**	(7)		**(125)**	(120)
Amortization expense [3]		**(835)**	(491)		**(1,963)**	(1,459)
Other gains (losses) and (expenses) [4]		**(596)**	422		**2,863**	(1,532)
FFO [5]	3.8%	**$ 76,510**	$ 73,720	8.8%	**$ 229,591**	$ 210,925
FFO per diluted share	—%	**$ 0.30**	$ 0.30	7.2%	**$ 0.92**	$ 0.86
Weighted average number of common shares – diluted – FFO (in thousands)	3.7%	**254,100**	245,137	1.5%	**248,697**	245,014

(1) Includes an adjustment to capitalize interest related to the Company's equity accounted joint ventures in accordance with the recommendations of REALPAC.
(2) Includes an adjustment to capitalize incremental leasing costs in accordance with the recommendations of REALPAC.
(3) Excludes hotel property amortization in accordance with the recommendations of REALPAC.
(4) At the Company's proportionate interest, adjusted for gain on below market purchase and transaction costs related to the hotel property as well as investment properties selling costs in accordance with the recommendations of REALPAC.
(5) Refer to the "Non-IFRS Financial Measures" section of this MD&A.

For the three months ended September 30, 2018, FFO totaled $76.5 million or $0.30 per diluted share compared to $73.7 million or $0.30 per diluted share in the same prior year period. The $2.8 million increase in FFO over the prior year period is primarily due to NOI increasing by $4.3 million largely due to growth in SP NOI and an increase in straight-line rent resulting from a greater number of tenants in fixturing over the prior year, offset by lower interest and other income of $1.1 million and higher corporate expenses of $0.4 million.

For the nine months ended September 30, 2018, FFO totaled $229.6 million or $0.92 per diluted share compared to $210.9 million or $0.86 per diluted share for the same prior year period. The $18.7 million increase in FFO was due to NOI increasing by $13.8 million primarily due to growth in SP NOI and an increase in straight-line rent due to a greater number of tenants in fixturing over the prior year. In addition, FFO also increased due to a $4.4 million increase in other gains primarily due to higher net gains on marketable securities of $2.5 million and lower non-cash losses of $2.6 million on early redemptions of convertible debentures over the prior year.

Adjusted Cash Flow from Operations

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

	Three months ended September 30		Nine months ended September 30	
	2018	2017	**2018**	2017
Cash provided by operating activities	**$ 72,049**	$ 85,956	**$ 168,884**	$ 162,793
Add (deduct):				
Working capital adjustments [1]	**5,116**	(4,964)	**32,976**	32,243
Adjustment for equity accounted joint ventures	**218**	815	**2,416**	4,261
Revenue sustaining capital expenditures	**(3,561)**	(7,068)	**(10,067)**	(15,250)
Recoverable capital expenditures	**(2,235)**	(2,634)	**(3,165)**	(4,587)
Leasing costs on properties under development	**409**	445	**1,205**	1,335
Realized gain (loss) on sale of marketable securities	**66**	—	**4,189**	—
Non-controlling interest	**(598)**	(329)	**(642)**	(153)
ACFO [2]	**$ 71,464**	$ 72,221	**$ 195,796**	$ 180,642

[1] Working capital adjustments primarily include adjustments for prepaid as well as accrued property taxes as their levels vary considerably over the course of the year as well as certain other adjustments as specified in the most recent REALPAC whitepaper on ACFO issued in February 2018.
[2] Refer to the "Non-IFRS Financial Measures" section of this MD&A.

For the three and nine months ended September 30, 2018, ACFO totaled $71.5 million and $195.8 million compared to $72.2 million and $180.6 million for the same prior year period periods, respectively. For the three months ended September 30, 2018, the decrease in ACFO was primarily due to working capital fluctuations and lower NOI from equity accounted joint ventures, partially offset by lower capital expenditures compared to the same prior year period. For the nine months ended September 30, 2018, the increase in ACFO was primarily due to realized gains on the sale of the Company's marketable securities, lower capital expenditures, and lower interest expense compared to the same prior year period.

ACFO Payout Ratio

The Company's ACFO payout ratio for the four quarters ended September 30, 2018 is calculated as follow:

		Twelve months ended September 30, 2018		Q3 2018		Q2 2018		Q1 2018		Q4 2017
ACFO (1)	**$**	**258,797**	$	71,464	$	74,030	$	50,302	$	63,001
Cash dividends paid		**210,321**		52,680		52,636		52,553		52,452
ACFO payout ratio (1)		**81.3%**								

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

The Company's ACFO payout ratio for the four quarters ended September 30, 2017 is calculated as follow:

		Twelve months ended September 30, 2017		Q3 2017		Q2 2017		Q1 2017		Q4 2016
ACFO (1)	$	234,112	$	72,221	$	58,741	$	49,680	$	53,470
Cash dividends paid		209,382		52,443		52,395		52,330		52,214
ACFO payout ratio (1)		89.4%								

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

The Company considers a rolling four quarter payout ratio (cash dividends / ACFO) to be more relevant than a payout ratio in any given quarter due to seasonal fluctuations in ACFO. For the four quarters ended September 30, 2018, the ACFO payout ratio was 81.3% (September 30, 2017 – 89.4%).

DIVIDENDS

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

	Three months ended September 30				Nine months ended September 30			
(in dollars)		**2018**		2017		**2018**		2017
Dividend per common share	**$**	**0.215**	$	0.215	**$**	**0.645**	$	0.645

SUMMARY OF FINANCIAL RESULTS OF LONG-TERM DEBT GUARANTORS

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

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

(millions of dollars)										Three months ended September 30
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
	FCR [1]		Guarantors [2]		Non-Guarantors [3]		Consolidation Adjustments [4]		Total Consolidated	
Property rental revenue	**$ 78**	$ 73	**$ 105**	$ 98	**$ 3**	$ 2	**$ (4)**	$ (2)	**$ 182**	$ 171
NOI [5]	**51**	50	**64**	62	**2**	—	**(2)**	(1)	**115**	111
Net income attributable to common shareholders	**131**	83	**78**	69	**7**	—	**(85)**	(69)	**131**	83

(millions of dollars)										Nine months ended September 30
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
	FCR [1]		Guarantors [2]		Non-Guarantors [3]		Consolidation Adjustments [4]		Total Consolidated	
Property rental revenue	**$ 231**	$ 218	**$ 316**	$ 301	**$ 3**	$ 5	**$ (5)**	$ (7)	**$ 545**	$ 517
NOI [5]	**152**	146	**189**	182	**2**	2	**(3)**	(4)	**340**	326
Net income attributable to common shareholders	**279**	558	**173**	451	**25**	13	**(198)**	(464)	**279**	558

(millions of dollars)					As at September 30, 2018
	FCR [1]	Guarantors [2]	Non-Guarantors [3]	Consolidation Adjustments [4]	Total Consolidated
Current assets	**$ 187**	**$ 279**	**$ 83**	**$ (77)**	**$ 472**
Non-current assets	**9,391**	**4,709**	**64**	**(4,319)**	**9,845**
Current liabilities	**555**	**166**	**7**	**27**	**755**
Non-current liabilities	**4,011**	**575**	**46**	**(82)**	**4,550**

(millions of dollars)					As at December 31, 2017
	FCR [1]	Guarantors [2]	Non-Guarantors [3]	Consolidation Adjustments [4]	Total Consolidated
Current assets	$ 134	$ 165	$ 232	$ (228)	$ 303
Non-current assets	9,200	4,984	42	(4,560)	9,666
Current liabilities	483	86	6	(2)	573
Non-current liabilities	4,154	582	103	(139)	4,700

(1) This column represents FCR and all of its subsidiaries; FCR's subsidiaries are presented under the equity method.
(2) This column represents the aggregate of all Guarantor subsidiaries.
(3) This column represents the aggregate of all Non-Guarantor subsidiaries.
(4) This column includes the necessary amounts to eliminate the inter-company balances between FCR, the Guarantors, and Non-Guarantors to arrive at the information for the Company on a consolidated basis.
(5) Refer to the "Non-IFRS Financial Measures" section of this MD&A.

RELATED PARTY TRANSACTIONS

Significant Shareholder

Gazit-Globe Ltd. (“Gazit”) is a significant shareholder of the Company, and, as of September 30, 2018, beneficially owned 31.3% (December 31, 2017 – 32.6%) of the common shares of the Company. Norstar Holdings Inc. is the ultimate controlling party of Gazit.

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

Joint Ventures

During the three and nine months ended September 30, 2018, the Company earned fee income of $3.2 million (September 30, 2017 – $0.7 million) and $4.3 million (September 30, 2017 – $1.9 million), respectively, from its joint ventures. Also during the nine months ended September 30, 2018, the Company advanced $2.1 million (September 30, 2017 – $0.8 million) to one of its joint ventures.

Subsidiaries of the Company

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

SUBSEQUENT EVENTS

Fourth Quarter Dividend

The Company announced that it will pay a fourth quarter dividend of $0.215 per common share on January 17, 2019 to shareholders of record on December 28, 2018.

