



MANAGEMENT'S DISCUSSION & ANALYSIS
AND CONSOLIDATED FINANCIAL STATEMENTS

FIRST QUARTER 2020

FORWARD-LOOKING STATEMENT ADVISORY

Certain statements contained in this MD&A constitute forward-looking statements and information within the meaning of applicable securities law, including but not limited to statements made with respect to the impact of the COVID-19 pandemic and measures in response thereto. Other statements concerning First Capital'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 First Capital'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, the ability of the Trust to make loans at the same rate or in the same amount as repaid loans, amount of development costs, capital expenditures, operating costs and corporate expenses, level and timing of acquisitions of income-producing properties, the Trust's ability to complete dispositions and the timing, terms and anticipated benefits of any such dispositions, the Trust's ability to redevelop, sell or enter into partnerships with respect to the future incremental density it has identified in its portfolio, number of units outstanding, the Trust's ability to qualify as a real estate investment trust under the Tax Act, the Trust's ability to mitigate the impact of the COVID-19 pandemic and the length and duration of the pandemic and numerous other factors. Moreover, the assumptions underlying the Trust's forward-looking statements contained in the "Outlook and Current Business Environment" section of this MD&A also include that steps taken to mitigate the COVID-19 pandemic will have the intended impact, the Federal and Provincial governments will continue to issue directives with respect to COVID-19, small businesses will benefit from programs provided by the government and the Trust, certain goods and services are and will be classified as essential businesses that are able to remain open, 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 Trust's MD&A for the year ended December 31, 2019 as well as the matters discussed under "Risk Factors" in First Capital's current Annual Information Form. 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, property taxes and income taxes; First Capital'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 Trust's business, including the repayment of existing indebtedness as well as development, intensification and acquisition activities; changes in interest rates and credit spreads; organizational structure; changes to credit ratings; the availability of a new competitive supply of retail properties which may become available either through construction, lease or sublease; the Trust's ability to: execute on its Urban Investment Strategy, including with respect to dispositions, capitalize on competitive advantages, optimize portfolio assets and accelerate value delivered to its investors and stakeholders, remain ahead of changing market conditions, surface unrecognized value, reach its demographic targets and ensure the Trust retains its best in class position; 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 Trust; uninsured losses and First Capital's ability to obtain insurance coverage at a reasonable cost; risks in joint ventures; investments subject to credit and market risk; loss of key personnel; the ability of tenants to maintain necessary licenses, certifications and accreditations and risks and uncertainties related to the effects of COVID-19 on First Capital, including the length, spread and severity of the pandemic, the nature and extent of the measures taken by all levels of government to mitigate against the severity and spread of the virus, the impact of the virus and government authorities' and public health officials' responses thereto on: our tenants' ability to pay rent in full or at all, an increase in vacancy, domestic and global credit and capital markets, our ability to access capital on favourable terms or at all, the health and safety of our employees and our tenants' personnel and domestic and global supply chains, among other risks related to COVID-19 further described under the heading "Risks and Uncertainties" in this MD&A. Given the evolving circumstances surrounding COVID-19, it is difficult to predict how significant the adverse impact will be on the global and domestic economy, the business, operations and financial position of the REIT's tenants, and the business operations and financial position of the REIT.

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 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 May 5, 2020 and are qualified by these cautionary statements.

CORPORATE PROFILE

First Capital is one of Canada's leading developers, owners and operators of mixed-use urban real estate in Canada's most densely populated neighbourhoods. First Capital's focus is on creating thriving neighbourhoods that create value for businesses, residents, communities and our investors.

Business and Strategy Overview

Our business

First Capital Real Estate Investment Trust, with **\$10.2 billion** in assets, is one of Canada's leading developers, owners and operators of mixed-use urban real estate in Canada's most densely populated neighbourhoods.

Our purpose

Creating thriving urban neighbourhoods that generate long-term value for businesses, residents, communities and our investors.

Our mixed-use developments and retail offerings are designed to become vibrant places that meet the needs of everyday urban life – bringing together people, public spaces, retail shops and services, public art, and access to public transportation.

Our operations



YYZ
TORONTO
HEADQUARTERS



FCR.UN
LISTED ON TSX



151
NEIGHBOURHOODS



23.2M
SQ. FT. OF GLA



4,125
TENANTS



369
EMPLOYEES

Anticipated inclusion in the
S&P/TSX Capped REIT Index in 2020

Our values and our corporate responsibility and sustainability program guide our actions

Read more about our approach to corporate responsibility and sustainability in our 2018 Corporate Responsibility and Sustainability Report



Collaboration

One Team,
One Purpose



Innovation

Freedom to challenge
the status quo



Excellence

Be the best
at what you do



Accountability

Deliver what
you promised



Passion

Love what you do

Our super urban strategy

Creating thriving super urban neighbourhoods that drive sustainable growth in cash flow and capital appreciation of our best in class portfolio.

We achieve this by:

- Investing in high-quality, mixed-use properties to build large positions in targeted high growth neighbourhoods
- Fully integrating retail with other uses to create thriving urban neighbourhoods
- Optimizing the portfolio through active asset management
- Surfacing substantial unrecognized value in our incremental density pipeline through the development process
- Completing strategic dispositions to fund our investment program and to reduce leverage post the April 2019 share repurchase transaction
- Actively managing our balance sheet to maintain financial strength and flexibility and a competitive cost of capital



Our target markets

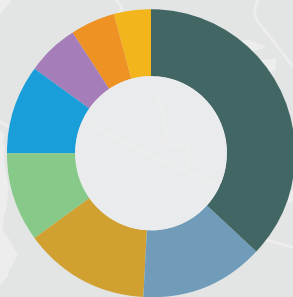
We target specific super urban neighbourhoods within Canada's largest and fastest growing cities.



These neighbourhoods are located in Toronto, Montreal, Calgary, Vancouver, Edmonton and Ottawa. We have achieved critical mass in each of our target markets, which helps generate economies of scale and operating synergies, as well as deep local knowledge of our properties, tenants, neighbourhoods and markets in which we operate.

Within each of these markets, we own some of the best located properties in neighbourhoods with strong demographics that we expect will continue to get stronger over time, thereby attracting the most desirable tenants with the highest rent growth potential and the most compelling opportunities for value creation.

Urban Markets



% of Annual Minimum Rent*

Greater Toronto Area	38%
Greater Montreal Area	13%
Greater Calgary Area	14%
Greater Vancouver Area	10%
Greater Edmonton Area	10%
Greater Ottawa Area	6%
Kitchener/Waterloo/Guelph Area	5%
Other	4%

% of Portfolio Value*

Greater Toronto Area	47%
Greater Montreal Area	12%
Greater Calgary Area	12%
Greater Vancouver Area	11%
Greater Edmonton Area	8%
Greater Ottawa Area	4%
Kitchener/Waterloo/Guelph Area	3%
Other	3%

Total

100%

100%

*As at March 31, 2020

Creating neighbourhoods for everyday urban life™

Currently, over 90% of our revenues come from retail tenants who provide the essential products and services consumers need everyday, including grocery stores, pharmacies, liquor stores, banks, restaurants, cafés, fitness centres, medical services, childcare facilities and other professional and personal services. In each of our properties, we strive to assemble the right mix of complementary uses to best serve the local community and contribute to thriving urban neighbourhoods.



Strategic and Diversified Retail Tenant Mix

	# of Stores	% of Rent	
Grocery Stores	121	17.0	Loblaws Sobeys metro save on foods WHOLE FOODS Longo's
Medical, Professional & Personal Services	1,391	15.3	Alberta Health Services UPS Allstate H&R BLOCK Fikes Hair Salons
Restaurants and Cafes	964	14.4	Tim Hortons Starbucks RECIPE freshii McDonald's aroma Chick-fil-A
Pharmacies	121	9.0	SHOPPERS DRUG MART Rexall LONDON DRUGS Jean Coutu McKesson Brunet
Banks & Credit Unions	197	8.3	TD RBC CIBC BMO Desjardins NATIONAL BANK
Fitness Facilities	82	3.6	GoodLife FITNESS EQUINOX LAIFITNESS Orangetheory ANYTIME FITNESS SOULCYCLE
Liquor Stores	93	3.3	LCBO BEER STORE BC LIQUORSTORE SAO ALCANNA WESTERN CELLARS
Daycare & Learning Centres	105	1.5	KUMON brightpath OXFORD LEARNING kids & COMPANY Willowbrae ACADEMY ROTHWOOD ACADEMY
Other Necessity-Based Retailers	511	18.3	Walmart DOLLARAMA GNC WINNERS PETSMART
Other Tenants	540	9.3	Indigo west elm SleepCountry NORDSTROM SHERWIN WILLIAMS CHANEL

As at March 31, 2020

*25 million square feet of
incremental density within
our existing portfolio*



27 public art installations across our portfolio



Actively managing our assets

We view proactive management of our portfolio as a core competency and an important part of our strategy.

Proactive management means we continually invest in our properties to ensure they retain their market leading position. We strive to maintain the highest standards in design, appearance and customer amenities in our properties including the addition of public art installations and enhancing connectivity to transit and the local community. We are highly focused on maximizing the value and competitive position of our properties, by proactively evolving our tenant mix to attract the right tenants with the highest rent growth potential.

Our executive leadership team is centralized at our head office in Toronto, which ensures that best practices, procedures and standards are applied consistently across our operating markets through local teams.



Measuring our progress

As we continue to advance our Super Urban Strategy, we measure our progress through a number of key metrics.

Super Urban Portfolio Metrics

We define a super urban property based on its proximity to transit, its “Walkability Score”, and most importantly its population density and expect to continue to improve these metrics over time through our investment and disposition activity. We are targeting further growth in population density and aim to reach an average population density of 300,000 by 2021.

99% 

Currently, over 99% of our properties are located within a 5-minute walk to public transit.

78 

Our portfolio has a “Walkability Score” of 78 which is considered “Very Walkable” where most errands can be accomplished on foot.

293,000 

Average population density within a five-kilometre radius of each of our properties, up 88,000 or 43% from December 2016 making us a leader in North America on this metric.



Corporate Responsibility And Sustainability

Corporate Responsibility and Sustainability ("sustainability") at First Capital encompasses all aspects of our environmental, social and governance (ESG) practices.

Sustainability has always been integral to the responsible management of every aspect of our business and the mitigation of various risks. By taking a holistic approach to ESG, we are focused on reducing our environmental impact while creating thriving and dynamic urban neighbourhoods and at the same time, delivering long-term value for our stakeholders. Simply put, it makes good business sense.

To support our commitment to sustainability leadership, we have in place robust capabilities to measure and report on our progress and to continually assess and improve our environmental programs each year. We recognize that our leadership in sustainability practices is important to our tenants and investors, as well as our employees and the communities in which we operate. We are committed to transparency and ensuring that our sustainability reporting is accurate, meaningful and accessible to all stakeholder groups. We employ a full-time Director of Sustainability who is responsible for leading sustainability reporting initiatives and driving continuous ESG engagement and improvement across our organization, including through co-chairing our ESG Taskforce with our Chief Operating Officer.

First Capital published its first corporate responsibility and sustainability report ("CRS") in 2009. Since 2010, we have had a third-party conduct assurance on selected sustainability performance indicators, including greenhouse gas emissions and energy use. We have used the Global Reporting Initiative (GRI) framework for corporate responsibility reporting since 2011. In addition to GRI, we continue to monitor

international reporting trends, including the work of the Sustainability Accounting Standards Board (SASB). Our 2018 CRS report included a number of disclosures recommended by the SASB. We also respond annually to the Global Real Estate Sustainability Benchmark (GRESB) survey and the Carbon Disclosure Project's (CDP) Climate Change questionnaire.

We recognize that our employees are at the core of our success and have well-developed programs promoting career development and supporting continuing education, including through tuition subsidies. First Capital encourages employee engagement and innovation through a value awards program, among other initiatives and also encourages employees to become unitholders through a unit purchase plan. First Capital is committed to the highest ethical standards, upholding a strict Anti-Corruption Compliance Policy and Code of Conduct and Ethics. As an entity with a social conscience, we are also committed to giving back by encouraging our employees to volunteer in the communities in which we operate, through participation in charitable initiatives that support vulnerable parts of the population, and to promote environmental improvements that help neighbourhoods thrive.

We believe that sound and effective corporate governance is essential to our performance and have adopted a governance framework that reflects our values, ensures that effective corporate governance practices are followed and that the board of trustees (the "Board") functions independently of management. First Capital endorses the principle that the Board should have a balance of skills, experience and diversity. We believe that diverse Boards have enhanced decision-making abilities that lead to improved oversight and promote better overall corporate governance.

Our strength in ESG standards and disclosure is validated through numerous ratings, including achieving:

AAA

'AAA' rating, the highest possible, in the Morgan Stanley Capital International (MSCI) ESG Ratings assessment for the past three years

4/40

4th place ranking out of 40 in Corporate Knights '2018 Future 40 Responsible Corporate Leaders in Canada' and included on this ranking list for five consecutive years

**ESG
SCORES**

Awarded high ESG Quality Scores across all three categories by Institutional Shareholder Services in 2019; on a scale of 1–10 with 1 being the highest: **ENVIRONMENTAL : 2 / SOCIAL : 1 / GOVERNANCE : 1**



Our ESG Priorities and Progress

ENVIRONMENTAL



Reduce our carbon emissions and energy use

- 13% reduction in absolute greenhouse gas (GHG) emissions, despite an 8% increase in gross leasable area (2014–2018)
- Current target: 9% reduction in carbon emissions by 2021, 2018 baseline
- Upgrade all parking lot and exterior lighting to energy efficient light emitting diode (LED) lamps by December 2020



Promote sustainable transportation

- > 99% of our portfolio within a 5-minute walk of public transit
- Average Walk Score for our portfolio is 78 (very walkable)
- Over 160 electric vehicle charging stations; goal to have electric charging stations installed at all our properties by 2024



Achieve green building certifications

- Achieve Building Owners and Managers Association's Building Environmental Standards (BOMA BEST) certification at all applicable properties by 2021; 76% of our portfolio is certified, as of December 31, 2019
- Certify all new construction projects to Leadership in Energy and Environmental Design (LEED) standards (subject to tenant acceptance); 16% of our portfolio (119 projects) is certified to LEED as of December 31, 2019



Effectively manage climate change risk and resilience

- Actively working to better understand the risks of climate change, incorporating this into our business continuity planning and in turn, increasing the resiliency of our properties and communities
- Reviewing the recommendations and guidance put forth by the Task Force on Climate-related Financial Disclosures (TCFD) and are committed to defining how best to apply them to our business and across our portfolio.
- Actively managing and reducing our carbon footprint

SOCIAL



Foster an engaged and diverse workforce

- Honouree in the Globe and Mail's inaugural "2020 Women Lead Here" list
- Strong gender diversity metrics achieved through all levels of the organization; over 50% of management positions are held by females including the executive leadership team



Be one of the best places to work

- Recognized by the Globe and Mail as one of the Greater Toronto Area's top employers in 2019
- Best in class employee engagement score in most recent employee survey



Be a good corporate citizen in the communities we operate

- Long-standing support of public arts, now with 27 installations across our portfolio
- Launching the FCR Foundation in 2020; employee-led charitable giving and volunteer program focused on community support
- Launching FCR's Small Business Support Program to assist qualifying tenants during the COVID-19 pandemic
- Supporting frontline workers through a commitment to donate thousands of fresh meals in partnership with independent grocery and restaurant tenants
- Participation in numerous local neighbourhood and community volunteer events



GOVERNANCE



Have a strong governance framework in place that:

- Reflects our values
- Ensures effective corporate governance practices are followed
- Ensures the Board functions independently of management
- Ensures diversity is considered in determining optimal board composition



Strive to be a governance leader by making it a priority to:

- Continuously adopt new and improved governance practices
- Follow recommendations as governance standards evolve



Monitor our progress:

- Reviewing our annual governance scores from ISS, the Globe and Mail Board Games and other similar rankings with our Board
- Providing opportunities for our unitholders to communicate directly with our Board

We know that progressive ESG accountability results in improved risk management and leads to increased property values, greater tenant satisfaction, more engaged employees, improved operational efficiencies and real cost savings. For more information on the Company's ESG practices, please refer to the latest Corporate Responsibility and Sustainability report on the Company's website at www.fcr.ca/sustainability.



MD&A

MANAGEMENT'S DISCUSSION AND ANALYSIS

Table of Contents

1	Introduction	32	Total Capital Employed
1	Outlook and Current Business Environment	32	Credit Ratings
4	Non-IFRS Financial Measures	33	Outstanding Debt and Principal Maturity Profile
7	Operating Metrics	33	Mortgages
7	Summary Consolidated Information and Highlights	34	Credit Facilities
9	Business and Operations Review	36	Senior Unsecured Debentures
9	Real Estate Investments	36	Unitholders' Equity
11	Investment Properties	36	Liquidity
12	2020 Acquisitions	37	Cash Flows
12	2020 Dispositions	38	Contractual Obligations
13	Capital Expenditures	38	Contingencies
14	Valuation of Investment Properties	39	Non-IFRS Reconciliations and Financial Measures
15	Properties Under Development	39	Reconciliation of Consolidated Balance Sheets to First Capital's Proportionate Interest
22	Leasing and Occupancy	40	Reconciliation of Consolidated Statements of Income (Loss) to First Capital's Proportionate Interest
24	Top Forty Tenants	41	FFO and ACFO
25	Lease Maturity Profile	43	NAV per unit
25	Investment in Joint Ventures	43	Distributions / Dividends
26	Loans, Mortgages and Other Assets	44	Summary of Financial Results of Long-term Debt Guarantors
27	Results of Operations	45	Related Party Transactions
27	Net Operating Income	45	Subsequent Events
29	Interest and Other Income	46	Quarterly Financial Information
30	Interest Expense	46	Critical Accounting Estimates
30	Corporate Expenses	47	Controls and Procedures
31	Other Gains (Losses) and (Expenses)	47	Risks and Uncertainties
31	Income Taxes		
31	Net Income (Loss) Attributable to Unitholders / Shareholders		
32	Capital Structure and Liquidity		

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 Real Estate Investment Trust ("First Capital", "FCR" or the "Trust") is intended to provide readers with an assessment of performance and summarize the financial position and results of operations for the three months ended March 31, 2020 and 2019. It should be read in conjunction with the Trust's audited annual consolidated financial statements for the years ended December 31, 2019 and 2018. Additional information, including First Capital's current Annual Information Form, is available on the SEDAR website at www.sedar.com and on the FCR website at www.fcr.ca.

All dollar amounts are in thousands of Canadian dollars, unless otherwise noted. Historical results and percentage relationships contained in First Capital'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 May 5, 2020.

Effective December 30, 2019, First Capital Realty Inc. (the "Company") completed its Plan of Arrangement (the "Arrangement") to convert into a real estate investment trust ("REIT"). Under the Arrangement, Shareholders of the Company received one trust unit ("Trust Unit") or one Class B Limited Partnership Unit ("Exchangeable Unit") of a controlled limited partnership of the Trust, for each common share of the Company held. Consequently, any references to common shares, Shareholders and per share amounts relate to periods prior to the conversion on December 30, 2019 and any references to Trust Units, Unitholders and per unit amounts relate to periods subsequent to December 30, 2019. Since the Trust is a continuation of First Capital Realty Inc., the prior year comparatives contained in First Capital's unaudited interim and audited annual consolidated financial statements and MD&A are those of the Company.

OUTLOOK AND CURRENT BUSINESS ENVIRONMENT

The worldwide outbreak of the COVID-19 pandemic and the restrictive measures enacted by Federal and Provincial Governments in response could have a material adverse effect on First Capital's operations and financial condition. At March 31, 2020, Provincial Directives for the closure of all non-essential businesses were in place for all the provinces in which First Capital operates. While, these Provincial Directives were still in place at May 5, 2020, the various Provincial Governments have started to announce plans to reopen non-essential businesses. Complete timing and impact of the reopening of non-essential businesses is not yet known. While it is too early to predict the full impact of COVID-19, First Capital is undertaking several steps in light of the current environment.

First and foremost, FCR is following all governmental directives to ensure the safety of its employees, tenants, and neighbours. First Capital has the technology to support 100% of its employees working remotely as well as on a limited, rotational basis at its properties to ensure the effective operation of its essential service tenants. As a result, the organization transitioned smoothly and expeditiously to a work from home environment at the onset of the crisis. Employees are supported through consistent and transparent communications via frequent email updates and virtual company-wide townhall meetings, access to a dedicated intranet portal for coronavirus resources, mental wellness webinars, eBooks and podcasts, and employee and family assistance plans. First Capital is also supporting its neighbours through various initiatives, including providing meals to frontline workers in partnership with its independent grocery and restaurant tenants. FCR will continue to seek out more opportunities to purchase goods and services from its tenants for donation to the neighbourhoods in which it operates.

Actively managing assets

First Capital operates a portfolio of assets located in super urban neighbourhoods within Canada's largest and fastest growing cities. First Capital's portfolio is built on a solid foundation of grocery-anchored properties with curated retail that includes pharmacy, liquor, government and medical services, which are among the uses currently classified as essential and remain open under the directives issued by the applicable Provincial Governments. Tenants with these uses represent approximately 50% of FCR's total gross monthly rent while tenants representing the remaining 50% of gross monthly rent, have been closed or have been operating at a reduced capacity due to the pandemic. FCR's Operations Team is working together with its tenants to provide safe spaces for employees and customers of essential businesses. FCR will continue to

ensure that its properties, substantially all of which are grocery and pharmacy anchored, are positioned to serve the neighbourhoods reliant on these essential services.

First Capital recognizes that small businesses play an important role in the neighbourhoods where FCR operates. Through its previously announced Small Business Support Program, FCR is providing up to \$30 million of support to qualifying tenants in the form of deferred rent for an initial period of two months commencing with either April or May rent. Deferred rent will be repaid over a twelve-month period anticipated to commence in August 2020. Through an on-line application portal, FCR has received requests from more than 1,300 tenants, representing approximately \$9.1 million, or 17.1%, of gross monthly rent. As of May 5, 2020, 697 applications have been approved representing approximately \$4.2 million of gross monthly rent.

For the month of April 2020, FCR collected approximately 74% of gross rents payable from tenants, before considering the impact of deferred rents approved under the Small Business Support Program. The Trust has been and will continue taking proactive measures to collect rents from national, regional, and franchised tenants expected to have the financial resources to fulfill their lease obligations, while continuing to work with its independent, small business tenants.

FCR remains committed to working with all its tenants to assist with reopening and adapting to new realities. However, despite the assistance programs available, some tenants may fail, in which case a temporary increase in vacancy may occur.

Managing the balance sheet

The full extent and duration of the financial impact of COVID-19 on communities and the economy remains uncertain. The cost of capital has increased as equity markets have declined and credit spreads have widened in light of this uncertainty. Therefore, First Capital has taken the following proactive measures to provide greater financial strength and flexibility.

- First Capital implemented a cost reduction program that includes both proactive and naturally occurring decreases in spending in several areas of the business due to limitations imposed by the pandemic. This includes reducing property operating costs, general and administrative expenses, elective capital expenditures and deferring the commencement of certain planned development spend, totaling approximately \$75 million for the remainder of the year.
- First Capital is maintaining a strong balance sheet. As of May 5, 2020, the Trust's liquidity position includes approximately \$680 million of cash and undrawn credit facilities and remaining debt maturities for 2020 total \$80 million. As at the quarter end, the Trust had unencumbered properties with an IFRS value of approximately \$7.2 billion and a net debt to asset ratio of 47.2%.
- First Capital is actively monitoring the availability and anticipated effect of government relief programs, including the recently announced Canada Emergency Commercial Rent Assistance, that may be applicable to the Trust and its tenants as well as formally communicating this information directly to its tenants.

