FIRST CAPITAL

2021
FIRST QUARTER REPORT

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 May 4, 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.

Business and Strategy Overview

Our business

First Capital Real Estate Investment Trust, with **$10 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

22.9M
SQ. FT. OF GLA

4,026
TENANTS

356
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.

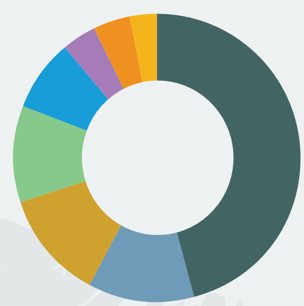
These neighbourhoods are located in Toronto, Montreal, Vancouver, Edmonton, Calgary and Ottawa. We have achieved critical mass in each of our target markets, which helps generate economies of scale and operating synergies, as well as deep local knowledge of our properties, tenants, neighbourhoods and 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 March 31, 2021



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	494	18.4
Grocery Stores	125	17.0
Medical, Professional & Personal Services	1,362	15.5
QSR, Chains & Cafes	895	12.9
Pharmacies	121	9.3
Other Tenants	496	8.4
Banks & Credit Unions	192	8.3
Fitness Facilities	80	3.7
Liquor Stores	92	3.4
Other Restaurants	71	1.7
Daycare & Learning Centres	98	1.4

As at March 31, 2021

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 governance is essential to our performance and have adopted a governance framework that reflects our values, ensures that effective 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 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 "Women Lead Here" list for 2021 and 2020
- Strong gender diversity metrics achieved through all levels of the organization; over 50% of management positions are held by females
- 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 2021 and 2020
- Selected for inclusion in "The Career Directory" for 2021 as one of Canada's Best Employers for Recent Graduates
- Michele Walkau, Senior Vice President, Brand & Culture selected as one of 50 winners for Report on Business' 2021 Best Executive Awards for excellence in Human Resources
- 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 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 ended March 31, 2021 and 2020. 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 May 4, 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.

OUTLOOK AND CURRENT BUSINESS ENVIRONMENT

Throughout the first quarter of 2021 provincial directives were in place mandating capacity limits and restrictions on many businesses. Within the Greater Toronto Area, First Capital's largest region by value and income, there were severe restrictions for much of the quarter. On December 26, 2020, a four week stay-at-home order was issued for Southern Ontario. Due to several extensions to the order, Toronto and neighbouring Peel region only returned to "Grey (Lockdown)", which is still the most restricted of the regional "colour coded" risk categories in the framework, on March 8, 2021.

Despite the ongoing and significant challenges facing many businesses, First Capital’s urban portfolio remained resilient. FCR’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 government restrictions.

Effective April 8, 2021, the Government of Ontario announced the entire province would be placed under a "Stay-at-Home Order". The order is in effect until May 20, 2021. These new restrictions limit non-essential retailers to curbside pick-up and delivery only, and reduce customer capacity for essential retailers.

FCR continues to follow all governmental directives to ensure the safety of its employees, tenants, customers, and neighbours during the pandemic. First Capital employs physical distancing protocols for employees, including working remotely for all staff other than its essential Property Operations Team. FCR's corporate and regional offices operate at reduced capacity to ensure appropriate physical distancing, and signage is prevalent 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 has been provided for all employees.

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, 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 of 2020, FCR announced the launch of its Small Business Support Program ("SBSP"), to provide relief to a subset of qualifying tenants in the form of two months' deferred rent. During the second quarter of 2020, the federal government implemented the Canada Emergency Commercial Rental Assistance (“CECRA”) program, which largely replaced FCR's SBSP. The CECRA program operated from April through September 2020, abating 75% of the qualifying tenants' gross rent and extending a forgivable government loan to the property owner equal to 50% of the gross rent. Under this program, FCR abated $13.2 million of tenants' rent, net of the government's support, as a charge to bad debt expense in 2020.

In September 2020, to continue to assist businesses amid these difficult conditions, the federal government implemented a rent support program, the Canada Emergency Rent Subsidy (“CERS”), that supports tenants directly. This 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. The program has been extended for an additional 16 weeks to September 25, 2021. Effective July 3, 2021, only applicants with a minimum revenue decline of 10% can participate in the CERS program. There is no change to the subsidy rate in the first 4 week extension period. However, after July 3, 2021, the subsidy rate declines in each of the subsequent reporting periods (60%, 40% and 20% respectively).

First Capital is also 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. The CEWS program has also been extended to September 25, 2021, however after July 3, 2021, only applicants with a minimum revenue decline of 10% can participate.

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. First Capital recorded bad debt expense of $2.6 million for the three months ended March 31, 2021.

Overall, First Capital collected 95% of the gross rent due in the first quarter, before any deferrals or abatements. Adjusting for approved deferrals and abatements, First Capital collected 96% of the gross rent due in the first quarter. To date, First Capital collected 94% of the gross rent due for the month of April.

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.

- On January 12, 2021, First Capital announced a 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 May 4, 2021, the Trust's liquidity position included approximately $745 million of cash and undrawn credit facilities with remaining debt maturities for 2021 totaling only $99 million. As at March 31, 2021, the Trust had unencumbered properties with an IFRS value of approximately $6.9 billion and a net debt to asset ratio of 47.3%.

Lending activities

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

FCR's loans and mortgages receivable totaling $84.3 million (December 31, 2020 - $113.1 million) are secured primarily by interests in investment properties or shares of entities owning investment properties which helps to mitigate the risk of non-payment.

Disposition program

First Capital has an objective to sell 100% interests in properties that are deemed to be inconsistent with its Super Urban Strategy. In addition, First Capital also has an objective to sell 50% non-managing interests to institutional partners in certain stable but growing properties, to ultimately expand its position in these markets without increasing investment capital. In April 2019, following the share repurchase transaction, First Capital increased its strategic disposition target to $1.5 billion from $1.0 billion. Since the beginning of 2019, FCR has completed dispositions under this strategy totaling approximately $1.1 billion or 73% of its target. FCR continues to pursue strategic disposition opportunities and expects disposition activity to resume in 2021 as the property transaction market has recently demonstrated improved momentum despite the on-going pandemic.

Development initiatives

Management continues to monitor the impacts of COVID-19 on the portfolio, including properties under development. As of March 31, 2021, FCR had approximately 0.3 million square feet under active development of which 0.2 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 in all the asset classes in which it invests.

Outlook

Across the globe and in many parts of the Canadian economy there are ongoing restrictions aimed at mitigating the transmission of COVID-19 and variants. These restrictions continue to present challenges to many businesses, including some of our tenants. While the full impact on First Capital is still unknown, 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 FCR's most current Annual Information Form 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 (loss), 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, ground-up development, properties under construction, and density and development land 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 outstanding for FFO

For purposes of calculating per unit amounts for FFO, the weighted average number of diluted units outstanding includes the weighted average outstanding Trust Units 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 principal or par value amounts of First Capital's net 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 on a proportionate basis.

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 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 (20.1 million square feet at its ownership interest compared to 22.9 million square feet at 100% as at March 31, 2021). First Capital's operating metrics and GLA excludes residential GLA totaling 324,000 square feet and hotel GLA of 49,000 square feet, at its ownership interest, as amounts are not significant at this time.

In measuring performance or allocating resources, the Trust does not distinguish or group it's operations on a geographical or any other basis and, accordingly, has a single reportable segment for disclosure purposes. As a result, effective January 1, 2021, the Trust has one reportable segment for financial reporting purposes which comprises the ownership, management and development of investment properties located across Canada.

SUMMARY CONSOLIDATED INFORMATION AND HIGHLIGHTS

As at March 31	2021	2020
Revenues, Income and Cash Flows [1]		
Revenues and other income	**$ 174,418**	$ 179,275
NOI [2]	**$ 100,949**	$ 103,140
Increase (decrease) in value of investment properties, net	**$ (7,331)**	$ (119,240)
Increase (decrease) in value of hotel property	**$ (6)**	$ —
Net income (loss) attributable to Unitholders	**$ 37,987**	$ (56,358)
Net income (loss) per unit attributable to Unitholders (diluted)	**$ 0.17**	$ (0.26)
Weighted average number of units - diluted (in thousands)	**220,667**	220,470
Cash provided by operating activities	**$ 44,296**	$ 37,050
Distributions		
Distributions declared	**$ 23,689**	$ 46,892
Distributions declared per unit	**$ 0.108**	$ 0.215
Cash distributions paid	**$ 31,508**	$ 46,874

As at March 31	2021	2020
Financial Information [1]		
Investment properties [3]	**$ 9,528,177**	$ 9,551,590
Hotel property	**$ 88,000**	$ 62,553
Total assets	**$ 9,972,075**	$10,237,121
Mortgages [3]	**$ 1,332,861**	$ 1,308,905
Credit facilities	**$ 1,025,690**	$ 1,138,782
Senior unsecured debentures	**$ 2,347,410**	$ 2,497,462
Exchangeable Units	**$ 1,702**	$ 16,492
Unitholders' equity	**$ 4,254,796**	$ 4,298,037
Net Asset Value per unit [2]	**$ 22.48**	$ 22.65
Capitalization and Leverage		
Trust Units outstanding (in thousands)	**219,404**	218,211
Exchangeable Units outstanding	**103**	1,210
Enterprise value [2]	**$ 8,315,722**	$ 7,706,107
Net debt to total assets [2] [4]	**47.3%**	47.3%
Weighted average term to maturity on mortgages, fixed rate unsecured term loans and senior unsecured debentures (years)	**4.6**	4.9

As at March 31		**2021**		2020
Operational Information				
Number of neighbourhoods		**150**		151
GLA (square feet) - at 100%		**22,890,000**		23,246,000
GLA (square feet) - at ownership interest		**20,053,000**		20,651,000
Occupancy - Same Property - stable [2]		**95.8%**		96.4%
Total portfolio occupancy		**95.8%**		96.4%
Development pipeline and adjacent land (GLA) [5]				
Commercial pipeline (primarily retail)		**1,730,000**		2,237,000
Residential pipeline		**21,959,000**		22,762,000
Average rate per occupied square foot	**$**	**21.99**	$	21.51
Commercial GLA developed and transferred online - at ownership interest		**63,000**		16,000
Residential units developed and transferred online		**2**		35
Same Property - stable NOI - increase (decrease) over prior period [2] [6]		**1.2%**		(3.5%)
Total Same Property NOI - increase (decrease) over prior period [2] [6]		**0.4%**		(2.6%)

Funds from Operations [2] [4]				
FFO	**$**	**55,009**	$	53,856
FFO per diluted unit	**$**	**0.25**	$	0.24
FFO payout ratio		**43.4%**		88.1%
Weighted average number of units - diluted (in thousands)		**220,667**		220,470
Adjusted Cash Flow from Operations [2] [4]				
ACFO	**$**	**42,612**	$	38,930
ACFO payout ratio on a rolling four quarter basis		**83.5%**		82.0%

(1) As presented in First Capital's IFRS consolidated financial statements, except for weighted average number of diluted units and per unit amounts.

(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. Total assets excludes cash balances. Refer to the "Non-IFRS Financial Measures – *Proportionate Interest*" section of this MD&A.

(5) At First Capital's ownership interest.

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

BUSINESS AND OPERATIONS REVIEW

Real Estate Investments

Investment Property Categories

First Capital categorizes its properties for the purposes of evaluating operating performance including Total Same Property NOI. This enables FCR to better reflect its development, redevelopment and repositioning activities on its properties, including density and 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 recently completed multi-year redevelopment projects with significant intensification, reconfiguration and building and tenant upgrades.

Ground-up development **–** consists of recently completed 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.

Properties under construction **–** consists of properties under major redevelopment or ground-up development that are under active construction.

Density and Development land – comprises land sites where there are no development activities underway, except for those in the planning stage and certain zoned or unzoned sites where specific density value has been ascribed.

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.

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

Portfolio Overview

As at March 31, 2021, First Capital had interests in 150 neighbourhoods, which were 95.8% occupied with a total GLA of 20.1 million square feet at FCR's ownership interest (22.9 million square feet at 100%) and a fair value of $9.6 billion. This compares to 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 as at December 31, 2020.

The Same Property portfolio includes properties sub-categorized in Same Property – stable and Same Property with redevelopment. The Same Property portfolio is comprised of 139 neighbourhoods with a total GLA of 19.1 million square feet at FCR's ownership interest (21.9 million square feet at 100%) and a fair value of $8.5 billion. These properties represent 92.7% of FCR's neighbourhood count, 95.2% of its GLA at FCR's ownership interest and 88.1% of its fair value as at March 31, 2021.

The balance of FCR's real estate assets consists of properties which are in various stages of redevelopment, properties acquired in 2021 or 2020 and properties in close proximity to them, as well as properties held for sale.

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

As at	March 31, 2021					December 31, 2020				
Property Type (1)	**% of Total GLA**	**GLA (000s sq. ft.)**	**Fair Value** (2)	**Occupancy**	**Weighted Average Rate per Occupied Square Foot**	% of Total GLA	GLA (000s sq. ft.)	Fair Value (2)	Occupancy	Weighted Average Rate per Occupied Square Foot
Same Property – stable	**88.3%**	**17,709**	**$ 8,023**	**95.8%**	**$ 22.53**	88.5%	17,677	$ 8,022	96.2%	$ 22.52
Same Property with redevelopment	**6.9%**	**1,388**	**462**	**95.9%**	**17.77**	6.9%	1,386	455	96.0%	17.63
Total Same Property	**95.2%**	**19,097**	**8,485**	**95.8%**	**22.18**	95.4%	19,063	8,477	96.2%	22.16
Major redevelopment	**1.6%**	**317**	**98**	**96.3%**	**19.60**	1.6%	323	91	94.6%	18.14
Ground-up development	**0.3%**	**61**	**228**	**100.0%**	**31.74**	—%	—	195	—%	—
Properties under construction (3)	**—%**	**—**	**105**	**—%**	**—**	—%	—	124	—%	—
Acquisitions (4)	**0.1%**	**13**	**59**	**67.2%**	**50.71**	0.1%	8	50	39.1%	40.28
Density and Development land (5) (6)	**0.1%**	**33**	**400**	**100.0%**	**16.17**	0.2%	49	400	100.0%	15.95
Investment properties classified as held for sale	**2.7%**	**532**	**253**	**93.7%**	**14.89**	2.7%	548	250	96.3%	15.16
Total	**100.0%**	**20,053**	**$ 9,628**	**95.8%**	**$ 21.99**	100.0%	19,991	$ 9,587	96.2%	$ 21.89

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

(2) At FCR's proportionate interest, including investment properties classified as held for sale and hotel property at net book value as at March 31, 2021 and December 31, 2020, respectively.

