



## FIRST CAPITAL REIT ANNOUNCES SECOND QUARTER 2020 RESULTS

**Toronto, Ontario (August 5, 2020)** - First Capital Real Estate Investment Trust ("First Capital" or the "Trust") (TSX: FCR.UN) a leading developer, owner and manager of mixed-use real estate located in Canada's most densely populated cities, announced today financial results for the three and six months ended June 30, 2020.

### COVID-19 Update

First Capital's tenant mix has been designed to provide consumers with their everyday needs, as such, many of its tenants were deemed essential by governments across Canada and remained open during the quarter. Since mid-May, governments began to allow phased re-openings of deemed non-essential tenants with the vast majority of First Capital's tenants open for business by the end of the quarter. As of August 5th, 2020, approximately 96% of First Capital's tenants were open for business.

To support small and medium-sized businesses that were mandated to close, the federal government implemented the Canada Emergency Commercial Rental Assistance ("CECRA") program. The program is applicable for the months of April through August 2020. Under the program, the property owner abates 75% of the qualifying tenant's gross rent, the government extends a forgivable loan to the property owner equal to 50% of the total gross rent, and the remaining 25% of gross rent is to be paid by the tenant. First Capital views the program as an investment in the financial health of its qualifying tenants that will benefit them positively and will also benefit First Capital as these are otherwise thriving and profitable businesses. As such, First Capital is committed to fully supporting its qualifying tenants through participation in the program as currently outlined.

During the second quarter, First Capital recorded, in property operating costs, \$16.8 million of total bad debt expense related to the anticipated impact of COVID-19 and the CECRA program. In accordance with the accounting standards, First Capital elected to record the full April through June impact of CECRA in the quarter. As such, First Capital recorded the tenants' rental abatement net of the related government receivable as bad debt expense in the amount of \$7.9 million for the CECRA program. First Capital recorded an additional \$8.9 million of bad debt expense to provide for other potential uncollectible receivables as a result of COVID-19. Due to the uncertainty of the full impact of COVID-19 on tenants with prolonged closures, First Capital took a conservative view on the collectability of rent due from these tenants. Additionally, First Capital assumed full participation in the CECRA program by all tenants estimated to be eligible. The impact of the increased bad debt expense was a \$0.075 decrease in FFO and in Net Income per unit. First Capital expects to record a smaller expense in the third quarter related to the CECRA program, which extends two months into the quarter.

Overall, First Capital collected 75% of the gross rent due in the second quarter, before any deferrals or abatements. Adjusting for approved deferrals and abatements, First Capital collected 93% of the gross rent due in the second quarter. To date, First Capital collected 79% of the gross rent due for the month of July or 96% after adjusting for approved deferrals and abatements.

First Capital believes, based on its exceptionally high-quality portfolio which has always been focused on everyday essentials, that it will continue to have high tenant demand for its space and consequently low re-leasing risk for any potential vacancy as a result of COVID-19. This has proven true thus far with the limited space that has become vacant, some of which has already been re-leased.

Construction at five of First Capital's development projects was temporarily halted late in the first quarter due to government lockdowns. Construction on all projects resumed during the second quarter. All projects experienced only minor delays and are progressing towards completion within similar timeframes as originally planned.

As the full extent and duration of the financial impact of COVID-19 on the economy remains uncertain, First Capital has continued to take proactive measures to maintain its financial strength and increase flexibility during this time. At the onset of the pandemic, First Capital implemented a cost reduction program with a goal to reduce property operating costs, general and administrative expenses, elective capital expenditures and planned development spend by \$75 million by the end of the year. First Capital is on track to achieve this target.

First Capital also continues to maintain a strong balance sheet. As of August 5, 2020, the Trust's liquidity position includes approximately \$770 million of cash and undrawn credit facilities and remaining debt maturities for 2020 total \$65 million. As at the quarter end, the Trust had unencumbered properties with an IFRS value of approximately \$7.0 billion and a net debt to asset ratio of 47.3%.

As a way to support FCR's independent grocery and restaurant tenants and to show its gratitude and thanks for the tireless efforts of front line and community service workers, First Capital has delivered over 1,300 delicious and nutritious meals to these modern-day heroes. From hospital and emergency service workers to staff and patrons at men and women's shelters, the meal delivery program is a win-win partnership between First Capital and its independent food tenants across Canada. First Capital will continue to support our neighbourhoods through this initiative.

Adam Paul, President and CEO of First Capital, said, "The impact of COVID-19 and related government lockdowns were most pronounced in the second quarter and this is fully reflected in our results. During the quarter we took significant steps to support the future economic health of our tenants. This includes our largest ever investment in our tenant base through rent relief and full participation in the government's CECRA program for tenants most impacted by the lockdowns, that are otherwise thriving and profitable businesses."

