FIRST CAPITAL

2020 Annual Report

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 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 February 9, 2021 and are qualified by these cautionary statements.

COMPANY PROFILE

First Capital is a leading owner, operator, and developer 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.

Message from the President & CEO

A year like no other

Dear fellow unitholders,

2020 was a year like no other. The COVID-19 pandemic became a global crisis. For individuals, businesses, and global economies, it's been one of the most difficult periods in a generation.

While the pandemic is not yet behind us, we see signs and have confidence that society will win this battle. Yet, we also know there will be lasting effects. The pandemic has imposed the greatest physical and mental health impacts on some of the most vulnerable, and those on the front lines. The resultant economic hit has also been disproportionate to those who can least afford it.

Collectively, these dynamics have highlighted some of the inequities in our society. This has only reinforced our long-standing commitment to sustainability, social responsibility, and strong governance, to diversity and inclusion, and to continuing to invest in the communities and neighbourhoods in which we operate.

The FCR team and our accomplishments

From the outset of the pandemic, we immediately prioritized the health and well being of our employees, our tenants, and communities.

We also focused on the core operations of the business, including leasing. The incredible effort and dedication of our leasing team yielded 2.8 million sf of lease transactions across the portfolio last year. This contributed to a strong year-end occupancy of 96.2%, only 70 basis points below year-end 2019's all-time record high of 96.9%. In generating an average net rental rate increase of 9.3% on lease renewals, 2020's leasing statistics were a solid outcome for a "normal" year, much less one that was impacted by a global pandemic. This leasing activity together with the aid of government assistance, such as the Canada Emergency Commercial Rent Assistance (CECRA) program and the Canada Emergency Rent Subsidy (CERS), resulted in rent collections totaling 95% of our gross billed rent in 2020.

On the capital deployment front, we invested $232 million in development, redevelopment, and acquisitions during 2020. These investments were primarily in super urban neighbourhoods, with the majority located in Toronto. Also consistent with our strategy of focusing on super-urban neighbourhoods, we completed asset dispositions having a total value of $251 million. This was no small feat for our investments team considering regional lockdowns and significant economic uncertainty through much of the year.

Overall, these capital allocation activities advanced our portfolio demographic metrics, including the achievement of an average population density of 304,000 within a five-kilometre radius of our properties. This statistic renders us as the North American leader on this front, and it surpasses what was formerly our year-end 2021 goal.

Through 2020 and into 2021, we have also continued to advance construction on our active development projects and our density pipeline, with numerous submissions progressing through the zoning and entitlement process. We expect this pipeline to be a meaningful source of value creation and realization in 2021, and beyond.

We ended 2020 with $7 billion of unencumbered assets and a net debt to total assets ratio of approximately 47%. We also had more than $900 million of liquidity (cash plus availability under our credit facilities) which is significant relative to our obligations and our comparatively modest 2021 debt maturity schedule. Collectively, these metrics mean that our financial position is strong. However, we aspire to make it even stronger. Therefore, we will continue to prioritize strengthening our balance sheet this year and next.

Redoubling our efforts with respect to corporate sustainability

FCR has a long history of sustainability, social responsibility, and strong governance. It is simply how we do business and is integral to our purpose. Dating back to 2010 we were one of, if not the first Canadian publicly listed real estate company to publish a third party assured Corporate Responsibility and Sustainability (CRS) report. Since that time, FCR has been recognized through numerous Environmental, Social and Governance (ESG) rankings as a leader in Canada for our comprehensive efforts and reporting on this front.

One of our key corporate accountabilities in 2020 was to develop a long-term ESG Strategy for FCR. Through the work of our ESG Taskforce, we created an extensive ESG Roadmap. This document has the purpose of focussing and aligning our ESG efforts across the organization. The Roadmap identifies 15 priority topics, spanning climate resilience, to thriving neighbourhoods, to transparency, and outlines our five-year vision along with an action plan to get us there, including departmental accountability and targets, where applicable. The ESG Roadmap is available on our website at www.fcr.ca/esg, and will be subject to regular review and annual updates that will enable us to refine our strategy and monitor and report on our progress.

We aim to uphold our position as an industry leader in ESG practices. In this regard, other key accomplishments over the last year (to name just a few) include:

- our four-star GRESB rating (2020);
- recognition as one of Greater Toronto's Top 100 employers (2021), for a second consecutive year;
- recognition as one of Canada's Top Small and Medium Employers (2021), also a second consecutive year;
- a "AAA" rating MSCI ESG rating (2020) – the highest possible from Morgan Stanley Capital International, for our environmental, social and governance standards and disclosures, our third year in a row for this recognition;
- the launch of the *FCR Thriving Neighbourhoods Foundation*, which aims to support charitable initiatives that are making an impact in the neighbourhoods where we operate;
- our pledge and commitment to the BlackNorth Initiative and its movement, which calls upon Canadian organizations to make a commitment to end systemic racism; and,
- the creation of FCR's Equity, Diversity and Inclusion (ED&I) Council which will be the engine that drives these matters forward within our company.

An optimistic eye to the future

As I write this letter, Ontario is amid a provincewide stay-at-home order. This is our third "lockdown", and it impacts more than half of our portfolio by value. Notwithstanding the dark clouds in the foreground, we see bright skies on the horizon. We see that people in certain other parts of the world are now going about their daily lives in a manner that is much more consistent with pre-pandemic ways. And today, our tenant roster is stronger, more flexible, more digitally-adept, and far better equipped to adapt to changing operating conditions than a year ago. These dynamics provide us with an optimistic eye to the future. With the passage of time, the major challenges and outcomes of the past twelve months have ultimately *reinforced* our confidence in our real estate strategy, our tenant base, and our purpose of creating thriving urban neighbourhoods to generate value for businesses, residents, communities, and our investors.

Concluding

In concluding, I acknowledge the tremendous efforts of the entire First Capital team. Our group has never been stronger. In the face of working physically apart for months on end, the team remains focused, cohesive and results oriented. As I have stated in the past, this is a testament to the culture we have built.

I would like to thank our Trustees for their continued guidance, our executive team for their exceptional leadership through adversity, and our unitholders for your continued support.

Respectfully,

Adam Paul
President & Chief Executive Officer

Business and Strategy Overview

Our business

First Capital Real Estate Investment Trust, with **$10.0 billion** in assets, is a leading owner, operator, and developer 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

150
NEIGHBOURHOODS

22.8M
SQ. FT. OF GLA

4,035
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

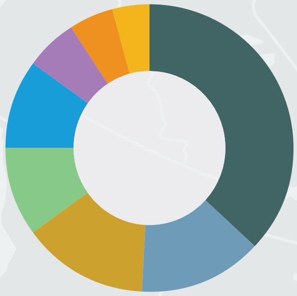
Our target markets

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.

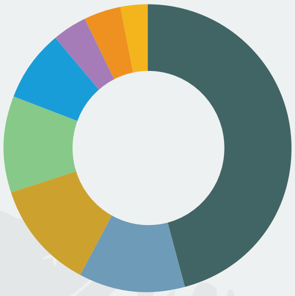
Within each of these markets, we own some of the best located properties in neighbourhoods with strong demographics that we expect will continue -to get stronger over time, thereby attracting the most desirable tenants with the highest rent growth potential and the most compelling opportunities for value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

Urban Markets



	% of Annual Minimum Rent*	% of Portfolio Value*
Greater Toronto Area	39%	48%
Greater Montreal Area	14%	12%
Greater Calgary Area	14%	12%
Greater Vancouver Area	10%	11%
Greater Edmonton Area	10%	8%
Greater Ottawa Area	5%	4%
Kitchener/Waterloo/Guelph Area	5%	3%
Other	3%	2%
Total	**100%**	**100%**

*As at December 31, 2020



Creating neighbourhoods for everyday urban life™

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

Strategic and Diversified Retail Tenant Mix

	# of Stores	% of Rent
Other Necessity-Based Retailers	496	18.4
Grocery Stores	125	16.9
Medical, Professional & Personal Services	1,369	15.5
QSR, Chains & Cafes	890	12.9
Pharmacies	120	9.2
Other Tenants	501	8.6
Banks & Credit Unions	192	8.3
Fitness Facilities	81	3.7
Liquor Stores	93	3.4
Other Restaurants	70	1.7
Daycare & Learning Centres	98	1.4

As at December 31, 2020

24 million square feet of incremental density within our existing portfolio

28 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 "Walk Score", and most importantly its population density and expect to continue to improve these metrics over time through our investment and disposition activity. In Q3 2020, we surpassed our goal of reaching 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.

72

Our portfolio has a "Walk Score" of 72. It is considered "Very Walkable", which is the second highest level achievable, where most errands can be accomplished on foot.

304,000

Average population density within a five-kilometre radius of each of our properties, up 99,000 or 48% 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 committed to giving back to communities in which we operate by participating in charitable initiatives that support vulnerable parts of the population through our newly launched FCR Thriving Neighbourhoods Foundation and by promoting 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
GRESB 2020	**Awarded a 4-star ranking** by the Global Real Estate Sustainability Benchmark (GRESB) in 2020
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
Corporate ESG Performance Prime RATED BY ISS ESG	**AWARDED PRIME STATUS FOR CORPORATE ESG PERFORMANCE** by Institutional Shareholder Services in 2020

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 year-end 2021, 2018 baseline
- Completed commitment to 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 72 (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; 79% of our portfolio is certified, as of December 31, 2020
- Certify all new construction projects to Leadership in Energy and Environmental Design (LEED) standards (subject to tenant acceptance); 16.5% of our portfolio (120 projects) is certified to LEED as of December 31, 2020

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
- 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
- Launched the FCR Equity, Diversity and Inclusion Council

Be one of the best places to work

- Recognized by the Globe and Mail as one of the Greater Toronto's Top Employers for 2021 and 2020
- 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

- Long-standing support of public arts, now with 28 installations across our portfolio
- Launched the FCR Thriving Neighbourhoods 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
- Supported eligible tenants through participation in Canada Emergency Commercial Rent Assistance program
- Supported 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 ESG. 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 months and years ended December 31, 2020 and 2019. It should be read in conjunction with the Trust’s audited annual consolidated financial statements for the years ended December 31, 2020 and 2019. 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 February 9, 2021.

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

With the on-set of the worldwide outbreak of the COVID-19 pandemic in early 2020, governments across Canada implemented various restrictive measures throughout the year, including mandated closures of non-essential businesses in the spring and fall of 2020 to mitigate the spread of the virus. First Capital’s tenant mix is focused on providing consumers with their everyday needs, as such, many of its tenants were deemed essential by governments across Canada and remained open during the various lockdowns.

As 2020 came to a close, provincial directives for increased restrictions or the closure of non-essential businesses were in place across many regions in which the Trust operates.

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. FCR's corporate and regional offices operated at reduced capacity to ensure appropriate physical distancing, and signage was added throughout office premises in order to direct and instruct employees toward safe operating procedures. Mandatory training on new health and safety protocols, and personal protective equipment was provided for all employees. These protocols and procedures remain in place.

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 a curated tenant mix 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 neighbourhood needs and adapt to the current environment and beyond. As an example, earlier this year, FCR expanded its Quick Shop program by launching a Customer Quick Pick-up program which facilitates curbside pickup at designated parking areas within its properties to enhance convenience and safety for its tenants and their customers.

Supporting our tenants

First Capital recognizes that small businesses play an important role in the neighbourhoods where it 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 second 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 covered the months of April through September 2020. Under the program, the property owner abated 75% of the qualifying tenant’s gross rent, the government extended a forgivable loan to the property owner equal to 50% of the gross rent, and the remaining 25% of gross rent was paid by the tenant. First Capital viewed the program as an investment in the financial health of its qualifying tenants that would benefit them positively and also benefit First Capital as the participating tenants were generally thriving and profitable businesses. As such, First Capital fully supported its qualifying tenants through participation in the program for all applicable periods. For the year ended December 31, 2020, First Capital recorded the tenants’ rental abatement, net of the related government receivable, as bad debt expense for a total of $13.2 million. First Capital also recorded other bad debt expense of $9.6 million for a total bad debt expense of $22.8 million for the year.

To continue to assist businesses amid these difficult conditions, the federal government implemented a new rent support program, the Canada Emergency Rent Subsidy (“CERS”), that supports tenants directly. The CERS program is expected to continue through to June 2021. This new rent subsidy supports businesses that have suffered a revenue drop, by subsidizing eligible expenses, including rent, property insurance, property taxes and interest on commercial mortgages. The program subsidizes up to 65% of eligible expenses and includes a 25% top-up for organizations temporarily shut down by a mandatory public health order up to a maximum of $75,000 per location and an overall maximum of $300,000 for all locations including affiliated entities per four week claim period.

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 its tenants to assist them through the pandemic. However, despite the assistance programs available, some tenants may fail, in which case a temporary increase in vacancy may occur.

Overall, First Capital collected 93% of the gross rent due in the fourth quarter, before any deferrals or abatements. Adjusting for approved deferrals and abatements, First Capital collected 94% of the gross rent due in the fourth quarter. Gross rent collections for 2020 totaled 94% prior to any deferrals or abatements, or 98% adjusting for approved deferrals and abatements. To date, First Capital collected 91% of the gross rent due for the month of January.

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 delivered over 1,600 delicious and nutritious meals to these modern-day heroes over the past year. From hospital and emergency service workers to staff and patrons at men and women’s shelters, the meal delivery program was a win-win partnership between First Capital and its independent food tenants across Canada.

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 planned spending in several areas of the business due to limitations imposed by the pandemic. This included reducing property operating costs, general and administrative expenses, elective capital expenditures and deferring the commencement of certain planned development spend. FCR aimed to reduce the planned spend by a total of approximately $75 million by year-end 2020. First Capital surpassed its goal and reduced spending by approximately $85 million as of December 31, 2020.
- In the third quarter, First Capital funded a new 10-year $116 million mortgage bearing interest at 2.72%, which is the lowest 10-year rate the Trust has ever obtained. 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.

- On September 1, 2020, the Trust completed the issuance of $200 million principal amount of Series A senior unsecured debentures due March 1, 2028. These debentures bear interest at a coupon rate of 3.447% per annum, payable semi-annually commencing March 1, 2021.
- On January 12, 2021, First Capital announced a temporary reduction of its monthly distribution to Unitholders from $0.0716 per unit to $0.036 per unit (or $0.432 per unit annually). The reduction of the distribution will provide First Capital with additional retained cash flow of approximately $95 million per annum and provide meaningful financial flexibility to advance the Trust's strategic objectives.
- First Capital is continuing to maintain a strong balance sheet. As of February 9, 2021, the Trust's liquidity position included approximately $890 million of cash and undrawn credit facilities with remaining debt maturities for 2021 totaling only $292 million. As at December 31, 2020, the Trust had unencumbered properties with an IFRS value of approximately $7.0 billion and a net debt to asset ratio of 47.2%.

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 $113.1 million (December 31, 2019 - $145.8 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 year ended December 31, 2020, $251.4 million of strategic dispositions were completed increasing the total dispositions to approximately $1.1 billion or 73% of its target. As a result of the pandemic and the disruption in the financial markets, the property transaction market slowed considerably in the second quarter pending market and economic stabilization. Accordingly, FCR's disposition program had been temporarily paused through mid-2020, but resumed in the second half of the year.

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 an original goal to submit an additional 4.3 million square feet in 2020. FCR reduced this goal in response to the pandemic. In addition, due to the pandemic, municipal offices were initially functioning at reduced capacity early in the second quarter but had, for the most part, resumed normal activities by mid-year. As a result, FCR submitted applications for approximately 2.8 million square feet.

Management continues to monitor the impacts of COVID-19 on the portfolio, including properties under development. As of December 31, 2020, FCR had approximately 0.5 million square feet under active development of which 0.3 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 restrictions across 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 potential vacancy because of COVID-19. This has proven true thus far with the limited space that has become vacant, some of which has 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 is 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 for calculations prior to December 30, 2019) amounts for FFO, the weighted average number of diluted units (or shares) outstanding includes the weighted average outstanding Trust Units (or common shares) and Exchangeable Units as at the end of the period; and assumes conversion of all outstanding Deferred Units, Restricted Units, Performance Units and any dilutive Options as at the end of the period.

FFO and ACFO Payout Ratios

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

Enterprise Value

Enterprise value is the sum of the carrying value of First Capital's total debt on a proportionate basis and the market value of FCR's Trust Units and Exchangeable Units outstanding at the respective quarter end date. This measure is used by FCR to assess the total amount of capital employed in generating returns to Unitholders.

Net Debt

Net debt is a measure used by Management in the computation of certain debt metrics, providing information with respect to certain financial ratios used in assessing First Capital's debt profile. Net debt is calculated as the sum of principal amounts outstanding on credit facilities and mortgages, bank indebtedness and the par value of senior unsecured debentures reduced by the cash balances at the end of the period.

Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization

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

Unencumbered Aggregate Assets

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

Net Asset Value

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

NAV per unit represents NAV, as calculated above, divided by the number of diluted units outstanding as at the end of the period. For purposes of calculating per unit amounts for NAV, the number of diluted units outstanding 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 (20.0 million square feet at its ownership interest compared to 22.8 million square feet at 100% as at December 31, 2020). First Capital's operating metrics and GLA excludes residential GLA totaling 322,000 square feet and hotel GLA of 49,000 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

For the years ended December 31	**2020**	2019	2018
Revenues, Income and Cash Flows [(1)]			
Revenues and other income	**$ 685,138**	$ 779,822	$ 756,024
NOI [(2)]	**$ 399,032**	$ 460,397	$ 454,773
Increase (decrease) in value of investment properties, net	**$ (185,700)**	$ 61,037	$ 102,389
Increase (decrease) in value of hotel property	**$ (9,432)**	$ —	$ —
Net income attributable to Unitholders / Shareholders	**$ 2,702**	$ 401,345	$ 343,606
Net income per unit / share attributable to Unitholders / Shareholders (diluted)	**$ 0.01**	$ 1.74	$ 1.37
Weighted average number of units / shares - diluted (in thousands)	**220,495**	230,810	250,802
Cash provided by operating activities	**$ 219,505**	$ 269,147	$ 283,012
Distributions / Dividends			
Distributions / Dividends declared	**$ 188,027**	$ 165,224	$ 215,537
Distributions declared per unit	**$ 0.860**	$ 0.072	$ —
Dividends declared per common share	**$ —**	$ 0.645	$ 0.860
Cash distributions / dividends paid	**$ 187,929**	$ 203,830	$ 212,651
Cash distributions / dividends paid per unit / share	**$ 0.860**	$ 0.860	$ 0.860

As at December 31	**2020**	2019	2018
Financial Information [(1)]			
Investment properties [(3)]	**$ 9,490,641**	$ 9,752,130	$ 9,768,275
Hotel property	**$ 88,000**	$ 62,199	$ 58,604
Total assets	**$10,032,463**	$10,161,360	$10,453,055
Mortgages [(3)]	**$ 1,346,637**	$ 1,327,021	$ 1,285,908
Credit facilities	**$ 915,928**	$ 899,165	$ 626,172
Senior unsecured debentures	**$ 2,522,135**	$ 2,497,213	$ 2,447,278
Exchangeable Units	**$ 1,399**	$ 25,010	$ —
Unitholders' / Shareholders' equity	**$ 4,227,164**	$ 4,426,592	$ 4,978,242
Net Asset Value per unit / share [(2)]	**$ 22.34**	$ 23.39	$ 22.59
Capitalization and Leverage			
Trust Units / Shares outstanding (in thousands)	**219,315**	217,954	254,828
Exchangeable Units outstanding	**103**	1,210	—
Enterprise value [(2)]	**$ 7,805,000**	$ 9,301,000	$ 9,239,000
Net debt to total assets [(2)] [(4)]	**47.2%**	46.7%	42.1%
Weighted average term to maturity on mortgages, fixed rate unsecured term loans and senior unsecured debentures (years)	**4.6**	5.1	5.5

As at December 31	**2020**	2019	2018
Operational Information			
Number of neighbourhoods	**150**	156	164
GLA (square feet) - at 100%	**22,822,000**	23,528,000	25,456,000
GLA (square feet) - at ownership interest	**19,991,000**	20,927,000	23,854,000
Occupancy - Same Property - stable (2)	**96.5%**	97.2%	97.4%
Total portfolio occupancy	**96.2%**	96.9%	96.7%
Development pipeline and adjacent land (GLA) (5)			
Commercial pipeline (primarily retail)	**1,803,000**	2,258,000	2,287,000
Residential pipeline	**22,038,000**	22,778,000	20,262,000
Average rate per occupied square foot	**$ 21.89**	$ 21.25	$ 20.24
Commercial GLA developed and transferred online - at ownership interest	**33,000**	201,000	283,000
Residential units developed and transferred online	**193**	247	—
Same Property - stable NOI - increase (decrease) over prior period (2) (6)	**(5.8%)**	2.7%	2.7%
Total Same Property NOI - increase (decrease) over prior period (2) (6)	**(7.1%)**	3.3%	3.1%

For the years ended December 31	**2020**	2019	2018
Funds from Operations (2) (4)			
FFO	**$ 221,974**	$ 284,920	$ 302,971
FFO per diluted unit / share	**$ 1.01**	$ 1.23	$ 1.21
FFO payout ratio (7)	**85.4%**	69.7%	71.1%
Weighted average number of units / shares - diluted (in thousands)	**220,495**	230,810	250,474
Adjusted Cash Flow from Operations (2) (4)			
ACFO	**$ 203,047**	$ 252,416	$ 267,168
ACFO payout ratio on a rolling four quarter basis	**92.6%**	80.8%	79.6%

(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.

(7) For 2019 only, FFO payout ratio was calculated using cash dividends paid per share.

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 December 31, 2020, First Capital had interests in 150 neighbourhoods, which were 96.2% occupied with a total GLA of 20.0 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 131 neighbourhoods with a total GLA of 17.9 million square feet at FCR's ownership interest (20.5 million square feet at 100%) and a fair value of $7.6 billion. These properties represent 87.3% of FCR's neighbourhood count, 89.4% of its GLA at FCR's ownership interest and 78.2% of its fair value as at December 31, 2020.

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

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

As at	**December 31, 2020**				December 31, 2019			
	% of Total GLA	**GLA (000s sq. ft.)**	**Occupancy**	**Weighted Average Rate per Occupied Square Foot**	% of Total GLA	GLA (000s sq. ft.)	Occupancy	Weighted Average Rate per Occupied Square Foot
Same Property – stable	**79.1%**	**15,805**	**96.5%**	**$ 21.87**	75.7%	15,838	97.2%	$ 21.53
Same Property with redevelopment	**10.3%**	**2,063**	**95.3%**	**18.15**	9.8%	2,058	96.3%	17.96
Total Same Property	**89.4%**	**17,868**	**96.4%**	**21.45**	85.5%	17,896	97.1%	21.12
Major redevelopment	**7.0%**	**1,390**	**93.8%**	**27.56**	6.9%	1,435	96.1%	25.81
Ground-up development	**1.5%**	**292**	**99.5%**	**30.98**	1.3%	279	99.2%	32.36
Acquisitions [1]	**0.3%**	**72**	**97.6%**	**21.91**	0.1%	23	100.0%	29.57
Investment properties classified as held for sale	**1.8%**	**369**	**93.4%**	**14.93**	1.8%	369	93.1%	15.02
Dispositions [2]	**—%**	**—**	**—%**	**—**	4.4%	925	94.4%	15.31
Total	**100.0%**	**19,991**	**96.2%**	**$ 21.89**	100.0%	20,927	96.9%	$ 21.25

(1) Includes current year and prior year acquisitions.

(2) Comparative information presented relates to 2020 dispositions that have been completed and no longer form part of these metrics as at December 31, 2020.

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

As at	December 31, 2020							December 31, 2019						
(millions of dollars, except other data)	**Number of Neighbour-hoods**	**GLA (000s sq. ft.)**	**Fair Value[1]**	**% of Total Fair Value**	**Occupancy**	**Weighted Average Rate per Occupied Square Foot**	**% of Annual Minimum Rent**	Number of Neighbour-hoods	GLA (000s sq. ft.)	Fair Value[1]	% of Total Fair Value	Occupancy	Weighted Average Rate per Occupied Square Foot	% of Annual Minimum Rent
Greater Toronto Area	**51**	**6,803**	**$ 4,624**	**48%**	**95.8%**	**$ 25.23**	**39%**	50	6,840	$ 4,580	47%	96.6%	$ 24.43	37%
Greater Montreal Area	**28**	**3,551**	**1,106**	**12%**	**96.3%**	**17.02**	**14%**	32	3,860	1,187	12%	96.5%	16.46	14%
Greater Calgary Area	**17**	**2,688**	**1,147**	**12%**	**95.7%**	**23.37**	**14%**	17	2,723	1,200	12%	97.1%	23.24	14%
Greater Vancouver Area	**16**	**1,750**	**1,041**	**11%**	**95.9%**	**25.53**	**10%**	17	1,785	1,059	11%	97.3%	25.16	10%
Greater Edmonton Area	**11**	**2,246**	**764**	**8%**	**95.2%**	**19.24**	**10%**	11	2,279	811	8%	96.7%	19.44	10%
Greater Ottawa Area	**13**	**1,180**	**370**	**4%**	**97.9%**	**18.97**	**5%**	13	1,304	399	4%	97.1%	18.85	6%
Kitchener/ Waterloo/Guelph Area	**5**	**1,047**	**332**	**3%**	**98.3%**	**19.00**	**5%**	5	1,042	334	3%	99.3%	18.83	5%
Other	**9**	**726**	**203**	**2%**	**98.7%**	**17.77**	**3%**	11	1,094	254	3%	96.4%	15.80	4%
Total	**150**	**19,991**	**$ 9,587**	**100%**	**96.2%**	**$ 21.89**	**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 December 31, 2020 and December 31, 2019, respectively.

Among First Capital's real estate investment portfolio are forty-two (2019 - forty-three) assets each with a value greater than $85 million or size greater than 300,000 square feet. Together, these forty-two assets comprise $6.1 billion (2019 - $6.0 billion) or 65% (2019 - 62%) of FCR's aggregate $9.5 billion investment portfolio asset value (2019 - $9.8 billion). These assets, as a percentage of FCR's aggregate value, reflect FCR's focus on larger, but fewer strategic assets in its target urban markets.

Investment Properties

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

	Year ended December 31, 2020
(millions of dollars)	**Investment Properties**
Balance at beginning of year	**$ 9,752**
Acquisitions [1]	
Investment properties and additional adjacent spaces	**20**
Development activities and property improvements	**205**
Reclassification to residential development inventory	**(58)**
Increase (decrease) in value of investment properties, net	**(186)**
Dispositions	**(251)**
Other changes	**9**
Balance at end of year [2]	**$ 9,491**

(1) During the first quarter of 2020, 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 audited annual consolidated financial statements.

(2) Includes investment properties classified as held for sale as at December 31, 2020 totaling $161.8 million of investment properties.

(millions of dollars)	Year ended December 31, 2019 Investment Properties
Balance at beginning of year	$ 9,768
Acquisitions	
Investment properties and additional adjacent spaces	392
Development activities and property improvements	228
Consolidation of equity accounted joint venture	131
Increase (decrease) in value of investment properties, net	61
Dispositions	(835)
Other changes	7
Balance at end of year [(1)]	$ 9,752

(1) Includes investment properties classified as held for sale as at December 31, 2019 totaling $158.6 million of investment properties.