(3) Approximately $56 million (December 31, 2020 - $53 million) of properties under construction is included in investment properties classified as held for sale as at March 31, 2021.

(4) Includes current year and prior year acquisitions.

(5) Approximately $5 million of density and development land is included in acquisitions as at March 31, 2021.

(6) Approximately $77 million (December 31, 2020 - $76 million) of density and development land is included in investment properties classified as held for sale as at March 31, 2021.

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

As at	March 31, 2021							December 31, 2020						
(millions of dollars, except other data) **Area**	**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	**51**	**6,850**	**$ 4,655**	**48%**	**95.3%**	**$ 25.44**	**39%**	51	6,803	$ 4,624	48%	95.8%	$ 25.23	39%
Greater Montreal	**28**	**3,549**	**1,110**	**12%**	**95.9%**	**16.97**	**14%**	28	3,551	1,106	12%	96.3%	17.02	14%
Greater Calgary	**17**	**2,688**	**1,155**	**12%**	**94.8%**	**23.36**	**14%**	17	2,688	1,147	12%	95.7%	23.37	14%
Greater Vancouver	**16**	**1,750**	**1,041**	**11%**	**96.1%**	**25.41**	**10%**	16	1,750	1,041	11%	95.9%	25.53	10%
Greater Edmonton	**11**	**2,258**	**758**	**8%**	**94.7%**	**19.36**	**10%**	11	2,246	764	8%	95.2%	19.24	10%
Greater Ottawa	**13**	**1,182**	**372**	**4%**	**97.8%**	**18.92**	**5%**	13	1,180	370	4%	97.9%	18.97	5%
KW/Guelph (2)	**5**	**1,047**	**332**	**3%**	**98.4%**	**19.05**	**5%**	5	1,047	332	3%	98.3%	19.00	5%
Other	**9**	**729**	**205**	**2%**	**98.9%**	**18.46**	**3%**	9	726	203	2%	98.7%	17.77	3%
Total	**150**	**20,053**	**$ 9,628**	**100%**	**95.8%**	**$ 21.99**	**100%**	150	19,991	$ 9,587	100%	96.2%	$ 21.89	100%

(1) At FCR's proportionate interest, including investment properties classified as held for sale and hotel property at net book value as at March 31, 2021 and December 31, 2020, respectively.

(2) Includes Kitchener, Waterloo, and Guelph Area.

Investment Properties

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

						Three months ended March 31, 2021
(millions of dollars)		**Consolidated Balance Sheet**		**Adjustments for Proportionate Interest**		**Proportionate Interest [2]**
Balance at beginning of period	**$**	**9,491**	**$**	**8**	**$**	**9,499**
Acquisitions						
Investment properties and additional adjacent spaces		**2**		**6**		**8**
Development activities and property improvements		**42**		**(2)**		**40**
Increase (decrease) in value of investment properties, net		**(7)**		**—**		**(7)**
Balance at end of period [1]	**$**	**9,528**	**$**	**12**	**$**	**9,540**

[1] Includes investment properties classified as held for sale as at March 31, 2021 totaling $276 million ($253 million at First Capital's share) of investment properties.

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

						Year ended December 31, 2020
(millions of dollars)		Consolidated Balance Sheet		Adjustments for Proportionate Interest		Proportionate Interest [3]
Balance at beginning of year	$	9,752	$	9	$	9,761
Acquisitions [1]						
Investment properties and additional adjacent spaces		20		25		45
Development activities and property improvements		205		(15)		190
Reclassification to residential development inventory		(58)		—		(58)
Increase (decrease) in value of investment properties, net		(186)		(10)		(196)
Dispositions		(251)		—		(251)
Other changes		9		(1)		8
Balance at end of year [2]	$	9,491	$	8	$	9,499

[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 $162 million ($162 million at First Capital's share) of investment properties.

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

2021 Acquisitions

Income-producing properties

During the three months ended March 31, 2021, First Capital acquired two properties located in Toronto, as summarized in the table below:

Count	Property Name	City/Province	Quarter Acquired	Interest Acquired	GLA (sq. ft.)	Acreage		Acquisition Cost (in millions)
1.	8051 Yonge Street (Royal Orchard)	Toronto, ON	Q1	50%	2,478	0.2	$	5.4
2.	129 Jefferson Avenue (Liberty Village)	Toronto, ON	Q1	100%	3,150	0.1	$	2.1
	Total				5,628	0.3	$	7.5

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, ground-up development as well as condominium and townhome 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 are summarized in the table below:

Three months ended March 31			**2021**			2020
	Capital Expenditures	**Adjustments for Proportionate Interest**	**Proportionate Interest [1]**	Capital Expenditures	Adjustments for Proportionate Interest	Proportionate Interest [1]
Revenue sustaining	**$ 2,887**	**$ —**	**$ 2,887**	$ 5,315	$ 1	$ 5,316
Revenue enhancing	**7,374**	**—**	**7,374**	8,165	39	8,204
Expenditures recoverable from tenants	**747**	**—**	**747**	342	—	342
Development expenditures	**31,225**	**(2,277)**	**28,948**	41,228	(4,407)	36,821
Sub-total	**$ 42,233**	**$ (2,277)**	**$ 39,956**	$ 55,050	$ (4,367)	$ 50,683
Residential Inventory	**$ 2,984**	**$ 828**	**3,812**	$ 1,496	$ (1,054)	442
Total	**$ 45,217**	**$ (1,449)**	**$ 43,768**	$ 56,546	$ (5,421)	$ 51,125

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

Capital expenditures for the three months ended March 31, 2021 were $43.8 million, which was $7.4 million lower than in the same prior year period. 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 new developments over the same prior year period.

Valuation of Investment Properties

The approach selected for valuing investment properties depends on the type of property and other factors such as stage of development. The components of First Capital's investment properties for the purposes of calculating fair values were as follows as at March 31, 2021 and December 31, 2020:

As at and for the three months ended *(millions of dollars)*								**March 31, 2021**
Property Type	**Valuation Method**		**Fair Value**		**Adjustments for Proportionate Interest**		**Proportionate Interest** [1]	**Net Operating Income** [1]
Same Property - stable	DCF [2]	$	**7,961**	$	**62**	$	**8,023**	$ **92**
Same Property with redevelopment	DCF [2]		**411**		**(2)**		**409**	**6**
Total Same Property		$	**8,372**	$	**60**	$	**8,432**	$ **98**
Major redevelopment	DCF [2]		**98**		**—**		**98**	**1**
Ground-up development	DCF [2]		**228**		**—**		**228**	**1**
Properties under construction [3]	DCF [2], Cost [2]		**128**		**(23)**		**105**	**—**
Acquisitions	DCF [2], Cost [2]		**19**		**5**		**24**	**—**
Density and Development Land [4] [5]	Cost [2], comparable land sales		**407**		**(7)**		**400**	**1**
Investment properties classified as held for sale	DCF [2], comparable land sales		**276**		**(23)**		**253**	**1**
Total investment properties		$	**9,528**	$	**12**	$	**9,540**	$ **102**
NOI related to other investments								**(1)**
Total NOI								$ **101**

[1] At First Capital's proportionate interest. Refer to the "Non-IFRS Financial Measures" section of this MD&A.
[2] Discounted Cash Flow ("DCF") is a valuation method under the Income Approach. At cost where cost approximates fair value.
[3] Approximately $79 million ($56 million at First Capital's share) of properties under construction is included in investment properties classified as held for sale.
[4] Approximately $77 million of density and development land is included in investment properties classified as held for sale.
[5] Approximately $5 million of density and development land is included in acquisitions.

As at and for the twelve months ended *(millions of dollars)*								December 31, 2020
Property Type [1]	Valuation Method		Fair Value		Adjustments for Proportionate Interest		Proportionate Interest [2]	Net Operating Income [2]
Same Property - stable	DCF [3]	$	7,960	$	62	$	8,022	$ 314
Same Property with redevelopment	DCF [3]	$	404	$	(2)		402	34
Total Same Property		$	8,364	$	60	$	8,424	$ 348
Major redevelopment	DCF [3]		91		—		91	32
Ground-up development	DCF [3]		195		—		195	9
Properties under construction [4]	DCF [3], Cost [3]		146		(22)		124	—
Acquisitions	DCF [3], Cost [3]		15		—		15	1
Density and Development Land [5]	Cost [3], comparable land sales		408		(8)		400	2
Investment properties classified as held for sale	DCF [3], comparable land sales		272		(22)		250	5
Dispositions	N/A		—		—		—	6
Total investment properties		$	9,491	$	8	$	9,499	$ 403
NOI related to other investments								(2)
Total NOI								$ 401

[1] Prior periods restated to reflect current period property categories.
[2] At First Capital's proportionate interest. Refer to the "Non-IFRS Financial Measures" section of this MD&A.
[3] Discounted Cash Flow ("DCF") is a valuation method under the Income Approach. At cost where cost approximates fair value.
[4] Approximately $75 million ($53 million at First Capital's share) of properties under construction is included in investment properties classified as held for sale.
[5] Approximately $76 million of density and development land is included in investment properties classified as held for sale.

The majority of the Trust's portfolio is valued under the Income Approach using the discounted cash flow ("DCF") method. As at March 31, 2021, the weighted average valuation yields (stabilized overall capitalization, terminal, and discount rates) used in valuing those investment properties under the Income Approach remained unchanged from December 31, 2020.

Due to the ongoing uncertainties created by the COVID-19 pandemic, including greater volatility in the capital markets, limited investment transactions, and a lower interest rate environment, the Trust continues to closely monitor 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. As part of its normal course internal valuations, the Trust made revisions to net operating income estimates in the DCF models for certain properties. As a result, an overall decrease in the value of investment properties was recorded in the first quarter for $7.3 million.

At the onset of the pandemic which arose in the first quarter of 2020, an overall decrease in the value of investment properties was recorded in the amount of $119.2 million for the three months ended March 31, 2020. The decrease reflected the potential impact of COVID-19 on the cash flows in the valuation models. As part of a comprehensive portfolio review, properties with greater exposure to tenants deemed non-essential under government directives, and therefore potentially subject to prolonged closures, were identified. 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.

The associated stabilized capitalization rates by major market for FCR's investment properties valued under the Income Approach were as follows as at March 31, 2021 and December 31, 2020:

As at March 31, 2021	**Stabilized Capitalization Rate**		
Area	**Weighted Average**	**Median**	**Range**
Greater Toronto	**4.5%**	**4.8%**	**3.0%-7.0%**
Greater Montreal	**5.6%**	**5.8%**	**4.6%-7.5%**
Greater Calgary	**5.3%**	**5.3%**	**4.9%-7.0%**
Greater Vancouver	**4.4%**	**4.5%**	**3.8%-5.3%**
Greater Edmonton	**5.8%**	**5.8%**	**5.0%-6.5%**
Greater Ottawa	**6.0%**	**6.0%**	**4.4%-6.8%**
KW/Guelph [(1)]	**5.6%**	**5.6%**	**5.3%-6.3%**
Other	**6.0%**	**5.8%**	**5.3%-7.0%**
Weighted Average	**5.0%**	**5.4%**	**3.0%-7.5%**

As at December 31, 2020	Stabilized Capitalization Rate		
Area	Weighted Average	Median	Range
Greater Toronto	4.5%	4.8%	3.0%-7.0%
Greater Montreal	5.7%	5.8%	4.6%-7.5%
Greater Calgary	5.3%	5.3%	4.9%-7.0%
Greater Vancouver	4.4%	4.5%	3.8%-5.3%
Greater Edmonton	5.8%	5.8%	5.0%-6.5%
Greater Ottawa	6.0%	6.0%	4.4%-6.8%
KW/Guelph [(1)]	5.6%	5.6%	5.3%-6.3%
Other	6.0%	5.8%	5.3%-7.0%
Weighted Average	5.0%	5.4%	3.0%-7.5%

(1) Includes Kitchener, Waterloo, and Guelph Area.

Properties Under Development

As at March 31, 2021, properties under construction as well as density and development land totals approximately $643 million. 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 March 31, 2021, the invested cost of these non-income producing properties was $542 million as compared to a fair value of $643 million. Cumulative gains of approximately $101 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 March 31, 2021, First Capital's portfolio is comprised of 20.1 million square feet of GLA at FCR's ownership interest. Substantially all of this GLA is located in Canada's six largest urban growth markets which are undergoing significant land use intensification. As such, Management has identified meaningful incremental density available for future development within its existing portfolio. As at March 31, 2021, Management had identified approximately 23.7 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 properties under construction, density and development land, and residential inventory within the portfolio by component and type is as follows:

As at March 31, 2021	Square feet *(in thousands)*				Value recognized [1]	
	Commercial	Residential	Total [1]	Recognized to date [2]	*(in millions of dollars)*	
Properties under construction	**130**	**216**	**346**	**346**	**$**	**161**
Density and development land						
Medium term	1,400	10,700	12,100			
Long term	100	6,700	6,800			
Very long term	100	4,200	4,300			
	1,600	**21,600**	**23,200**	**5,303**	**$**	**482**
Residential inventory	**—**	**143**	**143**	**143**	**$**	**84**
Total development pipeline	**1,730**	**21,959**	**23,689**	**5,792**	**$**	**727**

(1) At First Capital's proportionate interest. Refer to the "Non-IFRS Financial Measures" section of this MD&A.

(2) Represents the density that has been valued and included as part of the fair value of investment properties and the cost of residential inventory on the proportionate 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 5.8 million or 24% of FCR's 23.7 million square feet of identified incremental density has been at least partially included as part of the fair value of investment properties and the cost of residential inventory on the proportionate balance sheet.

The value of the Trust's density and development land in IFRS totaling $482 million, or $91 per square foot, as presented below, consists of development land and adjacent land parcels, future pad developments and properties slated for redevelopment with limited income. As of March 31, 2021, the invested cost of the density and development land included in IFRS totaled $402 million representing acquisition cost and pre-development costs to date.