Mr. Paul continued, "As more and more of our retail tenants are permitted to open and fully operate, we are seeing a commensurate increase in demand within FCR's high quality portfolio. Occupancy is a healthy 96.3% supported by 438,000 square feet of renewals with an average rental rate increase of over 10% and 131,000 square feet of new tenant openings, all during the second quarter. The significant high-grading of our portfolio

over the last 18 months combined with our essential service focused tenant base will serve us well as the economic recovery continues.”

## SELECTED FINANCIAL INFORMATION

(unaudited)	Three months ended June 30		Six months ended June 30	
	2020	2019	2020	2019
FFO <sup>(1)</sup> (\$ millions)	\$47.5	\$70.2	\$101.3	\$145.9
FFO per diluted unit <sup>(1)</sup>	\$0.22	\$0.31	\$0.46	\$0.61
Total Same Property NOI <sup>(1)</sup> (\$ millions)	\$77.4	\$92.6	\$168.5	\$186.2
Total Same Property NOI growth <sup>(1) (2)</sup>	(16.5%)	1.9%	(9.5%)	3.5%
Total portfolio occupancy <sup>(3)</sup>	96.3%	96.8%		
Total Same Property occupancy <sup>(1) (3)</sup>	96.4%	97.2%		
Net income (loss) attributable to unitholders (\$ millions)	\$10.5	\$81.2	(\$45.8)	\$143.4
Net income (loss) attributable to unitholders per diluted unit	\$0.05	\$0.36	(\$0.21)	\$0.59
Weighted average diluted units for FFO and net income (000s)	220,492	226,417	220,460	241,203

(1) Refer to “Non-IFRS Financial Measures” section of this press release.

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

(3) As at June 30.

## SECOND QUARTER OPERATIONAL AND FINANCIAL HIGHLIGHTS

- **Same Property NOI Growth:** Total Same Property NOI increased 1.3%, excluding the increased bad debt expense related to CECRA and COVID-19 and the year over year change in lease termination fees.
- **Portfolio Occupancy Rate:** Total portfolio occupancy, for the second quarter, was largely unimpacted by COVID-19 declining only 0.1% from 96.4% at March 31, 2020 to 96.3% at June 30, 2020. Total portfolio occupancy declined 0.5% from 96.8% at June 30, 2019 to 96.3% at June 30, 2020.
- **Lease Renewal Rate Increase:** The net rental rate on 438,000 square feet of leases renewed in the quarter increased 10.2%, exceeding the 10 year average growth rate for lease renewal rate increases. This was the sixth consecutive quarter of double-digit renewal lifts when comparing the rental rate in the last year of the expiring term versus the first year of the renewal term. Net rental rates on the leases renewed in the quarter increased 13.3% when comparing the rental rate in the last year of the expiring term versus the average rental rate over the renewal term.
- **Growth in Average Net Rental Rate:** The average net rental rate increased \$1.12 per square foot representing very strong year over year growth of 5.4%. The strong growth was primarily due to renewal lifts, rent escalations and dispositions.
- **Property Investments:** First Capital invested \$39.0 million in development and redevelopment in the quarter.
- **Property Dispositions:** During the quarter, First Capital completed dispositions of \$53.5 million, comprised of its entire Windsor, Ontario portfolio as well as its only two properties located in Sherbrooke, Quebec, all of which were inconsistent with its Super Urban Strategy. Over the past 18 months, First Capital has completed

\$1.0 billion of strategic dispositions to further align its portfolio with its Super Urban Strategy and to reduce leverage.

- **FFO per Diluted Unit:** FFO, excluding the increased bad debt expense, decreased as expected by \$0.02 per diluted unit over the prior year period. The decrease was primarily due to property dispositions partially offset by lower interest expense.
- **Net Income (Loss) Attributable to Unitholders:** For the three months ended June 30, 2020, First Capital recognized net income of \$10.5 million or \$0.05 per diluted unit compared to \$81.2 million or \$0.36 per diluted unit for the same prior year period. The decrease was primarily due to a \$44.2 million reduction in the fair value of investment properties, \$16.8 million of bad debt expense and lower NOI of \$11.3 million due to property dispositions over the prior year period.

## FINANCIAL AND OTHER HIGHLIGHTS

As at (\$ millions)	June 30		December 31
	2020	2019	2019
Total assets <sup>(1)</sup>	<b>\$10,037</b>	\$10,375	\$10,161
Total assets held for sale	<b>\$29</b>	\$406	\$159
Unencumbered assets <sup>(2)</sup>	<b>\$6,983</b>	\$6,956	\$7,037
Net Asset Value per unit	<b>\$22.40</b>	\$22.88	\$23.39
Population Density <sup>(3)</sup>	<b>294,000</b>	265,000	290,000
Net debt to total assets <sup>(2)</sup>	<b>47.3%</b>	48.9%	46.7%
Weighted average term of fixed-rate debt (years) <sup>(2)</sup>	<b>4.9</b>	5.3	5.1

<sup>(1)</sup> Presented in accordance with IFRS.