QUARTERLY FINANCIAL INFORMATION

	2018			2017				2016
(share counts in thousands)	**Q3**	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Property rental revenue	**$ 182,368**	$ 181,852	$ 180,785	$ 177,206	$ 170,670	$ 171,729	$ 174,853	$ 172,731
Net operating income [1]	**$ 114,800**	$ 113,816	$ 111,642	$ 111,337	$ 110,610	$ 108,678	$ 106,884	$ 106,306
Net income attributable to common shareholders	**$ 131,427**	$ 81,929	$ 65,944	$ 74,833	$ 83,046	$ 271,539	$ 203,671	$ 57,739
Net income per share attributable to common shareholders:								
Basic	**$ 0.52**	$ 0.33	$ 0.27	$ 0.31	$ 0.34	$ 1.11	$ 0.83	$ 0.24
Diluted	**$ 0.52**	$ 0.33	$ 0.27	$ 0.30	$ 0.34	$ 1.09	$ 0.82	$ 0.24
Weighted average number of diluted common shares outstanding – IFRS	**254,100**	246,196	247,044	248,266	248,626	250,516	250,232	252,602
FFO [1]	**$ 76,510**	$ 79,148	$ 73,933	$ 73,185	$ 73,720	$ 70,580	$ 66,625	$ 66,824
FFO per diluted share [1]	**$ 0.30**	$ 0.32	$ 0.30	$ 0.30	$ 0.30	$ 0.29	$ 0.27	$ 0.27
Weighted average number of diluted common shares outstanding – FFO	**254,100**	246,196	245,717	245,422	245,137	245,186	244,820	244,554
Cash provided by operating activities	**$ 72,049**	$ 51,356	$ 45,479	$ 107,364	$ 85,956	$ 30,867	$ 45,970	$ 96,950
ACFO [1]	**$ 71,464**	$ 74,030	$ 50,302	$ 63,001	$ 72,221	$ 58,741	$ 49,680	$ 53,470
Dividend per common share	**$ 0.215**	$ 0.215	$ 0.215	$ 0.215	$ 0.215	$ 0.215	$ 0.215	$ 0.215
Total assets	**$10,317,034**	$10,070,477	$ 9,980,267	$ 9,968,552	$ 9,861,267	$ 9,688,357	$ 9,334,216	$ 9,104,553
Total mortgages and credit facilities	**$ 1,678,862**	$ 1,691,387	$ 1,694,732	$ 1,641,966	$ 1,456,226	$ 1,609,827	$ 1,527,179	$ 1,248,646
Shareholders' equity	**$ 4,981,511**	$ 4,703,593	$ 4,669,877	$ 4,647,071	$ 4,618,170	$ 4,577,648	$ 4,352,882	$ 4,195,263
Other								
Number of properties	**166**	162	161	161	159	160	160	160
GLA - at 100% (in thousands)	**25,519**	25,327	25,267	25,390	25,168	25,217	25,215	25,278
GLA - at ownership interest (in thousands)	**23,797**	23,700	23,648	23,991	23,751	23,798	23,791	23,820
Monthly average occupancy %	**96.4%**	96.2%	96.0%	95.4%	95.0%	94.8%	94.6%	94.9%
Total portfolio occupancy %	**96.5%**	96.3%	96.2%	96.1%	95.3%	95.0%	94.5%	94.9%

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

CRITICAL ACCOUNTING ESTIMATES

The Company's unaudited interim condensed consolidated financial statements for the three and nine months ended September 30, 2018 and 2017 have been prepared in accordance with IAS 34, "Interim Financial Reporting" as issued by the International Accounting Standards Board. The unaudited interim condensed consolidated financial statements have been prepared by applying the same accounting policies and methods of computation as compared with the most recent audited annual consolidated financial statements.

The Company's 2017 Annual Report contains a discussion of the significant accounting policies most affected by estimates and judgments used in the preparation of the consolidated financial statements, being the accounting policies relating to estimates of fair values of investment properties, valuation of financial instruments both for disclosure and measurement purposes, and estimating deferred tax assets and liabilities. With the exception of the impact of new accounting standards discussed in Note 3 of the unaudited interim condensed consolidated financial statements, Management determined that as at September 30, 2018, there is no change to the assessment of the significant accounting policies most affected by estimates and judgments as detailed in the Company's 2017 Annual Report.

ACCOUNTING POLICY CHANGES

Refer to Note 3 of the unaudited interim condensed consolidated financial statements for the three and nine months ended September 30, 2018 for details on the impact of accounting policy changes related to the adoption of new and amended IFRS pronouncements, as well as future accounting changes.

CONTROLS AND PROCEDURES

As at September 30, 2018, the Chief Executive Officer and the Chief Financial Officer of the Company, with the assistance of other staff and Management of the Company to the extent deemed necessary, have designed the Company's disclosure controls and procedures to provide reasonable assurance that information required to be disclosed in the various reports filed or submitted by the Company under securities legislation is recorded, processed, summarized and reported accurately and have designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

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

The Company did not make any changes in its internal controls over financial reporting during the quarter ended September 30, 2018 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 in the Company's 2017 Annual Report. The Company's most current Annual Information Form, which provides a detailed description of these and other risks that may affect the Company, can be found on SEDAR at www.sedar.com and on the Company's website at www.fcr.ca.

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INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Table of Contents

Interim Condensed Consolidated Balance Sheets

As at *(thousands of dollars)*	Note	**September 30, 2018** **(unaudited)**	December 31, 2017 (audited)
ASSETS			
Non-current Assets			
Real Estate Investments			
Investment properties – shopping centres	4	**$ 9,507,035**	$ 9,226,206
Investment properties – development land	4	**63,559**	72,041
Investment in joint ventures		**140,306**	202,231
Hotel property	5	**58,765**	—
Loans, mortgages and other assets	6	**38,893**	133,163
Total real estate investments		**9,808,558**	9,633,641
Other non-current assets	8	**36,891**	32,008
Total non-current assets		**9,845,449**	9,665,649
Current Assets			
Cash and cash equivalents	25(d)	**15,531**	11,507
Loans, mortgages and other assets	6	**223,902**	146,985
Residential development inventory		**8,532**	5,483
Amounts receivable	7	**34,038**	25,437
Other assets	8	**53,795**	15,379
		335,798	204,791
Investment properties classified as held for sale	4(d)	**135,787**	98,112
Total current assets		**471,585**	302,903
Total assets		**$ 10,317,034**	$ 9,968,552
LIABILITIES			
Non-current Liabilities			
Mortgages	10	**$ 989,104**	$ 903,807
Credit facilities	10	**457,620**	558,555
Senior unsecured debentures	11	**2,297,181**	2,446,291
Convertible debentures	12	**—**	54,293
Other liabilities	13	**23,337**	16,914
Deferred tax liabilities	20	**783,250**	720,431
Total non-current liabilities		**4,550,492**	4,700,291
Current Liabilities			
Bank indebtedness		**33,562**	3,144
Mortgages	10	**130,238**	149,453
Credit facilities	10	**101,900**	23,072
Senior unsecured debentures	11	**249,810**	149,675
Accounts payable and other liabilities	13	**239,479**	240,154
		754,989	565,498
Mortgages on investment properties classified as held for sale	4(d), 10	**—**	7,079
Total current liabilities		**754,989**	572,577
Total liabilities		**5,305,481**	5,272,868
EQUITY			
Shareholders' equity	14	**4,981,511**	4,647,071
Non-controlling interest	24	**30,042**	48,613
Total equity		**5,011,553**	4,695,684
Total liabilities and equity		**$ 10,317,034**	$ 9,968,552

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

Approved by the Board of Directors:

Al Mawani
Director

Adam E. Paul
Director

Interim Condensed Consolidated Statements of Income

(unaudited)		Three months ended September 30		Nine months ended September 30	
(thousands of dollars, except per share amounts)	**Note**	**2018**	2017	**2018**	2017
Property rental revenue		**$ 182,368**	$ 170,670	**$ 545,005**	$ 517,252
Property operating costs		**67,568**	60,060	**204,747**	191,080
Net operating income	15	**114,800**	110,610	**340,258**	326,172
Other income and expenses					
Interest and other income	16	**8,271**	8,693	**20,279**	20,815
Interest expense	17	**(38,437)**	(39,893)	**(114,086)**	(117,560)
Corporate expenses	18	**(8,982)**	(8,677)	**(28,780)**	(27,155)
Abandoned transaction costs		**(60)**	(7)	**(124)**	(109)
Amortization expense		**(1,087)**	(491)	**(2,215)**	(1,459)
Share of profit from joint ventures		**487**	21,145	**30,143**	35,894
Other gains (losses) and (expenses)	19	**11,627**	(501)	**13,587**	(3,086)
Increase (decrease) in value of investment properties, net	4	**68,528**	17,906	**91,417**	441,353
		40,347	(1,825)	**10,221**	348,693
Income before income taxes		**155,147**	108,785	**350,479**	674,865
Deferred income taxes	20	**22,858**	19,725	**62,757**	107,474
Net income		**$ 132,289**	$ 89,060	**$ 287,722**	$ 567,391
Net income attributable to:					
Common shareholders		**$ 131,427**	$ 83,046	**$ 279,300**	$ 558,256
Non-controlling interest	24	**862**	6,014	**8,422**	9,135
		$ 132,289	$ 89,060	**$ 287,722**	$ 567,391
Net income per share attributable to common shareholders:					
Basic	21	**$ 0.52**	$ 0.34	**$ 1.13**	$ 2.28
Diluted	21	**$ 0.52**	$ 0.34	**$ 1.12**	$ 2.25

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

Interim Condensed Consolidated Statements of Comprehensive Income

(unaudited)		Three months ended September 30		Nine months ended September 30	
(thousands of dollars)	**Note**	**2018**	2017	**2018**	2017
Net income		**$ 132,289**	$ 89,060	**$ 287,722**	$ 567,391
Other comprehensive income (loss)					
Unrealized gain (loss) on cash flow hedges [1]		**7,574**	10,619	**11,262**	14,352
Reclassification of net losses on cash flow hedges to net income		**354**	380	**1,123**	1,284
		7,928	10,999	**12,385**	15,636
Deferred tax expense (recovery)		**2,109**	2,926	**3,295**	4,160
Other comprehensive income (loss)		**5,819**	8,073	**9,090**	11,476
Comprehensive income		**$ 138,108**	$ 97,133	**$ 296,812**	$ 578,867
Comprehensive income attributable to:					
Common shareholders		**$ 137,246**	$ 91,119	**$ 288,390**	$ 569,732
Non-controlling interest	24	**862**	6,014	**8,422**	9,135
		$ 138,108	$ 97,133	**$ 296,812**	$ 578,867

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

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

Interim Condensed Consolidated Statements of Changes in Equity

(unaudited) *(thousands of dollars)*	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Share Capital	Contributed Surplus and Other Equity Items	Total Shareholders' Equity	Non-Controlling Interest	Total Equity
			(Note 14(a))	*(Note 14(b))*			
December 31, 2017	**$ 1,445,519**	**$ 40**	**$ 3,159,542**	**$ 41,970**	**$ 4,647,071**	**$ 48,613**	**$ 4,695,684**
Changes during the period:							
Net income	279,300	—	—	—	279,300	8,422	287,722
Issuance of common shares	—	—	200,019	—	200,019	—	200,019
Issue costs, net of tax	—	—	(6,112)	—	(6,112)	—	(6,112)
Dividends	(160,564)	—	—	—	(160,564)	—	(160,564)
Options, deferred share units, restricted share units, and performance share units, net	—	—	11,139	1,568	12,707	—	12,707
Other comprehensive gain (loss)	—	9,090	—	—	9,090	—	9,090
Contributions from (distributions to) non-controlling interest, net	—	—	—	—	—	(26,993)	(26,993)
September 30, 2018	**$ 1,564,255**	**$ 9,130**	**$ 3,364,588**	**$ 43,538**	**$ 4,981,511**	**$ 30,042**	**$ 5,011,553**