As at March 31, 2021 *(in millions of dollars)*			Unencumbered		Encumbered		Fair Value
Development Land	Unzoned	$	160	$	2	$	162
	Zoned		97		10		107
	Total		**257**		**12**		**269**
IPP with density	Unzoned		152		33		185
	Zoned		18		10		28
	Total		**170**		**43**		**213**
Value of density and development land in IFRS		**$**	**427**	**$**	**55**	**$**	**482**

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 properties under construction, density and development land, and residential inventory by urban market is as follows:

As at March 31, 2021 *(in thousands of square feet)*	**Incremental Density Pipeline**	
	Total	% of Total
Greater Toronto Area	12,855	54.3%
Greater Montreal Area	5,609	23.7%
Greater Vancouver Area	2,820	11.9%
Greater Calgary Area	1,310	5.5%
Greater Ottawa Area	735	3.1%
Greater Edmonton Area	360	1.5%
Total development pipeline	**23,689**	**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 second 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. During 2020, zoning approvals were obtained on the Gloucester Phase 1 property. The current IFRS value of these properties in aggregate is approximately $607 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 submitted entitlement applications for GFA of approximately 2.8 million square feet (incremental density of 2.7 million square feet). 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 $309 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**

As of March 31, 2021, entitlement submissions to date total approximately 13.7 million square feet representing 58% of FCR's 23.7 million incremental density pipeline. In addition to the properties listed in the entitlements section above, First Capital has 10.0 million square feet of additional incremental density which includes 9.7 million square feet primarily related to the properties listed below, where entitlements have yet to be submitted, and 0.3 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.

2021 Development and Redevelopment Coming Online and Space Going Offline

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

During the three months ended March 31, 2021, First Capital completed the transfer of 63,000 square feet of new retail space in addition to 2 residential units to the income-producing portfolio at a total cost of $32.3 million. All of the retail space transferred was located in a super urban neighbourhood and became occupied at an average rental rate of $31.59 per square foot.

For the three months ended March 31, 2021, First Capital had tenant closures for redevelopment of 37,000 square feet at an average rental rate of $18.64 per square foot.

Active Development and Redevelopment Activities

Construction on all projects has largely been unaffected by COVID-19 restrictions during the first quarter of 2021 and have only experienced minor delays. 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 346,000 square feet of space currently under development, of which 130,000 square feet is retail space and 216,000 square feet is residential rental apartments. A total of 65,000 square feet of the retail space currently under development is subject to committed leases at a weighted average rate of $28.65 per square foot. As construction on large projects occurs in phases, there continues to be ongoing negotiations in various stages with retailers for the planned space. Leasing of residential apartments begins as the project is nearing completion.

Highlights of First Capital's active projects as at March 31, 2021 are as follows:

As at March 31, 2021						
Count/Project		Major Tenants	Ownership Interest %	Square Feet Under Development (in thousands)	Target Completion Date [1]	Fair Value (in million)
1.	Eagleson Place, Ottawa, ON	*(Medical Clinic, Kettleman's)*	100%	5	H1 2021	
2.	Dundas & Aukland, Toronto, ON [2]	*(Farm Boy)*	70.88%	220	H2 2021	
3.	King High Line (Shops at King Liberty), Toronto, ON [3][4]	*(Longo's, Canadian Tire, Shoppers Drug Mart, Winners, Kids & Company, PetSmart, McDonald's)*	100%/ 67%	27	H2 2021	
4.	Leaside Expansion, Toronto, ON	*(Shoppers Drug Mart, PetSmart, Medical Office)*	100%	11	H2 2021	
5.	Chartwell Shopping Centre, Toronto, ON	*(Mabu Station, Coco Tea)*	100%	4	H2 2021	
6.	Wilderton, Montreal, QC [5]	*(Metro, Pharmaprix, Tim Hortons, SAQ)*	100%	79	H2 2023	
	Total properties under construction at FCR's share [6]			**346**		**$161**

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

(2) This project consists of 43,000 square feet of retail and 267,000 square feet of residential space (333 rental units) for a total of 310,000 square feet on a 100% basis. FCR consolidates 100% of this property under IFRS, but has an economic interest of 70.88%.

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

(4) The square feet under development is comprised of 27,000 square feet of rental residential space (at FCR's interest of 67%).

(5) Target completion date reflects future phases.

(6) At First Capital's proportionate interest. Refer to the "Non-IFRS Financial Measures" section of this MD&A.

Costs to Complete Active and Redevelopment Activities

Costs to complete the development, redevelopment and expansion activities underway are estimated to be $66.2 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 $18.8 million at March 31, 2021. 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 March 31, 2021, total portfolio and Same Property occupancy, declined 0.6% to 95.8%, respectively, compared to March 31, 2020. Total portfolio and Same Property occupancy, decreased 0.4% to 95.8%, respectively, compared to December 31, 2020, primarily due to net closures versus openings.

For the three months ended March 31, 2021, the monthly average occupancy for the total portfolio was 96.0% compared to 96.5%, and the Same Property portfolio occupancy was 96.0% compared to 96.6% for the same prior year period, respectively.

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

As at		**March 31, 2021**			December 31, 2020	
(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	**16,969**	**95.8%**	**$ 22.53**	17,010	96.2%	$ 22.52
Same Property with redevelopment	**1,331**	**95.9%**	**17.77**	1,330	96.0%	17.63
Total Same Property	**18,300**	**95.8%**	**22.18**	18,340	96.2%	22.17
Major redevelopment	**306**	**96.3%**	**19.60**	305	94.6%	18.14
Ground-up development	**61**	**100.0%**	**31.74**	—	—%	—
Investment properties classified as held for sale	**498**	**93.7%**	**14.89**	528	96.3%	15.16
Total portfolio before acquisitions and dispositions	**19,165**	**95.8%**	**21.99**	19,173	96.2%	21.91
Acquisitions [1]	**8**	**67.2%**	**50.71**	3	39.1%	40.28
Density and Development land	**33**	**100.0%**	**16.17**	49	100.0%	15.95
Total [2]	**19,206**	**95.8%**	**$ 21.99**	19,225	96.2%	$ 21.89

(1) Includes current year and prior year acquisitions.
(2) At FCR's ownership interest.

During the three months ended March 31, 2021, First Capital completed 450,000 square feet of lease renewals across the portfolio. First Capital achieved a 8.4% lease renewal rate increase when comparing the per square foot net rental rate in the last year of the expiring term to the per square foot net rental rate in the first year of the renewal term. For the three months ended March 31, 2021, First Capital achieved a 10.4% lease renewal rate increase when comparing the net rental rate in the last year of the expiring term to the average net rental rate over the renewal term.

The average rental rate per occupied square foot for the total portfolio increased 0.5% from $21.89 as at December 31, 2020 to $21.99 as at March 31, 2021 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 March 31, 2021 are set out below:

Three months ended March 31, 2021	Total Same Property			Major redevelopment, ground-up, acquisitions, dispositions, density & development land			Vacancy				Total Portfolio [1]		
	Occupied Square Feet (thousands)	%	Weighted Average Rate per Occupied Square Foot	Occupied Square Feet (thousands)	%	Weighted Average Rate per Occupied Square Foot	Under Redevelop-ment Square Feet (thousands)	%	Vacant Square Feet (thousands)	%	Total Square Feet (thousands)	Occupied Square Feet %	Weighted Average Rate per Occupied Square Foot
December 31, 2020 [2]	**18,340**	**96.2%**	**$ 22.16**	**885**	**95.4%**	**$ 16.31**	**—**	**— %**	**766**	**3.8%**	**19,991**	**96.2%**	**$ 21.89**
Tenant possession	40		25.84	4		25.17	—		(44)		—		25.78
Tenant closures	(80)		(25.23)	(17)		(18.40)	—		97		—		(24.07)
Tenant closures for redevelopment	—		—	(37)		(18.64)	37		—		—		(18.64)
Developments – tenants coming online [3]	—		—	63		31.59	—		—		63		31.59
Redevelopments – tenant possession	—		—	—		—	—		—		—		—
Demolitions	—		—	—		—	—		—		—		—
Reclassification	—		—	—		—	(37)		28		(9)		—
Total portfolio before 2021 acquisitions and dispositions	18,300	95.8%	$ 22.18	898	94.8%	$ 17.71	—	—%	847	4.2%	20,045	95.8%	$ 21.97
Acquisitions (at date of acquisition)	—	—%	—	8	100.0%	48.48	—	—%	—		8	100.0%	48.48
Dispositions (at date of disposition)	—	—%	—	—	—%	—	—	—%	—		—	—%	—
March 31, 2021	**18,300**	**95.8%**	**$ 22.18**	**906**	**94.8%**	**$ 17.99**	**—**	**—%**	**847**	**4.2%**	**20,053**	**95.8%**	**$ 21.99**
Renewals	448		$ 17.56	2		$ 29.50					450		$ 17.62
Renewals – expired	(448)		$ (16.19)	(2)		$ (28.38)					(450)		$ (16.25)
Net change per square foot from renewals			$ 1.37			$ 1.12							$ 1.37
% Increase on renewal of expiring rents (first year of renewal term)			8.5%			3.9%							8.4%
% increase on renewal of expiring rents (average rate in renewal term)													10.4%

(1) At FCR's ownership interest.

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

(3) For further discussion of development and redevelopment coming online and under development vacancy, refer to the "Properties Under Development – 2021 Development and Redevelopment Coming Online and Space Going Offline" section of this MD&A.

Top Forty Tenants

As at March 31, 2021, 55.4% of First Capital's annualized minimum rent came from its top 40 tenants (December 31, 2020 – 55.0%). Of these rents, 76.4% (December 31, 2020 – 76.6%) 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 March 31, 2021, 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")	96	1,991	10.4%	10.5%	BBB (high)	BBB	
2.	Sobeys	49	1,418	7.4%	5.4%	BBB (low)	BBB-	
3.	Metro	34	838	4.4%	2.9%	BBB	BBB	
4.	Canadian Tire	22	685	3.6%	2.8%	BBB	BBB	
5.	Walmart	13	1,246	6.5%	2.5%	AA	AA	Aa2
6.	TD Canada Trust	45	203	1.1%	2.1%	AA (high)	AA-	Aa1
7.	RBC Royal Bank	41	207	1.1%	1.8%	AA (high)	AA-	Aa2
8.	Save-On-Foods	9	324	1.7%	1.8%			
9.	GoodLife Fitness	24	497	2.6%	1.8%			
10.	Dollarama	47	419	2.2%	1.7%	BBB	BBB	Baa2
Top 10 Tenants Total		380	7,828	41.0%	33.3%			
11.	CIBC	35	172	0.9%	1.4%	AA	A+	Aa2
12.	LCBO	21	190	1.0%	1.3%	AA (low)	A+	Aa3
13.	Lowe's	4	361	1.9%	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	54	124	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.	Staples	9	194	1.0%	0.8%		B	B1
23.	Nordstrom	1	40	0.2%	0.8%	BB	BB+	Baa3
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.	PetSmart	5	82	0.4%	0.6%		B	B2
28.	McDonald's	20	72	0.4%	0.5%		BBB+	Baa1
29.	Pusateri's	1	35	0.2%	0.5%			
30.	Subway	61	60	0.3%	0.5%			
31.	Toys "R" Us	3	127	0.7%	0.5%			
32.	The Beer Store	11	62	0.3%	0.5%	AA (low)	A+	Aa3
33.	SAQ	16	60	0.3%	0.4%	AA (low)	AA-	Aa2
34.	The Home Depot	2	153	0.8%	0.4%	A	A	A2
35.	Williams-Sonoma	2	38	0.2%	0.4%			
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.	Canopy Growth	7	9	—%	0.3%			
40.	Goodwill	2	52	0.3%	0.3%			
Top 40 Tenants Total		**846**	**11,238**	**58.6%**	**55.4%**			

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

[2] Tenants noted include all banners of the respective retailer.

Lease Maturity Profile

First Capital’s lease maturity profile for its portfolio as at March 31, 2021, 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]	164	257	1.3%	$ 5,491	1.2%	$ 21.35
2021	400	1,365	6.8%	25,745	5.7%	18.86
2022	656	2,514	12.5%	58,103	12.8%	23.12
2023	599	2,921	14.6%	59,023	13.0%	20.21
2024	549	2,307	11.5%	51,422	11.3%	22.29
2025	531	2,259	11.3%	55,769	12.2%	24.69
2026	314	1,355	6.8%	36,143	7.9%	26.67
2027	171	1,083	5.4%	25,908	5.7%	23.92
2028	162	1,052	5.2%	29,480	6.5%	28.04
2029	177	991	4.9%	26,329	5.8%	26.57
2030	161	827	4.1%	23,406	5.1%	28.29
2031	80	634	3.2%	15,904	3.5%	25.08
Thereafter	77	1,641	8.2%	42,549	9.3%	25.94
Total or Weighted Average [2]	4,041	19,206	95.8%	$ 455,272	100.0%	$ 23.71

[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 M+M Realty LP ("MMUR").

The weighted average remaining lease term for the portfolio was 5.2 years as at March 31, 2021, excluding contractual renewal options, but including month-to-month and other short-term leases.

Investment in Joint Ventures

As at March 31, 2021, 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	**March 31, 2021**	December 31, 2020
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.

The following table reconciles the changes in First Capital's interests in its equity accounted joint ventures for the three months ended March 31, 2021 and year ended December 31, 2020:

	March 31, 2021	December 31, 2020
Balance at beginning of period	**$ 52,570**	$ 59,498
Contributions to equity accounted joint ventures	**6,570**	3,889
Distributions from equity accounted joint ventures	**(728)**	(2,982)
Share of income (loss) from equity accounted joint ventures	**(724)**	(7,835)
Balance at end of period	**$ 57,688**	$ 52,570

As of March 31, 2021, none of the Trust's investments in joint ventures were determined to be impaired taking into account the COVID-19 environment.

Loans, Mortgages and Other Assets

As at	March 31, 2021	December 31, 2020
Non-current		
Loans and mortgages receivable classified as FVTPL (a)	**$ 1,967**	$ 1,968
Loans and mortgages receivable classified as amortized cost (a)	**27,835**	37,612
Other investments	**12,580**	12,580
Total non-current	**42,382**	52,160
Current		
Loans and mortgages receivable classified as FVTPL (a)	**6**	6
Loans and mortgages receivable classified as amortized cost (a)	**54,444**	73,548
FVTPL investments in securities (b)	**3,844**	3,715
Total current	**58,294**	77,269
Total	**$ 100,676**	$ 129,429

(a) Loans and mortgages receivable are secured by interests in investment properties or shares of entities owning investment properties. As at March 31, 2021, these receivables bear interest at weighted average effective interest rates of 5.9% (December 31, 2020 – 6.3%) and mature between 2021 and 2024. As of March 31, 2021, none of the Trust's loans and mortgages receivable classified as amortized cost required a provision or were determined to be impaired taking into account the COVID-19 environment.