2020 Acquisitions

Income-producing properties

During the year ended December 31, 2020, First Capital acquired two super urban properties located in Toronto, the remaining 40% interest in the Hazelton Hotel located in Yorkville, and an adjacent property in Montreal. Additionally, 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	GLA (sq. ft.)	Acreage	Acquisition Cost (in millions)
1.	Yonge & Roselawn Assembly [(1)]	Toronto, ON	Q1	15.5%	—	0.3	$ 25.4
2.	1795 Rue Fleury	Montreal, QC	Q3	100%	4,193	0.2	$ 1.7
3.	261 Queens Quay E (Bayside Village)	Toronto, ON	Q3	50%	23,979	1.6	$ 15.3
4.	Hazelton Hotel (Yorkville Village) [(2)]	Toronto, ON	Q4	40%	4,506	—	$ 31.7
5.	34 Montgomery Avenue	Toronto, ON	Q4	100%	—	0.1	$ 3.2
	Total				32,678	2.2	$ 77.3

(1) During the first quarter of 2020, 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 audited annual consolidated financial statements.

(2) The acquisition of the hotel property was accounted for as a business combination under IFRS 3 "Business Combinations". Refer to Note 5 of the audited annual consolidated financial statements for further details. GLA represents retail space only.

2019 Acquisitions

Income-producing properties

During the year ended December 31, 2019, First Capital acquired four properties, three land parcels, one property slated for mixed use development in Yorkville and increased its interest in the King High Line project. During the third quarter of 2019, First Capital acquired the remaining 46.9% interest in four properties held through Main & Main Urban Realty LP, as summarized in the table below:

Count	Property Name	City/Province	Quarter Acquired	Interest Acquired	GLA (sq. ft.)	Acreage	Acquisition Cost (in millions)
1.	1855 Leslie Street (Leslie and York Mills assembly)	Toronto, ON	Q1	100%	—	0.6	$ 11.3
2.	1626 Martin Drive (Semiahmoo)	Surrey, BC	Q1	100%	9,200	—	7.0
3.	Bow Valley Crossing [(1)]	Calgary, AB	Q1	20%	—	9.7	2.3
4.	738-11th Avenue SW (Glenbow)	Calgary, AB	Q2	50%	15,700	—	6.1
5.	1100 King St. W. (Liberty Village) [(2)]	Toronto, ON	Q3	50%/30%	175,800	—	166.2
6.	Main & Main Urban Realty LP [(3)] - Yonge & Roselawn assembly - Dundas & Aukland - 400 King St. W. - 1092 Kingston Rd. (retail at base of condo)	Toronto, ON	Q3	46.9%	—	2.0	116.0
7.	140 Yorkville Avenue (Yorkville Village)	Toronto, ON	Q3	33%	—	0.6	59.7
8.	134 Atlantic Avenue (Liberty Village)	Toronto, ON	Q3	100%	3,150	—	3.2
9.	30-60 Montgomery Avenue (Yonge & Roselawn)	Toronto, ON	Q4	100%	—	0.5	17.3
10.	Yorkville Village adjacent properties	Toronto, ON	Q4	100%	—	—	3.0
	Total				203,850	13.4	$ 392.1

(1) In the second quarter of 2019, FCR disposed of its entire interest in this property.

(2) FCR acquired an incremental interest of 50% and 30% of the Retail and Residential components, respectively.

(3) FCR acquired the remaining 46.9% interest with its partner in Main and Main Developments LP. FCR's acquisition cost was $98.0 million.

2020 Dispositions

During the year ended December 31, 2020, First Capital disposed of its interests in two portfolios, eleven properties and two land parcels, none of which are in 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 [(1)]	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 [(2)]	Windsor, ON	Q2	100%	285,900	41.5	
6.	Carrefour Belvedere / Edifice Hooper	Sherbrooke, QC	Q2	100%	98,000	8.6	
7.	Place Panama Phase I (land)	Brossard, QC	Q4	100%	—	3.2	
8.	Carrefour du Versant Ouest/Est	Gatineau, QC	Q4	50%	57,600	7.4	
9.	Lakeview Plaza	Calgary, AB	Q4	50%	34,700	2.6	
10.	Meadowbrook Centre	Edmonton, AB	Q4	50%	35,400	3.1	
11.	Place Nelligan	Gatineau, QC	Q4	50%	36,900	3.3	
12.	Burlingwood Shopping Centre	Burlington, ON	Q4	50%	23,400	2.0	
13.	Place Cite des Jeunes	Gatineau, QC	Q4	50%	33,100	2.2	
14.	Beacon Hill Plaza	Burlington, ON	Q4	50%	10,200	0.9	
15.	Place Lucerne (land)	Ville Mont-Royal, QC	Q4	100%	—	0.8	
	Total				945,400	102.9	$ 251.4

(1) Includes Place Roland Therrien, Place Pointe-aux-Trembles, and Faubourg des Prairies.

(2) Includes Ambassador Plaza, and University Plaza.

2019 Dispositions

During the year ended December 31, 2019, First Capital completed $835.0 million in dispositions, primarily in non-super urban markets including its entire portfolio in Quebec City, Red Deer and Trois-Rivieres. In addition, FCR disposed of partial interests in residential density to strategic residential partners. 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.	Westminster Centre	London, ON	Q1	100%	52,100	8.4	
2.	Carrefour du Plateau - Residential Land	Gatineau, QC	Q1	100%	—	4.9	
3.	Terry Fox Lands (1)	Kanata, ON	Q1	50%	—	13.5	
4.	Bow Valley Crossing - Land (1)	Calgary, AB	Q2	95%	—	46.0	
5.	Gloucester City Centre	Ottawa, ON	Q2	50%	184,300	14.3	
6.	Carrefour du Plateau	Gatineau, QC	Q2	50%	115,300	12.3	
7.	Merivale Mall	Ottawa, ON	Q2	50%	109,500	8.2	
8.	Galeries de Repentigny	Repentigny, QC	Q2	50%	65,400	6.3	
9.	Galeries Brien Ouest/Est	Repentigny, QC	Q2	50%	30,600	2.2	
10.	Centre Maxi Trois Rivieres	Trois-Rivieres, QC	Q2	100%	121,300	11.9	
11.	Atrium Du Sanctuaire	Montreal, QC	Q2	100%	36,500	4.7	
12.	Centre Commercial Wilderton - Phase 1 Residential Air Rights	Montreal, QC	Q2	100%	—	—	
13.	Nanaimo Portfolio	Nanaimo, BC	Q3	100%	149,800	10.9	
14.	Langford Portfolio	Victoria, BC	Q3	100%	141,500	8.6	
15.	Gateway Village	St. Albert, AB	Q3	50%	52,700	6.0	
16.	1100 King St. W. - Residential (2)	Toronto, ON	Q3	10%	—	—	
17.	St. Hubert/Ottawa/West Island Portfolios	Montreal, QC / Ottawa, ON	Q4	50%	515,400	47.5	
18.	Quebec City Portfolio	Quebec City, QC	Q4	100%	994,500	82.9	
19.	Red Deer Village	Red Deer, AB	Q4	100%	243,700	20.1	
20.	Halton Hills Village	Georgetown, ON	Q4	100%	111,700	12.2	
21.	McLaughlin Corners West (1)	Brampton, ON	Q4	50%	53,000	5.6	
22.	1100 King St. W. - Residential (2)	Toronto, ON	Q4	3%	—	—	
23.	756-760 Baseline Rd. E. (Land)	London, ON	Q4	100%	—	0.4	
	Total				2,977,300	326.9	$ 835.0

(1) FCR disposed of its entire interest in these properties.

(2) FCR's former partner also sold their 20% interest in the residential component of the property to the same purchaser.

Impact of Acquisitions and Dispositions

The annualized NOI of properties acquired and disposed, at the time of acquisition or disposition, during the years ended December 31, 2020 and 2019 is summarized in the table below:

	Acquired		Disposed	
For the year ended December 31	**2020**	2019	**2020**	2019
Central Region	**$ 1,915**	$ 8,140	**$ 3,803**	$ 3,648
Eastern Region	**—**	—	**6,530**	31,657
Western Region	**—**	484	**2,550**	11,463
Total	**$ 1,915**	$ 8,624	**$ 12,883**	$ 46,768

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:

Year ended December 31			**2020**	2019
	Total Same Property	**Other Property Categories**	**Total**	Total
Revenue sustaining	**$ 18,517**	**$ —**	**$ 18,517**	$ 17,328
Revenue enhancing	**15,346**	**11,624**	**26,970**	39,147
Expenditures recoverable from tenants	**4,138**	**833**	**4,971**	6,815
Development expenditures	**23,766**	**130,809**	**154,575**	165,814
Total	**$ 61,767**	**$ 143,266**	**$ 205,033**	$ 229,104

Capital expenditures for the year ended December 31, 2020 were $205.0 million, which was $24.1 million lower than in the prior year. At the onset of the pandemic, the Trust implemented a cost reduction program to manage elective capital expenditures and defer certain planned development activities, in order to provide itself with greater financial flexibility. As a result, spend has declined on revenue enhancing projects and new developments over the prior year.

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 December 31, 2020 and December 31, 2019:

As at *(millions of dollars)*		**December 31, 2020**	December 31, 2019
Property Type [1]	**Valuation Method**	**Fair Value**	Fair Value
Same Properties	DCF [2]	**$ 7,498**	$ 7,587
Properties under development / in transition [3]	DCF, Cost, DCF less costs to complete or comparable land sales	**1,831**	2,006
Properties held for sale [4]	DCF	**162**	159
Total investment property fair value		**$ 9,491**	$ 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 December 31, 2020, the weighted average valuation yields (stabilized overall capitalization, terminal, and discount rates) used in valuing those investment properties under the Income Approach remained largely unchanged from December 31, 2019. Slight decreases in the weighted average 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 24 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 Trust has been closely monitoring valuation yields. The Trust has not observed a change to valuation yields for its properties at this time and as such, has not adjusted valuation yields in the valuation models used to determine the fair value of investment properties. To reflect the potential impact of COVID-19 on the cash flows in the valuation models, a comprehensive portfolio review was undertaken during the first and second quarters, 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, a decrease in the value of investment properties was recorded in the first half of the year for $152.2 million.

During the second half of 2020, the Trust recognized a $33.5 million decrease in the value of investment properties primarily due to revisions to overall capitalization rates or stabilized NOI, including the impact of COVID-19 on certain properties' cash flows as part of its normal course internal valuations.

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

As at December 31, 2020	**Stabilized Capitalization Rate**		
	Weighted Average	**Median**	**Range**
Central Region	**4.7%**	**5.3%**	**3.0%-7.0%**
Eastern Region	**5.7%**	**5.8%**	**4.4%-7.5%**
Western Region	**5.1%**	**5.3%**	**3.8%-7.0%**
Weighted Average	**5.0%**	**5.4%**	**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%

Properties Under Development

As at December 31, 2020, properties under development / in transition (see table on page 16) totals approximately $1.8 billion. Currently 36% of these assets representing $668 million of IFRS fair value are non-income producing. These non-income producing properties represent approximately 7% 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 December 31, 2020, the invested cost of these non-income producing properties was $596 million as compared to a fair value of $668 million. Cumulative gains of approximately $72 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 December 31, 2020, First Capital's portfolio is comprised of 20.0 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 December 31, 2020, Management had identified approximately 23.8 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 December 31, 2020	Square feet (in thousands)			
	Commercial	Residential	Total	Included in IFRS [1]
Active development				
Same Property with redevelopment	9	—	9	
Major redevelopment	151	—	151	
Ground-up development	43	295	338	
	203	**295**	**498**	**498**
Future incremental density				
Medium term	1,400	10,700	12,100	
Long term	100	6,700	6,800	
Very long term	100	4,200	4,300	
	1,600	**21,600**	**23,200**	**5,303**
Residential inventory	**—**	**143**	**143**	**143**
Total development pipeline	**1,803**	**22,038**	**23,841**	**5,944**

[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 5.9 million or 25% of FCR's 23.8 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 5.9 million square feet is comprised of 0.5 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 5.3 million of incremental density carried at approximately $476 million or $90 per square foot.

The value of the Trust's incremental density in IFRS totaling $476 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 December 31, 2020, the invested cost of the incremental density included in IFRS totaled $404 million representing acquisition cost and pre-development costs to date.

As at December 31, 2020 *(in millions of dollars)*		Unencumbered	Encumbered	Fair Value
Land	Unzoned	$ 160	$ 2	$ 162
	Zoned	96	10	106
	Total	**256**	**12**	**268**
IPP with density	Unzoned	147	33	180
	Zoned	18	10	28
	Total	**165**	**43**	**208**
Value of incremental density in IFRS		**$ 421**	**$ 55**	**$ 476**

The remaining 17.9 million square feet of identified incremental density is expected to be included in the value of the property in the future, based on certain factors including the expiry or removal of tenant encumbrances and zoning approvals. The majority of the incremental residential density is located above income producing shopping centres or their parking areas.

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 December 31, 2020 *(in thousands of square feet)*	**Incremental Density Pipeline**	
	Total	% of Total
Greater Toronto Area	13,007	54.6%
Greater Montreal Area	5,609	23.5%
Greater Vancouver Area	2,820	11.8%
Greater Calgary Area	1,310	5.5%
Greater Ottawa Area	735	3.1%
Greater Edmonton Area	360	1.5%
Total development pipeline	**23,841**	**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 remaining properties 3 and 4 to be zoned in the first half of 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) (1)	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 (2)	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 (2)	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) Disposed of Place Panama (Phase I) in the fourth quarter of 2020 which includes 1,047,000 square feet of previously zoned density.

(2) Residential phases only.

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. During 2020, zoning approvals were obtained on the Gloucester Phase 1 property. The current IFRS value of these properties in aggregate is approximately $601 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). FCR reduced this goal in response to the pandemic. In addition, due to the COVID-19 pandemic, municipal offices were functioning at reduced capacity early in the second quarter but had, for the most part, resumed normal activities by mid-year. As a result, during the year ended December 31, 2020, FCR submitted entitlement applications for GFA of approximately 2.8 million square feet. Total entitlement submissions to date total approximately 13.7 million square feet representing 58% of FCR's 23.8 million incremental density pipeline. FCR previously secured zoning on 1.0 million square feet of density that was subsequently sold in the fourth quarter of 2020. The current IFRS value of these properties in aggregate is approximately $439 million. FCR expects to recognize a meaningful increase to the current IFRS values once approvals for these submissions are received.

2020 Entitlement Applications					000s of square feet submitted for (at FCR's share):				
Property		Neighbourhood	City, Province	Ownership Interest %	Residential	Commercial	Total	Existing	Incremental
1.	138 Yorkville	Bloor - Yorkville	Toronto, ON	33%	89	28	117	—	117
2.	Avenue Rd. & Lawrence	Bedford Park	Toronto, ON	100%	401	50	451	53	398
3.	Hillcrest Plaza	Yonge & Sheppard	Toronto, ON	100%	263	112	375	37	338
4.	Liberty Village (portion of shopping centre)	Liberty Village	Toronto, ON	100%	696	104	800	45	755
5.	Place Viau (excess land)	Saint - Leonard	Montreal, QC	100%	551	15	566	—	566
6.	Portobello (excess land)	Brossard	Montreal, QC	100%	540	—	540	—	540
				Totals	**2,540**	**309**	**2,849**	**135**	**2,714**

In addition to the properties listed in the entitlements section above, First Capital has 10.1 million square feet of additional incremental density which includes 9.6 million square feet primarily related to the properties listed below, where entitlements have yet to be submitted, and 0.5 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.	895 Lawrence	Don Mills	Toronto, ON	100%
3.	3434 Lawrence	Lawrence Ave. E. / Markham Rd.	Toronto, ON	100%
4.	Danforth Sobeys	Danforth Village	Toronto, ON	100%
5.	221 - 227 Sterling Rd.	The Junction	Toronto, ON	35%
6.	Cliffcrest Plaza	Cliffcrest	Toronto, ON	100%
7.	Midland Lawrence Plaza	Midland Park	Toronto, ON	100%
8.	Kingston Square W.	Lawrence Ave. E. / Morningside Ave.	Toronto, ON	100%
9.	Morningside (portion of shopping centre)	Lawrence Ave. E. / Morningside Ave.	Toronto, ON	100%
10.	Olde Oakville (future phases)	South Oakville	Oakville, ON	100%
11.	Lakeshore & Kerr	Kerr Village	Oakville, ON	100%
12.	Bayview Lane Plaza	Thornhill	Markham, ON	100%
13.	Yonge-Davis Centre	Yonge St./Davis Dr. W.	Newmarket, ON	100%
14.	Appleby Square	Appleby	Burlington, ON	100%
15.	Harwood Plaza	Harwood Ave. S. / Bayly St. W.	Ajax, ON	100%
16.	1000 Wellington St.	Griffintown	Montreal, QC	100%
17.	Centre Commercial Domaine	Longue-Pointe	Montreal, QC	100%
18.	Centre Commercial Van Horne	Cote-Des-Neiges	Montreal, QC	100%
19.	Galeries Normandie	Hwy. 15/Rue de Salaberry	Montreal, QC	100%
20.	Place Provencher	Saint - Leonard	Montreal, QC	100%
21.	Le Campanile & Place du Commerce	Nun's Island	Montreal, QC	100%
22.	Place Michelet	Saint - Leonard	Montreal, QC	100%
23.	Langley Mall	Downtown Langley	Langley, BC	100%
24.	Scott 72 Shopping Centre	120 St./72 Ave.	Delta, BC	100%
25.	Semiahmoo (future phases)	South Surrey	Surrey, BC	100%
26.	GM Glenbow	Beltline	Calgary, AB	50%
27.	Newport Village	Macleod Trail SE/Southland Dr. SE	Calgary, AB	100%
28.	Mount Royal Village East	Beltline	Calgary, AB	100%
29.	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 year ended December 31, 2020, First Capital completed the transfer of 33,000 square feet of new retail space in addition to 193 residential units to the income-producing portfolio at a total cost of $106.3 million. All of the retail space transferred was located in super urban neighbourhoods and became occupied at an average rental rate of $24.15 per square foot.

For the year ended December 31, 2020, First Capital had tenant closures for redevelopment of 63,000 square feet at an average rental rate of $19.49 per square foot. As of December 31, 2020, 26,000 square feet had been demolished.

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 six projects comprised of approximately 498,000 square feet of space currently under development, of which 203,000 square feet is retail space and 295,000 square feet is residential rental apartments. A total of 130,000 square feet of the retail space currently under development is subject to committed leases at a weighted average rate of $30.26 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 December 31, 2020 are as follows:

As at December 31, 2020						Invested Cost (in millions)		
Count/Project		Major Tenants	Ownership Interest %	Square Feet Under Development (in thousands)	Target Completion Date [(1)]	Total Estimated (incl. Land)	Under Development	Income-producing property
1.	Eagleson Place, Ottawa, ON	*(Medical Clinic, Kettleman's)*	100%	5	H1 2021	$4 - $5	$2	N/A
2.	Chartwell Shopping Centre, Toronto, ON	*(Mabu Station, Coco Tea)*	100%	4	H1 2021	$3 - $4	$2	N/A
3.	King High Line (Shops at King Liberty), Toronto, ON [(2)(3)]	*(Longo's, Canadian Tire, Shoppers Drug Mart, Winners, Kids & Company, PetSmart, McDonald's)*	100%/ 67%	28	H2 2021	$350 - $370	$14	$331
4.	Dundas & Aukland, Toronto, ON [(4)]	*(Farm Boy)*	100%	310	H2 2021	$150 - $170	$121	—
5.	Leaside Expansion, Toronto, ON	*(Shoppers Drug Mart, PetSmart, Medical Office)*	100%	72	H2 2021	$45 - $50	$32	—
6.	Wilderton, Montreal, QC [(5)]	*(Metro, Pharmaprix, Tim Hortons, SAQ)*	100%	79	H2 2023	$57 - $62	$21	$14
	Total development and redevelopment activities			**498**		**$609 - $661**	**$192**	**$345**

(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 28,000 square feet of rental residential space (at FCR's interest of 67%).

(4) 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 rental residential space.

(5) 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 $96.8 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 $16.2 million at December 31, 2020. Total invested cost at completion is estimated to be $23.4 million with a target completion date in the second half of 2021. All 50 townhomes have been sold and construction began in the second quarter of 2020.

In addition, residential inventory also includes a future development project at 138 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

As at December 31, 2020, total portfolio occupancy, improved 0.2% to 96.2% while Same Property portfolio occupancy was up 0.1% compared to September 30, 2020. Total portfolio occupancy decreased 0.7% to 96.2% 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 year ended December 31, 2020, the monthly average occupancy for the total portfolio was 96.2% compared to 96.6%, and the Same Property portfolio occupancy was 96.4% compared to 97.0% for the prior year, respectively.

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

As at	**December 31, 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	**15,251**	**96.5%**	**$ 21.87**	15,398	97.2%	$ 21.53
Same Property with redevelopment	**1,966**	**95.3%**	**18.15**	1,982	96.3%	17.96
Total Same Property	**17,217**	**96.4%**	**21.45**	17,380	97.1%	21.12
Major redevelopment	**1,304**	**93.8%**	**27.56**	1,379	96.1%	25.81
Ground-up development	**290**	**99.5%**	**30.98**	277	99.2%	32.36
Investment properties classified as held for sale	**344**	**93.4%**	**14.93**	343	93.1%	15.02
Total portfolio before acquisitions and dispositions	**19,155**	**96.2%**	**21.89**	19,379	97.0%	21.51
Acquisitions [1]	**70**	**97.6%**	**21.91**	20	100.0%	29.57
Dispositions	**—**	**—%**	**—**	873	94.4%	15.31
Total [2]	**19,225**	**96.2%**	**$ 21.89**	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 December 31, 2020, First Capital completed 704,000 square feet of lease renewals across the portfolio. First Capital achieved a 5.5% lease renewal rate increase when comparing the per square foot net rental rate in the last year of the expiring term to the per square foot net rental rate in the first year of the renewal term. For the three months ended December 31, 2020, First Capital achieved a 6.7% lease renewal rate increase when comparing the net rental rate in the last year of the expiring term to the average net rental rate over the renewal term.

The average rental rate per occupied square foot for the total portfolio increased 0.2% from $21.84 as at September 30, 2020 to $21.89 as at December 31, 2020 primarily due to rent escalations and renewal lifts.

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

Three months ended December 31, 2020	Total Same Property			Major redevelopment, ground-up, acquisitions and dispositions			Vacancy				Total Portfolio [1]		
	Occupied Square Feet (thousands)	%	Weighted Average Rate per Occupied Square Foot	Occupied Square Feet (thousands)	%	Weighted Average Rate per Occupied Square Foot	Under Redevelopment Square Feet (thousands)	%	Vacant Square Feet (thousands)	%	Total Square Feet (thousands)	Occupied Square Feet %	Weighted Average Rate per Occupied Square Foot
September 30, 2020 [2]	**17,199**	**96.3%**	**$ 21.40**	**2,222**	**94.0%**	**$ 25.22**	**—**	**—%**	**811**	**4.0%**	**20,232**	**96.0%**	**$ 21.84**
Tenant possession	138		23.38	81		18.28	—		(219)		—		21.50
Tenant closures	(124)		(20.20)	(60)		(22.28)	—		184		—		(20.88)
Tenant closures for redevelopment	—		—	(12)		(15.99)	12		—		—		(15.99)
Developments – tenants coming online [3]	5		28.89	1		18.00	—		—		6		26.81
Redevelopments – tenant possession	—		—	—		—	—		—		—		—
Demolitions	—		—	—		—	(11)		—		(11)		—
Reclassification	(1)		—	—		—	(1)		(4)		(6)		—
Total portfolio before Q2 2020 acquisitions and dispositions	17,217	96.4%	$ 21.45	2,232	94.9%	$ 25.22	—	—%	772	3.8%	20,221	96.2%	$ 21.88
Acquisitions (at date of acquisition)	—	—%	—	—	—%	—	—	—%	—		—	—%	—
Dispositions (at date of disposition)	—	—%	—	(224)	97.7%	20.98	—	—%	(6)		(230)	97.7%	20.98
December 31, 2020	**17,217**	**96.4%**	**$ 21.45**	**2,008**	**94.6%**	**$ 25.70**	**—**	**—%**	**766**	**3.8%**	**19,991**	**96.2%**	**$ 21.89**
Renewals	647		$ 18.29	57		$ 21.18					704		$ 18.52
Renewals – expired	(647)		$ (17.24)	(57)		$ (21.16)					(704)		$ (17.56)
Net change per square foot from renewals			$ 1.05			$ 0.02							$ 0.96
% Increase on renewal of expiring rents (first year of renewal term)			6.1%			0.1%							5.5%
% increase on renewal of expiring rents (average rate in renewal term)													6.7%

(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.

During the year ended December 31, 2020, First Capital completed 2,122,000 square feet of lease renewals across the portfolio. First Capital achieved a 9.3% 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 year ended December 31, 2020, First Capital achieved a 10.9% 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 3.0% from $21.25 as at December 31, 2019 to $21.89 as at December 31, 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 year ended December 31, 2020 are set out below:

Year ended December 31, 2020	Total Same Property			Major redevelopment, ground-up, acquisitions and dispositions			Vacancy				Total Portfolio [1]		
	Occupied Square Feet (thousands)	%	Weighted Average Rate per Occupied Square Foot	Occupied Square Feet (thousands)	%	Weighted Average Rate per Occupied Square Foot	Under 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]	**17,380**	**97.1%**	**$ 21.12**	**2,892**	**95.5%**	**$ 22.02**	**13**	**0.1%**	**642**	**3.1%**	**20,927**	**96.9%**	**$ 21.25**
Tenant possession	424		23.00	175		12.27	—		(599)		—		19.86
Tenant closures	(596)		(19.90)	(209)		(15.30)	—		805		—		(18.71)
Tenant closures for redevelopment	(12)		(29.04)	(51)		(17.29)	63		—		—		(19.49)
Developments – tenants coming online [3]	15		40.71	17		11.12	—		1		33		24.15
Redevelopments – tenant possession	—		—	—		—	—		—		—		—
Demolitions	—		—	—		—	(86)		—		(86)		—
Reclassification	6		—	1		—	10		(37)		(20)		—
Total portfolio before 2020 acquisitions and dispositions	17,217	96.4%	$ 21.45	2,825	94.6%	$ 22.58	—	—%	812	3.9%	20,854	96.1%	$ 21.61
Acquisitions (at date of acquisition)	—	—%	—	58	93.0%	25.00	—	—%	4		62	93.0%	25.00
Dispositions (at date of disposition)	—	—%	—	(875)	94.5%	15.59	—	—%	(50)		(925)	94.5%	15.59
December 31, 2020	**17,217**	**96.4%**	**$ 21.45**	**2,008**	**94.6%**	**$ 25.70**	**—**	**—%**	**766**	**3.8%**	**19,991**	**96.2%**	**$ 21.89**
Renewals	1,838		$ 20.97	284		$ 21.80					2,122		$ 21.08
Renewals – expired	(1,838)		$ (19.42)	(284)		$ (18.38)					(2,122)		$ (19.29)
Net change per square foot from renewals			$ 1.55			$ 3.42							$ 1.79
% Increase on renewal of expiring rents (first year of renewal term)			8.0%			18.6%							9.3%
% increase on renewal of expiring rents (average rate in renewal term)													10.9%
% Increase in rate per square foot – openings versus all closures			14.5%			(21.8%)							5.9%

(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 December 31, 2020, 55.0% of First Capital's annualized minimum rent came from its top 40 tenants (December 31, 2019 – 54.6%). Of these rents, 76.6% (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 5.7 years as at December 31, 2020, excluding contractual renewal options.