(unaudited) *(thousands of dollars)*	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Share Capital	Contributed Surplus and Other Equity Items	Total Shareholders' Equity	Non-Controlling Interest	Total Equity
December 31, 2016	$ 1,022,863	$ (11,698)	$ 3,142,399	$ 41,699	$ 4,195,263	$ 37,820	$ 4,233,083
Changes during the period:							
Net income	558,256	—	—	—	558,256	9,135	567,391
Issue costs, net of tax	—	—	(176)	—	(176)	—	(176)
Dividends	(157,733)	—	—	—	(157,733)	—	(157,733)
Interest on convertible debentures paid in common shares	—	—	2,442	—	2,442	—	2,442
Conversion of convertible debentures	—	—	107	(3)	104	—	104
Options, deferred share units, restricted share units, and performance share units, net	—	—	6,051	2,487	8,538	—	8,538
Other comprehensive gain (loss)	—	11,476	—	—	11,476	—	11,476
September 30, 2017	$ 1,423,386	$ (222)	$ 3,150,823	$ 44,183	$ 4,618,170	$ 46,955	$ 4,665,125

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

Interim Condensed Consolidated Statements of Cash Flows

(unaudited)		Three months ended September 30		Nine months ended September 30	
(thousands of dollars)	**Note**	**2018**	2017	**2018**	2017
OPERATING ACTIVITIES					
Net income		**$ 132,289**	$ 89,060	**$ 287,722**	$ 567,391
Adjustments for:					
(Increase) decrease in value of investment properties, net	4	**(68,528)**	(17,906)	**(91,417)**	(441,353)
Interest expense	17	**38,437**	39,893	**114,086**	117,560
Amortization expense		**1,087**	491	**2,215**	1,459
Share of profit of joint ventures		**(487)**	(21,145)	**(30,143)**	(35,894)
Cash interest paid associated with operating activities	17	**(42,338)**	(38,121)	**(117,160)**	(116,319)
Items not affecting cash and other items	25(a)	**9,055**	21,136	**44,162**	110,708
Net change in non-cash operating items	25(b)	**2,534**	12,548	**(40,581)**	(40,759)
Cash provided by (used in) operating activities		**72,049**	85,956	**168,884**	162,793
FINANCING ACTIVITIES					
Mortgage borrowings, net of financing costs	10	**47,960**	—	**173,536**	103,377
Mortgage principal instalment payments	10	**(6,707)**	(7,277)	**(20,380)**	(21,609)
Mortgage repayments	10	**(6,781)**	(19,390)	**(95,973)**	(52,301)
Credit facilities, net advances (repayments)	10	**(40,352)**	(130,654)	**(357)**	173,286
Issuance of senior unsecured debentures, net of issue costs	11	**—**	298,254	**—**	298,254
Repayment of senior unsecured debentures	11	**(50,000)**	—	**(50,000)**	(125,000)
Settlement of hedges		**(141)**	1,618	**(149)**	1,618
Repayment of convertible debentures	12(b)	**—**	(51,189)	**(55,092)**	(157,325)
Repurchase of convertible debentures		**—**	(5)	**—**	(112)
Issuance of common shares, net of issue costs		**194,223**	696	**202,181**	4,330
Payment of dividends		**(52,680)**	(52,443)	**(157,869)**	(157,168)
Cash provided by (used in) financing activities		**85,522**	39,610	**(4,103)**	67,350
INVESTING ACTIVITIES					
Acquisition of shopping centres	4(c)	**(69,837)**	(8,084)	**(91,397)**	(18,844)
Acquisition of development land	4(c)	**—**	—	**(1,794)**	—
Acquisition of Hotel property (net settled with loan repayment)	5	**(2,052)**	—	**(2,052)**	—
Net proceeds from property dispositions	4(d)	**5,103**	29,742	**75,679**	45,552
Distributions from joint ventures		**8,231**	1,453	**112,120**	4,535
Contributions to joint ventures		**(11,778)**	(676)	**(20,053)**	(1,828)
Net contributions from (distributions to) non-controlling interest		**2,176**	—	**(26,993)**	—
Capital expenditures on investment properties		**(65,134)**	(58,588)	**(196,596)**	(159,442)
Changes in investing-related prepaid expenses and other liabilities		**6,078**	(717)	**14,019**	(3,628)
Changes in loans, mortgages and other assets	25(c)	**(26,463)**	(81,956)	**(23,690)**	(91,246)
Cash provided by (used in) investing activities		**(153,676)**	(118,826)	**(160,757)**	(224,901)
Net increase (decrease) in cash and cash equivalents		**3,895**	6,740	**4,024**	5,242
Cash and cash equivalents, beginning of period		**11,636**	10,719	**11,507**	12,217
Cash and cash equivalents, end of period	25(d)	**$ 15,531**	$ 17,459	**$ 15,531**	$ 17,459

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

Notes to the Interim Condensed Consolidated Financial Statements

1. DESCRIPTION OF THE COMPANY

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

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These unaudited interim condensed consolidated financial statements have been prepared in accordance with IAS 34, “Interim Financial Reporting” as issued by the International Accounting Standards Board (“IASB”), and as such, do not include all of the disclosures that would be included in audited annual consolidated financial statements. These unaudited interim condensed consolidated financial statements should be read in conjunction with the Company’s audited annual consolidated financial statements for the years ended December 31, 2017 and 2016.

(b) Basis of presentation

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

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

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

(c) Approval of unaudited interim condensed consolidated financial statements

These unaudited interim condensed consolidated financial statements were approved by the Board of Directors and authorized for issue on November 6, 2018.

3. ADOPTION OF NEW AND AMENDED IFRS PRONOUNCEMENTS

(a) IFRS Amendments

The Company adopted the following International Financial Reporting Standards pronouncements listed below as of January 1, 2018, in accordance with their respective transitional provisions.

Financial instruments

IFRS 9, “Financial Instruments” (“IFRS 9”) addresses the classification and measurement of all financial assets and financial liabilities and introduces a new expected credit loss impairment model as well as a substantially reformed model for hedge accounting.

Financial Assets

The Company’s business model for its loans and mortgages receivable is focused primarily on collecting contractual principal and interest payments. These financial assets are assessed to evaluate if their contractual cash flows are comprised of solely payments of principal and interest (“SPPI”). SPPI payments are those which would typically be expected from basic lending arrangements. The majority of the Company’s loans and mortgages receivable would qualify as SPPI arrangements, and therefore are measured at amortized cost.

In addition, the Company also enters into lending arrangements that include options to purchase the underlying collateral which is typically investment property that the Company may want to acquire in future periods. Where the contractual terms introduce exposure to risk or variability of cash flows that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss (“FVTPL”).

Allowance for Credit Losses

An allowance for credit losses (ACL) is established for all financial assets, except for financial assets classified or designated as FVTPL. The ACL is a discounted probability-weighted estimate of the cash shortfalls expected to result from defaults over the relevant time horizon. Expected credit losses are based on a range of possible outcomes and consider all available reasonable and supportable information including historical credit loss experience, and expectations about future cash flows.

Recognition and Measurement

All financial instruments are required to be measured at fair value on initial recognition. Measurement in subsequent periods for financial instruments classified at FVTPL are recognized in other gains (losses) and (expenses). Financial instruments classified at amortized cost are subsequently measured using the effective interest method.

Hedge Accounting

The Company has chosen as its accounting policy to continue to apply the hedge accounting requirements under IAS 39, “Financial Instruments: Recognition and Measurement” instead of the requirements under IFRS 9.

Impact upon adoption of IFRS 9

The Company has applied the new standard effective January 1, 2018. As permitted by the transition provisions of IFRS 9, the Company elected not to restate comparative period results; accordingly, all comparative period information is presented in accordance with our previous accounting policies, as described in our most recent audited annual consolidated financial statements. Upon adoption, the impact to the interim condensed consolidated financial statements included changes to the classification and measurement of some of its loans and mortgages receivable, and available for sale financial assets to fair value through profit and loss. Furthermore, for trade and other receivables, the Company has applied the standard’s simplified approach for determining impairment and has calculated an ACL based on lifetime expected credit losses. The Company has established processes in place for determining ACL that are based on the Company’s historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The adoption of the standard did not have an impact on the carrying amount of the Company's financial assets or liabilities. Additional disclosures required upon adoption of the standard are included in Note 6 and 23. The table below summarizes the impact of IFRS 9 on the classification and measurement on the Company's financial assets and liabilities.

Summary of impact upon adoption of IFRS 9, "Classification and measurement"

	IFRS 9			IAS 39		
	January 1, 2018			December 31 2017		
(thousands of dollars)	**Measurement category**	**Carrying Amount**		Measurement category	Carrying Amount	
Financial assets						
Investment in limited partnership	**FVTPL**	**$**	**2,587**	FVOCI	$	2,587
Derivative assets	**FVTPL**		**16,435**	FVTPL		16,435
Loans and mortgages receivable	**Amortized Cost**		**153,271**	Amortized Cost		255,841
Loans and mortgages receivable(1)	**FVTPL**		**102,570**	Amortized Cost		—
Equity securities designated as FVTPL	**FVTPL**		**21,720**	FVTPL		21,720
Amounts receivable	**Amortized Cost**		**25,437**	Amortized Cost		25,437
Cash and cash equivalents	**Amortized Cost**		**11,507**	Amortized Cost		11,507
Restricted cash	**Amortized Cost**		**50**	Amortized Cost		50
Financial liabilities						
Bank indebtedness	**Amortized Cost**	**$**	**3,144**	Amortized Cost	$	3,144
Mortgages	**Amortized Cost**		**1,060,339**	Amortized Cost		1,060,339
Credit facilities	**Amortized Cost**		**581,627**	Amortized Cost		581,627
Senior unsecured debentures	**Amortized Cost**		**2,595,966**	Amortized Cost		2,595,966
Convertible debentures	**Amortized Cost**		**54,293**	Amortized Cost		54,293
Accounts payable and other liabilities	**Amortized Cost**		**245,725**	Amortized Cost		245,725
Derivative liabilities	**FVTPL**		**11,343**	FVTPL		11,343

(1) The Loans whose cash flows are not solely payments of principal or interest were reclassified to FVTPL.