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

RESULTS OF OPERATIONS

Net Operating Income

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

	Three months ended March 31		
	% change	**2021**	2020
Property rental revenue			
Base rent [1]		**$ 106,602**	$ 106,886
Operating cost recoveries		**26,782**	27,687
Realty tax recoveries		**32,196**	33,680
Lease termination fees		**697**	304
Percentage rent		**564**	902
Straight-line rent adjustment		**486**	882
Prior year operating cost and tax recovery adjustments		**(255)**	(429)
Temporary tenants, storage, parking and other [2]		**4,840**	6,224
Total Property rental revenue	**(2.4%)**	**171,912**	176,136
Property operating costs			
Recoverable operating expenses		**29,862**	30,965
Recoverable realty tax expense		**36,703**	37,989
Prior year realty tax expense		**(295)**	(108)
Other operating costs and adjustments [3]		**4,693**	4,150
Total Property operating costs		**70,963**	72,996
NOI [4]	**(2.1%)**	**$ 100,949**	$ 103,140
NOI margin		**58.7%**	58.6%

(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 ended March 31, 2021, bad debt expense totals $2.6 million (three months ended March 31, 2020 - recovery of $0.1 million).

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

For the three months ended March 31, 2021, total NOI decreased by $2.2 million compared to the same prior year period primarily due to the impact of the Trust's disposition program. Additionally, bad debt expense increased over the prior year period by $2.7 million which was offset by the impact of new tenant possessions, higher residential rental revenue and lease termination fees as well as lower non-recoverable expenditures.

For the three months ended March 31, 2021, the NOI margin increased only 0.1% compared to the same prior year period due to increased bad debt expense. Excluding the impact of the increased bad debt expense, the NOI margin for the three months ended March 31, 2021 is 60.2%.

For the three months ended March 31, 2021, property operating costs include $5.5 million (three months ended March 31, 2020 –$5.7 million) related to employee compensation. Employee compensation is presented net of subsidies received under the Canada Emergency Wage Subsidy ("CEWS") program for the three months ended March 31, 2021 of $0.3 million related to property operations personnel (three months ended March 31, 2020 - Nil). A portion of this wage subsidy will be passed on to tenants through lower operating cost recoveries.

Same Property NOI Growth

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

	Three months ended March 31		
	% change	**2021**	2020
Property rental revenue			
Base rent [1]		**$101,513**	$ 99,210
Operating cost recoveries		**25,874**	25,972
Realty tax recoveries		**31,307**	31,671
Lease termination fees		**697**	304
Percentage rent		**544**	794
Prior year operating cost and tax recovery adjustments		**(180)**	(415)
Temporary tenants, storage, parking and other [2]		**4,140**	6,029
Total Same Property rental revenue		**163,895**	163,565
Property operating costs			
Recoverable operating expenses		**28,405**	28,772
Recoverable realty tax expense		**34,557**	35,214
Prior year realty tax expense		**(121)**	(234)
Other operating costs and adjustments [3]		**4,263**	3,395
Total Same Property operating costs		**67,104**	67,147
Total Same Property NOI [4]	**0.4%**	**$ 96,791**	$ 96,418
Major redevelopment		**1,362**	1,529
Ground-up development		**823**	205
Acquisitions – 2021		**18**	—
Acquisitions – 2020		**11**	—
Investment properties classified as held for sale		**1,413**	1,818
Dispositions – 2020		**65**	2,291
Straight-line rent adjustment		**486**	882
Development land		**(20)**	(3)
NOI [4]	**(2.1%)**	**$100,949**	$103,140
NOI margin		**58.7%**	58.6%

[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 March 31	
	2021	2020 [1]
Same Property – Stable	**1.2%**	(3.5%)
Same Property with redevelopment [2]	**(11.4%)**	8.9%
Total Same Property NOI Growth [3]	**0.4%**	(2.6%)

[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 ended March 31, 2021, SP NOI increased by $0.4 million, or 0.4%, primarily due to higher rental rates and lease termination fees, partially offset by higher bad debt expense and lower variable revenues due to COVID-19.

Interest and Other Income

	Three months ended March 31			
		2021		2020
Interest, dividend and distribution income from marketable securities and other investments	**$**	**209**	$	212
Interest income from loans and mortgages receivable classified as FVTPL		**25**		290
Interest income from loans and mortgages receivable at amortized cost		**1,236**		1,859
Fees and other income		**1,036**		778
Total	**$**	**2,506**	$	3,139

For the three months ended March 31, 2021, First Capital's interest and other income totaled $2.5 million, compared to $3.1 million, for the same prior year period. The decrease of $0.6 million was primarily due to lower interest income as a result of lower loans and mortgages receivables outstanding over the same prior year period.

Interest Expense

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

	Three months ended March 31			
		2021		2020
Mortgages	**$**	**13,117**	$	12,851
Credit facilities		**6,464**		7,255
Senior unsecured debentures		**24,678**		26,218
Distributions on Exchangeable Units [1]		**11**		260
Interest capitalized		**(5,782)**		(6,168)
Interest expense	**$**	**38,488**	$	40,416

[1] The distributions declared on the Exchangeable Units are accounted for as interest expense.

For the three months ended March 31, 2021, interest expense decreased by $1.9 million primarily due to the repayment of Series M and Series N unsecured debentures on April 16, 2020 and March 1, 2021, respectively.

During the three months ended March 31, 2021 and 2020, approximately 13.1% or $5.8 million, and 13.2% or $6.2 million, respectively, of interest expense was capitalized to real estate investments for properties undergoing development or redevelopment projects.

Corporate Expenses

First Capital's corporate expenses are as follows:

		Three months ended March 31		
		2021		2020
Salaries, wages and benefits	**$**	**8,129**	$	7,919
Unit-based compensation		**1,847**		1,094
Other corporate costs		**3,221**		3,372
Total corporate expenses		**13,197**		12,385
Amounts capitalized to investment properties under development		**(2,519)**		(2,398)
Corporate expenses	**$**	**10,678**	$	9,987

For the three months ended March 31, 2021, gross corporate expenses, before capitalization, increased by $0.8 million primarily due to higher unit-based compensation expense over the same prior year period.

First Capital manages all of its acquisitions, development and redevelopment and leasing activities internally. Certain internal costs directly related to development, including salaries and related costs for planning, zoning, construction and so forth, are capitalized in accordance with IFRS to development projects as incurred. During the three months ended March 31, 2021 and 2020, approximately $2.5 million and $2.4 million, respectively, of compensation-related and other corporate expenses were capitalized to real estate investments for properties undergoing development or redevelopment projects. Amounts capitalized are based on development and pre-development projects underway. Changes in capitalized corporate expenses are primarily the result of timing of completion of development and redevelopment projects and First Capital's current level of pre-development and early redevelopment activity.

Other Gains (Losses) and (Expenses)

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

Three months ended March 31		**2021**				2020		
		Consolidated Statements of Income (Loss)		**Included in FFO**		Consolidated Statements of Income (Loss)		Included in FFO
Unrealized gain (loss) on marketable securities	**$**	**129**	**$**	**129**	$	(1,342)	$	(1,342)
Investment properties selling costs		**(382)**		**—**		(2,025)		—
REIT conversion costs		**—**		**—**		(906)		(906)
Other		**(1)**		**(1)**		41		41
Total per consolidated statements of income (loss)	**$**	**(254)**	**$**	**128**	$	(4,232)	$	(2,207)
Other gains (losses) and (expenses) under equity accounted joint ventures (1)		**(111)**		**(111)**		(1,329)		(1,371)
Total at First Capital's proportionate interest (2)	**$**	**(365)**	**$**	**17**	$	(5,561)	$	(3,578)

(1) Other gains (losses) and (expenses) under equity accounted joint ventures, included in FFO, is comprised of pre-selling costs of residential inventory of $0.1 million (March 31, 2020 - $1.4 million).

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

For the three months ended March 31, 2021, FCR recognized $0.3 million in other losses and expenses in its consolidated statements of income (loss) compared to $4.2 million in other losses in the same prior year period. The $4.0 million decrease in other losses is primarily due to lower investment property selling costs, higher unrealized gains on marketable securities, and non-recurring REIT conversion costs recognized in the first quarter of 2020. Additionally, other losses and expenses under equity accounted joint ventures relate to condominium selling costs related to the pre-sale activity at the Humbertown condominium development.

Income Taxes

For the three months ended March 31, 2021, deferred income tax expense (recovery) totaled $0.9 million, compared to ($1.5) million, over the same prior year period. The increase of $2.4 million in deferred tax expense was primarily due to an increase in taxable income applicable to the Trust's corporate subsidiaries.

Net Income (Loss) Attributable to Unitholders

For the three months ended March 31, 2021, net income attributable to Unitholders was $38.0 million or $0.17 per diluted unit compared to a net loss of $56.4 million or $0.26 per diluted unit for the same prior year period. The $94.3 million increase was primarily due to a lower decrease in the fair value of investment property of $111.9 million as compared to the prior year period, partially offset by an increase in the fair value of the Trust's unit-based compensation due to the increase in the Trust's unit price since March 31, 2020.

CAPITAL STRUCTURE AND LIQUIDITY

Total Capital Employed

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

As at	**March 31, 2021**	December 31, 2020
Liabilities (principal amounts outstanding)		
Bank indebtedness	**$ 13,965**	$ 238
Mortgages [1]	**1,376,269**	1,390,466
Credit facilities [1]	**989,795**	881,414
Senior unsecured debentures	**2,350,000**	2,525,000
Total Debt [1]	**$ 4,730,029**	$ 4,797,118
Cash and cash equivalents [1]	**$ (33,977)**	$ (112,664)
Net Debt [1] [2]	**$ 4,696,052**	$ 4,684,454
Exchangeable Units	**1,702**	1,399
Equity market capitalization [3]	**3,617,968**	2,971,723
Enterprise value [1]	**$ 8,315,722**	$ 7,657,576
Trust Units outstanding (000's)	**219,404**	219,315
Closing market price	**$ 16.49**	$ 13.55

(1) At First Capital's proportionate interest. Refer to the "Non-IFRS Financial Measures" section of this MD&A.

(2) Net Debt is a non-IFRS measure that is calculated as the sum of total debt including 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 on a proportionate basis.

(3) Equity market 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 market capitalization increased from $3.0 billion at December 31, 2020 to $3.6 billion at March 31, 2021 due to an increase in the Trust's unit price since December 31, 2020.

Adjusted EBITDA

Adjusted EBITDA is a non-IFRS measure that 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. First Capital also adjusts for incremental leasing costs, which is a recognized adjustment to FFO, in accordance with the recommendations of REALPAC.

The following table reconciles First Capital's net income (loss) to Adjusted EBITDA for the three months ended March 31, 2021 and 2020:

	Three months ended March 31	
	2021	2020
Net income (loss) attributable to Unitholders	**$ 37,987**	$ (56,358)
Add (deduct):		
Deferred income tax expense (recovery)	**919**	(1,465)
Interest Expense	**38,820**	40,730
Amortization expense	**2,290**	1,774
(Increase) decrease in value of investment properties	**7,276**	123,833
(Increase) decrease in value of hotel property	**6**	—
Increase (decrease) in value of Exchangeable Units	**303**	(8,518)
Increase (decrease) in value of unit-based compensation	**5,430**	(8,483)
Incremental leasing costs	**1,505**	1,798
Abandoned transaction costs	**81**	64
Other non-cash and/or non-recurring items	**794**	4,519
Adjusted EBITDA	**$ 95,411**	$ 97,894

Key Metrics

The ratios below include measures not specifically defined in IFRS.

As at	**March 31, 2021**	December 31, 2020
Weighted average effective interest rate on mortgages, fixed rate unsecured term loans and senior unsecured debentures	**3.8%**	3.8%
Weighted average maturity on mortgages, fixed rate unsecured term loans and senior unsecured debentures (years)	**4.6**	4.6
Net debt to total assets [1]	**47.3%**	47.3%
Net debt to Adjusted EBITDA [1]	**12.2**	12.0
Unencumbered aggregate assets [1]	**$ 6,873,706**	$ 7,003,026
Unencumbered aggregate assets to unsecured debt, based on fair value [1]	**2.1**	2.1
Adjusted EBITDA interest coverage [1]	**2.1**	2.1

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

The Net debt to Adjusted EBITDA ratio increased by 0.2 to 12.2, as of March 31, 2021, due to an increase in net debt and a decrease in EBITDA. The decrease in EBITDA arose primarily from lower NOI due to dispositions and higher bad debt expense.

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, FCR 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 March 31, 2021 is summarized in the table below:

As at March 31, 2021	Mortgages [1]	Credit Facilities/Bank Indebtedness [2]	Senior Unsecured Debentures	Total	% Due
2021 (remainder of the year)	$ 77,057	$ 62,517	$ —	$ 139,574	3.0%
2022	127,503	213,859	450,000	791,362	16.8%
2023	32,597	213,279	300,000	545,876	11.5%
2024	140,423	300,000	300,000	740,423	15.6%
2025	85,537	75,000	300,000	460,537	9.8%
2026	120,246	175,000	300,000	595,246	12.6%
2027	103,943	—	500,000	603,943	12.8%
2028	166,973	—	200,000	366,973	7.7%
2029	251,257	—	—	251,257	5.3%
2030	176,480	—	—	176,480	3.7%
2031	55,325	—	—	55,325	1.2%
	$ 1,337,341	$ 1,039,655	$ 2,350,000	$ 4,726,996	100.0%
Add (deduct): unamortized deferred financing costs, premiums and discounts, net	(4,480)	—	(2,590)	(7,070)	
Total	$ 1,332,861	$ 1,039,655	$ 2,347,410	$ 4,719,926	

(1) Principal amount outstanding for mortgages on a proportionate basis is $1,376,269.

(2) Principal amount outstanding for credit facilities and bank indebtedness on a proportionate basis is $989,795 and $13,965, respectively.