Rank	Tenant [1] [2]	Number of Stores	Square Feet (thousands)	Percent of Total Gross Leasable Area	Percent of Total Annualized Minimum Rent	DBRS Credit Rating	S&P Credit Rating	Moody's Credit Rating
1.	Loblaw Companies Limited ("Loblaw")	95	1,989	9.9%	10.5%	BBB (high)	BBB	
2.	Sobeys	49	1,418	7.1%	5.4%	BBB (low)	BBB-	
3.	Metro	34	838	4.2%	2.8%	BBB	BBB	
4.	Canadian Tire	22	685	3.4%	2.8%	BBB	BBB	
5.	Walmart	13	1,246	6.2%	2.5%	AA	AA	Aa2
6.	TD Canada Trust	45	203	1.0%	2.0%	AA (high)	AA-	Aa1
7.	RBC Royal Bank	41	207	1.0%	1.8%	AA (high)	AA-	Aa2
8.	Save-On-Foods	9	324	1.6%	1.8%			
9.	GoodLife Fitness	24	497	2.5%	1.8%			
10.	Dollarama	47	419	2.1%	1.7%	BBB	BBB	Baa2
Top 10 Tenants Total		379	7,826	39.0%	33.1%			
11.	CIBC	35	172	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.	Winners	13	312	1.6%	1.3%		A	A2
15.	McKesson	23	173	0.9%	1.2%		BBB+	Baa2
16.	Longo's	5	196	1.0%	1.1%			
17.	Scotiabank	25	117	0.6%	1.0%	AA	A+	Aa2
18.	Restaurant Brands International	53	121	0.6%	1.0%		BB	Ba3
19.	BMO	25	102	0.5%	1.0%	AA	A+	Aa2
20.	London Drugs	8	192	1.0%	1.0%			
21.	Recipe Unlimited	30	123	0.6%	0.9%			
22.	Nordstrom	1	40	0.2%	0.8%	BB	BB+	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	0.5%	0.6%		A+	A2
27.	McDonald's	20	72	0.4%	0.5%		BBB+	Baa1
28.	Pusateri's	1	35	0.2%	0.5%			
29.	The Beer Store	12	66	0.3%	0.5%	AA (low)	A+	Aa3
30.	Subway	61	60	0.3%	0.5%			
31.	Toys "R" Us	3	127	0.6%	0.5%			
32.	SAQ	16	60	0.3%	0.4%	AA (low)	AA-	Aa2
33.	The Home Depot	2	153	0.8%	0.4%	A	A	A2
34.	Williams-Sonoma	2	38	0.2%	0.4%			
35.	PetSmart	4	57	0.3%	0.4%		B-	B2
36.	Alcanna Inc.	14	48	0.2%	0.4%			
37.	Pet Valu	20	54	0.3%	0.4%			
38.	Equinox	2	38	0.2%	0.4%		CCC	Caa3
39.	Indigo	3	54	0.3%	0.3%			
40.	Home Hardware	5	67	0.3%	0.3%			
Top 40 Tenants Total		**843**	**11,272**	**56.5%**	**55.0%**			

(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 December 31, 2020, excluding any contractual renewal options, is as follows:

Maturity Date	Number of Stores	Occupied Square Feet (thousands)	Percent of Total Square Feet		Annualized Minimum Rent at Expiration (thousands)	Percent of Total Annualized Minimum Rent		Average Annual Minimum Rent per Square Foot at Expiration
Month-to-month tenants [1]	145	223	1.1%	$	4,804	1.1%	$	21.58
2021	559	1,863	9.3%		36,250	8.0%		19.46
2022	640	2,595	13.0%		59,577	13.1%		22.96
2023	599	2,953	14.8%		59,842	13.2%		20.26
2024	544	2,214	11.1%		50,201	11.1%		22.67
2025	513	2,186	10.9%		53,738	11.8%		24.59
2026	253	1,242	6.2%		32,541	7.2%		26.21
2027	164	954	4.8%		23,688	5.2%		24.82
2028	163	1,054	5.3%		29,725	6.5%		28.19
2029	177	996	5.0%		26,520	5.8%		26.62
2030	163	831	4.2%		23,423	5.2%		28.20
2031	59	567	2.8%		13,366	2.9%		23.58
Thereafter	72	1,547	7.7%		40,204	8.9%		25.99
Total or Weighted Average [2]	4,051	19,225	96.2%	$	453,879	100.0%	$	23.61

[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 December 31, 2020, excluding contractual renewal options, but including month-to-month and other short-term leases.

Investment in Joint Ventures

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

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

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

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

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

	December 31, 2020	December 31, 2019
Balance at beginning of year	$ 59,498	$ 144,375
Contributions to equity accounted joint ventures	3,889	17,481
Distributions from equity accounted joint ventures	(2,982)	(25,648)
Consolidation of equity accounted joint venture (MMUR)	—	(78,409)
Share of income from equity accounted joint ventures	(7,835)	1,699
Balance at end of year	$ 52,570	$ 59,498

For the year ended December 31, 2020, share of income from equity accounted joint ventures includes a $5.5 million decrease in value of investment properties (December 31, 2019 - $0.3 million increase in value of investment properties). As of December 31, 2020, none of the Trust's investments in joint ventures were determined to be impaired taking into account the COVID-19 environment.

Loans, Mortgages and Other Assets

As at	December 31, 2020	December 31, 2019
Non-current		
Loans and mortgages receivable classified as FVTPL (a)	$ 1,968	$ 20,726
Loans and mortgages receivable classified as amortized cost (a)	37,612	58,940
Other investments	12,580	16,302
Total non-current	52,160	95,968
Current		
Loans and mortgages receivable classified as FVTPL (a)	6	132
Loans and mortgages receivable classified as amortized cost (a)	73,548	65,984
FVTPL investments in securities (b)	3,715	3,949
Total current	77,269	70,065
Total	$ 129,429	$ 166,033

(a) Loans and mortgages receivable are secured by interests in investment properties or shares of entities owning investment properties. As at December 31, 2020, these receivables bear interest at weighted average effective interest rates of 6.3% (December 31, 2019 – 6.6%) and mature between 2021 and 2024. As of December 31, 2020, none of the Trust's loans and mortgages receivable classified as amortized cost required a provision or were determined to be impaired taking into account the COVID-19 environment.

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

RESULTS OF OPERATIONS

Net Operating Income

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

	Three months ended December 31			Year ended December 31		
	% change	**2020**	2019	**% change**	**2020**	2019
Property rental revenue						
Base rent [1]		**$ 107,882**	$ 112,513		**$ 426,845**	$ 457,200
Operating cost recoveries		**24,765**	26,806		**97,265**	110,284
Realty tax recoveries		**29,779**	32,042		**122,326**	137,388
Lease termination fees		**895**	168		**1,811**	5,265
Percentage rent		**1,239**	1,980		**3,502**	4,798
Straight-line rent adjustment		**529**	1,849		**2,711**	5,824
Prior year operating cost and tax recovery adjustments		**(19)**	(475)		**27**	(933)
Temporary tenants, storage, parking and other [2]		**4,988**	6,741		**18,403**	26,947
Total Property rental revenue	**(6.4%)**	**170,058**	181,624	**(9.9%)**	**672,890**	746,773
Property operating costs						
Recoverable operating expenses		**27,474**	29,483		**107,408**	124,080
Recoverable realty tax expense		**33,567**	34,856		**139,238**	155,010
Prior year realty tax expense		**19**	(331)		**(284)**	(1,215)
Other operating costs and adjustments [3]		**3,352**	3,667		**27,496**	8,501
Total Property operating costs		**64,412**	67,675		**273,858**	286,376
NOI [4]	**(7.3%)**	**$ 105,646**	$ 113,949	**(13.3%)**	**$ 399,032**	$ 460,397
NOI margin		**62.1%**	62.7%		**59.3%**	61.7%

(1) Includes residential revenue.

(2) Includes hotel property revenue.

(3) Includes residential operating costs, hotel property operating costs and bad debt expense. For the three months and year ended December 31, 2020, bad debt expense totals $2.6 million and $22.8 million, respectively (three months and year ended December 31, 2019 - ($0.1) million and $0.6 million, respectively). For the year ended December 31, 2020, bad debt expense of $22.8 million is comprised of $13.2 million of net rental abatements related to the CECRA program and additional provisions of $9.6 million in light of COVID-19.

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

For the three months and year ended December 31, 2020, total NOI decreased by $8.3 million and $61.4 million, respectively, compared to the same prior year periods primarily due to the impact of the Trust's disposition program as well as the increase in bad debt expense over prior year due to the impact of COVID-19 on rent collection and the abatement taken on gross rents as part of the CECRA program. In addition, lease termination fees were lower by $3.5 million over the prior twelve month period.

For the three months and year ended December 31, 2020, NOI margins have decreased by 0.6% and 2.4%, 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 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, NOI margins for the three and twelve month period were 63.7% and 62.7%, respectively.

Same Property NOI Growth

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

	Three months ended December 31			Year ended December 31		
	% change	**2020**	2019	**% change**	**2020**	2019
Property rental revenue						
Base rent [1]		**$ 92,049**	$ 91,656		**$364,059**	$363,026
Operating cost recoveries		**21,599**	22,148		**82,887**	87,552
Realty tax recoveries		**26,324**	26,200		**106,276**	108,466
Lease termination fees		**71**	166		**909**	5,195
Percentage rent		**1,040**	1,352		**3,012**	3,394
Prior year operating cost and tax recovery adjustments		**(65)**	(194)		**(407)**	(454)
Temporary tenants, storage, parking and other [2]		**4,190**	5,953		**15,618**	23,485
Total Same Property rental revenue		**145,208**	147,281		**572,354**	590,664
Property operating costs						
Recoverable operating expenses		**23,206**	23,344		**89,486**	95,158
Recoverable realty tax expense		**28,771**	28,860		**116,877**	118,688
Prior year realty tax expense		**50**	(77)		**(378)**	(71)
Other operating costs and adjustments [3]		**3,916**	1,862		**24,536**	8,917
Total Same Property operating costs		**55,943**	53,989		**230,521**	222,692
Total Same Property NOI [4]	**(4.3%)**	**$ 89,265**	$ 93,292	**(7.1%)**	**$341,833**	$367,972
Major redevelopment		**9,842**	8,469		**32,518**	31,356
Ground-up development		**3,051**	1,009		**9,484**	2,915
Acquisitions – 2020		**(104)**	—		**(128)**	—
Acquisitions – 2019		**1,015**	102		**1,544**	526
Investment properties classified as held for sale		**1,192**	1,319		**4,612**	4,885
Dispositions – 2020		**1,111**	3,348		**6,339**	12,803
Dispositions – 2019		**(261)**	4,555		**95**	34,020
Straight-line rent adjustment		**529**	1,849		**2,711**	5,824
Development land		**6**	6		**24**	96
NOI [4]	**(7.3%)**	**$105,646**	$113,949	**(13.3%)**	**$399,032**	$460,397
NOI margin		**62.1%**	62.7%		**59.3%**	61.7%

(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 December 31		Year ended December 31	
	2020	2019 [1]	**2020**	2019 [1]
Same Property – Stable	**(4.1%)**	2.6%	**(5.8%)**	2.7%
Same Property with redevelopment [2]	**(6.0%)**	6.4%	**(18.0%)**	8.4%
Total Same Property NOI Growth [3]	**(4.3%)**	3.0%	**(7.1%)**	3.3%

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

(2) Same property with redevelopment includes the Trust's hotel property which has experienced a decline in NOI due to the impact of COVID-19.

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

For the three months and year ended December 31, 2020, SP NOI decreased by $4.0 million and $26.1 million, or 4.3% and 7.1%, respectively, primarily due to the impact of COVID-19, including increased bad debt expense due to CECRA abatements and other provisions, lower NOI related to the hotel property and lower lease termination fees over the prior year periods.

NOI by Region

NOI is presented by region as follows:

Three months ended December 31, 2020		**Central Region**		**Eastern Region**		**Western Region**		**Other (1)**		**Total**
Property rental revenue	**$**	**80,573**	**$**	**33,969**	**$**	**54,962**	**$**	**554**	**$**	**170,058**
Property operating costs		**30,576**		**15,147**		**18,220**		**469**		**64,412**
NOI (2)	**$**	**49,997**	**$**	**18,822**	**$**	**36,742**	**$**	**85**	**$**	**105,646**

Three months ended December 31, 2019		Central Region		Eastern Region		Western Region		Other (1)		Total
Property rental revenue	$	82,724	$	40,363	$	59,021	$	(484)	$	181,624
Property operating costs		32,378		17,012		19,640		(1,355)		67,675
NOI (2)	$	50,346	$	23,351	$	39,381	$	871	$	113,949

Year ended December 31, 2020		**Central Region**		**Eastern Region**		**Western Region**		**Other (1)**		**Total**
Property rental revenue	**$**	**321,828**	**$**	**134,502**	**$**	**219,064**	**$**	**(2,504)**	**$**	**672,890**
Property operating costs		**137,885**		**62,212**		**79,751**		**(5,990)**		**273,858**
NOI	**$**	**183,943**	**$**	**72,290**	**$**	**139,313**	**$**	**3,486**	**$**	**399,032**

Year ended December 31, 2019		Central Region		Eastern Region		Western Region		Other (1)		Total
Property rental revenue	$	326,491	$	180,194	$	242,390	$	(2,302)	$	746,773
Property operating costs		129,947		80,248		81,578		(5,397)		286,376
NOI	$	196,544	$	99,946	$	160,812	$	3,095	$	460,397

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

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

For the year ended December 31, 2020, property operating costs include $16.4 million (year ended December 31, 2019 – $21.0 million) related to employee compensation. Employee compensation is presented net of subsidies received under the Canada Emergency Wage Subsidy ("CEWS") program for the year ended December 31, 2020 of $4.5 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 months and year ended December 31, 2020, First Capital's interest and other income totaled $3.3 million and $12.2 million, compared to $3.9 million and $33.0 million, respectively, for the same prior year periods. The decrease of $0.6 million and $20.8 million, respectively, over the same prior year periods was primarily due to lower interest income as a result of lower loans and mortgages receivables outstanding over prior year and $7.8 million in non-recurring fees and investment income recognized in the year ended December 31, 2019.

Interest Expense

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

	Three months ended December 31		Year ended December 31	
	2020	2019	**2020**	2019
Mortgages	**$ 13,381**	$ 13,353	**$ 52,142**	$ 53,920
Credit facilities	**6,667**	9,648	**28,796**	34,163
Senior unsecured debentures	**25,816**	26,565	**100,854**	106,326
Distributions on Exchangeable Units [1]	**22**	86	**650**	86
Interest capitalized	**(6,035)**	(6,659)	**(24,731)**	(22,661)
Interest expense	**$ 39,851**	$ 42,993	**$ 157,711**	$ 171,834

(1) Effective December 30, 2019, 1.2 million Exchangeable Units were issued upon REIT conversion. As at December 31, 2020, 0.1 million Exchangeable Units were outstanding. The distributions declared on the Exchangeable Units are accounted for as interest expense.

For the three months and year ended December 31, 2020, interest expense decreased by $3.1 million and $14.1 million, respectively, primarily due to the early redemption of Series M unsecured debentures, and early repayment of certain secured credit facilities and unsecured term loans as a result of FCR's disposition program.

During the years ended December 31, 2020 and 2019, approximately 13.6% or $24.7 million, and 11.7% or $22.7 million, respectively, of interest expense was capitalized to real estate investments for properties undergoing development or redevelopment projects. The increase in capitalized interest of $2.1 million is due to MMUR development projects that are now consolidated and were previously equity accounted for most of the prior year. 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 December 31		Year ended December 31	
	2020	2019	**2020**	2019
Salaries, wages and benefits	**$ 5,086**	$ 7,082	**$ 22,985**	$ 28,743
Unit-based compensation	**2,535**	1,451	**7,673**	5,740
Other corporate costs	**2,196**	2,896	**10,277**	12,385
Total corporate expenses	**9,817**	11,429	**40,935**	46,868
Amounts capitalized to investment properties under development	**(1,764)**	(1,924)	**(7,697)**	(8,309)
Corporate expenses	**$ 8,053**	$ 9,505	**$ 33,238**	$ 38,559

For the three months and year ended December 31, 2020, gross corporate expenses, before capitalization decreased by $1.6 million and $5.9 million, respectively, due to $0.5 million and $3.8 million of wage subsidies received under the CEWS program for the three and twelve month periods, 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 years ended December 31, 2020 and 2019, approximately $7.7 million and $8.3 million, respectively, of compensation-related and other corporate expenses were capitalized to real estate investments for properties undergoing development or redevelopment projects. Amounts capitalized are based on development and pre-development projects underway. Changes in capitalized corporate expenses are primarily the result of timing of completion of development and redevelopment projects and First Capital's current level of pre-development and early redevelopment activity.

Other Gains (Losses) and (Expenses)

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

Three months ended December 31	**2020**		2019	
	Consolidated Statements of Income	**Included in FFO**	Consolidated Statements of Income	Included in FFO
Unrealized gain (loss) on marketable securities	**$ 580**	**$ 580**	$ 176	$ 176
Gain on below market purchase [1]	**7,385**	**—**	—	—
Hotel transaction costs [2]	**(1,121)**	**—**	—	—
Investment properties selling costs	**(611)**	**—**	(3,275)	—
REIT conversion costs	**—**	**—**	(3,009)	(3,009)
Other	**36**	**36**	(204)	(204)
Total per consolidated statements of income	**$ 6,269**	**$ 616**	$ (6,312)	$ (3,037)
Other gains (losses) and (expenses) under equity accounted joint ventures	**(213)**	**(210)**	(62)	(26)
Total at First Capital's proportionate interest [6]	**$ 6,056**	**$ 406**	$ (6,374)	$ (3,063)

Year ended December 31	**2020**		2019	
	Consolidated Statements of Income	**Included in FFO**	Consolidated Statements of Income	Included in FFO
Realized gain (loss) on sale of marketable securities	**$ —**	**$ —**	$ 1,164	$ 1,164
Unrealized gain (loss) on marketable securities	**(234)**	**(234)**	474	474
Net gain (loss) on prepayments of debt	**(282)**	**(282)**	—	—
Gain on below market purchase [1]	**7,385**	**—**	—	—
Hotel transaction costs [2]	**(1,121)**	**—**	—	—
Gain on Investment [3]	**—**	**—**	4,022	4,022
Proceeds from Target [4]	**—**	**—**	692	692
Pre-selling costs of residential inventory	**(142)**	**(142)**	—	—
Investment properties selling costs	**(3,915)**	**—**	(6,381)	—
REIT conversion costs	**(906)**	**(906)**	(5,013)	(5,013)
Transaction costs [5]	**—**	**—**	(3,414)	(3,414)
Other	**73**	**73**	(303)	(303)
Total per consolidated statements of income	**$ 858**	**$ (1,491)**	$ (8,759)	$ (2,378)
Other gains (losses) and (expenses) under equity accounted joint ventures	**(1,825)**	**(1,884)**	(135)	(16)
Total at First Capital's proportionate interest [6]	**$ (967)**	**$ (3,375)**	$ (8,894)	$ (2,394)

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

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

(3) During the third quarter of 2019, one of FCR's other investments was acquired for cash and share consideration resulting in the recognition of a $4.0 million gain on investment.

(4) In connection with proceeds recognized under Target Canada's CCAA plan of arrangement related to the closure of two Target stores in FCR's portfolio in 2015.

(5) 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.

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

For the three months ended December 31, 2020, First Capital recognized $6.3 million in other gains in its consolidated statements of income compared to $6.3 million in other losses in the same prior year period. The other gains in the quarter were primarily due to the $7.4 million gain on below market purchase, partially offset by $1.1 million of transaction costs related to the 40% acquisition of the Hazelton Hotel. For the year ended December 31, 2020, FCR recognized $0.9 million in other gains in its consolidated statements of income compared to $8.8 million in other losses in the prior year. The other gains for the year ended December 31, 2020 were primarily due to $6.3 million of net gains recognized on the 40% acquisition of the Hazelton Hotel, partially offset by investment property selling costs of $3.9 million, REIT conversion costs of $0.9 million, and loss on prepayment of Series M debentures of $0.3 million.

Income Taxes

For the three months and year ended December 31, 2020, deferred income tax expense (recovery) totaled $32.7 million and $23.9 million, compared to ($115.6) million and ($82.2) million, respectively, over the same prior year periods. The reduction of $148.3 million and $106.1 million in deferred tax recovery was primarily due to the re-measurement of the deferred income tax liability upon conversion of the Company into a publicly traded REIT on December 30, 2019.

Net Income Attributable to Unitholders

For the three months ended December 31, 2020, net income attributable to Unitholders was $37.3 million or $0.17 per diluted unit compared to $192.5 million or $0.87 per diluted unit for the prior year. The $126.6 million decrease was primarily due to a decrease in deferred income tax recovery of $148.3 million related to the prior year's REIT conversion and a $11.6 million reduction in the fair value of investment properties.

For the year ended December 31, 2020, net income attributable to Unitholders was $2.7 million or $0.01 per diluted unit compared to $401.3 million or $1.74 per diluted unit for the prior year. The $370.0 million decrease was primarily due to a $246.7 million reduction in the fair value of investment properties, a decrease in deferred income tax recovery of $106.1 million related to prior year's REIT conversion, and a reduction in NOI of $40.4 million related to property dispositions.

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	**December 31, 2020**	December 31, 2019
Liabilities (principal amounts outstanding)		
Bank indebtedness	**$ 238**	$ 60
Mortgages	**1,351,291**	1,331,219
Credit facilities	**915,928**	899,165
Mortgages under equity accounted joint venture (at the Trust's interest) [1]	**39,175**	40,144
Exchangeable Units (based on a closing per unit price of $13.55; December 31, 2019 - $20.67)	**1,399**	25,010
Senior unsecured debentures	**2,525,000**	2,500,000
Equity capitalization [2]		
Trust Units (based on a closing per unit price of $13.55; December 31, 2019 - $20.67)	**2,971,723**	4,505,107
Enterprise value [1]	**$ 7,804,754**	$ 9,300,705

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

(2) Equity capitalization is the market value of FCR's units outstanding at a point in time. The measures is not defined by IFRS, does not have a standard definition and, as such, may not be comparable to similar measures disclosed by other issuers.

Equity capitalization decreased from $4.5 billion at December 31, 2019 to $3.0 billion at December 31, 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	December 31, 2020	December 31, 2019
Weighted average effective interest rate on mortgages, fixed rate unsecured term loans and senior unsecured debentures	**3.8%**	4.0%
Weighted average maturity on mortgages, fixed rate unsecured term loans and senior unsecured debentures (years)	**4.6**	5.1
Net debt to total assets [1]	**47.2%**	46.7%
Net debt to Adjusted EBITDA [1]	**11.7**	10.0
Unencumbered aggregate assets [1]	**$ 7,003,026**	$ 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 1.7 to 11.7, as of December 31, 2020, due to a decrease in EBITDA. The decrease in EBITDA arose primarily from lower NOI due to dispositions and increased bad debt expense due to COVID-19 and CECRA.

Measures used in these ratios are defined below:

- Debt consists of principal amounts outstanding on credit facilities and mortgages, and the par value of senior unsecured debentures;
- Net debt is calculated as Debt, as defined above, reduced by cash balances at the end of the period;
- Adjusted EBITDA, is calculated as net income, adding back income tax expense; interest expense; and amortization and excluding the increase or decrease in the value of investment properties, hotel property, Exchangeable units and unit-based compensation; other gains (losses) and (expenses); and other non-cash or non-recurring items. The Trust also adjusts for incremental leasing costs, which is a recognized adjustment to Funds from Operations, in accordance with the recommendations of the REALPAC;
- Unencumbered assets include the value of assets that have not been pledged as security under any credit agreement or mortgage. The unencumbered asset value ratio is calculated as unencumbered assets divided by the principal amount of the unsecured debt, which consists of the bank indebtedness, unsecured bank term loans, unsecured credit facilities and senior unsecured debentures.

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 November 2, 2020, S&P confirmed their previously assigned rating of BBB- with a stable outlook.

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

According to DBRS, a credit rating in the BBB category is generally an indication of adequate credit quality and an acceptable capacity for the payment of financial obligations. DBRS indicates that BBB rated obligations may be vulnerable to future events. A rating trend, expressed as positive, stable or negative, provides guidance in respect of DBRS’ opinion regarding the outlook for the rating in question.

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 December 31, 2020 is summarized in the table below:

As at December 31, 2020	Mortgages	Credit Facilities/ Bank Indebtedness	Senior Unsecured Debentures	Total	% Due
2021	$ 91,008	$ 61,267	$ 175,000	$ 327,275	6.8%
2022	127,503	109,607	450,000	687,110	14.4%
2023	32,597	195,292	300,000	527,889	10.9%
2024	140,423	300,000	300,000	740,423	15.5%
2025	85,537	75,000	300,000	460,537	9.6%
2026	120,246	175,000	300,000	595,246	12.4%
2027	103,943	—	500,000	603,943	12.6%
2028	166,973	—	200,000	366,973	7.6%
2029	251,257	—	—	251,257	5.3%
2030	176,479	—	—	176,479	3.7%
2031	55,325	—	—	55,325	1.2%
	$ 1,351,291	$ 916,166	$ 2,525,000	$ 4,792,457	100.0%
Add (deduct): unamortized deferred financing costs, premiums and discounts, net	(4,654)	—	(2,865)	(7,519)	
Total	$ 1,346,637	$ 916,166	$ 2,522,135	$ 4,784,938	

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 year ended December 31, 2020 are set out below:

Year ended December 31, 2020	Amount	Weighted Average Effective Interest Rate
Balance at beginning of year	$ 1,327,021	3.7%
Mortgage borrowings	116,200	2.8%
Mortgage repayments	(67,724)	4.7%
Scheduled amortization on mortgages	(28,404)	—%
Amortization of financing costs and net premium	(456)	—%
Balance at end of year	$ 1,346,637	3.6%

As at December 31, 2020, 100% (December 31, 2019 – 100%) of the outstanding mortgages bore interest at fixed interest rates. The average remaining term of mortgages outstanding decreased from 6.4 years as at December 31, 2019 on $1.3 billion of mortgages to 6.0 years as at December 31, 2020 on $1.3 billion of mortgages after reflecting borrowing activity and repayments during the period.

Mortgage Maturity Profile

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

As at December 31, 2020	Scheduled Amortization	Payments on Maturity	Total	Weighted Average Effective Interest Rate
2021	$ 28,385	$ 62,623	$ 91,008	4.9%
2022	31,981	95,522	127,503	4.0%
2023	32,597	—	32,597	N/A
2024	31,945	108,478	140,423	3.8%
2025	29,642	55,895	85,537	3.5%
2026	25,886	94,360	120,246	3.2%
2027	24,079	79,864	103,943	3.6%
2028	21,250	145,723	166,973	3.8%
2029	14,377	236,880	251,257	3.5%
2030	7,104	169,375	176,479	3.3%
2031	370	54,955	55,325	3.5%
	$ 247,616	$ 1,103,675	$ 1,351,291	3.6%
Add: unamortized deferred financing costs and premiums and discounts, net			(4,654)	
Total			$ 1,346,637	

Credit Facilities

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

As at December 31, 2020	Borrowing Capacity	Amounts Drawn	Bank Indebtedness and Outstanding Letters of Credit	Available to be Drawn	Interest Rates	Maturity Date
Unsecured operating facilities						
Revolving facility maturing 2023	$ 550,000	$ —	$ (25,142)	$ 524,858	BA + 1.45% or Prime + 0.45% or US$ LIBOR + 1.45%	June 30, 2023
Revolving facility maturing 2022	250,000	—	—	250,000	BA + 1.10% or Prime + 0.25% or US$ LIBOR + 1.10%	September 29, 2022
Floating rate unsecured term loan maturing 2023 (1)	200,000	(195,054)	—	—	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 2021	20,000	(19,984)	—	16	BA + 2.50% or Prime + 1.00%	June 1, 2021
Maturing 2021	33,333	(33,333)	—	—	2.79%	August 26, 2021
Maturing 2022	138,000	(98,539)	(1,592)	37,869	BA + 1.350% or Prime + 0.350%	October 26, 2022
Secured Facilities						
Maturing 2021 (2)	19,734	(7,950)	(1,320)	10,464	BA + 1.20% or Prime + 0.20%	December 30, 2021
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	$ 1,772,135	$ (915,928)	$ (28,054)	$ 823,207		

(1) The Trust had drawn in U.S. dollars the equivalent of CAD$200.0 million which was revalued at CAD$195.1 million as at December 31, 2020.