Lending activities

First Capital provides co-owner financing, priority mortgages and mezzanine loans to third parties in connection with certain transactions and partnerships. These loans and mortgages receivable are secured and often provide FCR with the opportunity to acquire full or partial interests in the underlying assets that are consistent with its investment strategy through rights, options or negotiated transactions. Therefore, in addition to generating interest income and fees, these lending activities provide an alternative means to obtaining purchase options and/or participation in projects which may otherwise have not been accessible. Additionally, from time to time, FCR partners with experienced real estate lenders and investment companies whose primary business is lending which helps to mitigate risk.

FCR's loans and mortgages receivable totaling \$131.7 million are secured primarily by interests in investment properties or shares of entities owning investment properties which helps to mitigate the risk of non-payment.

Disposition program

First Capital has an objective to sell 100% interests in properties that are deemed to be inconsistent with its Super Urban Strategy. In addition, First Capital also has an objective to sell 50% non-managing interests to institutional partners in certain stable but growing properties, to ultimately expand its position in these markets without increasing investment capital. In April 2019, following the share repurchase transaction, First Capital increased its strategic disposition target to \$1.5 billion from \$1.0 billion. During 2019, FCR completed dispositions under this strategy totaling \$835.0 million, more than 50% of its

target. During the first quarter of 2020, \$80.8 million of strategic dispositions were completed and as at May 5, 2020, due diligence conditions were waived for another transaction to close in the second quarter that remains subject to closing conditions. As a result of the pandemic and the disruption in the financial markets, the property transaction market has slowed considerably pending market and economic stabilization. Accordingly, FCR's disposition program has been temporarily paused.

Development initiatives

Where construction can proceed in a safe manner, developments continue in accordance with the applicable Provincial Directives. However, the tempo of construction on these worksites is reduced as workers maintain a safe physical distance. Due to temporary work stoppages at some sites and a slower pace of construction, Management expects delays in development spend and completion dates.

During 2019, FCR submitted entitlement applications for gross floor area of 9.0 million square feet and had a goal to submit an additional 4.3 million square feet in 2020. Due to the COVID-19 pandemic, municipal offices are functioning at reduced capacity which will impact the timing for review of entitlement applications, building permits and other processes. Due to the uncertainty surrounding the duration of this delay, entitlement submissions and approvals are expected to be delayed in the short-term.

The impact these temporary delays may have on project yields cannot be determined at this time. Management monitors the economic impacts of COVID-19 on the valuation of the portfolio, including properties under development. First Capital believes that the strategy to develop, own and operate properties that meet the needs of everyday urban life in Canada's most densely populated neighbourhoods will provide value over the long term.

Outlook

The unprecedented closure of the world's economy to mitigate the impacts of the pandemic has presented challenges across all industries and geographies. While it is too early to predict the full impact on First Capital, both in the short term and in the long term, certain aspects of the Trust's business and operations that could potentially be impacted include rental income, occupancy, tenant improvements, future demand for space, and market rents, all of which ultimately impact the underlying valuation of investment properties. Refer to the "Risks and Uncertainties" section of this MD&A for a discussion about the risks associated with the COVID-19 pandemic.

During this time of uncertainty, First Capital will continue to be guided by its corporate responsibility and sustainability program and values. The core beliefs of collaboration, innovation, excellence, accountability, and passion continue to be demonstrated throughout all areas of the organization.

NON-IFRS FINANCIAL MEASURES

In addition to measures determined in accordance with International Financial Reporting Standards ("IFRS"), First Capital 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 real estate entities, and should not be construed as an alternative to other financial measures determined in accordance with IFRS.

The following describe the non-IFRS measures First Capital currently uses in evaluating its financial performance.

Proportionate Interest

"Proportionate interest" or "Proportionate share" is defined by Management as First Capital's proportionate share of revenues, expenses, assets and liabilities in all of its real estate investments. Under IFRS, FCR's six 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 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 FCR's proportionate interest provides a useful and more detailed view of the operation and performance of First Capital'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 First Capital's debt metrics. In addition, FCR's lenders require Management to calculate its debt metrics on a proportionate interest basis.

To achieve the proportionate presentation of its six equity accounted joint ventures, Management allocates FCR'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, FCR exercises control over two partially owned ventures and consolidates 100% of the revenues, expenses, assets, and liabilities in the consolidated financial statements. In the reconciliations, the partially owned ventures are also presented as if they were proportionately consolidated. To achieve the proportionate presentation of its partially owned ventures, Management subtracts the non-controlling interest's share (the portion FCR doesn't own) of revenue, expenses, assets, and liabilities on each relevant line item. FCR 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 FCR's legal claim to such items.

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 First Capital's 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. First Capital 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 2019. 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 FCR's net income that may not be the most appropriate determinants of the long-term operating performance of FCR, such as investment property selling costs; tax on gains or losses on disposals of properties; deferred income taxes; distributions on Exchangeable Units; fair value gains or losses on Exchangeable Units; fair value gains or losses on unit-based compensation; and any gains, losses or transaction costs recognized in business combinations. FFO provides a perspective on the financial performance of FCR 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 First Capital began using in 2017 to measure operating cash flow generated from the business. ACFO replaced FCR's previously reported Adjusted Funds from Operations ("AFFO") as its supplementary cash flow metric. FCR 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 2019.

Management considers ACFO a meaningful metric to measure operating cash flows as it represents sustainable cash available to pay distributions to Unitholders. 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 FCR'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 units or shares outstanding for FFO

For purposes of calculating per unit or per share amounts for FFO, the weighted average number of diluted units or shares outstanding includes the weighted average outstanding Trust Units or common shares and Exchangeable Units as at the end of the period; and assumes conversion of all outstanding Deferred Units, Restricted Units, Performance Units and any dilutive Options as at the end of the period.

FFO and ACFO Payout Ratios

FFO and ACFO payout ratios are supplementary non-IFRS measures used by Management to assess the sustainability of First Capital's distribution payments. The FFO payout ratio is calculated using distributions declared per unit divided by FFO per unit. The ACFO payout ratio is calculated on a rolling four quarter basis by dividing total cash distributions 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 First Capital's total debt on a proportionate basis and the market value of FCR's Trust Units and Exchangeable Units outstanding at the respective quarter end date. This measure is used by FCR to assess the total amount of capital employed in generating returns to Unitholders.

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 First Capital'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.

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, fair value gains or losses on Exchangeable Units, fair value gains or losses on unit-based compensation and other non-cash or non-recurring items. FCR 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 First Capital to obtain various forms of debt financing at a reasonable cost of capital.

Net Asset Value

Net Asset Value ("NAV") represents the proportionate share of First Capital's total assets less the proportionate share of its total liabilities excluding deferred tax liabilities and Exchangeable Units.

NAV per unit represents NAV, as calculated above, divided by the number of diluted units outstanding as at the end of the period. For purposes of calculating per unit amounts for NAV, the number of diluted units outstanding is calculated as follows:

- Includes all outstanding Trust Units as at the end of the period;
- Includes all outstanding Exchangeable Units as at the end of the period; and
- Assumes conversion of all outstanding Deferred Units, Restricted Units, Performance Units and any dilutive Options as at the end of the period.

OPERATING METRICS

First Capital presents certain operating metrics and portfolio statistics in the MD&A, which include neighbourhood count, property category, GLA, occupancy, weighted average rate per occupied square foot, top 40 tenants, development pipeline, and renewal activities. FCR uses these operating metrics to monitor and measure operational performance period over period. To align FCR's GLA reporting with its ownership interest in its properties, unless otherwise noted, all GLA is presented at FCR's ownership interest (20.7 million square feet at its ownership interest compared to 23.2 million square feet at 100% as at March 31, 2020). First Capital's operating metrics and GLA excludes residential GLA totaling 296,000 square feet and hotel GLA of 30,000 square feet as amounts are not significant at this time. Effective January 1, 2020, FCR has replaced property count with neighbourhood count to align further with its Super Urban Strategy. Prior period metrics have been restated to conform with the current period's presentation.

SUMMARY CONSOLIDATED INFORMATION AND HIGHLIGHTS

As at March 31	2020	2019
Revenues, Income and Cash Flows ⁽¹⁾		
Revenues and other income	\$ 179,275	\$ 205,021
NOI ⁽²⁾	\$ 103,140	\$ 115,431
Increase (decrease) in value of investment properties, net	\$ (119,240)	\$ 5,053
Net income (loss) attributable to Unitholders / Shareholders	\$ (56,358)	\$ 62,152
Net income (loss) per unit / share attributable to Unitholders / Shareholders (diluted)	\$ (0.26)	\$ 0.24
Weighted average number of units / shares - diluted - IFRS (in thousands)	220,470	256,178
Cash provided by operating activities	\$ 37,050	\$ 48,882
Distributions / Dividends		
Distributions / Dividends declared	\$ 46,892	\$ 54,985
Distributions declared per unit	\$ 0.215	\$ —
Dividends declared per common share	\$ —	\$ 0.215
Cash distributions / dividends paid	\$ 46,874	\$ 54,788
As at March 31	2020	2019
Financial Information ⁽¹⁾		
Investment properties ⁽³⁾	\$ 9,551,590	\$ 9,818,271
Hotel property	\$ 62,553	\$ 58,511
Total assets	\$ 10,237,121	\$ 10,465,288
Mortgages ⁽³⁾	\$ 1,308,905	\$ 1,272,328
Credit facilities	\$ 1,138,782	\$ 619,556
Senior unsecured debentures	\$ 2,497,462	\$ 2,447,531
Exchangeable Units	\$ 16,492	\$ —
Unitholders' / Shareholders' equity	\$ 4,298,037	\$ 4,979,080
Net Asset Value per unit / share ⁽²⁾	\$ 22.65	\$ 22.64
Capitalization and Leverage		
Trust Units / Shares outstanding (in thousands)	218,211	255,026
Exchangeable Units	1,210	N/A
Enterprise value ⁽²⁾	\$ 7,982,000	\$ 9,906,000
Net debt to total assets ^{(2) (4)}	47.2%	42.2%
Weighted average term to maturity on mortgages, fixed rate unsecured term loans and senior unsecured debentures (years)	4.9	5.2

As at March 31	2020	2019
Operational Information		
Number of neighbourhoods	151	164
GLA (square feet) - at 100%	23,246,000	25,334,000
GLA (square feet) - at ownership interest	20,651,000	23,731,000
Occupancy - Same Property - stable ⁽²⁾	96.6%	97.1%
Total portfolio occupancy	96.4%	96.8%
Development pipeline and adjacent land (GLA) ⁽⁵⁾		
Commercial pipeline (primarily retail)	2,237,000	2,343,000
Residential pipeline	22,762,000	20,762,000
Average rate per occupied square foot	\$ 21.51	\$ 20.38
Commercial GLA developed and transferred online - at ownership interest	16,000	10,000
Residential units developed and transferred online	35	—
Same Property - stable NOI - increase (decrease) over prior period ^{(2) (6)}	(3.5%)	4.6%
Total Same Property NOI - increase (decrease) over prior period ^{(2) (6)}	(2.6%)	5.2%
Funds from Operations ^{(2) (4)}		
FFO	\$ 53,856	\$ 75,653
FFO per diluted unit / share	\$ 0.24	\$ 0.30
FFO payout ratio	88.1 %	72.9%
Weighted average number of units / shares - diluted - FFO (in thousands)	220,470	256,178
Adjusted Cash Flow from Operations ^{(2) (4)}		
ACFO	\$ 38,930	\$ 52,470
ACFO payout ratio on a rolling four quarter basis	82.0 %	79.8%

⁽¹⁾ As presented in First Capital'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 First Capital's ownership interest. Square footage does not include potential development on properties held by FCR's MMUR joint venture.

⁽⁶⁾ 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

First Capital categorizes its properties for the purposes of evaluating operating performance including Total Same Property NOI. This enables FCR 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, FCR 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 properties. 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.

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

Portfolio Overview

As at March 31, 2020, First Capital had interests in 151 neighbourhoods, which were 96.4% occupied with a total GLA of 20.7 million square feet at FCR's ownership interest (23.2 million square feet at 100%) and a fair value of \$9.6 billion. This compares to 156 neighbourhoods, which were 96.9% occupied with a total GLA of 20.9 million square feet at FCR's ownership interest (23.5 million square feet at 100%) and a fair value of \$9.8 billion as at December 31, 2019.

The Same Property portfolio includes properties sub-categorized in Same Property – stable and Same Property with redevelopment. The Same Property portfolio is comprised of 134 neighbourhoods with a total GLA of 18.4 million square feet at FCR's ownership interest (20.8 million square feet at 100%) and a fair value of \$7.7 billion. These properties represent 88.7% of FCR's neighbourhood count, 88.9% of its GLA at FCR's ownership interest and 79.9% of its fair value as at March 31, 2020.

The balance of FCR's real estate assets consists of properties which are in various stages of redevelopment, properties acquired in 2020 or 2019 and properties in close proximity to them, as well as properties held for sale.

First Capital's portfolio based on property categorization is summarized as follows:

As at	March 31, 2020				December 31, 2019			
	% of Total GLA	GLA (000s sq. ft.)	Occupancy	Weighted Average Rate per Occupied Square Foot	% of Total GLA	GLA (000s sq. ft.)	Occupancy	Weighted Average Rate per Occupied Square Foot
Same Property – stable	81.4%	16,808	96.6%	\$ 21.41	80.3%	16,810	97.2%	\$ 21.29
Same Property with redevelopment	7.5%	1,548	95.5%	18.49	7.4%	1,548	95.7%	18.38
Total Same Property	88.9%	18,356	96.5%	21.17	87.7%	18,358	97.1%	21.05
Major redevelopment	6.9%	1,417	95.9%	26.64	6.8%	1,431	96.0%	25.82
Ground-up development	1.4%	291	99.3%	31.45	1.3%	279	99.2%	32.36
Acquisitions	0.3%	79	100.0%	25.85	0.1%	24	100.0%	29.57
Investment properties classified as held for sale	2.5%	508	90.8%	12.47	2.5%	508	90.8%	12.33
Dispositions	—%	—	—%	—	1.6%	327	96.3%	15.39
Total	100.0%	20,651	96.4%	\$ 21.51	100.0%	20,927	96.9%	\$ 21.25

MANAGEMENT'S DISCUSSION AND ANALYSIS – continued

First Capital's portfolio by major market is summarized as follows:

As at	March 31, 2020										December 31, 2019				
(millions of dollars, except other data)	Number of Neighbour-hoods	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 Neighbour-hoods	GLA (000s sq. ft.)	Fair Value ⁽¹⁾	% of Total Fair Value	Occupancy	Weighted Average Rate per Occupied Square Foot	% of Annual Minimum Rent	
Greater Toronto Area	50	6,882	\$ 4,537	47%	96.3%	\$ 24.70	38%	50	6,840	\$ 4,580	47%	96.6%	\$ 24.43	37%	
Greater Montreal Area	28	3,569	1,110	12%	96.0%	16.75	13%	32	3,860	1,187	12%	96.5%	16.46	14%	
Greater Calgary Area	17	2,723	1,178	12%	95.2%	23.34	14%	17	2,723	1,200	12%	97.1%	23.24	14%	
Greater Vancouver Area	16	1,746	1,031	11%	97.9%	25.57	10%	17	1,785	1,059	11%	97.3%	25.16	10%	
Greater Edmonton Area	11	2,291	803	8%	96.2%	19.44	10%	11	2,279	811	8%	96.7%	19.44	10%	
Greater Ottawa Area	13	1,304	399	4%	97.0%	18.96	6%	13	1,304	399	4%	97.1%	18.85	6%	
Kitchener/ Waterloo/ Guelph Area	5	1,042	330	3%	97.4%	18.78	5%	5	1,042	334	3%	99.3%	18.83	5%	
Other	11	1,094	252	3%	96.6%	15.90	4%	11	1,094	254	3%	96.4%	15.80	4%	
Total	151	20,651	\$ 9,640	100%	96.4%	\$ 21.51	100%	156	20,927	\$ 9,824	100%	96.9%	\$ 21.25	100%	

⁽¹⁾ At FCR's proportionate interest, including hotel property at net book value as at March 31, 2020 and December 31, 2019, respectively.

Investment Properties

A continuity of First Capital's investment in its property acquisitions, dispositions, development and portfolio improvement activities is as follows:

	Three months ended March 31, 2020	
(millions of dollars)	Investment Properties	Development Land
Balance at beginning of period	\$ 9,660	\$ 92
Acquisitions ⁽¹⁾		
Investment properties and additional adjacent spaces	—	—
Development activities and property improvements	53	2
Reclassification to residential development inventory	(57)	—
Increase (decrease) in value of investment properties, net	(118)	(2)
Dispositions	(81)	—
Other changes	3	—
Balance at end of period ⁽²⁾	\$ 9,460	\$ 92

⁽¹⁾ During the quarter, one of the Trust's wholly owned subsidiaries purchased a property from another consolidated subsidiary, that is subject to a non-controlling interest. The Trust's net effective ownership in the asset increased by 15.5% to 100%. The Trust's acquisition cost for its incremental 15.5% interest was \$25.4 million which is reflected as a distribution to the non-controlling interest partner in the interim consolidated financial statements.

⁽²⁾ Includes investment properties classified as held for sale as at March 31, 2020 totaling \$82 million of investment properties.

	Three months ended March 31, 2019	
(millions of dollars)	Investment Properties	Development Land
Balance at beginning of period	\$ 9,690	\$ 78
Acquisitions		
Investment properties and additional adjacent spaces	7	14
Development activities and property improvements	46	1
Increase (decrease) in value of investment properties, net	4	1
Dispositions	(16)	(7)
Other changes	1	(1)
Balance at end of period ⁽¹⁾	\$ 9,732	\$ 86

⁽¹⁾ Includes investment properties classified as held for sale as at March 31, 2019 totaling \$454 million of investment properties and \$16 million of development land.

2020 Acquisitions

Development Properties

During the three months ended March 31, 2020, First Capital acquired the remaining 15.5% interest in one downtown Toronto property held through Main & Main Urban Realty LP ("MMUR"), as summarized in the table below:

Count	Property Name	City/Province	Quarter Acquired	Interest Acquired	Acreage	Acquisition Cost (in millions)
Development lands						
1.	Yonge & Roselawn Assembly ⁽¹⁾	Toronto, ON	Q1	15.5%	0.3	\$ 25.4
Total					0.3	\$ 25.4

⁽¹⁾ During the quarter, one of the Trust's wholly owned subsidiaries purchased a property from another consolidated subsidiary, that is subject to a non-controlling interest. The Trust's net effective ownership in the asset increased by 15.5% to 100%. The Trust's acquisition cost for its incremental 15.5% interest was \$25.4 million which is reflected as a distribution to the non-controlling interest partner in the interim consolidated financial statements.

2020 Dispositions

During the three months ended March 31, 2020, First Capital disposed of its interests in six properties, all of which were in non-super urban neighbourhoods. These dispositions are summarized in the table below:

Count	Property Name	City/Province	Quarter Sold	Interest Sold	GLA (sq. ft.)	Acreage	Gross Sales Price (in millions)
1.	Greater Montreal Area Portfolio	Montreal, QC	Q1	100%	226,300	19.8	
2.	Plaza Laval Elysee	Laval, QC	Q1	100%	64,700	5.3	
3.	Gorge Shopping Centre	Victoria, BC	Q1	100%	37,000	1.7	
4.	1610 The Queensway	Toronto, ON	Q1	100%	2,200	0.5	
Total					330,200	27.3	\$ 80.8

Capital Expenditures

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

Revenue sustaining capital expenditures are required for maintaining First Capital'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 FCR'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 FCR'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. First Capital 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 FCR'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:

Three months ended March 31			2020		2019
	Total Same Property	Other Property Categories	Total		Total
Revenue sustaining	\$ 5,315	\$ —	\$ 5,315	\$	4,762
Revenue enhancing	6,313	1,852	8,165		5,993
Expenditures recoverable from tenants	220	122	342		1,324
Development expenditures	4,937	36,291	41,228		34,919
Total	\$ 16,785	\$ 38,265	\$ 55,050	\$	46,998

During the three months ended March 31, 2020, capital expenditures totaled \$55.1 million compared to \$47.0 million for the same prior year period. The \$8.1 million increase was primarily due to higher development spend related to the Dundas & Aukland project and higher spend on revenue enhancing expenditures.

Valuation of Investment Properties

The approach selected for valuing investment properties depends on the type of property and other factors such as stage of development. The components of First Capital's investment properties for the purposes of calculating fair values were as follows as at March 31, 2020 and December 31, 2019:

As at (millions of dollars)		March 31, 2020	December 31, 2019
Property Type ⁽¹⁾	Valuation Method	Fair Value	Fair Value
Same Properties	Discounted cash flow ("DCF") ⁽³⁾	\$ 7,631	\$ 7,732
Properties under development / in transition	Cost or DCF less costs to complete	1,371	1,391
Investment properties recently acquired or held for sale ⁽²⁾	Purchase price or DCF	458	537
Development land	Cost or comparable land sales	92	92
Total investment property fair value		\$ 9,552	\$ 9,752

⁽¹⁾ Prior periods restated to reflect current period property categories.

⁽²⁾ Comparative fair value includes properties that were disposed of in 2020.

⁽³⁾ Valuation method under Income Approach.

As at March 31, 2020 the weighted average valuation yields (stabilized overall capitalization, terminal, and discount rates) used in valuing those investment properties under the Income Approach remained unchanged from December 31, 2019. The net decrease in the fair value of investment properties of \$119.2 million for the three months ended March 31, 2020 was primarily due to forecasted short-term vacancy and rental rate adjustments in certain properties to reflect the potential impact of COVID-19.

The associated stabilized capitalization rates by region for FCR's investment properties valued under the Income Approach were as follows as at March 31, 2020 and December 31, 2019:

As at March 31, 2020	Stabilized Capitalization Rate		
	Weighted Average	Median	Range
Central Region	4.7%	5.3%	3.0%-7.0%
Eastern Region	5.8%	6.0%	4.4%-7.5%
Western Region	5.1%	5.3%	3.8%-6.3%
Weighted Average	5.0%	5.5%	3.0%-7.5%

As at December 31, 2019	Stabilized Capitalization Rate		
	Weighted Average	Median	Range
Central Region	4.7%	5.3%	3.0%-7.0%
Eastern Region	5.8%	6.0%	4.4%-7.5%
Western Region	5.1%	5.3%	3.8%-6.3%
Weighted Average	5.0%	5.5%	3.0%-7.5%

Due to the continuing risk created by the COVID-19 pandemic that has resulted in an economic slowdown, greater volatility in the capital markets, limited investment transactions, and a lower interest rate environment, the impact to valuation yields is not yet known.

Properties Under Development

Development and redevelopment activities are completed selectively, based on opportunities in First Capital's properties or in the markets where FCR operates. First Capital'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 commercial development activities are strategically managed to reduce risk, and properties are generally developed after obtaining anchor tenant lease commitments. Individual commercial buildings within a development are generally constructed only after obtaining lease commitments on a substantial portion of the space.

Development Pipeline

As at March 31, 2020, First Capital's portfolio is comprised of 20.7 million square feet of GLA at FCR'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 March 31, 2020, Management had identified approximately 25.0 million square feet of incremental density. This incremental density represents an opportunity that exceeds FCR's existing portfolio.

Management undertakes a quarterly review of its entire portfolio and updates all of its future incremental density. Management stratifies the density by expected 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. First Capital'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 First Capital 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 March 31, 2020	Square feet (in thousands)		
	Commercial	Residential	Total
Active Development			
Same Property with redevelopment	8	—	8
Major redevelopment	172	—	172
Ground-up development	57	362	419
	237	362	599
Future incremental density			
Medium term	1,800	11,500	13,300
Long term	100	6,700	6,800
Very long term	100	4,200	4,300
	2,000	22,400	24,400
Total development pipeline	2,237	22,762	24,999

First Capital determines its course of action with respect to the 22.4 million square feet of potential residential density on a case by case basis given the specifics of each property. First Capital'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 7.1 million or 28% of FCR's 25.0 million square feet of identified incremental density has been at least partially included as part of the fair value of investment properties on the consolidated balance sheet. The 7.1 million square feet is comprised of 0.6 million square feet in active development which is valued as part of the overall property and 6.5 million of incremental density carried at approximately \$510 million or \$78 per square foot. Approximately 54% of the \$510 million is related to land and 46% is related to land slated for redevelopment that is generating some income. As outlined in the chart below the \$510 million value is primarily attributed to unencumbered land. The remaining 17.9 million square feet of identified incremental density is expected to be included in the value of the property 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 centres or their parking areas.