First Capital's strategy is to manage its long-term debt by staggering maturity dates in order to mitigate risk associated with short-term volatility in the debt markets. First Capital also intends to maintain financial flexibility to support a reasonable cost of debt and equity capital over the long term.

Mortgages

The changes in First Capital's mortgages during the three months ended March 31, 2021 are set out below:

Three months ended March 31, 2021		Amount	Weighted Average Effective Interest Rate
Balance at beginning of period	$	1,346,637	3.6%
Mortgage repayments		(7,064)	5.5%
Scheduled amortization on mortgages		(6,887)	—%
Amortization of financing costs and net premium		175	—%
Balance at end of period	$	1,332,861	3.6%

As at March 31, 2021, 100% (December 31, 2020 – 100%) of the outstanding mortgages bore interest at fixed interest rates. The average remaining term of mortgages outstanding decreased from 6.0 years as at December 31, 2020 on $1.3 billion of mortgages to 5.9 years as at March 31, 2021 on $1.3 billion of mortgages after reflecting borrowing activity and repayments during the period.

Mortgage Maturity Profile

The maturity profile including scheduled amortization of First Capital's mortgages as at March 31, 2021 is summarized in the table below:

As at March 31, 2021	Scheduled Amortization	Payments on Maturity	Total	Weighted Average Effective Interest Rate
2021 (remainder of the year)	$ 21,498	$ 55,559	$ 77,057	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	7,105	169,375	176,480	3.3%
2031	370	54,955	55,325	3.5%
	$ 240,730	$ 1,096,611	$ 1,337,341	3.6%
Add: unamortized deferred financing costs and premiums and discounts, net			(4,480)	
Total			$ 1,332,861	

Credit Facilities

First Capital's credit facilities as at March 31, 2021 are summarized in the table below:

As at March 31, 2021	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	$ —	$ (23,102)	$ 526,898	BA + 1.45% or Prime + 0.45% or US$ LIBOR + 1.45%	June 30, 2023
Revolving facility maturing 2022 (1)	250,000	(99,509)	—	150,491	BA + 1.10% or Prime + 0.25% or US$ LIBOR + 1.10%	September 29, 2022
Floating rate unsecured term loan maturing 2023 (2)	200,000	(199,314)	—	—	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	(103,282)	(1,592)	33,126	BA + 1.350% or Prime + 0.350%	October 26, 2022
Secured Facilities						
Maturing 2021	19,734	(9,200)	(1,320)	9,214	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	$ (1,025,690)	$ (26,014)	$ 719,745		

(1) The Trust had drawn in U.S. dollars the equivalent of CAD$100.0 million which was revalued at CAD$99.5 million as at March 31, 2021.

(2) The Trust had drawn in U.S. dollars the equivalent of CAD$200.0 million which was revalued at CAD$199.3 million as at March 31, 2021.

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.

Senior Unsecured Debentures

As at March 31, 2021			Interest Rate		Remaining Term to Maturity	Principal Outstanding
Series	Maturity Date	Interest Payment Dates	Coupon	Effective	(years)	
O	January 31, 2022	January 31, July 31	4.43%	4.59%	0.8	$ 200,000
P	December 5, 2022	June 5, December 5	3.95%	4.18%	1.7	250,000
Q	October 30, 2023	April 30, October 30	3.90%	3.97%	2.6	300,000
R	August 30, 2024	February 28, August 30	4.79%	4.72%	3.4	300,000
S	July 31, 2025	January 31, July 31	4.32%	4.24%	4.3	300,000
T	May 6, 2026	May 6, November 6	3.60%	3.56%	5.1	300,000
U	July 12, 2027	January 12, July 12	3.75%	3.82%	6.3	300,000
V	January 22, 2027	January 22, July 22	3.46%	3.54%	5.8	200,000
A	March 1, 2028	March 1, September 1	3.45%	3.54%	6.9	200,000
	Weighted Average or Total		3.99%	4.03%	4.1	$ 2,350,000

On March 1, 2021, upon maturity, First Capital repaid its 4.50% Series N Senior Unsecured Debentures in the amount of $175.0 million.

Unitholders' Equity

Unitholders’ equity amounted to $4.3 billion as at March 31, 2021, compared to Unitholders' equity of $4.2 billion as at December 31, 2020. The increase is primarily attributed to higher net income and other comprehensive income for the three months ended March 31, 2021.

As at May 3, 2021, there were 219.4 million Trust Units and 0.1 million Exchangeable Units outstanding.

Unit Options

As at March 31, 2021, First Capital had 7.2 million unit options outstanding, with an average exercise price of $19.78, which, if exercised, would result in First Capital receiving proceeds of $142.3 million.

Liquidity

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

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

As at (millions of dollars)	**March 31, 2021**	December 31, 2020
Total available under credit facilities	**$ 720**	$ 823
Cash and cash equivalents	**$ 19**	$ 100
Unencumbered aggregate assets	**$ 6,874**	$ 7,003

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

Planned and completed financings subsequent to March 31, 2021, 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 March 31			
		2021		2020
Cash provided by (used in) operating activities	**$**	**44,296**	$	37,050
Cash provided by (used in) financing activities		**(100,107)**		149,726
Cash provided by (used in) investing activities		**(26,045)**		34,880
Net change in cash and cash equivalents	**$**	**(81,856)**	$	221,656

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

	Three months ended March 31			
		2021		2020
Cash provided by operating activities	**$**	**44,296**	$	37,050
Distributions declared		**(23,689)**		(46,892)
Excess (shortfall) of cash provided by operating activities over distributions declared	**$**	**20,607**	$	(9,842)

Cash provided by operating activities exceeded distributions declared by $20.6 million for the three months ended March 31, 2021. For the three months ended March 31, 2020, distributions declared exceeded cash flows provided by operating activities by $9.8 million, representing a return of capital. This shortfall is financed through the use of First Capital's credit facilities and proceeds from investing activities.

Management does not believe that a shortfall in any given quarter is indicative of First Capital's sustainable cash flows due to the impact of seasonal fluctuations in its cash flows period over period. In addition, Management believes that the negative impact on cash flows as a result of the COVID-19 pandemic is not indicative of the Trust's sustainable cash flows over the longer term. Please refer to Management's discussion on ACFO, a supplemental non-IFRS financial measure used to evaluate and monitor First Capital's sustainable cash available to pay distributions to Unitholders.

Contractual Obligations

An analysis of First Capital's contractual maturities of its material financial liabilities and other contractual commitments, as at March 31, 2021 is set out below:

As at March 31, 2021	Payments due by period				
	Remainder of 2021	2022 to 2023	2024 to 2025	Thereafter	Total
Scheduled mortgage principal amortization	$ 21,498	$ 64,578	$ 61,587	$ 93,067	$ 240,730
Mortgage principal repayments on maturity	55,559	95,522	164,373	781,157	1,096,611
Credit facilities and bank indebtedness	62,517	427,138	375,000	175,000	1,039,655
Senior unsecured debentures	—	750,000	600,000	1,000,000	2,350,000
Interest obligations [(1)]	124,234	280,849	185,266	131,023	721,372
Land leases (expiring between 2023 and 2061)	909	2,076	1,238	16,187	20,410
Contractually committed costs to complete current development projects	20,684	313	—	—	20,997
Total contractual obligations	$ 285,401	$ 1,620,476	$ 1,387,464	$ 2,196,434	$ 5,489,775

(1) Interest obligations include expected interest payments on mortgages and credit facilities as at March 31, 2021 (assuming balances remain outstanding through to maturity) and senior unsecured debentures, as well as standby credit facility fees.

First Capital had $34.3 million of outstanding letters of credit issued by financial institutions to support certain of FCR's contractual obligations and $14.0 million of bank overdrafts.

First Capital's estimated cost to complete properties currently under development is $66.2 million, of which $21.0 million ($19.5 million at First Capital's interest) 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 $71.8 million (December 31, 2020 – $70.5 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 $34.3 million (December 31, 2020 – $49.2 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, 2020 – $1.2 million) with a total obligation of $20.4 million (December 31, 2020 – $20.7 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 unaudited interim condensed consolidated financial statements, to its proportionate interest.

As at			March 31, 2021			December 31, 2020
	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	**$ 9,251,877**	**$ 34,802**	**$ 9,286,679**	$ 9,328,792	$ 8,696	$ 9,337,488
Residential development inventory	**77,174**	**6,607**	**83,781**	74,190	5,779	79,969
Hotel property	**88,000**	**—**	**88,000**	88,000	—	88,000
Loans, mortgages and other assets	**100,676**	**2,242**	**102,918**	129,429	2,050	131,479
Cash and cash equivalents	**18,588**	**15,389**	**33,977**	100,444	12,220	112,664
Amounts receivable	**48,812**	**(110)**	**48,702**	46,296	644	46,940
Other assets	**52,960**	**10,445**	**63,405**	50,893	11,086	61,979
Investment in joint ventures	**57,688**	**(57,688)**	**—**	52,570	(52,570)	—
Investment properties classified as held for sale	**276,300**	**(22,903)**	**253,397**	161,849	—	161,849
Total assets	**$ 9,972,075**	**$ (11,216)**	**$ 9,960,859**	$ 10,032,463	$ (12,095)	$ 10,020,368
LIABILITIES						
Mortgages	**$ 1,332,861**	**$ 38,839**	**$ 1,371,700**	$ 1,346,637	$ 39,082	$ 1,385,719
Credit facilities	**1,025,690**	**(35,895)**	**989,795**	915,928	(34,514)	881,414
Bank indebtedness	**13,965**	**—**	**13,965**	238	—	238
Senior unsecured debentures	**2,347,410**	**—**	**2,347,410**	2,522,135	—	2,522,135
Exchangeable Units	**1,702**	**—**	**1,702**	1,399	—	1,399
Deferred tax liabilities	**707,049**	**—**	**707,049**	698,528	—	698,528
Accounts payable and other liabilities	**259,684**	**14,758**	**274,442**	291,171	12,600	303,771
Total liabilities	**5,688,361**	**17,702**	**5,706,063**	5,776,036	17,168	5,793,204
EQUITY						
Unitholders' equity	**4,254,796**	**—**	**4,254,796**	4,227,164	—	4,227,164
Non-controlling interest	**28,918**	**(28,918)**	**—**	29,263	(29,263)	—
Total equity	**4,283,714**	**(28,918)**	**4,254,796**	4,256,427	(29,263)	4,227,164
Total liabilities and equity	**$ 9,972,075**	**$ (11,216)**	**$ 9,960,859**	$ 10,032,463	$ (12,095)	$ 10,020,368

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

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

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

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

Three months ended March 31			**2021**			2020
	Consolidated Statements of Income (Loss)	**Adjustment to proportionate interest**	**Proportionate interest [1]**	Consolidated Statements of Income (Loss)	Adjustment to proportionate interest	Proportionate interest [1]
Property rental revenue	**$ 171,912**	**$ 1,762**	**$ 173,674**	$ 176,136	$ 1,969	$ 178,105
Property operating costs	**70,963**	**1,327**	**72,290**	72,996	1,658	74,654
Net operating income	**100,949**	**435**	**101,384**	103,140	311	103,451
Other income and expenses						
Interest and other income	**2,506**	**328**	**2,834**	3,139	483	3,622
Interest expense	**(38,488)**	**(332)**	**(38,820)**	(40,416)	(314)	(40,730)
Corporate expenses	**(10,678)**	**(63)**	**(10,741)**	(9,987)	52	(9,935)
Abandoned transaction costs	**(81)**	**—**	**(81)**	(64)	—	(64)
Amortization expense	**(1,599)**	**(691)**	**(2,290)**	(1,251)	(523)	(1,774)
Share of profit from joint ventures	**(724)**	**724**	**—**	(408)	408	—
Other gains (losses) and (expenses)	**(254)**	**(111)**	**(365)**	(4,232)	(1,329)	(5,561)
(Increase) decrease in value of unit-based compensation	**(5,430)**	**—**	**(5,430)**	8,483	—	8,483
(Increase) decrease in value of Exchangeable Units	**(303)**	**—**	**(303)**	8,518	—	8,518
Increase (decrease) in value of hotel property	**(6)**	**—**	**(6)**	—	—	—
Increase (decrease) in value of investment properties, net	**(7,331)**	**55**	**(7,276)**	(119,240)	(4,593)	(123,833)
	(62,388)	**(90)**	**(62,478)**	(155,458)	(5,816)	(161,274)
Income (loss) before income taxes	**38,561**	**345**	**38,906**	(52,318)	(5,505)	(57,823)
Deferred income tax expense (recovery)	**919**	**—**	**919**	(1,465)	—	(1,465)
Net income (loss)	**$ 37,642**	**$ 345**	**$ 37,987**	$ (50,853)	$ (5,505)	$ (56,358)
Net income (loss) attributable to:						
Unitholders	**$ 37,987**	**$ —**	**$ 37,987**	$ (56,358)	$ —	$ (56,358)
Non-controlling interest	**(345)**	**345**	**—**	5,505	(5,505)	—
	$ 37,642	**$ 345**	**$ 37,987**	$ (50,853)	$ (5,505)	$ (56,358)
Net income (loss) per unit attributable to Unitholders:						
Basic	**$ 0.17**			$ (0.26)		
Diluted	**$ 0.17**			$ (0.26)		

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

FFO and ACFO

Funds from Operations

A reconciliation from net income (loss) attributable to Unitholders to FFO can be found in the table below:

	Three months ended March 31	
	2021	2020
Net income (loss) attributable to Unitholders	**$ 37,987**	$ (56,358)
Add (deduct):		
(Increase) decrease in value of investment properties [1]	**7,276**	123,833
(Increase) decrease in value of hotel property [1]	**6**	—
Adjustment for equity accounted joint ventures [2]	**691**	523
Incremental leasing costs [3]	**1,505**	1,798
Amortization expense [4]	**499**	283
Distributions on Exchangeable Units [5]	**11**	260
Increase (decrease) in value of Exchangeable Units [5]	**303**	(8,518)
Increase (decrease) in value of unit-based compensation [6]	**5,430**	(8,483)
Investment properties selling costs [1]	**382**	1,983
Deferred income taxes (recovery) [1]	**919**	(1,465)
FFO [7]	**$ 55,009**	$ 53,856

(1) At FCR's proportionate interest.

(2) Adjustment related to FCR's equity accounted joint ventures in accordance with the recommendations of REALPAC.