(2) Borrowing capacity decreased by $1.0 million to $19.7 million in the fourth quarter of 2020.

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 of 2020, First Capital extended the maturity of its $11.9 million secured facility and $20.0 million secured construction facility to April 30, 2020 and July 31, 2020, respectively. During the second quarter of 2020, First Capital repaid its $11.9 million secured facility. During the third quarter of 2020, First Capital increased the borrowing capacity for one of its secured construction facilities to $20.0 million and extended the maturity date to June 1, 2021. During the fourth quarter of 2020, FCR extended the maturity of its $19.7 million secured facility to December 30, 2021.

Senior Unsecured Debentures

As at December 31, 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%	0.2	$ 175,000
O	January 31, 2022	January 31, July 31	4.43%	4.59%	1.1	200,000
P	December 5, 2022	June 5, December 5	3.95%	4.18%	1.9	250,000
Q	October 30, 2023	April 30, October 30	3.90%	3.97%	2.8	300,000
R	August 30, 2024	February 28, August 30	4.79%	4.72%	3.7	300,000
S	July 31, 2025	January 31, July 31	4.32%	4.24%	4.6	300,000
T	May 6, 2026	May 6, November 6	3.60%	3.56%	5.4	300,000
U	July 12, 2027	January 12, July 12	3.75%	3.82%	6.5	300,000
V	January 22, 2027	January 22, July 22	3.46%	3.54%	6.1	200,000
A	March 1, 2028	March 1, September 1	3.45%	3.54%	7.2	200,000
	Weighted Average or Total		4.02%	4.07%	4.1	$ 2,525,000

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.

On September 1, 2020, the Trust completed the issuance of $200 million principal amount of Series A senior unsecured debentures due March 1, 2028. These debentures bear interest at a coupon rate of 3.45% per annum, payable semi-annually commencing March 1, 2021.

Unitholders' Equity

Unitholders’ equity amounted to $4.2 billion as at December 31, 2020, compared to Unitholders' equity of $4.4 billion as at December 31, 2019. The decrease is primarily attributed to distributions of $188.0 million declared in the year ended December 31, 2020.

As at February 8, 2021, there were 219.3 million Trust Units and 0.1 million Exchangeable Units outstanding.

Unit Options

As at December 31, 2020, First Capital had 7.1 million unit options outstanding, with an average exercise price of $20.20, which, if exercised, would result in First Capital receiving proceeds of $143.5 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)	**December 31, 2020**	December 31, 2019
Total available under credit facilities	**$ 823**	$ 867
Cash and cash equivalents	**$ 100**	$ 26
Unencumbered aggregate assets	**$ 7,003**	$ 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 December 31, 2020, and availability on existing credit facilities, address substantially all of the contractual 2021 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 December 31		Year ended December 31	
	2020	2019	**2020**	2019
Cash provided by (used in) operating activities	**$ 92,737**	$ 106,905	**$ 219,505**	$ 269,147
Cash provided by (used in) financing activities	**(60,620)**	(436,190)	**(154,790)**	(591,797)
Cash provided by (used in) investing activities	**45,895**	335,343	**10,226**	332,619
Net change in cash and cash equivalents	**$ 78,012**	$ 6,058	**$ 74,941**	$ 9,969

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

	Three months ended December 31		Year ended December 31	
	2020	2019	**2020**	2019
Cash provided by operating activities	**$ 92,737**	$ 106,905	**$ 219,505**	$ 269,147
Distributions / dividends declared	**(47,152)**	(15,620)	**(188,027)**	(165,224)
Excess (shortfall) of cash provided by operating activities over distributions / dividends declared	**$ 45,585**	$ 91,285	**$ 31,478**	$ 103,923

Cash provided by operating activities exceeded distributions / dividends declared for the three months and years ended December 31, 2020 and 2019.

Contractual Obligations

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

As at December 31, 2020	Payments due by period				
	2021	2022 to 2023	2024 to 2025	Thereafter	Total
Scheduled mortgage principal amortization	$ 28,385	$ 64,578	$ 61,587	$ 93,066	$ 247,616
Mortgage principal repayments on maturity	62,623	95,522	164,373	781,157	1,103,675
Credit facilities and bank indebtedness	61,267	304,899	375,000	175,000	916,166
Senior unsecured debentures	175,000	750,000	600,000	1,000,000	2,525,000
Interest obligations [(1)]	165,761	280,001	185,252	131,023	762,037
Land leases (expiring between 2023 and 2061)	1,189	2,076	1,238	16,203	20,706
Contractually committed costs to complete current development projects	33,764	—	—	—	33,764
Other committed costs	7,125	—	—	—	7,125
Total contractual obligations	$ 535,114	$ 1,497,076	$ 1,387,450	$ 2,196,449	$ 5,616,089

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

First Capital had $49.2 million of outstanding letters of credit issued by financial institutions to support certain of FCR's contractual obligations and $0.2 million of bank overdrafts.

First Capital's estimated cost to complete properties currently under development is $96.8 million, of which $33.8 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. 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 $70.5 million (December 31, 2019 – $77.5 million) to various lenders in connection with certain third-party obligations, including, without limitation, loans advanced to its joint arrangement partners secured by the partners' interest in the joint arrangements and underlying assets.

(c) First Capital is contingently liable by way of letters of credit in the amount of $49.2 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 $20.7 million (December 31, 2019 – $21.9 million).

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 audited annual consolidated financial statements, to its proportionate interest.

As at	**December 31, 2020**			December 31, 2019		
	Consolidated Balance Sheet (1)	**Adjustments for Proportionate Interest**	**Proportionate Interest (2)**	Consolidated Balance Sheet (1)	Adjustments for Proportionate Interest	Proportionate Interest (2)
ASSETS						
Investment properties	**$ 9,328,792**	**$ 8,696**	**$ 9,337,488**	$ 9,593,530	$ 9,259	$ 9,602,789
Investment properties – development land	**—**	**—**	**—**	—	—	—
Residential development inventory	**74,190**	**5,779**	**79,969**	10,205	5,742	15,947
Hotel property	**88,000**	**—**	**88,000**	62,199	—	62,199
Loans, mortgages and other assets	**129,429**	**2,050**	**131,479**	166,033	2,651	168,684
Cash and cash equivalents	**100,444**	**12,220**	**112,664**	25,503	2,279	27,782
Amounts receivable	**46,296**	**644**	**46,940**	31,521	307	31,828
Other assets	**50,893**	**11,086**	**61,979**	54,271	16,978	71,249
Investment in joint ventures	**52,570**	**(52,570)**	**—**	59,498	(59,498)	—
Investment properties classified as held for sale	**161,849**	**—**	**161,849**	158,600	—	158,600
Total assets	**$ 10,032,463**	**$ (12,095)**	**$ 10,020,368**	$ 10,161,360	$ (22,282)	$ 10,139,078
LIABILITIES						
Mortgages	**$ 1,346,637**	**$ 39,082**	**$ 1,385,719**	$ 1,327,021	$ 40,036	$ 1,367,057
Credit facilities	**915,928**	**(34,514)**	**881,414**	899,165	(19,749)	879,416
Bank indebtedness	**238**	**—**	**238**	60	—	60
Senior unsecured debentures	**2,522,135**	**—**	**2,522,135**	2,497,213	—	2,497,213
Exchangeable Units	**1,399**	**—**	**1,399**	25,010	—	25,010
Deferred tax liabilities	**698,528**	**—**	**698,528**	701,549	—	701,549
Accounts payable and other liabilities	**291,171**	**12,600**	**303,771**	235,836	6,345	242,181
Total liabilities	**5,776,036**	**17,168**	**5,793,204**	5,685,854	26,632	5,712,486
EQUITY						
Unitholders' equity	**4,227,164**	**—**	**4,227,164**	4,426,592	—	4,426,592
Non-controlling interest	**29,263**	**(29,263)**	**—**	48,914	(48,914)	—
Total equity	**4,256,427**	**(29,263)**	**4,227,164**	4,475,506	(48,914)	4,426,592
Total liabilities and equity	**$ 10,032,463**	**$ (12,095)**	**$ 10,020,368**	$ 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 to First Capital's Proportionate Interest

The following tables provide a reconciliation of First Capital's consolidated statements of income for the three months ended December 31, 2020, to its proportionate interest.

Three months ended December 31			2020			2019
	Consolidated Statements of Income	**Adjustment to proportionate interest**	**Proportionate interest [1]**	Consolidated Statements of Income	Adjustment to proportionate interest	Proportionate interest [1]
Property rental revenue	**$ 170,058**	**$ 2,049**	**$ 172,107**	$ 181,624	$ 2,295	$ 183,919
Property operating costs	**64,412**	**1,472**	**65,884**	67,675	1,976	69,651
Net operating income	**105,646**	**577**	**106,223**	113,949	319	114,268
Other income and expenses						
Interest and other income	**3,292**	**304**	**3,596**	3,870	388	4,258
Interest expense	**(39,851)**	**(334)**	**(40,185)**	(42,993)	(342)	(43,335)
Corporate expenses	**(8,053)**	**5**	**(8,048)**	(9,505)	226	(9,279)
Abandoned transaction costs	**—**	**—**	**—**	(24)	—	(24)
Amortization expense	**(1,608)**	**(669)**	**(2,277)**	(1,231)	(666)	(1,897)
Share of profit from joint ventures	**(147)**	**147**	**—**	(563)	563	—
Other gains (losses) and (expenses)	**6,269**	**(213)**	**6,056**	(6,312)	(62)	(6,374)
(Increase) decrease in value of unit-based compensation	**1,735**	**—**	**1,735**	81	—	81
(Increase) decrease in value of Exchangeable Units	**(30)**	**—**	**(30)**	230	—	230
Increase (decrease) in value of hotel property	**(5,082)**	**—**	**(5,082)**	—	—	—
Increase (decrease) in value of investment properties, net	**7,446**	**484**	**7,930**	19,003	(90)	18,913
	(36,029)	**(276)**	**(36,305)**	(37,444)	17	(37,427)
Income before income taxes	**69,617**	**301**	**69,918**	76,505	336	76,841
Deferred income tax expense (recovery)	**32,653**	**(3)**	**32,650**	(115,618)	—	(115,618)
Net income	**$ 36,964**	**$ 304**	**$ 37,268**	$ 192,123	$ 336	$ 192,459
Net income attributable to:						
Unitholders	**$ 37,268**	**$ —**	**$ 37,268**	$ 192,459	$ —	$ 192,459
Non-controlling interest	**(304)**	**304**	**—**	(336)	336	—
	$ 36,964	**$ 304**	**$ 37,268**	$ 192,123	$ 336	$ 192,459
Net income per unit attributable to Unitholders:						
Basic	**$ 0.17**			$ 0.88		
Diluted	**$ 0.17**			$ 0.87		

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

The following tables provide a reconciliation of First Capital's consolidated statements of income for the year ended December 31, 2020, as presented in its audited annual consolidated financial statements, to its proportionate interest.

Year ended December 31			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	**$ 672,890**	**$ 7,579**	**$ 680,469**	$ 746,773	$ 9,126	$ 755,899
Property operating costs	**273,858**	**5,573**	**279,431**	286,376	5,758	292,134
Net operating income	**399,032**	**2,006**	**401,038**	460,397	3,368	463,765
Other income and expenses						
Interest and other income	**12,248**	**1,396**	**13,644**	33,049	(822)	32,227
Interest expense	**(157,711)**	**(1,348)**	**(159,059)**	(171,834)	(1,740)	(173,574)
Corporate expenses	**(33,238)**	**(10)**	**(33,248)**	(38,559)	629	(37,930)
Abandoned transaction costs	**(90)**	**—**	**(90)**	(677)	—	(677)
Amortization expense	**(5,589)**	**(2,714)**	**(8,303)**	(4,511)	(1,502)	(6,013)
Share of profit from joint ventures	**(7,835)**	**7,835**	**—**	1,699	(1,699)	—
Other gains (losses) and (expenses)	**858**	**(1,825)**	**(967)**	(8,759)	(135)	(8,894)
(Increase) decrease in value of non-cash compensation	**11,459**	**—**	**11,459**	81	—	81
(Increase) decrease in value of Exchangeable Units	**7,404**	**—**	**7,404**	230	—	230
Increase (decrease) in value of hotel property	**(9,432)**	**—**	**(9,432)**	—	—	—
Increase (decrease) in value of investment properties, net	**(185,700)**	**(10,123)**	**(195,823)**	61,037	(11,097)	49,940
	(367,626)	**(6,789)**	**(374,415)**	(128,244)	(16,366)	(144,610)
Income before income taxes	**31,406**	**(4,783)**	**26,623**	332,153	(12,998)	319,155
Deferred income tax expense (recovery)	**23,924**	**(3)**	**23,921**	(82,187)	(3)	(82,190)
Net income	**$ 7,482**	**$ (4,780)**	**$ 2,702**	$ 414,340	$ (12,995)	$ 401,345
Net income attributable to:						
Unitholders	**$ 2,702**	**$ —**	**$ 2,702**	$ 401,345	$ —	$ 401,345
Non-controlling interest	**4,780**	**(4,780)**	**—**	12,995	(12,995)	—
	$ 7,482	**$ (4,780)**	**$ 2,702**	$ 414,340	$ (12,995)	$ 401,345
Net income per unit attributable to Unitholders:						
Basic	**$ 0.01**			$ 1.75		
Diluted	**$ 0.01**			$ 1.74		

(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 to FFO can be found in the table below:

	Three months ended December 31		Year ended December 31	
	2020	2019	**2020**	2019
Net income attributable to Unitholders	**$ 37,268**	$ 192,459	**$ 2,702**	$ 401,345
Add (deduct):				
(Increase) decrease in value of investment properties [1]	**(7,930)**	(18,913)	**195,823**	(49,940)
(Increase) decrease in value of hotel property [1]	**5,082**	—	**9,432**	—
Adjustment for equity accounted joint ventures [2]	**669**	666	**2,714**	2,057
Incremental leasing costs [3]	**1,611**	1,565	**6,571**	6,680
Amortization expense [4]	**499**	198	**1,432**	693
Gain on below market purchase [5]	**(7,385)**	—	**(7,385)**	—
Transaction costs [6]	**1,121**	—	**1,121**	—
Distributions on Exchangeable Units [7]	**22**	86	**650**	86
Increase (decrease) in value of Exchangeable Units [7]	**30**	(230)	**(7,404)**	(230)
Increase (decrease) in value of unit-based compensation [8]	**(1,735)**	(81)	**(11,459)**	(81)
Investment properties selling costs [1]	**614**	3,311	**3,856**	6,500
Deferred income taxes (recovery) [1]	**32,650**	(115,618)	**23,921**	(82,190)
FFO [9]	**$ 62,516**	$ 63,443	**$ 221,974**	$ 284,920

(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 gain on below market purchase of hotel property in accordance with the recommendations of REALPAC.
(6) Adjustment to transaction costs incurred as part of hotel property acquisition in accordance with the recommendations of REALPAC.
(7) Adjustment to exclude distributions and fair value adjustments on Exchangeable Units in accordance with the recommendations of REALPAC.
(8) Adjustment to exclude fair value adjustments on unit-based compensation plans in accordance with the recommendations of REALPAC.
(9) Refer to the "Non-IFRS Financial Measures" section of this MD&A.

The components of FFO at proportionate interest are as follows:

	Three months ended December 31			Year ended December 31		
	% change	**2020**	2019	% change	**2020**	2019
Net operating income		**$ 106,223**	$ 114,268		**$ 401,038**	$ 463,765
Interest and other income		**3,596**	4,258		**13,644**	32,227
Interest expense [1]		**(40,163)**	(43,249)		**(158,409)**	(172,933)
Corporate expenses [2]		**(6,437)**	(7,714)		**(26,677)**	(31,250)
Abandoned transaction costs		**—**	(24)		**(90)**	(677)
Amortization expense [3]		**(1,109)**	(1,033)		**(4,157)**	(3,818)
Other gains (losses) and (expenses) [4]		**406**	(3,063)		**(3,375)**	(2,394)
FFO [5]	(1.5%)	**$ 62,516**	$ 63,443	(22.1%)	**$ 221,974**	$ 284,920
FFO per diluted unit	(1.7%)	**$ 0.28**	$ 0.29	(18.4%)	**$ 1.01**	$ 1.23
Weighted average number of units – diluted (in thousands)	—%	**220,551**	220,545	(4.5%)	**220,495**	230,810

(1) Includes an adjustment to capitalize interest related to FCR's equity accounted joint ventures in accordance with the recommendations of REALPAC.

(2) Includes an adjustment to capitalize incremental leasing costs in accordance with the recommendations of REALPAC.

(3) Excludes certain amortization expense in accordance with the recommendations of REALPAC.

(4) At FCR's proportionate interest, adjusted to exclude investment properties selling costs in accordance with the recommendations of REALPAC.

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

For the three months ended December 31, 2020, FFO decreased $0.9 million or $0.01 per diluted unit. The decrease was primarily due to the impact of property dispositions completed over the past 12 months and higher bad debt expense due to COVID-19, partially offset by interest expense and corporate expense savings. Prior period results also include $3.0 million of non-recurring REIT conversion costs.

For the year ended December 31, 2020, FFO decreased $62.9 million or $0.23 per diluted unit. The decrease was primarily due to a reduction of NOI related to property dispositions, higher bad debt expense of $22.2 million, and lower interest and other income related to lower loan receivable balances. These factors were partially offset by reduced interest expense, lower corporate expenses, and a reduced weighted-average unit count.

Adjusted Cash Flow from Operations

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

	Three months ended December 31		Year ended December 31	
	2020	2019	**2020**	2019
Cash provided by operating activities	**$ 92,737**	$ 106,905	**$ 219,505**	$ 269,147
Add (deduct):				
Working capital adjustments [1]	**(26,494)**	(35,076)	**3,357**	4,411
Adjustment for equity accounted joint ventures	**203**	449	**1,062**	2,647
Revenue sustaining capital expenditures	**(3,746)**	(2,307)	**(18,517)**	(17,328)
Recoverable capital expenditures	**(3,887)**	(1,612)	**(4,971)**	(6,815)
Leasing costs on properties under development	**403**	391	**1,643**	1,670
Realized gain on sale of marketable securities	**—**	—	**—**	1,164
Non-controlling interest	**284**	(192)	**968**	(2,480)
ACFO [2]	**$ 59,500**	$ 68,558	**$ 203,047**	$ 252,416

(1) Working capital adjustments primarily include adjustments for prepaid as well as accrued property taxes as their levels vary considerably over the course of the year as well as certain other adjustments as specified in the most recent REALPAC whitepaper on ACFO issued in February 2019.

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

For the three months and year ended December 31, 2020, ACFO totaled $59.5 million and $203.0 million compared to $68.6 million and $252.4 million for the prior year periods, respectively. The $9.1 million decrease in ACFO for the three months ended December 31, 2020 is primarily due to lower NOI as a result of property dispositions and COVID-19 as well as higher capital expenditures, partially offset by lower interest expense. The $49.4 million decrease in ACFO for the year ended December 31, 2020 was primarily due to lower NOI as a result of property dispositions, lower interest and other income, and lower parking income and hotel occupancy as a result of COVID-19, partially offset by lower interest expense over prior year.

ACFO Payout Ratio

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

	Year ended December 31, 2020	**Q4 2020**	**Q3 2020**	**Q2 2020**	**Q1 2020**
ACFO [(1)]	**$ 203,047**	$ 59,500	$ 68,117	$ 36,500	$ 38,930
Cash distributions paid	**187,929**	47,150	46,990	46,915	46,874
ACFO payout ratio [(1)]	**92.6%**				

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

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

	Year ended December 31, 2019	Q4 2019	Q3 2019	Q2 2019	Q1 2019
ACFO [(1)]	$ 252,416	$ 68,558	$ 60,533	$ 70,855	$ 52,470
Cash distributions / dividends paid [(2)]	203,830	47,106	47,104	54,832	54,788
ACFO payout ratio [(1)]	80.8%				

(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 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 December 31, 2020, the ACFO payout was 92.6% (December 31, 2019 - 80.8%).

Net Asset Value

The following table provides FCR's calculation of NAV for the years ended December 31, 2020 and 2019:

As at	**December 31, 2020**	December 31, 2019
Unitholders' equity	**$ 4,227,164**	$ 4,426,592
Exchangeable Units	**1,399**	25,010
Deferred tax liabilities	**698,528**	701,549
Net Asset Value (NAV) [(1)]	**$ 4,927,091**	$ 5,153,151
Units outstanding - diluted [(1)]	**220,574**	220,343
NAV per unit [(1)]	**$ 22.34**	$ 23.39

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

The decrease in NAV per unit from $23.39 to $22.34 is primarily due to the decrease in the value of investment properties of $195.8 million (proportionate basis) for the year ended December 31, 2020.

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 totaling $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:

	Three months ended December 31		Year ended December 31	
(in dollars)	**2020**	2019	**2020**	2019
Distributions declared per unit	**$ 0.215**	$ 0.072	**$ 0.860**	$ 0.072
Dividends declared per common share [1]	**N/A**	N/A	**N/A**	$ 0.645

[1] FCR paid cash dividends of $0.860 per share for the year ended December 31, 2019.

On January 12, 2021, First Capital announced a temporary reduction of its monthly distribution to Unitholders from $0.0716 per unit to $0.036 per unit, or $0.432 on an annualized basis. The decrease will be effective for First Capital's January 2021 distribution, payable to Unitholders in February 2021.

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)									Year ended December 31	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
	FCR [1]		Guarantors [2]		Non-Guarantors [3]		Consolidation Adjustments [4]		Total Consolidated	
Property rental revenue	**$ 290**	$ 328	**$ 387**	$ 422	**$ 1**	$ 3	**$ (5)**	$ (6)	**$ 673**	$ 747
NOI [5]	**182**	217	**218**	245	**1**	3	**(2)**	(5)	**399**	460
Net income (loss) attributable to Unitholders	**$ 3**	$ 401	**$ 346**	$ 288	**$ 9**	$ 12	**$ (355)**	$ (300)	**$ 3**	$ 401

(millions of dollars)					As at December 31, 2020
	FCR (1)	Guarantors (2)	Non-Guarantors (3)	Consolidation Adjustments (4)	Total Consolidated
Current assets	**$ 225**	**$ 258**	**$ 1**	**$ (2)**	**$ 482**
Non-current assets	**(427)**	**10,767**	**123**	**(913)**	**9,550**
Current liabilities	**449**	**104**	**4**	**(5)**	**552**
Non-current liabilities	**$ 4,091**	**$ 1,132**	**$ 66**	**$ (65)**	**$ 5,224**

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

(1) This column represents FCR and all of its subsidiaries; FCR's subsidiaries are presented under the equity method.

(2) This column represents the aggregate of all Guarantor subsidiaries.

(3) This column represents the aggregate of all Non-Guarantor subsidiaries.

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

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

RELATED PARTY TRANSACTIONS

(a) Gazit-Globe

During the first quarter of 2020, Gazit sold its remaining 6.7% interest in FCR and is no longer a related party.

(b) Joint ventures

During the year ended December 31, 2020, First Capital earned fee income of nil (December 31, 2019 – $1.9 million) from its joint ventures.

During the year ended December 31, 2020, First Capital also advanced nil (December 31, 2019 – $1.2 million) to one of its joint ventures.

(c) Subsidiaries of the Trust

The audited annual 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

Reduction in Distributions to Unitholders

On January 12, 2021, First Capital announced the temporary reduction of its monthly distribution to Unitholders from $0.0716 per unit to $0.036 to provide the Trust with additional retained cash flow of approximately $95 million per annum.

Monthly Distributions

On January 12, 2021, First Capital announced that it will pay a distribution, for the month of January, of $0.036 per Trust Unit on February 15, 2021 to Unitholders of record as at January 31, 2021.

Collection of January 2021 Rent

As of February 9, 2021, First Capital has collected approximately 91% of the gross rents payable from tenants for the month of January.

QUARTERLY FINANCIAL INFORMATION

	2020				2019			
(unit / share counts in thousands)	**Q4**	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Property rental revenue	**$ 170,058**	$ 163,952	$ 162,744	$ 176,136	$ 181,624	$ 183,650	$ 186,825	$ 194,674
Net operating income [(1)]	**$ 105,646**	$ 101,478	$ 88,768	$ 103,140	$ 113,949	$ 115,023	$ 115,994	$ 115,431
Net income (loss) attributable to Unitholders / Shareholders	**$ 37,268**	$ 11,262	$ 10,530	$ (56,358)	$ 192,459	$ 65,490	$ 81,244	$ 62,152
Net income (loss) per unit / share attributable to Unitholders / Shareholders:								
Basic	**$ 0.17**	$ 0.05	$ 0.05	$ (0.26)	$ 0.88	$ 0.30	$ 0.36	$ 0.24
Diluted	**$ 0.17**	$ 0.05	$ 0.05	$ (0.26)	$ 0.87	$ 0.30	$ 0.36	$ 0.24
FFO [(1)]	**$ 62,516**	$ 58,140	$ 47,462	$ 53,856	$ 63,443	$ 75,595	$ 70,229	$ 75,653
FFO per diluted unit / share [(1)]	**$ 0.28**	$ 0.26	$ 0.22	$ 0.24	$ 0.29	$ 0.34	$ 0.31	$ 0.30
Weighted average number of diluted units / shares outstanding	**220,551**	220,522	220,492	220,470	220,545	220,664	226,417	256,178
Cash provided by operating activities	**$ 92,737**	$ 43,469	$ 46,249	$ 37,050	$ 106,905	$ 70,254	$ 43,106	$ 48,882
ACFO [(1)]	**$ 59,500**	$ 68,117	$ 36,500	$ 38,930	$ 68,558	$ 60,533	$ 70,855	$ 52,470
Distribution declared per unit / dividend per share	**$ 0.215**	$ 0.215	$ 0.215	$ 0.215	$ 0.072	$ 0.215	$ 0.215	$ 0.215
Total assets	**$10,032,463**	$10,013,445	$10,037,370	$10,237,121	$10,161,360	$10,585,127	$10,375,405	$10,465,288
Total mortgages and credit facilities	**$2,262,565**	$2,270,557	$2,434,042	$2,447,687	$2,226,186	$2,655,151	$2,551,058	$1,891,884
Unitholders' / Shareholders' equity	**$4,227,164**	$4,233,905	$4,252,417	$4,298,037	$4,426,592	$4,272,781	$4,252,318	$4,979,080
Other								
Number of neighbourhoods	**150**	150	149	151	156	164	163	164
GLA - at 100% (in thousands)	**22,822**	22,830	22,844	23,246	23,528	25,092	25,294	25,334
GLA - at ownership interest (in thousands)	**19,991**	20,232	20,250	20,651	20,927	22,936	23,136	23,731
Monthly average occupancy %	**96.0%**	96.1%	96.3%	96.5%	96.6%	96.4%	96.7%	96.6%
Total portfolio occupancy %	**96.2%**	96.0%	96.3%	96.4%	96.9%	96.7%	96.8%	96.8%

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

CRITICAL ACCOUNTING ESTIMATES

First Capital makes 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. Actual results could differ from those estimates. Management believes that the policies that are most subject to estimation and Management's judgment are those outlined below.

Judgments

Investment properties

In applying the Trust's policy with respect to investment properties, judgment is applied in determining whether certain costs are additions to the carrying amount of the property and, for properties under development, identifying the point at which capitalization of borrowing and other costs ceases.

Hedge accounting

Where First Capital undertakes to apply cash flow hedge accounting, it must determine whether such hedges are expected to be highly effective in achieving offsetting changes in cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the reporting periods for which they were designated.