As at March 31, 2020 (in millions of dollars)		Unencumbered	Encumbered	Total	% of Total
Land	Unzoned	\$ 164	\$ 2	\$ 166	33%
	Zoned	99	10	109	21%
	Total	263	12	275	54%
Land with Income	Unzoned	174	33	207	41%
	Zoned	18	10	28	5%
	Total	192	43	235	46%
Value of incremental density in IFRS		\$ 455	\$ 55	\$ 510	100%

Development Pipeline by Urban Market

A breakdown of FCR's active development and incremental density by urban market is as follows:

As at March 31, 2020 (in thousands of square feet)	Incremental Density Pipeline	
	Total	% of Total
Greater Toronto Area	13,183	52.7%
Greater Montreal Area	6,548	26.2%
Greater Vancouver Area	2,813	11.3%
Greater Calgary Area	1,301	5.2%
Greater Ottawa Area	780	3.1%
Greater Edmonton Area	374	1.5%
Total development pipeline	24,999	100.0%

Entitlements Program

First Capital has a program in place to seek entitlements for the incremental density within its portfolio. Entitlement applications are submitted based on gross floor area (“GFA”). Prior to 2019, FCR submitted entitlement applications for GFA of approximately 3.7 million square feet (incremental density of 3.5 million square feet) as outlined in the table below. The majority of this density had been zoned by December 31, 2019 and the IFRS value for these properties reflects this density.

Pre - 2019 Entitlement Applications				'000s of square feet submitted/zoned for (at FCR's share):				
Property	Neighbourhood	City, Province	Ownership Interest %	Residential	Commercial	Total	Existing	Incremental
1. Panama (All Phases)	Panama Ave. / Taschereau Blvd.	Montreal, QC	100%	1,555	403	1,958	—	1,958
2. Humbertown (All Phases)	The Kingsway	Toronto, ON	100%	551	235	786	105	681
3. Appleby Village ⁽¹⁾	Appleby	Burlington, ON	100%	348	7	355	—	355
4. 400 King St. W.	Entertainment District	Toronto, ON	35%	147	13	160	—	160
5. Wilderton Phase II	Outremont	Montreal, QC	100%	173	22	195	42	153
6. Longstreet Phase I	Adjacent to ICE District	Edmonton, AB	100%	120	23	143	7	136
7. Rutherford Marketplace ⁽¹⁾	Thornhill Woods	Vaughan, ON	50%	64	—	64	—	64
8. 200 West Esplanade	Lower Lonsdale	North Vancouver, BC	50%	28	4	32	21	11
Totals				2,986	707	3,693	175	3,518

⁽¹⁾ Residential phases only.

During 2019, FCR submitted entitlement applications for GFA of approximately 9.0 million square feet (incremental density of 8.5 million square feet) as outlined in the table below, surpassing its goal of 7.5 million square feet of entitlement submissions in 2019. The current IFRS value of these properties in aggregate is approximately \$625 million. FCR expects to recognize a meaningful increase to the current IFRS values once approvals for these submissions are received.

2019 Entitlement Applications				'000s of square feet submitted for (at FCR's share):				
Property	Neighbourhood	City, Province	Ownership Interest %	Residential	Commercial	Total	Existing	Incremental
1. Christie Cookie ⁽¹⁾	Humber Bay Shores	Toronto, ON	50%	2,948	576	3,524	—	3,524
2. Dufferin Corners	Bathurst Manor	Toronto, ON	100%	990	37	1,027	81	946
3. Royal Orchard	Thornhill	Markham, ON	50%	697	22	719	22	697
4. Semiahmoo Phase I	South Surrey	Surrey, BC	100%	490	32	522	20	502
5. 801 York Mills & 1855 Leslie Street	Leslie & York Mills	Toronto, ON	100%	535	22	557	62	495
6. Staples Lougheed	Brentwood	Burnaby, BC	100%	475	49	524	32	492
7. Centre Commercial Cote St-Luc	Cote Saint-Luc	Montreal, QC	100%	559	80	639	158	481
8. Yonge & Roselawn	Yonge & Eglinton	Toronto, ON	85%	453	55	508	57	451
9. Olde Oakville Phase I	South Oakville	Oakville, ON	100%	217	44	261	28	233
10. Plaza Baie D'Urfe ⁽²⁾	Hwy. 20 / Morgan St.	Montreal, QC	100%	218	9	227	42	185
11. Gloucester Phase I	Gloucester	Ottawa, ON	50%	157	17	174	3	171
12. Merivale Mall (Residential Phase)	Nepean	Ottawa, ON	50%	135	9	144	1	143
13. 1071 King St. W.	Liberty Village	Toronto, ON	67%	132	4	136	—	136
Totals				8,006	956	8,962	506	8,456

⁽¹⁾ Approximately 300,000 square feet is currently reflected in the property's IFRS value which is based on current zoning in place. The property's IFRS value approximates its cost.

⁽²⁾ Square feet submitted represents square footage for a partial redevelopment.

During 2020, FCR had planned to submit entitlement applications for GFA of approximately 4.3 million square feet (incremental density of 4.0 million square feet) for the properties outlined below. This would bring the total entitlement submissions to approximately 16.0 million square feet of incremental density representing 64% of FCR's 25.0 million square feet of incremental density pipeline. In the first quarter of 2020, FCR submitted entitlement applications for GFA of approximately 0.1 million square feet for its project at 140 Yorkville. Due to the COVID-19 pandemic, municipal offices are functioning at reduced capacity which will impact the timing for review of entitlement applications, building permits and other processes. As a result of the current environment, FCR does not expect to achieve its planned goal for 2020 entitlement submissions. The current IFRS value of these properties in aggregate is approximately \$432 million. FCR expects to recognize a meaningful increase to the current IFRS values once approvals for these submissions are received.

2020 Planned Entitlement Applications

Property	Neighbourhood	City, Province	Ownership Interest %
1. 140 Yorkville	Bloor - Yorkville	Toronto, ON	33%
2. 101 Yorkville	Bloor - Yorkville	Toronto, ON	50%
3. Liberty Village (portion of shopping centre)	Liberty Village	Toronto, ON	100%
4. Avenue Rd. & Lawrence	Bedford Park	Toronto, ON	100%
5. 5500 Dundas	Islington - City Centre West	Toronto, ON	100%
6. 221 - 227 Sterling Rd.	The Junction	Toronto, ON	35%
7. Cliffcrest Plaza	Cliffcrest	Toronto, ON	100%
8. Midland Lawrence Plaza	Midland Park	Toronto, ON	100%
9. Hillcrest Plaza	Yonge & Sheppard	Toronto, ON	100%
10. 895 Lawrence	Don Mills	Toronto, ON	100%
11. Portobello (excess land)	Hwy. 10 / Taschereau Blvd.	Montreal, QC	100%
12. Place Viau (excess land)	Saint - Leonard	Montreal, QC	100%

In addition to the properties listed in the entitlements section above, First Capital has 9.0 million square feet of additional incremental density which includes 8.4 million square feet primarily related to the properties listed below, where entitlements have yet to be submitted, and 0.6 million feet currently under active development (see active projects table).

Additional Incremental Density

Property	Neighbourhood	City, Province	Ownership Interest %
1. 332 Bloor St. W.	The Annex	Toronto, ON	100%
2. Cedarbrae Mall	Lawrence Ave. E. / Markham Rd.	Toronto, ON	100%
3. Danforth Sobeys	Danforth Village	Toronto, ON	100%
4. Olde Oakville (future phases)	South Oakville	Oakville, ON	100%
5. Lakeshore & Kerr	Kerr Village	Oakville, ON	100%
6. Bayview Lane Plaza	Thornhill	Markham, ON	100%
7. Yonge-Davis Centre	Yonge St./Davis Dr. W.	Newmarket, ON	100%
8. Appleby Square	Appleby	Burlington, ON	100%
9. Harwood Plaza	Harwood Ave. S. / Bayly St. W.	Ajax, ON	100%
10. 1000 Wellington St.	Griffintown	Montreal, QC	100%
11. Centre Commercial Domaine	Longue-Pointe	Montreal, QC	100%
12. Centre Commercial Van Horne	Cote-Des-Neiges	Montreal, QC	100%
13. Galeries Normandie	Hwy. 15/Rue de Salaberry	Montreal, QC	100%
14. Place Provencher	Saint - Leonard	Montreal, QC	100%
15. Le Campanile & Place du Commerce	Nun's Island	Montreal, QC	100%
16. Place Michelet	Saint - Leonard	Montreal, QC	100%
17. Langley Mall	Downtown Langley	Langley, BC	100%
18. Scott 72 Shopping Centre	120 St./72 Ave.	Delta, BC	100%
19. Semiahmoo (future phases)	South Surrey	Surrey, BC	100%
20. GM Glenbow	Beltline	Calgary, AB	50%
21. Newport Village	Macleod Trail SE/Southland Dr. SE	Calgary, AB	100%
22. Mount Royal Village East	Beltline	Calgary, AB	100%
23. Gloucester City Centre (future phases)	Gloucester	Ottawa, ON	50%

FCR continues to review each of its properties and has identified meaningful incremental density in properties that have not progressed to the point of inclusion in First Capital's incremental density pipeline, that we expect may be included in the future. A sample of such properties include Macleod Plaza, Meadowvale Town Centre, Old Strathcona Shopping Centre, Pemberton Plaza and future phases of Longstreet Shopping Centre, among others.

Invested Cost of Properties Under Development

As at March 31, 2020, First Capital had \$674.0 million of properties under development and development land parcels at invested cost, representing approximately 7.1% of the value of the total investment property portfolio.

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

As at March 31, 2020	Number of Active Projects	Square Feet ^{(1) (2)} (in thousands)	Invested Cost (in millions)			Total
			Active Development	Pre- Development		
Total development and redevelopment activities	10	599	\$ 231	\$ 80	\$	311
Total development land, adjacent land parcels, and other ⁽³⁾				\$ 363	\$	363
Total				\$ 443	\$	674

⁽¹⁾ Includes 362,000 square feet of residential rental apartments.

⁽²⁾ Square footage relates to active development only.

⁽³⁾ Includes all other property categories.

2020 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 relative to the total project. 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 three months ended March 31, 2020, First Capital completed the transfer of 16,000 square feet of new retail space in addition to 35 residential units to the income-producing portfolio at a total cost of \$24.8 million. All of the retail space transferred was located in super urban neighbourhoods and became occupied at an average rental rate of \$21.03 per square foot.

For the three months ended March 31, 2020, First Capital had tenant closures for redevelopment of 4,000 square feet at an average rental rate of \$11.81 per square foot. As of March 31, 2020 the 4,000 square feet was slated for demolition.

Active Development and Redevelopment Activities

As a result of COVID-19, construction at five of our projects has ceased under government directives. Due to the uncertainty surrounding the duration of the pandemic and provincial construction restrictions, the impact that these delays may have on development yields cannot be determined at this time. Typically yields on projects are derived from the expected going-in run rate based on stabilized leasing and operations following completion of the development, and includes all building costs, 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 or lower than currently forecasted costs, if final lease terms are higher or lower than forecasted base rent recoveries, or if there are other unforeseen events that cause actual results to differ from assumptions. The quality of First Capital's construction is consistent with its strategy of long-term ownership and value creation, and factors in FCR's high standards in construction, materials, architecture, lighting, parking, access, pedestrian amenities, accessibility, as well as development to Leadership in Energy and Environmental Design ("LEED") standards.

Committed Leases

First Capital has ten projects comprised of approximately 599,000 square feet of space currently under development, of which 237,000 square feet is retail space and 362,000 square feet is residential rental apartments. A total of 122,000 square feet of the retail space currently under development is subject to committed leases at a weighted average rate of \$31.03 per square foot. As construction on large projects occurs in phases, there continues to be ongoing negotiations in various stages with retailers for the planned space. Leasing of residential apartments begins as the project is nearing completion.

Highlights of First Capital's active projects as at March 31, 2020 are as follows:

As at March 31, 2020								
						Invested Cost (in millions)		
Count/Project		Major Tenants	Ownership Interest %	Square Feet Under Development (in thousands)	Target Completion Date ⁽¹⁾	Total Estimated (incl. Land)	Under Development	Income-producing property
1.	Victoria Terrace, Toronto, ON	(Starbucks, Sunset Grill)	100.0%	2	H1 2020	\$2.5 - \$3.0	\$2	N/A
2.	Westmount Shopping Centre, Edmonton, AB	(Church's Chicken)	100.0%	1	H1 2020	\$1.5 - \$2.0	\$1	N/A
3.	King High Line (Shops at King Liberty), Toronto, ON ⁽²⁾⁽³⁾	(Longo's, Canadian Tire, Shoppers Drug Mart, Winners, Kids & Company, WeWork, McDonald's)	100%/67%	95	H2 2020	\$350 - \$390	\$75	\$256
4.	3080 Yonge Street, Toronto, ON	(Loblaws, Tim Hortons, Anatomy Fitness)	100.0%	16	H2 2020	\$135 - \$150	\$18	\$116
5.	Semiahmoo Shopping Centre, Surrey, BC	(Crunch Fitness, Winners, Rothewood Academy)	100.0%	5	H2 2020	\$125 - \$140	\$3	121
6.	The Brewery District, Edmonton, AB ⁽⁴⁾	(MEC, Loblaws City Market, GoodLife Fitness, Winners)	50.0%	14	H2 2020	\$100 - \$110	\$8	\$92
7.	Chartwell Shopping Centre, Toronto, ON	(Mabu Station, Coco Tea)	100.0%	5	H2 2020	\$5.0 - \$6.0	\$3	N/A
8.	Dundas & Aukland, Toronto, ON ⁽⁵⁾	(Farm Boy)	100.0%	310	H1 2021	\$150 - \$170	\$83	—
9.	19 & 25 Industrial Street (Leaside Village), Toronto, ON	(Pharmacy, Pet Store, Medical Office, Restaurant)	100.0%	72	H2 2021	\$45 - \$50	\$23	—
10.	Wilderton, Montreal, QC ⁽⁶⁾	(Metro, Pharmaprix, Tim Hortons, SAQ)	100.0%	79	H2 2022	\$57 - \$62	\$15	\$14
Total development and redevelopment activities				599		\$971 - \$1,083	\$231	\$599

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

⁽²⁾ FCR's ownership interest in the retail and residential components are 100% and 67%, respectively.

⁽³⁾ The square feet under development is comprised of 95,000 square feet of residential space (at FCR's interest of 67%).

⁽⁴⁾ Target completion date relates to buildings currently under construction.

⁽⁵⁾ Subject to non-controlling interest of 29.12%. The area under development comprises 43,000 square feet of retail and 267,000 square feet of residential.

⁽⁶⁾ Target completion date reflects future phases.

Costs to Complete Active and Redevelopment Activities

Costs to complete the development, redevelopment and expansion activities underway are estimated to be approximately \$168.7 million.

Residential Inventory - active development

First Capital has commenced a residential development project to build and sell fifty townhomes on land adjacent to FCR's Rutherford Marketplace property. The development is being managed by FCR's 50% residential partner, who purchased 50% of the land in the fourth quarter of 2016. Total invested cost in the project at FCR's share is approximately \$11.0 million at March 31, 2020. Total invested cost at completion is estimated to be \$23.4 million with a target completion date in the first half of 2021. To date, 48 of the 50 townhomes have been sold and construction is slated to begin in Q2 2020.

Leasing and Occupancy

As at March 31, 2020, total portfolio occupancy decreased 0.4% to 96.4% while Same Property portfolio occupancy was down 0.7% compared to March 31, 2019. Total portfolio occupancy decreased 0.5% to 96.4% while Same Property portfolio occupancy was down 0.6% to 96.5% compared to December 31, 2019.

For the three months ended March 31, 2020, the monthly average occupancy for the total portfolio was 96.5% compared to 96.6%, and the Same Property portfolio occupancy was 96.7% compared to 97.0% for the same prior year period, respectively.

Occupancy of First Capital's portfolio by property categorization was as follows:

As at	March 31, 2020			December 31, 2019		
<i>(square feet in thousands)</i>	Total Occupied Square Feet	% Occupied	Weighted Average Rate per Occupied Square Foot	Total Occupied Square Feet	% Occupied	Weighted Average Rate per Occupied Square Foot
Same Property – stable	16,232	96.6%	\$ 21.41	16,339	97.2%	\$ 21.29
Same Property with redevelopment	1,479	95.5%	18.49	1,482	95.7%	18.38
Total Same Property	17,711	96.5%	21.17	17,821	97.1%	21.05
Major redevelopment	1,359	95.9%	26.64	1,375	96.0%	25.82
Ground-up development	289	99.3%	31.45	277	99.2%	32.36
Investment properties classified as held for sale	462	90.8%	12.47	462	90.8%	12.33
Total portfolio before acquisitions and dispositions	19,821	96.4%	21.49	19,935	96.9%	21.33
Acquisitions	79	100.0%	25.85	24	100.0%	29.57
Dispositions	—	—%	—	313	96.3%	15.39
Total ⁽¹⁾	19,900	96.4%	\$ 21.51	20,272	96.9%	\$ 21.25

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

MANAGEMENT'S DISCUSSION AND ANALYSIS – continued

During the three months ended March 31, 2020, First Capital completed 390,000 square feet of lease renewals across the portfolio. First Capital achieved a 16.7% 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 March 31, 2020, First Capital achieved a 18.0% 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 1.2% from \$21.25 as at December 31, 2019 to \$21.51 as at March 31, 2020 primarily due to dispositions, renewal lifts and rent escalations.

Changes in First Capital's gross leasable area and occupancy for the total portfolio for the three months ended March 31, 2020 are set out below:

Three months ended March 31, 2020	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, 2019 ⁽²⁾	17,821	97.1%	\$ 21.05	2,451	95.4%	\$ 22.71	13	0.1%	642	3.1%	20,927	96.9%	\$ 21.25
Tenant possession	92		19.89	18		20.92	—		(110)		—		20.06
Tenant closures	(206)		(19.53)	(29)		(22.92)	—		235		—		(19.95)
Tenant closures for redevelopment	—		—	(4)		(11.81)	4		—		—		(11.81)
Developments – tenants coming online ⁽³⁾	4		38.69	12		15.28	—		—		16		21.03
Redevelopments – tenant possession	—		—	—		—	—		—		—		—
Demolitions	—		—	—		—	(13)		—		(13)		—
Reclassification	—		—	—		—	1		(8)		(7)		—
Total portfolio before Q1 2020 acquisitions and dispositions	17,711	96.5%	\$ 21.17	2,448	95.4%	\$ 23.12	5	—%	759	3.6%	20,923	96.3%	\$ 21.41
Acquisitions (at date of acquisition)	—	—%	—	55	100.0%	24.24	—	—%	—		55	100.0%	24.24
Dispositions (at date of disposition)	—	—%	—	(314)	96.3%	15.39	—	—%	(13)		(327)	96.3%	15.39
March 31, 2020	17,711	96.5%	\$ 21.17	2,189	95.4%	\$ 24.25	5	—%	746	3.6%	20,651	96.4%	\$ 21.51
Renewals	372		\$ 20.44	18		\$ 19.60					390		\$ 20.40
Renewals – expired	(372)		\$ (17.49)	(18)		\$ (17.33)					(390)		\$ (17.48)
Net change per square foot from renewals			\$ 2.95			\$ 2.27							\$ 2.92
% Increase on renewal of expiring rents (first year of renewal term)			16.9%			13.1%							16.7%
% increase on renewal of expiring rents (average rate in renewal term)													18.0%

⁽¹⁾ At FCR'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 – 2020 Development and Redevelopment Coming Online and Space Going Offline" section of this MD&A.

Top Forty Tenants

As at March 31, 2020, 54.7% of First Capital's annualized minimum rent came from its top 40 tenants (December 31, 2019 – 54.6%). Of these rents, 77.3% (December 31, 2019 – 76.9%) came from tenants that have investment grade credit ratings and who represent many of Canada's leading grocery stores, pharmacies, national and discount retailers, financial institutions and other familiar retailers. The weighted average remaining lease term for First Capital's top 10 tenants was 5.3 years as at March 31, 2020, 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")	95	1,992	9.6%	10.2%	BBB	BBB	
2.	Sobeys	50	1,567	7.6%	5.8%	BBB (low)	BB+	
3.	Metro	35	896	4.3%	2.9%	BBB	BBB	
4.	Canadian Tire	23	759	3.7%	2.7%	BBB (high)	BBB	
5.	Walmart	13	1,246	6.0%	2.5%	AA	AA	Aa2
6.	TD Canada Trust	45	205	1.0%	2.0%	AA (high)	AA-	Aa1
7.	RBC Royal Bank	42	212	1.0%	1.8%	AA (high)	AA-	Aa2
8.	GoodLife Fitness	26	518	2.5%	1.8%			
9.	Save-On-Foods	9	324	1.6%	1.7%			
10.	Dollarama	48	437	2.1%	1.7%	BBB	BBB	Baa2
Top 10 Tenants Total		386	8,156	39.4%	33.1%			
11.	CIBC	36	179	0.9%	1.4%	AA	A+	Aa2
12.	LCBO	23	202	1.0%	1.3%	AA (low)	A+	Aa3
13.	Lowe's	4	361	1.7%	1.3%	BBB (high)	BBB+	Baa1
14.	McKesson	23	184	0.9%	1.2%		BBB+	Baa2
15.	Longo's	5	196	1.0%	1.1%			
16.	Winners	12	271	1.3%	1.1%		A	A2
17.	Scotiabank	25	123	0.6%	1.1%	AA	A+	Aa2
18.	Restaurant Brands International	55	128	0.6%	1.0%		BB	Ba3
19.	BMO	26	105	0.5%	1.0%	AA	A+	Aa2
20.	London Drugs	8	192	0.9%	1.0%			
21.	Nordstrom	1	40	0.2%	0.8%	BBB (high)	BBB-	Baa3
22.	Recipe Unlimited	30	117	0.6%	0.8%			
23.	Staples	9	194	0.9%	0.8%		B+	B1
24.	Starbucks	40	55	0.3%	0.7%		BBB+	Baa1
25.	Michaels	4	77	0.4%	0.6%		B	Ba2
26.	Whole Foods Market	2	90	0.4%	0.6%		A+	A2
27.	Subway	62	63	0.3%	0.5%			
28.	Pusateri's	1	35	0.2%	0.5%			
29.	Williams-Sonoma	3	51	0.2%	0.5%			
30.	The Beer Store	12	66	0.3%	0.5%	AA (low)	A+	Aa3
31.	Toys "R" Us	3	127	0.6%	0.5%			
32.	McDonald's	20	68	0.3%	0.5%		BBB+	Baa1
33.	The Home Depot	2	153	0.7%	0.4%	A	A	A2
34.	Yum! Brands	26	41	0.2%	0.4%		BB	Ba2
35.	SAQ	16	62	0.3%	0.4%	AA (low)	AA-	Aa2
36.	Petsmart	4	57	0.3%	0.4%		B-	B3
37.	Pet Valu	19	53	0.3%	0.3%			
38.	Equinox	2	38	0.2%	0.3%		B-	Caa1
39.	CLSC (health service provider in Quebec)	1	73	0.4%	0.3%	AA (low)	AA-	Aa2
40.	Indigo	3	54	0.3%	0.3%			
Top 40 Tenants Total		863	11,611	56.2%	54.7%			

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

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

Lease Maturity Profile

First Capital's lease maturity profile for its portfolio as at March 31, 2020, 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⁾	161	226	1.1%	\$ 4,833	1.1%	\$ 21.43
2020	361	1,251	6.1%	24,611	5.3%	19.67
2021	555	2,155	10.4%	43,346	9.4%	20.12
2022	629	2,765	13.4%	63,382	13.7%	22.92
2023	597	3,089	15.0%	61,663	13.4%	19.96
2024	553	2,451	11.9%	53,654	11.6%	21.89
2025	405	1,812	8.8%	45,933	10.0%	25.34
2026	165	821	4.0%	23,089	5.0%	28.12
2027	162	949	4.6%	23,339	5.1%	24.60
2028	162	1,021	4.9%	29,129	6.3%	28.53
2029	180	982	4.8%	26,392	5.7%	26.88
2030	124	597	2.9%	17,097	3.7%	28.62
Thereafter	80	1,781	8.5%	45,081	9.7%	25.33
Total or Weighted Average ⁽²⁾	4,134	19,900	96.4%	\$ 461,549	100.0%	\$ 23.19

⁽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 FCR's ownership interest, excluding MMUR.