(3) Adjustment to capitalize incremental leasing costs in accordance with the recommendations of REALPAC.

(4) Adjustment to exclude hotel property amortization in accordance with the recommendations of REALPAC.

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

(6) Adjustment to exclude fair value adjustments on unit-based compensation plans in accordance with the recommendations of REALPAC.

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

The components of FFO at proportionate interest are as follows:

		Three months ended March 31	
	% change	**2021**	2020
Net operating income		**$ 101,384**	$ 103,451
Interest and other income		**2,834**	3,622
Interest expense [1]		**(38,809)**	(40,470)
Corporate expenses [2]		**(9,236)**	(8,137)
Abandoned transaction costs		**(81)**	(64)
Amortization expense [3]		**(1,100)**	(968)
Other gains (losses) and (expenses) [4]		**17**	(3,578)
FFO [5]	2.1%	**$ 55,009**	$ 53,856
FFO per diluted unit	2.0%	**$ 0.25**	$ 0.24
Weighted average number of units – diluted (in thousands)	0.1%	**220,667**	220,470

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

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

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

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

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

For the three months ended March 31, 2021, FFO increased $1.2 million or $0.01 per diluted unit. The increase was primarily due to higher residential pre-selling costs and non-recurring REIT conversion costs incurred in the first quarter of

2020, partially offset by the impact of property dispositions completed over the past 12 months and a $2.7 million year-over-year increase in bad debt expense.

Adjusted Cash Flow from Operations

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

	Three months ended March 31	
	2021	2020
Cash provided by operating activities	**$ 44,296**	$ 37,050
Add (deduct):		
Working capital adjustments (1)	**1,063**	7,222
Adjustment for equity accounted joint ventures	**938**	(106)
Revenue sustaining capital expenditures	**(2,887)**	(5,315)
Recoverable capital expenditures	**(747)**	(342)
Leasing costs on properties under development	**376**	450
Non-controlling interest	**(427)**	(29)
ACFO (2)	**$ 42,612**	$ 38,930

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

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

For the three months ended March 31, 2021, ACFO totaled $42.6 million compared to $38.9 million for the same prior year period. The $3.7 million increase in ACFO is primarily due to lower capital expenditures and higher interest expense savings.

ACFO Payout Ratio

First Capital's ACFO payout ratio for the four quarters ended March 31, 2021 is calculated as follow:

	Twelve months ended March 31, 2021	**Q1 2021**	**Q4 2020**	**Q3 2020**	**Q2 2020**
ACFO (1)	**$ 206,729**	$ 42,612	$ 59,500	$ 68,117	$ 36,500
Cash distributions paid	**172,563**	31,508	47,150	46,990	46,915
ACFO payout ratio (1)	**83.5%**				

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

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

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

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

First Capital considers a rolling four quarter payout ratio (cash distributions / ACFO) to be more relevant than a payout ratio in any given quarter due to seasonal fluctuations in ACFO. For the four quarters ended March 31, 2021, the ACFO payout was 83.5% (March 31, 2020 - 82.0%).

Net Asset Value

The following table provides FCR's calculation of NAV for the three months ended March 31, 2021 and 2020:

As at		**March 31, 2021**		March 31, 2020
Unitholders' equity	**$**	**4,254,796**	$	4,298,037
Exchangeable Units		**1,702**		16,492
Deferred tax liabilities		**707,049**		679,120
Net Asset Value (NAV) [1]	**$**	**4,963,547**	$	4,993,649
Units outstanding - diluted [1]		**220,783**		220,489
NAV per unit [1]	**$**	**22.48**	$	22.65

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

The decrease in NAV per unit from $22.65 to $22.48 is primarily due to the decrease in the value of investment properties of $79.3 million (proportionate basis) over the past 12 month period, partially offset by a reduction in distributions declared for the three months ended March 31, 2021.

DISTRIBUTIONS

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.

On January 12, 2021, First Capital announced a 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.

The following chart specifies distributions declared by First Capital:

	Three months ended March 31			
(in dollars)		**2021**		2020
Distributions declared per unit	**$**	**0.108**	$	0.215

SUMMARY OF FINANCIAL RESULTS OF LONG-TERM DEBT GUARANTORS

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

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

(millions of dollars)	Three months ended March 31									
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
	FCR (1)		Guarantors (2)		Non-Guarantors (3)		Consolidation Adjustments (4)		Total Consolidated	
Property rental revenue	**$ 72**	$ 77	**$ 101**	$ 100	**$ —**	$ —	**$ (1)**	$ (1)	**$ 172**	$ 176
NOI (5)	**45**	48	**56**	55	**—**	—	**—**	—	**101**	103
Net income (loss) attributable to Unitholders	**$ 38**	$ (56)	**$ 73**	$ 110	**$ —**	$ 9	**$ (73)**	$ (119)	**$ 38**	$ (56)

(millions of dollars)	As at March 31, 2021				
	FCR (1)	Guarantors (2)	Non-Guarantors (3)	Consolidation Adjustments (4)	Total Consolidated
Current assets	**$ 201**	**$ 303**	**$ 1**	**$ 13**	**$ 518**
Non-current assets	**(531)**	**10,795**	**127**	**(937)**	**9,454**
Current liabilities	**530**	**105**	**5**	**10**	**650**
Non-current liabilities	**$ 3,907**	**$ 1,131**	**$ 69**	**$ (68)**	**$ 5,039**

(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

(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) Subsidiaries of the Trust

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

SUBSEQUENT EVENTS

Stay-at-Home Order

On April 7, 2021, the Government of Ontario announced that, in response to a rising transmission of COVID-19 variants, the entire province would be placed under a 28 day "Stay-at-Home Order", effective April 8, 2021. On April 16, 2021, the Ontario provincial government announced that the "Stay-at-Home Order" would be extended for an additional two weeks, to May 20, 2021.

Collection of April 2021 Rent

As of May 4, 2021, First Capital has collected approximately 94% of the gross rents payable from tenants for the month of April.

QUARTERLY FINANCIAL INFORMATION

	2021	2020				2019		
(unit counts in thousands)	**Q1**	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Property rental revenue	**$ 171,912**	$ 170,058	$ 163,952	$ 162,744	$ 176,136	$ 181,624	$ 183,650	$ 186,825
Net operating income [1]	**$ 100,949**	$ 105,646	$ 101,478	$ 88,768	$ 103,140	$ 113,949	$ 115,023	$ 115,994
Net income (loss) attributable to Unitholders / Shareholders	**$ 37,987**	$ 37,268	$ 11,262	$ 10,530	$ (56,358)	$ 192,459	$ 65,490	$ 81,244
Net income (loss) per unit / share attributable to Unitholders / Shareholders:								
Basic	**$ 0.17**	$ 0.17	$ 0.05	$ 0.05	$ (0.26)	$ 0.88	$ 0.30	$ 0.36
Diluted	**$ 0.17**	$ 0.17	$ 0.05	$ 0.05	$ (0.26)	$ 0.87	$ 0.30	$ 0.36
FFO [1]	**$ 55,009**	$ 62,516	$ 58,140	$ 47,462	$ 53,856	$ 63,443	$ 75,595	$ 70,229
FFO per diluted unit / share [1]	**$ 0.25**	$ 0.28	$ 0.26	$ 0.22	$ 0.24	$ 0.29	$ 0.34	$ 0.31
Weighted average number of diluted units / shares outstanding	**220,667**	220,551	220,522	220,492	220,470	220,545	220,664	226,417
Cash provided by operating activities	**$ 44,296**	$ 92,737	$ 43,469	$ 46,249	$ 37,050	$ 106,905	$ 70,254	$ 43,106
ACFO [1]	**$ 42,612**	$ 59,500	$ 68,117	$ 36,500	$ 38,930	$ 68,558	$ 60,533	$ 70,855
Distribution / Dividend declared per unit / share	**$ 0.108**	$ 0.215	$ 0.215	$ 0.215	$ 0.215	$ 0.072	$ 0.215	$ 0.215
Total assets	**$9,972,075**	$10,032,463	$10,013,445	$10,037,370	$10,237,121	$10,161,360	$10,585,127	$10,375,405
Total mortgages and credit facilities	**$2,358,551**	$2,262,565	$2,270,557	$2,434,042	$2,447,687	$2,226,186	$2,655,151	$2,551,058
Unitholders' equity	**$4,254,796**	$4,227,164	$4,233,905	$4,252,417	$4,298,037	$4,426,592	$4,272,781	$4,252,318
Other								
Number of neighbourhoods	**150**	150	150	149	151	156	164	163
GLA - at 100% (in thousands)	**22,890**	22,822	22,830	22,844	23,246	23,528	25,092	25,294
GLA - at ownership interest (in thousands)	**20,053**	19,991	20,232	20,250	20,651	20,927	22,936	23,136
Monthly average occupancy %	**96.0%**	96.0%	96.1%	96.3%	96.5%	96.6%	96.4%	96.7%
Total portfolio occupancy %	**95.8%**	96.2%	96.0%	96.3%	96.4%	96.9%	96.7%	96.8%

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

CRITICAL ACCOUNTING ESTIMATES

First Capital's unaudited interim condensed consolidated financial statements for the three months ended March 31, 2021 and 2020 have been prepared in accordance with IAS 34, "Interim Financial Reporting" as issued by the International Accounting Standards Board. The unaudited interim condensed consolidated financial statements have been prepared by applying the same accounting policies and methods of computation as compared with the most recent audited annual consolidated financial statements except as noted in Note 2(b) of the interim condensed consolidated financial statements. The Trust has also incorporated the potential impact of COVID-19 into its estimates and assumptions that affect the carrying amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amount of earnings for the reporting periods using the best available information as of March 31, 2021. Actual results could differ from those estimates. The estimates and assumptions that the Trust considers critical and/or could be impacted by COVID-19 include those underlying the valuation of investment properties, the valuation of its hotel property, the net realizable value of residential inventory, the carrying amount of its investment in joint ventures, the estimate of any expected credit losses on amounts receivable or loans and mortgages receivable and determining the values of financial instruments for disclosure purposes.

First Capital's 2020 Annual Report contains a discussion of the significant accounting policies most affected by estimates and judgments used in the preparation of the consolidated financial statements, being the accounting policies relating to estimates of fair values of investment properties, valuation of financial instruments both for disclosure and measurement purposes, and estimating deferred tax assets and liabilities. Management determined that as at March 31, 2021, there is no change to the assessment of the significant accounting policies most affected by estimates and judgments as detailed in FCR's 2020 Annual Report.

CONTROLS AND PROCEDURES

As at March 31, 2021, the Chief Executive Officer and the Chief Financial Officer of First Capital, with the assistance of other staff and Management of FCR to the extent deemed necessary, have designed FCR’s disclosure controls and procedures to provide reasonable assurance that information required to be disclosed in the various reports filed or submitted by FCR under securities legislation is recorded, processed, summarized and reported accurately and have designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

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

First Capital did not make any changes in its internal controls over financial reporting during the quarter ended March 31, 2021 that have had, or are reasonably likely to have, a material effect on FCR's internal controls over financial reporting. On an ongoing basis, FCR will continue to analyze its controls and procedures for potential areas of improvement.

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

RISKS AND UNCERTAINTIES

First Capital, as an owner of income-producing properties and development properties, is exposed to numerous business risks in the normal course of its business that can impact both short- and long-term performance. Income-producing and development properties are affected by general economic conditions and local market conditions such as oversupply of similar properties or a reduction in tenant demand. It is the responsibility of Management, under the supervision of the Board of Trustees, to identify and, to the extent possible, mitigate or minimize the impact of all such business risks. The major categories of risk First Capital encounters in conducting its business and some of the actions it takes to mitigate these risks are included in its MD&A for the year ended December 31, 2020, as well as its most current Annual Information Form, which provides a detailed description of these and other risks that may affect FCR. These documents are available on SEDAR at www.sedar.com and on FCR’s website at www.fcr.ca.

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INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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Interim Condensed Consolidated Balance Sheets

As at *(thousands of dollars)*	Note	**March 31, 2021** **(unaudited)**	December 31, 2020 (audited)
ASSETS			
Non-current Assets			
Real Estate Investments			
Investment properties	3	**$ 9,251,877**	$ 9,328,792
Investment in joint ventures	4	**57,688**	52,570
Hotel property	5	**88,000**	88,000
Loans, mortgages and other assets	6	**42,382**	52,160
Total real estate investments		**9,439,947**	9,521,522
Other non-current assets	8	**13,637**	28,555
Total non-current assets		**9,453,584**	9,550,077
Current Assets			
Cash and cash equivalents	25(d)	**18,588**	100,444
Loans, mortgages and other assets	6	**58,294**	77,269
Residential development inventory		**77,174**	74,190
Amounts receivable	7	**48,812**	46,296
Other assets	8	**39,323**	22,338
		242,191	320,537
Investment properties classified as held for sale	3(d)	**276,300**	161,849
Total current assets		**518,491**	482,386
Total assets		**$ 9,972,075**	$ 10,032,463
LIABILITIES			
Non-current Liabilities			
Mortgages	10	**$ 1,171,635**	$ 1,256,333
Credit facilities	10	**963,173**	854,661
Senior unsecured debentures	11	**2,147,669**	2,347,170
Exchangeable Units	13	**1,702**	1,399
Other liabilities	12	**47,443**	65,998
Deferred tax liabilities	21	**707,049**	698,528
Total non-current liabilities		**5,038,671**	5,224,089
Current Liabilities			
Bank indebtedness	10	**13,965**	238
Mortgages	10	**161,226**	90,304
Credit facilities	10	**62,517**	61,267
Senior unsecured debentures	11	**199,741**	174,965
Accounts payable and other liabilities	12	**212,241**	225,173
Total current liabilities		**649,690**	551,947
Total liabilities		**5,688,361**	5,776,036
EQUITY			
Unitholders' equity	14	**4,254,796**	4,227,164
Non-controlling interest	24	**28,918**	29,263
Total equity		**4,283,714**	4,256,427
Total liabilities and equity		**$ 9,972,075**	$ 10,032,463

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

Approved by the Board of Trustees:

Al Mawani
Trustee

Adam E. Paul
Trustee

Interim Condensed Consolidated Statements of Income (Loss)

