



MANAGEMENT'S DISCUSSION & ANALYSIS
AND CONSOLIDATED FINANCIAL STATEMENTS

SECOND 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, 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 August 5, 2020 and are qualified by these cautionary statements.

CORPORATE PROFILE

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.

Business and Strategy Overview

Our business

First Capital Real Estate Investment Trust, with **\$10.0 billion** in assets, is a leading developer, owner and manager of mixed-use real estate located in Canada's most densely populated cities.

Our purpose

Creating thriving urban neighbourhoods to generate 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



149
NEIGHBOURHOODS



22.8M
SQ. FT. OF GLA



4,046
TENANTS



369
EMPLOYEES

Added to the S&P/TSX Capped
REIT Index in June 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 2019 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

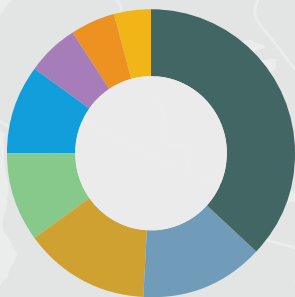
We target specific super urban neighbourhoods within Canada's largest and fastest growing cities.



These neighbourhoods are located in Toronto, Montreal, Vancouver, Edmonton, Calgary 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	14%
Greater Calgary Area	14%
Greater Vancouver Area	10%
Greater Edmonton Area	10%
Greater Ottawa Area	6%
Kitchener/Waterloo/Guelph Area	5%
Other	3%

% of Portfolio Value*

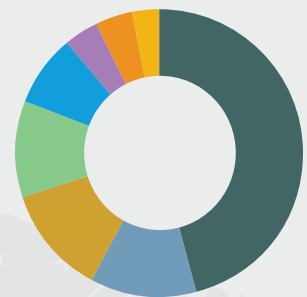
Greater Toronto Area	48%
Greater Montreal Area	12%
Greater Calgary Area	12%
Greater Vancouver Area	11%
Greater Edmonton Area	8%
Greater Ottawa Area	4%
Kitchener/Waterloo/Guelph Area	3%
Other	2%

Total

100%

100%

*As at June 30, 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	118	17.0	Loblaws Sobeys metro save on foods WHOLE FOODS Longo's
Medical, Professional & Personal Services	1,360	15.4	Alberta Health Services UPS Allstate H&R BLOCK Fikes Hair Salons
Restaurants and Cafes	950	14.5	Tim Hortons Starbucks RECIPE freshii McDonald's aroma Chick-fil-A
Pharmacies	118	9.1	SHOPPERS DRUG MART Rexall LONDON DRUGS Jean Coutu McKesson Brunet
Banks & Credit Unions	191	8.2	TD RBC CIBC BMO Desjardins NATIONAL BANK
Fitness Facilities	81	3.7	GoodLife FITNESS EQUINOX LAIFITNESS Orangetheory ANYTIME FITNESS SOULCYCLE
Liquor Stores	92	3.4	LCBO BEER STORE BC LIQUORSTORE SAO ALCANNA WESTERN CELLARS
Daycare & Learning Centres	102	1.5	KUMON brightpath OXFORD kids & COMPANY Willowbrae ROTHWOOD ACADEMY
Other Necessity-Based Retailers	502	18.4	Walmart DOLLARAMA Bulk Barn WINNERS PETSMART
Other Tenants	532	8.8	Indigo west elm SleepCountry NORDSTROM SHERWIN WILLIAMS CHANEL

As at June 30, 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.

294,000 

Average population density within a five-kilometre radius of each of our properties, up 89,000 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 Senior 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 2019 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

SILVER

Awarded Silver 2020 Green Lease Leader Recognition by the Institute for Market Transformation (IMT) and the U.S. Department of Energy's Better Building Alliance

**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

- 10% reduction in absolute greenhouse gas (GHG) emissions over 5 years (2015-2019)
- 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's Top 2020 Employers
- Named one of Canada's Top Small and Medium Employers for 2020
- Best in class employee engagement score in most recent employee survey



Be a good corporate citizen in the communities we operate

- Signed the CEO pledge in support of The BlackNorth Initiative with the primary goal to take bold action on anti-black and other forms of systemic racism in Canada
- 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
- Launched FCR's Small Business Support Program to assist qualifying tenants during the COVID-19 pandemic
- Supporting eligible tenants through participation in Canada Emergency Commercial Rent Assistance program
- Supporting frontline and community service workers by delivering 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

At First Capital, we aspire to uphold our position as an industry leader in sustainability. We strive for performance excellence at our properties and new developments, creating thriving, healthy, sustainable urban neighbourhoods. We foster a vibrant corporate culture that ensures equal opportunity and well-being for all employees. Through our actions we will continue to create long-term value for all of our stakeholders. For more information on the Company's ESG practices, please refer to the latest Corporate Responsibility & Sustainability report on the Company's website at www.fcr.ca/sustainability.



MD&A

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

INTRODUCTION

This Management's Discussion and Analysis ("MD&A") of the financial position and results of operations of First Capital 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 and six months ended June 30, 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 August 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

As a result of the COVID-19 pandemic, governments across Canada mandated the closure of non-essential businesses beginning in mid-March 2020. 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 5, 2020, approximately 96% of First Capital's tenants were open for business.

FCR has followed all governmental directives to ensure the safety of its employees, tenants, customers, and neighbours during the pandemic. In March, First Capital initiated physical distancing protocols for employees, including working remotely, for all staff other than its essential Property Operations Team. As the phased re-opening of its offices began in July, FCR implemented additional measures and training to maintain the health and safety of employees. Signage was added throughout the office spaces to direct employees on safe habits and personal protective equipment has been provided.

Actively managing assets

First Capital operates a portfolio of assets primarily 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 that were classified as essential and remained open under the directives issued by the applicable governments across Canada. FCR's Property Operations Team continues to work together with its tenants to provide safe spaces for their employees and customers. Signage has been installed to guide tenants' employees and customers through the properties and maintain safe physical distancing. FCR will continue to focus on health and safety at its properties, substantially all of which are grocery and pharmacy anchored, to minimize risk while continuing to serve the neighbourhood's needs.

Supporting our tenants

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 recognizes that small businesses play an important role in the neighbourhoods where FCR operates. In late March, FCR announced the launch of its Small Business Support Program ("SBSP"), to provide up to \$30 million of support to qualifying tenants in the form of deferred rent. During the quarter, the federal government implemented the Canada Emergency Commercial Rental Assistance ("CECRA") program to support small and medium sized businesses that were mandated to close, which largely replaced FCR's SBSP. The CECRA 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 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, FCR 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 net income per unit. First Capital expects to record a smaller bad debt expense in the third quarter related to the CECRA program, which extends two months into the quarter.

In addition to participating in the CECRA program, First Capital is providing savings to tenants from FCR's participation in the Canada Emergency Wage Subsidy ("CEWS") program. The wage subsidy results in a reduction in property operations personnel costs that will be passed on to tenants through lower operating cost recoveries.

First Capital 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.

Supporting our Communities

As a way to support First Capital'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 its neighbourhoods through this initiative.

Managing the balance sheet

The full extent and duration of the financial impact of COVID-19 on communities and the economy remains uncertain. 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. FCR anticipates reductions in planned spending to total approximately \$75 million by the end of the year. First Capital is on track to achieve this target.
- 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.
- First Capital is maintaining 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 only

\$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%.

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 \$134.1 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 half of 2020, \$134.3 million of strategic dispositions were completed increasing the total dispositions to approximately \$1.0 billion. As a result of the pandemic and the disruption in the financial markets, the property transaction market slowed considerably pending market and economic stabilization. Accordingly, FCR's disposition program had been temporarily paused throughout most of the second quarter but has since resumed.

Development initiatives

Construction at five of First Capital's development projects was temporarily halted late in the first quarter under government directives. 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.

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. For the first half of 2020, FCR submitted applications for approximately 1.0 million square feet. Due to the COVID-19 pandemic, municipal offices were initially functioning at reduced capacity early in the second quarter but had, for the most part, resumed normal activities by the end of the quarter. Due to these earlier delays, FCR expects to achieve approximately 50% of its planned goal for 2020 entitlement submissions.

Management continues to monitor the economic impacts of COVID-19 on the valuation of the portfolio, including properties under development. As of June 30, 2020, FCR had approximately 0.6 million square feet under active development of which 0.4 million square feet is residential rental apartments. 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 much 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, 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.

First Capital believes, based on its exceptionally high quality portfolio which has always been focused on everyday essentials, that it will continue to attract 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.

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 or shares outstanding as at the end of the period. For purposes of calculating per unit amounts for NAV, the number of diluted units or shares outstanding includes all 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.

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 (20.3 million square feet at its ownership interest compared to 22.8 million square feet at 100% as at June 30, 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

	Three months ended June 30		Six months ended June 30	
	2020	2019	2020	2019
Revenues, Income and Cash Flows ⁽¹⁾				
Revenues and other income	\$ 165,785	\$ 193,829	\$ 345,060	\$ 398,850
NOI ⁽²⁾	\$ 88,768	\$ 115,994	\$ 191,908	\$ 231,425
Increase (decrease) in value of investment properties, net	\$ (32,999)	\$ 11,154	\$ (152,239)	\$ 16,207
Increase (decrease) in value of hotel property	\$ (4,327)	\$ —	\$ (4,327)	\$ —
Net income (loss) attributable to Unitholders / Shareholders	\$ 10,530	\$ 81,244	\$ (45,828)	\$ 143,396
Net income (loss) per unit / share attributable to Unitholders / Shareholders (diluted)	\$ 0.05	\$ 0.36	\$ (0.21)	\$ 0.59
Weighted average number of units / shares - diluted (in thousands)	220,492	226,417	220,460	241,203
Cash provided by operating activities	\$ 46,249	\$ 43,106	\$ 83,299	\$ 91,988
Distributions / Dividends				
Distributions / Dividends declared	\$ 46,915	\$ 47,325	\$ 93,807	\$ 102,310
Distributions declared per unit	\$ 0.215	\$ —	\$ 0.430	\$ —
Dividends declared per common share	\$ —	\$ 0.215	\$ —	\$ 0.430
Cash distributions / dividends paid	\$ 46,915	\$ 54,832	\$ 93,789	\$ 109,620
As at June 30				
			2020	2019
Financial Information ⁽¹⁾				
Investment properties ⁽³⁾			\$ 9,513,529	\$ 9,699,553
Hotel property			\$ 55,620	\$ 58,526
Total assets			\$10,037,370	\$10,375,405
Mortgages ⁽³⁾			\$ 1,301,741	\$ 1,462,784
Credit facilities			\$ 1,132,301	\$ 1,088,274
Senior unsecured debentures			\$ 2,322,737	\$ 2,447,786
Exchangeable Units			\$ 16,794	\$ —
Unitholders' / Shareholders' equity			\$ 4,252,417	\$ 4,252,318
Net Asset Value per unit / share ⁽²⁾			\$ 22.40	\$ 22.90
Capitalization and Leverage				
Trust Units / Shares outstanding (in thousands)			218,209	219,090
Exchangeable Units			1,210	N/A
Enterprise value ⁽²⁾			\$ 7,849,000	\$ 9,903,000
Net debt to total assets ^{(2) (4)}			47.3%	48.9%
Weighted average term to maturity on mortgages, fixed rate unsecured term loans and senior unsecured debentures (years)			4.9	5.3

As at June 30	2020	2019
Operational Information		
Number of neighbourhoods	149	163
GLA (square feet) - at 100%	22,844,000	25,294,000
GLA (square feet) - at ownership interest	20,250,000	23,136,000
Occupancy - Same Property - stable ⁽²⁾	96.5%	97.1%
Total portfolio occupancy	96.3%	96.8%
Development pipeline and adjacent land (GLA) ⁽⁵⁾		
Commercial pipeline (primarily retail)	2,238,000	2,430,000
Residential pipeline	22,805,000	20,662,000
Average rate per occupied square foot	\$ 21.70	\$ 20.58
Commercial GLA developed and transferred online - at ownership interest	19,000	81,000
Residential units developed and transferred online	52	—
Same Property - stable NOI - increase (decrease) over prior period ^{(2) (6)}	(7.6%)	2.7%
Total Same Property NOI - increase (decrease) over prior period ^{(2) (6)}	(9.5%)	3.5%

	Three months ended June 30		Six months ended June 30	
	2020	2019	2020	2019
Funds from Operations ^{(2) (4)}				
FFO	\$ 47,462	\$ 70,229	\$ 101,318	\$ 145,882
FFO per diluted unit / share	\$ 0.22	\$ 0.31	\$ 0.46	\$ 0.61
FFO payout ratio	100.0%	69.4%	93.5%	71.1%
Weighted average number of units / shares - diluted (in thousands)	220,492	226,417	220,460	241,203
Adjusted Cash Flow from Operations ^{(2) (4)}				
ACFO	\$ 36,500	\$ 70,855	\$ 75,430	\$ 123,325
ACFO payout ratio on a rolling four quarter basis			91.9%	81.6%

⁽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 June 30, 2020, First Capital had interests in 149 neighbourhoods, which were 96.3% occupied with a total GLA of 20.3 million square feet at FCR's ownership interest (22.8 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 18.3 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 89.9% of FCR's neighbourhood count, 90.6% of its GLA at FCR's ownership interest and 79.7% of its fair value as at June 30, 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	June 30, 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	80.3 %	16,250	96.5 %	\$ 21.54	77.7 %	16,265	97.2 %	\$ 21.42
Same Property with redevelopment	10.3 %	2,090	95.9 %	18.53	10.0 %	2,093	96.3 %	18.13
Total Same Property	90.6 %	18,340	96.4 %	21.20	87.7 %	18,358	97.1 %	21.05
Major redevelopment	7.0 %	1,413	94.9 %	26.83	6.8 %	1,431	96.0 %	25.82
Ground-up development	1.4 %	291	99.3 %	31.42	1.3 %	279	99.2 %	32.36
Acquisitions ⁽¹⁾	0.3 %	66	100.0 %	23.15	0.1 %	24	100.0 %	29.57
Investment properties classified as held for sale	0.7 %	140	90.3 %	13.93	0.8 %	140	90.3 %	13.88
Dispositions	— %	—	— %	—	3.3 %	695	93.5 %	13.51
Total	100.0 %	20,250	96.3 %	\$ 21.70	100.0 %	20,927	96.9 %	\$ 21.25

⁽¹⁾ Includes current year and prior year acquisitions.

MANAGEMENT'S DISCUSSION AND ANALYSIS – continued

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

As at	June 30, 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	6,859	\$ 4,549	48 %	96.0 %	\$ 24.74	38 %	50	6,840	\$ 4,580	47 %	96.6 %	\$ 24.43	37 %	
Greater Montreal Area	28	3,567	1,110	12 %	96.5 %	16.77	14 %	32	3,860	1,187	12 %	96.5 %	16.46	14 %	
Greater Calgary Area	17	2,723	1,175	12 %	95.4 %	23.31	14 %	17	2,723	1,200	12 %	97.1 %	23.24	14 %	
Greater Vancouver Area	16	1,746	1,036	11 %	96.8 %	25.52	10 %	17	1,785	1,059	11 %	97.3 %	25.16	10 %	
Greater Edmonton Area	11	2,284	796	8 %	96.1 %	19.65	10 %	11	2,279	811	8 %	96.7 %	19.44	10 %	
Greater Ottawa Area	13	1,304	400	4 %	97.6 %	18.96	6 %	13	1,304	399	4 %	97.1 %	18.85	6 %	
Kitchener/ Waterloo/ Guelph Area	5	1,042	329	3 %	96.3 %	18.79	5 %	5	1,042	334	3 %	99.3 %	18.83	5 %	
Other	9	725	196	2 %	99.4 %	17.73	3 %	11	1,094	254	3 %	96.4 %	15.80	4 %	
Total	149	20,250	\$ 9,591	100 %	96.3 %	\$ 21.70	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 June 30, 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 June 30, 2020	Six months ended June 30, 2020
(millions of dollars)	Investment Properties	Investment Properties
Balance at beginning of period	\$ 9,552	\$ 9,752
Acquisitions ⁽¹⁾		
Investment properties and additional adjacent spaces	—	—
Development activities and property improvements	48	102
Reclassification to residential development inventory	—	(58)
Increase (decrease) in value of investment properties, net	(33)	(152)
Dispositions	(54)	(134)
Other changes	1	4
Balance at end of period ⁽²⁾	\$ 9,514	\$ 9,514

⁽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 June 30, 2020 totaling \$29 million of investment properties.