The weighted average remaining lease term for the portfolio was 5.3 years as at March 31, 2020, excluding contractual renewal options, but including month-to-month and other short-term leases.

Investment in Joint Ventures

As at March 31, 2020, First Capital had interests in six joint ventures that it accounts for using the equity method. First Capital's joint ventures are as follows:

Name of Entity	Name of Property/Business Activity	Location	Effective Ownership	
			March 31, 2020	December 31, 2019
College Square General Partnership	College Square	Ottawa, ON	50.0%	50.0%
Green Capital Limited Partnership	Royal Orchard	Markham, ON	50.0%	50.0%
Stackt Properties LP	Shipping Container marketplace	Toronto, ON	94.0%	94.0%
Fashion Media Group GP Ltd.	Toronto Fashion Week events	Toronto, ON	78.0%	78.0%
FC Access LP	Whitby Mall (self storage operation)	Whitby, ON	25.0%	25.0%
Edenbridge Kingsway (Humbertown)	Humbertown Condos (Phase 1)	Toronto, ON	50.0%	50.0%

First Capital has determined that these investments are joint ventures as all decisions regarding their activities are made unanimously between First Capital and its partners.

During the third quarter of 2019, First Capital, together with its partner in Main and Main Developments LP ("MMLP") acquired the remaining 46.9% interest in four remaining Main and Main Urban Realty LP assets for approximately \$116.0 million. As a result, FCR now controls MMUR through its direct and indirect interests, requiring the consolidation of the assets, liabilities, revenues and expenses of MMUR from the date of acquisition.

The following table reconciles the changes in First Capital's interests in its equity accounted joint ventures for the three months ended March 31, 2020 and year ended December 31, 2019:

	March 31, 2020	December 31, 2019
Balance at beginning of period	\$ 59,498	\$ 144,375
Contributions to equity accounted joint ventures	578	17,481
Distributions from equity accounted joint ventures	(848)	(25,648)
Consolidation of equity accounted joint venture (MMUR)	—	(78,409)
Share of income from equity accounted joint ventures	(408)	1,699
Balance at end of period	\$ 58,820	\$ 59,498

As of March 31, 2020, none of the Trust's investments in joint ventures were determined to be impaired taking into account the COVID-19 environment.

Loans, Mortgages and Other Assets

As at	March 31, 2020	December 31, 2019
Non-current		
Loans and mortgages receivable classified as FVTPL (a)	\$ 21,119	\$ 20,726
Loans and mortgages receivable classified as amortized cost (a)	60,589	58,940
Other investments	16,302	16,302
Total non-current	\$ 98,010	\$ 95,968
Current		
Loans and mortgages receivable classified as FVTPL (a)	\$ 143	\$ 132
Loans and mortgages receivable classified as amortized cost (a)	49,828	65,984
FVTPL investments in securities (b)	2,607	3,949
Total current	\$ 52,578	\$ 70,065
Total	\$ 150,588	\$ 166,033

- (a) Loans and mortgages receivable are primarily secured by interests in investment properties or shares of entities owning investment properties. As at March 31, 2020, these receivables bear interest at weighted average effective interest rates of 6.1% (December 31, 2019 – 6.6%) and mature between 2020 and 2028. As of March 31, 2020, none of the Trust's loans and mortgages receivable classified as amortized cost required a provision or were determined to be impaired taking into account the COVID-19 environment.
- (b) From time to time, First Capital 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

First Capital's net operating income for its portfolio is presented below:

	Three months ended March 31		
	% change	2020	2019
Property rental revenue			
Base rent ⁽¹⁾		\$ 106,886	\$ 116,041
Operating cost recoveries		27,687	31,080
Realty tax recoveries		33,680	36,700
Lease surrender fees		304	3,502
Percentage rent		902	767
Straight-line rent adjustment		882	971
Prior year operating cost and tax recovery adjustments		(429)	62
Temporary tenants, storage, parking and other ⁽²⁾		6,224	5,551
Total Property rental revenue	(9.5%)	176,136	194,674
Property operating costs			
Recoverable operating expenses		30,965	35,644
Recoverable realty tax expense		37,989	41,863
Prior year realty tax expense		(108)	54
Other operating costs and adjustments ⁽³⁾		4,150	1,682
Total Property operating costs		72,996	79,243
NOI ⁽⁴⁾	(10.6%)	\$ 103,140	\$ 115,431
NOI margin		58.6%	59.3%

⁽¹⁾ Includes residential revenue.

⁽²⁾ Includes hotel property revenue.

⁽³⁾ Includes both residential operating costs and hotel property operating costs.

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

For the three months ended March 31, 2020, total NOI decreased by \$12.3 million compared to the same prior year period primarily due to lower base rent due to the impact of the Trust's disposition program over the past 12 months and lower lease surrender fees.

For the three months ended March 31, 2020, NOI margins have decreased by 0.7% compared to the same prior year period primarily due to lower lease surrender fees and higher residential operating costs on the recently completed King High Line project.

Same Property NOI Growth

First Capital's net operating income for its portfolio by property category is presented below:

	Three months ended March 31		
	% change	2020	2019
Property rental revenue			
Base rent ⁽¹⁾		\$ 93,282	\$ 92,393
Operating cost recoveries		24,212	24,403
Realty tax recoveries		29,456	28,982
Lease surrender fees		303	3,467
Percentage rent		651	478
Prior year operating cost and tax recovery adjustments		(500)	163
Temporary tenants, storage, parking and other ⁽²⁾		5,685	4,919
Total Same Property rental revenue		153,089	154,805
Property operating costs			
Recoverable operating expenses		26,544	27,084
Recoverable realty tax expense		32,191	31,620
Prior year realty tax expense		(246)	38
Other operating costs and adjustments ⁽³⁾		3,456	2,484
Total Same Property operating costs		61,945	61,226
Total Same Property NOI ⁽⁴⁾	(2.6%)	\$ 91,144	\$ 93,579
Major redevelopment		7,629	7,110
Ground-up development		1,615	599
Acquisitions – 2019		378	54
Investment properties classified as held for sale		1,242	1,127
Dispositions – 2020		413	1,017
Dispositions – 2019		(169)	10,974
Straight-line rent adjustment		882	971
Development land		6	—
NOI ⁽⁴⁾	(10.6%)	\$ 103,140	\$ 115,431
NOI margin		58.6%	59.3%

⁽¹⁾ Includes residential revenue.

⁽²⁾ Includes hotel property revenue.

⁽³⁾ Includes both residential operating costs and hotel property operating costs.

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

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

	Three months ended March 31	
	2020	2019 ⁽¹⁾
Same Property – Stable	(3.5%)	4.6%
Same Property with redevelopment	8.9%	13.2%
Total Same Property NOI Growth ⁽²⁾	(2.6%)	5.2%

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

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

For the three months ended March 31, 2020, SP NOI decreased by \$2.4 million, or 2.6%, primarily due to lower lease surrender fees, partially offset by rent escalations.

NOI by Region

NOI is presented by region as follows:

Three months ended March 31, 2020	Central Region	Eastern Region	Western Region	Other ⁽¹⁾	Total
Property rental revenue	\$ 84,496	\$ 34,721	\$ 57,452	\$ (533)	\$ 176,136
Property operating costs	36,148	16,538	20,747	(437)	72,996
NOI ⁽²⁾	\$ 48,348	\$ 18,183	\$ 36,705	\$ (96)	\$ 103,140

Three months ended March 31, 2019	Central Region	Eastern Region	Western Region	Other ⁽¹⁾	Total
Property rental revenue	\$ 80,530	\$ 50,028	\$ 64,729	\$ (613)	\$ 194,674
Property operating costs	34,356	23,871	22,056	(1,040)	79,243
NOI ⁽²⁾	\$ 46,174	\$ 26,157	\$ 42,673	\$ 427	\$ 115,431

⁽¹⁾ Other items principally consist of inter-company eliminations.

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

Interest and Other Income

For the three months ended March 31, 2020, First Capital's interest and other income totaled \$3.1 million, compared to \$10.3 million, for the same prior year period. The decrease of \$7.2 million over prior year was primarily due to lower interest income as a result of a \$161.3 million year over year reduction in outstanding loans receivables and \$3.4 million in non-recurring investment income recognized in the first quarter of 2019.

Interest Expense

First Capital's interest expense by type is as follows:

	Three months ended March 31	
	2020	2019
Mortgages	\$ 12,851	\$ 13,198
Credit facilities	7,255	5,018
Senior unsecured debentures	26,218	26,323
Distributions on Exchangeable Units ⁽¹⁾	260	—
Interest capitalized	(6,168)	(4,923)
Interest expense	\$ 40,416	\$ 39,616

⁽¹⁾ Effective December 30, 2019, 1.2 million Exchangeable Units were issued upon REIT conversion. The distributions declared on the Exchangeable Units are accounted for as interest expense.

For the three months ended March 31, 2020, interest expense increased by \$0.8 million over the same prior year period primarily due to an increase in credit facility borrowings related to the senior unsecured term loans advanced in the prior year which primarily funded the Gazit share repurchase, partially offset by higher capitalized interest due to MMUR development projects that are now consolidated and were previously equity accounted in the same prior year period.

During the three months ended March 31, 2020 and 2019, approximately 13.2% or \$6.2 million, and 11.1% or \$4.9 million, respectively, of interest expense was capitalized to real estate investments for properties undergoing development or redevelopment projects. The increase in capitalized interest of \$1.2 million is due to an increase in major development projects that are now consolidated. 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

First Capital's corporate expenses are as follows:

	Three months ended March 31	
	2020	2019
Salaries, wages and benefits	\$ 7,919	\$ 7,593
Unit-based compensation	1,094	1,419
Other corporate costs	3,372	3,385
Total corporate expenses	12,385	12,397
Amounts capitalized to investment properties under development	(2,398)	(2,331)
Corporate expenses	\$ 9,987	\$ 10,066

For the three months ended March 31, 2020, corporate expenses remained consistent with the same prior year period.

First Capital 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 three months ended March 31, 2020 and 2019, approximately 19.4% or \$2.4 million and 18.8% or \$2.3 million, respectively, of compensation-related and other corporate expenses were capitalized to real estate investments for properties undergoing development or redevelopment projects. Amounts capitalized are based on development and pre-development projects underway. Changes in capitalized corporate expenses are primarily the result of timing of completion of development and redevelopment projects and First Capital's current level of pre-development and early redevelopment activity.

Other Gains (Losses) and (Expenses)

First Capital's other gains, losses and expenses are as follows:

Three months ended March 31	2020		2019	
	Consolidated Statement of Income	Included in FFO	Consolidated Statement of Income	Included in FFO
Realized gain (loss) on sale of marketable securities	\$ —	\$ —	\$ 1,164	\$ 1,164
Unrealized gain (loss) on marketable securities	(1,342)	(1,342)	275	275
Investment properties selling costs	(2,025)	—	(324)	—
REIT conversion costs	(906)	(906)	(224)	(224)
Transaction costs ⁽¹⁾	—	—	(3,414)	(3,414)
Other	41	41	(217)	(217)
Total per consolidated statement of income	\$ (4,232)	\$ (2,207)	\$ (2,740)	\$ (2,416)
Other gains (losses) and (expenses) under equity accounted joint ventures	(1,329)	(1,371)	(28)	(16)
Total at First Capital's proportionate interest ⁽²⁾	\$ (5,561)	\$ (3,578)	\$ (2,768)	\$ (2,432)

⁽¹⁾ As part of the secondary offering by Gazit of 22 million of FCR's shares, FCR paid \$9.0 million or 50% of the underwriters' commission. Given the cross-conditional nature of the secondary offering and the previously announced share repurchase transaction, the \$9.0 million was allocated to both the share repurchase (\$5.6 million) and the secondary offering (\$3.4 million). The amount allocated to the secondary offering was recorded in other gains (losses) and (expenses) during the first quarter of 2019.

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

For the three months ended March 31, 2020, First Capital recognized \$4.2 million in other losses and expenses in its consolidated statement of income compared to \$2.7 million in other losses in the same prior year period. The other losses and expenses in the quarter were primarily due to investment property selling costs of \$2.0 million due to FCR's disposition program, net losses on marketable securities of \$1.3 million and REIT conversion costs of \$0.9 million. Other losses and expenses under equity accounted joint ventures relates to condominium selling costs related to the pre-sale activity at the Humbertown condominium development.

Income Taxes

For the three months ended March 31, 2020, deferred income tax recovery totaled \$1.5 million, compared to deferred income expense of \$16.3 million over the same prior year period. The decrease in deferred tax expense over the prior year was primarily due to a reduction in the applicable Canadian corporate income tax rate to nil upon First Capital's conversion to a REIT on December 30, 2019.

Net Income (Loss) Attributable to Unitholders / Shareholders

For the three months ended March 31, 2020, net loss attributable to Unitholders / Shareholders was \$56.4 million or \$0.26 per diluted unit compared to net income of \$62.2 million or \$0.24 per diluted share for the same prior year period. The decrease per diluted unit was primarily due to a \$119.2 million reduction in the fair value of investment properties.

CAPITAL STRUCTURE AND LIQUIDITY

Total Capital Employed

The real estate business is capital intensive by nature. First Capital's capital structure is key to financing growth and providing sustainable cash distributions to Unitholders. 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 FCR's capital structure provides stability and reduces risk, while generating an acceptable return on investment, taking into account the long-term business strategy of First Capital.

As at	March 31, 2020	December 31, 2019
Liabilities (principal amounts outstanding)		
Bank indebtedness	\$ —	\$ 60
Mortgages	1,313,043	1,331,219
Credit facilities	1,138,782	899,165
Mortgages under equity accounted joint venture (at the Trust's interest) ⁽¹⁾	39,905	40,144
Exchangeable Units (based on a closing per unit price of \$13.63; December 31, 2019 - \$20.67)	16,492	25,010
Senior unsecured debentures	2,500,000	2,500,000
Equity capitalization ⁽²⁾		
Trust Units (based on a closing per unit price of \$13.63; December 31, 2019 - \$20.67)	2,974,222	4,505,107
Enterprise value ⁽¹⁾	\$ 7,982,444	\$ 9,300,705

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

⁽²⁾ Equity capitalization is the market value of FCR's units 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.

Equity capitalization decreased from \$4.5 billion at December 31, 2019 to \$3.0 billion at March 31, 2020 due to a decrease in the Trust's unit price as a result of equity market volatility in light of COVID-19.

Key Metrics

The ratios below include measures not specifically defined in IFRS.

As at	March 31, 2020	December 31, 2019
Weighted average effective interest rate on mortgages, fixed rate unsecured term loans and senior unsecured debentures	4.0%	4.0%
Weighted average maturity on mortgages, fixed rate unsecured term loans and senior unsecured debentures (years)	4.9	5.1
Net debt to total assets ⁽¹⁾	47.2%	46.7%
Net debt to Adjusted EBITDA ⁽¹⁾	10.3	10.0
Unencumbered aggregate assets ⁽¹⁾	\$ 7,238,312	\$ 7,037,334
Unencumbered aggregate assets to unsecured debt, based on fair value ⁽¹⁾	2.1	2.2
Adjusted EBITDA interest coverage ⁽¹⁾	2.3	2.4

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

Credit Ratings

From November 2012 to March 2019, DBRS and Moody's rated FCR's unsecured debentures as BBB (high) and Baa2, respectively. On April 16, 2019, the Company completed the share repurchase of 36,000,000 common shares from Gazit for gross proceeds of \$741.6 million. The repurchase was funded with senior unsecured bank term loans. As a result of the debt-financed share repurchase transaction, both DBRS and Moody's downgraded the ratings of FCR's unsecured debentures by one notch to BBB (DBRS) and Baa3 with a stable outlook (Moody's).

On November 6, 2019, S&P began rating FCR's senior unsecured debentures and assigned a public rating of BBB- with a stable outlook, as a result, FCR discontinued its Moody's rating services.

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.

As defined by S&P, a credit rating in the BBB category denotes that these debentures exhibit adequate protection parameters and an acceptable capacity to meet its financial commitments. S&P indicates that BBB rated obligations are more likely to weaken FCR's capacity to meet its financial commitments if adverse economic conditions or changing circumstances were to take place. A rating outlook provided by S&P, expressed as positive, stable, negative or developing, is an opinion regarding the potential direction of a credit rating over the intermediate term (typically six months to two years).

Outstanding Debt and Principal Maturity Profile

The maturity profile including scheduled amortization of First Capital's mortgages and credit facilities as well as its senior unsecured debentures as at March 31, 2020 is summarized in the table below:

As at March 31, 2020	Mortgages	Credit Facilities/Bank Indebtedness	Senior Unsecured Debentures	Total	% Due
2020 (remainder of the year)	\$ 67,099	\$ 29,909	\$ 175,000	\$ 272,008	5.5%
2021	101,861	33,333	175,000	310,194	6.3%
2022	125,222	329,759	450,000	904,981	18.3%
2023	29,791	195,781	300,000	525,572	10.6%
2024	137,539	300,000	300,000	737,539	14.9%
2025	82,575	75,000	300,000	457,575	9.3%
2026	117,202	175,000	300,000	592,202	12.0%
2027	100,816	—	500,000	600,816	12.1%
2028	163,761	—	—	163,761	3.3%
2029	247,956	—	—	247,956	5.0%
2030	83,896	—	—	83,896	1.7%
Thereafter	55,325	—	—	55,325	1.0%
	1,313,043	1,138,782	2,500,000	4,951,825	100.0%
Add (deduct): unamortized deferred financing costs, premiums and discounts, net	(4,138)	—	(2,538)	(6,676)	
Total	\$ 1,308,905	\$ 1,138,782	\$ 2,497,462	\$ 4,945,149	

First Capital'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. First Capital also intends to maintain financial flexibility to support a reasonable cost of debt and equity capital over the long term.

Mortgages

The changes in First Capital's mortgages during the three months ended March 31, 2020 are set out below:

Three months ended March 31, 2020	Amount	Weighted Average Effective Interest Rate
Balance at beginning of period	\$ 1,327,021	3.7%
Mortgage repayments	(11,052)	2.8%
Scheduled amortization on mortgages	(7,124)	—%
Amortization of financing costs and net premium	60	—%
Balance at end of period	\$ 1,308,905	3.7%

As at March 31, 2020, 100% (December 31, 2019 – 100%) of the outstanding mortgages bore interest at fixed interest rates. The average remaining term of mortgages outstanding decreased from 6.4 years as at December 31, 2019 on \$1.3 billion of mortgages to 6.2 years as at March 31, 2020 on \$1.3 billion of mortgages after reflecting borrowing activity and repayments during the period.

Mortgage Maturity Profile

The maturity profile including scheduled amortization of First Capital's mortgages as at March 31, 2020 is summarized in the table below:

As at March 31, 2020	Scheduled Amortization	Payments on Maturity	Total	Weighted Average Effective Interest Rate
2020 (remainder of the year)	\$ 21,241	\$ 45,858	\$ 67,099	5.3%
2021	28,424	73,437	101,861	4.8%
2022	29,700	95,522	125,222	4.0%
2023	29,791	—	29,791	N/A
2024	29,062	108,477	137,539	3.8%
2025	26,680	55,895	82,575	3.5%
2026	22,842	94,360	117,202	3.2%
2027	20,952	79,864	100,816	3.6%
2028	18,038	145,723	163,761	3.8%
2029	11,076	236,880	247,956	3.5%
2030	4,855	79,041	83,896	3.8%
Thereafter	370	54,955	55,325	3.5%
	\$ 243,031	\$ 1,070,012	\$ 1,313,043	3.7%
Add: unamortized deferred financing costs and premiums and discounts, net			(4,138)	
Total			\$ 1,308,905	

Credit Facilities

First Capital 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. Concurrently with the U.S. dollar draws, the Trust enters into cross currency swaps to exchange its U.S. dollar borrowings into Canadian dollar borrowings.

On April 16, 2019, the Company completed the share repurchase of 36,000,000 common shares from a subsidiary of Gazit-Globe Ltd. ("Gazit") at a price of \$20.60 per share for gross proceeds to Gazit of \$741.6 million. To fund the share repurchase and other operational needs, FCR entered into \$850 million of senior unsecured bank term loans with maturities ranging from 4 - 7 years. Concurrent with funding, the majority of the unsecured bank term loans were swapped to fixed rates bearing a weighted average interest rate of 3.3% with a weighted average term to maturity of 5.8 years. The remaining debt bears interest at a floating rate and can be repaid with no prepayment penalty. As a result of the debt-financed share repurchase transaction, both Moody's and DBRS downgraded the ratings of First Capital's senior unsecured debentures by one notch to Baa3 (Moody's) and BBB (DBRS). On November 6, 2019, S&P began rating FCR's senior unsecured debentures and assigned a public rating of BBB- with a stable outlook, as a result, FCR discontinued its Moody's rating services.

In the fourth quarter of 2019, First Capital repaid \$100 million of floating rate unsecured term loans.

During the first quarter, First Capital extended the maturity of its \$11.9 million secured facility and \$15.0 million secured construction facility to April 30, 2020 and July 31, 2020, respectively.

MANAGEMENT'S DISCUSSION AND ANALYSIS – continued

First Capital's credit facilities as at March 31, 2020 are summarized in the table below:

As at March 31, 2020	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	\$ 550,000	\$ —	\$ (11,242)	\$ 538,758	BA + 1.45% or Prime + 0.45% or US\$ LIBOR + 1.45%	June 30, 2023
Revolving facility maturing 2022 ⁽¹⁾	250,000	(254,448)	—	—	BA + 1.10% or Prime + 0.25% or US\$ LIBOR + 1.10%	September 29, 2022
Floating rate unsecured term loan maturing 2023 ⁽²⁾	200,000	(195,781)	—	—	BA + 1.20%	April 15, 2023
Fixed rate unsecured term loans maturing 2024 - 2026	550,000	(550,000)	—	—	3.29%	March 28, 2024 - April 14, 2026
Secured construction facilities						
Maturing 2020 ⁽³⁾	15,000	(14,984)	—	16	BA + 2.50% or Prime + 1.00%	July 31, 2020
Maturing 2021	33,333	(33,333)	—	—	2.79%	August 26, 2021
Maturing 2022 ⁽³⁾	138,000	(64,243)	(1,592)	72,165	BA + 1.350% or Prime + 0.350%	October 26, 2022
Secured Facilities						
Maturing 2020	11,875	(11,875)	—	—	BA + 1.20% or Prime + 0.20%	April 30, 2020
Maturing 2020	20,734	(3,050)	(1,221)	16,463	BA + 1.20% or Prime + 0.20%	June 30, 2020
Maturing 2022	4,313	(4,313)	—	—	BA + 1.20% or Prime + 0.20%	September 28, 2022
Maturing 2022	6,755	(6,755)	—	—	BA + 1.20% or Prime + 0.20%	December 19, 2022
Total	\$ 1,780,010	\$ (1,138,782)	\$ (14,055)	\$ 627,402		

⁽¹⁾ The Trust had drawn in U.S. dollars the equivalent of CAD\$250.0 million which was revalued at CAD\$254.4 million as at March 31, 2020.