(unaudited)			Three months ended March 31
(thousands of dollars)	**Note**	**2021**	2020
Property rental revenue		**$ 171,912**	$ 176,136
Property operating costs		**70,963**	72,996
Net operating income	16	**100,949**	103,140
Other income and expenses			
Interest and other income	17	**2,506**	3,139
Interest expense	18	**(38,488)**	(40,416)
Corporate expenses	19	**(10,678)**	(9,987)
Abandoned transaction costs		**(81)**	(64)
Amortization expense		**(1,599)**	(1,251)
Share of profit (loss) from joint ventures	4	**(724)**	(408)
Other gains (losses) and (expenses)	20	**(254)**	(4,232)
(Increase) decrease in value of unit-based compensation liability	15	**(5,430)**	8,483
(Increase) decrease in value of Exchangeable Units	13	**(303)**	8,518
Increase (decrease) in value of hotel property	5	**(6)**	—
Increase (decrease) in value of investment properties, net	3	**(7,331)**	(119,240)
		(62,388)	(155,458)
Income (loss) before income taxes		**38,561**	(52,318)
Deferred income tax expense (recovery)	21	**919**	(1,465)
Net income (loss)		**$ 37,642**	$ (50,853)
Net income (loss) attributable to:			
Unitholders	14	**$ 37,987**	$ (56,358)
Non-controlling interest	24	**(345)**	5,505
		$ 37,642	$ (50,853)

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

Interim Condensed Consolidated Statements of Comprehensive Income (Loss)

(unaudited)		Three months ended March 31	
(thousands of dollars)	**Note**	**2021**	2020
Net income (loss)		**$ 37,642**	$ (50,853)
Other comprehensive income (loss)			
Unrealized gain (loss) on cash flow hedges [1]		**18,714**	(50,635)
Reclassification of net losses on cash flow hedges to net income		**778**	455
		19,492	(50,180)
Deferred tax expense (recovery)	21	**7,602**	(19,525)
Other comprehensive income (loss)		**11,890**	(30,655)
Comprehensive income (loss)		**$ 49,532**	$ (81,508)
Comprehensive income (loss) attributable to:			
Unitholders	14	**$ 49,877**	$ (87,013)
Non-controlling interest	24	**(345)**	5,505
		$ 49,532	$ (81,508)

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

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

Interim Condensed Consolidated Statements of Changes in Equity

(unaudited) *(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, 2020	**$ 1,376,162**	**$ (43,580)**	**$ 2,894,582**	**$ 4,227,164**	**$ 29,263**	**$ 4,256,427**
Changes during the period:						
Net income (loss)	37,987	—	—	37,987	(345)	37,642
Options, deferred units, restricted units, and performance units, net	—	—	1,444	1,444	—	1,444
Other comprehensive income (loss)	—	11,890	—	11,890	—	11,890
Distributions *(Note 14(b))*	(23,689)	—	—	(23,689)	—	(23,689)
March 31, 2021	**$ 1,390,460**	**$ (31,690)**	**$ 2,896,026**	**$ 4,254,796**	**$ 28,918**	**$ 4,283,714**

(unaudited) *(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 period:						
Net income (loss)	(56,358)	—	—	(56,358)	5,505	(50,853)
Options, deferred units, restricted units, and performance units, net	—	—	5,350	5,350	—	5,350
Other comprehensive income (loss)	—	(30,655)	—	(30,655)	—	(30,655)
Contributions from (distributions to) non-controlling interest, net	—	—	—	—	(24,431)	(24,431)
Distributions *(Note 14(b))*	(46,892)	—	—	(46,892)	—	(46,892)
March 31, 2020	$ 1,458,237	$ (38,457)	$ 2,878,257	$ 4,298,037	$ 29,988	$ 4,328,025

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

Interim Condensed Consolidated Statements of Cash Flows

(unaudited)		Three months ended March 31	
(thousands of dollars)	**Note**	**2021**	2020
OPERATING ACTIVITIES			
Net income / (loss)		**$ 37,642**	$ (50,853)
Adjustments for:			
(Increase) decrease in value of investment properties, net	3	**7,331**	119,240
(Increase) decrease in value of hotel property	5	**6**	—
Interest expense	18	**38,488**	40,416
Amortization expense		**1,599**	1,251
Share of (profit) loss of joint ventures	4	**724**	408
Cash interest paid associated with operating activities	18	**(46,995)**	(44,478)
Items not affecting cash and other items	25(a)	**8,396**	(14,905)
Net change in non-cash operating items	25(b)	**(2,895)**	(14,029)
Cash provided by (used in) operating activities		**44,296**	37,050
FINANCING ACTIVITIES			
Mortgage principal instalment payments	10	**(6,887)**	(7,124)
Mortgage repayments	10	**(7,064)**	(11,052)
Credit facilities, net advances (repayments)	10	**119,677**	236,381
Repayment of senior unsecured debentures	11	**(175,000)**	—
Issuance of trust units, net of issue costs		**675**	2,826
Payment of distributions		**(31,508)**	(46,874)
Net contributions from (distributions to) non-controlling interest	24	**—**	(24,431)
Cash provided by (used in) financing activities		**(100,107)**	149,726
INVESTING ACTIVITIES			
Acquisition of investment properties	3(c)	**(2,125)**	—
Net proceeds (payments) from property dispositions	3(d)	**(382)**	78,725
Distributions from joint ventures	4	**728**	848
Contributions to joint ventures	4	**(6,570)**	(578)
Capital expenditures on investment properties	3(a)	**(42,233)**	(54,513)
Changes in investing-related prepaid expenses and other liabilities		**(4,557)**	(3,534)
Changes in loans, mortgages and other assets	25(c)	**29,094**	13,932
Cash provided by (used in) investing activities		**(26,045)**	34,880
Net increase (decrease) in cash and cash equivalents		**(81,856)**	221,656
Cash and cash equivalents, beginning of period		**100,444**	25,503
Cash and cash equivalents, end of period	25(d)	**$ 18,588**	$ 247,159

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

Notes to the Interim Condensed Consolidated Financial Statements

1. DESCRIPTION OF THE TRUST

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

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These unaudited interim condensed consolidated financial statements have been prepared in accordance with IAS 34, “Interim Financial Reporting” as issued by the International Accounting Standards Board (“IASB”), and as such, do not include all of the disclosures that would be included in audited annual consolidated financial statements. These unaudited interim condensed consolidated financial statements should be read in conjunction with First Capital’s audited annual consolidated financial statements for the years ended December 31, 2020 and 2019.

(b) Basis of presentation

These unaudited interim condensed consolidated financial statements are prepared on a going concern basis and have been presented in Canadian dollars rounded to the nearest thousand, unless otherwise indicated. These unaudited interim condensed consolidated financial statements have been prepared by applying the same accounting policies, assessments of estimates and judgments, and methods of computation as compared with the most recent audited annual consolidated financial statements except as indicated below.

Segment Reporting

In measuring performance or allocating resources, the Trust does not distinguish or group it's operations on a geographical or any other basis and, accordingly, has a single reportable segment for disclosure purposes. Reportable segments have been aggregated based on Management's judgement, which considered the nature of operations, type of tenants and that the aggregated segments would have similar long-term economic characteristics. As a result, effective January 1, 2021, the Trust has one reportable segment for financial reporting purposes which comprises the ownership, management and development of investment properties located across Canada.

(c) Approval of unaudited interim condensed consolidated financial statements

These unaudited interim condensed consolidated financial statements were approved by the Board of Trustees and authorized for issue on May 4, 2021.

3. INVESTMENT PROPERTIES

(a) Activity

The following tables summarize the changes in First Capital's investment properties for the three months ended March 31, 2021 and year ended December 31, 2020:

				Three months ended March 31, 2021
	Income Producing Properties	**Properties under Construction**	**Density & Development Land**	**Total**
Balance at beginning of period	**$ 8,786,149**	**$ 221,116**	**$ 483,376**	**$ 9,490,641**
Acquisitions	**2,125**	**—**	**—**	**2,125**
Capital expenditures	**9,776**	**18,462**	**13,995**	**42,233**
Developments transferred offline / online, net	**32,486**	**(32,486)**	**—**	**—**
Reclassification to residential development inventory	**—**	**—**	**—**	**—**
Increase (decrease) in value of investment properties, net	**5,509**	**(31)**	**(12,809)**	**(7,331)**
Straight-line rent and other changes	**509**	**—**	**—**	**509**
Dispositions	**—**	**—**	**—**	**—**
Balance at end of period	**$ 8,836,554**	**$ 207,061**	**$ 484,562**	**$ 9,528,177**
Investment properties	**$ 8,716,054**	**$ 128,411**	**$ 407,412**	**$ 9,251,877**
Investment properties classified as held for sale	**120,500**	**78,650**	**77,150**	**276,300**
Total	**$ 8,836,554**	**$ 207,061**	**$ 484,562**	**$ 9,528,177**

				Year ended December 31, 2020
	Income Producing Properties	Properties under Construction	Density & Development Land	Total
Balance at beginning of year	$ 8,973,501	$ 264,577	$ 514,052	$ 9,752,130
Acquisitions	20,248	—	—	20,248
Capital expenditures	74,336	90,782	39,915	205,033
Developments transferred offline / online, net	123,709	(134,286)	10,577	—
Reclassification to residential development inventory	—	—	(57,519)	(57,519)
Increase (decrease) in value of investment properties, net	(198,679)	43	12,936	(185,700)
Straight-line rent and other changes	7,817	—	—	7,817
Dispositions	(214,783)	—	(36,585)	(251,368)
Balance at end of year	$ 8,786,149	$ 221,116	$ 483,376	$ 9,490,641
Investment properties	$ 8,695,350	$ 221,116	$ 412,326	$ 9,328,792
Investment properties classified as held for sale	90,799	—	71,050	161,849
Total	$ 8,786,149	$ 221,116	$ 483,376	$ 9,490,641

Investment properties with a fair value of $2.9 billion (December 31, 2020 – $2.8 billion) are pledged as security for $1.5 billion (December 31, 2020 – $1.5 billion) in mortgages and secured credit facilities.

(b) Investment property valuation

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

As at	**March 31, 2021**	December 31, 2020
Weighted Average Total		
Overall Capitalization Rate	**5.0%**	5.0%
Terminal Capitalization Rate	**5.2%**	5.2%
Discount Rate	**5.8%**	5.8%

The majority of the Trust's portfolio is valued under the Income Approach using the discounted cash flow ("DCF") method. As at March 31, 2021, the weighted average valuation yields (stabilized overall capitalization, terminal, and discount rates) used in valuing those investment properties under the Income Approach remained unchanged from December 31, 2020.

Due to the ongoing uncertainties created by the COVID-19 pandemic, including greater volatility in the capital markets, limited investment transactions, and a lower interest rate environment, the Trust continues to closely monitor 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. As part of its normal course internal valuations, the Trust made revisions to net operating income estimates in the DCF models for certain properties. As a result, an overall decrease in the value of investment properties was recorded in the first quarter for $7.3 million.

At the onset of the pandemic which arose in the first quarter of 2020, an overall decrease in the value of investment properties was recorded in the amount of $119.2 million for the three months ended March 31, 2020. The decrease reflected the potential impact of COVID-19 on the cash flows in the valuation models. As part of a comprehensive portfolio review, properties with greater exposure to tenants deemed non-essential under government directives, and therefore potentially subject to prolonged closures, were identified. 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.

The sensitivity of the fair values of investment properties to stabilized overall capitalization rates as at March 31, 2021 is set out in the table below:

As at March 31, 2021		*(millions of dollars)*
(Decrease) Increase in stabilized overall capitalization rate		Resulting increase (decrease) in fair value of investment properties
(1.00%)	$	2,309
(0.75%)	$	1,630
(0.50%)	$	1,026
(0.25%)	$	486
0.25%	$	(440)
0.50%	$	(840)
0.75%	$	(1,205)
1.00%	$	(1,540)

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 $583 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 $528 million.

(c) Investment properties – Acquisitions

For the three months ended March 31, 2021 and 2020, First Capital acquired investment properties as follows:

Three months ended March 31	2021	2020
Total purchase price, including acquisition costs [(1)]	$ 2,125	$ —
Total cash paid	$ 2,125	$ —

(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 interim condensed consolidated financial statements.

(d) Investment properties classified as held for sale

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

As at	March 31, 2021	December 31, 2020
Aggregate fair value	$ 276,300	$ 161,849

The increase of $114.5 million in investment properties classified as held for sale from December 31, 2020, primarily arose from new investment properties classified as held for sale, in line with First Capital's super urban strategy.

For the three months ended March 31, 2021 and 2020, First Capital sold investment properties as follows:

Three months ended March 31	2021	2020
Total selling price	$ —	$ 80,750
Property selling costs	(382)	(2,025)
Net cash proceeds (payments)	$ (382)	$ 78,725

4. INVESTMENT IN JOINT VENTURES

As at March 31, 2021, 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	March 31, 2021	December 31, 2020
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.

The following table reconciles the changes in First Capital's interests in its equity accounted joint ventures for the three months ended March 31, 2021 and year ended December 31, 2020:

		March 31, 2021		**December 31, 2020**
Balance at beginning of period	**$**	**52,570**	**$**	**59,498**
Contributions to equity accounted joint ventures		**6,570**		**3,889**
Distributions from equity accounted joint ventures		**(728)**		**(2,982)**
Share of income (loss) from equity accounted joint ventures		**(724)**		**(7,835)**
Balance at end of period	**$**	**57,688**	**$**	**52,570**

As of March 31, 2021, none of the Trust's investments in joint ventures were determined to be impaired taking into account the COVID-19 environment.

5. HOTEL PROPERTY

First Capital owns a 100% interest in the Hazelton Hotel ("hotel property") located in Toronto, Ontario. The hotel property is a mixed-use luxury hotel located in Yorkville Village.

On October 1, 2020, First Capital acquired the remaining 40% interest in the hotel property. Prior to the acquisition, First Capital owned a 60% interest in the hotel property. 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 were expensed in 'Other gains (losses) and (expenses)' in the consolidated statements of income (loss).

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 three months ended March 31, 2021 and year ended December 31, 2020.