Revenue from contracts with customers

IFR5 15 "Revenue from Contracts with Customers" ("IFRS 15") provides a single, principles-based five-step model that applies to all contracts with customers with limited exceptions. In addition, the standard specifies how to account for incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. IFRS 15 does not apply to lease contracts within the scope of IAS 17 "Leases" ("IAS 17").

The majority of the Company's revenues are earned from lease contracts with tenants and are accounted for under IAS 17. Base rent, straight-line rent, realty tax recoveries, lease surrender fees and percentage rent are considered lease components and revenue recognition remains consistent with the accounting policies outlined in the most recent audited annual consolidated financial statements.

All other revenue from tenants such as operating cost recoveries are considered non-lease components and are subject to the guidance in IFRS 15 and are recognized in the period that services are performed and are chargeable to tenants.

Impact upon adoption of IFRS 15

The Company has applied the new standard using the full retrospective method. Upon adoption, the pattern of revenue recognition remains unchanged, as noted above, and the impact to the interim condensed consolidated financial statements is limited to additional disclosure on the disaggregation of the Company's various revenue streams. Additional disclosures required upon adoption of the standard are included in Note 15.

Investment property

The amendments to IAS 40, "Investment Property", clarify the accounting guidance and evidence required when an entity transfers to, or from, investment property. The Company has adopted the amendments and will apply the guidance prospectively.

IFRIC Agenda Decision on IAS 7, "Statement of Cash Flows"

In June 2018, the IFRS Interpretations Committee issued an agenda decision on the classification of short-term loans and credit facilities in the statement of cash flows. The Committee concluded that in situations where short-term arrangements such as bank overdrafts that are not repayable on demand and do not often fluctuate from being negative to positive should not be included as components of cash and cash equivalents. As a result, the Company no longer includes bank indebtedness as a part of cash and cash equivalents, but rather as a form of financing activity. Comparative information in the interim condensed consolidated statements of cash flows have been reclassified to conform with the current period’s presentation.

(b) Recent Accounting Pronouncements Not Yet Adopted

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

Leases

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

IFRS 16 is required for annual periods beginning on or after January 1, 2019. The Company has assessed the impact of IFRS 16 to its consolidated financial statements and has concluded that leases with tenants will continue to be accounted for as operating leases consistent with current accounting standards.

Uncertainty over income tax treatments

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

4. INVESTMENT PROPERTIES

(a) Activity

The following tables summarize the changes in the Company's investment properties for the nine months ended September 30, 2018 and year ended December 31, 2017:

					Nine months ended September 30, 2018	
	Central Region	**Eastern Region**	**Western Region**	**Total**	**Shopping Centres**	**Development Land**
Balance at beginning of period	**$ 4,263,757**	**$ 1,980,077**	**$ 3,152,525**	**$ 9,396,359**	**$ 9,317,306**	**$ 79,053**
Acquisitions	**55,002**	**5,680**	**32,509**	**93,191**	**91,397**	**1,794**
Capital expenditures	**131,396**	**23,335**	**41,865**	**196,596**	**191,928**	**4,668**
Increase (decrease) in value of investment properties, net	**46,112**	**17,540**	**27,765**	**91,417**	**80,736**	**10,681**
Straight-line rent and other changes	**(95)**	**4,102**	**2,386**	**6,393**	**6,393**	**—**
Dispositions	**(66,000)**	**(6,075)**	**(5,500)**	**(77,575)**	**(77,575)**	**—**
Balance at end of period	**$ 4,430,172**	**$ 2,024,659**	**$ 3,251,550**	**$ 9,706,381**	**$ 9,610,185**	**$ 96,196**
Investment properties					**$ 9,507,035**	**$ 63,559**
Investment properties classified as held for sale					**103,150**	**32,637**
Total					**$ 9,610,185**	**$ 96,196**

					Year ended December 31, 2017	
	Central Region	Eastern Region	Western Region	Total	Shopping Centres	Development Land
Balance at beginning of period	$ 3,711,238	$ 1,825,533	$ 2,983,726	$ 8,520,497	$ 8,453,348	$ 67,149
Acquisitions	209,716	71,012	6,478	287,206	287,206	—
Capital expenditures	133,135	30,736	68,034	231,905	226,242	5,663
Increase (decrease) in value of investment properties, net	248,831	67,215	142,316	458,362	452,121	6,241
Straight-line rent and other changes	627	817	1,019	2,463	2,463	—
Dispositions	(25,790)	(15,236)	(49,048)	(90,074)	(90,074)	—
Reclassification to equity accounted joint venture [(1)]	(14,000)	—	—	(14,000)	(14,000)	—
Balance at end of period	$ 4,263,757	$ 1,980,077	$ 3,152,525	$ 9,396,359	$ 9,317,306	$ 79,053
Investment properties					$ 9,226,206	$ 72,041
Investment properties classified as held for sale					91,100	7,012
Total					$ 9,317,306	$ 79,053

[(1)] The Company sold a 50% interest in its Royal Orchard property and now owns its remaining 50% interest through an equity accounted joint venture.

Investment properties with a fair value of $2.8 billion (December 31, 2017 – $2.6 billion) are pledged as security for $1.7 billion (December 31, 2017 – $1.6 billion) in mortgages and credit facilities.

(b) Investment property valuation

Stabilized overall capitalization, terminal, and discount rates by region for investment properties – shopping centres are set out in the table below:

As at				September 30, 2018				December 31, 2017
	Weighted Average				Weighted Average			
($ millions)	**Central Region**	**Eastern Region**	**Western Region**	**Total**	Central Region	Eastern Region	Western Region	Total
Overall Capitalization Rate	**5.0%**	**5.9%**	**5.2%**	**5.3%**	5.1%	5.9%	5.2%	5.3%
Terminal Capitalization Rate	**5.2%**	**6.2%**	**5.4%**	**5.5%**	5.1%	6.0%	5.3%	5.4%
Discount Rate	**5.7%**	**6.8%**	**6.0%**	**6.1%**	5.8%	6.6%	5.8%	6.0%
Fair Value	**$ 4,353**	**$ 2,018**	**$ 3,239**	**$ 9,610**	$ 4,204	$ 1,973	$ 3,140	$ 9,317

The sensitivity of the fair values of shopping centres to stabilized overall capitalization rates as at September 30, 2018 is set out in the table below:

As at September 30, 2018	*(millions of dollars)*
(Decrease) Increase in stabilized overall capitalization rate	Resulting increase (decrease) in fair value of shopping centres
(0.75%)	$ 1,413
(0.50%)	$ 880
(0.25%)	$ 399
0.25%	$ (431)
0.50%	$ (793)
0.75%	$ (1,124)

Additionally, a 1% increase or decrease in stabilized net operating income ("SNOI") would result in a $52 million increase or a $123 million decrease, respectively, in the fair value of shopping centres. SNOI is not a measure defined by IFRS. SNOI reflects stable property operations, assuming a certain level of vacancy, capital and operating expenditures required to maintain a stable occupancy rate. The average vacancy rates used in determining SNOI for non-anchor tenants generally range from 2% to 5%. A 1% increase in SNOI coupled with a 0.25% decrease in the stabilized capitalization rate would result in an increase in the fair value of shopping centres of $491 million, and a 1% decrease in SNOI coupled with a 0.25% increase in the stabilized capitalization rate would result in a decrease in the fair value of shopping centres of $515 million.

(c) Investment properties – Acquisitions

During the three and nine months ended September 30, 2018 and 2017, the Company acquired shopping centres and development land for rental income and future development and redevelopment opportunities as follows:

Three months ended September 30		**2018**		2017
	Shopping Centres	**Development Land**	Shopping Centres	Development Land
Total purchase price, including acquisition costs	**$ 69,837**	**$ —**	$ 15,871	$ —
Mortgage assumptions and vendor take-back mortgages on acquisitions	**—**	**—**	(7,787)	—
Total cash paid	**$ 69,837**	**$ —**	$ 8,084	$ —

Nine months ended September 30		**2018**		2017
	Shopping Centres	**Development Land**	Shopping Centres	Development Land
Total purchase price, including acquisition costs	**$ 91,397**	**$ 1,794**	$ 26,631	$ —
Debt assumption on acquisition	**—**	**—**	(7,787)	—
Total cash paid	**$ 91,397**	**$ 1,794**	$ 18,844	$ —

(d) Investment properties classified as held for sale

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

As at	**September 30, 2018**	December 31, 2017
Aggregate fair value	**$ 135,787**	$ 98,112
Mortgages secured by investment properties classified as held for sale	**$ —**	$ 7,079
Weighted average effective interest rate of mortgages secured by investment properties classified as held for sale	**N/A**	6.7%

The increase of $37.7 million in investment properties classified as held for sale from December 31, 2017, primarily arose from new investment properties classified as held for sale, offset by dispositions completed in the period and changes in fair value.

For the three and nine months ended September 30, 2018 and 2017, the Company sold shopping centres and development land as follows:

	Three months ended September 30		Nine months ended September 30	
	2018	2017	**2018**	2017
Total selling price	**$ 5,500**	$ 30,665	**$ 77,575**	$ 47,106
Property selling costs	**(397)**	(923)	**(1,896)**	(1,554)
Total cash proceeds	**$ 5,103**	$ 29,742	**$ 75,679**	$ 45,552

(e) Reconciliation of investment properties to total assets

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

As at September 30, 2018	**Central Region**	**Eastern Region**	**Western Region**	**Total**
Total shopping centres and development land [(1)]	**$ 4,430,172**	**$ 2,024,659**	**$ 3,251,550**	**$ 9,706,381**
Cash and cash equivalents				**15,531**
Loans, mortgages and other assets				**262,795**
Other assets				**90,686**
Amounts receivable				**34,038**
Investment in joint ventures				**140,306**
Hotel property				**58,765**
Residential development inventory				**8,532**
Total assets				**$ 10,317,034**

As at December 31, 2017	Central Region	Eastern Region	Western Region	Total
Total shopping centres and development land [(1)]	$ 4,263,757	$ 1,980,077	$ 3,152,525	$ 9,396,359
Cash and cash equivalents				11,507
Loans, mortgages and other assets				280,148
Other assets				47,387
Amounts receivable				25,437
Investment in joint ventures				202,231
Residential development inventory				5,483
Total assets				$ 9,968,552

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

5. HOTEL PROPERTY

On July 4, 2018, the Company acquired a 60% non-managing interest in the Hazelton Hotel ("hotel property") located in Toronto, Ontario. The hotel property is a mixed-use luxury hotel located in Yorkville Village. The total purchase price before closing costs was $45.0 million.