Income taxes

First Capital retains its REIT status if it meets the prescribed conditions under the *Income Tax Act (Canada) (the "Tax Act")*. Management uses judgment in its interpretation and application of these conditions. First Capital determined that it qualifies as a REIT for the current period and expects to meet the prescribed conditions going forward. However, should the Trust no longer meet the REIT conditions, substantial adverse tax consequences may result.

With respect to its corporate subsidiaries, the Trust exercises judgment in estimating deferred tax assets and liabilities. Income tax laws may be subject to different interpretations, and the income tax expense recorded by the Trust reflects the Trust's interpretation of the relevant tax laws. The Trust is also required to estimate the timing of reversals of temporary differences between accounting and taxable income in determining the appropriate rate to apply in calculating deferred taxes.

For the determination of deferred tax assets and liabilities where investment property is measured using the fair value model, the presumption is that the carrying amount of an investment property is recovered through sale, as opposed to presuming that the economic benefits of the investment property will be substantially consumed through use over time.

Estimates and Assumptions

Valuation of Investment properties

First Capital's policy in determining the fair value of its investment properties at the end of each reporting period, includes the following approaches:

1. Internal valuations - by a certified staff appraiser employed by FCR, in accordance with professional appraisal standards and IFRS. Every investment property has an internal valuation completed at least once a year.

2. Value updates - primarily consisting of Management's review of the key assumptions from previous internal valuations and updating the value for changes in the property cash flow, physical condition and changes in market conditions.

External appraisals are obtained periodically by Management. These appraisals are used as data points, together with other market information accumulated by Management, in arriving at its conclusions on key assumptions and values. External appraisals are completed by an independent appraisal firm, in accordance with professional appraisal standards and IFRS.

Income producing properties are appraised primarily based on an income approach that reflects stabilized cash flows or net operating income from existing tenants with the property in its existing state, since purchasers typically focus on expected income. Internal valuations are conducted using and placing reliance on both the direct capitalization method and the discounted cash flow method (including the estimated proceeds from a potential future disposition).

Properties undergoing development, redevelopment or expansion are valued either (i) using the discounted cash flow method, with a deduction for costs to complete the project, or (ii) at cost, when cost approximates fair value. Stabilized capitalization rates, discount rates and terminal capitalization rates, as applicable, are adjusted to reflect lease-up assumptions and construction risk, when appropriate. Adjacent land parcels held for future development are valued based on comparable sales of commercial land.

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

Refer to Note 2(h) of the audited consolidated financial statements for the year ended December 31, 2020 for further information on the estimates and assumptions made by Management in connection with the fair values of investment properties.

Valuation of Financial Instruments

First Capital is required to determine the fair value of its loans, mortgages and credit facilities, senior unsecured debentures, Exchangeable Units, unit-based compensation plans, loans and mortgages receivable, other equity investments, marketable securities and derivatives. The fair values of the marketable securities are based on quoted market prices. The fair values of the other financial instruments are calculated using internally developed models as follows:

- Mortgages and credit facilities are calculated based on market interest rates plus a risk-adjusted spread on discounted cash flows.
- Senior unsecured debentures are based on closing bid risk-adjusted spreads and current underlying Government of Canada bond yields on discounted cash flows, also incorporating interest rate quotations provided by financial institutions.
- Exchangeable Units are based on the closing price of FCR's Trust Units at each period end.
- The fair value of the unit-based compensation plans are based on the following:

  Unit Options: Fair value of each tranche is valued separately using a Black-Scholes option pricing model;

  Deferred Units/Restricted Units: Fair value is based on the closing price of FCR's Trust Units at each period end; and

  Performance Units: Fair value is calculated using a Monte-Carlo simulation model.
- Derivative instruments are determined using present value forward pricing and swap calculations at interest rates that reflect current market conditions.
- Loans and mortgages receivable are calculated based on current market rates plus borrower level risk-adjusted spreads on discounted cash flows, adjusted for allowances for non-payment and collateral related risk.
- Equity investments in certain funds are based on the fair value of the properties held in the funds. The fair value of the equity investment in a private entity approximates its cost.

Estimates of risk-adjusted credit spreads applicable to a specific financial instrument and its underlying collateral could vary and result in a different disclosed fair value.

COVID-19

The outbreak of coronavirus ("COVID-19"), which the World Health Organization has declared a global 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 audited annual 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 December 31, 2020. Actual results could differ from those estimates. The estimates and assumptions that the Trust considers critical and/or could be impacted by COVID-19 include those underlying the valuation of investment properties, the valuation of its hotel property, the net realizable value of residential inventory, the carrying amount of its investment in joint ventures, the estimate of any expected credit losses on amounts receivable or loans and mortgages receivable and determining the values of financial instruments for disclosure purposes.

CONTROLS AND PROCEDURES

As at December 31, 2020, the Chief Executive Officer and the Chief Financial Officer of First Capital, with the assistance of other staff and Management of FCR to the extent deemed necessary, have designed FCR's disclosure controls and procedures to provide reasonable assurance that information required to be disclosed in the various reports filed or submitted by FCR under securities legislation is recorded, processed, summarized and reported accurately and have designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

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

The Chief Executive Officer and the Chief Financial Officer of First Capital have evaluated, or caused the evaluation of, under their supervision, the effectiveness of FCR's disclosure controls and procedures and its internal controls over financial reporting (each as defined in National Instrument 52-109-Certification of Disclosure in Issuers' Annual and Interim Filings) as at December 31, 2020, and have concluded that such disclosure controls and procedures and internal controls over financial reporting were operating effectively.

First Capital did not make any changes in its internal controls over financial reporting during the quarter ended December 31, 2020 that have had, or are reasonably likely to have, a material effect on FCR's internal controls over financial reporting. On an ongoing basis, FCR will continue to analyze its controls and procedures for potential areas of improvement.

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

RISKS AND UNCERTAINTIES

First Capital, as an owner of income-producing properties and development properties, is exposed to numerous business risks in the normal course of its business that can impact both short- and long-term performance. Income-producing and development properties are affected by general economic conditions and local market conditions such as oversupply of similar properties or a reduction in tenant demand. It is the responsibility of Management, under the supervision of the Board of Trustees, to identify and, to the extent possible, mitigate or minimize the impact of all such business risks. The major categories of risk First Capital encounters in conducting its business and some of the actions it takes to mitigate these risks are outlined below. First Capital's most current Annual Information Form, which provides a detailed description of these and other risks that may affect FCR, can be found 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 long-term 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 or have been 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 programs, CECRA and CERS, including many that had initially been part of First Capital's Small Business Support Program. There is no certainty as to the extent the recently enacted CERS program will benefit FCR or its tenants. The timing and extent to which certain non-essential businesses can reopen and operate at full capacity remains uncertain and there is no certainty that these businesses will be allowed to remain open should governmental authorities reinstate business closures. There is also no certainty as to the timing and effect on FCR and its tenants of vaccines identified to protect against COVID-19. 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.

Economic Conditions and Ownership of Real Estate

Real property investments are affected by various factors including changes in general economic conditions (such as the availability of long-term mortgage and unsecured debenture financings, fluctuations in interest rates and unemployment levels) and in local market conditions (such as an oversupply of space or a reduction in demand for real estate in the area), the attractiveness of the properties to tenants, competition from other real estate developers, managers and owners in seeking tenants, the ability of the owner to provide adequate maintenance at an economic cost, and various other factors. The economic conditions in the markets in which First Capital operates can also have a significant impact on FCR's tenants and, in turn, FCR's financial success. Adverse changes in general or local economic conditions can result in some retailers being unable to sustain viable businesses and meet their lease obligations to FCR, and may also limit FCR’s ability to attract new or replacement tenants.

First Capital’s portfolio has major concentrations in Ontario, Alberta, Quebec and British Columbia. Moreover, within each of these provinces, FCR’s portfolio is concentrated predominantly in selected urban markets. As a result, economic and real estate conditions in these regions will significantly affect FCR’s revenues and the value of its properties.

Revenue from First Capital’s properties depends primarily on the ability of FCR’s tenants to pay the full amount of rent and other charges due under their leases on a timely basis. Leases comprise any agreements relating to the occupancy or use of FCR’s real property. There can be no assurance that tenants and other parties will be willing or able to perform their obligations under any such leases. If a significant tenant or a number of smaller tenants were to become unable or unwilling to meet their obligations to FCR, FCR’s financial position and results of operations would be adversely affected. In the event of default by a tenant, FCR may experience delays and unexpected costs in enforcing its rights as landlord under lease terms, which may also adversely affect FCR’s financial position and results of operations. FCR may also incur significant costs in making improvements or repairs to a property required in order to re-lease vacated premises to a new tenant.

First Capital’s portfolio has more concentration with certain tenants. In the event that one or more tenants that individually or collectively account for an important amount of First Capital's annual minimum rent experience financial difficulty and are unable to pay rent or fulfill their lease commitments, FCR’s financial position, results of operation and the value of its properties concerned would be adversely affected.

First Capital’s net income could be adversely affected in the event of a downturn in the business, or the bankruptcy or insolvency, of any anchor store or anchor tenant. Anchor tenants generally occupy large amounts of leasable area, pay a significant portion of the total rents at a property and contribute to the success of other tenants by drawing significant numbers of customers to a property. The closing of one or more anchor stores at a property could have a significant adverse effect on that property.

Lease Renewals and Rental Increases

Upon the expiry of any lease, there can be no assurance that the lease will be renewed or the tenant replaced. Expiries of certain leases will occur in both the short and long term, including expiry of leases of certain significant tenants, and although certain lease renewals and/or rental increases are expected to occur in the future, there can be no assurance that such renewals or rental increases will in fact occur. The failure to achieve renewals and/or rental increases may have an adverse effect on the financial position and results of operations of First Capital. In addition, the terms of any subsequent lease may be less favourable to FCR than the existing lease.

Changes in lease accounting rules may require tenants to account for real property leases differently and, as a result, may incentivize tenants to seek new and renewal leases on different terms. Tenants may favour shorter lease terms, fewer renewals and a heavier weighting to variable as opposed to fixed rents, which could adversely affect the stability of First Capital’s rental income, the level of secured financing available, the value of its properties and FCR’s financial position and results of operations.

Financing, Interest Rates, Repayment of Indebtedness and Access to Capital

First Capital has outstanding indebtedness in the form of mortgages, credit facilities, senior unsecured debentures and bank indebtedness and, as such, is subject to the risks normally associated with debt financing, including the risk that FCR’s cash flow will be insufficient to meet required payments of principal and interest.

The amount of indebtedness outstanding could require FCR to dedicate a substantial portion of its cash flow from operations to service its debt, thereby reducing funds available for operations, acquisitions, development activities and other business opportunities that may arise. FCR’s internally generated cash may not be sufficient to repay all of its outstanding indebtedness. Upon the expiry of the term of the financing on any particular property owned by FCR, refinancing on a conventional mortgage loan basis may not be available in the amount required or may be available only on terms less favourable to FCR than the existing financing. FCR may elect to repay certain indebtedness through the issuance of equity securities or the sale of assets, where appropriate.

Interest rates have a significant effect on the profitability of commercial properties as interest represents a significant cost in the ownership of real property where debt financing is used as a source of capital. FCR has a total of $1.2 billion principal amount of fixed rate interest-bearing instruments outstanding including mortgages, senior unsecured debentures and secured credit facilities maturing between January 1, 2021 and December 31, 2023 at a weighted average coupon interest rate of 4.1%. If these amounts were refinanced at an average interest rate that was 100 basis points higher or lower than the existing rate, FCR's annual interest cost would increase or decrease, respectively, by $12.1 million. In addition, as at December 31, 2020, FCR had $298.3 million principal amount of debt (or 6% of FCR's aggregate debt as of such date) at floating interest rates.

First Capital seeks to reduce its interest rate risk by staggering the maturities of long-term debt and limiting the use of floating rate debt so as to minimize exposure to interest rate fluctuations. Moreover, from time to time, FCR may enter into interest rate swap transactions to modify the interest rate profile of its current or future variable rate debts without an exchange of the underlying principal amount.

Management and the Board have discretion under the Declaration of Trust to increase the amount of outstanding debt. The decisions with regard to the incurrence and maintenance of debt are based on available investment opportunities for which capital is required, the cost of debt in relation to such investment opportunities, whether secured or unsecured debt is available, the effect of additional debt on existing financial ratios and the maturity of the proposed new debt relative to maturities of existing debt. First Capital could become more highly leveraged, resulting in increased debt service costs that could adversely affect cash flows and operating results. First Capital's intention is to gradually return its leverage to levels prior to the share buy back that took place in 2019 and may do so in a number of ways, including by disposing of selected assets. Any failure to gradually return its leverage to levels prior to the share buy back may have a material adverse impact on First Capital's requirements, its financial position or its ability to achieve its business objectives.

Credit Ratings

Any credit rating that is assigned to the senior unsecured debentures may not remain in effect for any given period of time or may be lowered, withdrawn or revised by one or more of the rating agencies if, in their judgment, circumstances so warrant. Refer to "Corporate Structure - Credit Ratings". Any lowering, withdrawal or revision of a credit rating may have an adverse effect on the market price of the senior unsecured debentures and the other securities of First Capital, may adversely affect a securityholder's ability to sell its senior unsecured debentures or other securities of FCR and may adversely affect FCR's access to financial markets and its cost of borrowing.

Acquisition, Expansion, Development, Redevelopment and Strategic Dispositions

First Capital's acquisition and investment strategy and market selection process may not ultimately be successful and may not provide positive returns on investment. The acquisition of properties or portfolios of properties entails risks that include the following, any of which could adversely affect FCR's financial position and results of operations and its ability to meet its obligations: (i) FCR may not be able to identify suitable properties to acquire or may be unable to complete the acquisition of the properties identified; (ii) FCR may not be able to successfully integrate any acquisitions into its existing operations; (iii) properties acquired may fail to achieve the occupancy or rental rates projected at the time of the acquisition decision, which may result in the properties' failure to achieve the returns projected; (iv) FCR's pre-acquisition evaluation of the physical condition of each new investment may not detect certain defects or identify necessary repairs, which could significantly increase FCR's total acquisition costs; (v) FCR's investigation of a property or building prior to acquisition, may fail to reveal various liabilities, which could reduce the cash flow from the property or increase its acquisition cost; and (vi) representations and warranties obtained from third party vendors may not adequately protect against unknown, unexpected or undisclosed liabilities and any recourse against such vendors may be limited by the financial capacity of such vendors.

Further, FCR's development and redevelopment commitments are subject to those risks usually attributable to construction projects, which include: (i) construction or other unforeseen delays; (ii) cost overruns; (iii) the failure of tenants to occupy and pay rent in accordance with existing lease agreements, some of which are conditional; (iv) the inability to achieve projected rental rates or anticipated pace of lease-ups; and (v) an increase in interest rates during the life of the development or redevelopment.

Where FCR’s development commitments relate to properties intended for sale, such as the residential portion of certain projects, FCR is also subject to the risk that purchasers of such properties may become unable or unwilling to meet their obligations to FCR or that FCR may not be able to close the sale of a significant number of units in a development project on economically favourable terms.

In addition, FCR undertakes strategic property dispositions in order to recycle its capital and maintain an optimal portfolio composition. FCR may be subject to unexpected costs or liabilities related to such dispositions, which could adversely affect FCR's financial position and results of operations and its ability to meet its obligations.

Competition

The real estate business is competitive. Numerous other developers, managers and owners of retail properties compete with First Capital in seeking tenants. Some of the properties located in the same markets as FCR’s properties may be newer, better located and/or have stronger anchor tenants than FCR’s properties. The existence of developers, managers and owners in the markets in which FCR operates, or any increase in supply of available space in such markets (due to new construction, tenant insolvencies or other vacancy) and competition for FCR’s tenants could adversely affect FCR’s ability to lease space in its properties in such markets and on the rents charged or concessions granted. In addition, the internet and other technologies increasingly play a more significant role in consumer preferences and shopping patterns, which presents an evolving competitive risk to FCR that is not easily assessed. Any of the aforementioned factors could have an adverse effect on FCR’s financial position and results of operations.

Residential Development Sales and Leasing

First Capital is and expects to be increasingly involved in the development of mixed-use properties that include residential condominiums and rental apartments. These developments are often carried out with an experienced residential developer as FCR's partner. Purchaser demand for residential condominiums is cyclical and is significantly affected by changes in general and local economic and industry conditions, such as employment levels, availability of financing for homebuyers, interest rates, consumer confidence, levels of new and existing homes for sale, demographic trends and housing demand.

As a residential landlord in its properties that include rental apartments, FCR is subject to the risks inherent in the multi-unit residential rental property industry. In addition to the risks highlighted above, these include exposure to private individual tenants (as opposed to commercial tenants in FCR's retail properties), fluctuations in occupancy levels, the inability to achieve economic rents (including anticipated increases in rent), controlling bad debt exposure, rent control regulations, increases in operating costs including the costs of utilities (residential leases are often “gross” leases under which the landlord is not able to pass on costs to its residents), the imposition of increased taxes or new taxes and capital investment requirements.

Environmental Matters

First Capital maintains comprehensive environmental insurance and conducts environmental due diligence upon the acquisition of new properties. There is, however, a risk that the value of any given property in FCR’s portfolio could be adversely affected as a result of unforeseen or uninsured environmental matters or changes in governmental regulations.

Under various federal, provincial and local laws, FCR, as an owner, and potentially as a person in control of or managing real property, could potentially be liable for costs of investigation, remediation and monitoring of certain contaminants, hazardous or toxic substances present at or released from its properties or disposed of at other locations, whether FCR knows of, or is responsible for, the environmental contamination and whether the contamination occurred before or after FCR acquired the property. The costs of investigation, removal or remediation of hazardous or toxic substances are not estimable, may be substantial and could adversely affect FCR’s results of operations or financial position. The presence of contamination or the failure to remediate such substances, if any, may adversely affect FCR’s ability to sell such real estate or to borrow using such real estate as collateral and could potentially also result in claims, including proceedings by government regulators or third-party lawsuits. Environmental legislation can change rapidly and FCR may become subject to more stringent environmental laws in the future, and compliance with more stringent environmental laws, or increased enforcement of the same, could have a material adverse effect on its business, financial position or results of operations.

Partnerships

First Capital has investments in properties with non-affiliated partners through partnership, co-ownership and limited liability corporate venture arrangements (collectively, “partnerships”). As a result, FCR does not control all decisions regarding those properties and may be required to take actions that are in the interest of the partners collectively, but not in FCR’s sole best interests. Accordingly, FCR may not be able to favourably resolve any issues that arise with respect to such decisions, or FCR may have to take legal action or provide financial or other inducements to partners to obtain such resolution. In addition, FCR may be exposed to risks resulting from the actions, omissions or financial situation of a partner, which may result in harm to FCR’s reputation or adversely affect the value of FCR’s investments.

Investments Subject to Credit and Market Risk

First Capital provides co-owner financing, priority mortgages and mezzanine loans to third parties in connection with certain transactions and partnerships (“Loans and Mortgages Receivable”). First Capital also invests in marketable and other securities. FCR is exposed to customary risks in the event that the values of its Loans and Mortgages Receivable and/or its investments, in marketable and other securities, decrease due to overall market conditions, business failure, and/or other non-performance/defaults by the counterparties or investees. Not all lending activities will translate into acquisitions or equity participation in a project and the value of the assets securing FCR’s Loans and Mortgages Receivable is dependent on real estate market conditions and in the event of a large market correction, their value may be unable to support the investments. There can also be no assurance FCR will advance new Loans and Mortgages Receivable at the same rate or in the same amount repaid, which could negatively impact future earnings. Additionally, repayment of one or more of the current loans outstanding would result in an immediate decrease of FCR’s Loans and Mortgages Receivable unless and until such time that FCR advances new loans.

Climate Change

Changing weather patterns and other effects of climate change have created uncertainty as to future trends and weather conditions and could have an impact on FCR's properties, adversely impacting its results. First Capital's properties, tenants, and communities may become impacted by more severe weather events and natural disasters, including increases in storm intensity and rising water levels resulting in floods. Over time, these conditions could result in a decreased demand for space in FCR’s impacted properties or, in extreme cases, it may impact FCR’s ability to operate the properties at all. Climate change may also have indirect effects on First Capital’s business by increasing the cost of (or making unavailable) property insurance on favourable terms, resulting in additional costs to repair or replace damaged properties or protect its properties against such risks, which could negatively impact FCR’s earnings, liquidity or capital resources. The occurrence of natural disasters or severe weather conditions can also delay new development projects. In addition, compliance with new laws or regulations related to climate change may require First Capital to make improvements to its existing properties or increase taxes and fee assessments, which could result in declining demand for FCR’s properties and increased expenses and may adversely affect operating and financial results.

Cybersecurity

A cyber incident is considered to be any adverse event that threatens the confidentiality, integrity or availability of FCR’s information resources. More specifically, a cyber incident is an intentional attack or an unintentional event that can include gaining unauthorized access to information systems to disrupt operations, corrupt data or steal confidential information. As FCR’s reliance on technology has increased, so have the risks posed to its systems. First Capital's primary risks that could directly result from the occurrence of a cyber incident include operational interruption, damage to its reputation, damage to its business relationships with tenants as well as the disclosure of confidential information. Events such as these could adversely affect First Capital’s financial position and results of operations.

Cash Distributions Are Not Guaranteed; Non-Cash Distributions

Distributions on the Trust Units are established by the Board of Trustees and are subject to change at the discretion of the Board of Trustees. While First Capital’s distribution policy has been established pursuant to the Declaration of Trust and may only be changed with the approval of a majority of Unitholders, the actual amount of distributions paid in respect of the Trust Units will depend upon numerous factors, all of which are susceptible to a number of risks and other factors beyond the control of First Capital. The market value of the Trust Units may deteriorate if First Capital is unable to meet its distribution targets in the future, and that deterioration could be significant. In addition, the composition of the cash distributions for tax purposes may change over time and could affect the after-tax return for Unitholders.

In addition, certain distributions declared by the Trustees on the Trust Units may be payable in cash, Trust Units or a combination of cash and Trust Units. Immediately after any pro rata distribution of additional Trust Units to all Unitholders, the number of the outstanding Trust Units may be automatically consolidated such that each such holder will hold after the consolidation the same number of Trust Units as such holder held before the distribution of additional Trust Units (provided that Unitholders not resident in Canada for Canadian federal income tax purposes may be subject to applicable withholding taxes in connection therewith). Such an automatic consolidation may affect a Unitholder's after-tax return relating to their investment in Trust Units.

Unpredictability and Volatility of Trust Unit Price

A publicly-traded real estate investment trust will not necessarily trade at values determined by reference to the underlying value of its business. The prices at which the Trust Units will trade cannot be predicted. The market price of the Trust Units could be subject to significant fluctuations in response to variations in quarterly operating results, distributions and other factors. The annual yield on the Trust Units as compared to the annual yield on other financial instruments may also influence the price of the Trust Units in the public trading markets. In addition, the securities markets have experienced significant price and volume fluctuations from time to time in recent years that often have been unrelated or disproportionate to the operating performance of particular issuers. These broad fluctuations may adversely affect the market price of the Trust Units.

Taxation Matters

The Trust or its subsidiary First Capital Realty Inc. ("FCR Inc.") may not qualify as a "mutual fund trust" or a "mutual fund corporation" (as applicable) for purposes of the Tax Act, or it may cease to so qualify. If the Trust or FCR Inc. did not so qualify for such purposes continuously throughout a taxation year, it would be subject to adverse tax consequences which likely may materially reduce its ability to make distributions on the Trust Units. Furthermore, if the Trust or FCR Inc. was considered to have been established primarily for the benefit of non-resident persons, it would be permanently disqualified from qualifying as a "mutual fund trust" or a "mutual fund corporation" (as applicable) for such purposes.

There is a risk (for example, as a result of an unanticipated event) that the Trust will not qualify (under the exception for real estate investment trusts from the rules applicable to SIFT trusts or SIFT partnerships in the Tax Act) as a "real estate investment trust" under the Tax Act for one or more of its taxation years. Were this to occur, the level of monthly cash distributions made on the Trust Units may be materially reduced. Furthermore, there is no assurance that the provisions of the Tax Act regarding the exemption afforded to REITs from the SIFT rules will not change in a manner that adversely impacts the Unitholders.

Although First Capital is of the view that all expenses to be claimed by it and its subsidiaries will be reasonable and deductible and that the cost amount and capital cost allowance claims of entities indirectly owned by First Capital will have been correctly determined, there can be no assurance that the Tax Act, or the interpretation of the Tax Act, will not change, or that the Canada Revenue Agency (the "CRA") will agree. If the CRA successfully challenges the deductibility of such expenses or the allocation of such income, First Capital's taxable income, and indirectly the taxable income of Unitholders, will increase or change.

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CONSOLIDATED FINANCIAL STATEMENTS

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Management's Responsibility

First Capital Real Estate Investment Trust's consolidated financial statements and Management's Discussion and Analysis ("MD&A") are the responsibility of Management and have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The preparation of consolidated financial statements and the MD&A necessarily involves the use of estimates based on Management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. In addition, in preparing this financial information, Management must make determinations as to the relevancy of information to be included, and estimates and assumptions that affect the reported information. The MD&A also includes information regarding the impact of current transactions and events, sources of liquidity and capital resources, operating trends, risks and uncertainties. Actual results in the future may differ materially from the present assessment of this information because future events and circumstances may not occur as expected. The consolidated financial statements have been properly prepared within reasonable limits of materiality and in light of information available up to February 9, 2021.

Management is also responsible for the maintenance of financial and operating systems, which include effective controls to provide reasonable assurance that First Capital's assets are safeguarded, transactions are properly authorized and recorded, and that reliable financial information is produced.

The Board of Trustees is responsible for ensuring that Management fulfills its responsibilities, including the preparation and presentation of the consolidated financial statements and all of the information in the MD&A, and the maintenance of financial and operating systems, through its Audit Committee, that is comprised of independent Trustees who are not involved in the day-to-day operations of First Capital. Each quarter, the Audit Committee meets with Management and, as necessary, with the independent auditor, Ernst & Young LLP, to satisfy itself that Management's responsibilities are properly discharged and to review and report to the Board of Trustees on the consolidated financial statements.

In accordance with generally accepted auditing standards, the independent auditor conducts an examination each year in order to express a professional opinion on the consolidated financial statements.

Adam E. Paul
President and Chief Executive Officer

Kay Brekken
Executive Vice President and Chief Financial Officer

Toronto, Ontario
February 9, 2021

Independent Auditor's Report

To the Unitholders of
First Capital Real Estate Investment Trust

Opinion

We have audited the consolidated financial statements of First Capital Real Estate Investment Trust and its subsidiaries ("the Trust"), which comprise the consolidated balance sheets as at December 31, 2020 and 2019, and the consolidated statements of income, consolidated statements of comprehensive income (loss), consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects the consolidated financial position of the Trust as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Trust in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements.The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key Audit Matter	How our audit addressed the key audit matter
Valuation of Investment Properties	
The Trust's investment property portfolio is comprised primarily of income-producing properties and properties under development with a fair value of $9.5 billion which represents 94.5% of total assets at December 31, 2020.	With the assistance of our real estate valuation specialists, we evaluated the appropriateness of the underlying valuation methodology, and performed the following audit procedures, among others:
The Trust employs a certified staff appraiser to value the investment property portfolio. The valuation methodology for these investment properties is primarily based on an income approach, utilizing the direct capitalization method and/or the discounted cash flow method.	We assessed the competence and objectivity of management's valuation department, including the certified staff appraiser, by reviewing the qualifications and expertise of the individuals involved in the preparation and review of the valuations.