<sup>(2)</sup> Reflects joint ventures proportionately consolidated

<sup>(3)</sup> The portfolio's average population density within a five kilometre radius of its properties.

## SUBSEQUENT EVENTS

### Monthly Distributions

On July 15, 2020, First Capital announced that it will pay a distribution, for the month of July, of \$0.072 per Trust Unit on August 17, 2020 to Unitholders of record on July 31, 2020.

### New Mortgage Funding

Subsequent to June 30, 2020, First Capital funded a new 10-year \$116 million mortgage bearing interest at 2.72%. The proceeds were used to pay down a portion of the balance outstanding on the Trust's revolving credit facility, which further enhanced First Capital's liquidity position.

## ANNUAL MEETING OF UNITHOLDERS

First Capital's annual meeting of unitholders will take place on September 29, 2020. Due to the ongoing health risk related to the COVID-19 pandemic, and continuing government restrictions on public gatherings in support of physical distancing, the meeting will be held in a virtual format. Information on how to attend, participate and vote at the virtual meeting online will be contained in First Capital's management information circular in respect of the meeting.

## **MANAGEMENT CONFERENCE CALL AND WEBCAST**

First Capital invites you to participate at 1:30 p.m. (ET) on Thursday, August 6, 2020, in a live conference call with senior management to discuss First Capital's results for the three and six months ended June 30, 2020.

### ***Teleconference***

You can participate in the live conference by dialing 416-641-6104 or toll-free 1-800-898-3989 with access code 8726482#. The call will be accessible for replay until September 8, 2020 by dialing 905-694-9451 or toll-free 1-800-408-3053 with access code 7474477#.

### ***Webcast***

To access the live audio webcast and conference call presentation, please go to First Capital's website or click on the following link: [Q2 2020 Conference Call](#). The webcast will be accessible for replay in the 'Investors' section of the website.

Management's presentation will be followed by a question and answer period. To ask a question, press '1' followed by '4' on a touch-tone phone. The conference call coordinator is immediately notified of all requests in the order in which they are made, and will introduce each questioner. To cancel your request, press '1' followed by '3'. For assistance at any point during the call, press '\*0'.

## **ABOUT FIRST CAPITAL REIT (TSX: FCR.UN)**

First Capital is a leading developer, owner and manager of mixed-use real estate located in Canada's most densely populated cities. First Capital's focus is on creating thriving urban neighbourhoods to generate value for businesses, residents, communities and our investors.

### **Non-IFRS Financial Measures**

*First Capital prepares and releases unaudited interim and audited annual consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). As a complement to results provided in accordance with IFRS, First Capital discloses certain non-IFRS financial measures, including but not limited to proportionate interest, NOI, Same Property NOI, FFO and ACFO. These non-IFRS measures are further defined and discussed in First Capital's MD&A for the six months ended June 30, 2020, which should be read in conjunction with this press release. Since these non-IFRS measures do not have standardized meanings prescribed by IFRS, they may not be comparable to similar measures reported by other issuers. First Capital uses and presents the above non-IFRS measures as management believes they are commonly accepted and meaningful financial measures of operating performance. Reconciliations of certain non-IFRS measures to their nearest IFRS measures are included in First Capital's MD&A. These non-IFRS measures should not be construed as alternatives to net income or cash flow from operating activities determined in accordance with IFRS as measures of First Capital's operating performance.*

### **Forward-looking Statement Advisory**

*This press release contains forward-looking statements and information within the meaning of applicable securities law, including with respect to the anticipated impact of the COVID-19 pandemic and measures taken to mitigate the impact of the pandemic. These forward-looking statements are not historical facts but, rather, reflect First Capital's current expectations and are subject to risks and uncertainties that could cause the outcome to differ materially from current expectations. Such risks and uncertainties include, among others, general economic*

*conditions; tenant financial difficulties, defaults and bankruptcies; 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; development, intensification and acquisition activities; residential development, sales and leasing; risks in joint ventures; environmental liability and compliance costs and uninsured losses; and risks and uncertainties related to the impact of COVID-19 on First Capital, including the length, spread and severity of the pandemic, the nature and extent of measures taken by all levels of government to mitigate against the severity and spread of the virus, the changing retail environment, the impact of the virus and responses thereto on: First Capital's tenants' ability to pay rent in full or at all, an increase in vacancy, domestic and global credit and capital markets, First Capital's ability to access capital on favourable terms or at all, the health and safety of First Capital's employees and its tenants' personnel, and, domestic and global supply chains, among other risks relating to COVID-19 which are described in First Capital's MD&A for the six months ended June 30, 2020 under the heading "Risks and Uncertainties - COVID-19". Additionally, forward-looking statements are subject to those risks and uncertainties discussed in First Capital's MD&A for the year ended December 31, 2019 and in its current Annual Information Form. Readers, therefore, should not place undue reliance on any such forward-looking statements.*

*First Capital undertakes no obligation to publicly update any such forward-looking 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 press release are made as of the date hereof and are qualified by these cautionary statements.*

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