The Company acquired an interest in a joint operation and exercises joint control over the assets, liabilities, and operations of the hotel property. The transaction was accounted for as a business combination under IFRS 3 "Business Combinations". The Company recognized a gain on the purchase of the hotel property of $14.0 million and incurred transaction costs of $2.1 million, which have been expensed in 'Other gains (losses) and (expenses)' in the unaudited interim condensed consolidated statements of income.

The hotel property is comprised of land, building, furniture, fixtures and equipment and are recorded at acquisition fair value and subsequently measured at cost less accumulated amortization. Amortization is based on the estimated useful life of the assets and is calculated on a straight-line basis. The estimated useful life of the assets range from 3 to 40 years.

The following table summarizes the allocation of the purchase price to the fair value of each major asset acquired and net liability assumed as at the acquisition date.

Land and Building	**$ 58,800**
Furniture, Fixtures & Equipment	**217**
Working capital, net	**641**
Identifiable assets acquired	**59,658**
Deferred tax liability	**(643)**
Purchase price for net assets acquired	**(45,040)**
Gain on below market purchase	**$ 13,975**

The purchase price was below market value as a result of a call option held by the Company on the property. The purchase price was settled through the repayment of a mortgage receivable owed to the Company by the vendor.

6. LOANS, MORTGAGES AND OTHER ASSETS

As at	September 30, 2018	December 31, 2017
Non-current		
Loans and mortgages receivable classified as FVTPL (a)	**$ 20,381**	$ —
Loans and mortgages receivable classified as amortized cost (a)	**6,422**	130,576
Other investments	**12,090**	2,587
Total non-current	**$ 38,893**	$ 133,163
Current		
Loans and mortgages receivable classified as FVTPL (a)	**$ 75,526**	$ —
Loans and mortgages receivable classified as amortized cost (a)	**123,499**	125,265
FVTPL investments in securities (b)	**24,877**	21,720
Total current	**$ 223,902**	$ 146,985
Total	**$ 262,795**	$ 280,148

(a) Loans and mortgages receivable are secured by interests in investment properties or shares of entities owning investment properties. As at September 30, 2018, these receivables bear interest at weighted average effective interest rates of 9.2% (December 31, 2017 – 7.9%) and mature between 2018 and 2028. Effective January 1, 2018, the Company reclassified certain loans and mortgages receivable to FVTPL from amortized cost upon adoption of IFRS 9.

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

7. AMOUNTS RECEIVABLE

As at	September 30, 2018	December 31, 2017
Trade receivables (net of allowances for doubtful accounts of $2.8 million; December 31, 2017 – $2.6 million)	**$ 27,724**	$ 23,698
Corporate and other amounts receivable	**6,314**	1,739
Total	**$ 34,038**	$ 25,437

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

8. OTHER ASSETS

As at	Note	September 30, 2018	December 31, 2017
Non-current			
Fixtures, equipment and computer hardware and software (net of accumulated amortization of $9.2 million; December 31, 2017 - $7.2 million)		**$ 13,142**	$ 12,686
Deferred financing costs on credit facilities (net of accumulated amortization of $4.4 million; December 31, 2017 - $3.9 million)		**2,473**	2,379
Environmental indemnity and insurance proceeds receivable	13(a)	**3,387**	6,247
Derivatives at fair value	23	**17,889**	10,696
Total non-current		**$ 36,891**	$ 32,008
Current			
Deposits and costs on investment properties under option		**$ 5,335**	$ 1,587
Prepaid expenses		**36,798**	7,654
Other deposits		**2,393**	349
Restricted cash		**462**	50
Derivatives at fair value	23	**8,807**	5,739
Total current		**$ 53,795**	$ 15,379
Total		**$ 90,686**	$ 47,387

9. CAPITAL MANAGEMENT

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

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

As at	September 30, 2018	December 31, 2017
Liabilities (principal amounts outstanding)		
Bank indebtedness	**$ 33,562**	$ 3,144
Mortgages	**1,120,200**	1,060,342
Credit facilities	**559,520**	581,627
Mortgages under equity accounted joint ventures (at the Company's interest)	**41,310**	41,987
Credit facilities under equity accounted joint venture (at the Company's interest)	**45,760**	102,748
Senior unsecured debentures	**2,550,000**	2,600,000
Convertible debentures	**—**	55,093
Equity Capitalization		
Common shares (based on closing per share price of $19.50; December 31, 2017 – $20.72)	**4,968,666**	5,064,612
Total capital employed	**$ 9,319,018**	$ 9,509,553

The Company is subject to financial covenants in agreements governing its senior unsecured debentures and its credit facilities. In accordance with the terms of the Company's credit agreements, all ratios are calculated with joint ventures proportionately consolidated. As at September 30, 2018, the Company remains in compliance with all of its applicable financial covenants.

The following table summarizes a number of the Company's key ratios:

As at	Measure/ Covenant	**September 30, 2018**	December 31, 2017
Net debt to total assets		**41.7%**	43.4%
Unencumbered aggregate assets to unsecured debt, using 10 quarter average capitalization rate [1]	≥1.3	**2.3**	2.1
Shareholders' equity, using four quarter average (billions) [1]	>$2.0B	**$ 4.8**	$ 4.5
Secured indebtedness to total assets [1]	<35%	**12.6%**	12.7%
For the rolling four quarters ended			
Interest coverage (Adjusted EBITDA to interest expense) [1]	>1.65	**2.5**	2.5
Fixed charge coverage (Adjusted EBITDA to debt service) [1]	>1.50	**2.3**	2.1

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

The above ratios include measures not specifically defined in IFRS. Certain calculations are required pursuant to debt covenants and are meaningful measures for this reason. Measures used in these ratios are defined in the Company's audited annual consolidated financial statements for the years ended December 31, 2017 and 2016.

10. MORTGAGES AND CREDIT FACILITIES

As at	**September 30, 2018**	December 31, 2017
Fixed rate mortgages	**$ 1,119,342**	$ 1,060,339
Unsecured facilities	**443,108**	485,727
Secured facilities	**116,412**	95,900
Mortgages and credit facilities	**$ 1,678,862**	$ 1,641,966
Current	**$ 232,138**	$ 172,525
Mortgages on investment properties classified as held for sale	**—**	7,079
Non-current	**1,446,724**	1,462,362
Total	**$ 1,678,862**	$ 1,641,966

Mortgages and secured facilities are secured by the Company's investment properties. As at September 30, 2018, approximately $2.8 billion (December 31, 2017 – $2.6 billion) of investment properties out of $9.7 billion (December 31, 2017 – $9.4 billion) (Note 4(a)) had been pledged as security under the mortgages and the secured facilities.

As at September 30, 2018, mortgages bear coupon interest at a weighted average coupon rate of 4.1% (December 31, 2017 – 4.3%) and mature in the years ranging from 2018 to 2030. The weighted average effective interest rate on all mortgages as at September 30, 2018 is 4.1% (December 31, 2017 – 4.3%).

Principal repayments of mortgages outstanding as at September 30, 2018 are as follows:

	Scheduled Amortization	Payments on Maturity	Total	Weighted Average Effective Interest Rate
2018 (remainder of the year)	$ 6,690	$ 28,446	$ 35,136	5.8%
2019	24,619	106,714	131,333	6.5%
2020	22,425	67,893	90,318	4.4%
2021	22,185	73,397	95,582	4.6%
2022	19,213	147,954	167,167	3.9%
2023 to 2030	71,385	529,279	600,664	3.6%
	$ 166,517	$ 953,683	$ 1,120,200	4.1%
Unamortized deferred financing costs and premiums, net			(858)	
Total			$ 1,119,342	

The Company has the ability under its unsecured credit facilities to draw funds based on Canadian bank prime rates and Canadian bankers' acceptances ("BA rates") for Canadian dollar-denominated borrowings, and LIBOR rates or U.S. prime rates for U.S. dollar-denominated borrowings. As of September 30, 2018, the Company had drawn US$342.3 million, as well as CAD$33.6 million in bank indebtedness on its unsecured credit facilities. Concurrently with the U.S. dollar draws, the Company entered into cross currency swaps to exchange its U.S. dollar borrowings into Canadian dollar borrowings.

During the first quarter, the Company entered into a new borrowing tranche under an existing credit facility with a borrowing capacity of CAD$50 million, key terms of which are presented in the table below. The Company also extended the maturity of its $15.9 million secured facility to March 31, 2019 on substantially the same terms.

In the second quarter, the Company extended the maturities of its $800 million unsecured facility and $7.5 million secured facility to, June 30, 2023 and April 30, 2019, respectively.

In the third quarter, the Company entered into two new secured credit facilities with a borrowing capacity of CAD$20.7 million and CAD$4.3 million, respectively, key terms of which are presented in the table below. The Company also extended the maturity of its $7.5 million secured facility to October 30, 2019.

The Company's credit facilities as at September 30, 2018 are summarized in the table below:

As at September 30, 2018	Borrowing Capacity	Amounts Drawn	Bank Indebtedness and Outstanding Letters of Credit	Available to be Drawn	Interest Rates	Maturity Date
Unsecured Operating Facilities						
Revolving facility maturing 2023 (1)	$ 800,000	$ (243,366)	$ (51,754)	$ 504,880	BA + 1.20% or Prime + 0.20% or US$ LIBOR + 1.20%	June 30, 2023
Non-revolving facility maturing 2020 (2)	150,000	(150,033)	(16,874)	—	BA + 1.20% or Prime + 0.20% or US$ LIBOR + 1.20%	October 31, 2020
Additional Tranche (3)	50,000	(49,709)	—	—	BA + 1.10% or Prime + 0.10% or US$ LIBOR + 1.10%	October 31, 2020
Secured Construction Facilities						
Maturing 2019	115,000	(74,452)	(668)	39,880	BA + 1.125% or Prime + 0.125%	February 13, 2019
Maturing 2019	15,907	(15,572)	—	335	BA + 1.125% or Prime + 0.125%	March 31, 2019
Secured Facilities						
Maturing 2019	20,734	(2,700)	(793)	17,241	BA + 1.125% or Prime + 0.125%	December 31, 2019
Maturing 2019	11,875	(11,875)	—	—	BA + 1.125% or Prime + 0.125%	September 27, 2019
Maturing 2019	7,500	(7,500)	—	—	BA + 1.125% or Prime + 0.125%	October 30, 2019
Maturing 2022	4,313	(4,313)	—	—	BA + 1.125% or Prime + 0.125%	September 28, 2022
Total	$ 1,175,329	$ (559,520)	$ (70,089)	$ 562,336		

(1) The Company had drawn in U.S. dollars the equivalent of CAD$245.3 million which was revalued at CAD$243.4 million as at September 30, 2018.