Independent Auditor's Report

Key Audit Matter	How our audit addressed the key audit matter
The valuation of the Trust's investment property portfolio is a key audit matter given the inherently subjective nature of significant assumptions including discount rates, stabilized capitalization rates, terminal capitalization rates, and stabilized cash flows or net operating income which are based on vacancy and leasing assumptions, as applicable. These assumptions are influenced by property-specific characteristics including location, type and quality of the properties and tenancy agreements. For properties under development, depending on the complexity and stage of completion, costs to complete, leasing and construction risk are additional significant assumptions that impact the final valuation.	We selected a sample of properties where either the fair value change from prior year or significant assumptions, fell outside our expectations, based on our understanding of the geographical real estate market for the specific asset type. For this sample of investment properties, we evaluated the significant assumptions by comparison to the expected real estate market benchmark range for similar assets and tenancies, in similar locations. We also considered whether there were any additional asset-specific characteristics that may impact the significant assumptions utilized and that these were appropriately considered in the overall assessment of fair value.
Note 2(h) of the consolidated financial statements describes the accounting policy for investment properties, including the valuation method and valuation inputs.	We assessed the accuracy of management's historical fair value estimates through comparison to transactions to acquire and dispose of interests in investment properties completed by the Trust.
Note 3(b) of the consolidated financial statements discloses the sensitivity of the fair value of investment properties to a change in stabilized capitalization rates and stabilized net operating income.	For properties under development, in addition to the procedures performed above, we compared construction budgets to actual expenditures and evaluated estimated costs to complete by reference to third party data, as applicable, on a sample basis. We also evaluated whether the discount rate used to value properties under development considered the complexity of the development and stage of completion. We evaluated the Trust's critical accounting policies and related disclosures in the consolidated financial statements to assess appropriateness and conformity with IFRS.

Other information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis; and
- The information, other than the consolidated financial statements and our auditor's report thereon, in the Annual Report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

The Annual Report is expected to be made available to us after the date of the auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of other information, we are required to report that fact to those charged with governance.

Responsibilities of Management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, Management is responsible for assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Trust or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Trust's financial reporting process.

Independent Auditor's Report

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Trust to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication. The engagement partner on the audit resulting in this independent auditor's report is Kim Tang.

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
February 9, 2021

Consolidated Balance Sheets

As at *(thousands of dollars)*	Note	**December 31, 2020**	December 31, 2019
ASSETS			
Non-current Assets			
Real Estate Investments			
Investment properties	3	**$ 9,328,792**	$ 9,593,530
Investment in joint ventures	4	**52,570**	59,498
Hotel property	5	**88,000**	62,199
Loans, mortgages and other assets	6	**52,160**	95,968
Total real estate investments		**9,521,522**	9,811,195
Other non-current assets	8	**28,555**	36,105
Total non-current assets		**9,550,077**	9,847,300
Current Assets			
Cash and cash equivalents	27(d)	**100,444**	25,503
Loans, mortgages and other assets	6	**77,269**	70,065
Residential development inventory		**74,190**	10,205
Amounts receivable	7	**46,296**	31,521
Other assets	8	**22,338**	18,166
		320,537	155,460
Investment properties classified as held for sale	3(d)	**161,849**	158,600
Total current assets		**482,386**	314,060
Total assets		**$ 10,032,463**	$ 10,161,360
LIABILITIES			
Non-current Liabilities			
Mortgages	10	**$ 1,256,333**	$ 1,242,055
Credit facilities	10	**854,661**	869,256
Senior unsecured debentures	11	**2,347,170**	2,322,214
Exchangeable Units	13	**1,399**	25,010
Other liabilities	12	**65,998**	24,844
Deferred tax liabilities	21	**698,528**	701,549
Total non-current liabilities		**5,224,089**	5,184,928
Current Liabilities			
Bank indebtedness	10	**238**	60
Mortgages	10	**90,304**	84,966
Credit facilities	10	**61,267**	29,909
Senior unsecured debentures	11	**174,965**	174,999
Accounts payable and other liabilities	12	**225,173**	210,992
Total current liabilities		**551,947**	500,926
Total liabilities		**5,776,036**	5,685,854
EQUITY			
Unitholders' equity	14	**4,227,164**	4,426,592
Non-controlling interest	24	**29,263**	48,914
Total equity		**4,256,427**	4,475,506
Total liabilities and equity		**$ 10,032,463**	$ 10,161,360

Refer to accompanying notes to the consolidated financial statements.

Approved by the Board of Trustees:

Al Mawani
Trustee

Adam E. Paul
Trustee

Consolidated Statements of Income

		Year ended December 31	
(thousands of dollars)	**Note**	**2020**	2019
Property rental revenue		**$ 672,890**	$ 746,773
Property operating costs		**273,858**	286,376
Net operating income	16	**399,032**	460,397
Other income and expenses			
Interest and other income	17	**12,248**	33,049
Interest expense	18	**(157,711)**	(171,834)
Corporate expenses	19	**(33,238)**	(38,559)
Abandoned transaction costs		**(90)**	(677)
Amortization expense		**(5,589)**	(4,511)
Share of profit (loss) from joint ventures	4	**(7,835)**	1,699
Other gains (losses) and (expenses)	20	**858**	(8,759)
(Increase) decrease in value of unit-based compensation liability	15	**11,459**	81
(Increase) decrease in value of Exchangeable Units	13	**7,404**	230
Increase (decrease) in value of hotel property	5	**(9,432)**	—
Increase (decrease) in value of investment properties, net	3	**(185,700)**	61,037
		(367,626)	(128,244)
Income before income taxes		**31,406**	332,153
Deferred income tax expense (recovery)	21	**23,924**	(82,187)
Net income		**$ 7,482**	$ 414,340
Net income attributable to:			
Unitholders	14	**$ 2,702**	$ 401,345
Non-controlling interest	24	**4,780**	12,995
		$ 7,482	$ 414,340

Refer to accompanying notes to the consolidated financial statements.

Consolidated Statements of Comprehensive Income (Loss)

			Year ended December 31		
(thousands of dollars)	**Note**		**2020**		2019
Net income		**$**	**7,482**	$	414,340
Other comprehensive income (loss)					
Unrealized gain (loss) on revaluation of hotel property	5		**(2,910)**		2,910
Unrealized gain (loss) on cash flow hedges (1)			**(56,012)**		(12,967)
Reclassification of net losses on cash flow hedges to net income			**2,203**		1,687
			(56,719)		(8,370)
Deferred tax expense (recovery)	21		**(20,941)**		(5,056)
Other comprehensive income (loss)			**(35,778)**		(3,314)
Comprehensive income (loss)		**$**	**(28,296)**	$	411,026
Comprehensive income (loss) attributable to:					
Unitholders	14	**$**	**(33,076)**	$	398,031
Non-controlling interest	24		**4,780**		12,995
		$	**(28,296)**	$	411,026

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

Refer to accompanying notes to the consolidated financial statements.

Consolidated Statements of Changes in Equity

(thousands of dollars)	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 year:						
Net income	2,702	—	—	2,702	4,780	7,482
Conversion of Exchangeable Units	—	—	16,207	16,207	—	16,207
Options, deferred units, restricted units, and performance units, net	—	—	5,468	5,468	—	5,468
Other comprehensive income (loss)	—	(35,778)	—	(35,778)	—	(35,778)
Contributions from (distributions to) non-controlling interest, net	—	—	—	—	(24,431)	(24,431)
Distributions *(Note 14(b))*	(188,027)	—	—	(188,027)	—	(188,027)
December 31, 2020	**$ 1,376,162**	**$ (43,580)**	**$ 2,894,582**	**$ 4,227,164**	**$ 29,263**	**$ 4,256,427**

(thousands of dollars)	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Share Capital	Trust Units	Contributed Surplus and Other Equity Items	Total Shareholders' Equity	Non-Controlling Interest	Total Equity
			(Note 14(a))	*(Note 14(a))*	*(Note 14(c))*			
December 31, 2018	$ 1,573,588	$ (4,488)	$ 3,364,948	$ —	$ 44,194	$ 4,978,242	$ 29,830	$ 5,008,072
Changes during the year:								
Net income	401,345	—	—	—	—	401,345	12,995	414,340
Dividends	(149,604)	—	—	—	—	(149,604)	—	(149,604)
Repurchase of common shares	(241,137)	—	(475,560)	—	(24,903)	(741,600)	—	(741,600)
Share repurchase costs, net of tax effect	—	—	(8,850)	—	—	(8,850)	—	(8,850)
Options, deferred share units, restricted share units, and performance share units, net	—	—	6,553	—	2,450	9,003	—	9,003
Other comprehensive income (loss)	—	(3,314)	—	—	—	(3,314)	—	(3,314)
Contributions from (distributions to) non-controlling interest, net	—	—	—	—	—	—	6,089	6,089
REIT conversion	(7,085)	—	(2,887,091)	2,872,907	(21,741)	(43,010)	—	(43,010)
Distributions *(Note 14(b))*	(15,620)	—	—	—	—	(15,620)	—	(15,620)
December 31, 2019	$ 1,561,487	$ (7,802)	$ —	$ 2,872,907	$ —	$ 4,426,592	$ 48,914	$ 4,475,506

Refer to accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

		Year ended December 31	
(thousands of dollars)	**Note**	**2020**	2019
OPERATING ACTIVITIES			
Net income		**$ 7,482**	$ 414,340
Adjustments for:			
(Increase) decrease in value of investment properties, net	3	**185,700**	(61,037)
(Increase) decrease in value of hotel property	5	**9,432**	—
Interest expense	18	**157,711**	171,834
Amortization expense		**5,589**	4,511
Share of (profit) loss of joint ventures	4	**7,835**	(1,699)
Cash interest paid associated with operating activities	18	**(151,235)**	(168,078)
Items not affecting cash and other items	27(a)	**8,213**	(78,153)
Net change in non-cash operating items	27(b)	**(11,222)**	(12,571)
Cash provided by (used in) operating activities		**219,505**	269,147
FINANCING ACTIVITIES			
Mortgage borrowings, net of financing costs	10	**115,236**	390,533
Mortgage principal instalment payments	10	**(28,404)**	(27,117)
Mortgage repayments	10	**(67,724)**	(222,740)
Credit facilities, net advances (repayments)	10	**18,730**	(572,585)
Unsecured term loans, net advances (repayments)	10	**—**	747,287
Issuance of senior unsecured debentures, net of issue costs	11	**198,870**	198,921
Repayment of senior unsecured debentures	11	**(175,000)**	(150,000)
Settlement of hedges		**(6,964)**	(7,269)
Repurchase of common shares		**—**	(741,600)
Transaction costs related to share repurchase		**—**	(13,727)
Issuance of trust units / common shares, net of issue costs		**2,826**	4,241
Payment of distributions / dividends		**(187,929)**	(203,830)
Net contributions from (distributions to) non-controlling interest	24	**(24,431)**	6,089
Cash provided by (used in) financing activities		**(154,790)**	(591,797)
INVESTING ACTIVITIES			
Acquisition of investment properties	3(c)	**(20,248)**	(251,642)
Acquisition of Hotel property (net settled with loan repayment)	5	**(11,769)**	—
Net proceeds from property dispositions	3(d)	**232,453**	700,437
Distributions from joint ventures	4	**2,982**	25,648
Contributions to joint ventures	4	**(3,889)**	(17,481)
Capital expenditures on investment properties	3(a)	**(205,033)**	(228,190)
Changes in investing-related prepaid expenses and other liabilities		**(11,228)**	(41,607)
Changes in loans, mortgages and other assets	27(c)	**26,958**	145,454
Cash provided by (used in) investing activities		**10,226**	332,619
Net increase (decrease) in cash and cash equivalents		**74,941**	9,969
Cash and cash equivalents, beginning of year		**25,503**	15,534
Cash and cash equivalents, end of year	27(d)	**$ 100,444**	$ 25,503

Refer to accompanying notes to the consolidated financial statements.

Notes to the 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 audited annual consolidated financial statements refer to activities of the Company.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

(b) Basis of presentation

The audited annual consolidated financial statements are prepared on a going concern basis and have been presented in Canadian dollars rounded to the nearest thousand, unless otherwise indicated. The accounting policies set out below have been applied consistently in all material respects.

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.

These audited annual consolidated financial statements were approved by the Board of Trustees and authorized for issue on February 9, 2021.

(c) Basis of Consolidation

The consolidated financial statements include the financial statements of the Trust as well as the entities that are controlled by the Trust (subsidiaries). The Trust controls an entity when the Trust is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Trust. They are deconsolidated from the date that control ceases. Inter-company transactions, balances and other transactions between consolidated entities are eliminated.

(d) Trust Units

First Capital's Trust Units are redeemable at the option of the holder, and, therefore, are considered puttable instruments in accordance with IAS 32, "Financial Instruments – Presentation" ("IAS 32"). Puttable instruments are required to be accounted for as financial liabilities, except where certain conditions are met in accordance with IAS 32, in which case, the puttable instruments may be presented as equity.

To be presented as equity, a puttable instrument must meet all of the following conditions: (i) it must entitle the holder to a pro-rata share of the entity's net assets in the event of the entity's dissolution; (ii) it must be in the class of instruments that is subordinate to all other instruments; (iii) all instruments in the class in (ii) above must have identical features; (iv) other than the redemption feature, there can be no other contractual obligations that meet the definition of a liability; and (v) the expected cash flows for the instrument must be based substantially on the profit or loss of the entity or change in the fair value of the instrument.

The Trust Units meet the conditions of IAS 32 and, accordingly, are presented as equity in the consolidated financial statements.

Earnings per Unit

As First Capital's Trust Units are puttable instruments and, therefore, financial liabilities, they may not be considered as equity for the purposes of calculating net income on a per unit basis under IAS 33, "Earnings per Share". Consequently, the Trust has not reported earnings per unit.

(e) Exchangeable Units

The Class B Limited Partnership Units of First Capital REIT Limited Partnership, a subsidiary of the Trust, are exchangeable, at the option of the holder, into Trust Units. The Exchangeable Units are considered a financial liability as there is a contractual obligation for First Capital to deliver Trust Units (which as noted in Note 2(d) are puttable instruments) upon exchange. Exchangeable Units are required to be classified as financial liabilities at fair value through profit or loss ("FVTPL"). The distributions declared on the Exchangeable Units are accounted for as interest expense.

(f) Business combinations

At the time of acquisition of property, First Capital considers whether the acquisition represents the acquisition of a business. The Trust accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the property.

The cost of a business combination is measured as the aggregate of the consideration transferred at acquisition date fair value. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair value at the acquisition date. The Trust recognizes any contingent consideration to be transferred by the Trust at its acquisition date fair value. Goodwill is initially measured at cost, being the excess of the purchase price over the fair value of the net identifiable assets acquired and liabilities assumed. Acquisition-related costs are expensed in the period incurred.

When the acquisition of property does not represent a business, it is accounted for as an acquisition of a group of assets and liabilities. The cost of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values, and no goodwill is recognized. Acquisition-related costs are capitalized to investment property at the time the acquisition is completed.

(g) Investments in joint arrangements

First Capital accounts for its investment in joint ventures using the equity method and accounts for investments in joint operations by recognizing the Trust’s direct rights to assets, obligations for liabilities, revenues and expenses. Under the equity method, the interest in the joint venture is carried in the balance sheet at cost plus post-acquisition changes in the Trust’s share of the net assets of the joint ventures, less distributions received and less any impairment in the value of individual investments. First Capital's income statement reflects its share of the results of operations of the joint ventures after tax, if applicable.

(h) Investment properties

Investment properties consist of income-producing properties and development land that are held to earn rental income or for capital appreciation, or both. Investment properties also include properties that are being constructed or developed for future use, as well as ground leases to which the Trust is the lessee. The Trust classifies its investment properties on its consolidated balance sheets as follows:

(i) Investment properties

Investment properties include First Capital's income producing portfolio, properties currently under development or redevelopment, and any adjacent land parcels available for expansion but not currently under development. Also included in investment properties is development land, which includes land parcels at various stages of development planning, primarily for future retail or mixed-use occupancy.

(ii) Investment properties classified as held for sale

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

Valuation method

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

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

First Capital's policy in determining the fair value of its investment properties at the end of each reporting period, includes the following approaches:

1. Internal valuations – by a certified staff appraiser employed by the Trust, in accordance with professional appraisal standards and IFRS. Every investment property has an internal valuation completed at least once a year.
2. Value updates – primarily consisting of Management's review of the key assumptions from previous internal valuations and updating the value for changes in the property cash flow, physical condition and changes in market conditions.

External appraisals are obtained periodically by Management. These appraisals are used as data points, together with other market information accumulated by Management, in arriving at its conclusions on key assumptions and values. External appraisals are completed by an independent appraisal firm, in accordance with professional appraisal standards and IFRS.

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

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

Valuation Inputs

First Capital's investment property is measured using Level 3 inputs (in accordance with the IFRS fair value hierarchy), as not all significant inputs are based on observable market data (unobservable inputs). These unobservable inputs reflect the Trust’s own assumptions of how market participants would price investment property, and are developed based on the best information available, including the Trust’s own data. These significant unobservable inputs include:

- Stabilized cash flows or net operating income, which is based on the location, type and quality of the properties and supported by the terms of any existing lease, other contracts, or external evidence such as current market rents for similar properties, adjusted for estimated vacancy rates based on current and expected future market conditions after expiry of any current lease and expected maintenance costs.
- Stabilized capitalization rates, discount rates and terminal capitalization rates, which are based on location, size and quality of the properties and taking into account market data at the valuation date. Stabilized capitalization rates are used for the direct capitalization method and discount and terminal capitalization rates are used in the discounted cash flow method described below.
- Costs to complete for properties under development.

(i) Investment properties

Investment properties that are income producing are appraised primarily based on an income approach that reflects stabilized cash flows or net operating income from existing tenants with the property in its existing state, since purchasers typically focus on expected income. Internal valuations are conducted using and placing reliance on both the direct capitalization method and the discounted cash flow method (including the estimated proceeds from a potential future disposition).

(ii) Properties under development

Properties undergoing development, redevelopment or expansion are valued either (i) using the discounted cash flow method, with a deduction for costs to complete the project, or (ii) at cost, when cost approximates fair value. Stabilized capitalization rates, discount rates and terminal capitalization rates, as applicable, are adjusted to reflect lease-up assumptions and construction risk, when appropriate. Adjacent land parcels held for future development are valued based on comparable sales of commercial land.

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

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

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

As required by IFRS in determining investment property fair value, the Trust makes no adjustments for portfolio premiums and discounts, nor for any value attributable to the Trust's management platform.

(i) Hotel property

First Capital accounts for its hotel property as property, plant and equipment under the revaluation model. Hotel property is recognized initially at fair value if acquired in a business combination and is subsequently carried at fair value at the revaluation date less any accumulated impairment and subsequent accumulated amortization. The Trust amortizes these assets on a straight-line basis over their relevant estimated useful lives. The estimated useful lives of the assets range from 3 to 40 years. The fair value of the hotel property is based on an income approach and determined using a discounted cash flow model.

Revaluation of the hotel property is typically performed annually, unless market conditions arise which would require quarterly revaluations. Where the carrying amount of an asset is increased as a result of a revaluation, the increase is recognized in other comprehensive income (loss) ("OCI") and accumulated in equity within revaluation surplus, unless the increase reverses a previously recognized revaluation loss recorded through prior period net income, in which case that portion of the increase is recognized in net income. Where the carrying amount of an asset is decreased, the decrease is recognized in OCI to the extent of any balance existing in revaluation surplus in respect of the asset, with the remainder recognized in net income. Revaluation gains are recognized in OCI, and are not subsequently recycled into profit or loss. The cumulative revaluation surplus is transferred directly to retained earnings when the asset is derecognized.

The revenue and operating expenses of the hotel property are included within net operating income in First Capital's consolidated statements of income.

(j) Residential development inventory

Residential development inventory which is developed for sale is recorded at the lower of cost and estimated net realizable value. Residential development inventory is reviewed for impairment at each reporting date. An impairment loss is recognized in net income when the carrying value of the property exceeds its net realizable value. Net realizable value is based on projections of future cash flows which take into account the development plans for each project and Management’s best estimate of the most probable set of anticipated economic conditions.

The cost of residential development inventory includes borrowing costs directly attributable to projects under active development. The amount of borrowing costs capitalized is determined first by reference to borrowings specific to the project, where relevant, and otherwise by applying a weighted average capitalization rate for the Trust’s other borrowings to eligible expenditures. Borrowing costs are not capitalized on residential development inventory where no development activity is taking place.

Transfers into residential inventory are based on a change in use, evidenced by the commencement of development activities with a view to sell, at which point an investment property would be transferred to inventory. Transfers from residential inventory to investment property are based on a change in used evidenced by Management's commitment to use the property for rental income purposes and the establishment of an operating lease.

(k) Taxation

First Capital qualifies as a mutual fund trust under the *Income Tax Act* (Canada)(the "Act"). 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 ("MFC").

Current income tax assets and liabilities are measured at the amount expected to be received from or paid to tax authorities based on the tax rates and laws enacted or substantively enacted at the consolidated balance sheet dates.

Deferred tax liabilities are measured by applying the appropriate tax rate to temporary differences between the carrying amounts of assets and liabilities, and their respective tax basis. The appropriate tax rate is determined by reference to the rates that are expected to apply to the year and the jurisdiction in which the assets are expected to be realized or the liabilities settled.

Deferred tax assets are recorded for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax credits and unused tax losses can be utilized. For the determination of deferred tax assets and liabilities where investment property is measured using the fair value model, the presumption is that the carrying amount of an investment property is recovered through sale, as opposed to presuming that the economic benefits of the investment property will be substantially consumed through use over time.

Current and deferred income taxes are recognized in correlation to the underlying transaction either in OCI or directly in equity.

(l) Provisions

A provision is a liability of uncertain timing or amount. First Capital records provisions, including asset retirement obligations, when it has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Provisions are remeasured at each consolidated balance sheet date using the current discount rate. The increase in the provision due to passage of time is recognized as interest expense.

(m) Unit-based Compensation Plans

Unit Options, Restricted Units (“RUs”), Performance Units (“PUs”), and Trustee Deferred Units (“DUs”) are issued by First Capital from time to time as non-cash compensation. These unit-based compensation plans are measured at fair value at the grant date and compensation expense is recognized in the consolidated statements of income consistent with the vesting features of each plan. The 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. The liability is adjusted for changes in fair value with such adjustments being recognized as compensation expense in the consolidated statements of income in the period in which they occur. The liability balance is reduced as Unit Options are exercised or RUs, PUs and DUs are settled for Trust Units and recorded in equity.

(n) Revenue recognition

First Capital has not transferred substantially all of the risks and benefits of ownership of its investment properties and, therefore, accounts for leases with its tenants as operating leases.

Revenue recognition under a lease commences when the tenant has a right to use the leased asset, which is typically when the space is turned over to the tenant to begin fixturing. Where the Trust is required to make additions to the property in the form of tenant improvements that enhance the value of the property, revenue recognition begins upon substantial completion of those improvements.

First Capital's revenues are earned from lease contracts with tenants and include both a lease component and a non-lease component.

Base rent, straight-line rent, realty tax recoveries, lease termination fees and percentage rent are considered lease components and are in the scope of IFRS 16, *"Leases"* ("IFRS 16").

The total amount of contractual base rent to be received from operating leases is recognized on a straight-line basis over the term of the lease, including any fixturing period. A receivable, which is included in the carrying amount of an investment property, is recorded for the difference between the straight-line rental revenue recorded and the contractual amount received.

Realty tax recoveries are variable recoveries relating to the leased property and do not transfer a good or service to the lessee and as a result are recognized as costs are incurred and chargeable to tenants.

Lease termination fees are earned from tenants in connection with the cancellation or early termination of their remaining lease obligations, and is recognized when a lease termination agreement is signed and collection is reasonably assured.

Percentage rents are recognized when the sales thresholds set out in the leases have been met.

Operating cost recoveries relate to the property management services provided to maintain the property and are considered non-lease components subject to the guidance in IFRS 15, "*Revenue from Contracts with Customers*" ("IFRS 15"). The property management services are considered a performance obligation, meeting the criteria for over time recognition and are recognized in the period that recoverable costs are incurred or services are performed.

(o) Financial instruments and derivatives

In accordance with IFRS 9, “Financial Instruments” (“IFRS 9”) all financial instruments are required to be measured at fair value on initial recognition. Measurement in subsequent periods depends on whether the financial instrument has been classified as FVTPL, fair value through other comprehensive income (“FVOCI”) or amortized cost.

Derivative instruments are recorded in the consolidated balance sheets at fair value, including those derivatives that are embedded in financial or non-financial contracts.

First Capital enters into forward contracts, interest rate swaps, and cross currency swaps to hedge its risks associated with movements in interest rates and the movement in the Canadian to U.S. dollar exchange rate. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Hedge accounting is discontinued prospectively when the hedging relationship is terminated, when the instrument no longer qualifies as a hedge, or when the hedged item is sold or terminated. In cash flow hedging relationships, the portion of the change in the fair value of the hedging derivative that is considered to be effective is recognized in OCI while the portion considered to be ineffective is recognized in net income. Unrealized hedging gains and losses in accumulated other comprehensive income (“AOCI”) are reclassified to net income in the periods when the hedged item affects net income. Gains and losses on derivatives are immediately reclassified to net income when the hedged item is sold or terminated or when it is determined that a hedged forecasted transaction is no longer probable.

Changes in the fair value of derivative instruments, including embedded derivatives, that are not designated as hedges for accounting purposes, are recognized in other gains (losses) and (expenses).

The following summarizes the Trust's classification and measurement of financial assets and liabilities for the years ended December 31, 2020 and 2019:

	Classification & Measurement
Financial assets	
Other investments	FVTPL
Derivative assets	FVTPL
Loans and mortgages receivable	Amortized Cost
Loans and mortgages receivable [(1)]	FVTPL
Equity securities designated as FVTPL	FVTPL
Amounts receivable	Amortized Cost
Cash and cash equivalents	Amortized Cost
Restricted cash	Amortized Cost
Bond asset	Amortized Cost
Financial liabilities	
Bank indebtedness	Amortized Cost
Mortgages	Amortized Cost
Credit facilities	Amortized Cost
Senior unsecured debentures	Amortized Cost
Exchangeable Units	FVTPL
Accounts payable and other liabilities	Amortized Cost
Unit-based compensation plans	FVTPL
Derivative liabilities	FVTPL

(1) The Loans whose cash flows are not solely payments of principal or interest are classified as FVTPL.

In determining fair values, the Trust evaluates counterparty credit risks and makes adjustments to fair values and credit spreads based upon changes in these risks.

Fair value measurements recognized in the consolidated balance sheets are categorized using a fair value hierarchy that reflects the significance of inputs used in determining the fair values as follows:

(i) Level 1 Inputs – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Trust has the ability to access at the measurement date. The Trust's investments in equity securities are measured using Level 1 inputs;

(ii) Level 2 Inputs – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices). The Trust's derivative assets and liabilities are measured using Level 2 inputs; and

(iii) Level 3 Inputs – inputs for the asset or liability that are not based on observable market data (unobservable inputs). These unobservable inputs reflect the Trust's own assumptions about the data that market participants would use in pricing the asset or liability, and are developed based on the best information available, including the Trust's own data. The Trust's loans and mortgages receivable classified as FVTPL and other investments are measured using Level 3 inputs.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Trust determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

(p) Cash and cash equivalents

Cash and cash equivalents include cash and short-term investments with original maturities at the time of acquisition of three months or less.

(q) Critical judgments in applying accounting policies

The following are the critical judgments that have been made in applying First Capital's accounting policies and that have the most significant effect on the amounts in the consolidated financial statements:

(i) Investment properties

In applying the Trust's policy with respect to investment properties, judgment is applied in determining whether certain costs are additions to the carrying amount of the property and, for properties under development, identifying the point at which capitalization of borrowing and other costs ceases.

(ii) Hedge accounting

Where the Trust undertakes to apply cash flow hedge accounting, it must determine whether such hedges are expected to be highly effective in achieving offsetting changes in cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the reporting periods for which they were designated.