	Three months ended June 30, 2019	Six months ended June 30, 2019
(millions of dollars)	Investment Properties	Investment Properties
Balance at beginning of period	\$ 9,818	\$ 9,768
Acquisitions		
Investment properties and additional adjacent spaces	6	27
Development activities and property improvements	57	104
Increase (decrease) in value of investment properties, net	11	16
Dispositions	(195)	(218)
Other changes	3	3
Balance at end of period ⁽¹⁾	\$ 9,700	\$ 9,700

⁽¹⁾ Includes investment properties classified as held for sale as at June 30, 2019 totaling \$406 million of investment properties.

2020 Acquisitions

Income-producing properties

During the six months ended June 30, 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)
1.	Yonge & Roselawn Assembly ⁽¹⁾	Toronto, ON	Q1	15.5%	0.3	\$ 25.4
	Total				0.3	\$ 25.4

⁽¹⁾ During the first 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 six months ended June 30, 2020, First Capital disposed of its interests in thirteen 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	
5.	Windsor Portfolio	Windsor, ON	Q2	100%	285,900	41.5	
6.	Carrefour Belvedere / Edifice Hooper	Sherbrooke, QC	Q2	100%	98,000	8.6	
	Total				714,100	77.4	\$ 134.3

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:

Six months ended June 30			2020	2019
	Total Same Property	Other Property Categories	Total	Total
Revenue sustaining	\$ 11,275	\$ —	\$ 11,275	\$ 9,337
Revenue enhancing	7,033	3,862	10,895	14,308
Expenditures recoverable from tenants	120	540	660	2,805
Development expenditures	9,820	70,415	80,235	77,989
Total	\$ 28,248	\$ 74,817	\$ 103,065	\$ 104,439

During the six months ended June 30, 2020, capital expenditures totaled \$103.1 million compared to \$104.4 million for the same prior year period. The \$1.4 million decrease was primarily due to lower spend on revenue enhancing expenditures, partially offset by higher development spend related to the Dundas & Aukland project.

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 June 30, 2020 and December 31, 2019:

As at (millions of dollars)		June 30, 2020	December 31, 2019
Property Type ⁽¹⁾	Valuation Method	Fair Value	Fair Value
Same Properties	DCF ⁽²⁾	\$ 7,644	\$ 7,732
Properties under development / in transition ⁽³⁾	DCF, Cost, DCF less costs to complete or comparable land sales	1,841	1,861
Properties held for sale ⁽⁴⁾	DCF	29	159
Total investment property fair value		\$ 9,514	\$ 9,752

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

⁽²⁾ Discounted Cash Flow ("DCF") is a valuation method under the Income Approach.

⁽³⁾ Includes current and prior year acquisitions.

⁽⁴⁾ Comparative fair values includes properties that were disposed of in 2020.

The majority of the Trust's portfolio is valued under the Income Approach using the DCF method. As at June 30, 2020 the weighted average valuation yields (stabilized overall capitalization, terminal, and discount rates) used in valuing those investment properties under the Income Approach remained largely unchanged from December 31, 2019. Slight decreases in the weighted average overall and terminal capitalization rates in the Eastern and Central regions were due to dispositions of properties that were inconsistent with the Trust's Super Urban Strategy. Over the past 18 months, the Trust's disposition program has been focused on disposing of lower quality assets with higher capitalization rates which has resulted in a reduction in the weighted average in-place overall capitalization rate for the portfolio.

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 and thus have not been adjusted in Trust's valuation models. To reflect the potential impact of COVID-19 on the cash flows in the valuation models used to determine the fair value of investment properties, a comprehensive portfolio review was undertaken on a property by property basis to identify properties with greater exposure to tenants deemed non-essential under government directives and therefore potentially subject to prolonged closures. The short-term cash flows in the 10 year valuation models for each of these properties was adjusted for increased vacancy, lower rental rate growth and other market leasing assumptions such as slower lease up of existing vacancy. As a result, the fair value of investment properties decreased by \$152.2 million for the six months ended June 30, 2020.

The associated stabilized capitalization rates by region for FCR's investment properties valued under the Income Approach were as follows as at June 30, 2020 and December 31, 2019:

As at June 30, 2020	Stabilized Capitalization Rate		
	Weighted Average	Median	Range
Central Region	4.7%	5.3%	3.0%-7.0%
Eastern Region	5.7%	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

As at June 30, 2020, properties under development / in transition (see table on page 13) totals approximately \$1.8 billion. Currently 41% of these assets representing \$759 million of IFRS fair value are non-income producing. These non-income producing properties represent approximately 8% of the Trust's total portfolio value and consists of development land, adjacent land parcels, properties slated for redevelopment with limited income and properties in active development. As at June 30, 2020 the invested cost of these non-income producing properties was \$631 million as compared to a fair value of \$759 million. Cumulative gains of approximately \$128 million have been recognized to date and are expected to grow over time as development projects are entitled, advanced and completed.

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 June 30, 2020, First Capital's portfolio is comprised of 20.3 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 June 30, 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 June 30, 2020	Square feet (in thousands)			Included in IFRS ⁽¹⁾
	Commercial	Residential	Total	
Active Development				
Same Property with redevelopment	19	—	19	
Major redevelopment	172	—	172	
Ground-up development	47	362	409	
	238	362	600	600
Future incremental density				
Medium term	1,800	11,500	13,300	
Long term	100	6,700	6,800	
Very long term	100	4,100	4,200	
	2,000	22,300	24,300	6,500
Residential Inventory	—	143	143	143
Total development pipeline	2,238	22,805	25,043	7,243

⁽¹⁾ Represents the density that has been valued and included as part of the fair value of investment properties and residential inventory on the consolidated balance sheet.

First Capital determines its course of action with respect to its 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 7.2 million or 29% 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 and residential inventory on the consolidated balance sheet. The 7.2 million square feet is comprised of 0.6 million square feet in active development which is valued as part of the overall property, 0.1 million square feet of residential inventory measured at the lower of cost or net realizable value and presented separately on the consolidated balance sheet and 6.5 million of incremental density carried at approximately \$512 million or \$79 per square foot.

The value of the Trust's incremental density in IFRS totaling \$512 million, as presented below, consists of development land and adjacent land parcels, future pad developments and properties slated for redevelopment with limited income. As of June 30, 2020, the invested cost of the incremental density included in IFRS totaled \$384 million representing acquisition cost and pre-development costs to date.

As at June 30, 2020 (in millions of dollars)		Unencumbered	Encumbered	Fair Value
Land	Unzoned	\$ 162	\$ 2	\$ 164
	Zoned	103	10	113
	Total	265	12	277
IPP with density	Unzoned	174	33	207
	Zoned	18	10	28
	Total	192	43	235
Value of incremental density in IFRS		\$ 457	\$ 55	\$ 512

The remaining 17.8 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.

Development Pipeline by Urban Market

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

As at June 30, 2020 (in thousands of square feet)	Incremental Density Pipeline	
	Total	% of Total
Greater Toronto Area	13,240	52.9%
Greater Montreal Area	6,539	26.1%
Greater Vancouver Area	2,815	11.2%
Greater Calgary Area	1,300	5.2%
Greater Ottawa Area	780	3.1%
Greater Edmonton Area	369	1.5%
Total development pipeline	25,043	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 FCR expects the remaining to be zoned in 2020 or early 2021. 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS – continued

During 2019, FCR submitted entitlement applications for GFA of approximately 9.1 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 \$632 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	100%		533	65	598	67	531
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					8,086	966	9,052	516	8,536

⁽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 half of 2020, FCR submitted entitlement applications for GFA of approximately 1.0 million square feet for projects 1, 4 and 11 below. Due to the COVID-19 pandemic, municipal offices were functioning at reduced capacity early in the quarter and had for the most part, resumed normal activities by the end of the quarter. Due to earlier delays, FCR expects to achieve approximately 50% of its planned goal for 2020 entitlement submissions. The current IFRS value of these properties in aggregate is approximately \$437 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 Management expects 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.

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 six months ended June 30, 2020, First Capital completed the transfer of 19,000 square feet of new retail space in addition to 52 residential units to the income-producing portfolio at a total cost of \$35.3 million. All of the retail space transferred was located in super urban neighbourhoods and became occupied at an average rental rate of \$27.51 per square foot.

For the six months ended June 30, 2020, First Capital had tenant closures for redevelopment of 24,000 square feet at an average rental rate of \$31.01 per square foot. As of June 30, 2020 the 24,000 square feet was slated for demolition.

Active Development and Redevelopment Activities

Construction at five of First Capital's development projects was temporarily halted late in the first quarter under government directives. 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. 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 600,000 square feet of space currently under development, of which 238,000 square feet is retail space and 362,000 square feet is residential rental apartments. A total of 134,000 square feet of the retail space currently under development is subject to committed leases at a weighted average rate of \$30.55 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 June 30, 2020 are as follows:

As at June 30, 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. King High Line (Shops at King Liberty), Toronto, ON ⁽²⁾⁽³⁾	<i>(Longo's, Canadian Tire, Shoppers Drug Mart, Winners, Kids & Company, WeWork, McDonald's)</i>	100%/67%	85	H2 2020	\$350 - \$370	\$71	\$264
2. 3080 Yonge Street, Toronto, ON	<i>(Loblaws, Tim Hortons, Anatomy Fitness)</i>	100.0 %	16	H2 2020	\$135 - \$150	\$18	\$116
3. Semiahmoo Shopping Centre, Surrey, BC	<i>(Crunch Fitness, Winners, Rothwood Academy)</i>	100.0 %	5	H2 2020	\$125 - \$140	\$4	121
4. The Brewery District, Edmonton, AB ⁽⁴⁾	<i>(MEC, Loblaws City Market, GoodLife Fitness, Winners)</i>	50.0 %	14	H2 2020	\$100 - \$110	\$8	\$92
5. Chartwell Shopping Centre, Toronto, ON	<i>(Mabu Station, Coco Tea)</i>	100.0 %	5	H2 2020	\$5 - \$6	\$4	N/A
6. Northgate Centre, Edmonton, AB	<i>(McDonald's)</i>	100.0 %	4	H2 2020	\$2 - \$3	\$—	N/A
7. Dundas & Aukland, Toronto, ON ⁽⁵⁾	<i>(Farm Boy)</i>	100.0 %	310	H1 2021	\$150 - \$170	\$98	—
8. Eagleson Place, Ottawa, ON	<i>(Medical Clinic, Kettleman's)</i>	100.0 %	10	H1 2021	\$6 - \$7	\$2	N/A
9. Leaside Expansion, Toronto, ON	<i>(Shoppers Drug Mart, PetSmart, Medical Office)</i>	100.0 %	72	H2 2021	\$45 - \$50	\$25	—
10. Wilderton, Montreal, QC ⁽⁶⁾	<i>(Metro, Pharmaprix, Tim Hortons, SAQ)</i>	100.0 %	79	H2 2022	\$57 - \$62	\$17	\$14
Total development and redevelopment activities			600		\$975 - \$1,068	\$247	\$607

⁽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 85,000 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 \$147.6 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 \$11.1 million at June 30, 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 began in the second quarter.

In addition, residential inventory also includes a future development project at 140 Yorkville Avenue for which FCR's ownership interest is 33%. These two residential projects represent approximately 143,000 square feet of incremental density at FCR's ownership interest.

Leasing and Occupancy

Total portfolio occupancy, for the second quarter, was largely unaffected by COVID-19, declining only 0.1% from 96.4% at March 31, 2020 to 96.3% at June 30, 2020. Year over year, total portfolio occupancy decreased 0.5% to 96.3% while Same Property portfolio occupancy was down 0.8% compared to June 30, 2019. Total portfolio occupancy decreased 0.6% to 96.3% while Same Property portfolio occupancy was down 0.7% to 96.4% compared to December 31, 2019, primarily due to net closures versus openings.

For the six months ended June 30, 2020, the monthly average occupancy for the total portfolio was 96.4% compared to 96.7%, and the Same Property portfolio occupancy was 96.5% compared to 97.1% for the same prior year period, respectively.

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

As at	June 30, 2020			December 31, 2019		
(square feet in thousands)	Total Occupied Square Feet	% Occupied	Weighted Average Rate per Occupied Square Foot	Total Occupied Square Feet	% Occupied	Weighted Average Rate per Occupied Square Foot
Same Property – stable	15,679	96.5%	\$ 21.54	15,805	97.2%	\$ 21.42
Same Property with redevelopment	2,004	95.9%	18.53	2,016	96.3%	18.13
Total Same Property	17,683	96.4%	21.20	17,821	97.1%	21.05
Major redevelopment	1,341	94.9%	26.83	1,375	96.0%	25.82
Ground-up development	288	99.3%	31.42	277	99.2%	32.36
Investment properties classified as held for sale	127	90.3%	13.93	127	90.3%	13.88
Total portfolio before acquisitions and dispositions	19,439	96.3%	21.69	19,600	97.0%	21.50
Acquisitions ⁽¹⁾	66	100.0%	23.15	22	100.0%	29.57
Dispositions	—	—%	—	650	93.5%	13.51
Total ⁽²⁾	19,505	96.3%	\$ 21.70	20,272	96.9%	\$ 21.25

⁽¹⁾ Includes current year and prior year acquisitions.

⁽²⁾ At FCR's ownership interest.

During the three months ended June 30, 2020, First Capital completed 438,000 square feet of lease renewals across the portfolio. First Capital achieved a 10.2% lease renewal rate increase, exceeding the 10-year average growth rate for lease renewal rate increases, 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. This was the sixth consecutive quarter of double-digit lease renewal rate increases. For the three months ended June 30, 2020, First Capital achieved a 13.3% 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 0.9% from \$21.51 as at March 31, 2020 to \$21.70 as at June 30, 2020 primarily due to renewal lifts, rent escalations and dispositions.

Changes in First Capital's gross leasable area and occupancy for the total portfolio for the three months ended June 30, 2020 are set out below:

Three months ended June 30, 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 Redevelopment Square Feet (thousands)	%	Vacant Square Feet (thousands)	%	Total Square Feet (thousands)	Occupied Square Feet %	Weighted Average Rate per Occupied Square Foot
March 31, 2020 ⁽²⁾	17,711	96.5%	\$ 21.17	2,189	95.4%	\$ 24.25	5	—%	746	3.6%	20,651	96.4%	\$ 21.51
Tenant possession	131		11.09	—		—	—		(131)		—		11.09
Tenant closures	(159)		(15.99)	(15)		(26.86)	—		174		—		(16.91)
Tenant closures for redevelopment	(4)		(26.50)	(16)		(36.64)	20		—		—		(34.61)
Developments – tenants coming online ⁽³⁾	2		85.00	—		—	—		1		3		85.00
Redevelopments – tenant possession	—		—	—		—	—		—		—		—
Demolitions	—		—	—		—	(26)		—		(26)		—
Reclassification	2		—	—		—	1		(12)		(9)		—
Total portfolio before Q2 2020 acquisitions and dispositions	17,683	96.4%	\$ 21.20	2,158	94.7%	\$ 24.29	—	—%	778	3.8%	20,619	96.2%	\$ 21.54
Acquisitions (at date of acquisition)	—	—%	—	—	—%	—	—	—%	—		—	—%	—
Dispositions (at date of disposition)	—	—%	—	(336)	91.1%	12.18	—	—%	(33)		(369)	91.1%	12.18
June 30, 2020	17,683	96.4%	\$ 21.20	1,822	95.4%	\$ 26.53	—	—%	745	3.7%	20,250	96.3%	\$ 21.70
Renewals	327		\$ 19.43	111		\$ 22.68					438		\$ 20.26
Renewals – expired	(327)		\$ (19.06)	(111)		\$ (16.39)					(438)		\$ (18.38)
Net change per square foot from renewals			\$ 0.37			\$ 6.29							\$ 1.88
% Increase on renewal of expiring rents (first year of renewal term)			1.9%			38.4%							10.2%
% increase on renewal of expiring rents (average rate in renewal term)													13.3%

⁽¹⁾ At FCR's ownership interest.