(2) The Company had drawn in U.S. dollars the equivalent of CAD$150.0 million which was revalued at CAD$150.0 million as at September 30, 2018.

(3) The Company had drawn in U.S. dollars the equivalent of CAD$50 million which was revalued at CAD$49.7 million as at September 30, 2018.

11. SENIOR UNSECURED DEBENTURES

As at					**September 30, 2018**		December 31, 2017
		Interest Rate					
Series	Maturity Date	Coupon	Effective		**Principal Outstanding**	**Liability**	Liability
J	August 30, 2018	5.25%	5.66%	**$**	**—**	**$ —**	$ 49,868
K	November 30, 2018	4.95%	5.17%		**100,000**	**99,964**	99,807
L	July 30, 2019	5.48%	5.61%		**150,000**	**149,846**	149,712
M	April 30, 2020	5.60%	5.60%		**175,000**	**174,994**	174,991
N	March 1, 2021	4.50%	4.63%		**175,000**	**174,503**	174,361
O	January 31, 2022	4.43%	4.59%		**200,000**	**199,023**	198,824
P	December 5, 2022	3.95%	4.18%		**250,000**	**247,858**	247,512
Q	October 30, 2023	3.90%	3.97%		**300,000**	**299,072**	298,951
R	August 30, 2024	4.79%	4.72%		**300,000**	**301,057**	301,172
S	July 31, 2025	4.32%	4.24%		**300,000**	**301,448**	301,587
T	May 6, 2026	3.60%	3.56%		**300,000**	**300,797**	300,865
U	July 12, 2027	3.75%	3.82%		**300,000**	**298,429**	298,316
Weighted Average or Total		4.34%	4.39%	**$**	**2,550,000**	**$ 2,546,991**	$ 2,595,966
Current					**250,000**	**249,810**	149,675
Non-current					**2,300,000**	**2,297,181**	2,446,291
Total				**$**	**2,550,000**	**$ 2,546,991**	$ 2,595,966

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

12. CONVERTIBLE DEBENTURES

As at					**September 30, 2018**			December 31, 2017	
		Interest Rate							
Series	Maturity Date	Coupon	Effective	**Principal**	**Liability**	**Equity**	Principal	Liability	Equity
J	February 28, 2020	4.45%	5.34%	**—**	**—**	**—**	55,093	54,293	386
	Weighted Average or Total	4.45%	5.34%	**$ —**	**$ —**	**$ —**	$ 55,093	$ 54,293	$ 386
	Current			**—**	**—**		—	—	
	Non-current			**—**	**—**		55,093	54,293	
	Total			**$ —**	**$ —**	**$ —**	$ 55,093	$ 54,293	$ 386

(a) Principal and interest

During the nine months ended September 30, 2018, no common shares (nine months ended September 30, 2017 – 0.1 million common shares) were issued to pay accrued interest to holders of the convertible debentures (nine months ended September 30, 2017 – $2.4 million).

During the nine months ended September 30, 2018, the Company paid $1.0 million (nine months ended September 30, 2017 – $3.9 million) in cash to pay accrued interest to holders of convertible debentures.

(b) Principal redemption

On February 28, 2018, the Company redeemed its remaining 4.45% Series J convertible debentures for $55.1 million, at par. The full redemption price and any accrued interest owing on the convertible debentures was satisfied in cash.

13. ACCOUNTS PAYABLE AND OTHER LIABILITIES

As at	Note		September 30, 2018		December 31, 2017
Non-current					
Asset retirement obligations (a)		**$**	**3,938**	$	5,179
Ground leases payable			**10,488**		9,010
Derivatives at fair value	23		**—**		844
Deferred purchase price of investment property – shopping centre			**8,911**		1,783
Deferred income			**—**		98
Total non-current		**$**	**23,337**	$	16,914
Current					
Trade payables and accruals		**$**	**57,449**	$	61,538
Construction and development payables			**61,206**		47,603
Dividends payable			**54,783**		52,553
Interest payable			**31,634**		37,145
Tenant deposits			**31,791**		30,816
Derivatives at fair value	23		**2,214**		10,499
Other liabilities			**402**		—
Total current		**$**	**239,479**	$	240,154
Total		**$**	**262,816**	$	257,068

(a) The Company has obligations for environmental remediation at certain sites within its property portfolio. The Company has also recognized a related environmental indemnity and insurance proceeds receivable totaling $3.4 million in other assets (Note 8).

14. SHAREHOLDERS' EQUITY

(a) Share capital

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

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

Nine months ended September 30				**2018**			2017
	Note	**Number of Common Shares**		**Stated Capital**	Number of Common Shares		Stated Capital
Issued and outstanding at beginning of period		**244,431**	**$**	**3,159,542**	243,507	$	3,142,399
Payment of interest on convertible debentures	12	**—**		**—**	124		2,442
Conversion of convertible debentures	12	**—**		**—**	4		107
Exercise of options, and settlement of any restricted, performance and deferred share units		**615**		**11,139**	329		6,051
Issuance of common shares		**9,757**		**200,019**	—		—
Share issue costs and other, net of tax effect		**—**		**(6,112)**	—		(176)
Issued and outstanding at end of period		**254,803**	**$**	**3,364,588**	243,964	$	3,150,823

Quarterly dividends declared per common share were $0.645 for the nine months ended September 30, 2018 (nine months ended September 30, 2017 – $0.645).

(b) Contributed surplus and other equity items

Contributed surplus and other equity items comprise the following:

Nine months ended September 30			2018					2017
	Contributed Surplus	**Convertible Debentures Equity Component**	**Stock-based Compensation Plan Awards**	**Total**	Contributed Surplus	Convertible Debentures Equity Component	Stock-based Compensation Plan Awards	Total
Balance at beginning of period	**$ 24,517**	**$ 386**	**$ 17,067**	**$ 41,970**	$ 20,954	$ 4,224	$ 16,521	$ 41,699
Redemption of convertible debentures	**386**	**(386)**	**—**	**—**	3,834	(3,837)	—	(3)
Repurchase of convertible debentures	**—**	**—**	**—**	**—**	1	(1)	—	—
Options vested	**—**	**—**	**825**	**825**	—	—	654	654
Exercise of options	**—**	**—**	**(709)**	**(709)**	(272)	—	(874)	(1,146)
Deferred share units	**—**	**—**	**590**	**590**	—	—	564	564
Restricted share units	**—**	**—**	**1,293**	**1,293**	—	—	1,705	1,705
Performance share units	**—**	**—**	**1,720**	**1,720**	—	—	1,047	1,047
Settlement of any restricted, performance and deferred share units	**—**	**—**	**(2,151)**	**(2,151)**	—	—	(337)	(337)
Balance at end of period	**$ 24,903**	**$ —**	**$ 18,635**	**$ 43,538**	$ 24,517	$ 386	$ 19,280	$ 44,183

(c) Stock options

As of September 30, 2018, the Company is authorized to grant up to 19.7 million (December 31, 2017 – 19.7 million) common share options to the employees, officers and directors of the Company. As of September 30, 2018, 4.4 million (December 31, 2017 – 5.5 million) common share options are available to be granted to the employees, officers and directors of the Company. In addition, as at September 30, 2018, 4.7 million common share options were outstanding. Options granted by the Company generally expire 10 years from the date of grant and vest over five years.

The outstanding options as at September 30, 2018 have exercise prices ranging from $9.81 – $20.24 (December 31, 2017 – $9.81 – $20.24).

During the nine months ended September 30, 2018, $0.8 million (nine months ended September 30, 2017 – $0.7 million) was recorded as an expense related to stock options.

Nine months ended September 30		2018		2017
	Number of Common Shares Issuable (in thousands)	**Weighted Average Exercise Price**	Number of Common Shares Issuable (in thousands)	Weighted Average Exercise Price
Outstanding at beginning of period	**4,133**	**$ 18.74**	4,206	$ 18.15
Granted (a)	**1,197**	**20.03**	869	20.07
Exercised (b)	**(505)**	**16.75**	(531)	16.98
Forfeited	**(88)**	**19.59**	(111)	18.89
Expired	**—**	**—**	(1)	17.67
Outstanding at end of period	**4,737**	**$ 19.27**	4,432	$ 18.65

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

	2018	2017
Grant date	**March 2, 2018**	March 17, 2017
Share options granted (thousands)	**1,197**	869
Term to expiry	**10 years**	10 years
Exercise price	**$20.03**	$20.07
Weighted average volatility rate	**13.5%**	15.0%
Weighted average expected option life	**5.5 years**	6 years
Weighted average dividend yield	**4.33%**	4.26%
Weighted average risk free interest rate	**2.01%**	1.31%
Fair value (thousands)	**$1,395**	$1,125

(b) The weighted average market share price at which options were exercised for the nine months ended September 30, 2018 was $20.19 (nine months ended September 30, 2017 – $20.14).

(d) Share unit plans

The Company's share unit plans include a Directors' Deferred Share Unit ("DSU") Plan and a Restricted Share Unit ("RSU") Plan that provides for the issuance of Restricted Share Units and Performance Share Units ("PSU"). Under the DSU and RSU plans, a participant is entitled to receive one common share, or equivalent cash value, at the Company's option, (i) in the case of a DSU, upon redemption by the holder after the date that the holder ceases to be a director of the Company and any of its subsidiaries (the "Retirement Date") but no later than December 15 of the first calendar year commencing after the Retirement Date, and (ii) in the case of a RSU, on December 15 of the third calendar year following the year of grant for RSUs granted prior to June 1, 2015, and, for all subsequent RSUs granted, on the third anniversary of the grant date. Under the PSU plan, a participant is entitled to receive 0.5 – 1.5 common shares per PSU granted, or equivalent cash value at the Company's option, on the third anniversary of the grant date. Holders of units granted under each plan receive dividends in the form of additional units when the Company declares dividends on its common shares.