⁽²⁾ The Trust had drawn in U.S. dollars the equivalent of CAD\$200.0 million which was revalued at CAD\$195.8 million as at March 31, 2020.

⁽³⁾ The Trust now consolidates the assets, liabilities, revenues and expenses of MMUR which was previously equity accounted.

Senior Unsecured Debentures

As at March 31, 2020				Interest Rate		Remaining Term to Maturity	Principal Outstanding
Series	Maturity Date	Interest Payment Dates	Coupon	Effective	(years)		
M	April 30, 2020	April 30, October 30	5.60%	5.60%	0.1	\$	175,000
N	March 1, 2021	March 1, September 1	4.50%	4.63%	0.9		175,000
O	January 31, 2022	January 31, July 31	4.43%	4.59%	1.8		200,000
P	December 5, 2022	June 5, December 5	3.95%	4.18%	2.7		250,000
Q	October 30, 2023	April 30, October 30	3.90%	3.97%	3.6		300,000
R	August 30, 2024	February 28, August 30	4.79%	4.72%	4.4		300,000
S	July 31, 2025	January 31, July 31	4.32%	4.24%	5.3		300,000
T	May 6, 2026	May 6, November 6	3.60%	3.56%	6.1		300,000
U	July 12, 2027	January 12, July 12	3.75%	3.82%	7.3		300,000
V	January 22, 2027	January 22, July 22	3.46%	3.54%	6.8		200,000
Weighted Average or Total			4.18%	4.22%	4.2	\$	2,500,000

Unitholders' Equity

Unitholders' equity amounted to \$4.3 billion as at March 31, 2020, compared to Unitholders' equity of \$4.4 billion as at December 31, 2019. The decrease is primarily attributed to a net loss of \$56.4 million, distributions of \$46.9 million and other comprehensive loss of \$30.7 million recognized in the first quarter of 2020.

As at May 4, 2020, there were 218.2 million Trust Units and 1.2 million Exchangeable Units outstanding.

Unit Options

As at March 31, 2020, First Capital had 7.2 million unit options outstanding, with an average exercise price of \$20.16, which, if exercised, would result in First Capital receiving proceeds of \$144.9 million.

Liquidity

Liquidity risk exists due to the possibility of First Capital 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. First Capital 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 First Capital's existing revolving credit facilities. If necessary, FCR is also able to obtain financing on its unencumbered assets. The following table summarizes First Capital's liquidity position:

As at (millions of dollars)	March 31, 2020	December 31, 2019
Total available under credit facilities	\$ 627	\$ 867
Cash and cash equivalents	\$ 247	\$ 26
Unencumbered aggregate assets	\$ 7,238	\$ 7,037

First Capital 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 March 31, 2020, and availability on existing credit facilities, address substantially all of the contractual 2020 debt maturities and contractually committed costs to complete current development projects.

Cash Flows

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

	Three months ended March 31	
	2020	2019
Cash provided by (used in) operating activities	\$ 37,050	\$ 48,882
Cash provided by (used in) financing activities	149,726	(53,579)
Cash provided by (used in) investing activities	34,880	3,095
Net change in cash and cash equivalents	\$ 221,656	\$ (1,602)

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

	Three months ended March 31	
	2020	2019
Cash provided by operating activities	\$ 37,050	\$ 48,882
Distributions / dividends declared	(46,892)	(54,985)
Excess (shortfall) of cash provided by operating activities over distributions / dividends declared	\$ (9,842)	\$ (6,103)

For the three months ended March 31, 2020 and 2019, distributions / dividends declared exceeded cash flows provided by operating activities by \$9.8 million and \$6.1 million, respectively, representing a return of capital. This shortfall is financed through the use of First Capital's credit facilities and proceeds from investing activities.

Management does not believe that a shortfall in any given quarter is indicative of First Capital's sustainable cash flows due to the impact of seasonal fluctuations in its cash flows period over period. Please refer to Management's discussion on ACFO, a supplemental non-IFRS financial measure used to evaluate and monitor First Capital's sustainable cash available to pay distributions / dividends to Unitholders / Shareholders.

Contractual Obligations

An analysis of First Capital's contractual maturities of its material financial liabilities and other contractual commitments, as at March 31, 2020 is set out below:

As at March 31, 2020	Payments due by period				
	Remainder of 2020	2021 to 2022	2023 to 2024	Thereafter	Total
Scheduled mortgage principal amortization	\$ 21,241	\$ 58,124	\$ 58,853	\$ 104,813	\$ 243,031
Mortgage principal repayments on maturity	45,858	168,959	108,477	746,718	1,070,012
Credit facilities and bank indebtedness	29,909	363,092	495,781	250,000	1,138,782
Senior unsecured debentures	175,000	625,000	600,000	1,100,000	2,500,000
Interest obligations ⁽¹⁾	132,216	309,720	216,064	174,881	832,881
Land leases (expiring between 2023 and 2061)	900	2,413	1,489	16,808	21,610
Contractually committed costs to complete current development projects	62,617	6,464	—	—	69,081
Other committed costs	7,028	—	—	—	7,028
Total contractual obligations	\$ 474,769	\$ 1,533,772	\$ 1,480,664	\$ 2,393,220	\$ 5,882,425

⁽¹⁾ Interest obligations include expected interest payments on mortgages and credit facilities as at March 31, 2020 (assuming balances remain outstanding through to maturity) and senior unsecured debentures, as well as standby credit facility fees.

First Capital has \$35.4 million of outstanding letters of credit issued by financial institutions to support certain of FCR's contractual obligations and nil of bank overdrafts.

First Capital's estimated cost to complete properties currently under development is \$168.7 million, of which \$69.1 million is contractually committed. The balance of the costs to complete will only be committed once leases are signed and/or construction is underway. These contractual and potential obligations primarily consist of construction contracts and additional planned development expenditures and are expected to be funded in the normal course as the work is completed.

Contingencies

- First Capital 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 FCR.
- First Capital is contingently liable, jointly and severally, for approximately \$77.5 million (December 31, 2019 – \$77.5 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.
- First Capital is contingently liable by way of a put option on its co-owners' 40% interest in the hotel property, subject to the co-owner providing thirty days' prior notice of its intent to exercise its option. As of March 31, 2020, no such notice has been received. The purchase price for the put option is based on a fixed price formula that results in a discount to current fair value of approximately 20%. The put option would be satisfied primarily through the settlement of a loan currently advanced from First Capital to the co-owner.

NON-IFRS RECONCILIATIONS AND FINANCIAL MEASURES

Reconciliation of Consolidated Balance Sheets to First Capital's Proportionate Interest

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

As at	March 31, 2020			December 31, 2019		
	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	\$ 9,469,890	\$ 25,819	\$ 9,495,709	\$ 9,593,530	\$ 9,259	\$ 9,602,789
Residential development inventory	67,215	4,688	71,903	10,205	5,742	15,947
Hotel property	62,553	—	62,553	62,199	—	62,199
Loans, mortgages and other assets	150,588	2,852	153,440	166,033	2,651	168,684
Cash and cash equivalents	247,159	6,107	253,266	25,503	2,279	27,782
Amounts receivable	37,783	20	37,803	31,521	307	31,828
Other assets	61,413	13,262	74,675	54,271	16,978	71,249
Investment in joint ventures	58,820	(58,820)	—	59,498	(59,498)	—
Investment properties classified as held for sale	81,700	—	81,700	158,600	—	158,600
Total assets	\$ 10,237,121	\$ (6,072)	\$ 10,231,049	\$ 10,161,360	\$ (22,282)	\$ 10,139,078
LIABILITIES						
Mortgages	\$ 1,308,905	\$ 39,800	\$ 1,348,705	\$ 1,327,021	\$ 40,036	\$ 1,367,057
Credit facilities	1,138,782	(23,071)	1,115,711	899,165	(19,749)	879,416
Bank indebtedness	—	—	—	60	—	60
Senior unsecured debentures	2,497,462	—	2,497,462	2,497,213	—	2,497,213
Exchangeable Units	16,492	—	16,492	25,010	—	25,010
Deferred tax liabilities	679,120	—	679,120	701,549	—	701,549
Accounts payable and other liabilities	268,335	7,187	275,522	235,836	6,345	242,181
Total liabilities	5,909,096	23,916	5,933,012	5,685,854	26,632	5,712,486
EQUITY						
Unitholders' / Shareholders' equity	4,298,037	—	4,298,037	4,426,592	—	4,426,592
Non-controlling interest	29,988	(29,988)	—	48,914	(48,914)	—
Total equity	4,328,025	(29,988)	4,298,037	4,475,506	(48,914)	4,426,592
Total liabilities and equity	\$ 10,237,121	\$ (6,072)	\$ 10,231,049	\$ 10,161,360	\$ (22,282)	\$ 10,139,078

⁽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 Consolidated Statements of Income (Loss) to First Capital's Proportionate Interest

The following table provides a reconciliation of First Capital's consolidated statements of income (loss), as presented in its unaudited interim condensed consolidated financial statements, to its proportionate interest.

Three months ended March 31	2020			2019		
	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	\$ 176,136	\$ 1,969	\$ 178,105	\$ 194,674	\$ 1,796	\$ 196,470
Property operating costs	72,996	1,658	74,654	79,243	546	79,789
Net operating income	103,140	311	103,451	115,431	1,250	116,681
Other income and expenses						
Interest and other income	3,139	483	3,622	10,347	12	10,359
Interest expense	(40,416)	(314)	(40,730)	(39,616)	(512)	(40,128)
Corporate expenses	(9,987)	52	(9,935)	(10,066)	99	(9,967)
Abandoned transaction costs	(64)	—	(64)	(35)	—	(35)
Amortization expense	(1,251)	(523)	(1,774)	(1,069)	—	(1,069)
Share of profit from joint ventures	(408)	408	—	1,217	(1,217)	—
Other gains (losses) and (expenses)	(4,232)	(1,329)	(5,561)	(2,740)	(28)	(2,768)
(Increase) decrease in value of unit-based compensation	8,483	—	8,483	—	—	—
(Increase) decrease in value of Exchangeable Units	8,518	—	8,518	—	—	—
Increase (decrease) in value of investment properties, net	(119,240)	(4,593)	(123,833)	5,053	334	5,387
	(155,458)	(5,816)	(161,274)	(36,909)	(1,312)	(38,221)
Income (loss) before income taxes	(52,318)	(5,505)	(57,823)	78,522	(62)	78,460
Deferred income taxes	(1,465)	—	(1,465)	16,308	—	16,308
Net income (loss)	\$ (50,853)	\$ (5,505)	\$ (56,358)	\$ 62,214	\$ (62)	\$ 62,152
Net income (loss) attributable to:						
Unitholders / Shareholders	\$ (56,358)	\$ —	\$ (56,358)	\$ 62,152	\$ —	\$ 62,152
Non-controlling interest	5,505	(5,505)	—	62	(62)	—
	\$ (50,853)	\$ (5,505)	\$ (56,358)	\$ 62,214	\$ (62)	\$ 62,152
Net income (loss) per unit / share attributable to Unitholders / Shareholders:						
Basic	\$ (0.26)			\$ 0.24		
Diluted	\$ (0.26)			\$ 0.24		

⁽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 Unitholders / Shareholders to FFO can be found in the table below:

	Three months ended March 31	
	2020	2019
Net income (loss) attributable to Unitholders / Shareholders	\$ (56,358)	\$ 62,152
Add (deduct):		
(Increase) decrease in value of investment properties ⁽¹⁾	123,833	(5,387)
Adjustment for equity accounted joint ventures ⁽²⁾	523	272
Incremental leasing costs ⁽³⁾	1,798	1,793
Amortization expense ⁽⁴⁾	283	179
Distributions on Exchangeable Units ⁽⁵⁾	260	—
Increase (decrease) in value of Exchangeable Units ⁽⁵⁾	(8,518)	—
Increase (decrease) in value of unit-based compensation ⁽⁶⁾	(8,483)	—
Investment properties selling costs ⁽¹⁾	1,983	336
Deferred income taxes (recovery) ⁽¹⁾	(1,465)	16,308
FFO ⁽⁷⁾	\$ 53,856	\$ 75,653

⁽¹⁾ At FCR's proportionate interest.

⁽²⁾ Adjustment related to FCR'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 exclude hotel property amortization in accordance with the recommendations of REALPAC.

⁽⁵⁾ Adjustment to exclude distributions and fair value adjustments on Exchangeable Units in accordance with the recommendations of REALPAC.

⁽⁶⁾ Adjustment to exclude fair value adjustments on unit-based compensation plans 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:

	% change	Three months ended March 31	
		2020	2019
Net operating income		\$ 103,451	\$ 116,681
Interest and other income		3,622	10,359
Interest expense ⁽¹⁾		(40,470)	(39,856)
Corporate expenses ⁽²⁾		(8,137)	(8,174)
Abandoned transaction costs		(64)	(35)
Amortization expense ⁽³⁾		(968)	(890)
Other gains (losses) and (expenses) ⁽⁴⁾		(3,578)	(2,432)
FFO ⁽⁵⁾	(28.8%)	\$ 53,856	\$ 75,653
FFO per diluted unit / share	(17.3%)	\$ 0.24	\$ 0.30
Weighted average number of units / shares – diluted – FFO (in thousands)	(13.9%)	220,470	256,178

⁽¹⁾ Includes an adjustment to capitalize interest related to FCR'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 certain amortization expense in accordance with the recommendations of REALPAC.

⁽⁴⁾ At FCR's proportionate interest, adjusted to exclude 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 March 31, 2020, FFO totaled \$53.9 million or \$0.24 per diluted unit compared to \$75.7 million or \$0.30 per diluted share in the same prior year period. FFO decreased \$21.8 million over the prior year period primarily due to the completion of \$915.8 million of property dispositions during 2019 and the first quarter of

2020. Additionally, interest and other income declined, as expected, due to a \$161.3 million year over year reduction in outstanding loan receivables and \$3.4 million in non-recurring investment income recognized in the first quarter of 2019.

Adjusted Cash Flow from Operations

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

	Three months ended March 31	
	2020	2019
Cash provided by operating activities	\$ 37,050	\$ 48,882
Add (deduct):		
Working capital adjustments ⁽¹⁾	7,222	7,543
Adjustment for equity accounted joint ventures	(106)	601
Revenue sustaining capital expenditures	(5,315)	(4,762)
Recoverable capital expenditures	(342)	(1,324)
Leasing costs on properties under development	450	448
Realized gain (loss) on sale of marketable securities	—	1,164
Non-controlling interest	(29)	(82)
ACFO ⁽²⁾	\$ 38,930	\$ 52,470

⁽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 2019.

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

For the three months ended March 31, 2020, ACFO totaled \$38.9 million compared to \$52.5 million for the same prior year period. The \$13.5 million decrease in ACFO was primarily due to lower NOI as a result of the impact of the Trust's disposition program.

ACFO Payout Ratio

First Capital's ACFO payout ratio for the four quarters ended March 31, 2020 is calculated as follow:

	Twelve months ended March 31, 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019
ACFO ⁽¹⁾	\$ 238,876	\$ 38,930	\$ 68,558	\$ 60,533	\$ 70,855
Cash distributions / dividends paid ⁽²⁾	195,916	46,874	47,106	47,104	54,832
ACFO payout ratio ⁽¹⁾	82.0%				

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

⁽²⁾ FCR was a corporation and paid dividends in 2019 until it converted to a REIT on December 30, 2019.

First Capital's ACFO payout ratio for the four quarters ended March 31, 2019 is calculated as follow:

	Twelve months ended March 31, 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018
ACFO ⁽¹⁾	\$ 269,336	\$ 52,470	\$ 71,372	\$ 71,464	\$ 74,030
Cash dividends paid	214,886	54,788	54,782	52,680	52,636
ACFO payout ratio ⁽¹⁾	79.8%				

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

First Capital considers a rolling four quarter payout ratio (cash distributions / ACFO) to be more relevant than a payout ratio in any given quarter due to seasonal fluctuations in ACFO. For the four quarters ended March 31, 2020, the ACFO payout was 82.0% (March 31, 2019 - 79.8%).

Net Asset Value

The following table provides FCR's calculation of NAV for the three months ended March 31, 2020 and 2019:

As at	March 31, 2020		March 31, 2019	
Unitholders' / Shareholders' equity	\$	4,298,037	\$	4,979,080
Exchangeable Units		16,492		—
Deferred tax liabilities		679,120		806,304
Net Asset Value (NAV) ⁽¹⁾	\$	4,993,649	\$	5,785,384
Units outstanding - diluted ⁽¹⁾		220,489		255,510
NAV per unit ⁽¹⁾	\$	22.65	\$	22.64

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

The increase in NAV per unit from \$22.64 to \$22.65 is primarily due to the impact of the share repurchase on the Trust's outstanding unit count, offset by fair value decreases on investment properties.

DISTRIBUTIONS / DIVIDENDS

Prior to converting to a REIT on December 30, 2019, First Capital paid regular quarterly dividends to common Shareholders. Upon conversion, First Capital adopted a distribution policy to make monthly cash distributions to Unitholders initially totalling \$0.860 per Trust Unit on an annual basis. First Capital must distribute annually all of its taxable income to Unitholders to maintain its status as a REIT pursuant to the *Income Tax Act* (Canada).

Distributions on the Trust Units are declared at the discretion of the Board of Trustees. In determining the annual level or monthly amount of distributions, the Board of Trustees considers many factors including the macro economic and industry specific environment, the impact and duration of the COVID-19 environment and applicable government programs, common industry cash distribution practices, investor expectations, capital market conditions, forecasted cash flows and debt metrics, anticipated capital requirements, estimated taxable income, and the overall financial condition of the Trust.

The Trust does not use net income, as calculated in accordance with IFRS, as the basis to determine the annual distribution rate. Net income is impacted by non-cash adjustments, including fair value changes to investment properties and Exchangeable Units, and is not equivalent to taxable income and therefore is expected to vary from the distributions declared.

The following chart specifies distributions / dividends declared by First Capital:

(in dollars)	Three months ended March 31			
	2020		2019	
Distributions declared per unit	\$	0.215		N/A
Dividends declared per common share		N/A	\$	0.215

SUMMARY OF FINANCIAL RESULTS OF LONG-TERM DEBT GUARANTORS

First Capital's senior unsecured debentures are guaranteed by the wholly owned subsidiaries of the Trust, 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, 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. These guarantees are intended to eliminate structural subordination, which arises as a consequence of a significant portion of First Capital's assets being held primarily in two significant subsidiaries.

The following tables present select consolidating summary information for First Capital for the periods identified below presented separately for (i) First Capital (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 March 31																		
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019										
	FCR ⁽¹⁾		Guarantors ⁽²⁾		Non-Guarantors ⁽³⁾		Consolidation Adjustments ⁽⁴⁾		Total Consolidated											
Property rental revenue	\$	77	\$	87	\$	100	\$	109	\$	—	\$	—	\$	(1)	\$	(1)	\$	176	\$	195
NOI ⁽⁵⁾		48		56		55		60		—		—		—		(1)		103		115
Net income (loss) attributable to Unitholders / Shareholders		(56)		62		110		(1)		9		1		(119)		—		(56)		62

(millions of dollars)		As at March 31, 2020				
		FCR ⁽¹⁾	Guarantors ⁽²⁾	Non-Guarantors ⁽³⁾	Consolidation Adjustments ⁽⁴⁾	Total Consolidated
Current assets	\$	300	\$ 215	\$ 1	\$ (1)	\$ 515
Non-current assets		44	10,122	103	(547)	9,722
Current liabilities		590	87	2	(3)	676
Non-current liabilities		4,469	747	47	(30)	5,233

(millions of dollars)		As at December 31, 2019				
		FCR ⁽¹⁾	Guarantors ⁽²⁾	Non-Guarantors ⁽³⁾	Consolidation Adjustments ⁽⁴⁾	Total Consolidated
Current assets	\$	125	\$ 188	\$ 1	\$ —	\$ 314
Non-current assets		122	10,206	161	(642)	9,847
Current liabilities		411	90	2	(2)	501
Non-current liabilities		4,425	736	40	(16)	5,185

⁽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 FCR on a consolidated basis.

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

RELATED PARTY TRANSACTIONS

(a) Gazit-Globe

During the first quarter of 2020, Gazit sold its remaining 6.7% interest in FCR. In the second quarter of 2019, Gazit's ownership of First Capital was reduced to approximately 9.9% from 31.3% following the completion of the secondary offering and share repurchase transactions. As at March 31, 2020, Gazit is no longer a related party.

(b) Joint ventures

For the three months ended March 31, 2020, First Capital earned fee income of nil (March 31, 2019 - \$0.3 million) from its joint ventures.

During the three months ended March 31, 2020, First Capital also advanced nil (March 31, 2019 – \$0.3 million) to one of its joint ventures.

(c) Subsidiaries of the Trust

The unaudited interim condensed consolidated financial statements include the financial statements of First Capital Real Estate Investment Trust and all of its subsidiaries, including First Capital Realty Inc., First Capital REIT Limited Partnership and First Capital Holdings Trust. First Capital Realty Inc. and First Capital Holdings Trust are the significant subsidiaries of the Trust and are wholly owned.

SUBSEQUENT EVENTS

Monthly Distributions

On April 15, 2020, First Capital announced that it will pay a distribution, for the month of April, of \$0.072 per Trust Unit on May 15, 2020 to Unitholders of record on April 30, 2020.

Redemption of Senior Unsecured Debentures

On April 16, 2020, First Capital redeemed its remaining 5.60% Series M Senior Unsecured Debentures for \$175.0 million. The full redemption price and any accrued interest owing on the senior unsecured debentures was satisfied in cash.

Collection of April 2020 Rent

As of May 5, 2020, First Capital has collected approximately 74% of gross rents payable from tenants for the month of April, before considering the impact of deferred rents under the previously announced Small Business Support Program.