(iii) Income taxes

First Capital retains its REIT status if it meets the prescribed conditions under the Act. Management uses judgment in its interpretation and application of these conditions. First Capital determined that it qualifies as a REIT for the current period and expects to meet the prescribed conditions going forward. However, should the Trust no longer meet the REIT conditions, substantial adverse tax consequences may result.

With respect to its corporate subsidiaries, the Trust exercises judgment in estimating deferred tax assets and liabilities. Income tax laws may be subject to different interpretations, and the income tax expense recorded by the Trust reflects the Trust's interpretation of the relevant tax laws. The Trust is also required to estimate the timing of reversals of temporary differences between accounting and taxable income in determining the appropriate rate to apply in calculating deferred taxes.

(r) Critical accounting estimates and assumptions

First Capital makes 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.

The outbreak of coronavirus ("COVID-19"), which the World Health Organization has declared a global 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 audited annual 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 December 31, 2020. Actual results could differ from those estimates. The estimates and assumptions that the Trust considers critical and/or could be impacted by COVID-19 include those underlying the valuation of investment properties, the valuation of its hotel property, the net realizable value of residential inventory, the carrying amount of its investment in joint ventures, the estimate of any expected credit losses on amounts receivable or loans and mortgages receivable and determining the values of financial instruments for disclosure purposes (Note 23).

Additional critical accounting estimates and assumptions include those used for estimating deferred taxes (Note 21), and estimating the fair value of unit-based compensation arrangements (Note 15).

(s) Impacts of 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 statements of income, as a reduction of the related expense, in the periods in which the expenses are recognized.

3. INVESTMENT PROPERTIES

(a) Activity

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

				Year ended December 31, 2020
	Central Region	Eastern Region	Western Region	Total
Balance at beginning of year	$ 5,146,534	$ 1,535,433	$ 3,070,163	$ 9,752,130
Acquisitions	18,559	1,689	—	20,248
Capital expenditures	151,694	24,524	28,815	205,033
Reclassification to residential development inventory	(57,519)	—	—	(57,519)
Increase (decrease) in value of investment properties, net	(83,050)	(411)	(102,239)	(185,700)
Straight-line rent and other changes	5,868	1,112	837	7,817
Dispositions	(57,363)	(149,099)	(44,906)	(251,368)
Balance at end of year	$ 5,124,723	$ 1,413,248	$ 2,952,670	$ 9,490,641
Investment properties [(1)]				$ 9,328,792
Investment properties classified as held for sale				161,849
Total				$ 9,490,641

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

				Year ended December 31, 2019
	Central Region	Eastern Region	Western Region	Total
Balance at beginning of year	$ 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 year	$ 5,146,534	$ 1,535,433	$ 3,070,163	$ 9,752,130
Investment properties [1]				$ 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 $1.5 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	**December 31, 2020**				December 31, 2019			
	Weighted Average				Weighted Average			
	Central Region	**Eastern Region**	**Western Region**	**Total**	Central Region	Eastern Region	Western Region	Total
Overall Capitalization Rate	**4.7%**	**5.7%**	**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%**	**6.5%**	**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 December 31, 2020, the weighted average valuation yields (stabilized overall capitalization, terminal, and discount rates) used in valuing those investment properties under the Income Approach remained largely unchanged from December 31, 2019. Slight decreases in the weighted average 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 24 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 Trust has been closely monitoring valuation yields. The Trust has not observed a change to valuation yields for its properties at this time and as such, has not adjusted valuation yields in the valuation models used to determine the fair value of investment properties. To reflect the potential impact of COVID-19 on the cash flows in the valuation models, 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. In addition, as part of its normal course internal valuations, the Trust made revisions to overall capitalization rates or stabilized NOI. As a result, an overall decrease in the value of investment properties was recorded for the year ended December 31, 2020 for $185.7 million.

The sensitivity of the fair values of investment properties to stabilized overall capitalization rates as at December 31, 2020 is set out in the table below:

As at December 31, 2020	*(millions of dollars)*
(Decrease) Increase in stabilized overall capitalization rate	Resulting increase (decrease) in fair value of investment properties
(1.00%)	$ 2,301
(0.75%)	$ 1,624
(0.50%)	$ 1,023
(0.25%)	$ 484
0.25%	$ (438)
0.50%	$ (837)
0.75%	$ (1,200)
1.00%	$ (1,534)

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 $581 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 $526 million.

(c) Investment properties – Acquisitions

For the years ended December 31, 2020 and 2019, First Capital acquired investment properties as follows:

Year ended December 31	**2020**	2019
Total purchase price, including acquisition costs [(1)]	**$ 20,248**	$ 392,110
Debt assumption on acquisition	**—**	(50,646)
Settlement of loans receivable on acquisition	**—**	(89,822)
Total cash paid	**$ 20,248**	$ 251,642

(1) During the first quarter of 2020, 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 audited annual 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	**December 31, 2020**	December 31, 2019
Aggregate fair value	**$ 161,849**	$ 158,600

The increase of $3.2 million in investment properties classified as held for sale from December 31, 2019, primarily arose from new investment properties classified as held for sale, in line with First Capital's super urban strategy, offset by dispositions completed in the period and changes in fair value.

For the years ended December 31, 2020 and 2019, First Capital sold investment properties as follows:

Year ended December 31	**2020**	2019
Total selling price	**$ 251,368**	$ 834,974
Mortgages assumed and vendor take-back mortgage on sale	**(15,000)**	(128,156)
Property selling costs	**(3,915)**	(6,381)
Net cash proceeds	**$ 232,453**	$ 700,437

(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 December 31, 2020	**Central Region**	**Eastern Region**	**Western Region**	**Total**
Total investment properties [1]	**$ 5,124,723**	**$ 1,413,248**	**$ 2,952,670**	**$ 9,490,641**
Cash and cash equivalents				**100,444**
Loans, mortgages and other assets				**129,429**
Other assets				**50,893**
Amounts receivable				**46,296**
Investment in joint ventures				**52,570**
Hotel property				**88,000**
Residential development inventory				**74,190**
Total assets				**$ 10,032,463**

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

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

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

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

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

As at	**December 31, 2020**	December 31, 2019
Total assets	**$ 206,891**	$ 200,631
Total liabilities	**(83,339)**	(64,553)
Net assets at 100%	**123,552**	136,078
First Capital's investment in equity accounted joint ventures	**$ 52,570**	$ 59,498

For the year ended	**December 31, 2020**	December 31, 2019
Property revenue	**$ 15,429**	$ 16,496
Property expenses	**(8,660)**	(8,338)
Increase (decrease) in value of investment properties, net	**(10,965)**	532
Other income and (expenses)	**(8,355)**	235
Income (loss) before income taxes	**(12,551)**	8,925
Net income and total comprehensive income at 100%	**$ (12,551)**	$ 8,925
First Capital's share of income in equity accounted joint ventures	**$ (7,835)**	$ 1,699

During 2020, First Capital received distributions from its joint ventures of $3.0 million (2019 – $25.6 million) and made contributions to its joint ventures of $3.9 million (2019 – $17.5 million).

As at December 31, 2020, there were no outstanding commitments or contingent liabilities for the six equity accounted joint ventures.

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

5. HOTEL PROPERTY

On October 1, 2020, First Capital acquired the remaining 40% interest in the Hazelton Hotel ("hotel property") located in Toronto, Ontario. The hotel property is a mixed-use luxury hotel located in Yorkville Village. Subsequent to the acquisition, First Capital owns a 100% interest in the hotel property (December 31, 2019 - 60%). The total purchase price before closing costs was $30.6 million.

The transaction was accounted for as a business combination under IFRS 3 "Business Combinations". First Capital recognized a gain on the purchase of the hotel property of $7.4 million and incurred transaction costs of $1.1 million, which have been expensed in 'Other gains (losses) and (expenses)' in the consolidated statements of income.

The purchase price was based on a fixed price formula that resulted in a discount to the fair value on acquisition date. The purchase price was satisfied primarily through the settlement of a loan in the amount of $20.0 million advanced from First Capital to the co-owner.

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

Land and Building	$	34,604
Furniture, Fixtures & Equipment		2,476
Working capital, net		78
Identifiable assets acquired		37,158
Deferred tax asset		778
Purchase price for net assets acquired (1)		(30,551)
Gain on below market purchase	$	7,385

(1) Includes purchase price of $29.8 million and closing adjustments of $0.8 million.

The following table summarizes the changes in the net book value of the hotel property for the years ended December 31, 2020 and 2019.

		December 31, 2020		December 31, 2019
Balance at beginning of year	**$**	**62,199**	$	58,604
Acquisition		**37,080**		—
Revaluation of hotel property (1)		**(12,342)**		2,910
Additions		**2,495**		1,378
Amortization		**(1,432)**		(693)
Balance at end of year	**$**	**88,000**	$	62,199

(1) The revaluation loss of $12.3 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 $9.4 million revaluation loss was recognized in the consolidated statements of income.

Due to the on-going impact of COVID-19 on the hospitality industry, the hotel property was revalued on a quarterly basis and a $12.3 million reduction in value was recognized for the year.

6. LOANS, MORTGAGES AND OTHER ASSETS

As at	**December 31, 2020**	December 31, 2019
Non-current		
Loans and mortgages receivable classified as FVTPL (a)	**$ 1,968**	$ 20,726
Loans and mortgages receivable classified as amortized cost (a)	**37,612**	58,940
Other investments	**12,580**	16,302
Total non-current	**52,160**	95,968
Current		
Loans and mortgages receivable classified as FVTPL (a)	**6**	132
Loans and mortgages receivable classified as amortized cost (a)	**73,548**	65,984
FVTPL investments in securities (b)	**3,715**	3,949
Total current	**77,269**	70,065
Total	**$ 129,429**	$ 166,033

(a) Loans and mortgages receivable are secured by interests in investment properties or shares of entities owning investment properties. As at December 31, 2020, these receivables bear interest at weighted average effective interest rates of 6.3% (December 31, 2019 – 6.6%) and mature between 2021 and 2024. As of December 31, 2020, none of the Trust's loans and mortgages receivable classified as amortized cost required a provision or were determined to be impaired taking into account the COVID-19 environment.

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

Scheduled principal receipts of loans and mortgages receivable and the weighted average effective floating or fixed interest rates as at December 31, 2020 are as follows:

	Scheduled Receipts	Weighted Average Effective Interest Rate
2021	$ 71,617	6.7%
2022	32,358	5.6%
2023	1,836	5.3%
2024	5,000	5.0%
	110,811	6.3%
Unamortized deferred financing fees and accrued interest	2,323	
	$ 113,134	
Current	$ 73,554	6.7%
Non-current	39,580	5.6%
Total	$ 113,134	6.3%

7. AMOUNTS RECEIVABLE

As at	December 31, 2020		December 31, 2019	
Tenant receivables (net of allowances for doubtful accounts of $11.4 million; December 31, 2019 – $3.0 million)	**$**	**45,439**	$	25,356
Corporate and other amounts receivable		**857**		6,165
Total	**$**	**46,296**	$	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 December 31, 2020.

During the second and third quarters, 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 $13.2 million for the year ended December 31, 2020, related to the CECRA program.

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 December 31, 2020. The Trust has increased its provision for doubtful accounts for the year ended December 31, 2020 by $8.4 million as a result of the COVID-19 environment.

8. OTHER ASSETS

As at	Note	December 31, 2020		December 31, 2019	
Non-current					
Fixtures, equipment and computer hardware and software (net of accumulated amortization of $18.2 million; December 31, 2019 – $15.6 million)		**$**	**9,958**	$	11,670
Deferred financing costs on credit facilities (net of accumulated amortization of $6.3 million; December 31, 2019 – $5.3 million)			**3,021**		3,886
Environmental indemnity and insurance proceeds receivable	12(a)		**1,611**		3,105
Bond asset			**13,965**		14,513
Derivatives at fair value	23		**—**		2,931
Total non-current			**28,555**		36,105
Current					
Deposits and costs on investment properties under option			**10,450**		5,691
Prepaid expenses			**10,679**		9,088
Other deposits			**250**		250
Restricted cash			**959**		765
Derivatives at fair value	23		**—**		2,372
Total current			**22,338**		18,166
Total		**$**	**50,893**	$	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	**December 31, 2020**	December 31, 2019
Liabilities (principal amounts outstanding)		
Bank indebtedness	**$ 238**	$ 60
Mortgages	**1,351,291**	1,331,219
Credit facilities	**915,928**	899,165
Mortgages under equity accounted joint ventures (at the Trust's interest)	**39,175**	40,144
Exchangeable Units (based on a closing per unit price of $13.55; December 31, 2019 - $20.67)	**1,399**	25,010
Senior unsecured debentures	**2,525,000**	2,500,000
Equity Capitalization		
Trust Units (based on closing per unit price of $13.55; December 31, 2019 - $20.67)	**2,971,723**	4,505,107
Total capital employed	**$ 7,804,754**	$ 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 December 31, 2020, First Capital remains in compliance with all of its applicable financial covenants.

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

As at	Measure/ Covenant	**December 31, 2020**	December 31, 2019
Net debt to total assets		**47.2%**	46.7%
Unencumbered aggregate assets to unsecured debt, using 10 quarter average capitalization rate (1)	≥1.3	**2.0**	2.0
Unitholders' equity, using four quarter average (billions) (1)	>$2.0B	**$ 4.3**	$ 4.5
Secured indebtedness to total assets (1)	<35%	**15.2%**	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 below:

- Debt consists of principal amounts outstanding on credit facilities and mortgages, and the par value of senior unsecured debentures;
- Net debt is calculated as Debt, as defined above, reduced by cash balances at the end of the period;
- Secured indebtedness includes mortgages and any draws under the secured facilities that are collateralized against investment property;

- 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, hotel property, Exchangeable Units and unit-based compensation; other gains (losses) and (expenses); and other non-cash or non-recurring items. The Trust also adjusts for incremental leasing costs, which is a recognized adjustment to Funds from Operations, in accordance with the recommendations of the Real Property Association of Canada;
- Fixed charges include regular principal and interest payments and capitalized interest in the calculation of interest expense;
- Unencumbered assets include the value of assets that have not been pledged as security under any credit agreement or mortgage. The unencumbered asset value ratio is calculated as unencumbered assets divided by the principal amount of the unsecured debt, which consists of the bank indebtedness, unsecured bank term loans, unsecured credit facilities and senior unsecured debentures.

10. MORTGAGES AND CREDIT FACILITIES

As at	**December 31, 2020**	December 31, 2019
Fixed rate mortgages	**$ 1,346,637**	$ 1,327,021
Unsecured facilities	**745,054**	772,030
Secured facilities	**170,874**	127,135
Mortgages and credit facilities	**$ 2,262,565**	$ 2,226,186
Current	**$ 151,571**	$ 114,875
Non-current	**2,110,994**	2,111,311
Total	**$ 2,262,565**	$ 2,226,186

Mortgages and secured facilities are secured by First Capital's investment properties. As at December 31, 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 December 31, 2020, mortgages bear coupon interest at a weighted average coupon rate of 3.5% (December 31, 2019 – 3.7%) and mature in the years ranging from 2021 to 2031. The weighted average effective interest rate on all mortgages as at December 31, 2020 is 3.6% (December 31, 2019 – 3.7%).

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

	Scheduled Amortization	Payments on Maturity	Total	Weighted Average Effective Interest Rate
2021	$ 28,385	$ 62,623	$ 91,008	4.9%
2022	31,981	95,522	127,503	4.0%
2023	32,597	—	32,597	N/A
2024	31,945	108,478	140,423	3.8%
2025	29,642	55,895	85,537	3.5%
2026 to 2031	93,066	781,157	874,223	3.5%
	$ 247,616	$ 1,103,675	$ 1,351,291	3.6%
Unamortized deferred financing costs and premiums, net			(4,654)	
Total			$ 1,346,637	

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

As at December 31, 2020	Borrowing Capacity	Amounts Drawn	Bank Indebtedness and Outstanding Letters of Credit	Available to be Drawn	Interest Rates	Maturity Date
Unsecured Operating Facilities						
Revolving facility maturing 2023	$ 550,000	$ —	$ (25,142)	$ 524,858	BA + 1.45% or Prime + 0.45% or US$ LIBOR + 1.45%	June 30, 2023
Revolving facility maturing 2022	250,000	—	—	250,000	BA + 1.10% or Prime + 0.25% or US$ LIBOR + 1.10%	September 29, 2022
Floating rate unsecured term loan maturing 2023 (1)	200,000	(195,054)	—	—	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 2021	20,000	(19,984)	—	16	BA + 2.50% or Prime + 1.00%	June 1, 2021
Maturing 2021	33,333	(33,333)	—	—	2.79%	August 26, 2021
Maturing 2022	138,000	(98,539)	(1,592)	37,869	BA + 1.350% or Prime + 0.350%	October 26, 2022
Secured Facilities						
Maturing 2021 (2)	19,734	(7,950)	(1,320)	10,464	BA + 1.20% or Prime + 0.20%	December 30, 2021
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	$ 1,772,135	$ (915,928)	$ (28,054)	$ 823,207		

(1) The Trust had drawn in U.S. dollars the equivalent of CAD$200.0 million which was revalued at CAD$195.1 million as at December 31, 2020.

(2) Borrowing capacity decreased by $1.0 million to $19.7 million in the fourth quarter of 2020.

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 of 2020, First Capital extended the maturity of its $11.9 million secured facility and $20.0 million secured construction facility to April 30, 2020 and July 31, 2020, respectively. During the second quarter of 2020, First Capital repaid its $11.9 million secured facility. During the third quarter of 2020, First Capital increased the borrowing capacity for one of its secured construction facilities to $20.0 million and extended the maturity date to June 1, 2021. During the fourth quarter of 2020, FCR extended the maturity of its $19.7 million secured facility to December 30, 2021.

11. SENIOR UNSECURED DEBENTURES

As at				**December 31, 2020**		December 31, 2019
		Interest Rate				
Series	Maturity Date	Coupon	Effective	**Principal Outstanding**	**Liability**	Liability
M	April 30, 2020	5.60%	5.60%	**$ —**	**$ —**	$ 174,999
N	March 1, 2021	4.50%	4.63%	**175,000**	**174,965**	174,754
O	January 31, 2022	4.43%	4.59%	**200,000**	**199,667**	199,372
P	December 5, 2022	3.95%	4.18%	**250,000**	**248,966**	248,461
Q	October 30, 2023	3.90%	3.97%	**300,000**	**299,460**	299,284
R	August 30, 2024	4.79%	4.72%	**300,000**	**300,684**	300,853
S	July 31, 2025	4.32%	4.24%	**300,000**	**301,008**	301,208
T	May 6, 2026	3.60%	3.56%	**300,000**	**300,585**	300,683
U	July 12, 2027	3.75%	3.82%	**300,000**	**298,783**	298,622
V	January 22, 2027	3.46%	3.54%	**200,000**	**199,129**	198,977
A	March 1, 2028	3.45%	3.54%	**200,000**	**198,888**	—
Weighted Average or Total		4.02%	4.07%	**$ 2,525,000**	**$ 2,522,135**	$ 2,497,213
Current				**$ 175,000**	**$ 174,965**	$ 174,999
Non-current				**2,350,000**	**2,347,170**	2,322,214
Total				**$ 2,525,000**	**$ 2,522,135**	$ 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.

On September 1, 2020, the Trust completed the issuance of $200 million principal amount of Series A senior unsecured debentures due March 1, 2028. These debentures bear interest at a coupon rate of 3.45% per annum, payable semi-annually commencing March 1, 2021.

12. ACCOUNTS PAYABLE AND OTHER LIABILITIES

As at	Note	December 31, 2020	December 31, 2019
Non-current			
Asset retirement obligations (a)		**$ 1,476**	$ 1,980
Ground leases payable		**9,444**	10,035
Derivatives at fair value	23	**45,422**	1,677
Unit-based compensation plans	15(c)	**2,541**	4,447
Deferred purchase price of investment property		**4,275**	5,700
Other liabilities		**2,840**	1,005
Total non-current		**65,998**	24,844
Current			
Trade payables and accruals		**74,334**	57,978
Construction and development payables		**46,196**	45,722
Unit-based compensation plans	15(c)	**9,627**	14,740
Distributions payable	14(b)	**15,718**	15,620
Interest payable		**36,826**	35,960
Tenant deposits		**37,509**	37,955
Derivatives at fair value	23	**4,946**	3,009
Other liabilities		**17**	8
Total current		**225,173**	210,992
Total		**$ 291,171**	$ 235,836

(a) First Capital has obligations for environmental remediation at certain sites within its property portfolio. FCR has also recognized a related environmental indemnity and insurance proceeds receivable totaling $1.6 million (December 31, 2019 - $3.1 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	**December 31, 2020**		December 31, 2019	
	Number of Exchangeable Units	**Value**	Number of Exchangeable Units	Value
Balance at beginning of year	**1,210**	**$ 25,010**	—	$ —
Issued on conversion to REIT structure	**—**	**—**	1,210	25,240
Converted to Trust Units	**(1,107)**	**(16,207)**	—	—
Fair value adjustment	**—**	**(7,404)**	—	(230)
Balance at end of year	**103**	**$ 1,399**	1,210	$ 25,010

14. UNITHOLDERS' EQUITY

Upon conversion of First Capital from a corporation to a real estate investment trust, on December 30, 2019, 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:

Year ended December 31		**2020**				2019
	Number of Trust Units	**Value of Trust Units**	Number of Trust Units	Value of Trust Units	Number of Common Shares	Value of Common Shares
Balance at beginning of year	**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	**254**	**5,468**	—	—	336	6,553
Conversion of Exchangeable Units	**1,107**	**16,207**	—	—	—	—
Share repurchase costs, net of tax effect	**—**	**—**	—	—	—	(8,850)
REIT Conversion	**—**		217,954	2,872,907	(219,164)	(2,887,091)
Balance at end of year	**219,315**	**$ 2,894,582**	217,954	$ 2,872,907	—	$ —

(b) Distributions / Dividends

First Capital declared monthly distributions totaling $0.860 per Trust Unit for the year ended December 31, 2020.

Prior to the REIT conversion, the Company declared quarterly dividends of $0.645 per common share for the nine months ended September 30, 2019. For the three months ended December 31, 2019, First Capital declared an initial monthly distribution of $0.072 per Trust Unit to Unitholders of record on December 31, 2019.

(c) Contributed surplus and other equity items

Contributed surplus and other equity items comprise the following:

Year ended December 31		**2020**			2019	
	Contributed Surplus	**Stock-based Compensation Plan Awards**	**Total**	Contributed Surplus	Stock-based Compensation Plan Awards	Total
Balance at beginning of year	**$ —**	**$ —**	**$ —**	$ 24,903	$ 19,291	$ 44,194
Repurchase of common shares	**—**	**—**	**—**	(24,903)	—	(24,903)
Options vested	**—**	**—**	**—**	—	1,238	1,238
Exercise of options	**—**	**—**	**—**	—	(269)	(269)
Deferred units	**—**	**—**	**—**	—	864	864
Restricted units	**—**	**—**	**—**	—	1,647	1,647
Performance units	**—**	**—**	**—**	—	3,179	3,179
Settlement of any restricted, performance and deferred units	**—**	**—**	**—**	—	(4,209)	(4,209)
REIT Conversion	**—**	**—**	**—**	—	(21,741)	(21,741)
Balance at end of year	**$ —**	**$ —**	**$ —**	$ —	$ —	$ —

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 December 31, 2020, First Capital is authorized to grant up to 19.7 million (December 31, 2019 – 19.7 million) Trust Unit options to the employees, officers and Trustees. As of December 31, 2020, 4.6 million (December 31, 2019 – 6.1 million) unit options are available to be granted to the employees, officers and Trustees. In addition, as at December 31, 2020, 7.1 million unit options were outstanding (December 31, 2019 - 5.6 million). Options granted by First Capital expire 10 years from the date of grant and vest over five years.

The outstanding options as at December 31, 2020 have exercise prices ranging from $15.70 - $21.24 (December 31, 2019 – $13.91 - $21.14).

As at		**December 31, 2020**					December 31, 2019			
	Outstanding Options			**Vested Options**		Outstanding Options			Vested Options	
Exercise Price Range ($)	**Number of Trust Units Issuable (in thousands)**	**Weighted Average Exercise Price per Trust Unit**	**Weighted Average Remaining Life (years)**	**Number of Trust Units Issuable (in thousands)**	**Weighted Average Exercise Price per Trust Units**	Number of Common Trust Units (in thousands)	Weighted Average Exercise Price per Trust Units	Weighted Average Remaining Life (years)	Number of Common Trust Units (in thousands)	Weighted Average Exercise Price per Trust Units
15.70 - 19.78	**1,953**	**$ 18.81**	**4.0**	**1,800**	**$ 18.75**	1,434	$ 18.05	4.0	1,335	$ 18.02
19.79 - 20.16	**2,000**	**$ 20.04**	**6.7**	**1,013**	**$ 20.04**	886	$ 19.61	5.9	556	$ 19.59
20.17 - 21.19	**1,346**	**$ 21.04**	**7.9**	**356**	**$ 20.85**	1,918	$ 20.05	7.8	547	$ 20.05
21.20 - 21.24	**1,804**	**$ 21.24**	**9.2**	**—**	**$ —**	1,346	$ 21.04	8.9	87	$ 20.24
15.70 - 21.24	**7,103**	**$ 20.20**	**6.8**	**3,169**	**$ 19.40**	5,584	$ 19.70	6.8	2,525	$ 18.89

During the year ended December 31, 2020, $1.1 million (year ended December 31, 2019 – $1.2 million) was recorded as an expense related to stock options.

Year ended December 31			**2020**			2019
	Number of Trust Units Issuable (in thousands)		**Weighted Average Exercise Price**	Number of Trust Units Issuable (in thousands)		Weighted Average Exercise Price
Outstanding at beginning of year	**5,584**	**$**	**19.70**	4,736	$	19.27
Granted (a)	**1,804**		**21.24**	1,201		21.14
Exercised (b)	**(162)**		**17.48**	(233)		18.17
Forfeited	**(19)**		**17.43**	(120)		19.74
Expired	**(104)**		**16.44**	—		—
Outstanding at end of year	**7,103**	**$**	**20.20**	5,584	$	19.70

(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.

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

(b) The weighted average market price at which options were exercised for the year ended December 31, 2020 was $21.71 (year ended December 31, 2019 – $21.34).

The assumptions used to measure the fair value of the unit options under the Black-Scholes model (level 2) as at December 31, 2020 were as follows:

Year ended December 31	**2020**	2019
Expected Trust Unit price volatility	**22.93% - 50.12%**	12.06% - 14.35%
Expected life of options	**0.2 - 6.5 years**	0.2 - 5.7 years
Expected distribution yield	**6.30%**	4.16%
Risk free interest rate	**0.07% - 0.44%**	1.65% - 1.73%

(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.

Year ended December 31		**2020**		2019
(in thousands)	**DUs**	**RUs / PUs**	DSUs	RSUs / PSUs
Outstanding at beginning of year	**289**	**663**	289	588
Granted (a) (b)	**59**	**295**	31	244
Distributions / Dividends reinvested	**20**	**44**	10	22
Exercised	**—**	**(189)**	(41)	(179)
Forfeited	**—**	**(24)**	—	(12)
Outstanding at end of year	**368**	**789**	289	663
Expense recorded for the year	**$1,084**	**$5,830**	$581	$4,290

(a) The fair value of the DUs granted during the year ended December 31, 2020 was $0.8 million (year ended December 31, 2019 – $0.7 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 year ended December 31, 2020 was $3.5 million (year ended December 31, 2019 – $1.9 million), measured based on First Capital's Trust Unit / share price on the date of grant.

(b) The fair value of the PUs granted during the year ended December 31, 2020 was $2.6 million (year ended December 31, 2019 – $3.4 million). The fair value is calculated using the Monte-Carlo simulation model based on the assumptions below as well as a market adjustment factor based on the total Unitholder return of First Capital's Trust Units relative to the S&P/TSX Capped REIT Index.