Nine months ended September 30		**2018**		2017
(in thousands)	**DSUs**	**RSUs / PSUs**	DSUs	RSUs / PSUs
Outstanding at beginning of period	**301**	**478**	275	471
Granted (a) (b)	**20**	**221**	22	191
Dividends declared	**9**	**25**	9	23
Exercised	**(51)**	**(68)**	—	(19)
Forfeited	**—**	**(22)**	—	(18)
Outstanding at end of period	**279**	**634**	306	648
Expense recorded for the period	**$414**	**$2,723**	$379	$2,492

(a) The fair value of the DSUs granted during the nine months ended September 30, 2018 was $0.4 million (nine months ended September 30, 2017 – $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, 2018 was $1.6 million (nine months ended September 30, 2017 – $1.6 million), measured based on the Company's share price on the date of grant.

(b) The fair value of the PSUs granted during the nine months ended September 30, 2018 was $2.9 million (nine months ended September 30, 2017 – $2.2 million). The fair value is calculated using the Monte-Carlo simulation model based on the assumptions below as well as a market adjustment factor based on the total shareholder return of the Company's common shares relative to the S&P/TSX Capped REIT Index.

	2018	2017
Grant date	**March 2, 2018**	March 17, 2017
PSUs granted (thousands)	**140**	112
Term to expiry	**3 years**	3 years
Weighted average volatility rate	**14.7%**	14.3%
Weighted average correlation	**37.3%**	40.4%
Weighted average total shareholder return	**-3.3%**	0.5%
Weighted average risk free interest rate	**1.87%**	0.95%
Fair value (thousands)	**$2,866**	$2,238

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

15. NET OPERATING INCOME

Net Operating Income by Component

The Company's net operating income by component is presented below:

	Three months ended September 30			Nine months ended September 30		
	% change	**2018**	2017	**% change**	**2018**	2017
Property rental revenue						
Base rent		**$ 113,391**	$ 108,966		**$ 337,289**	$ 325,396
Operating cost recoveries		**25,564**	23,470		**80,033**	76,637
Realty tax recoveries		**34,510**	33,016		**104,362**	100,636
Lease surrender fees		**16**	1,023		**1,932**	1,442
Percentage rent		**1,493**	703		**3,020**	1,892
Straight-line rent adjustment		**1,196**	165		**5,739**	1,119
Prior year operating cost and tax recovery adjustments		**(515)**	(977)		**(1,767)**	(1,320)
Temporary tenants, storage, parking and other		**6,713**	4,304		**14,397**	11,450
Total Property rental revenue	**6.9%**	**182,368**	170,670	**5.4%**	**545,005**	517,252
Property operating costs						
Recoverable operating expenses		**28,898**	26,516		**90,905**	86,733
Recoverable realty tax expense		**38,670**	36,980		**117,750**	112,016
Prior year realty tax expense		**(520)**	(1,476)		**(2,298)**	(2,456)
Other operating costs and adjustments		**520**	(1,960)		**(1,610)**	(5,213)
Total Property operating costs		**67,568**	60,060		**204,747**	191,080
Total NOI	**3.8%**	**$ 114,800**	$ 110,610	**4.3%**	**$ 340,258**	$ 326,172
NOI margin		**62.9%**	64.8%		**62.4%**	63.1%

Net Operating Income by Segment

Net operating income is presented by segment as follows:

Three months ended September 30, 2018		Central Region		Eastern Region		Western Region		Subtotal		Other [1]		Total
Property rental revenue	$	77,045	$	46,485	$	59,349	$	182,879	$	(511)	$	182,368
Property operating costs		29,678		19,641		19,932		69,251		(1,683)		67,568
Net operating income	$	47,367	$	26,844	$	39,417	$	113,628	$	1,172	$	114,800

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

Nine months ended September 30, 2018		Central Region		Eastern Region		Western Region		Subtotal		Other [1]		Total
Property rental revenue	$	226,144	$	144,192	$	176,498	$	546,834	$	(1,829)	$	545,005
Property operating costs		87,470		62,166		59,440		209,076		(4,329)		204,747
Net operating income	$	138,674	$	82,026	$	117,058	$	337,758	$	2,500	$	340,258

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

[1] Other items principally consist of intercompany eliminations.

For the three and nine months ended September 30, 2018, property operating costs include $5.0 million and $15.8 million, respectively, (three and nine months ended September 30, 2017 – $4.4 million and $15.2 million, respectively) related to employee compensation.

16. INTEREST AND OTHER INCOME

		Three months ended September 30		Nine months ended September 30	
	Note	**2018**	2017	**2018**	2017
Interest, dividend and distribution income from marketable securities	6	**$ 358**	$ 210	**$ 1,394**	$ 746
Interest income from loans and mortgages receivable classified as FVTPL [1]	6	**971**	—	**3,667**	—
Interest income from loans, deposit and mortgages receivable at amortized cost	6	**2,705**	5,187	**8,344**	13,687
Fees and other income		**4,237**	3,296	**6,874**	6,382
Total		**$ 8,271**	$ 8,693	**$ 20,279**	$ 20,815

[1] Effective January 1, 2018, the Company reclassified certain loans and mortgages receivable to FVTPL from amortized cost upon adoption of IFRS 9.

17. INTEREST EXPENSE

		Three months ended September 30		Nine months ended September 30	
	Note	**2018**	2017	**2018**	2017
Mortgages	10	**$ 11,814**	$ 11,879	**$ 33,985**	$ 35,719
Credit facilities	10	**4,480**	2,095	**13,552**	7,455
Senior unsecured debentures	11	**28,659**	30,421	**85,528**	85,727
Convertible debentures	12	**—**	983	**446**	4,420
Total interest expense		**44,953**	45,378	**133,511**	133,321
Interest capitalized to investment properties under development		**(6,516)**	(5,485)	**(19,425)**	(15,761)
Interest expense		**$ 38,437**	$ 39,893	**$ 114,086**	$ 117,560
Convertible debenture interest paid in common shares	12	**—**	—	**—**	(2,442)
Change in accrued interest		**4,692**	(823)	**5,512**	4,000
Effective interest rate less than (in excess of) coupon interest rate on senior unsecured and convertible debentures		**299**	260	**854**	625
Coupon interest rate in excess of effective interest rate on assumed mortgages		**226**	243	**741**	1,089
Amortization of deferred financing costs		**(1,316)**	(1,452)	**(4,033)**	(4,513)
Cash interest paid associated with operating activities		**$ 42,338**	$ 38,121	**$ 117,160**	$ 116,319

18. CORPORATE EXPENSES

	Three months ended September 30		Nine months ended September 30	
	2018	2017	**2018**	2017
Salaries, wages and benefits	**$ 6,804**	$ 6,807	**$ 20,895**	$ 21,014
Non-cash compensation	**1,119**	1,091	**3,650**	3,130
Other corporate costs	**2,848**	2,641	**9,958**	8,463
Total corporate expenses	**10,771**	10,539	**34,503**	32,607
Amounts capitalized to investment properties under development	**(1,789)**	(1,862)	**(5,723)**	(5,452)
Corporate expenses	**$ 8,982**	$ 8,677	**$ 28,780**	$ 27,155

19. OTHER GAINS (LOSSES) AND (EXPENSES)

	Three months ended September 30		Nine months ended September 30	
	2018	2017	**2018**	2017
Realized gain (loss) on sale of marketable securities	**$ 66**	$ —	**$ 4,189**	$ —
Unrealized gain (loss) on marketable securities	**70**	1,412	**253**	1,905
Net gain (loss) on prepayments of debt (non-cash)	**—**	(1,011)	**(726)**	(3,344)
Gain on below market purchase [(1)]	**13,975**	—	**13,975**	—
Transaction costs [(1)]	**(2,052)**	—	**(2,052)**	—
Investment properties selling costs	**(397)**	(923)	**(1,896)**	(1,554)
Other	**(35)**	21	**(156)**	(93)
Total	**$ 11,627**	$ (501)	**$ 13,587**	$ (3,086)

(1) In connection with acquisition of hotel property - Refer to Note 5.

20. INCOME TAXES

The following reconciles the Company’s expected tax expense computed at the statutory tax rate to its actual tax expense for the three and nine months ended September 30, 2018 and 2017:

	Three months ended September 30		Nine months ended September 30	
	2018	2017	**2018**	2017
Income tax expense at the Canadian federal and provincial income tax rate of 26.6%	**$ 41,269**	$ 28,937	**$ 93,227**	$ 179,514
Increase (decrease) in income taxes due to:				
Non-taxable portion of capital gains and other	**(15,631)**	(8,736)	**(27,478)**	(71,654)
Non-controlling interests in income of consolidated limited partnership	**(230)**	—	**(2,244)**	—
Other	**(2,550)**	(476)	**(748)**	(386)
Deferred income taxes	**$ 22,858**	$ 19,725	**$ 62,757**	$ 107,474

21. PER SHARE CALCULATIONS

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

(in thousands)	Three months ended September 30		Nine months ended September 30	
	2018	2017	**2018**	2017
Net income attributable to common shareholders	**$ 131,427**	$ 83,046	**$ 279,300**	$ 558,256
Adjustment for dilutive effect of convertible debentures, net of tax	**—**	721	**328**	2,891
Income for diluted per share amounts	**$ 131,427**	$ 83,767	**$ 279,628**	$ 561,147
Weighted average number of shares outstanding for basic per share amounts	**252,987**	244,854	**247,507**	244,662
Options, restricted, performance and deferred share units	**1,113**	283	**1,190**	352
Convertible debentures	**—**	3,489	**438**	4,737
Weighted average diluted share amounts	**254,100**	248,626	**249,135**	249,751

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

Three months ended September 30		Number of Shares if Exercised	
(in dollars, number of shares in thousands)	Exercise Price	**2018**	2017
Common share options	$20.07	**—**	869
Common share options	$20.24	**145**	145

Nine months ended September 30		Number of Shares if Exercised	
(in dollars, number of options in thousands)	Exercise Price	**2018**	2017
Common share options and convertible debentures	N/A	**—**	—

22. RISK MANAGEMENT

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

(a) Interest rate risk

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

(b) Credit risk

Credit risk arises from the possibility that tenants and/or debtors may experience financial difficulty and be unable or unwilling to fulfill their lease commitments or loan obligations. The Company mitigates the risk of credit loss from tenants by investing in well-located properties in urban markets that attract high quality tenants, ensuring that its tenant mix is diversified, and by limiting its exposure to any one tenant. As at September 30, 2018, Loblaw Companies Limited ("Loblaw") is the Company's largest tenant and accounts for 10.0% of the Company's annualized minimum rent and has an investment grade credit rating. A tenant's success over the term of its lease and its ability to fulfill its lease obligations is subject to many factors. There can be no assurance that a tenant will be able to fulfill all of its existing commitments and leases up to the expiry date. The Company typically mitigates the risk of credit loss from debtors by obtaining registered mortgage charges on real estate properties.