QUARTERLY FINANCIAL INFORMATION

	2020	2019				2018		
(unit / share counts in thousands)	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Property rental revenue	\$ 176,136	\$ 181,624	\$ 183,650	\$ 186,825	\$ 194,674	\$ 184,590	\$ 182,368	\$ 181,852
Net operating income ⁽¹⁾	\$ 103,140	\$ 113,949	\$ 115,023	\$ 115,994	\$ 115,431	\$ 114,515	\$ 114,800	\$ 113,816
Net income (loss) attributable to Unitholders / Shareholders	\$ (56,358)	\$ 192,459	\$ 65,490	\$ 81,244	\$ 62,152	\$ 64,306	\$ 131,427	\$ 81,929
Net income (loss) per unit / share attributable to Unitholders / Shareholders:								
Basic	\$ (0.26)	\$ 0.88	\$ 0.30	\$ 0.36	\$ 0.24	\$ 0.25	\$ 0.52	\$ 0.33
Diluted	\$ (0.26)	\$ 0.87	\$ 0.30	\$ 0.36	\$ 0.24	\$ 0.25	\$ 0.52	\$ 0.33
Weighted average number of diluted units / shares outstanding – IFRS	220,470	220,545	220,664	226,417	256,178	255,821	254,100	246,196
FFO ⁽¹⁾	\$ 53,856	\$ 63,443	\$ 75,595	\$ 70,229	\$ 75,653	\$ 73,380	\$ 76,510	\$ 79,148
FFO per diluted unit / share ⁽¹⁾	\$ 0.24	\$ 0.29	\$ 0.34	\$ 0.31	\$ 0.30	\$ 0.29	\$ 0.30	\$ 0.32
Weighted average number of diluted units / shares outstanding – FFO	220,470	220,545	220,664	226,417	256,178	255,821	254,100	246,196
Cash provided by operating activities	\$ 37,050	\$ 106,905	\$ 70,254	\$ 43,106	\$ 48,882	\$ 114,128	\$ 72,049	\$ 51,356
ACFO ⁽¹⁾	\$ 38,930	\$ 68,558	\$ 60,533	\$ 70,855	\$ 52,470	\$ 71,372	\$ 71,464	\$ 74,030
Distribution declared per unit / dividend per share	\$ 0.215	\$ 0.072	\$ 0.215	\$ 0.215	\$ 0.215	\$ 0.215	\$ 0.215	\$ 0.215
Total assets	\$10,237,121	\$10,161,360	\$10,585,127	\$10,375,405	\$10,465,288	\$10,453,055	\$10,317,034	\$10,070,477
Total mortgages and credit facilities	\$ 2,447,687	\$ 2,226,186	\$ 2,655,151	\$ 2,551,058	\$ 1,891,884	\$ 1,912,080	\$ 1,678,862	\$ 1,691,387
Unitholders' / Shareholders' equity	\$ 4,298,037	\$ 4,426,592	\$ 4,272,781	\$ 4,252,318	\$ 4,979,080	\$ 4,978,242	\$ 4,981,511	\$ 4,703,593
Other								
Number of properties	151	158	166	165	166	166	166	162
GLA - at 100% (in thousands)	23,246	23,528	25,092	25,294	25,334	25,456	25,519	25,327
GLA - at ownership interest (in thousands)	20,651	20,927	22,936	23,136	23,731	23,854	23,797	23,700
Monthly average occupancy %	96.5%	96.6%	96.4%	96.7%	96.6%	96.6%	96.4%	96.2%
Total portfolio occupancy %	96.4%	96.9%	96.7%	96.8%	96.8%	96.7%	96.5%	96.3%

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

CRITICAL ACCOUNTING ESTIMATES

First Capital's unaudited interim condensed consolidated financial statements for the three months ended March 31, 2020 and 2019 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 Trust has also incorporated the potential impact of COVID-19 into its estimates and assumptions that affect the carrying amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amount of earnings for the reporting periods using the best available information as of March 31, 2020. Actual results could differ from those estimates. The estimates and assumptions that the Trust considers critical and/or could be impacted by COVID-19 include those underlying the valuation of investment properties, the valuation of its hotel property, the net realizable value of residential inventory, the carrying amount of its investment in joint ventures, the estimate of any expected credit losses on amounts receivable or loans and mortgages receivable and determining the values of financial instruments for disclosure purposes.

First Capital's 2019 Annual Report contains a discussion of the significant accounting policies most affected by estimates and judgments used in the preparation of the consolidated financial statements, being the accounting policies relating to estimates of fair values of investment properties, valuation of financial instruments both for disclosure and measurement purposes, and estimating deferred tax assets and liabilities. Management determined that as at March 31, 2020, there is no change to the assessment of the significant accounting policies most affected by estimates and judgments as detailed in FCR's 2019 Annual Report.

CONTROLS AND PROCEDURES

As at March 31, 2020, the Chief Executive Officer and the Chief Financial Officer of First Capital, with the assistance of other staff and Management of FCR to the extent deemed necessary, have designed FCR's disclosure controls and procedures to provide reasonable assurance that information required to be disclosed in the various reports filed or submitted by FCR 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, First Capital used the 2013 framework published by the Committee of Sponsoring Organizations of the Treadway Commission.

First Capital did not make any changes in its internal controls over financial reporting during the quarter ended March 31, 2020 that have had, or are reasonably likely to have, a material effect on FCR's internal controls over financial reporting. On an ongoing basis, FCR 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, First Capital intends to take the necessary steps to minimize the consequences thereof.

RISKS AND UNCERTAINTIES

First Capital, 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 Trustees, to identify and, to the extent possible, mitigate or minimize the impact of all such business risks. The major categories of risk First Capital encounters in conducting its business and some of the actions it takes to mitigate these risks are included in its MD&A for the year ended December 31, 2019, as well as its most current Annual Information Form, which provides a detailed description of these and other risks that may affect FCR. These documents are available on SEDAR at www.sedar.com and on FCR's website at www.fcr.ca.

In addition, First Capital has identified a new risk factor related to the outbreak of the novel strain of coronavirus, specifically identified as COVID-19, which is further discussed below.

COVID-19

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic. The duration and impact of this pandemic on First Capital is unknown at this time. As such, it is not possible to reliably estimate the length and severity of the impact of COVID-19 on First Capital's financial results and operations.

A substantial portion of First Capital's tenants have been forced to close in accordance with government regulations or are operating at a reduced capacity, which may negatively impact their ability to pay rent in accordance with the terms of their lease. First Capital has received a large number of rent deferral requests from tenants across the country and some of its tenants have withheld rent. Qualifying small business tenants have been granted an initial two months' rent deferral as part of First Capital's Small Business Support Program and other tenants have been or may be granted similar or more substantial rent relief on a case by case basis. There is no certainty as to the timing or extent of reopening businesses that have been classified as providing non-essential goods and services and ordered to close by the Federal, Provincial or Municipal

government to control the spread of COVID-19. Various levels of government have indicated that relief programs will be offered to commercial tenants to enable them to partially fulfill their rent obligations to landlords. However, there is no certainty that these programs will be available to FCR's tenants or that they will be beneficial to FCR. Additionally, First Capital may be required to take further action that negatively impacts its financial results and operations in response to directives of government and public health authorities or that are in the best interests of the health and safety of its employees, tenants, partners and other stakeholders, as necessary.

In addition to the changes described above and the macroeconomic impact of COVID-19, specific effects of the pandemic that may impact FCR's business operations, financial results and its ability to execute on its strategy, may include: consumer demand for tenants' products or services, changing consumer habits, a temporary or long-term increase in vacancy, temporary or long-term stoppage of development projects, temporary or long-term stoppage of construction projects, temporary or long-term labour shortages or disruptions, temporary or long-term impacts on global supply chains, closures or slowdowns of government offices and increased risks to IT systems and networks. Changes to operations in response to these and other effects of COVID-19 on the economy and consumer habits could materially adversely impact FCR's financial results and may negatively impact several aspects of First Capital's business, including but not limited to: the fair value of its properties and other investments; the net realizable value of residential inventory; the carrying amount of its investment in joint ventures; its ability to execute on its strategy, including dispositions and acquisitions and surfacing value from its density pipeline; tenants' ability to pay rent in full or at all (including deferred rent); its ability to complete construction required to transfer possession of leased premises to tenants; its ability to renew expiring leases and to lease vacant space; its ability to collect on interest and loans receivables; its ability to meet deleveraging targets, maintain current and/or achieve target debt metrics, maintain current credit ratings and to comply with debt covenants; its ability to make distributions; its ability to maintain its balance sheet and to access capital on acceptable terms or at all. Uncertain economic conditions resulting from the COVID-19 pandemic may, in the short or long term, materially adversely impact operations and the financial performance of First Capital.

The spread of COVID-19 has caused an economic slowdown and increased volatility in financial markets, which has negatively impacted the market price for FCR's securities. Governments and central banks have responded with monetary and fiscal interventions intended to stabilize economic conditions. However, it is not currently known how these interventions will impact debt and equity markets or the economy generally. Although the ultimate impact of COVID-19 on the global economy and its duration remains uncertain, disruptions caused by COVID-19 may materially adversely affect the performance of First Capital. Uncertain economic conditions resulting from the COVID-19 outbreak may, in the short or long term, materially adversely impact First Capital's tenants and/or the debt and equity markets, both of which could adversely impact First Capital's operations and financial performance.



INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Table of Contents

50	Interim Condensed Consolidated Balance Sheets
51	Interim Condensed Consolidated Statements of Income (Loss)
52	Interim Condensed Consolidated Statements of Comprehensive Income (Loss)
53	Interim Condensed Consolidated Statements of Changes in Equity
54	Interim Condensed Consolidated Statements of Cash Flows
55	Notes to the Interim Condensed Consolidated Financial Statements
55	1 Description of the Trust
55	2 Significant Accounting Policies
56	3 Investment Properties
59	4 Investment in Joint Ventures
60	5 Hotel Property
60	6 Loans, Mortgages and Other Assets
61	7 Amounts Receivable
61	8 Other Assets
62	9 Capital Management
63	10 Mortgages and Credit Facilities
65	11 Senior Unsecured Debentures
65	12 Accounts Payable and Other Liabilities
66	13 Exchangeable Units
66	14 Unitholders' / Shareholders' Equity
67	15 Unit-based Compensation Plans
70	16 Net Operating Income
71	17 Interest and Other Income
71	18 Interest Expense
71	19 Corporate Expenses
72	20 Other Gains (Losses) and (Expenses)
72	21 Income Taxes
73	22 Risk Management
74	23 Fair Value Measurement
75	24 Subsidiaries with Non-controlling Interest
76	25 Supplemental Cash Flow Information
77	26 Commitments and Contingencies
77	27 Related Party Transactions
78	28 Subsequent Events

Interim Condensed Consolidated Balance Sheets

As at (thousands of dollars)	Note	March 31, 2020 (unaudited)	December 31, 2019 (audited)
ASSETS			
Non-current Assets			
Real Estate Investments			
Investment properties	3	\$ 9,469,890	\$ 9,593,530
Investment in joint ventures	4	58,820	59,498
Hotel property	5	62,553	62,199
Loans, mortgages and other assets	6	98,010	95,968
Total real estate investments		9,689,273	9,811,195
Other non-current assets	8	32,398	36,105
Total non-current assets		9,721,671	9,847,300
Current Assets			
Cash and cash equivalents	25(d)	247,159	25,503
Loans, mortgages and other assets	6	52,578	70,065
Residential development inventory		67,215	10,205
Amounts receivable	7	37,783	31,521
Other assets	8	29,015	18,166
		433,750	155,460
Investment properties classified as held for sale	3(d)	81,700	158,600
Total current assets		515,450	314,060
Total assets		\$ 10,237,121	\$ 10,161,360
LIABILITIES			
Non-current Liabilities			
Mortgages	10	\$ 1,217,378	\$ 1,242,055
Credit facilities	10	1,108,873	869,256
Senior unsecured debentures	11	2,147,657	2,322,214
Exchangeable Units	13	16,492	25,010
Other liabilities	12	63,473	24,844
Deferred tax liabilities	21	679,120	701,549
Total non-current liabilities		5,232,993	5,184,928
Current Liabilities			
Bank indebtedness	10	—	60
Mortgages	10	91,527	84,966
Credit facilities	10	29,909	29,909
Senior unsecured debentures	11	349,805	174,999
Accounts payable and other liabilities	12	204,862	210,992
Total current liabilities		676,103	500,926
Total liabilities		5,909,096	5,685,854
EQUITY			
Unitholders' / Shareholders' equity	14	4,298,037	4,426,592
Non-controlling interest	24	29,988	48,914
Total equity		4,328,025	4,475,506
Total liabilities and equity		\$ 10,237,121	\$ 10,161,360

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

Approved by the Board of Trustees:



Al Mawani
Trustee



Adam E. Paul
Trustee

Interim Condensed Consolidated Statements of Income (Loss)

<i>(unaudited)</i>		Three months ended March 31	
<i>(thousands of dollars)</i>	Note	2020	2019
Property rental revenue	\$	176,136	\$ 194,674
Property operating costs		72,996	79,243
Net operating income	16	103,140	115,431
Other income and expenses			
Interest and other income	17	3,139	10,347
Interest expense	18	(40,416)	(39,616)
Corporate expenses	19	(9,987)	(10,066)
Abandoned transaction costs		(64)	(35)
Amortization expense		(1,251)	(1,069)
Share of profit from joint ventures	4	(408)	1,217
Other gains (losses) and (expenses)	20	(4,232)	(2,740)
(Increase) decrease in value of unit-based compensation	15	8,483	—
(Increase) decrease in value of Exchangeable Units	13	8,518	—
Increase (decrease) in value of investment properties, net	3	(119,240)	5,053
		(155,458)	(36,909)
Income (loss) before income taxes		(52,318)	78,522
Deferred income tax expense (recovery)	21	(1,465)	16,308
Net income (loss)		\$ (50,853)	\$ 62,214
Net income (loss) attributable to:			
Unitholders / Shareholders	14	\$ (56,358)	\$ 62,152
Non-controlling interest	24	5,505	62
		\$ (50,853)	\$ 62,214

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

Interim Condensed Consolidated Statements of Comprehensive Income (Loss)

<i>(unaudited)</i>		Three months ended March 31	
<i>(thousands of dollars)</i>	Note	2020	2019
Net income (loss)		\$ (50,853)	\$ 62,214
Other comprehensive income (loss)			
Unrealized gain (loss) on cash flow hedges ⁽¹⁾		(50,635)	(12,779)
Reclassification of net losses on cash flow hedges to net income		455	377
		(50,180)	(12,402)
Deferred tax expense (recovery)	21	(19,525)	(3,299)
Other comprehensive income (loss)		(30,655)	(9,103)
Comprehensive income (loss)		\$ (81,508)	\$ 53,111
Comprehensive income (loss) attributable to:			
Unitholders / Shareholders	14	\$ (87,013)	\$ 53,049
Non-controlling interest	24	5,505	62
		\$ (81,508)	\$ 53,111

⁽¹⁾ Items that may subsequently be reclassified to net income (loss).

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

Interim Condensed Consolidated Statements of Changes in Equity

<i>(unaudited)</i> <i>(thousands of dollars)</i>	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Trust Units	Total Unitholders' Equity	Non-Controlling Interest	Total Equity
			(Note 14(a))			
December 31, 2019	\$ 1,561,487	\$ (7,802)	\$ 2,872,907	\$ 4,426,592	\$ 48,914	\$ 4,475,506
Changes during the period:						
Net income (loss)	(56,358)	—	—	(56,358)	5,505	(50,853)
Options, deferred units, restricted units, and performance units, net	—	—	5,350	5,350	—	5,350
Other comprehensive income (loss)	—	(30,655)	—	(30,655)	—	(30,655)
Contributions from (distributions to) non-controlling interest, net	—	—	—	—	(24,431)	(24,431)
Distributions (Note 14)	(46,892)	—	—	(46,892)	—	(46,892)
March 31, 2020	\$ 1,458,237	\$ (38,457)	\$ 2,878,257	\$ 4,298,037	\$ 29,988	\$ 4,328,025

<i>(unaudited)</i> <i>(thousands of dollars)</i>	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, 2018	\$ 1,573,588	\$ (4,488)	\$ 3,364,948	\$ 44,194	\$ 4,978,242	\$ 29,830	\$ 5,008,072
Changes during the period:							
Net income	62,152	—	—	—	62,152	62	62,214
Dividends	(54,985)	—	—	—	(54,985)	—	(54,985)
Options, deferred share units, restricted share units, and performance share units, net	—	—	3,868	(1,094)	2,774	—	2,774
Other comprehensive income (loss)	—	(9,103)	—	—	(9,103)	—	(9,103)
Contributions from (distributions to) non-controlling interest, net	—	—	—	—	—	(1,345)	(1,345)
March 31, 2019	\$ 1,580,755	\$ (13,591)	\$ 3,368,816	\$ 43,100	\$ 4,979,080	\$ 28,547	\$ 5,007,627

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

Interim Condensed Consolidated Statements of Cash Flows

(unaudited)		Three months ended March 31	
(thousands of dollars)	Note	2020	2019
OPERATING ACTIVITIES			
Net income / (loss)		\$ (50,853)	\$ 62,214
Adjustments for:			
(Increase) decrease in value of investment properties, net	3	119,240	(5,053)
Interest expense	18	40,416	39,616
Amortization expense		1,251	1,069
Share of profit of joint ventures	4	408	(1,217)
Cash interest paid associated with operating activities	18	(44,478)	(44,583)
Items not affecting cash and other items	25(a)	(14,905)	19,385
Net change in non-cash operating items	25(b)	(14,029)	(22,549)
Cash provided by (used in) operating activities		37,050	48,882
FINANCING ACTIVITIES			
Mortgage principal instalment payments	10	(7,124)	(5,545)
Mortgage repayments	10	(11,052)	(7,833)
Credit facilities, net advances (repayments)	10	236,381	32,595
Settlement of hedges		—	(4,095)
Transaction costs related to share repurchase		—	(13,628)
Issuance of trust units / common shares, net of issue costs		2,826	1,060
Payment of distributions / dividends		(46,874)	(54,788)
Net contributions from (distributions to) non-controlling interest	24	(24,431)	(1,345)
Cash provided by (used in) financing activities		149,726	(53,579)
INVESTING ACTIVITIES			
Acquisition of investment properties	3(c)	—	(6,970)
Acquisition of development land	3(c)	—	(13,591)
Net proceeds from property dispositions	3(d)	78,725	17,308
Distributions from joint ventures	4	848	6,158
Contributions to joint ventures	4	(578)	(6,588)
Capital expenditures on investment properties	3(a)	(54,513)	(46,810)
Changes in investing-related prepaid expenses and other liabilities		(3,534)	(3,479)
Changes in loans, mortgages and other assets	25(c)	13,932	57,067
Cash provided by (used in) investing activities		34,880	3,095
Net increase (decrease) in cash and cash equivalents		221,656	(1,602)
Cash and cash equivalents, beginning of period		25,503	15,534
Cash and cash equivalents, end of period	25(d)	\$ 247,159	\$ 13,932

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

Notes to the Interim Condensed Consolidated Financial Statements

1. DESCRIPTION OF THE TRUST

First Capital Real Estate Investment Trust ("First Capital", "FCR", or the "Trust") is an unincorporated, open-ended mutual fund trust governed by the laws of Ontario, Canada, and established pursuant to a declaration of trust dated October 16, 2019, as may be amended from time to time (the "Declaration of Trust"). First Capital engages in the business of acquiring, developing, redeveloping, owning and managing well-located, mixed-use urban real estate in Canada's most densely populated neighbourhoods. The Trust is listed on the Toronto Stock Exchange ("TSX") under the symbol "FCR.UN", and its head office is located at 85 Hanna Avenue, Suite 400, Toronto, Ontario, M6K 3S3.

Effective December 30, 2019, First Capital Realty Inc. (the "Company") completed its Plan of Arrangement (the "Arrangement") to convert into a real estate investment trust ("REIT"). Under the Arrangement, Shareholders of the Company received one trust unit ("Trust Unit") or one Class B Limited Partnership Unit ("Exchangeable Unit") of a controlled limited partnership of the Trust, for each common share of the Company held. Consequently, any references to common shares, Shareholders and per share amounts relate to periods prior to the conversion on December 30, 2019 and any references to Trust Units, Unitholders and per unit amounts relate to periods subsequent to December 30, 2019. Since the Trust is a continuation of First Capital Realty Inc., the prior year comparatives included in these unaudited interim condensed consolidated financial statements are those of the Company.

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 First Capital's audited annual consolidated financial statements for the years ended December 31, 2019 and 2018.

(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.

COVID-19

The recent outbreak of coronavirus ("COVID-19"), which the World Health Organization has declared to constitute a pandemic, and government related action to shutdown large parts of the economy has impacted global commercial activity and contributed to significant volatility in certain equity and debt markets. The extent and duration of the impact of COVID-19 on communities and the economy remains unclear. In the preparation of these unaudited interim condensed consolidated financial statements, the Trust has incorporated the potential impact of COVID-19 into its estimates and assumptions that affect the carrying amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amount of earnings for the reporting periods using the best available information as of March 31, 2020. Actual results could differ from those estimates. The estimates and assumptions that the Trust considers critical and/or could be impacted by COVID-19 include those underlying the valuation of investment properties, the valuation of its hotel property, the net realizable value of residential inventory, the carrying amount of its investment in joint ventures, the estimate of any expected credit losses on amounts receivable or loans and mortgages receivable and determining the values of financial instruments for disclosure purposes.

Additionally, Management, in measuring the Trust's performance or making operating decisions, distinguishes its operations on a geographical basis. First Capital operates in Canada and has three operating segments: Eastern, which includes operations primarily in Quebec and Ottawa; Central, which includes the Trust's Ontario operations excluding Ottawa; and

Western, which includes operations in Alberta and British Columbia. Operating segments are reported in a manner consistent with internal reporting provided to the chief operating decision maker, who is the President and Chief Executive Officer.

(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 May 5, 2020.

3. INVESTMENT PROPERTIES

(a) Activity

The following tables summarize the changes in First Capital's investment properties for the three months ended March 31, 2020 and year ended December 31, 2019:

Three months ended March 31, 2020						
	Central Region	Eastern Region	Western Region	Total	Investment Properties ⁽¹⁾	Development Land
Balance at beginning of period	\$ 5,146,534	\$ 1,535,433	\$ 3,070,163	\$ 9,752,130	\$ 9,660,131	\$ 91,999
Capital expenditures	41,698	5,837	6,978	54,513	52,810	1,703
Reclassification to residential development inventory	(56,783)	—	—	(56,783)	(56,783)	—
Increase (decrease) in value of investment properties, net	(47,554)	(20,295)	(51,391)	(119,240)	(117,537)	(1,703)
Straight-line rent and other changes	1,568	(193)	345	1,720	1,720	—
Dispositions	(3,300)	(63,700)	(13,750)	(80,750)	(80,750)	—
Balance at end of period	\$ 5,082,163	\$ 1,457,082	\$ 3,012,345	\$ 9,551,590	\$ 9,459,591	\$ 91,999
Investment properties					\$ 9,377,891	\$ 91,999
Investment properties classified as held for sale					81,700	—
Total					\$ 9,459,591	\$ 91,999

Year ended December 31, 2019						
	Central Region	Eastern Region	Western Region	Total	Investment Properties ⁽¹⁾	Development Land
Balance at beginning of period	\$ 4,489,359	\$ 2,037,411	\$ 3,241,505	\$ 9,768,275	\$ 9,690,179	\$ 78,096
Acquisitions	376,700	—	15,410	392,110	361,201	30,909
Capital expenditures	157,955	26,678	43,557	228,190	220,302	7,888
Consolidation of equity accounted joint venture	131,480	—	—	131,480	131,480	—
Increase (decrease) in value of investment properties, net	83,274	(5,486)	(16,751)	61,037	60,499	538
Straight-line rent and other changes	4,193	1,212	607	6,012	6,012	—
Dispositions	(96,427)	(524,382)	(214,165)	(834,974)	(809,542)	(25,432)
Balance at end of period	\$ 5,146,534	\$ 1,535,433	\$ 3,070,163	\$ 9,752,130	\$ 9,660,131	\$ 91,999
Investment properties					\$ 9,501,531	\$ 91,999
Investment properties classified as held for sale					158,600	—
Total					\$ 9,660,131	\$ 91,999

⁽¹⁾ Investment properties include income producing properties as well as properties under development.

Investment properties with a fair value of \$2.7 billion (December 31, 2019 – \$2.8 billion) are pledged as security for \$1.4 billion (December 31, 2019 – \$1.5 billion) in mortgages and secured credit facilities.

(b) Investment property valuation

Stabilized overall capitalization, terminal, and discount rates by region for investment properties valued under the Income Approach are set out in the table below:

As at	March 31, 2020				December 31, 2019			
	Weighted Average				Weighted Average			
	Central Region	Eastern Region	Western Region	Total	Central Region	Eastern Region	Western Region	Total
Overall Capitalization Rate	4.7%	5.8%	5.1%	5.0%	4.7%	5.8%	5.1%	5.0%
Terminal Capitalization Rate	5.0%	6.0%	5.4%	5.3%	5.0%	6.1%	5.4%	5.3%
Discount Rate	5.5%	6.6%	5.9%	5.8%	5.5%	6.6%	5.9%	5.8%

As at March 31, 2020 the weighted average valuation yields used in valuing those investment properties under the Income Approach remained unchanged from December 31, 2019. The net decrease in the fair value of investment properties of \$119.2 million for the three months ended March 31, 2020 was primarily due to forecasted short-term vacancy and rental rate adjustments in certain properties to reflect the potential impact of COVID-19.