⁽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.

MANAGEMENT'S DISCUSSION AND ANALYSIS – continued

During the six months ended June 30, 2020, First Capital completed 829,000 square feet of lease renewals across the portfolio. First Capital achieved a 13.1% 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 six months ended June 30, 2020, First Capital achieved a 15.4% 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 2.1% from \$21.25 as at December 31, 2019 to \$21.70 as at June 30, 2020 primarily due to renewal lifts, rent escalations and dispositions.

Changes in First Capital's gross leasable area and occupancy for the total portfolio for the six months ended June 30, 2020 are set out below:

Six months ended June 30, 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 Redevelopment 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	223		14.68	18		21.41	—		(241)		—		15.18
Tenant closures	(365)		(17.99)	(44)		(24.23)	—		409		—		(18.66)
Tenant closures for redevelopment	(4)		(26.50)	(20)		(31.92)	24		—		—		(31.01)
Developments – tenants coming online ⁽³⁾	6		53.25	12		15.28	—		1		19		27.51
Redevelopments – tenant possession	—		—	—		—	—		—		—		—
Demolitions	—		—	—		—	(39)		—		(39)		—
Reclassification	2		—	—		—	2		(21)		(17)		—
Total portfolio before 2020 acquisitions and dispositions	17,683	96.4%	\$ 21.20	2,417	94.8%	\$ 23.14	—	—%	790	3.8%	20,890	96.2%	\$ 21.43
Acquisitions (at date of acquisition)	—	—%	—	55	100.0%	24.24	—	—%	—		55	100.0%	24.24
Dispositions (at date of disposition)	—	—%	—	(650)	93.5%	13.73	—	—%	(45)		(695)	93.5%	13.73
June 30, 2020	17,683	96.4%	\$ 21.20	1,822	95.4%	\$ 26.53	—	—%	745	3.7%	20,250	96.3%	\$ 21.70
Renewals	699		\$ 19.97	130		\$ 22.24					829		\$ 20.32
Renewals – expired	(699)		\$ (18.22)	(130)		\$ (16.53)					(829)		\$ (17.96)
Net change per square foot from renewals			\$ 1.75			\$ 5.71							\$ 2.36
% Increase on renewal of expiring rents (first year of renewal term)			9.6%			34.5%							13.1%
% increase on renewal of expiring rents (average rate in renewal term)													15.4%

⁽¹⁾ At FCR's ownership interest.

⁽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 June 30, 2020, 54.5% 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 5.6 years as at June 30, 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")	94	1,980	9.8%	10.3%	BBB	BBB	
2.	Sobeys	48	1,487	7.3%	5.6%	BBB (low)	BB+	
3.	Metro	34	861	4.3%	2.9%	BBB	BBB	
4.	Canadian Tire	22	685	3.4%	2.7%	BBB	BBB	
5.	Walmart	13	1,246	6.2%	2.5%	AA	AA	Aa2
6.	TD Canada Trust	45	205	1.0%	2.0%	AA (high)	AA-	Aa1
7.	RBC Royal Bank	41	208	1.0%	1.8%	AA (high)	AA-	Aa2
8.	Save-On-Foods	9	324	1.6%	1.8%			
9.	GoodLife Fitness	24	495	2.4%	1.8%			
10.	Dollarama	47	428	2.1%	1.7%	BBB	BBB	Baa2
Top 10 Tenants Total		377	7,919	39.1%	33.1%			
11.	CIBC	35	175	0.9%	1.4%	AA	A+	Aa2
12.	LCBO	21	190	0.9%	1.3%	AA (low)	A+	Aa3
13.	Lowe's	4	361	1.8%	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	24	118	0.6%	1.0%	AA	A+	Aa2
18.	Restaurant Brands International	53	124	0.6%	1.0%		BB	Ba3
19.	London Drugs	8	192	0.9%	1.0%			
20.	BMO	25	102	0.5%	1.0%	AA	A+	Aa2
21.	Recipe Unlimited	30	117	0.6%	0.8%			
22.	Nordstrom	1	40	0.2%	0.8%	BBB (low)	BBB-	Baa3
23.	Staples	9	194	1.0%	0.8%		B+	B1
24.	Starbucks	41	57	0.3%	0.7%		BBB+	Baa1
25.	Michaels	4	77	0.4%	0.6%		B	Ba3
26.	Whole Foods Market	2	90	0.4%	0.6%		A+	A2
27.	Pusateri's	1	35	0.2%	0.5%			
28.	Subway	61	63	0.3%	0.5%			
29.	The Beer Store	12	66	0.3%	0.5%	AA (low)	A+	Aa3
30.	McDonald's	20	68	0.3%	0.5%		BBB+	Baa1
31.	Toys "R" Us	3	127	0.6%	0.5%			
32.	SAQ	16	62	0.3%	0.4%	AA (low)	AA-	Aa2
33.	The Home Depot	2	153	0.8%	0.4%	A	A	A2
34.	Yum! Brands	26	41	0.2%	0.4%		BB	Ba2
35.	Williams-Sonoma	2	38	0.2%	0.4%			
36.	PetSmart	4	57	0.3%	0.4%		B-	B3
37.	Pet Valu	19	51	0.3%	0.3%			
38.	Equinox	2	38	0.2%	0.3%		CCC	Caa2
39.	Alcanna Inc.	11	38	0.2%	0.3%			
40.	CLSC (health service provider in Quebec)	1	73	0.4%	0.3%	AA (low)	AA-	Aa2
Top 40 Tenants Total		854	11,317	56.0%	54.5%			

⁽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 June 30, 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⁾	168	275	1.4%	\$ 5,862	1.3%	\$ 21.30
2020	247	824	4.1%	15,835	3.5%	19.22
2021	551	2,053	10.1%	41,453	9.1%	20.19
2022	625	2,767	13.7%	63,225	13.9%	22.85
2023	588	3,029	15.0%	60,638	13.3%	20.02
2024	544	2,307	11.4%	52,065	11.4%	22.57
2025	447	1,904	9.4%	47,947	10.5%	25.18
2026	178	943	4.7%	25,796	5.7%	27.36
2027	159	906	4.5%	22,759	5.0%	25.12
2028	159	973	4.8%	28,584	6.3%	29.37
2029	178	986	4.9%	26,556	5.8%	26.92
2030	132	678	3.3%	19,126	4.2%	28.20
Thereafter	82	1,860	9.0%	46,744	10.0%	25.14
Total or Weighted Average ⁽²⁾	4,058	19,505	96.3%	\$ 456,590	100.0%	\$ 23.41

⁽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 5.2 years as at June 30, 2020, excluding contractual renewal options, but including month-to-month and other short-term leases.

Investment in Joint Ventures

As at June 30, 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	
			June 30, 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 six months ended June 30, 2020 and year ended December 31, 2019:

	June 30, 2020	December 31, 2019
Balance at beginning of period	\$ 59,498	\$ 144,375
Contributions to equity accounted joint ventures	1,154	17,481
Distributions from equity accounted joint ventures	(1,303)	(25,648)
Consolidation of equity accounted joint venture (MMUR)	—	(78,409)
Share of income from equity accounted joint ventures	(1,051)	1,699
Balance at end of period	\$ 58,298	\$ 59,498

As of June 30, 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	June 30, 2020	December 31, 2019
Non-current		
Loans and mortgages receivable classified as FVTPL (a)	\$ 21,911	\$ 20,726
Loans and mortgages receivable classified as amortized cost (a)	29,780	58,940
Other investments	16,580	16,302
Total non-current	\$ 68,271	\$ 95,968
Current		
Loans and mortgages receivable classified as FVTPL (a)	\$ 248	\$ 132
Loans and mortgages receivable classified as amortized cost (a)	82,131	65,984
FVTPL investments in securities (b)	3,070	3,949
Total current	\$ 85,449	\$ 70,065
Total	\$ 153,720	\$ 166,033

(a) Loans and mortgages receivable are secured by interests in investment properties or shares of entities owning investment properties. As at June 30, 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 June 30, 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 June 30			Six months ended June 30		
	% change	2020	2019	% change	2020	2019
Property rental revenue						
Base rent ⁽¹⁾		\$ 107,859	\$ 114,453		\$ 214,746	\$ 230,494
Operating cost recoveries		21,427	26,738		49,114	57,818
Realty tax recoveries		29,835	35,043		63,515	71,743
Lease termination fees		88	1,335		392	4,837
Percentage rent		402	1,129		1,304	1,896
Straight-line rent adjustment		848	1,576		1,730	2,547
Prior year operating cost and tax recovery		(148)	(451)		(577)	(389)
Temporary tenants, storage, parking and other ⁽²⁾		2,433	7,002		8,656	12,553
Total Property rental revenue	(12.9%)	162,744	186,825	(11.2%)	338,880	381,499
Property operating costs						
Recoverable operating expenses		23,523	30,504		54,488	66,148
Recoverable realty tax expense		34,235	39,616		72,224	81,479
Prior year realty tax expense		(430)	(769)		(538)	(715)
Other operating costs and adjustments ⁽³⁾		16,648	1,480		20,798	3,162
Total Property operating costs		73,976	70,831		146,972	150,074
NOI ⁽⁴⁾	(23.5%)	\$ 88,768	\$ 115,994	(17.1%)	\$ 191,908	\$ 231,425
NOI margin		54.5%	62.1%		56.6%	60.7%

⁽¹⁾ Includes residential revenue.

⁽²⁾ Includes hotel property revenue.

⁽³⁾ Includes residential operating costs, hotel property operating costs and bad debt expense. Bad debt expense includes \$16.8 million of the net rental abatement of \$7.9 million related to the CECRA program and \$8.9 million of bad debt provision in light of the COVID-19 environment.

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

For the three and six months ended June 30, 2020, total NOI decreased by \$27.2 million and \$39.5 million, respectively, compared to the same prior year periods primarily due to an increase in bad debt expense due to the impact of COVID-19 on rent collection and the net abatement taken on gross rents as part of the CECRA program. In addition, NOI decreased due to dispositions and lower lease termination fees over the prior period.

For the three and six months ended June 30, 2020, NOI margins have decreased by 7.6% and 4.1%, respectively, compared to the same prior year periods primarily due to an increase in bad debt expense related to CECRA and COVID-19, lower lease termination fees and lower margins on NOI related to the hotel property as a result of lower occupancy due to COVID-19. The lower NOI margins were partially offset by lower operating cost and property tax shortfalls resulting from FCR's cost reduction program which will translate into lower operating costs billed to tenants. Excluding the impact of the increased bad debt expense in the quarter, NOI margins for the three and six month period were 64.7% and 61.5%, respectively.

Same Property NOI Growth

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

	Three months ended June 30			Six months ended June 30		
	% change	2020	2019	% change	2020	2019
Property rental revenue						
Base rent ⁽¹⁾		\$ 93,683	\$ 92,135		\$186,964	\$184,527
Operating cost recoveries		18,470	21,332		42,683	45,735
Realty tax recoveries		26,212	27,796		55,667	56,778
Lease termination fees		84	1,334		387	4,800
Percentage rent		434	788		1,085	1,265
Prior year operating cost and tax recovery adjustments		(9)	(770)		(509)	(605)
Temporary tenants, storage, parking and other ⁽²⁾		2,090	6,180		7,776	11,100
Total Same Property rental revenue		140,964	148,795		294,053	303,600
Property operating costs						
Recoverable operating expenses		19,820	23,539		46,365	50,622
Recoverable realty tax expense		28,957	30,479		61,148	62,099
Prior year realty tax expense		(183)	(181)		(429)	(142)
Other operating costs and adjustments ⁽³⁾		15,012	2,351		18,467	4,835
Total Same Property operating costs		63,606	56,188		125,551	117,414
Total Same Property NOI ⁽⁴⁾	(16.5%)	\$ 77,358	\$ 92,607	(9.5%)	\$168,502	\$186,186
Major redevelopment		7,013	8,625		14,642	15,736
Ground-up development		2,045	599		3,661	1,198
Acquisitions – 2020		228	—		228	—
Acquisitions – 2019		282	161		659	215
Investment properties classified as held for sale		339	373		689	660
Dispositions – 2020		687	2,032		1,993	3,888
Dispositions – 2019		(38)	9,931		(208)	20,911
Straight-line rent adjustment		848	1,576		1,730	2,547
Development land		6	90		12	84
NOI ⁽⁴⁾	(23.5%)	\$ 88,768	\$115,994	(17.1%)	\$191,908	\$231,425
NOI margin		54.5%	62.1%		56.6%	60.7%

⁽¹⁾ Includes residential revenue.

⁽²⁾ Includes hotel property revenue.

⁽³⁾ Includes residential operating costs, hotel property operating costs and bad debt expense.

⁽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 June 30		Six months ended June 30	
	2020	2019 ⁽¹⁾	2020	2019 ⁽¹⁾
Same Property – Stable	(15.3%)	0.9%	(7.6%)	2.7%
Same Property with redevelopment	(27.2%)	12.9%	(23.8%)	13.1%
Total Same Property NOI Growth ⁽²⁾	(16.5%)	1.9%	(9.5%)	3.5%

⁽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.

MANAGEMENT'S DISCUSSION AND ANALYSIS – continued

For the three and six months ended June 30, 2020, SP NOI decreased by \$15.2 million and \$17.7 million, or 16.5% and 9.5%, respectively, primarily due to increased bad debt expense related to CECRA and COVID-19 and lower lease termination fees. Excluding bad debt expense related to CECRA and COVID-19 and the year over year change in lease termination fees, SP NOI increased \$1.2 million and \$2.0 million or 1.3% and 1.1%, respectively, primarily due to rent escalations.

NOI by Region

NOI is presented by region as follows:

		Central Region		Eastern Region		Western Region		Other ⁽¹⁾		Total
Three months ended June 30, 2020										
Property rental revenue	\$	77,969	\$	32,848	\$	53,518	\$	(1,591)	\$	162,744
Property operating costs		37,824		16,907		22,605		(3,360)		73,976
NOI ⁽²⁾	\$	40,145	\$	15,941	\$	30,913	\$	1,769	\$	88,768
Three months ended June 30, 2019										
Property rental revenue	\$	80,949	\$	46,011	\$	60,514	\$	(649)	\$	186,825
Property operating costs		31,237		20,526		20,408		(1,340)		70,831
NOI ⁽²⁾	\$	49,712	\$	25,485	\$	40,106	\$	691	\$	115,994
Six months ended June 30, 2020										
Property rental revenue	\$	162,465	\$	67,569	\$	110,970	\$	(2,124)	\$	338,880
Property operating costs		73,972		33,445		43,352		(3,797)		146,972
NOI	\$	88,493	\$	34,124	\$	67,618	\$	1,673	\$	191,908
Six months ended June 30, 2019										
Property rental revenue	\$	161,479	\$	96,039	\$	125,242	\$	(1,261)	\$	381,499
Property operating costs		65,593		44,397		42,461		(2,377)		150,074
NOI	\$	95,886	\$	51,642	\$	82,781	\$	1,116	\$	231,425

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

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

For the three and six months ended June 30, 2020, property operating costs include \$2.7 million and \$8.4 million, respectively, (three and six months ended June 30, 2019 – \$5.3 million and \$10.9 million, respectively) related to employee compensation. Employee compensation is presented net of subsidies received under the Canada Emergency Wage Subsidy ("CEWS") program of \$2.5 million related to property operations personnel. A portion of this wage subsidy will be passed on to tenants through lower operating cost recoveries.