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

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

First Capital's unit-based compensation plans are accounted for as cash-settled awards. Therefore, outstanding Unit Options, Deferred Units, Restricted Units and Performance Units are recognized as a liability and carried at fair value through profit and loss. As at December 31, 2020, the carrying value of the unit-based compensation liability was $12,168 (December 31, 2019 – $19,187)(Note 12). For the year ended December 31, 2020, FCR recognized a decline in the value of the unit-based compensation plans which resulted in a gain of $11.5 million due to a decrease in the Trust's unit price as a result of equity market volatility in light of COVID-19.

16. NET OPERATING INCOME

Net Operating Income by Component

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

		Year ended December 31	
	% change	**2020**	2019
Property rental revenue			
Base rent [1]		**$ 426,845**	$ 457,200
Operating cost recoveries		**97,265**	110,284
Realty tax recoveries		**122,326**	137,388
Lease termination fees		**1,811**	5,265
Percentage rent		**3,502**	4,798
Straight-line rent adjustment		**2,711**	5,824
Prior year operating cost and tax recovery adjustments		**27**	(933)
Temporary tenants, storage, parking and other [2]		**18,403**	26,947
Total Property rental revenue	**(9.9%)**	**672,890**	746,773
Property operating costs			
Recoverable operating expenses		**107,408**	124,080
Recoverable realty tax expense		**139,238**	155,010
Prior year realty tax expense		**(284)**	(1,215)
Other operating costs and adjustments [3]		**27,496**	8,501
Total Property operating costs		**273,858**	286,376
Total NOI	**(13.3%)**	**$ 399,032**	$ 460,397
NOI margin		**59.3%**	61.7%

[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 for the year ended December 31, 2020 of $22.8 million (December 31, 2019 - $0.6 million) comprised of $13.2 million of net rental abatements related to the CECRA program and additional provisions of $9.6 million in light of COVID-19.

Net Operating Income by Segment

Net operating income is presented by segment as follows:

Year ended December 31, 2020	**Central Region**	**Eastern Region**	**Western Region**	**Subtotal**	**Other [1]**	**Total**
Property rental revenue	**$ 321,828**	**$ 134,502**	**$ 219,064**	**$ 675,394**	**$ (2,504)**	**$ 672,890**
Property operating costs	**137,885**	**62,212**	**79,751**	**279,848**	**(5,990)**	**273,858**
Net operating income	**$ 183,943**	**$ 72,290**	**$ 139,313**	**$ 395,546**	**$ 3,486**	**$ 399,032**

Year ended December 31, 2019		Central Region		Eastern Region		Western Region		Subtotal		Other [1]		Total
Property rental revenue	$	326,491	$	180,194	$	242,390	$	749,075	$	(2,302)	$	746,773
Property operating costs		129,947		80,248		81,578		291,773		(5,397)		286,376
Net operating income	$	196,544	$	99,946	$	160,812	$	457,302	$	3,095	$	460,397

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

For the year ended December 31, 2020, property operating costs include $16.4 million (year ended December 31, 2019 – $21.0 million) related to employee compensation. Employee compensation is presented net of subsidies received under the Canada Emergency Wage Subsidy ("CEWS") program for the year ended December 31, 2020 of $4.5 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

			Year ended December 31		
	Note		**2020**		2019
Interest, dividend and distribution income from marketable securities and other investments	6	**$**	**1,082**	$	4,473
Interest income from loans and mortgages receivable classified as FVTPL	6		**922**		2,767
Interest income from loans and mortgages receivable at amortized cost	6		**6,791**		15,517
Fees and other income			**3,453**		10,292
Total		**$**	**12,248**	$	33,049

18. INTEREST EXPENSE

			Year ended December 31		
	Note		**2020**		2019
Mortgages	10	**$**	**52,142**	$	53,920
Credit facilities	10		**28,796**		34,163
Senior unsecured debentures	11		**100,854**		106,326
Distributions on Exchangeable Units [1]	13		**650**		86
Total interest expense			**182,442**		194,495
Interest capitalized to investment properties under development			**(24,731)**		(22,661)
Interest expense		**$**	**157,711**	$	171,834
Change in accrued interest			**(1,524)**		97
Coupon interest rate in excess of effective interest rate on senior unsecured debentures			**1,203**		1,303
Coupon interest rate in excess of effective interest rate on assumed mortgages			**401**		1,272
Amortization of deferred financing costs			**(6,556)**		(6,428)
Cash interest paid associated with operating activities		**$**	**151,235**	$	168,078

(1) Effective December 30, 2019, 1.2 million Exchangeable Units were issued upon REIT conversion. As at December 31, 2020, 0.1 million Exchangeable Units were outstanding. The distributions declared on the Exchangeable Units are accounted for as interest expense.

19. CORPORATE EXPENSES

	Year ended December 31	
	2020	2019
Salaries, wages and benefits	**$ 22,985**	$ 28,743
Unit-based compensation	**7,673**	5,740
Other corporate costs	**10,277**	12,385
Total corporate expenses	**40,935**	46,868
Amounts capitalized to investment properties under development	**(7,697)**	(8,309)
Corporate expenses	**$ 33,238**	$ 38,559

For the year ended December 31, 2020, salaries, wages and benefits include $3.8 million of wage subsidies received under the CEWS program.

20. OTHER GAINS (LOSSES) AND (EXPENSES)

	Year ended December 31	
	2020	2019
Realized gain on sale of marketable securities	**$ —**	$ 1,164
Unrealized gain (loss) on marketable securities	**(234)**	474
Net gain (loss) on prepayments of debt	**(282)**	—
Gain on below market purchase [(1)]	**7,385**	—
Hotel acquisition transaction costs [(1)]	**(1,121)**	—
Gain on Investment (a)	**—**	4,022
Proceeds from Target [(2)]	**—**	692
Pre-selling costs of residential inventory	**(142)**	—
Investment properties selling costs	**(3,915)**	(6,381)
REIT conversion costs	**(906)**	(5,013)
Transaction costs (b)	**—**	(3,414)
Other	**73**	(303)
Total	**$ 858**	$ (8,759)

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

(2) In connection with proceeds recognized under Target Canada's CCAA plan of arrangement related to the closure of two Target stores in FCR's portfolio in 2015.

(a) During the third quarter of 2019, one of First Capital's other investments in which FCR was a minority Shareholder was acquired for cash and share consideration resulting in the recognition of a $4.0 million gain on investment.

(b) 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 sources of deferred tax balances and movements are as follows:

	December 31, 2019	Net income	Recognized in OCI	Equity and other	**December 31, 2020**
Deferred taxes related to non-capital losses	$ —	$ (35,442)	$ (2,716)	$ (2,032)	**$ (40,190)**
Deferred tax liabilities related to difference in tax and book basis primarily related to real estate, net	701,549	59,366	(18,225)	(3,972)	**738,718**
Net deferred taxes	$ 701,549	$ 23,924	$ (20,941)	$ (6,004)	**$ 698,528**

As at December 31, 2020, the corporate subsidiaries of the Trust had approximately $103.0 million of non-capital losses which expire between 2028 and 2040.

	December 31, 2018	Net income	Recognized in OCI	Equity and other	December 31, 2019
Deferred taxes related to non-capital losses	$ (13,046)	$ 17,012	$ (2,360)	$ (1,606)	$ —
Deferred tax liabilities related to difference in tax and book basis primarily related to real estate, net	806,346	(99,199)	(2,696)	(2,902)	701,549
Net deferred taxes	$ 793,300	$ (82,187)	$ (5,056)	$ (4,508)	$ 701,549

As at December 31, 2019, the corporate subsidiaries of the Trust had approximately Nil of non-capital losses.

The following reconciles the expected tax expense computed at the statutory tax rate to the actual tax expense for the years ended December 31, 2020 and 2019 relating to the Trust.

	Year ended December 31	
	2020	2019
Income tax computed at the Canadian statutory rate of Nil applicable to the Trust at December 31, 2020 and December 31, 2019	**$ —**	$ —
Increase (decrease) in income taxes due to:		
Derecognition of deferred income tax liability on REIT conversion	**—**	(160,940)
Deferred income taxes applicable to corporate subsidiaries	**22,481**	98,184
Impact of change in provincial income tax rate	**481**	(20,848)
Other	**962**	1,417
Deferred income taxes	**$ 23,924**	$ (82,187)

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.

Interest represents a significant cost in financing the ownership of real property. As at December 31, 2020, First Capital has a total of $332.6 million of outstanding debt bearing interest at variable rates. If the average variable interest rate was 100 basis points higher or lower than the existing rate, FCR's annual interest cost would increase or decrease, respectively, by $3.3 million.

First Capital has a total of $1.2 billion principal amount of fixed rate interest-bearing instruments outstanding including mortgages, senior unsecured debentures and secured credit facilities maturing between January 1, 2021 and December 31, 2023 at a weighted average coupon interest rate of 4.1%. If these amounts were refinanced at an average interest rate that was 100 basis points higher or lower than the existing rate, FCR's annual interest cost would increase or decrease, respectively, by $12.1 million.

As at December 31, 2020, First Capital's loans and mortgages receivable that earn interest at variable rates total $75.1 million. If the average variable interest rate was 100 basis points higher than the existing rate, FCR's annual interest income would increase by approximately $0.8 million, and if the variable interest rate were 100 basis points lower, FCR's annual interest income would decrease by approximately $0.1 million.

First Capital's loans and mortgages receivable that earn interest at fixed rates total $35.8 million. If the loans were refinanced at 100 basis points higher or lower than the existing rate, FCR's annual interest income would increase or decrease by approximately $0.4 million.

(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 debtors by undertaking a number of activities typical in lending arrangements including obtaining registered mortgages on the real estate properties. 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 December 31, 2020, Loblaw Companies Limited ("Loblaw") is FCR's largest tenant and accounts for 10.5% 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'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.

Future minimum rentals receivable under non-cancellable operating leases as at December 31 are as follows:

(thousands of Canadian dollars)	**2020**
Within 1 year	**$ 397,377**
After 1 year, but not more than 5 years	**1,100,187**
More than 5 years	**751,421**
	$ 2,248,985

(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 December 31, 2020 is set out below:

As at December 31, 2020	Payments Due by Period				
	2021	2022 to 2023	2024 to 2025	Thereafter	Total
Scheduled mortgage principal amortization	$ 28,385	$ 64,578	$ 61,587	$ 93,066	$ 247,616
Mortgage principal repayments on maturity	62,623	95,522	164,373	781,157	1,103,675
Credit facilities and bank indebtedness	61,267	304,899	375,000	175,000	916,166
Senior unsecured debentures	175,000	750,000	600,000	1,000,000	2,525,000
Interest obligations [1]	165,761	280,001	185,252	131,023	762,037
Land leases (expiring between 2023 and 2061)	1,189	2,076	1,238	16,203	20,706
Contractually committed costs to complete current development projects	33,764	—	—	—	33,764
Other committed costs	7,125	—	—	—	7,125
Total contractual obligations	$ 535,114	$ 1,497,076	$ 1,387,450	$ 2,196,449	$ 5,616,089

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

First Capital manages its liquidity risk by staggering debt maturities; renegotiating expiring credit arrangements proactively; using secured and unsecured credit facilities, mortgages and unsecured debentures; and issuing equity when considered appropriate. As at December 31, 2020, there was $0.7 billion (December 31, 2019 – $0.8 billion) of cash advances drawn against First Capital’s unsecured credit facilities.

In addition, as at December 31, 2020, First Capital had $49.2 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 $0.2 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. An increase of $1 dollar in the underlying price of First Capital's Trust Units would result in an increase to liabilities, and a decrease to net income as follows:

(i) Exchangeable Units $0.1 million (December 31, 2019 – $1.2 million); and
(ii) Unit-based compensation liabilities $2.3 million (December 31, 2019 – $3.2 million)

23. FAIR VALUE MEASUREMENT

A comparison of the carrying amounts and fair values, by class, of First Capital's financial instruments, other than those whose carrying amounts approximate their fair values, is as follows:

		Carrying Amount		Fair Value	
	Notes	**2020**	2019	**2020**	2019
Financial assets					
FVTPL investments in securities	6	**$ 3,715**	$ 3,949	**$ 3,715**	$ 3,949
Loans and mortgages receivable classified as FVTPL	6	**1,974**	20,858	**1,974**	20,858
Loans and mortgages receivable classified as amortized cost	6	**111,160**	124,924	**110,045**	124,740
Bond asset	8	**13,965**	14,513	**13,965**	14,513
Other investments	6	**12,580**	12,302	**12,580**	12,302
Derivatives at fair value	8	**—**	5,303	**—**	5,303
Financial liabilities					
Mortgages	10	**$ 1,346,637**	$ 1,327,021	**$ 1,446,711**	$ 1,346,852
Credit facilities	10	**915,928**	899,165	**915,928**	899,165
Senior unsecured debentures	11	**2,522,135**	2,497,213	**2,693,223**	2,580,365
Exchangeable Units	13	**1,399**	25,010	**1,399**	25,010
Unit-based compensation plans	15	**12,168**	19,187	**12,168**	19,187
Derivatives at fair value	12	**50,368**	4,686	**50,368**	4,686

The fair values of First Capital's FVTPL investments in securities are based on quoted market prices. First Capital has other investments in certain funds and a private entity classified as Level 3, for which the fair values are based on the fair value of the properties held in the funds. The private entity fair value approximates its cost.

The fair value of First Capital's loans and mortgages receivable classified as Level 3, are calculated based on current market rates plus borrower level risk-adjusted spreads on discounted cash flows, adjusted for allowances for non-payment and collateral related risk. As at December 31, 2020, the risk-adjusted interest rates ranged from 1.2% to 10.4% (December 31, 2019 – 3.5% to 11.4%).

The fair value of First Capital's mortgages and credit facilities payable are calculated based on current market rates plus risk-adjusted spreads on discounted cash flows. As at December 31, 2020, these rates ranged from 1.5% to 2.3% (December 31, 2019 – 3.2% to 3.4%).

The fair value of the senior unsecured debentures are based on closing bid risk-adjusted spreads and current underlying Government of Canada bond yields on discounted cash flows. For the purpose of this calculation, the Trust uses, among others, interest rate quotations provided by financial institutions. As at December 31, 2020, these rates ranged from 0.8% to 2.6% (December 31, 2019 – 2.3% to 3.6%).

The fair value of the Exchangeable Units are based on the Trust's closing price as of December 31, 2020.

The fair value of the unit-based compensation plans are based on the following:

Unit Option Plan: Fair value of each tranche is valued separately using a Black-Scholes option pricing model.
Deferred Units/Restricted Units: Fair value is based on the Trust's closing price as of December 31, 2020.
Performance Units: Fair value is calculated using a Monte-Carlo simulation model.

The fair value hierarchy of financial instruments in the audited annual consolidated balance sheets is as follows:

As at		**December 31, 2020**			December 31, 2019	
	Level 1	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
Fair value of financial instruments measured at fair value						
Financial Assets						
FVTPL investments in securities	**$ 3,715**	**$ —**	**$ —**	$ 3,949	$ —	$ —
Loans and mortgages receivable	**—**	**—**	**1,974**	—	—	20,858
Other investments	**—**	**—**	**12,580**	—	—	12,302
Derivatives at fair value – assets	**—**	**—**	**—**	—	5,303	—
Financial Liabilities						
Exchangeable Units	**—**	**1,399**	**—**	—	25,010	—
Unit-based compensation plans	**—**	**12,168**	**—**	—	19,187	—
Derivatives at fair value – liabilities	**—**	**50,368**	**—**	—	4,686	—
Fair value of financial instruments measured at amortized cost						
Financial Assets						
Loans and mortgages receivable	**$ —**	**$ —**	**$ 110,045**	$ —	$ —	$ 124,740
Bond asset	**—**	**13,965**	**—**	—	14,513	—
Financial Liabilities						
Mortgages	**—**	**1,446,711**	**—**	—	1,346,852	—
Credit facilities	**—**	**915,928**	**—**	—	899,165	—
Senior unsecured debentures	**—**	**2,693,223**	**—**	—	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 December 31, 2020, the interest rates ranged from 1.7% 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 December 31, 2020	**December 31, 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	N/A	**—**	—
Total			**$ —**	$ 5,303
Derivative liabilities				
Bond forward contracts	Yes	N/A	**$ —**	$ —
Interest rate swaps	Yes	April 2024 - March 2027	**45,422**	1,677
Cross currency swaps	No	February 2021	**4,946**	3,009
Total			**$ 50,368**	$ 4,686

As at December 31, 2020, the $45.7 million increase in the fair value of outstanding derivative liabilities is primarily due to significant fluctuations in 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.

24. SUBSIDIARIES WITH NON-CONTROLLING INTEREST

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

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

[1] FCR has owned a 6.25% direct interest in MMUR since 2014.

[2] FCR's ownership in Maincore Equities Inc. decreased due to the redemption of its Class B common shares.

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

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

During the first quarter of 2020, 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.

Non-controlling interest in the equity and the results of these subsidiaries, before any inter-company eliminations, are as follows:

As at	**December 31, 2020**	December 31, 2019
Non-current assets	**$ 95,319**	$ 213,183
Current assets	**1,170**	25
Total assets	**96,489**	213,208
Current liabilities	**23**	69
Total liabilities	**23**	69
Net assets	**$ 96,466**	$ 213,139
Non-controlling interest	**$ 29,263**	$ 48,914

	Year ended December 31	
	2020	2019
Revenue	**$ 4**	$ 6,113
Share of profit from joint ventures	**32,360**	40,209
Expenses	**(5,497)**	(1,571)
Net income	**$ 26,867**	$ 44,751
Non-controlling interest	**$ 4,780**	$ 12,995

	Year ended December 31	
	2020	2019
Cash provided by (used in) operating activities	**$ (5,745)**	$ 8,153
Cash provided by financing activities	**361**	—
Cash provided by (used in) investing activities	**5,291**	(9,265)
Net increase (decrease) in cash and cash equivalents	**$ (93)**	$ (1,112)

25. CO-OWNERSHIP INTERESTS

First Capital has co-ownership interests in several properties, as listed below, that are subject to joint control and represent joint operations under IFRS 11, *"Joint Arrangements"*. First Capital recognizes its share of the direct rights to the assets and obligations for the liabilities of these co-ownerships in the consolidated financial statements.

		Ownership Interest	
Property	**Location**	**December 31, 2020**	December 31, 2019
101 Yorkville Avenue	Toronto, ON	**50%**	50%
2150 Lake Shore Blvd. West (Christie Cookie)	Toronto, ON	**50%**	50%
816-838 11th Ave. (Glenbow)	Calgary, AB	**50%**	50%
738-11th Avenue SW (Glenbow)	Calgary, AB	**50%**	50%
Gloucester City Centre	Ottawa, ON	**50%**	50%
Carrefour du Plateau	Gatineau, QC	**50%**	50%
Merivale Mall	Ottawa, ON	**50%**	50%
Galeries de Repentigny	Repentigny, QC	**50%**	50%
Galeries Brien Ouest/Est	Repentigny, QC	**50%**	50%
Gateway Village	St. Albert, AB	**50%**	50%
King High Line - Residential	Toronto, ON	**66.6%**	66.6%
261 Queens Quay East (Bayside Village)	Toronto, ON	**50%**	—%
Midland (land)	Midland, ON	**50%**	50%
Rutherford Marketplace (Residential Inventory)	Vaughan, ON	**50%**	50%
Hunt Club – Petrocan	Ottawa, ON	**50%**	50%
Gatineau Portfolio (1)	Gatineau, QC	**50%**	—%
Hunt Club Marketplace	Ottawa, ON	**66.6%**	66.6%
Lachenaie Properties	Lachenaie, QC	**50%**	50%
South Oakville Properties (2)	Oakville, ON	**50%**	50%
Whitby Mall	Whitby, ON	**50%**	50%
Thickson Mall	Whitby, ON	**50%**	50%
St. Hubert Portfolio (3)	St. Hubert, QC	**50%**	50%
Ottawa Portfolio (3)	Ottawa, ON	**50%**	50%
West Island Portfolio (4)	Beaconsfield, QC / Kirkland, QC	**50%**	50%
Burlington Portfolio (5)	Burlington, ON	**50%**	—%
Seton Gateway	Calgary, AB	**50%**	50%
Sherwood Park	Sherwood Park, AB	**50%**	50%
The Edmonton Brewery District	Edmonton, AB	**50%**	50%
138 Yorkville Avenue	Toronto, ON	**33.3%**	33.3%
Meadowbrook Centre	Edmonton, AB	**50%**	—%
Lakeview Plaza	Calgary, AB	**50%**	—%

(1) Gatineau Portfolio includes Place Cite des Jeunes, Place Nelligan, and Carrefour du Versant Ouest/Est.

(2) South Oakville Properties includes one property at 50% interest, with the remaining properties held at 100% interest.

(3) St. Hubert Portfolio includes Carrefour St-Hubert, Plaza Actuel, and Promenades du Parc. Ottawa Portfolio includes Loblaws Plaza, Eagleson Place, and Strandherd Crossing.

(4) West Island Portfolio includes Centre Commercial Beaconsfield, Plaza Beaconsfield, Centre St-Charles, Centre Kirkland, and Place Kirkland.

(5) Burlington Portfolio includes Burlingwood Shopping Centre and Beacon Hill Plaza.

		Ownership Interest	
Property	**Location**	**December 31, 2020**	December 31, 2019
West Springs Village	Calgary, AB	**50%**	50%
216 Elgin Street	Ottawa, ON	**50%**	50%
221 - 227 Sterling	Toronto, ON	**35%**	35%
London Portfolio (1)	London, ON	**49.5%**	49.5%
Molson's Building	Calgary, AB	**75%**	75%
1071 King Street West	Toronto, ON	**66.6%**	66.6%
200 Esplanade (Empire Theatres)	North Vancouver, BC	**50%**	50%
400 King Street West (2)	Toronto, ON	**50%**	50%
1120 Kingston Road (2)	Toronto, ON	**60%**	60%

(1) London Portfolio includes Wellington Corners, Sunningdale Village, Byron Village, Hyde Park Plaza, Stoneybrook Plaza, and Adelaide Shoppers.

(2) Co-ownership interests held by MMUR.

26. SUPPLEMENTAL OTHER COMPREHENSIVE INCOME (LOSS) INFORMATION

(a) Accumulated other comprehensive income (loss)

Year ended December 31			**2020**			2019
	Opening Balance January 1	**Net Change During the Year**	**Closing Balance December 31**	Opening Balance January 1	Net Change During the Year	Closing Balance December 31
Unrealized gains (losses) on cash flow hedges	**(10,712)**	**(32,868)**	**(43,580)**	(4,488)	(6,224)	(10,712)
Unrealized gains (losses) on revaluation of hotel property	**2,910**	**(2,910)**	**—**	—	2,910	2,910
Accumulated other comprehensive income (loss)	**$ (7,802)**	**$ (35,778)**	**$ (43,580)**	$ (4,488)	$ (3,314)	$ (7,802)

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

Year ended December 31			**2020**			2019
	Before-Tax Amount	**Tax (Expense) Recovery**	**Net of Tax Amount**	Before-Tax Amount	Tax (Expense) Recovery	Net of Tax Amount
Unrealized gains (losses) on cash flow hedges	**$ (56,012)**	**$ 21,798**	**$ (34,214)**	$ (12,967)	$ 5,812	$ (7,155)
Reclassification of losses on cash flow hedges to net income	**2,203**	**(857)**	**1,346**	1,687	(756)	931
Unrealized gains (losses) on revaluation of hotel property	**(2,910)**	**—**	**(2,910)**	2,910	—	2,910
Other comprehensive income (loss)	**$ (56,719)**	**$ 20,941**	**$ (35,778)**	$ (8,370)	$ 5,056	$ (3,314)

27. SUPPLEMENTAL CASH FLOW INFORMATION

(a) Items not affecting cash and other items

		Year ended December 31	
	Note	**2020**	2019
Straight-line rent adjustment	16	**$ (2,711)**	$ (5,824)
Investment properties selling costs	20	**3,915**	6,381
Realized (gain) loss on sale of marketable securities	20	**—**	(1,164)
Unrealized (gain) loss on marketable securities classified as FVTPL	20	**234**	(474)
Gain on below market purchase [1]	20	**(7,385)**	—
Hotel transaction costs [1]	20	**1,121**	—
Transaction costs [2]	20	**—**	3,414
Gain on Investment	20	**—**	(4,022)
Unit-based compensation expense	15	**8,019**	5,696
Increase (decrease) in value of Exchangeable Units	13	**(7,404)**	(230)
Increase (decrease) in value of unit-based compensation	15	**(11,459)**	(81)
Deferred income taxes (recovery)	21	**23,924**	(82,187)
Other non-cash items		**(41)**	338
Total		**$ 8,213**	$ (78,153)

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

(2) 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:

	Year ended December 31	
	2020	2019
Amounts receivable	**$ (14,775)**	$ 4,870
Prepaid expenses	**(1,303)**	(1,517)
Trade payables and accruals	**12,228**	(12,459)
Tenant security and other deposits	**(602)**	570
Other working capital changes	**(6,770)**	(4,035)
Total	**$ (11,222)**	$ (12,571)

(c) Changes in loans, mortgages and other assets

	Year ended December 31	
	2020	2019
Advances of loans and mortgages receivable	**$ (18,083)**	$ (62,545)
Repayments of loans and mortgages receivable	**45,319**	183,194
Other investments, net	**(278)**	3,554
Investment in marketable securities, net	**—**	(5,000)
Proceeds from disposition of marketable securities	**—**	26,251
Total	**$ 26,958**	$ 145,454

(d) Cash and cash equivalents

As at		**December 31, 2020**		December 31, 2019
Cash and cash equivalents	**$**	**100,444**	$	25,503

28. 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 $70.5 million (December 31, 2019 – $77.5 million) to various lenders in connection with certain third-party obligations, including, without limitation, loans advanced to its joint arrangement partners secured by the partners' interest in the joint arrangements and underlying assets.

(c) First Capital is contingently liable by way of letters of credit in the amount of $49.2 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 $20.7 million (December 31, 2019 – $21.9 million).

29. 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 year ended December 31, 2020, First Capital earned fee income of nil (year ended December 31, 2019 – $1.9 million) from its joint ventures.

During the year ended December 31, 2020, First Capital also advanced nil (year ended December 31, 2019 – $1.2 million) to one of its joint ventures.

(c) Subsidiaries of the Trust

These audited annual 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.

(d) Compensation of Key Management Personnel

Aggregate compensation for Trustees and the Chief Executive Officer, Chief Financial Officer and Chief Operating Officer included in corporate expenses is as follows:

	Year ended December 31			
		2020		2019
Salaries and short-term employee benefits	**$**	**4,390**	$	4,724
Unit-based compensation (non-cash compensation expense)		**6,108**		4,362
	$	**10,498**	$	9,086

30. SUBSEQUENT EVENTS

Reduction in Distributions to Unitholders

On January 12, 2021, First Capital announced the temporary reduction of its monthly distribution to Unitholders from $0.0716 per unit to $0.036 to provide the Trust with additional retained cash flow of approximately $95 million per annum.

Monthly Distributions

On January 12, 2021, First Capital announced that it will pay a distribution, for the month of January, of $0.036 per Trust Unit on February 15, 2021 to Unitholders of record as at January 31, 2021.

Collection of January 2021 Rent

As of February 9, 2021, First Capital has collected approximately 91% of the gross rents payable from tenants for the month of January.

Unitholder Information

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Shops at King Liberty
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Toronto, Ontario M6K 3S3
Tel: 416 504 4114
Fax: 416 941 1655

MONTREAL OFFICE

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Tel: 514 332 0031
Fax: 514 332 5135

CALGARY OFFICE

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

EDMONTON OFFICE

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

VANCOUVER OFFICE

Shops at New West
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