Due to the continuing risk created by the COVID-19 pandemic that has resulted in an economic slowdown, greater volatility in the capital markets, limited investment transactions, and a lower interest rate environment, the impact to valuation yields is not yet known. The sensitivity of the fair values of investment properties to stabilized overall capitalization rates as at March 31, 2020 is set out in the table below:

As at March 31, 2020	(millions of dollars)
(Decrease) Increase in stabilized overall capitalization rate	Resulting increase (decrease) in fair value of investment properties
(1.00%)	\$ 2,292
(0.75%)	\$ 1,619
(0.50%)	\$ 1,019
(0.25%)	\$ 483
0.25%	\$ (437)
0.50%	\$ (835)
0.75%	\$ (1,198)
1.00%	\$ (1,531)

Additionally, a 1% increase or decrease in stabilized net operating income ("SNOI") would result in a \$92 million increase or a \$92 million decrease, respectively, in the fair value of investment properties. 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 investment properties of \$580 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 investment properties of \$525 million.

(c) Investment properties – Acquisitions

During the three months ended March 31, 2020 and 2019, First Capital acquired investment properties and development land for rental income and future development and redevelopment opportunities as follows:

Three months ended March 31	2020		2019	
	Investment Properties	Development Land	Investment Properties	Development Land
Total purchase price, including acquisition costs ⁽¹⁾	\$ —	\$ —	\$ 6,970	\$ 13,591
Total cash paid	\$ —	\$ —	\$ 6,970	\$ 13,591

⁽¹⁾ During the quarter, one of the Trust's wholly owned subsidiaries purchased a property from another consolidated subsidiary, that is subject to a non-controlling interest. The Trust's net effective ownership in the asset increased by 15.5% to 100%. The Trust's acquisition cost for its incremental 15.5% interest was \$25.4 million which is reflected as a distribution to the non-controlling interest partner in the interim consolidated financial statements.

(d) Investment properties classified as held for sale

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

As at	March 31, 2020	December 31, 2019
Aggregate fair value	\$ 81,700	\$ 158,600

The decrease of \$76.9 million in investment properties classified as held for sale from December 31, 2019, primarily arose from the dispositions completed in the period.

For the three months ended March 31, 2020 and 2019, First Capital sold investment properties and development land as follows:

	Three months ended March 31	
	2020	2019
Total selling price	\$ 80,750	\$ 23,223
Property selling costs	(2,025)	(324)
Proceeds held in Trust ⁽¹⁾	—	(5,591)
Total cash proceeds	\$ 78,725	\$ 17,308

⁽¹⁾ Proceeds received April 2, 2019.

(e) Reconciliation of investment properties to total assets

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

As at March 31, 2020	Central Region	Eastern Region	Western Region	Total
Total investment properties and development land ⁽¹⁾	\$ 5,082,163	\$ 1,457,082	\$ 3,012,345	\$ 9,551,590
Cash and cash equivalents				247,159
Loans, mortgages and other assets				150,588
Other assets				61,413
Amounts receivable				37,783
Investment in joint ventures				58,820
Hotel property				62,553
Residential development inventory				67,215
Total assets				\$ 10,237,121

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – continued

As at December 31, 2019	Central Region	Eastern Region	Western Region	Total
Total investment properties and development land ⁽¹⁾	\$ 5,146,534	\$ 1,535,433	\$ 3,070,163	\$ 9,752,130
Cash and cash equivalents				25,503
Loans, mortgages and other assets				166,033
Other assets				54,271
Amounts receivable				31,521
Investment in joint ventures				59,498
Hotel property				62,199
Residential development inventory				10,205
Total assets				\$ 10,161,360

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

4. INVESTMENT IN JOINT VENTURES

As at March 31, 2020, First Capital had interests in six joint ventures that it accounts for using the equity method. First Capital's joint ventures are as follows:

Name of Entity	Name of Property/Business Activity	Location	Effective Ownership	
			March 31, 2020	December 31, 2019
College Square General Partnership	College Square	Ottawa, ON	50.0%	50.0%
Green Capital Limited Partnership	Royal Orchard	Markham, ON	50.0%	50.0%
Stackt Properties LP	Shipping Container marketplace	Toronto, ON	94.0%	94.0%
Fashion Media Group GP Ltd.	Toronto Fashion Week events	Toronto, ON	78.0%	78.0%
FC Access LP	Whitby Mall (self storage operation)	Whitby, ON	25.0%	25.0%
Edenbridge Kingsway (Humbertown)	Humbertown Condos (Phase 1)	Toronto, ON	50.0%	50.0%

First Capital has determined that these investments are joint ventures as all decisions regarding their activities are made unanimously between First Capital and its partners.

During the third quarter of 2019, First Capital, together with its partner in Main and Main Developments LP ("MMLP") acquired the remaining 46.9% interest in four remaining Main and Main Urban Realty LP ("MMUR") assets for approximately \$116.0 million. As a result, FCR now controls MMUR through its direct and indirect interests, requiring the consolidation of the assets, liabilities, revenues and expenses of MMUR from the date of acquisition.

The following table reconciles the changes in First Capital's interests in its equity accounted joint ventures for the three months ended March 31, 2020 and year ended December 31, 2019:

	March 31, 2020	December 31, 2019
Balance at beginning of period	\$ 59,498	\$ 144,375
Contributions to equity accounted joint ventures	578	17,481
Distributions from equity accounted joint ventures	(848)	(25,648)
Consolidation of equity accounted joint venture (MMUR)	—	(78,409)
Share of income from equity accounted joint ventures	(408)	1,699
Balance at end of period	\$ 58,820	\$ 59,498

As of March 31, 2020, none of the Trust's investments in joint ventures were determined to be impaired taking into account the COVID-19 environment.

5. HOTEL PROPERTY

First Capital owns 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 following table summarizes the changes in the net book value of the hotel property for the three months ended March 31, 2020 and year ended December 31, 2019.

	March 31, 2020	December 31, 2019
Balance at beginning of period	\$ 62,199	\$ 58,604
Acquisition		
Revaluation of hotel property	—	2,910
Additions	637	1,378
Amortization	(283)	(693)
Balance at end of period	\$ 62,553	\$ 62,199

Due to the impact of COVID-19 on the hospitality industry, the fair value of the Trust's hotel property was recalculated as of March 31, 2020 and no revaluation gain or loss on the hotel property was recognized, taking into account capital improvements.

6. LOANS, MORTGAGES AND OTHER ASSETS

As at	March 31, 2020	December 31, 2019
Non-current		
Loans and mortgages receivable classified as FVTPL (a)	\$ 21,119	\$ 20,726
Loans and mortgages receivable classified as amortized cost (a)	60,589	58,940
Other investments	16,302	16,302
Total non-current	\$ 98,010	\$ 95,968
Current		
Loans and mortgages receivable classified as FVTPL (a)	\$ 143	\$ 132
Loans and mortgages receivable classified as amortized cost (a)	49,828	65,984
FVTPL investments in securities (b)	2,607	3,949
Total current	\$ 52,578	\$ 70,065
Total	\$ 150,588	\$ 166,033

(a) Loans and mortgages receivable are secured by interests in investment properties or shares of entities owning investment properties. As at March 31, 2020, these receivables bear interest at weighted average effective interest rates of 6.1% (December 31, 2019 – 6.6%) and mature between 2020 and 2028. As of March 31, 2020, none of the Trust's loans and mortgages receivable classified as amortized cost required a provision or were determined to be impaired taking into account the COVID-19 environment.

(b) From time to time, First Capital 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	March 31, 2020	December 31, 2019
Trade receivables (net of allowances for doubtful accounts of \$3.2 million; December 31, 2019 – \$3.0 million)	\$ 29,687	\$ 25,356
Corporate and other amounts receivable	8,096	6,165
Total	\$ 37,783	\$ 31,521

First Capital 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 as well as the impact of COVID-19 on tenant's ability to pay any trade receivables outstanding at March 31, 2020.

8. OTHER ASSETS

As at	Note	March 31, 2020	December 31, 2019
Non-current			
Fixtures, equipment and computer hardware and software (net of accumulated amortization of \$17.1 million; December 31, 2019 – \$15.6 million)		\$ 11,907	\$ 11,670
Deferred financing costs on credit facilities (net of accumulated amortization of \$5.5 million; December 31, 2019 – \$5.3 million)		3,612	3,886
Environmental indemnity and insurance proceeds receivable	12(a)	2,501	3,105
Bond asset		14,378	14,513
Derivatives at fair value	23	—	2,931
Total non-current		\$ 32,398	\$ 36,105
Current			
Deposits and costs on investment properties under option		\$ 3,884	\$ 5,691
Prepaid expenses		19,545	9,088
Other deposits		250	250
Restricted cash		765	765
Derivatives at fair value	23	4,571	2,372
Total current		\$ 29,015	\$ 18,166
Total		\$ 61,413	\$ 54,271

9. CAPITAL MANAGEMENT

First Capital manages its capital, taking into account the long-term business objectives of the Trust, to provide stability and reduce risk while generating an acceptable return on investment to Unitholders over the long term. The Trust's capital structure currently includes Trust Units, Exchangeable Units, senior unsecured debentures, mortgages, credit facilities, bank term loans and bank indebtedness, which together provide First Capital with financing flexibility to meet its capital needs. Primary uses of capital include development activities, acquisitions, capital improvements and leasing costs. 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, property and capital market conditions and Management's general view of the required leverage in the business.

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

As at	March 31, 2020	December 31, 2019
Liabilities (principal amounts outstanding)		
Bank indebtedness	\$ —	\$ 60
Mortgages	1,313,043	1,331,219
Credit facilities	1,138,782	899,165
Mortgages under equity accounted joint ventures (at the Trust's interest)	39,905	40,144
Exchangeable Units (based on a closing per unit price of \$13.63; December 31, 2019 - \$20.67)	16,492	25,010
Senior unsecured debentures	2,500,000	2,500,000
Equity Capitalization		
Trust Units (based on closing per unit price of \$13.63; December 31, 2019 - \$20.67)	2,974,222	4,505,107
Total capital employed	\$ 7,982,444	\$ 9,300,705

First Capital is subject to financial covenants in agreements governing its senior unsecured debentures and its credit facilities. In accordance with the terms of the Trust's credit agreements, all ratios are calculated with joint ventures proportionately consolidated. As at March 31, 2020, First Capital remains in compliance with all of its applicable financial covenants.

The following table summarizes a number of First Capital's key ratios:

As at	Measure/ Covenant	March 31, 2020	December 31, 2019
Net debt to total assets		47.2%	46.7%
Unencumbered aggregate assets to unsecured debt, using 10 quarter average capitalization rate ⁽¹⁾	≥1.3	1.9	2.0
Unitholders' / Shareholders' equity, using four quarter average (billions) ⁽¹⁾	>\$2.0B	\$ 4.3	\$ 4.5
Secured indebtedness to total assets ⁽¹⁾	<35%	14.3%	14.5%
For the rolling four quarters ended			
Interest coverage (Adjusted EBITDA to interest expense) ⁽¹⁾	>1.65	2.3	2.4
Fixed charge coverage (Adjusted EBITDA to debt service) ⁽¹⁾	>1.50	2.0	2.1

⁽¹⁾ Calculations required under the Trust'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 First Capital's audited annual consolidated financial statements for the years ended December 31, 2019 and 2018.

10. MORTGAGES AND CREDIT FACILITIES

As at	March 31, 2020	December 31, 2019
Fixed rate mortgages	\$ 1,308,905	\$ 1,327,021
Unsecured facilities	1,000,229	772,030
Secured facilities	138,553	127,135
Mortgages and credit facilities	\$ 2,447,687	\$ 2,226,186
Current	\$ 121,436	\$ 114,875
Non-current	2,326,251	2,111,311
Total	\$ 2,447,687	\$ 2,226,186

Mortgages and secured facilities are secured by First Capital's investment properties. As at March 31, 2020, approximately \$2.7 billion (December 31, 2019 – \$2.8 billion) of investment properties out of \$9.6 billion (December 31, 2019 – \$9.8 billion) (Note 3(a)) had been pledged as security under the mortgages and the secured facilities.

As at March 31, 2020, mortgages bear coupon interest at a weighted average coupon rate of 3.7% (December 31, 2019 – 3.7%) and mature in the years ranging from 2020 to 2031. The weighted average effective interest rate on all mortgages as at March 31, 2020 is 3.7% (December 31, 2019 – 3.7%).

Principal repayments of mortgages outstanding as at March 31, 2020 are as follows:

	Scheduled Amortization	Payments on Maturity	Total	Weighted Average Effective Interest Rate
2020 (remainder of the year)	\$ 21,241	\$ 45,858	\$ 67,099	5.3%
2021	28,424	73,437	101,861	4.8%
2022	29,700	95,522	125,222	4.0%
2023	29,791	—	29,791	N/A
2024	29,062	108,477	137,539	3.8%
2025 to 2031	104,813	746,718	851,531	3.5%
	\$ 243,031	\$ 1,070,012	\$ 1,313,043	3.7%
Unamortized deferred financing costs and premiums, net			(4,138)	
Total			\$ 1,308,905	

First Capital 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. Concurrently with the U.S. dollar draws, the Trust enters into cross currency swaps to exchange its U.S. dollar borrowings into Canadian dollar borrowings.

On April 16, 2019, the Company completed the share repurchase of 36,000,000 common shares from a subsidiary of Gazit-Globe Ltd. ("Gazit") at a price of \$20.60 per share for gross proceeds to Gazit of \$741.6 million. To fund the share repurchase and other operational needs, FCR entered into \$850 million of senior unsecured bank term loans with maturities ranging from 4 - 7 years. Concurrent with funding, the majority of the unsecured bank term loans were swapped to fixed rates bearing a weighted average interest rate of 3.3% with a weighted average term to maturity of 5.8 years. The remaining debt bears interest at a floating rate and can be repaid with no prepayment penalty. As a result of the debt-financed share repurchase transaction, both Moody's and DBRS downgraded the ratings of First Capital's senior unsecured debentures by one notch to Baa3 (Moody's) and BBB (DBRS). On November 6, 2019, S&P began rating FCR's senior unsecured debentures and assigned a public rating of BBB- with a stable outlook, as a result, FCR discontinued its Moody's rating services.

In the fourth quarter of 2019, First Capital repaid \$100 million of floating rate unsecured term loans.

During the first quarter, First Capital extended the maturity of its \$11.9 million secured facility and \$15.0 million secured construction facility to April 30, 2020 and July 31, 2020, respectively.

First Capital's credit facilities as at March 31, 2020 are summarized in the table below:

As at March 31, 2020	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	\$ 550,000	\$ —	\$ (11,242)	\$ 538,758	BA + 1.45% or Prime + 0.45% or US\$ LIBOR + 1.45%	June 30, 2023
Revolving facility maturing 2022 ⁽¹⁾	250,000	(254,448)	—	—	BA + 1.10% or Prime + 0.25% or US\$ LIBOR + 1.10%	September 29, 2022
Floating rate unsecured term loan maturing 2023 ⁽²⁾	200,000	(195,781)	—	—	BA + 1.20%	April 15, 2023
Fixed rate unsecured term loans maturing 2024 - 2026	550,000	(550,000)	—	—	3.29%	March 28, 2024 - April 14, 2026
Secured Construction Facilities						
Maturing 2020 ⁽³⁾	15,000	(14,984)	—	16	BA + 2.50% or Prime + 1.00%	July 31, 2020
Maturing 2021	33,333	(33,333)	—	—	2.79%	August 26, 2021
Maturing 2022 ⁽³⁾	138,000	(64,243)	(1,592)	72,165	BA + 1.350% or Prime + 0.350%	October 26, 2022
Secured Facilities						
Maturing 2020	11,875	(11,875)	—	—	BA + 1.20% or Prime + 0.20%	April 30, 2020
Maturing 2020	20,734	(3,050)	(1,221)	16,463	BA + 1.20% or Prime + 0.20%	June 30, 2020
Maturing 2022	4,313	(4,313)	—	—	BA + 1.20% or Prime + 0.20%	September 28, 2022
Maturing 2022	6,755	(6,755)	—	—	BA + 1.20% or Prime + 0.20%	December 19, 2022
Total	\$ 1,780,010	\$ (1,138,782)	\$ (14,055)	\$ 627,402		

⁽¹⁾ The Trust had drawn in U.S. dollars the equivalent of CAD\$250.0 million which was revalued at CAD\$254.4 million as at March 31, 2020.

⁽²⁾ The Trust had drawn in U.S. dollars the equivalent of CAD\$200.0 million which was revalued at CAD\$195.8 million as at March 31, 2020.

⁽³⁾ The Trust now consolidates the assets, liabilities, revenues and expenses of MMUR which was previously equity accounted.

11. SENIOR UNSECURED DEBENTURES

As at				March 31, 2020		December 31, 2019	
Series	Maturity Date	Interest Rate		Principal Outstanding	Liability	Liability	
		Coupon	Effective				
M	April 30, 2020	5.60%	5.60%	\$ 175,000	\$ 175,000	\$ 174,999	
N	March 1, 2021	4.50%	4.63%	175,000	174,805	174,754	
O	January 31, 2022	4.43%	4.59%	200,000	199,444	199,372	
P	December 5, 2022	3.95%	4.18%	250,000	248,584	248,461	
Q	October 30, 2023	3.90%	3.97%	300,000	299,327	299,284	
R	August 30, 2024	4.79%	4.72%	300,000	300,812	300,853	
S	July 31, 2025	4.32%	4.24%	300,000	301,161	301,208	
T	May 6, 2026	3.60%	3.56%	300,000	300,658	300,683	
U	July 12, 2027	3.75%	3.82%	300,000	298,662	298,622	
V	January 22, 2027	3.46%	3.54%	200,000	199,009	198,977	
Weighted Average or Total		4.18%	4.22%	\$ 2,500,000	\$ 2,497,462	\$ 2,497,213	
Current				350,000	349,805	174,999	
Non-current				2,150,000	2,147,657	2,322,214	
Total				\$ 2,500,000	\$ 2,497,462	\$ 2,497,213	

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

12. ACCOUNTS PAYABLE AND OTHER LIABILITIES

As at	Note	March 31, 2020	December 31, 2019
Non-current			
Asset retirement obligations (a)		\$ 1,536	\$ 1,980
Ground leases payable		9,903	10,035
Derivatives at fair value	23	43,210	1,677
Unit-based compensation plans	15	1,302	4,447
Deferred purchase price of investment property		5,700	5,700
Other liabilities		1,822	1,005
Total non-current		\$ 63,473	\$ 24,844
Current			
Trade payables and accruals		\$ 68,868	\$ 57,978
Construction and development payables		41,640	45,722
Unit-based compensation plans	15	6,752	14,740
Distributions payable	14	15,638	15,620
Interest payable		30,563	35,960
Tenant deposits		33,251	37,955
Derivatives at fair value	23	8,141	3,009
Other liabilities		9	8
Total current		\$ 204,862	\$ 210,992
Total		\$ 268,335	\$ 235,836

- (a) First Capital has obligations for environmental remediation at certain sites within its property portfolio. FCR has also recognized a related environmental indemnity and insurance proceeds receivable totaling \$2.5 million in other assets (Note 8).

13. EXCHANGEABLE UNITS

The Exchangeable Units are non-transferable, but are exchangeable, on a one-for-one basis, into First Capital Trust Units at the option of the holder. Any Exchangeable Units outstanding on December 29, 2023 will be automatically exchanged for Trust Units. Prior to such exchange, Exchangeable Units will, in all material respects, be economically equivalent to Trust Units on a per unit basis. Distributions will be made on these Exchangeable Units in an amount equivalent to the distributions that would have been made had the units been exchanged for Trust Units. Holders of Exchangeable Units will receive special voting units that will entitle the holder to one vote at Unitholder meetings (Note 14).

The following table sets forth the particulars of First Capital's Exchangeable Units issued and outstanding:

As at	March 31, 2020		December 31, 2019	
	Number of Exchangeable Units	Value	Number of Exchangeable Units	Value
Balance at beginning of period	1,210	\$ 25,010	—	\$ —
Issued on conversion	—	—	1,210	25,240
Fair value adjustment	—	(8,518)	—	(230)
Balance at end of period	1,210	\$ 16,492	1,210	\$ 25,010

14. UNITHOLDERS' / SHAREHOLDERS' EQUITY

Upon conversion of First Capital from a corporation to a real estate investment trust, the former Shareholders of the Company received Trust Units or Exchangeable Units which are accompanied by special voting units.

The Declaration of Trust authorizes the issuance of an unlimited number of Trust Units and special voting units:

Trust Units: Each Trust Unit is transferable and represents an equal, undivided beneficial interest in the Trust and any distributions from the Trust and entitles the holder to one vote at a meeting of Unitholders. With certain restrictions, a Unitholder has the right to require First Capital to redeem its Trust Units on demand. Upon receipt of a redemption notice by First Capital, all rights to and under the Trust Units tendered for redemption shall be surrendered and the holder thereof shall be entitled to receive a price per unit as determined by a market formula and shall be paid in accordance with the conditions provided for in the Declaration of Trust.

Special Voting Units: Each Exchangeable Unit (Note 13) is accompanied by one special voting unit which provides the holder thereof with a right to vote on matters respecting the Trust.

(a) Trust Units / Common Shares

The following table sets forth the particulars of First Capital's Trust Units / Common Shares issued and outstanding:

Three months ended March 31	2020		2019	
	Number of Trust Units	Value of Trust Units	Number of Common Shares	Value of Common Shares
Balance at beginning of period	217,954	\$ 2,872,907	254,828	\$ 3,364,948
Exercise of options, and settlement of any restricted, performance and deferred trust / share units	257	5,350	198	3,868
Issues outstanding at the end of the period	218,211	\$ 2,878,257	255,026	\$ 3,368,816

(b) Distributions / Dividends

First Capital declared monthly distributions totalling \$0.215 per Trust Unit for the three months ended March 31, 2020 (for the three months ended March 31, 2019, the Company declared quarterly dividends of \$0.215 per common share).

On December 30, 2019, First Capital adopted a distribution policy, as permitted under the Declaration of Trust, to make monthly cash distributions to Unitholders initially equal to, on an annual basis, \$0.86 per Trust Unit.

(c) Contributed surplus and other equity items

Contributed surplus and other equity items comprise the following:

Three months ended March 31	2020			2019		
	Contributed Surplus	Stock-based Compensation Plan Awards	Total	Contributed Surplus	Stock-based Compensation Plan Awards	Total
Balance at beginning of period	\$ —	\$ —	\$ —	\$ 24,903	\$ 19,291	\$ 44,194
Options vested	—	—	—	—	239	239
Exercise of options	—	—	—	—	(167)	(167)
Deferred units	—	—	—	—	180	180
Restricted units	—	—	—	—	375	375
Performance units	—	—	—	—	919	919
Settlement of any restricted, performance and deferred units	—	—	—	—	(2,640)	(2,640)
Balance at end of period	\$ —	\$ —	\$ —	\$ 24,903	\$ 18,197	\$ 43,100

All unit-based compensation plans are accounted for as cash-settled awards as the Trust is an open-ended trust making its units redeemable, and thus requiring outstanding Unit Options, RUs, PUs, and DUs to be recognized as a liability and carried at fair value. As a result, the entire balance in other equity items related to stock-based compensation plan awards was reclassified to liabilities on the consolidated balance sheet upon REIT conversion on December 30, 2019.

15. UNIT-BASED COMPENSATION PLANS

REIT Conversion

Upon completion of the REIT conversion on December 30, 2019, all grants outstanding under the common stock option plan and share unit plans were transferred on a one-to-one basis to unit-based compensation plans.

(a) Unit Option Plan

As of March 31, 2020, First Capital is authorized to grant up to 19.7 million (December 31, 2019 – 19.7 million) Trust Unit options to the employees, officers and Trustees. As of March 31, 2020, 4.4 million (December 31, 2019 – 6.1 million) unit options are available to be granted to the employees, officers and Trustees. In addition, as at March 31, 2020, 7.2 million unit options were outstanding. Options granted by First Capital expire 10 years from the date of grant and vest over five years.