Interest and Other Income

For the three and six months ended June 30, 2020, First Capital's interest and other income totaled \$3.0 million and \$6.2 million, compared to \$7.0 million and \$17.4 million, respectively, for the same prior year periods. The decrease of \$4.0 million and \$11.2 million, respectively, over the same prior year periods was primarily due to lower interest income as a result of a \$192.7 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 June 30		Six months ended June 30	
	2020	2019	2020	2019
Mortgages	\$ 12,725	\$ 13,044	\$ 25,576	\$ 26,242
Credit facilities	7,240	9,710	14,495	14,728
Senior unsecured debentures	24,199	26,613	50,417	52,936
Distributions on Exchangeable Units ⁽¹⁾	260	—	520	—
Interest capitalized	(5,931)	(5,147)	(12,099)	(10,070)
Interest expense	\$ 38,493	\$ 44,220	\$ 78,909	\$ 83,836

⁽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 and six months ended June 30, 2020, interest expense decreased by \$5.7 million and \$4.9 million, respectively, primarily due to the early redemption of Series M unsecured debentures, early repayment of certain secured credit facilities and unsecured term loans over the past twelve months as a result of FCR's disposition program and higher capitalized interest due to MMUR development projects that are now consolidated and were previously equity accounted in the same prior year periods.

During the six months ended June 30, 2020 and 2019, approximately 13.3% or \$12.1 million, and 10.7% or \$10.1 million, respectively, of interest expense was capitalized to real estate investments for properties undergoing development or redevelopment projects. The increase in capitalized interest of \$2.0 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 June 30		Six months ended June 30	
	2020	2019	2020	2019
Salaries, wages and benefits	\$ 4,601	\$ 6,848	\$ 12,520	\$ 14,441
Unit-based compensation	2,030	1,383	3,124	2,802
Other corporate costs	2,268	3,244	5,640	6,629
Total corporate expenses	8,899	11,475	21,284	23,872
Amounts capitalized to investment properties under development	(1,789)	(2,006)	(4,187)	(4,337)
Corporate expenses	\$ 7,110	\$ 9,469	\$ 17,097	\$ 19,535

For the three and six months ended June 30, 2020, gross corporate expenses, before capitalization decreased by \$2.6 million for both periods, respectively, primarily due to \$2.1 million of wage subsidies received under the CEWS program and reduced spending in light of COVID-19.

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 six months ended June 30, 2020 and 2019, approximately 19.7% or \$4.2 million and 18.2% or \$4.3 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:

<i>Three months ended June 30</i>		2020		2019	
	Consolidated Statement of Income	Included in FFO	Consolidated Statement of Income	Included in FFO	
Realized gain (loss) on sale of marketable securities	\$ —	\$ —	\$ —	\$ —	
Unrealized gain (loss) on marketable securities	463	463	(180)	(180)	
Net gain (loss) on prepayments of debt	(282)	(282)	—	—	
Pre-selling costs of residential inventory	(142)	(142)	—	—	
Investment properties selling costs	(1,140)	—	(1,700)	—	
REIT conversion costs	—	—	(548)	(548)	
Other	(6)	(6)	243	243	
Total per consolidated statement of income	\$ (1,107)	\$ 33	\$ (2,185)	\$ (485)	
Other gains (losses) and (expenses) under equity accounted joint ventures	(74)	(94)	(26)	(26)	
Total at the Company's proportionate interest ⁽²⁾	\$ (1,181)	\$ (61)	\$ (2,211)	\$ (511)	
<i>Six months ended June 30</i>		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	(879)	(879)	95	95	
Net gain (loss) on prepayments of debt	(282)	(282)	—	—	
Pre-selling costs of residential inventory	(142)	(142)	—	—	
Investment properties selling costs	(3,165)	—	(2,024)	—	
REIT conversion costs	(906)	(906)	(772)	(772)	
Transaction costs ⁽¹⁾	—	—	(3,414)	(3,414)	
Other	35	35	26	26	
Total per consolidated statement of income	\$ (5,339)	\$ (2,174)	\$ (4,925)	\$ (2,901)	
Other gains (losses) and (expenses) under equity accounted joint ventures	(1,403)	(1,465)	(54)	(42)	
Total at First Capital's proportionate interest ⁽²⁾	\$ (6,742)	\$ (3,639)	\$ (4,979)	\$ (2,943)	

⁽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 June 30, 2020, First Capital recognized \$1.1 million in other losses and expenses in its consolidated statement of income compared to \$2.2 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 \$1.1 million related to FCR's disposition program. For the six months ended June 30, 2020, FCR recognized \$5.3 million in other losses and expenses in its consolidated statement of income compared to \$4.9 million in other losses in the same prior year period. The other losses and expenses for the six months ended June 30, 2020 were primarily due to investment property selling costs of \$3.2 million, REIT conversion costs of \$0.9 million and net losses on marketable securities of \$0.9 million.

Income Taxes

For the three and six months ended June 30, 2020, deferred income tax (recovery) expense totaled (\$5.5) million and (\$6.9) million, compared to (\$3.5) million and \$12.8 million, respectively, over the same prior year periods. The decrease of \$2.0 million and \$19.8 million in deferred taxes was primarily due to a reduction in the applicable Canadian corporate 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 June 30, 2020, net income attributable to Unitholders / Shareholders was \$10.5 million or \$0.05 per diluted unit compared to \$81.2 million or \$0.36 per diluted share for the same prior year period. The \$70.7 million decrease was primarily due to a \$44.2 million reduction in the fair value of investment properties, \$16.8 million of bad debt expense related to CECRA and COVID-19 recognized in the quarter and lower NOI of \$11.3 million due to property dispositions over the prior year period.

For the six months ended June 30, 2020, net loss attributable to Unitholders / Shareholders was \$45.8 million or \$0.21 per diluted unit compared to net income of \$143.4 million or \$0.59 per diluted share for the same prior year period. The \$189.2 million decrease was primarily due to a \$168.4 million reduction in the fair value of investment properties, \$16.8 million of bad debt expense related to CECRA and COVID-19 recognized in the second quarter and a \$4.3 million reduction in the fair value of hotel property over the prior year period.

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	June 30, 2020	December 31, 2019
Liabilities (principal amounts outstanding)		
Bank indebtedness	\$ 432	\$ 60
Mortgages	1,305,885	1,331,219
Credit facilities	1,132,301	899,165
Mortgages under equity accounted joint venture (at the Trust's interest) ⁽¹⁾	39,663	40,144
Exchangeable Units (based on a closing per unit price of \$13.88; December 31, 2019 - \$20.67)	16,794	25,010
Senior unsecured debentures	2,325,000	2,500,000
Equity capitalization ⁽²⁾		
Trust Units (based on a closing per unit price of \$13.88; December 31, 2019 - \$20.67)	3,028,736	4,505,107
Enterprise value ⁽¹⁾	\$ 7,848,811	\$ 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 measure 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 June 30, 2020 due to a decrease in the Trust's unit price as a result of equity market volatility, including the impact of COVID-19.

Key Metrics

The ratios below include measures not specifically defined in IFRS.

As at	June 30, 2020	December 31, 2019
Weighted average effective interest rate on mortgages, fixed rate unsecured term loans and senior unsecured debentures	3.9%	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⁾	47.3%	46.7%
Net debt to Adjusted EBITDA ⁽¹⁾	11.0	10.0
Unencumbered aggregate assets ⁽¹⁾	\$ 6,983,253	\$ 7,037,334
Unencumbered aggregate assets to unsecured debt, based on fair value ⁽¹⁾	2.1	2.2
Adjusted EBITDA interest coverage ⁽¹⁾	2.2	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.

The Net debt to Adjusted EBITDA ratio increased by 1.0 to 11.0, as of June 30, 2020, due to a decrease in EBITDA. The decrease in EBITDA arose primarily from lower NOI from dispositions and increased bad debt expense recognized in the second quarter due to COVID-19 and CECRA.

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, following which, FCR discontinued its Moody's rating services.

On June 24, 2020, DBRS confirmed FCR's Issuer Rating and Senior Unsecured Debentures rating at BBB with Stable trends.

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 an obligor'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 June 30, 2020 is summarized in the table below:

As at June 30, 2020	Mortgages	Credit Facilities/Bank Indebtedness	Senior Unsecured Debentures	Total	% Due
2020 (remainder of the year)	\$ 59,941	\$ 18,034	\$ —	\$ 77,975	1.6 %
2021	101,861	33,333	175,000	310,194	6.5 %
2022	125,222	334,827	450,000	910,049	19.1 %
2023	29,791	196,539	300,000	526,330	11.1 %
2024	137,539	300,000	300,000	737,539	15.5 %
2025	82,575	75,000	300,000	457,575	9.6 %
2026	117,202	175,000	300,000	592,202	12.4 %
2027	100,816	—	500,000	600,816	12.6 %
2028	163,761	—	—	163,761	3.4 %
2029	247,956	—	—	247,956	5.2 %
2030	83,896	—	—	83,896	1.8 %
Thereafter	55,325	—	—	55,325	1.2 %
	1,305,885	1,132,733	2,325,000	4,763,618	100.0 %
Add (deduct): unamortized deferred financing costs, premiums and discounts, net	(4,144)	—	(2,263)	(6,407)	
Total	\$ 1,301,741	\$ 1,132,733	\$ 2,322,737	\$ 4,757,211	

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 six months ended June 30, 2020 are set out below:

Six months ended June 30, 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	(14,282)	— %
Amortization of financing costs and net premium	54	— %
Balance at end of period	\$ 1,301,741	3.7 %

As at June 30, 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 6.0 years as at June 30, 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 June 30, 2020 is summarized in the table below:

As at June 30, 2020	Scheduled Amortization	Payments on Maturity	Total	Weighted Average Effective Interest Rate
2020 (remainder of the year)	\$ 14,083	\$ 45,858	\$ 59,941	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 %
	\$ 235,873	\$ 1,070,012	\$ 1,305,885	3.7 %
Add: unamortized deferred financing costs and premiums and discounts, net			(4,144)	
Total			\$ 1,301,741	

Credit Facilities

First Capital's credit facilities as at June 30, 2020 are summarized in the table below:

As at June 30, 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	\$ —	\$ (11,659)	\$ 538,341	BA + 1.45% or Prime + 0.45% or US\$ LIBOR + 1.45%	June 30, 2023
Revolving facility maturing 2022 ⁽¹⁾	250,000	(250,958)	—	—	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	(196,107)	—	—	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	(72,801)	(1,592)	63,607	BA + 1.350% or Prime + 0.350%	October 26, 2022
Secured Facilities						
Maturing 2020	20,734	(3,050)	(1,221)	16,463	BA + 1.20% or Prime + 0.20%	December 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	\$ 1,768,135	\$ (1,132,301)	\$ (14,472)	\$ 618,427		

⁽¹⁾ The Trust had drawn in U.S. dollars the equivalent of CAD\$250.0 million which was revalued at CAD\$251.0 million as at June 30, 2020.

⁽²⁾ The Trust had drawn in U.S. dollars the equivalent of CAD\$200.0 million which was revalued at CAD\$196.1 million as at June 30, 2020.

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

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.

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. During the second quarter, First Capital repaid its \$11.9 million secured facility.

Senior Unsecured Debentures

As at June 30, 2020			Interest Rate		Remaining Term to Maturity	Principal Outstanding
Series	Maturity Date	Interest Payment Dates	Coupon	Effective	(years)	
N	March 1, 2021	March 1, September 1	4.50%	4.63%	0.7	175,000
O	January 31, 2022	January 31, July 31	4.43%	4.59%	1.6	200,000
P	December 5, 2022	June 5, December 5	3.95%	4.18%	2.4	250,000
Q	October 30, 2023	April 30, October 30	3.90%	3.97%	3.3	300,000
R	August 30, 2024	February 28, August 30	4.79%	4.72%	4.2	300,000
S	July 31, 2025	January 31, July 31	4.32%	4.24%	5.1	300,000
T	May 6, 2026	May 6, November 6	3.60%	3.56%	5.9	300,000
U	July 12, 2027	January 12, July 12	3.75%	3.82%	7.0	300,000
V	January 22, 2027	January 22, July 22	3.46%	3.54%	6.6	200,000
Weighted Average or Total			4.07%	4.12%	4.3	\$ 2,325,000

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.

Unitholders' Equity

Unitholders' equity amounted to \$4.3 billion as at June 30, 2020, compared to Unitholders' equity of \$4.4 billion as at December 31, 2019. The decrease is primarily attributed to a net loss of \$45.8 million, distributions of \$93.8 million and other comprehensive loss of \$40.0 million recognized in the first half of 2020.

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

Unit Options

As at June 30, 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)	June 30, 2020	December 31, 2019
Total available under credit facilities	\$ 618	\$ 867
Cash and cash equivalents	\$ 54	\$ 26
Unencumbered aggregate assets	\$ 6,983	\$ 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 June 30, 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 June 30		Six months ended June 30	
	2020	2019	2020	2019
Cash provided by (used in) operating activities	\$ 46,249	\$ 43,106	\$ 83,299	\$ 91,988
Cash provided by (used in) financing activities	(232,052)	(115,375)	(82,326)	(168,954)
Cash provided by (used in) investing activities	(7,311)	71,350	27,569	74,445
Net change in cash and cash equivalents	\$ (193,114)	\$ (919)	\$ 28,542	\$ (2,521)

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

	Three months ended June 30		Six months ended June 30	
	2020	2019	2020	2019
Cash provided by operating activities	\$ 46,249	\$ 43,106	\$ 83,299	\$ 91,988
Distributions / dividends declared	(46,915)	(47,325)	(93,807)	(102,310)
Excess (shortfall) of cash provided by operating activities over distributions / dividends declared	\$ (666)	\$ (4,219)	\$ (10,508)	\$ (10,322)

For the three and six months ended June 30, 2020 and 2019, distributions / dividends declared exceeded cash flows provided by operating activities by \$0.7 million and \$10.5 million, respectively, representing a return of capital (three and six months ended June 30, 2019 - \$4.2 million and \$10.3 million). 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. In addition, Management believes that the negative impact on cash flows as a result of the COVID-19 pandemic is not indicative of the Trust's sustainable cash flows over the longer term. 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 June 30, 2020 is set out below:

As at June 30, 2020	Payments due by period				
	Remainder of 2020	2021 to 2022	2023 to 2024	Thereafter	Total
Scheduled mortgage principal amortization	\$ 14,083	\$ 58,124	\$ 58,853	\$ 104,813	\$ 235,873
Mortgage principal repayments on maturity	45,858	168,959	108,477	746,718	1,070,012
Credit facilities and bank indebtedness	18,034	368,160	496,539	250,000	1,132,733
Senior unsecured debentures	—	625,000	600,000	1,100,000	2,325,000
Interest obligations ⁽¹⁾	85,869	302,738	215,315	174,881	778,803
Land leases (expiring between 2023 and 2061)	601	2,413	1,489	16,808	21,311
Contractually committed costs to complete current development projects	52,738	6,109	—	—	58,847
Other committed costs	8,658	—	—	—	8,658
Total contractual obligations	\$ 225,841	\$ 1,531,503	\$ 1,480,673	\$ 2,393,220	\$ 5,631,237

⁽¹⁾ Interest obligations include expected interest payments on mortgages and credit facilities as at June 30, 2020 (assuming balances remain outstanding through to maturity) and senior unsecured debentures, as well as standby credit facility fees.

First Capital has \$35.0 million of outstanding letters of credit issued by financial institutions to support certain of FCR's contractual obligations and \$0.4 million of bank overdrafts.