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

(c) Liquidity risk

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

An analysis of the Company's contractual maturities of its material financial liabilities and other contractual commitments as at September 30, 2018 is set out below:

As at September 30, 2018	Payments Due by Period				
	Remainder of 2018	2019 to 2020	2021 to 2022	Thereafter	Total
Scheduled mortgage principal amortization	$ 6,690	$ 47,044	$ 41,398	$ 71,385	$ 166,517
Mortgage principal repayments on maturity	28,446	174,607	221,351	529,279	953,683
Credit facilities and bank indebtedness	—	311,841	4,313	276,928	593,082
Senior unsecured debentures	100,000	325,000	625,000	1,500,000	2,550,000
Interest obligations [(1)]	42,803	296,518	222,870	244,457	806,648
Land leases (expiring between 2023 and 2061)	268	2,024	1,942	19,031	23,265
Contractual committed costs to complete current development projects	43,190	8,547	—	—	51,737
Other committed costs	26,500	82,955	—	—	109,455
Total contractual obligations	$ 247,897	$ 1,248,536	$ 1,116,874	$ 2,641,080	$ 5,254,387

(1) Interest obligations include expected interest payments on mortgages and credit facilities as at September 30, 2018 (assuming balances remain outstanding through to maturity), and senior unsecured debentures, as well as standby credit facility fees.

The Company manages its liquidity risk by staggering debt maturities; renegotiating expiring credit arrangements proactively; using unsecured credit facilities; and issuing equity when considered appropriate. As at September 30, 2018, there was $443.1 million (December 31, 2017 – $485.7 million) of cash advances drawn against the Company's unsecured credit facilities.

In addition, as at September 30, 2018, the Company has $36.6 million (December 31, 2017 – $34.9 million) of outstanding letters of credit issued by financial institutions primarily to support certain of the Company's contractual obligations and $33.6 million of bank overdrafts.

23. FAIR VALUE MEASUREMENT

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

As at	September 30, 2018			December 31, 2017		
	Level 1	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
Measured at fair value						
Financial Assets						
FVTPL investments in securities	**$ 24,877**	**$ —**	**$ —**	$ 21,720	$ —	$ —
Loans and mortgages receivable	**—**	**—**	**95,907**	—	—	—
Other investments	**—**	**—**	**12,090**	—	—	2,587
Derivatives at fair value – assets	**—**	**26,696**	**—**	—	16,435	—
Financial Liabilities						
Derivatives at fair value – liabilities	**—**	**2,214**	**—**	—	11,343	—
Measured at amortized cost						
Financial Assets						
Loans and mortgages receivable	**$ —**	**$ —**	**$ 129,253**	$ —	$ —	$ 255,447
Financial Liabilities						
Mortgages	**—**	**1,111,772**	**—**	—	1,072,212	—
Credit facilities	**—**	**559,520**	**—**	—	581,627	—
Senior unsecured debentures	**—**	**2,577,271**	**—**	—	2,696,511	—
Convertible debentures	**—**	**—**	**—**	55,644	—	—

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

The fair value of derivative instruments is determined using present value forward pricing and swap calculations at interest rates that reflect current market conditions. The models also take into consideration the credit quality of counterparties, interest rate curves and forward rate curves. As at September 30, 2018, the interest rates ranged from 2.4% to 4.4% (December 31, 2017 – 2.0% to 4.0%). The fair values of the Company's asset (liability) hedging instruments are as follows:

	Designated as Hedging Instrument	Maturity as at September 30, 2018	**September 30, 2018**	December 31, 2017
Derivative assets				
Bond forward contracts	Yes	November 2018	**$ 8,747**	$ 5,739
Interest rate swaps	Yes	March 2022 - March 2027	**17,889**	10,696
Cross currency swaps	No	October 2018	**60**	—
Total			**$ 26,696**	$ 16,435
Derivative liabilities				
Bond forward contracts	Yes	November 2018	**$ —**	$ 365
Interest rate swaps	Yes	March 2022 - March 2027	**—**	844
Cross currency swaps	No	October 2018	**2,214**	10,134
Total			**$ 2,214**	$ 11,343

24. SUBSIDIARY WITH NON-CONTROLLING INTEREST

The Company, through its direct and indirect investment, owns on a consolidated basis a 53.1% interest in M+M Urban Realty LP ("MMUR"), a joint venture between the Company, Main and Main Developments LP ("MMLP") and an institutional investor. The Company's indirect interest in MMUR is held through its partially owned venture interest in MMLP.

The Company contractually controls MMLP, a subsidiary in which it holds a 67% ownership interest, until such time that all loans receivable from its partner have been paid in full. At such time that the loans receivable to the Company are repaid, all decisions regarding the activities of MMLP will require unanimous consent of the partners.

In the nine months ended September 30, 2018, MMUR completed the sale of the majority of its portfolio (19 of 23 properties) for approximately $310 million. The net proceeds from the sale, after repayment of debt were distributed to the joint venture partners, including MMLP, which was then distributed to the Company and to the non-controlling interest. As a result, the Company received net distributions of $74.2 million representing its direct and indirect interests while the non-controlling interest partner received $30.5 million.

25. SUPPLEMENTAL CASH FLOW INFORMATION

(a) Items not affecting cash and other items

		Three months ended September 30		Nine months ended September 30	
	Note	**2018**	2017	**2018**	2017
Straight-line rent adjustment		**$ (1,196)**	$ (165)	**$ (5,739)**	$ (1,119)
Investment properties selling costs	19	**397**	923	**1,896**	1,554
Realized (gain) loss on sale of marketable securities	19	**(66)**	—	**(4,189)**	—
Unrealized (gain) loss on marketable securities classified as FVTPL	19	**(70)**	(1,412)	**(253)**	(1,905)
Gain on below market purchase [1]	19	**(13,975)**	—	**(13,975)**	—
Transaction costs [1]	19	**2,052**	—	**2,052**	—
Net (gain) loss on prepayments of debt	19	**—**	1,011	**726**	3,304
Non-cash compensation expense		**1,233**	1,168	**3,963**	3,323
Deferred income taxes	20	**20,644**	19,632	**59,525**	105,458
Other non-cash items		**36**	(21)	**156**	93
Total		**$ 9,055**	$ 21,136	**$ 44,162**	$ 110,708

[1] In connection with acquisition of hotel property - Refer to Note 5.

(b) Net change in non-cash operating items

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

	Three months ended September 30		Nine months ended September 30	
	2018	2017	**2018**	2017
Amounts receivable	**$ 2,188**	$ 3,970	**$ (8,601)**	$ (3,570)
Prepaid expenses	**7,680**	8,192	**(29,144)**	(29,422)
Trade payables and accruals	**433**	1,717	**(5)**	(5,101)
Tenant security and other deposits	**(1,996)**	(245)	**1,033**	(204)
Other working capital changes	**(5,771)**	(1,086)	**(3,864)**	(2,462)
Total	**$ 2,534**	$ 12,548	**$ (40,581)**	$ (40,759)

(c) Changes in loans, mortgages and other assets

	Three months ended September 30		Nine months ended September 30	
	2018	2017	**2018**	2017
Advances of loans and mortgages receivable	**$ (21,475)**	$ (83,256)	**$ (44,382)**	$ (94,525)
Repayments of loans and mortgages receivable and deposits	**3,665**	63	**28,933**	2,042
Other investments, net	**—**	1,237	**(9,525)**	1,237
Investment in marketable securities, net	**(12,691)**	—	**(95,348)**	—
Proceeds from disposition of marketable securities	**4,038**	—	**96,632**	—
Total	**$ (26,463)**	$ (81,956)	**$ (23,690)**	$ (91,246)

(d) Cash and cash equivalents

As at	**September 30, 2018**	December 31, 2017
Cash and cash equivalents [1]	**$ 15,531**	$ 11,507

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

26. COMMITMENTS AND CONTINGENCIES

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

(b) The Company is contingently liable, jointly and severally or as guarantor, for approximately $140.0 million (December 31, 2017 – $119.1 million) to various lenders in connection with certain third-party obligations, including, without limitation, loans advanced to its joint arrangement partners secured by the partners' interest in the joint arrangements and underlying assets.

(c) The Company is contingently liable by way of letters of credit in the amount of $36.6 million (December 31, 2017 – $34.9 million), issued by financial institutions on the Company's behalf in the ordinary course of business.

(d) The Company has obligations as lessee under long-term leases for land. Annual commitments under these ground leases are approximately $1.1 million (December 31, 2017 – $1.2 million) with a total obligation of $23.3 million (December 31, 2017 – $24.1 million).

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

27. RELATED PARTY TRANSACTIONS

(a) Significant Shareholder

Gazit-Globe Ltd. (“Gazit”) is a significant shareholder of the Company and, as of September 30, 2018, beneficially owns 31.3% (December 31, 2017 – 32.6%) of the common shares of the Company. Norstar Holdings Inc. is the ultimate controlling party of Gazit.

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

	Three months ended September 30		Nine months ended September 30	
	2018	2017	**2018**	2017
Reimbursements for professional services	**$ 48**	$ —	**$ 140**	$ 97

As at September 30, 2018, amounts due from Gazit were $41 thousand (December 31, 2017 – $30 thousand).

(b) Joint ventures

During the three and nine months ended September 30, 2018, the Company earned fee income of $3.2 million (September 30, 2017 – $0.7 million) and $4.3 million (September 30, 2017 – $1.9 million), respectively, from its joint ventures.

During the nine months ended September 30, 2018, the Company also advanced $2.1 million (September 30, 2017 – $0.8 million) to one of its joint ventures.

(c) Subsidiaries of the Company

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

28. SUBSEQUENT EVENTS

Fourth Quarter Dividend

The Company announced that it will pay a fourth quarter dividend of $0.215 per common share on January 17, 2019 to shareholders of record on December 28, 2018.

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Executive Vice President and
Chief Operating Officer

Gareth Burton
Senior Vice President, Construction

Carmine Francella
Senior Vice President, Leasing

Alison Harnick
General Counsel and Corporate Secretary

Maryanne McDougald
Senior Vice President, Operations

Gregory J. Menzies
Project Lead, Yorkville Village

Jodi M. Shpigel
Senior Vice President, Development

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