The outstanding options as at March 31, 2020 have exercise prices ranging from \$13.91 - \$21.24 (December 31, 2019 – \$13.91 - \$21.14).

During the three months ended March 31, 2020, \$0.3 million (three months ended March 31, 2019 – \$0.2 million) was recorded as an expense related to stock options.

Three months ended March 31	2020		2019	
	Number of Trust Units Issuable (in thousands)	Weighted Average Exercise Price	Number of Common Shares Issuable (in thousands)	Weighted Average Exercise Price
Outstanding at beginning of period	5,584	\$ 19.70	4,736	\$ 19.27
Granted (a)	1,804	21.24	1,201	21.14
Exercised (b)	(162)	17.48	(144)	17.94
Forfeited	(18)	17.35	(111)	19.92
Expired	(19)	14.56	—	—
Outstanding at end of period	7,189	\$ 20.16	5,682	\$ 19.68

- (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.

Three months ended March 31	2020	2019
Grant date	February 28, 2020	March 6, 2019
Unit / Share options granted (thousands)	1,804	1,201
Term to expiry	10 years	10 years
Exercise price	\$21.24	\$21.14
Weighted average volatility rate	13.7%	14.0%
Weighted average expected option life	6.6 years	5.8 years
Weighted average distribution / dividend yield	4.30%	4.08%
Weighted average risk free interest rate	1.08%	1.71%
Fair value (thousands)	\$1,373	\$1,617

- (b) The weighted average market price at which options were exercised for the three months ended March 31, 2020 was \$21.71 (three months ended March 31, 2019 – \$21.12).
- (c) The assumptions used to measure the fair value of the unit options under the Black-Scholes model (level 2) as at March 31, 2020 were as follows:

Three months ended March 31	2020
Expected Trust Unit price volatility	15.8% - 23.7%
Expected life of options	0.2 - 7.2 years
Expected distribution yield	6.31%
Risk free interest rate	0.25% - 0.70%

(b) Trust Unit arrangements

First Capital's Trust Unit plans include a Trustees' Deferred Unit ("DU")(formerly "DSU") plan and a Restricted Unit ("RU") (formerly "RSU") plan that provides for the issuance of Restricted Units and Performance Units ("PU")(formerly "PSU"). Under the DU and RU arrangements, a participant is entitled to receive one Trust Unit, or equivalent cash value for RU arrangements only, at First Capital's option, (i) in the case of a DU, upon redemption by the holder after the date that the holder ceases to be a Trustee of FCR 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 an RU, on the third anniversary of the grant date. Under the PU arrangement, a participant is entitled to receive 0.5 – 1.5 Trust Units per PU granted, or equivalent cash value at First Capital's option, on the third anniversary of the grant date. Holders of units granted under each plan receive distributions in the form of additional units when First Capital declares distributions on its Trust Units.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – continued

Three months ended March 31	2020		2019	
(in thousands)	DUs	RUs / PUs	DSUs	RSUs / PSUs
Outstanding at beginning of period	289	663	289	588
Granted (a) (b)	15	295	9	244
Distributions / Dividends declared	4	8	—	—
Exercised	—	(189)	—	(142)
Forfeited	—	(16)	—	(4)
Outstanding at end of period	308	761	298	686
Expense recorded for the period	\$255	\$513	\$155	\$1,294

- (a) The fair value of the DUs granted during the three months ended March 31, 2020 was \$0.2 million (three months ended March 31, 2019 – \$0.2 million), measured based on First Capital's prevailing Trust Unit / common share price on the date of grant. The fair value of the RUs granted during the three months ended March 31, 2020 was \$3.5 million (three months ended March 31, 2019 – \$1.9 million), measured based on First Capital's Trust Unit / share price on the date of grant.
- (b) The fair value of the PUs granted during the three months ended March 31, 2020 was \$2.6 million (three months ended March 31, 2019 – \$3.4 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 Unitholder / Shareholder return of First Capital's Trust Units relative to the S&P/TSX Capped REIT Index.

Three months ended March 31	2020	2019
Grant date	February 28, 2020	March 6, 2019
PUs granted (thousands)	131	154
Term to expiry	3 years	3 years
Weighted average volatility rate	13.8%	14.0%
Weighted average correlation	35.0%	30.8%
Weighted average total Unitholder / Shareholder return	(4.0%)	9.1%
Weighted average risk free interest rate	1.11%	1.68%
Fair value (thousands)	\$2,573	\$3,399

(c) Increase (decrease) in the value of unit-based compensation

First Capital's unit-based compensation plans are accounted for as cash-settled awards. Therefore, outstanding Unit Options, Deferred Units, Restricted Units and Performance Units are recognized as a liability and carried at fair value through profit and loss. As at March 31, 2020, the carrying value of the unit-based compensation liability was \$8,054 (December 31, 2019 – \$19,187)(Note 12). For the three months ended March 31, 2020, FCR recognized a decline in the value of the unit-based compensation plans which resulted in a gain of \$8.5 million due to a decrease in the Trust's unit price as a result of equity market volatility in light of COVID-19.

16. NET OPERATING INCOME

Net Operating Income by Component

First Capital's net operating income by component is presented below:

	Three months ended March 31		
	% change	2020	2019
Property rental revenue			
Base rent ⁽¹⁾		\$ 106,886	\$ 116,041
Operating cost recoveries		27,687	31,080
Realty tax recoveries		33,680	36,700
Lease surrender fees		304	3,502
Percentage rent		902	767
Straight-line rent adjustment		882	971
Prior year operating cost and tax recovery adjustments		(429)	62
Temporary tenants, storage, parking and other ⁽²⁾		6,224	5,551
Total Property rental revenue	(9.5%)	176,136	194,674
Property operating costs			
Recoverable operating expenses		30,965	35,644
Recoverable realty tax expense		37,989	41,863
Prior year realty tax expense		(108)	54
Other operating costs and adjustments ⁽³⁾		4,150	1,682
Total Property operating costs		72,996	79,243
Total NOI	(10.6%)	\$ 103,140	\$ 115,431
NOI margin		58.6%	59.3%

⁽¹⁾ Includes residential revenue.

⁽²⁾ Includes hotel property revenue.

⁽³⁾ Includes both residential operating costs and hotel property operating costs.

Net Operating Income by Segment

Net operating income is presented by segment as follows:

Three months ended March 31, 2020	Central Region	Eastern Region	Western Region	Subtotal	Other ⁽¹⁾	Total
Property rental revenue	\$ 84,496	\$ 34,721	\$ 57,452	\$ 176,669	\$ (533)	\$ 176,136
Property operating costs	36,148	16,538	20,747	73,433	(437)	72,996
Net operating income	\$ 48,348	\$ 18,183	\$ 36,705	\$ 103,236	\$ (96)	\$ 103,140
Three months ended March 31, 2019	Central Region	Eastern Region	Western Region	Subtotal	Other ⁽¹⁾	Total
Property rental revenue	\$ 80,530	\$ 50,028	\$ 64,729	\$ 195,287	\$ (613)	\$ 194,674
Property operating costs	34,356	23,871	22,056	80,283	(1,040)	79,243
Net operating income	\$ 46,174	\$ 26,157	\$ 42,673	\$ 115,004	\$ 427	\$ 115,431

⁽¹⁾ Other items principally consist of inter-company eliminations.

For the three months ended March 31, 2020, property operating costs include \$5.7 million (three months ended March 31, 2019 –\$5.6 million) related to employee compensation.

17. INTEREST AND OTHER INCOME

		Three months ended March 31	
	Note	2020	2019
Interest, dividend and distribution income from marketable securities and other investments	6	\$ 212	\$ 3,636
Interest income from loans and mortgages receivable classified as FVTPL	6	290	969
Interest income from loans and mortgages receivable at amortized cost	6	1,859	4,579
Fees and other income		778	1,163
Total		\$ 3,139	\$ 10,347

18. INTEREST EXPENSE

		Three months ended March 31	
	Note	2020	2019
Mortgages	10	\$ 12,851	\$ 13,198
Credit facilities	10	7,255	5,018
Senior unsecured debentures	11	26,218	26,323
Distributions on Exchangeable Units ⁽¹⁾	13	260	—
Total interest expense		46,584	44,539
Interest capitalized to investment properties under development		(6,168)	(4,923)
Interest expense		\$ 40,416	\$ 39,616
Change in accrued interest		5,138	5,686
Coupon interest rate in excess of effective interest rate on senior unsecured debentures		330	316
Coupon interest rate in excess of effective interest rate on assumed mortgages		121	226
Amortization of deferred financing costs		(1,527)	(1,261)
Cash interest paid associated with operating activities		\$ 44,478	\$ 44,583

⁽¹⁾ Effective December 30, 2019, 1.2 million Exchangeable Units were issued upon REIT conversion. The distributions declared on the Exchangeable Units are accounted for as interest expense.

19. CORPORATE EXPENSES

		Three months ended March 31	
		2020	2019
Salaries, wages and benefits	\$	7,919	\$ 7,593
Unit-based compensation		1,094	1,419
Other corporate costs		3,372	3,385
Total corporate expenses		12,385	12,397
Amounts capitalized to investment properties under development		(2,398)	(2,331)
Corporate expenses	\$	9,987	\$ 10,066

20. OTHER GAINS (LOSSES) AND (EXPENSES)

	Three months ended March 31	
	2020	2019
Realized gain (loss) on sale of marketable securities	\$ —	\$ 1,164
Unrealized gain (loss) on marketable securities	(1,342)	275
Investment properties selling costs	(2,025)	(324)
REIT conversion costs	(906)	(224)
Transaction costs (a)	—	(3,414)
Other	41	(217)
Total	\$ (4,232)	\$ (2,740)

- (a) During the first quarter of 2019, the Company paid \$9.0 million or 50% of the underwriters' commission as part of the secondary offering by Gazit of 22 million of the FCR shares. Given the cross-conditional nature of the secondary offering and the share repurchase transaction, the \$9.0 million was allocated to both the share repurchase (\$5.6 million) and the secondary offering (\$3.4 million). The amount allocated to the secondary offering was recorded in other gains (losses) and (expenses) during the first quarter of 2019.

21. INCOME TAXES

The Trust qualifies for the REIT Exemption and as such the Trust itself will not be subject to income taxes provided it continues to qualify as a REIT for purposes of the Act. A REIT is not taxable and not considered to be a Specified Investment Flow-Through Trust provided it complies with certain tests and distributes all of its taxable income in a taxation year to its unitholders. The Trust is a flow-through vehicle and accounts only for income taxes pertaining to its corporate subsidiaries. The Trust's most significant corporate subsidiary, First Capital Realty Inc., is a Mutual Fund Corporation.

The following reconciles the expected tax expense computed at the statutory tax rate to the actual tax expense for the three months ended March 31, 2020 relating to the Trust and for the three months ended March 31, 2019 relating to the Company.

	Three months ended March 31	
	2020	2019
Income tax computed at the Canadian statutory rate of Nil applicable to the Trust at March 31, 2020; the Canadian federal and provincial tax rate of 26.6% applicable to the Company at March 31, 2019	\$ —	\$ 20,887
Increase (decrease) in income taxes due to:		
Non-taxable portion of capital gains and other	—	(3,885)
Deferred income taxes applicable to corporate subsidiaries	(717)	—
Non-controlling interests in income of consolidated limited partnership	—	(16)
Other	(748)	(678)
Deferred income taxes	\$ (1,465)	\$ 16,308

22. RISK MANAGEMENT

In the normal course of its business, First Capital 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

First Capital 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 FCR's mortgages, loans and credit facilities are floating rate instruments. From time to time, FCR 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. First Capital 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 March 31, 2020, Loblaw Companies Limited ("Loblaw") is FCR's largest tenant and accounts for 10.2% of FCR's annualized minimum rent and has an investment grade credit rating. Other than Loblaw, no other tenant accounts for more than 10% of the annualized minimum rent. A tenant's success over the term of its lease and its ability to fulfill its lease obligations is subject to many factors. There can be no assurance that a tenant will be able to fulfill all of its existing commitments and leases up to the expiry date. First Capital mitigates the risk of credit loss from debtors by undertaking a number of activities typical in lending arrangements including obtaining registered mortgages on the real estate properties.

First Capital'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 First Capital's ability to sell components of its portfolio promptly in response to changing economic or investment conditions. If FCR 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 First Capital's contractual maturities of its material financial liabilities and other contractual commitments as at March 31, 2020 is set out below:

As at March 31, 2020	Payments Due by Period				
	Remainder of 2020	2021 to 2022	2023 to 2024	Thereafter	Total
Scheduled mortgage principal amortization	\$ 21,241	\$ 58,124	\$ 58,853	\$ 104,813	\$ 243,031
Mortgage principal repayments on maturity	45,858	168,959	108,477	746,718	1,070,012
Credit facilities and bank indebtedness	29,909	363,092	495,781	250,000	1,138,782
Senior unsecured debentures	175,000	625,000	600,000	1,100,000	2,500,000
Interest obligations ⁽¹⁾	132,216	309,720	216,064	174,881	832,881
Land leases (expiring between 2023 and 2061)	900	2,413	1,489	16,808	21,610
Contractual committed costs to complete current development projects	62,617	6,464	—	—	69,081
Other committed costs	7,028	—	—	—	7,028
Total contractual obligations	\$ 474,769	\$ 1,533,772	\$ 1,480,664	\$ 2,393,220	\$ 5,882,425

⁽¹⁾ Interest obligations include expected interest payments on mortgages and credit facilities as at March 31, 2020 (assuming balances remain outstanding through to maturity), and senior unsecured debentures, as well as standby credit facility fees.

First Capital 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 March 31, 2020, there

was \$1.0 billion (December 31, 2019 – \$0.8 billion) of cash advances drawn against First Capital's unsecured credit facilities.

In addition, as at March 31, 2020, First Capital has \$35.4 million (December 31, 2019 – \$33.3 million) of outstanding letters of credit issued by financial institutions primarily to support certain of FCR's contractual obligations and nil (December 31, 2019 – \$0.1 million) of bank overdrafts.

(d) Unit price risk

First Capital is exposed to Trust Unit price risk as a result of the issuance of Exchangeable Units, which are economically equivalent to and exchangeable for Trust Units, as well as the issuance of unit-based compensation. Exchangeable Units and unit-based compensation liabilities are recorded at their fair value based on market trading prices. Exchangeable Units and unit-based compensation negatively impact operating income when the Trust Unit price rises and positively impact operating income when the Trust Unit price declines.

23. FAIR VALUE MEASUREMENT

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

As at	March 31, 2020			December 31, 2019		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Measured at fair value						
Financial Assets						
FVTPL investments in securities	\$ 2,607	\$ —	\$ —	\$ 3,949	\$ —	\$ —
Loans and mortgages receivable	—	—	21,262	—	—	20,858
Other investments	—	—	12,302	—	—	12,302
Derivatives at fair value – assets	—	4,571	—	—	5,303	—
Financial Liabilities						
Exchangeable Units	—	16,492	—	—	25,010	—
Unit-based compensation plans	—	8,054	—	—	19,187	—
Derivatives at fair value – liabilities	—	51,351	—	—	4,686	—
Measured at amortized cost						
Financial Assets						
Loans and mortgages receivable	—	—	114,789	—	—	124,740
Bond asset	—	14,378	—	—	14,513	—
Financial Liabilities						
Mortgages	—	1,302,133	—	—	1,346,852	—
Credit facilities	—	1,138,782	—	—	899,165	—
Senior unsecured debentures	\$ —	\$ 2,523,364	\$ —	\$ —	\$ 2,580,365	\$ —

First Capital 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 First Capital has applied hedge accounting, the change in fair value for the effective portion of the derivative is recorded in OCI from the date of designation. For those derivative instruments to which First Capital 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 March 31, 2020, the interest rates ranged from 0.5% to 2.6% (December 31, 2019 – 1.7% to 3.7%). The fair values of First Capital's asset (liability) hedging instruments are as follows:

	Designated as Hedging Instrument	Maturity as at March 31, 2020	March 31, 2020	December 31, 2019
Derivative assets				
Bond forward contracts	Yes	May 2020	\$ 124	\$ 2,372
Interest rate swaps	Yes	N/A	—	2,931
Cross currency swaps	No	April 2020	4,447	—
Total			\$ 4,571	\$ 5,303
Derivative liabilities				
Bond forward contracts	Yes	May 2020	\$ 3,922	\$ —
Interest rate swaps	Yes	April 2024 - March 2027	43,210	1,677
Cross currency swaps	No	April 2020	4,219	3,009
Total			\$ 51,351	\$ 4,686

24. SUBSIDIARIES WITH NON-CONTROLLING INTEREST

As at March 31, 2020 First Capital has interests in two entities that it controls and consolidates 100% of the assets, liabilities, revenues and expenses of each entity subject to a non-controlling interest.

Name of Entity	Primary Investment	Effective Ownership	
		March 31, 2020	December 31, 2019
Main and Main Developments LP	46.875% Interest in MMUR ⁽¹⁾	67.0%	67.0%
Maincore Equities Inc. ⁽²⁾	46.875% Interest in MMUR ⁽¹⁾	70.9%	90.0%

⁽¹⁾ FCR has owned a 6.25% direct interest in MMUR since 2014.

⁽²⁾ FCR's ownership in Maincore Equities Inc. decreased due to the redemption of its class B common shares.

First Capital controls MMLP, a subsidiary in which it holds a 67% ownership interest.

During the third quarter of 2019, First Capital, together with its partner acquired the remaining 46.9% interest in MMUR from the exiting partner by acquiring the shares of Maincore Equities Inc.

During the quarter, one of the Trust's wholly owned subsidiaries purchased a property from MMUR, which is also a consolidated subsidiary. The entire proceeds from the sale were distributed to the limited partners, including \$24.4 million to the non-controlling interest partner.

25. SUPPLEMENTAL CASH FLOW INFORMATION

(a) Items not affecting cash and other items

		Three months ended March 31	
	Note	2020	2019
Straight-line rent adjustment	16	\$ (882)	\$ (971)
Incremental internal capitalized leasing costs			
Investment properties selling costs	20	2,025	324
Realized (gain) loss on sale of marketable securities	20	—	(1,164)
Unrealized (gain) loss on marketable securities classified as FVTPL	20	1,342	(275)
Transaction costs ⁽¹⁾	20	—	3,414
Unit-based compensation expense		1,117	1,533
Increase (decrease) in value of Exchangeable Units	13	(8,518)	—
Increase (decrease) in value of unit-based compensation	15	(8,483)	—
Deferred income taxes (recovery)	21	(1,465)	16,308
Other non-cash items		(41)	216
Total		\$ (14,905)	\$ 19,385

⁽¹⁾ Transaction costs incurred relate to the secondary offering by Gazit of 22 million of the Company's common shares.

(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 March 31	
		2020	2019
Amounts receivable	\$	(6,262)	\$ (10,560)
Prepaid expenses		(10,456)	(9,071)
Trade payables and accruals		7,501	(1,558)
Tenant security and other deposits		(4,704)	(5,183)
Other working capital changes		(108)	3,823
Total	\$	(14,029)	\$ (22,549)

(c) Changes in loans, mortgages and other assets

		Three months ended March 31	
		2020	2019
Advances of loans and mortgages receivable	\$	(4,439)	\$ (6,187)
Repayments of loans and mortgages receivable and deposits		18,371	36,427
Other investments, net		—	1,826
Proceeds from disposition of marketable securities		—	25,001
Total	\$	13,932	\$ 57,067

(d) Cash and cash equivalents

As at	March 31, 2020	December 31, 2019
Cash and cash equivalents ⁽¹⁾	\$ 247,159	\$ 25,503

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

26. COMMITMENTS AND CONTINGENCIES

- (a) First Capital 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 FCR.
- (b) First Capital is contingently liable, jointly and severally or as guarantor, for approximately \$77.5 million (December 31, 2019 – \$77.5 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) First Capital is contingently liable by way of letters of credit in the amount of \$35.4 million (December 31, 2019 – \$33.3 million), issued by financial institutions on FCR's behalf in the ordinary course of business.
- (d) First Capital has obligations as lessee under long-term leases for land. Annual commitments under these ground leases are approximately \$1.2 million (December 31, 2019 – \$1.2 million) with a total obligation of \$21.6 million (December 31, 2019 – \$21.9 million).
- (e) First Capital is contingently liable by way of a put option on its co-owners' 40% interest in the hotel property, subject to the co-owner providing thirty days' prior notice of its intent to exercise its option. As of March 31, 2020, no such notice has been received. The purchase price for the put option is based on a fixed price formula that results in a discount to current fair value of approximately 20%. The put option would be satisfied primarily through the settlement of a loan currently advanced from First Capital to the co-owner.

27. RELATED PARTY TRANSACTIONS

(a) Gazit-Globe

During the first quarter of 2020, Gazit sold its remaining 6.7% interest in FCR. In the second quarter of 2019, Gazit's ownership of First Capital was reduced to approximately 9.9% from 31.3% following the completion of the secondary offering and share repurchase transactions. As at March 31, 2020, Gazit is no longer a related party.

(b) Joint ventures

For the three months ended March 31, 2020, First Capital earned fee income of nil (March 31, 2019 - \$0.3 million) from its joint ventures.

During the three months ended March 31, 2020, First Capital also advanced nil (March 31, 2019 – \$0.3 million) to one of its joint ventures.

(c) Subsidiaries of the Trust

The unaudited interim condensed consolidated financial statements include the financial statements of First Capital Real Estate Investment Trust and all of its subsidiaries, including First Capital Realty Inc., First Capital REIT Limited Partnership and First Capital Holdings Trust. First Capital Realty Inc. and First Capital Holdings Trust are the significant subsidiaries of the Trust and are wholly owned.

28. SUBSEQUENT EVENTS

Monthly Distributions

On April 15, 2020, First Capital announced that it will pay a distribution, for the month of April, of \$0.072 per Trust Unit on May 15, 2020 to Unitholders of record on April 30, 2020.

Redemption of Senior Unsecured Debentures

On April 16, 2020, First Capital redeemed its remaining 5.60% Series M Senior Unsecured Debentures for \$175.0 million. The full redemption price and any accrued interest owing on the senior unsecured debentures was satisfied in cash.

Collection of April 2020 Rent

As of May 5, 2020, First Capital has collected approximately 74% of gross rents payable from tenants for the month of April, before considering the impact of deferred rents under the previously announced Small Business Support Program.

Unitholder Information

HEAD OFFICE

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

MONTREAL OFFICE

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

CALGARY OFFICE

815 – 17th Avenue SW, Suite 200
Calgary, Alberta T2T 0A1
Tel: 403 257 6888
Fax: 403 257 6899

EDMONTON OFFICE

Edmonton Brewery District
12068 – 104 Avenue, Suite 301
Edmonton, Alberta T5K 0K2
Tel: 780 475 3695

VANCOUVER OFFICE

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

TRANSFER AGENT

**Computershare Trust Company
of Canada**
100 University Avenue, 11th Floor
Toronto, Ontario M5J 2Y1
Toll-free: 1 800 564 6253

EXECUTIVE LEADERSHIP TEAM

Adam Paul
President and Chief Executive Officer

Kay Brekken
Executive Vice President and
Chief Financial Officer

Jordan Robins
Executive Vice President and
Chief Operating Officer

Carmine Francella
Senior Vice President, Leasing

Alison Harnick
Senior Vice President, General Counsel

Maryanne McDougald
Senior Vice President, Operations

Jodi Shpigel
Senior Vice President, Development

Michele Walkau
Senior Vice President, Brand & Culture

AUDITOR

Ernst & Young LLP
Toronto, Ontario

TRUSTEES

Bernard McDonell
Chair of the Board

Leonard Abramsky
Trustee

Paul Douglas
Trustee

Jon Hagan
Trustee

Annalisa King
Trustee

Al Mawani
Trustee

Adam Paul
Trustee

Dori Segal
Trustee

Andrea Stephen
Trustee



85 HANNA AVENUE, SUITE 400, TORONTO, ONTARIO M6K 3S3