First Capital's estimated cost to complete properties currently under development is \$147.6 million, of which \$58.8 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

- (a) 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.
- (b) First Capital is contingently liable, jointly and severally or as guarantor, for approximately \$65.6 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 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 June 30, 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	June 30, 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	\$ 9,484,479	\$ 21,524	\$ 9,506,003	\$ 9,593,530	\$ 9,259	\$ 9,602,789
Residential development inventory	67,951	4,791	72,742	10,205	5,742	15,947
Hotel property	55,620	—	55,620	62,199	—	62,199
Loans, mortgages and other assets	153,720	2,959	156,679	166,033	2,651	168,684
Cash and cash equivalents	54,045	8,165	62,210	25,503	2,279	27,782
Amounts receivable	66,230	187	66,417	31,521	307	31,828
Other assets	67,977	12,748	80,725	54,271	16,978	71,249
Investment in joint ventures	58,298	(58,298)	—	59,498	(59,498)	—
Investment properties classified as held for sale	29,050	—	29,050	158,600	—	158,600
Total assets	\$ 10,037,370	\$ (7,924)	\$ 10,029,446	\$ 10,161,360	\$ (22,282)	\$ 10,139,078
LIABILITIES						
Mortgages	\$ 1,301,741	\$ 39,563	\$ 1,341,304	\$ 1,327,021	\$ 40,036	\$ 1,367,057
Credit facilities	1,132,301	(25,563)	1,106,738	899,165	(19,749)	879,416
Bank indebtedness	432	—	432	60	—	60
Senior unsecured debentures	2,322,737	—	2,322,737	2,497,213	—	2,497,213
Exchangeable Units	16,794	—	16,794	25,010	—	25,010
Deferred tax liabilities	669,830	—	669,830	701,549	—	701,549
Accounts payable and other liabilities	311,369	7,825	319,194	235,836	6,345	242,181
Total liabilities	5,755,204	21,825	5,777,029	5,685,854	26,632	5,712,486
EQUITY						
Unitholders' / Shareholders' equity	4,252,417	—	4,252,417	4,426,592	—	4,426,592
Non-controlling interest	29,749	(29,749)	—	48,914	(48,914)	—
Total equity	4,282,166	(29,749)	4,252,417	4,475,506	(48,914)	4,426,592
Total liabilities and equity	\$ 10,037,370	\$ (7,924)	\$ 10,029,446	\$ 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 June 30	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	\$ 162,744	\$ 1,637	\$ 164,381	\$ 186,825	\$ 2,142	\$ 188,967	
Property operating costs	73,976	1,069	75,045	70,831	1,298	72,129	
Net operating income	88,768	568	89,336	115,994	844	116,838	
Other income and expenses							
Interest and other income	3,041	271	3,312	7,004	193	7,197	
Interest expense	(38,493)	(314)	(38,807)	(44,220)	(520)	(44,740)	
Corporate expenses	(7,110)	5	(7,105)	(9,469)	96	(9,373)	
Abandoned transaction costs	(18)	—	(18)	(108)	—	(108)	
Amortization expense	(1,348)	(774)	(2,122)	(1,075)	—	(1,075)	
Share of profit from joint ventures	(643)	643	—	649	(649)	—	
Other gains (losses) and (expenses)	(1,107)	(74)	(1,181)	(2,185)	(26)	(2,211)	
(Increase) decrease in value of unit-based compensation	(650)	—	(650)	—	—	—	
(Increase) decrease in value of Exchangeable Units	(302)	—	(302)	—	—	—	
Increase (decrease) in value of hotel property	(4,327)	—	(4,327)	—	—	—	
Increase (decrease) in value of investment properties, net	(32,999)	(86)	(33,085)	11,154	78	11,232	
	(83,956)	(329)	(84,285)	(38,250)	(828)	(39,078)	
Income (loss) before income taxes	4,812	239	5,051	77,744	16	77,760	
Deferred income tax expense (recovery)	(5,479)	—	(5,479)	(3,484)	—	(3,484)	
Net income (loss)	\$ 10,291	\$ 239	\$ 10,530	\$ 81,228	\$ 16	\$ 81,244	
Net income (loss) attributable to:							
Unitholders / Shareholders	\$ 10,530	\$ —	\$ 10,530	\$ 81,244	\$ —	\$ 81,244	
Non-controlling interest	(239)	239	—	(16)	16	—	
	\$ 10,291	\$ 239	\$ 10,530	\$ 81,228	\$ 16	\$ 81,244	
Net income (loss) per unit / share attributable to Unitholders / Shareholders:							
Basic	\$ 0.05			\$ 0.36			
Diluted	\$ 0.05			\$ 0.36			

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

Six months ended June 30	2020						2019
	Consolidated Statements of Income	Adjustment for proportionate interest	Proportionate interest ⁽¹⁾	Consolidated Statements of Income	Adjustment for proportionate interest	Proportionate interest ⁽¹⁾	
Property rental revenue	\$ 338,880	\$ 3,606	\$ 342,486	\$ 381,499	\$ 3,938	\$ 385,437	
Property operating costs	146,972	2,727	149,699	150,074	1,844	151,918	
Net operating income	191,908	879	192,787	231,425	2,094	233,519	
Other income and expenses							
Interest and other income	6,180	754	6,934	17,351	205	17,556	
Interest expense	(78,909)	(628)	(79,537)	(83,836)	(1,032)	(84,868)	
Corporate expenses	(17,097)	57	(17,040)	(19,535)	195	(19,340)	
Abandoned transaction costs	(82)	—	(82)	(143)	—	(143)	
Amortization expense	(2,599)	(1,297)	(3,896)	(2,144)	—	(2,144)	
Share of profit from joint ventures	(1,051)	1,051	—	1,866	(1,866)	—	
Other gains (losses) and (expenses)	(5,339)	(1,403)	(6,742)	(4,925)	(54)	(4,979)	
(Increase) decrease in value of non-cash compensation	7,833	—	7,833	—	—	—	
(Increase) decrease in value of Exchangeable Units	8,216	—	8,216	—	—	—	
Increase (decrease) in value of hotel property	(4,327)	—	(4,327)	—	—	—	
Increase (decrease) in value of investment properties, net	(152,239)	(4,679)	(156,918)	16,207	412	16,619	
	(239,414)	(6,145)	(245,559)	(75,159)	(2,140)	(77,299)	
Income (loss) before income taxes	(47,506)	(5,266)	(52,772)	156,266	(46)	156,220	
Deferred income tax expense (recovery)	(6,944)	—	(6,944)	12,824	—	12,824	
Net income (loss)	\$ (40,562)	\$ (5,266)	\$ (45,828)	\$ 143,442	\$ (46)	\$ 143,396	
Net income (loss) attributable to:							
Unitholders / Shareholders	\$ (45,828)	\$ —	\$ (45,828)	\$ 143,396	\$ —	\$ 143,396	
Non-controlling interest	5,266	(5,266)	—	46	(46)	—	
	\$ (40,562)	\$ (5,266)	\$ (45,828)	\$ 143,442	\$ (46)	\$ 143,396	
Net income (loss) per unit / share attributable to Unitholders / Shareholders:							
Basic	\$ (0.21)			\$ 0.60			
Diluted	\$ (0.21)			\$ 0.59			

⁽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 June 30		Six months ended June 30	
	2020	2019	2020	2019
Net income (loss) attributable to Unitholders / Shareholders	\$ 10,530	\$ 81,244	\$ (45,828)	\$ 143,396
Add (deduct):				
(Increase) decrease in value of investment properties ⁽¹⁾	33,085	(11,232)	156,918	(16,619)
(Increase) decrease in value of hotel property ⁽¹⁾	4,327	—	4,327	—
Adjustment for equity accounted joint ventures ⁽²⁾	774	240	1,297	512
Incremental leasing costs ⁽³⁾	1,550	1,617	3,348	3,410
Amortization expense ⁽⁴⁾	343	144	626	323
Distributions on Exchangeable Units ⁽⁵⁾	260	—	520	—
Increase (decrease) in value of Exchangeable Units ⁽⁵⁾	302	—	(8,216)	—
Increase (decrease) in value of unit-based compensation ⁽⁶⁾	650	—	(7,833)	—
Investment properties selling costs ⁽¹⁾	1,120	1,700	3,103	2,036
Deferred income taxes (recovery) ⁽¹⁾	(5,479)	(3,484)	(6,944)	12,824
FFO ⁽⁷⁾	\$ 47,462	\$ 70,229	\$ 101,318	\$ 145,882

⁽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 June 30		change	Six months ended June 30	
		2020	2019		2020	2019
Net operating income		\$ 89,336	\$ 116,838		\$ 192,787	\$ 233,519
Interest and other income		3,312	7,197		6,934	17,556
Interest expense ⁽¹⁾		(38,547)	(44,500)		(79,017)	(84,356)
Corporate expenses ⁽²⁾		(5,555)	(7,756)		(13,692)	(15,930)
Abandoned transaction costs		(18)	(108)		(82)	(143)
Amortization expense ⁽³⁾		(1,005)	(931)		(1,973)	(1,821)
Other gains (losses) and (expenses) ⁽⁴⁾		(61)	(511)		(3,639)	(2,943)
FFO ⁽⁵⁾	(32.4%)	\$ 47,462	\$ 70,229	(30.5%)	\$ 101,318	\$ 145,882
FFO per diluted unit / share	(30.6%)	\$ 0.22	\$ 0.31	(24.0%)	\$ 0.46	\$ 0.61
Weighted average number of units / shares – diluted (in thousands)	(2.6%)	220,492	226,417	(8.6%)	220,460	241,203

⁽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 and six months ended June 30, 2020, FFO totaled \$47.5 million or \$0.22 per diluted unit and \$101.3 million or \$0.46 per diluted unit compared to \$70.2 million or \$0.31 per diluted share and \$145.9 million or \$0.61 per diluted share for the same prior year periods, respectively. FFO decreased \$22.8 million and \$44.6 million, respectively, over the

same prior year periods primarily due to \$16.8 million of bad debt expense related to CECRA and COVID-19 and the impact to NOI of \$1.0 billion of property dispositions during 2019 and the first half of 2020, partially offset by lower interest expense. Additionally, for the six month period interest and other income declined due to a \$192.7 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

For the three months ended June 30, 2020, FFO per diluted unit, excluding the bad debt expense related to CECRA and COVID-19, decreased \$0.02 per diluted unit over the prior year period, as expected, primarily due to property dispositions, partially offset by lower interest expense.

Adjusted Cash Flow from Operations

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

	Three months ended June 30		Six months ended June 30	
	2020	2019	2020	2019
Cash provided by operating activities	\$ 46,249	\$ 43,106	\$ 83,299	\$ 91,988
Add (deduct):				
Working capital adjustments ⁽¹⁾	(5,682)	32,663	1,540	40,206
Adjustment for equity accounted joint ventures	252	776	146	1,377
Revenue sustaining capital expenditures	(5,960)	(4,575)	(11,275)	(9,337)
Recoverable capital expenditures	(318)	(1,481)	(660)	(2,805)
Leasing costs on properties under development	387	405	837	853
Realized gain (loss) on sale of marketable securities	—	—	—	1,164
Non-controlling interest	1,572	(39)	1,543	(121)
ACFO ⁽²⁾	\$ 36,500	\$ 70,855	\$ 75,430	\$ 123,325

⁽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 and six months ended June 30, 2020, ACFO totaled \$36.5 million and \$75.4 million compared to \$70.9 million and \$123.3 million for the same prior year period periods, respectively. The \$47.9 million decrease in ACFO for the six months ended June 30, 2020 was primarily due to lower cash inflows from working capital and lower NOI as a result of property dispositions over the same prior year period. Additionally, interest and other income declined, as expected, due to a \$192.7 million year over year reduction in outstanding loan receivables, partially offset by lower interest expense.

ACFO Payout Ratio

First Capital's ACFO payout ratio for the four quarters ended June 30, 2020 is calculated as follow:

	Twelve months ended June 30, 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019
ACFO ⁽¹⁾	\$ 204,521	\$ 36,500	\$ 38,930	\$ 68,558	\$ 60,533
Cash distributions / dividends paid ⁽²⁾	187,999	46,915	46,874	47,106	47,104
ACFO payout ratio ⁽¹⁾	91.9%				

⁽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 June 30, 2019 is calculated as follow:

	Twelve months ended June 30, 2019		Q2 2019	Q1 2019	Q4 2018	Q3 2018
ACFO ⁽¹⁾	\$	266,161	\$ 70,855	\$ 52,470	\$ 71,372	\$ 71,464
Cash dividends paid		217,082	54,832	54,788	54,782	52,680
ACFO payout ratio ⁽¹⁾		81.6%				

⁽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 June 30, 2020, the ACFO payout was 91.9% (June 30, 2019 - 81.6%).

Net Asset Value

The following table provides FCR's calculation of NAV for the six months ended June 30, 2020 and 2019:

As at	June 30, 2020		June 30, 2019
Unitholders' / Shareholders' equity	\$	4,252,417	\$ 4,252,318
Exchangeable Units		16,794	—
Deferred tax liabilities		669,830	795,693
Net Asset Value (NAV) ⁽¹⁾	\$	4,939,041	\$ 5,048,011
Units outstanding - diluted ⁽¹⁾		220,517	220,421
NAV per unit ⁽¹⁾	\$	22.40	\$ 22.90

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

The decrease in NAV per unit from \$22.90 to \$22.40 is primarily due to the 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 June 30			Six months ended June 30		
	2020	2019		2020	2019	
Distributions declared per unit	\$ 0.215	N/A	\$	0.430	N/A	
Dividends declared per common share	N/A	\$ 0.215	\$	N/A	\$ 0.430	

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 June 30									
	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	\$ 73	\$ 82	\$ 91	\$ 105	\$ —	\$ —	\$ (1)	\$ —	\$ 163	\$ 187	
NOI ⁽⁵⁾	42	56	48	60	—	—	(1)	—	89	116	
Net income (loss) attributable to Unitholders / Shareholders	11	81	70	134	—	(1)	(70)	(133)	11	81	

(millions of dollars)										Six months ended June 30										
	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	\$	150	\$	169	\$	191	\$	214	\$	—	\$	—	\$	(2)	\$	(2)	\$	339	\$	381
NOI ⁽⁵⁾		90		112		103		120		—		—		(1)		(1)		192		231
Net income (loss) attributable to Unitholders / Shareholders		(46)		143		180		133		9		—		(189)		(133)		(46)		143

(millions of dollars)		As at June 30, 2020					
		FCR ⁽¹⁾		Guarantors ⁽²⁾		Non-Guarantors ⁽³⁾	
						Consolidation Adjustments ⁽⁴⁾	
Current assets	\$	(20)		359		2	
Non-current assets		105		10,232		110	
Current liabilities		443		99		6	
Non-current liabilities		4,441		755		51	

(millions of dollars)		As at December 31, 2019					
		FCR ⁽¹⁾		Guarantors ⁽²⁾		Non-Guarantors ⁽³⁾	
						Consolidation Adjustments ⁽⁴⁾	
Current assets	\$	125		188		1	
Non-current assets		122		10,206		161	
Current liabilities		411		90		2	
Non-current liabilities		4,425		736		40	

⁽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 and is no longer a related party.

(b) Joint ventures

During the six months ended June 30, 2020, First Capital earned fee income of nil (six months ended June 30, 2019 – \$0.5 million) from its joint ventures.

During the six months ended June 30, 2020, First Capital also advanced nil (six months ended June 30, 2019 – \$0.9 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 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.

Collection of July 2020 Rent

As of August 5, 2020, First Capital has collected approximately 79% of the gross rents payable from tenants for the month of July or 96% after adjusting for approved deferrals and abatements.

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 enhanced First Capital's liquidity position.

QUARTERLY FINANCIAL INFORMATION

	2020		2019				2018	
(unit / share counts in thousands)	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Property rental revenue	\$ 162,744	\$ 176,136	\$ 181,624	\$ 183,650	\$ 186,825	\$ 194,674	\$ 184,590	\$ 182,368
Net operating income ⁽¹⁾	\$ 88,768	\$ 103,140	\$ 113,949	\$ 115,023	\$ 115,994	\$ 115,431	\$ 114,515	\$ 114,800
Net income (loss) attributable to Unitholders / Shareholders	\$ 10,530	\$ (56,358)	\$ 192,459	\$ 65,490	\$ 81,244	\$ 62,152	\$ 64,306	\$ 131,427
Net income (loss) per unit / share attributable to Unitholders / Shareholders:								
Basic	\$ 0.05	\$ (0.26)	\$ 0.88	\$ 0.30	\$ 0.36	\$ 0.24	\$ 0.25	\$ 0.52
Diluted	\$ 0.05	\$ (0.26)	\$ 0.87	\$ 0.30	\$ 0.36	\$ 0.24	\$ 0.25	\$ 0.52
FFO ⁽¹⁾	\$ 47,462	\$ 53,856	\$ 63,443	\$ 75,595	\$ 70,229	\$ 75,653	\$ 73,380	\$ 76,510
FFO per diluted unit / share ⁽¹⁾	\$ 0.22	\$ 0.24	\$ 0.29	\$ 0.34	\$ 0.31	\$ 0.30	\$ 0.29	\$ 0.30
Weighted average number of diluted units / shares outstanding	220,492	220,470	220,545	220,664	226,417	256,178	255,821	254,100
Cash provided by operating activities	\$ 46,249	\$ 37,050	\$ 106,905	\$ 70,254	\$ 43,106	\$ 48,882	\$ 114,128	\$ 72,049
ACFO ⁽¹⁾	\$ 36,500	\$ 38,930	\$ 68,558	\$ 60,533	\$ 70,855	\$ 52,470	\$ 71,372	\$ 71,464
Distribution declared per unit / dividend per share	\$ 0.215	\$ 0.215	\$ 0.072	\$ 0.215	\$ 0.215	\$ 0.215	\$ 0.215	\$ 0.215
Total assets	\$10,037,370	\$10,237,121	\$10,161,360	\$10,585,127	\$10,375,405	\$10,465,288	\$10,453,055	\$10,317,034
Total mortgages and credit facilities	\$2,434,042	\$2,447,687	\$2,226,186	\$2,655,151	\$2,551,058	\$1,891,884	\$1,912,080	\$1,678,862
Unitholders' / Shareholders' equity	\$4,252,417	\$4,298,037	\$4,426,592	\$4,272,781	\$4,252,318	\$4,979,080	\$4,978,242	\$4,981,511
Other								
Number of neighbourhoods	149	151	156	164	163	164	164	164
GLA - at 100% (in thousands)	22,844	23,246	23,528	25,092	25,294	25,334	25,456	25,519
GLA - at ownership interest (in thousands)	20,250	20,651	20,927	22,936	23,136	23,731	23,854	23,797
Monthly average occupancy %	96.3 %	96.5 %	96.6 %	96.4 %	96.7 %	96.6 %	96.6 %	96.4 %
Total portfolio occupancy %	96.3 %	96.4 %	96.9 %	96.7 %	96.8 %	96.8 %	96.7 %	96.5 %

⁽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 and six months ended June 30, 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 except as noted in Note 2(b) of the interim condensed 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 June 30, 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 June 30, 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 June 30, 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 June 30, 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 remains 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 were forced to close in accordance with government regulations or were 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 were 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. A substantial number of tenants elected to participate in the government relief program, CEBCRA, including many that had initially been part of First Capital's Small Business Support Program. There is no certainty as

to whether other government relief programs will be made available to property owners or tenants and whether they will be beneficial to First Capital. The extent to which non-essential businesses can reopen remains uncertain and there is no certainty that these businesses will be allowed to remain open should governmental authorities reinstate business closures. 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 and ability to lease residential space; the performance of its hotel operations, 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. Additionally, health and safety issues related to COVID-19 as well as actions taken by First Capital with respect to tenant defaults could also result in legal claims and proceedings against FCR. 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

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Interim Condensed Consolidated Balance Sheets

As at (thousands of dollars)	Note	June 30, 2020 (unaudited)	December 31, 2019 (audited)
ASSETS			
Non-current Assets			
Real Estate Investments			
Investment properties	3	\$ 9,484,479	\$ 9,593,530
Investment in joint ventures	4	58,298	59,498
Hotel property	5	55,620	62,199
Loans, mortgages and other assets	6	68,271	95,968
Total real estate investments		9,666,668	9,811,195
Other non-current assets	8	31,982	36,105
Total non-current assets		9,698,650	9,847,300
Current Assets			
Cash and cash equivalents	25(d)	54,045	25,503
Loans, mortgages and other assets	6	85,449	70,065
Residential development inventory		67,951	10,205
Amounts receivable	7	66,230	31,521
Other assets	8	35,995	18,166
		309,670	155,460
Investment properties classified as held for sale	3(d)	29,050	158,600
Total current assets		338,720	314,060
Total assets		\$ 10,037,370	\$ 10,161,360
LIABILITIES			
Non-current Liabilities			
Mortgages	10	\$ 1,191,475	\$ 1,242,055
Credit facilities	10	1,114,267	869,256
Senior unsecured debentures	11	2,147,880	2,322,214
Exchangeable Units	13	16,794	25,010
Other liabilities	12	72,872	24,844
Deferred tax liabilities	21	669,830	701,549
Total non-current liabilities		5,213,118	5,184,928
Current Liabilities			
Bank indebtedness	10	432	60
Mortgages	10	110,266	84,966
Credit facilities	10	18,034	29,909
Senior unsecured debentures	11	174,857	174,999
Accounts payable and other liabilities	12	238,497	210,992
Total current liabilities		542,086	500,926
Total liabilities		5,755,204	5,685,854
EQUITY			
Unitholders' equity	14	4,252,417	4,426,592
Non-controlling interest	24	29,749	48,914
Total equity		4,282,166	4,475,506
Total liabilities and equity		\$ 10,037,370	\$ 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 June 30		Six months ended June 30	
<i>(thousands of dollars)</i>	Note	2020	2019	2020	2019
Property rental revenue	\$	162,744	\$ 186,825	\$ 338,880	\$ 381,499
Property operating costs		73,976	70,831	146,972	150,074
Net operating income	16	88,768	115,994	191,908	231,425
Other income and expenses					
Interest and other income	17	3,041	7,004	6,180	17,351
Interest expense	18	(38,493)	(44,220)	(78,909)	(83,836)
Corporate expenses	19	(7,110)	(9,469)	(17,097)	(19,535)
Abandoned transaction costs		(18)	(108)	(82)	(143)
Amortization expense		(1,348)	(1,075)	(2,599)	(2,144)
Share of profit from joint ventures	4	(643)	649	(1,051)	1,866
Other gains (losses) and (expenses)	20	(1,107)	(2,185)	(5,339)	(4,925)
(Increase) decrease in value of unit-based compensation	15	(650)	—	7,833	—
(Increase) decrease in value of Exchangeable Units	13	(302)	—	8,216	—
Increase (decrease) in value of hotel property	5	(4,327)	—	(4,327)	—
Increase (decrease) in value of investment properties, net	3	(32,999)	11,154	(152,239)	16,207
		(83,956)	(38,250)	(239,414)	(75,159)
Income (loss) before income taxes		4,812	77,744	(47,506)	156,266
Deferred income tax expense (recovery)	21	(5,479)	(3,484)	(6,944)	12,824
Net income (loss)	\$	10,291	\$ 81,228	\$ (40,562)	\$ 143,442
Net income (loss) attributable to:					
Unitholders / Shareholders	14	\$ 10,530	\$ 81,244	\$ (45,828)	\$ 143,396
Non-controlling interest	24	(239)	(16)	5,266	46
	\$	10,291	\$ 81,228	\$ (40,562)	\$ 143,442

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 June 30		Six months ended June 30	
<i>(thousands of dollars)</i>	Note	2020	2019	2020	2019
Net income (loss)		\$ 10,291	\$ 81,228	\$ (40,562)	\$ 143,442
Other comprehensive income (loss)					
Unrealized gain (loss) on revaluation of hotel property ⁽¹⁾	5	(2,910)	—	(2,910)	—
Unrealized gain (loss) on cash flow hedges ⁽¹⁾		(10,978)	(17,272)	(61,613)	(30,051)
Reclassification of net losses on cash flow hedges to net income		416	405	871	782
		(13,472)	(16,867)	(63,652)	(29,269)
Deferred tax expense (recovery)	21	(4,119)	(4,368)	(23,644)	(7,668)
Other comprehensive income (loss)		(9,353)	(12,499)	(40,008)	(21,601)
Comprehensive income (loss)		\$ 938	\$ 68,729	\$ (80,570)	\$ 121,841
Comprehensive income (loss) attributable to:					
Unitholders / Shareholders	14	\$ 1,177	\$ 68,745	\$ (85,836)	\$ 121,795
Non-controlling interest	24	(239)	(16)	5,266	46
		\$ 938	\$ 68,729	\$ (80,570)	\$ 121,841

⁽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)	(45,828)	—	—	(45,828)	5,266	(40,562)
Options, deferred units, restricted units, and performance units, net	—	—	5,468	5,468	—	5,468
Other comprehensive income (loss)	—	(40,008)	—	(40,008)	—	(40,008)
Contributions from (distributions to) non-controlling interest, net	—	—	—	—	(24,431)	(24,431)
Distributions (Note 14)	(93,807)	—	—	(93,807)	—	(93,807)
June 30, 2020	\$ 1,421,852	\$ (47,810)	\$ 2,878,375	\$ 4,252,417	\$ 29,749	\$ 4,282,166

<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	143,396	—	—	—	143,396	46	143,442
Share repurchase costs, net of tax effect	—	—	(8,810)	—	(8,810)	—	(8,810)
Dividends	(102,310)	—	—	—	(102,310)	—	(102,310)
Repurchase of common shares	(241,137)	—	(475,560)	(24,903)	(741,600)	—	(741,600)
Options, deferred share units, restricted share units, and performance share units, net	—	—	5,080	(79)	5,001	—	5,001
Other comprehensive income (loss)	—	(21,601)	—	—	(21,601)	—	(21,601)
Contributions from (distributions to) non-controlling interest, net	—	—	—	—	—	(6,262)	(6,262)
June 30, 2019	\$ 1,373,537	\$ (26,089)	\$ 2,885,658	\$ 19,212	\$ 4,252,318	\$ 23,614	\$ 4,275,932

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

Interim Condensed Consolidated Statements of Cash Flows

<i>(unaudited)</i>		Three months ended June 30		Six months ended June 30	
<i>(thousands of dollars)</i>	Note	2020	2019	2020	2019
OPERATING ACTIVITIES					
Net income / (loss)		\$ 10,291	\$ 81,228	\$ (40,562)	\$ 143,442
Adjustments for:					
(Increase) decrease in value of investment properties, net	3	32,999	(11,154)	152,239	(16,207)
(Increase) decrease in value of hotel property	5	4,327	—	4,327	—
Interest expense	18	38,493	44,220	78,909	83,836
Amortization expense		1,348	1,075	2,599	2,144
Share of profit of joint ventures	4	643	(649)	1,051	(1,866)
Cash interest paid associated with operating activities	18	(34,064)	(37,546)	(78,542)	(82,129)
Items not affecting cash and other items	25(a)	(2,540)	(1,926)	(17,445)	17,459
Net change in non-cash operating items	25(b)	(5,248)	(32,142)	(19,277)	(54,691)
Cash provided by (used in) operating activities		46,249	43,106	83,299	91,988
FINANCING ACTIVITIES					
Mortgage borrowings, net of financing costs	10	—	392,850	—	392,850
Mortgage principal instalment payments	10	(7,158)	(6,141)	(14,282)	(11,686)
Mortgage repayments	10	—	(164,538)	(11,052)	(172,371)
Credit facilities, net advances (repayments)	10	(2,979)	465,069	233,402	497,664
Repayment of senior unsecured debentures	11	(175,000)	—	(175,000)	—
Settlement of hedges		—	(3,174)	—	(7,269)
Repurchase of common shares		—	(738,600)	—	(741,600)
Transaction costs related to share repurchase		—	(3,044)	—	(13,672)
Issuance of trust units / common shares, net of issue costs		—	1,952	2,826	3,012
Payment of distributions / dividends		(46,915)	(54,832)	(93,789)	(109,620)
Net contributions from (distributions to) non-controlling interest	24	—	(4,917)	(24,431)	(6,262)
Cash provided by (used in) financing activities		(232,052)	(115,375)	(82,326)	(168,954)
INVESTING ACTIVITIES					
Acquisition of investment properties	3(c)	—	(6,145)	—	(26,706)
Net proceeds from property dispositions	3(d)	52,452	144,147	131,177	161,455
Distributions from joint ventures	4	455	17,974	1,303	24,132
Contributions to joint ventures	4	(576)	(576)	(1,154)	(7,164)
Capital expenditures on investment properties	3(a)	(47,844)	(56,947)	(102,357)	(103,757)
Changes in investing-related prepaid expenses and other liabilities		(9,837)	(12,409)	(13,371)	(15,091)
Changes in loans, mortgages and other assets	25(c)	(1,961)	(14,694)	11,971	41,576
Cash provided by (used in) investing activities		(7,311)	71,350	27,569	74,445
Net increase (decrease) in cash and cash equivalents		(193,114)	(919)	28,542	(2,521)
Cash and cash equivalents, beginning of period		247,159	13,932	25,503	15,534
Cash and cash equivalents, end of period	25(d)	\$ 54,045	\$ 13,013	\$ 54,045	\$ 13,013

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, except for the following new accounting policies adopted during the quarter.

COVID-19 Rent Abatements

FCR accounts for rental abatements, in connection with tenants experiencing financial hardship as a result of COVID-19 and qualify under the Canada Emergency Commercial Rent Assistance ("CECRA") program, under the derecognition rules of IFRS 9, "Financial Instruments". Financial assets, such as trade receivables, are derecognized when all or a portion of outstanding amounts will be forgiven or abated and no further collection activities will be pursued. The forgiveness or abatement of the tenant receivable is recognized in the period First Capital forgoes the contractual right to all or a portion of the outstanding receivable and is recognized as a loss in the consolidated statement of income, under property operating costs.

Government Assistance

First Capital recognizes government assistance, in the form of grants or forgivable loans, when there is reasonable assurance that the Trust will be able to comply with the conditions attached to the assistance and that the assistance will be received. Government assistance that compensates FCR for expenses incurred is recognized in the consolidated statement of income, as a reduction of the related expense, in the periods in which the expenses are recognized.

COVID-19

The 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 June 30, 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 Trustees and authorized for issue on August 5, 2020.

3. INVESTMENT PROPERTIES

(a) Activity

The following tables summarize the changes in First Capital's investment properties for the six months ended June 30, 2020 and year ended December 31, 2019:

						Six months ended June 30, 2020
		Central Region		Eastern Region	Western Region	Total
Balance at beginning of period	\$	5,146,534	\$	1,535,433	\$ 3,070,163	\$ 9,752,130
Capital expenditures		78,349		10,863	13,145	102,357
Reclassification to residential development inventory		(57,519)		—	—	(57,519)
Increase (decrease) in value of investment properties, net		(60,276)		(27,906)	(64,057)	(152,239)
Straight-line rent and other changes		1,956		393	793	3,142
Dispositions		(43,800)		(76,792)	(13,750)	(134,342)
Balance at end of period	\$	5,065,244	\$	1,441,991	\$ 3,006,294	\$ 9,513,529
Investment properties					\$	9,484,479
Investment properties classified as held for sale						29,050
Total					\$	9,513,529

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – continued

	Year ended December 31, 2019			
	Central Region	Eastern Region	Western Region	Total
Balance at beginning of period	\$ 4,489,359	\$ 2,037,411	\$ 3,241,505	\$ 9,768,275
Acquisitions	376,700	—	15,410	392,110
Capital expenditures	157,955	26,678	43,557	228,190
Consolidation of equity accounted joint venture	131,480	—	—	131,480
Increase (decrease) in value of investment properties, net	83,274	(5,486)	(16,751)	61,037
Straight-line rent and other changes	4,193	1,212	607	6,012
Dispositions	(96,427)	(524,382)	(214,165)	(834,974)
Balance at end of period	\$ 5,146,534	\$ 1,535,433	\$ 3,070,163	\$ 9,752,130
Investment properties			\$	9,593,530
Investment properties classified as held for sale				158,600
Total			\$	9,752,130

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

Investment properties with a fair value of \$2.8 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	June 30, 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%	5.7%	5.1%	5.0%	4.7%	5.8%	5.1%	5.0%
Terminal Capitalization Rate	4.9%	6.0%	5.4%	5.2%	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%

The majority of the Trust's portfolio is valued under the Income Approach using the DCF method. As at June 30, 2020 the weighted average valuation yields (stabilized overall capitalization, terminal, and discount rates) used in valuing those investment properties under the Income Approach remained largely unchanged from December 31, 2019. Slight decreases in the weighted average overall and terminal capitalization rates in the Eastern and Central regions were due to dispositions of properties that were inconsistent with the Trust's Super Urban Strategy. Over the past 18 months, the Trust's disposition program has been focused on disposing of lower quality assets with higher capitalization rates which has resulted in a reduction in the weighted average in-place overall capitalization rate for the portfolio.

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 and thus have not been adjusted in Trust's valuation models. To reflect the potential impact of COVID-19 on the cash flows in the valuation models used to determine the fair value of investment properties, a comprehensive portfolio review was undertaken on a property by property basis to identify properties with greater exposure to tenants deemed non-essential under government directives and therefore potentially subject to prolonged closures. The short-term cash flows in the 10 year valuation models for each of these properties was adjusted for increased vacancy, lower rental rate growth and other market leasing assumptions such as slower lease up of existing vacancy. As a result, the fair value of investment properties decreased by \$152.2 million for the six months ended June 30, 2020.

The sensitivity of the fair values of investment properties to stabilized overall capitalization rates as at June 30, 2020 is set out in the table below:

As at June 30, 2020	(millions of dollars)
(Decrease) Increase in stabilized overall capitalization rate	Resulting increase (decrease) in fair value of investment properties
(1.00%)	\$ 2,286
(0.75%)	\$ 1,614
(0.50%)	\$ 1,016
(0.25%)	\$ 481
0.25%	\$ (436)
0.50%	\$ (832)
0.75%	\$ (1,194)
1.00%	\$ (1,525)

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 \$578 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 \$523 million.

(c) Investment properties – Acquisitions

During the three and six months ended June 30, 2020 and 2019, First Capital acquired investment properties as follows:

Three months ended June 30	2020	2019
	Investment Properties	Investment Properties
Total purchase price, including acquisition costs	\$ —	\$ 6,145
Total cash paid	\$ —	\$ 6,145
Six months ended June 30	2020	2019
	Investment Properties	Investment Properties
Total purchase price, including acquisition costs ⁽¹⁾	\$ —	\$ 26,706
Total cash paid	\$ —	\$ 26,706

⁽¹⁾ During the first 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	June 30, 2020	December 31, 2019
Aggregate fair value	\$ 29,050	\$ 158,600

The decrease of \$129.6 million in investment properties classified as held for sale from December 31, 2019, primarily arose from the dispositions completed in the period.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – continued

During the three and six months ended June 30, 2020 and 2019, First Capital sold investment properties as follows:

	Three months ended June 30		Six months ended June 30	
	2020	2019	2020	2019
Total selling price	\$ 53,592	\$ 200,352	\$ 134,342	\$ 217,984
Mortgages assumed and vendor take-back mortgage on sale	—	(54,505)	—	(54,505)
Property selling costs	(1,140)	(1,700)	(3,165)	(2,024)
Total cash proceeds	\$ 52,452	\$ 144,147	\$ 131,177	\$ 161,455

(e) Reconciliation of investment properties to total assets

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

As at June 30, 2020	Central Region	Eastern Region	Western Region	Total
Total investment properties ⁽¹⁾	\$ 5,065,244	\$ 1,441,991	\$ 3,006,294	\$ 9,513,529
Cash and cash equivalents				54,045
Loans, mortgages and other assets				153,720
Other assets				67,977
Amounts receivable				66,230
Investment in joint ventures				58,298
Hotel property				55,620
Residential development inventory				67,951
Total assets				\$ 10,037,370

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

As at December 31, 2019	Central Region	Eastern Region	Western Region	Total
Total investment properties ⁽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 June 30, 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	
			June 30, 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 six months ended June 30, 2020 and year ended December 31, 2019:

	June 30, 2020	December 31, 2019
Balance at beginning of period	\$ 59,498	\$ 144,375
Contributions to equity accounted joint ventures	1,154	17,481
Distributions from equity accounted joint ventures	(1,303)	(25,648)
Consolidation of equity accounted joint venture (MMUR)	—	(78,409)
Share of income (loss) from equity accounted joint ventures	(1,051)	1,699
Balance at end of period	\$ 58,298	\$ 59,498

As of June 30, 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 six months ended June 30, 2020 and year ended December 31, 2019.

	June 30, 2020	December 31, 2019
Balance at beginning of period	\$ 62,199	\$ 58,604
Acquisition		
Revaluation of hotel property ⁽¹⁾	(7,237)	2,910
Additions	1,284	1,378
Amortization	(626)	(693)
Balance at end of period	\$ 55,620	\$ 62,199

⁽¹⁾ The revaluation loss of \$7.2 million was recognized partly through other comprehensive income (loss) to reverse previously recognized gains on the hotel property of \$2.9 million in accordance with the revaluation model accounting for the hotel. The remaining \$4.3 million revaluation loss was recognized in the consolidated statements of income.

Due to the impact of COVID-19 on the hospitality industry, the fair value of the Trust's hotel property was recalculated as of June 30, 2020 and a revaluation loss of \$7.2 million on the hotel property was recognized in the three months ended June 30, 2020.

6. LOANS, MORTGAGES AND OTHER ASSETS

As at	June 30, 2020	December 31, 2019
Non-current		
Loans and mortgages receivable classified as FVTPL (a)	\$ 21,911	\$ 20,726
Loans and mortgages receivable classified as amortized cost (a)	29,780	58,940
Other investments	16,580	16,302
Total non-current	\$ 68,271	\$ 95,968
Current		
Loans and mortgages receivable classified as FVTPL (a)	\$ 248	\$ 132
Loans and mortgages receivable classified as amortized cost (a)	82,131	65,984
FVTPL investments in securities (b)	3,070	3,949
Total current	\$ 85,449	\$ 70,065
Total	\$ 153,720	\$ 166,033

(a) Loans and mortgages receivable are secured by interests in investment properties or shares of entities owning investment properties. As at June 30, 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 June 30, 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	June 30, 2020	December 31, 2019
Tenant receivables (net of allowances for doubtful accounts of \$12.2 million; December 31, 2019 – \$3.0 million)	\$ 47,438	\$ 25,356
Corporate and other amounts receivable	18,792	6,165
Total	\$ 66,230	\$ 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 June 30, 2020.

During the quarter, the Trust provided rental abatements for 75% of gross rent to qualifying tenants participating in the CECRA program. As a result, the qualifying tenant's outstanding receivable was reduced and recorded as a charge to bad debt expense. Concurrently, the Trust recognized the benefit of the government's forgivable loan covering 50% of gross rent as a reduction of bad debt expense. As such, the net charge to bad debt expense included in property operating costs totaled \$7.9 million related to the CECRA program. The CECRA forgivable loan outstanding from the government as of June 30, 2020 was \$15.8 million and included in corporate and other amounts receivable.

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 June 30, 2020. During the quarter, the Trust increased its provision for doubtful accounts by \$8.9 million with a related charge to bad debt expense included in property operating costs as a result of the COVID-19 environment.

8. OTHER ASSETS

As at	Note	June 30, 2020	December 31, 2019
Non-current			
Fixtures, equipment and computer hardware and software (net of accumulated amortization of \$18.6 million; December 31, 2019 – \$15.6 million)		\$ 11,347	\$ 11,670
Deferred financing costs on credit facilities (net of accumulated amortization of \$5.8 million; December 31, 2019 – \$5.3 million)		3,448	3,886
Environmental indemnity and insurance proceeds receivable	12(a)	2,945	3,105
Bond asset		14,242	14,513
Derivatives at fair value	23	—	2,931
Total non-current		\$ 31,982	\$ 36,105
Current			
Deposits and costs on investment properties under option		\$ 9,331	\$ 5,691
Prepaid expenses		23,531	9,088
Other deposits		1,410	250
Restricted cash		765	765
Derivatives at fair value	23	958	2,372
Total current		\$ 35,995	\$ 18,166
Total		\$ 67,977	\$ 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	June 30, 2020	December 31, 2019
Liabilities (principal amounts outstanding)		
Bank indebtedness	\$ 432	\$ 60
Mortgages	1,305,885	1,331,219
Credit facilities	1,132,301	899,165
Mortgages under equity accounted joint ventures (at the Trust's interest)	39,663	40,144
Exchangeable Units (based on a closing per unit price of \$13.88; December 31, 2019 - \$20.67)	16,794	25,010
Senior unsecured debentures	2,325,000	2,500,000
Equity Capitalization		
Trust Units (based on closing per unit price of \$13.88; December 31, 2019 - \$20.67)	3,028,736	4,505,107
Total capital employed	\$ 7,848,811	\$ 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 June 30, 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	June 30, 2020	December 31, 2019
Net debt to total assets		47.3%	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%	14.5%	14.5%
For the rolling four quarters ended			
Interest coverage (Adjusted EBITDA to interest expense) ⁽¹⁾	>1.65	2.2	2.4
Fixed charge coverage (Adjusted EBITDA to debt service) ⁽¹⁾	>1.50	1.9	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	June 30, 2020	December 31, 2019
Fixed rate mortgages	\$ 1,301,741	\$ 1,327,021
Unsecured facilities	997,065	772,030
Secured facilities	135,236	127,135
Mortgages and credit facilities	\$ 2,434,042	\$ 2,226,186
Current	\$ 128,300	\$ 114,875
Non-current	2,305,742	2,111,311
Total	\$ 2,434,042	\$ 2,226,186

Mortgages and secured facilities are secured by First Capital's investment properties. As at June 30, 2020, approximately \$2.8 billion (December 31, 2019 – \$2.8 billion) of investment properties out of \$9.5 billion (December 31, 2019 – \$9.8 billion) (Note 3(a)) had been pledged as security under the mortgages and the secured facilities.

As at June 30, 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 June 30, 2020 is 3.7% (December 31, 2019 – 3.7%).

Principal repayments of mortgages outstanding as at June 30, 2020 are as follows:

	Scheduled Amortization	Payments on Maturity	Total	Weighted Average Effective Interest Rate
2020 (remainder of the year)	\$ 14,083	\$ 45,858	\$ 59,941	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%
	\$ 235,873	\$ 1,070,012	\$ 1,305,885	3.7%
Unamortized deferred financing costs and premiums, net			(4,144)	
Total			\$ 1,301,741	

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – continued

First Capital's credit facilities as at June 30, 2020 are summarized in the table below:

As at June 30, 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	\$ —	\$ (11,659)	\$ 538,341	BA + 1.45% or Prime + 0.45% or US\$ LIBOR + 1.45%	June 30, 2023
Revolving facility maturing 2022 ⁽¹⁾	250,000	(250,958)	—	—	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	(196,107)	—	—	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	(72,801)	(1,592)	63,607	BA + 1.350% or Prime + 0.350%	October 26, 2022
Secured Facilities						
Maturing 2020	20,734	(3,050)	(1,221)	16,463	BA + 1.20% or Prime + 0.20%	December 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	\$ 1,768,135	\$ (1,132,301)	\$ (14,472)	\$ 618,427		

⁽¹⁾ The Trust had drawn in U.S. dollars the equivalent of CAD\$250.0 million which was revalued at CAD\$251.0 million as at June 30, 2020.

⁽²⁾ The Trust had drawn in U.S. dollars the equivalent of CAD\$200.0 million which was revalued at CAD\$196.1 million as at June 30, 2020.

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

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.

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. During the second quarter, First Capital repaid its \$11.9 million secured facility.

11. SENIOR UNSECURED DEBENTURES

As at				June 30, 2020		December 31, 2019	
Series	Maturity Date	Interest Rate		Principal Outstanding	Liability	Liability	
		Coupon	Effective				
M	April 30, 2020	5.60%	5.60%	\$ —	\$ —	\$ 174,999	
N	March 1, 2021	4.50%	4.63%	175,000	174,857	174,754	
O	January 31, 2022	4.43%	4.59%	200,000	199,517	199,372	
P	December 5, 2022	3.95%	4.18%	250,000	248,711	248,461	
Q	October 30, 2023	3.90%	3.97%	300,000	299,371	299,284	
R	August 30, 2024	4.79%	4.72%	300,000	300,770	300,853	
S	July 31, 2025	4.32%	4.24%	300,000	301,109	301,208	
T	May 6, 2026	3.60%	3.56%	300,000	300,633	300,683	
U	July 12, 2027	3.75%	3.82%	300,000	298,701	298,622	
V	January 22, 2027	3.46%	3.54%	200,000	199,068	198,977	
Weighted Average or Total		4.07%	4.12%	\$ 2,325,000	\$ 2,322,737	\$ 2,497,213	
Current				175,000	174,857	174,999	
Non-current				2,150,000	2,147,880	2,322,214	
Total				\$ 2,325,000	\$ 2,322,737	\$ 2,497,213	

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

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.

12. ACCOUNTS PAYABLE AND OTHER LIABILITIES

As at	Note	June 30, 2020	December 31, 2019
Non-current			
Asset retirement obligations (a)		\$ 1,644	\$ 1,980
Ground leases payable		9,719	10,035
Derivatives at fair value	23	51,211	1,677
Unit-based compensation plans	15	2,081	4,447
Deferred purchase price of investment property		5,700	5,700
Other liabilities		2,517	1,005
Total non-current		\$ 72,872	\$ 24,844
Current			
Trade payables and accruals		\$ 85,941	\$ 57,978
Construction and development payables		40,744	45,722
Unit-based compensation plans	15	8,859	14,740
Distributions payable	14	15,638	15,620
Interest payable		33,651	35,960
Tenant deposits		43,342	37,955
Derivatives at fair value	23	10,306	3,009
Other liabilities		16	8
Total current		\$ 238,497	\$ 210,992
Total		\$ 311,369	\$ 235,836

Trade payables and accruals have increased in the second quarter and over prior year end primarily due to the deferral of property tax payments as permitted by various municipalities across Canada in response to COVID-19.

- (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 \$2.9 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	June 30, 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	—	(8,216)	—	(230)
Balance at end of period	1,210	\$ 16,794	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:

Six months ended June 30	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
Repurchase of common shares	—	—	(36,000)	(475,560)
Exercise of options, and settlement of any restricted, performance and deferred trust / share units	255	5,468	262	5,080
Share repurchase costs, net of tax effect	—	—	—	(8,810)
Balance at end of period	218,209	\$ 2,878,375	219,090	\$ 2,885,658

(b) Distributions / Dividends

First Capital declared monthly distributions totaling \$0.430 per Trust Unit for the six months ended June 30, 2020 (for the six months ended June 30, 2019, the Company declared quarterly dividends of \$0.430 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:

Six months ended June 30	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
Repurchase of common shares	—	—	—	(24,903)	—	(24,903)
Options vested	—	—	—	—	588	588
Exercise of options	—	—	—	—	(198)	(198)
Deferred units	—	—	—	—	458	458
Restricted units	—	—	—	—	739	739
Performance units	—	—	—	—	1,654	1,654
Settlement of any restricted, performance and deferred units	—	—	—	—	(3,320)	(3,320)
Balance at end of period	\$ —	\$ —	\$ —	\$ —	\$ 19,212	\$ 19,212

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 June 30, 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 June 30, 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 June 30, 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 June 30, 2020 have exercise prices ranging from \$13.91 - \$21.24 (December 31, 2019 – \$13.91 - \$21.14).

During the six months ended June 30, 2020, \$0.7 million (six months ended June 30, 2019 – \$0.6 million) was recorded as an expense related to stock options.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – continued

Six months ended June 30	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	(171)	18.06
Forfeited	(19)	17.43	(111)	19.92
Expired	(19)	14.56	—	—
Outstanding at end of period	7,188	\$ 20.16	5,655	\$ 19.69

- (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.

Six months ended June 30	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 six months ended June 30, 2020 was \$21.71 (six months ended June 30, 2019 – \$21.24).
- (c) The assumptions used to measure the fair value of the unit options under the Black-Scholes model (level 2) as at June 30, 2020 were as follows:

Six months ended June 30	2020
Expected Trust Unit price volatility	20.5% - 50.5%
Expected life of options	0.7 - 7.0 years
Expected distribution yield	6.20%
Risk free interest rate	0.26% - 0.43%

(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.

Six months ended June 30	2020		2019	
(in thousands)	DUs	RUs / PUs	DSUs	RSUs / PSUs
Outstanding at beginning of period	289	663	289	588
Granted (a) (b)	30	295	15	244
Distributions / Dividends declared	7	20	6	13
Exercised	—	(189)	—	(179)
Forfeited	—	(16)	—	(8)
Outstanding at end of period	326	773	310	658
Expense recorded for the period	\$520	\$2,069	\$297	\$2,393

- (a) The fair value of the DUs granted during the six months ended June 30, 2020 was \$0.4 million (six months ended June 30, 2019 – \$0.3 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 six months ended June 30, 2020 was \$3.5 million (six months ended June 30, 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 six months ended June 30, 2020 was \$2.6 million (six months ended June 30, 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.

Six months ended June 30	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 June 30, 2020, the carrying value of the unit-based compensation liability was \$10,940 (December 31, 2019 – \$19,187)(Note 12). For the six months ended June 30, 2020, FCR recognized a decline in the value of the unit-based compensation plans which resulted in a gain of \$7.8 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 June 30			Six months ended June 30		
	% change	2020	2019	% change	2020	2019
Property rental revenue						
Base rent ⁽¹⁾		\$ 107,859	\$ 114,453		\$ 214,746	\$ 230,494
Operating cost recoveries		21,427	26,738		49,114	57,818
Realty tax recoveries		29,835	35,043		63,515	71,743
Lease termination fees		88	1,335		392	4,837
Percentage rent		402	1,129		1,304	1,896
Straight-line rent adjustment		848	1,576		1,730	2,547
Prior year operating cost and tax recovery adjustments		(148)	(451)		(577)	(389)
Temporary tenants, storage, parking and other ⁽²⁾		2,433	7,002		8,656	12,553
Total Property rental revenue	(12.9%)	162,744	186,825	(11.2%)	338,880	381,499
Property operating costs						
Recoverable operating expenses		23,523	30,504		54,488	66,148
Recoverable realty tax expense		34,235	39,616		72,224	81,479
Prior year realty tax expense		(430)	(769)		(538)	(715)
Other operating costs and adjustments ⁽³⁾		16,648	1,480		20,798	3,162
Total Property operating costs		73,976	70,831		146,972	150,074
Total NOI	(23.5%)	\$ 88,768	\$ 115,994	(17.1%)	\$ 191,908	\$ 231,425
NOI margin		54.5%	62.1%		56.6%	60.7%

⁽¹⁾ Includes residential revenue.

⁽²⁾ Includes hotel property revenue.

⁽³⁾ Includes residential operating costs, hotel property operating costs and bad debt expense.

Included in other operating costs and adjustments is bad debt expense of \$16.8 million comprised of the net rental abatement of \$7.9 million related to the CECRA program and \$8.9 million of bad debt provision in light of COVID-19.

Net Operating Income by Segment

Net operating income is presented by segment as follows:

	Central Region	Eastern Region	Western Region	Subtotal	Other ⁽¹⁾	Total
Three months ended June 30, 2020						
Property rental revenue	\$ 77,969	\$ 32,848	\$ 53,518	\$ 164,335	\$ (1,591)	\$ 162,744
Property operating costs	37,824	16,907	22,605	77,336	(3,360)	73,976
Net operating income	\$ 40,145	\$ 15,941	\$ 30,913	\$ 86,999	\$ 1,769	\$ 88,768
Three months ended June 30, 2019						
Property rental revenue	\$ 80,949	\$ 46,011	\$ 60,514	\$ 187,474	\$ (649)	\$ 186,825
Property operating costs	31,237	20,526	20,408	72,171	(1,340)	70,831
Net operating income	\$ 49,712	\$ 25,485	\$ 40,106	\$ 115,303	\$ 691	\$ 115,994

Six months ended June 30, 2020		Central Region		Eastern Region		Western Region		Subtotal		Other ⁽¹⁾		Total
Property rental revenue	\$	162,465	\$	67,569	\$	110,970	\$	341,004	\$	(2,124)	\$	338,880
Property operating costs		73,972		33,445		43,352		150,769		(3,797)		146,972
Net operating income	\$	88,493	\$	34,124	\$	67,618	\$	190,235	\$	1,673	\$	191,908

Six months ended June 30, 2019		Central Region		Eastern Region		Western Region		Subtotal		Other ⁽¹⁾		Total
Property rental revenue	\$	161,479	\$	96,039	\$	125,242	\$	382,760	\$	(1,261)	\$	381,499
Property operating costs		65,593		44,397		42,461		152,451		(2,377)		150,074
Net operating income	\$	95,886	\$	51,642	\$	82,781	\$	230,309	\$	1,116	\$	231,425

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

For the three and six months ended June 30, 2020, property operating costs include \$2.7 million and \$8.4 million, respectively, (three and six months ended June 30, 2019 – \$5.3 million and \$10.9 million, respectively) related to employee compensation. Employee compensation is presented net of subsidies received under the Canada Emergency Wage Subsidy ("CEWS") program of \$2.5 million related to property operations personnel. A portion of this wage subsidy will be passed on to tenants through lower operating cost recoveries.

17. INTEREST AND OTHER INCOME

		Three months ended June 30		Six months ended June 30	
	Note	2020	2019	2020	2019
Interest, dividend and distribution income from marketable securities and other investments	6	\$ 423	\$ 103	\$ 635	\$ 3,739
Interest income from loans and mortgages receivable classified as FVTPL	6	300	986	590	1,955
Interest income from loans and mortgages receivable at amortized cost	6	1,603	4,756	3,462	9,335
Fees and other income		715	1,159	1,493	2,322
Total		\$ 3,041	\$ 7,004	\$ 6,180	\$ 17,351

18. INTEREST EXPENSE

		Three months ended June 30		Six months ended June 30	
	Note	2020	2019	2020	2019
Mortgages	10	\$ 12,725	\$ 13,044	\$ 25,576	\$ 26,242
Credit facilities	10	7,240	9,710	14,495	14,728
Senior unsecured debentures	11	24,199	26,613	50,417	52,936
Distributions on Exchangeable Units ⁽¹⁾	13	260	—	520	—
Total interest expense		44,424	49,367	91,008	93,906
Interest capitalized to investment properties under development		(5,931)	(5,147)	(12,099)	(10,070)
Interest expense		\$ 38,493	\$ 44,220	\$ 78,909	\$ 83,836
Change in accrued interest		(3,349)	(5,528)	1,789	158
Coupon interest rate in excess of effective interest rate on senior unsecured debentures		300	324	630	640
Coupon interest rate in excess of effective interest rate on assumed mortgages		94	225	215	451
Amortization of deferred financing costs		(1,474)	(1,695)	(3,001)	(2,956)
Cash interest paid associated with operating activities		\$ 34,064	\$ 37,546	\$ 78,542	\$ 82,129

⁽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 June 30		Six months ended June 30	
		2020	2019	2020	2019
Salaries, wages and benefits	\$	4,601	\$ 6,848	\$ 12,520	\$ 14,441
Unit-based compensation		2,030	1,383	3,124	2,802
Other corporate costs		2,268	3,244	5,640	6,629
Total corporate expenses		8,899	11,475	21,284	23,872
Amounts capitalized to investment properties under development		(1,789)	(2,006)	(4,187)	(4,337)
Corporate expenses	\$	7,110	\$ 9,469	\$ 17,097	\$ 19,535

For the three and six months ended June 30, 2020, salaries, wages and benefits includes \$2.1 million of wage subsidies received under the CEWS program.

20. OTHER GAINS (LOSSES) AND (EXPENSES)

	Three months ended June 30		Six months ended June 30	
	2020	2019	2020	2019
Realized gain (loss) on sale of marketable securities	\$ —	\$ —	\$ —	\$ 1,164
Unrealized gain (loss) on marketable securities	463	(180)	(879)	95
Net gain (loss) on prepayments of debt (non-cash)	(282)	—	(282)	—
Pre-selling costs of residential inventory	(142)	—	(142)	—
Investment properties selling costs	(1,140)	(1,700)	(3,165)	(2,024)
REIT conversion costs	—	(548)	(906)	(772)
Transaction costs (a)	—	—	—	(3,414)
Other	(6)	243	35	26
Total	\$ (1,107)	\$ (2,185)	\$ (5,339)	\$ (4,925)

- (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 and six months ended June 30, 2020 relating to the Trust and for the three and six months ended June 30, 2019 relating to the Company.

	Three months ended June 30		Six months ended June 30	
	2020	2019	2020	2019
Income tax computed at the Canadian statutory rate of Nil applicable to the Trust at June 30, 2020; the Canadian federal and provincial tax rate of 26.5% applicable to the Company at June 30, 2019	\$ —	\$ 20,602	\$ —	\$ 41,411
Increase (decrease) in income taxes due to:				
Non-taxable portion of capital gains and other	—	(3,286)	—	(7,170)
Deferred income taxes applicable to corporate subsidiaries	(6,132)	—	(6,849)	—
Impact of change in provincial income tax rate	—	(21,787)	—	(21,793)
Non-controlling interests in income of consolidated limited partnership	—	4	—	(12)
Other	653	983	(95)	388
Deferred income taxes	\$ (5,479)	\$ (3,484)	\$ (6,944)	\$ 12,824

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 June 30, 2020, Loblaw Companies Limited ("Loblaw") is FCR's largest tenant and accounts for 10.3% 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 June 30, 2020 is set out below:

As at June 30, 2020	Payments Due by Period				
	Remainder of 2020	2021 to 2022	2023 to 2024	Thereafter	Total
Scheduled mortgage principal amortization	\$ 14,083	\$ 58,124	\$ 58,853	\$ 104,813	\$ 235,873
Mortgage principal repayments on maturity	45,858	168,959	108,477	746,718	1,070,012
Credit facilities and bank indebtedness	18,034	368,160	496,539	250,000	1,132,733
Senior unsecured debentures	—	625,000	600,000	1,100,000	2,325,000
Interest obligations ⁽¹⁾	85,869	302,738	215,315	174,881	778,803
Land leases (expiring between 2023 and 2061)	601	2,413	1,489	16,808	21,311
Contractual committed costs to complete current development projects	52,738	6,109	—	—	58,847
Other committed costs	8,658	—	—	—	8,658
Total contractual obligations	\$ 225,841	\$ 1,531,503	\$ 1,480,673	\$ 2,393,220	\$ 5,631,237

⁽¹⁾ Interest obligations include expected interest payments on mortgages and credit facilities as at June 30, 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 June 30, 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 June 30, 2020, First Capital has \$35.0 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 \$0.4 million (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	June 30, 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	\$ 3,070	\$ —	\$ —	\$ 3,949	\$ —	\$ —
Loans and mortgages receivable	—	—	22,159	—	—	20,858
Other investments	—	—	12,580	—	—	12,302
Derivatives at fair value – assets	—	958	—	—	5,303	—
Financial Liabilities						
Exchangeable Units	—	16,794	—	—	25,010	—
Unit-based compensation plans	—	10,940	—	—	19,187	—
Derivatives at fair value – liabilities	—	61,517	—	—	4,686	—
Measured at amortized cost						
Financial Assets						
Loans and mortgages receivable	—	—	109,998	—	—	124,740
Bond asset	—	14,242	—	—	14,513	—
Financial Liabilities						
Mortgages	—	1,363,659	—	—	1,346,852	—
Credit facilities	—	1,132,301	—	—	899,165	—
Senior unsecured debentures	\$ —	\$ 2,364,608	\$ —	\$ —	\$ 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 June 30, 2020, the interest rates ranged from 0.3% to 2.5% (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 June 30, 2020	June 30, 2020	December 31, 2019
Derivative assets				
Bond forward contracts	Yes	N/A	\$ —	\$ 2,372
Interest rate swaps	Yes	N/A	—	2,931
Cross currency swaps	No	July 2020	958	—
Total			\$ 958	\$ 5,303
Derivative liabilities				
Bond forward contracts	Yes	August 2020	\$ 6,413	\$ —
Interest rate swaps	Yes	April 2024 - March 2027	51,211	1,677
Cross currency swaps	No	August 2020	3,893	3,009
Total			\$ 61,517	\$ 4,686

As at June 30, 2020, the \$56.8 million increase in the fair value of outstanding derivative liabilities is primarily due to significant fluctuations in current market rates (Canadian Bankers' Acceptance rate and Government of Canada bond rate) relative to the market rates locked-in at inception of outstanding interest rate swaps and bond forward contracts.

24. SUBSIDIARIES WITH NON-CONTROLLING INTEREST

As at June 30, 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	
		June 30, 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 first 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

	Note	Three months ended June 30		Six months ended June 30	
		2020	2019	2020	2019
Straight-line rent adjustment	16	\$ (848)	\$ (1,576)	\$ (1,730)	\$ (2,547)
Investment properties selling costs	20	1,140	1,700	3,165	2,024
Realized (gain) loss on sale of marketable securities	20	—	—	—	(1,164)
Unrealized (gain) loss on marketable securities classified as FVTPL	20	(463)	180	879	(95)
Transaction costs ⁽¹⁾	20	—	—	—	3,414
Unit-based compensation expense		2,158	1,496	3,275	3,029
Increase (decrease) in value of Exchangeable Units	13	302	—	(8,216)	—
Increase (decrease) in value of unit-based compensation	15	650	—	(7,833)	—
Deferred income taxes (recovery)	21	(5,479)	(3,484)	(6,944)	12,824
Other non-cash items		—	(242)	(41)	(26)
Total		\$ (2,540)	\$ (1,926)	\$ (17,445)	\$ 17,459

⁽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 June 30		Six months ended June 30	
		2020	2019	2020	2019
Amounts receivable	\$	(28,447)	\$ 4,261	\$ (34,709)	\$ (6,299)
Prepaid expenses		(3,988)	(29,702)	(14,444)	(38,773)
Trade payables and accruals		18,818	(5,587)	26,319	(7,145)
Tenant security and other deposits		10,091	3,483	5,387	(1,700)
Other working capital changes		(1,722)	(4,597)	(1,830)	(774)
Total	\$	(5,248)	\$ (32,142)	\$ (19,277)	\$ (54,691)

(c) Changes in loans, mortgages and other assets

		Three months ended June 30		Six months ended June 30	
		2020	2019	2020	2019
Advances of loans and mortgages receivable	\$	(1,717)	\$ (10,000)	\$ (6,156)	\$ (16,187)
Repayments of loans and mortgages receivable and deposits		34	465	18,405	36,095
Other investments, net		(278)	(159)	(278)	1,667
Investment in marketable securities, net		—	(5,000)	—	(5,000)
Proceeds from disposition of marketable securities		—	—	—	25,001
Total	\$	(1,961)	\$ (14,694)	\$ 11,971	\$ 41,576

(d) Cash and cash equivalents

As at	June 30, 2020	December 31, 2019
Cash and cash equivalents ⁽¹⁾	\$ 54,045	\$ 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 \$65.6 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 \$35.0 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 \$21.3 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 June 30, 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 and is no longer a related party.

(b) Joint ventures

During the six months ended June 30, 2020, First Capital earned fee income of nil (six months ended June 30, 2019 – \$0.5 million) from its joint ventures.

During the six months ended June 30, 2020, First Capital also advanced nil (six months ended June 30, 2019 – \$0.9 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 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.

Collection of July 2020 Rent

As of August 5, 2020, First Capital has collected approximately 79% of the gross rents payable from tenants for the month of July or 96% after adjusting for approved deferrals and abatements.

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 enhanced First Capital's liquidity position.

Unitholder Information

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EXECUTIVE LEADERSHIP TEAM

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Chief Financial Officer

Jordan Robins
Executive Vice President and
Chief Operating Officer

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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
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Adam Paul
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Dori Segal
Trustee

Andrea Stephen
Trustee



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