		March 31, 2021		December 31, 2020
Balance at beginning of period	**$**	**88,000**	$	62,199
Acquisition		**—**		37,080
Amortization		**(499)**		(1,432)
Additions		**505**		2,495
Revaluation of hotel property		**(6)**		(12,342)
Balance at end of period	**$**	**88,000**	$	88,000

6. LOANS, MORTGAGES AND OTHER ASSETS

As at	March 31, 2021	December 31, 2020
Non-current		
Loans and mortgages receivable classified as FVTPL (a)	**$ 1,967**	$ 1,968
Loans and mortgages receivable classified as amortized cost (a)	**27,835**	37,612
Other investments	**12,580**	12,580
Total non-current	**42,382**	52,160
Current		
Loans and mortgages receivable classified as FVTPL (a)	**6**	6
Loans and mortgages receivable classified as amortized cost (a)	**54,444**	73,548
FVTPL investments in securities (b)	**3,844**	3,715
Total current	**58,294**	77,269
Total	**$ 100,676**	$ 129,429

(a) Loans and mortgages receivable are secured by interests in investment properties or shares of entities owning investment properties. As at March 31, 2021, these receivables bear interest at weighted average effective interest rates of 5.9% (December 31, 2020 – 6.3%) and mature between 2021 and 2024. As of March 31, 2021, none of the Trust's loans and mortgages receivable classified as amortized cost required a provision or were determined to be impaired taking into account the COVID-19 environment.

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

7. AMOUNTS RECEIVABLE

As at	March 31, 2021	December 31, 2020
Tenant receivables (net of allowances for doubtful accounts of $13.4 million; December 31, 2020 – $11.4 million)	**$ 48,338**	$ 45,439
Corporate and other amounts receivable	**474**	857
Total	**$ 48,812**	$ 46,296

First Capital determines its allowance for doubtful accounts on a tenant-by-tenant basis considering lease terms, industry conditions, and the status of the tenant’s account as well as the impact of COVID-19 on tenant's ability to pay any trade receivables outstanding at March 31, 2021. The Trust has increased its provision for doubtful accounts for the three months ended March 31, 2021 by $2.0 million as a result of the COVID-19 environment (three months ended March 31, 2020 - $0.2 million).

8. OTHER ASSETS

As at	Note	March 31, 2021	December 31, 2020
Non-current			
Fixtures, equipment and computer hardware and software (net of accumulated amortization of $19.3 million; December 31, 2020 – $18.2 million)		**$ 9,148**	$ 9,958
Deferred financing costs on credit facilities (net of accumulated amortization of $6.6 million; December 31, 2020 – $6.3 million)		**2,784**	3,021
Environmental indemnity and insurance proceeds receivable	12(a)	**1,705**	1,611
Bond asset		**—**	13,965
Total non-current		**13,637**	28,555
Current			
Deposits and costs on investment properties under option		**11,395**	10,450
Prepaid expenses		**12,827**	10,679
Bond asset		**13,823**	—
Other deposits		**250**	250
Restricted cash		**1,028**	959
Total current		**39,323**	22,338
Total		**$ 52,960**	$ 50,893

9. CAPITAL MANAGEMENT

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

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

As at	March 31, 2021	December 31, 2020
Liabilities (principal amounts outstanding)		
Bank indebtedness	**$ 13,965**	$ 238
Mortgages	**1,337,341**	1,351,291
Credit facilities	**1,025,690**	915,928
Mortgages under equity accounted joint ventures (at the Trust's interest)	**38,928**	39,175
Senior unsecured debentures	**2,350,000**	2,525,000
	4,765,924	4,831,632
Exchangeable Units	**1,702**	1,399
Equity market capitalization (1)	**3,617,968**	2,971,723
Total capital employed	**$ 8,385,594**	$ 7,804,754
Trust Units outstanding (000's)	**219,404**	219,315
Closing market price	**$ 16.49**	$ 13.55

(1) Equity market capitalization is the market value of FCR's units outstanding at a point in time.

First Capital is subject to financial covenants in agreements governing its senior unsecured debentures and its credit facilities. In accordance with the terms of the Trust's credit agreements, all ratios are calculated with joint ventures proportionately consolidated. As at March 31, 2021, First Capital remains in compliance with all of its applicable financial covenants.

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

As at	Measure/ Covenant		**March 31, 2021**		December 31, 2020
Net debt to total assets [1]			**47.3%**		47.3%
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) [2]	>$2.0B	**$**	**4.2**	$	4.3
Secured indebtedness to total assets [2]	<35%		**15.2%**		15.2%
For the rolling four quarters ended					
Interest coverage (Adjusted EBITDA to interest expense) [2]	>1.65		**2.1**		2.1
Fixed charge coverage (Adjusted EBITDA to debt service) [2]	>1.50		**1.9**		1.8

[1] Total assets excludes cash balances.
[2] Calculations required under the Trust's credit facility agreements or indentures governing the senior unsecured debentures.

The above ratios include measures not specifically defined in IFRS. Certain calculations are required pursuant to debt covenants and are meaningful measures for this reason. Measures used in these ratios are defined in First Capital's audited annual consolidated financial statements for the years ended December 31, 2020 and 2019.

10. MORTGAGES AND CREDIT FACILITIES

As at		**March 31, 2021**		December 31, 2020
Fixed rate mortgages	**$**	**1,332,861**	$	1,346,637
Unsecured facilities		**848,823**		745,054
Secured facilities		**176,867**		170,874
Mortgages and credit facilities	**$**	**2,358,551**	$	2,262,565
Current	**$**	**223,743**	$	151,571
Non-current		**2,134,808**		2,110,994
Total	**$**	**2,358,551**	$	2,262,565

Mortgages and secured facilities are secured by First Capital's investment properties. As at March 31, 2021, approximately $2.9 billion (December 31, 2020 – $2.8 billion) of investment properties out of $9.5 billion (December 31, 2020 – $9.5 billion) (Note 3(a)) had been pledged as security under the mortgages and the secured facilities.

As at March 31, 2021, mortgages bear coupon interest at a weighted average coupon rate of 3.5% (December 31, 2020 – 3.5%) and mature in the years ranging from 2021 to 2031. The weighted average effective interest rate on all mortgages as at March 31, 2021 is 3.6% (December 31, 2020 – 3.6%).

Principal repayments of mortgages outstanding as at March 31, 2021 are as follows:

	Scheduled Amortization	Payments on Maturity	Total	Weighted Average Effective Interest Rate
2021 (remainder of the year)	$ 21,498	$ 55,559	$ 77,057	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	93,067	781,157	874,224	3.5%
	$ 240,730	$ 1,096,611	$ 1,337,341	3.6%
Unamortized deferred financing costs and premiums, net			(4,480)	
Total			$ 1,332,861	

First Capital's credit facilities as at March 31, 2021 are summarized in the table below:

As at March 31, 2021	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	$ —	$ (23,102)	$ 526,898	BA + 1.45% or Prime + 0.45% or US$ LIBOR + 1.45%	June 30, 2023
Revolving facility maturing 2022 (1)	250,000	(99,509)	—	150,491	BA + 1.10% or Prime + 0.25% or US$ LIBOR + 1.10%	September 29, 2022
Floating rate unsecured term loan maturing 2023 (2)	200,000	(199,314)	—	—	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	(103,282)	(1,592)	33,126	BA + 1.350% or Prime + 0.350%	October 26, 2022
Secured Facilities						
Maturing 2021	19,734	(9,200)	(1,320)	9,214	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	$ (1,025,690)	$ (26,014)	$ 719,745		

(1) The Trust had drawn in U.S. dollars the equivalent of CAD$100.0 million which was revalued at CAD$99.5 million as at March 31, 2021

(2) The Trust had drawn in U.S. dollars the equivalent of CAD$200.0 million which was revalued at CAD$199.3 million as at March 31, 2021.

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.

11. SENIOR UNSECURED DEBENTURES

As at					March 31, 2021	December 31, 2020
		Interest Rate				
Series	Maturity Date	Coupon	Effective	**Principal Outstanding**	**Liability**	Liability
N	March 1, 2021	4.50%	4.63%	**—**	**—**	174,965
O	January 31, 2022	4.43%	4.59%	**200,000**	**199,741**	199,667
P	December 5, 2022	3.95%	4.18%	**250,000**	**249,095**	248,966
Q	October 30, 2023	3.90%	3.97%	**300,000**	**299,505**	299,460
R	August 30, 2024	4.79%	4.72%	**300,000**	**300,641**	300,684
S	July 31, 2025	4.32%	4.24%	**300,000**	**300,958**	301,008
T	May 6, 2026	3.60%	3.56%	**300,000**	**300,563**	300,585
U	July 12, 2027	3.75%	3.82%	**300,000**	**298,824**	298,783
V	January 22, 2027	3.46%	3.54%	**200,000**	**199,161**	199,129
A	March 1, 2028	3.45%	3.54%	**200,000**	**198,922**	198,888
Weighted Average or Total		3.99%	4.03%	**$ 2,350,000**	**$ 2,347,410**	$ 2,522,135
Current				**$ 200,000**	**$ 199,741**	$ 174,965
Non-current				**2,150,000**	**2,147,669**	2,347,170
Total				**$ 2,350,000**	**$ 2,347,410**	$ 2,522,135

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

On March 1, 2021, upon maturity, First Capital repaid its 4.50% Series N Senior Unsecured Debentures in the amount of $175.0 million.

12. ACCOUNTS PAYABLE AND OTHER LIABILITIES

As at	Note	March 31, 2021	December 31, 2020
Non-current			
Asset retirement obligations (a)		**$ 1,638**	$ 1,476
Ground leases payable		**9,304**	9,444
Derivatives at fair value	23	**26,708**	45,422
Unit-based compensation plans	15(c)	**2,335**	2,541
Deferred purchase price of investment property		**4,275**	4,275
Other liabilities		**3,183**	2,840
Total non-current		**47,443**	65,998
Current			
Trade payables and accruals		**75,496**	74,334
Construction and development payables		**48,697**	46,196
Unit-based compensation plans	15(c)	**14,767**	9,627
Distributions payable	14(b)	**7,899**	15,718
Interest payable		**26,665**	36,826
Tenant deposits		**37,518**	37,509
Derivatives at fair value	23	**1,177**	4,946
Other liabilities		**22**	17
Total current		**212,241**	225,173
Total		**$ 259,684**	$ 291,171

(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 $1.7 million (December 31, 2020 - $1.6 million) in other assets (Note 8).

13. EXCHANGEABLE UNITS

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

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

As at	**March 31, 2021**		December 31, 2020	
	Number of Exchangeable Units	**Value**	Number of Exchangeable Units	Value
Balance at beginning of period	**103**	**$ 1,399**	1,210	25,010
Converted to Trust Units	**—**	**—**	(1,107)	(16,207)
Fair value adjustment	**—**	**303**	—	(7,404)
Balance at end of period	**103**	**$ 1,702**	103	$ 1,399

14. UNITHOLDERS' EQUITY

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

The following table sets forth the particulars of First Capital's Trust Units outstanding:

As at	**March 31, 2021**		December 31, 2020	
	Number of Trust Units	**Value of Trust Units**	Number of Trust Units	Value of Trust Units
Balance at beginning of period	**219,315**	**$ 2,894,582**	217,954	$ 2,872,907
Exercise of options, and settlement of any restricted, performance and deferred trust units	**89**	**1,444**	254	5,468
Conversion of Exchangeable Units	**—**	**—**	1,107	16,207
Balance at end of period	**219,404**	**$ 2,896,026**	219,315	$ 2,894,582

(b) Distributions

On January 12, 2021, First Capital announced the 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.

First Capital declared monthly distributions totaling $0.108 per Trust Unit for the three months ended March 31, 2021 (three months ended March 31, 2020 - $0.215 per Trust Unit).

15. UNIT-BASED COMPENSATION PLANS

(a) Unit Option Plan

As of March 31, 2021, First Capital is authorized to grant up to 19.7 million (December 31, 2020 – 19.7 million) Trust Unit options to employees and officers. As of March 31, 2021, 5.0 million (December 31, 2020 – 4.6 million) unit options are available to be granted to employees and officers. In addition, as at March 31, 2021, 7.2 million unit options were outstanding (December 31, 2020 - 7.1 million). Options granted by First Capital expire 10 years from the date of grant and vest over five years.

The outstanding options as at March 31, 2021 have exercise prices ranging from $15.53 - $21.24 (December 31, 2020 – 15.70 - 21.24).

During the three months ended March 31, 2021, $0.2 million (three months ended March 31, 2020 – $0.3 million) was recorded as an expense related to stock options.

Three months ended March 31		**2021**		2020
	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 period	**7,103**	**$ 20.20**	5,584	$ 19.70
Granted (a)	**644**	**15.53**	1,804	21.24
Exercised (b)	**(43)**	**15.70**	(162)	17.48
Forfeited	**(499)**	**20.75**	(18)	17.35
Expired	**(9)**	**15.70**	(19)	14.56
Outstanding at end of period	**7,196**	**$ 19.78**	7,189	$ 20.16

(a) The fair value associated with the options issued was calculated using the Black-Scholes model for option valuation based on the assumptions in the following table.

Three months ended March 31	**2021**	2020
Grant date	**March 1, 2021**	February 28, 2020
Unit options granted (thousands)	**644**	1,804
Term to expiry	**10 years**	10 years
Exercise price	**$15.53**	$21.24
Weighted average volatility rate	**22.0%**	13.7%
Weighted average expected option life	**7.3 years**	6.6 years
Weighted average distribution yield	**4.70%**	4.30%
Weighted average risk free interest rate	**1.10%**	1.08%
Fair value (thousands)	**$1,114**	$1,373

(b) The weighted average market price at which options were exercised for the three months ended March 31, 2021 was $16.11 (three months ended March 31, 2020 – $21.71).

The assumptions used to measure the fair value of the unit options under the Black-Scholes model (level 2) as at March 31, 2021 were as follows:

Three months ended March 31	2021	2020
Expected Trust Unit price volatility	**17.10% - 43.59%**	15.8% - 23.7%
Expected life of options	**0.3 - 7.3 years**	0.2 - 7.2 years
Expected distribution yield	**4.60%**	6.31%
Risk free interest rate	**0.11% - 1.27%**	0.25% - 0.70%

(b) Trust Unit arrangements

First Capital’s Trust Unit plans include a Trustees' Deferred Unit ("DU") plan and a Restricted Unit ("RU") plan that provides for the issuance of Restricted Units and Performance Units ("PU"). 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 Nil – 2.0 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.

Three months ended March 31		2021		2020
(in thousands)	**DUs**	**RUs / PUs**	DUs	RUs / PUs
Outstanding at beginning of period	**368**	**789**	289	663
Granted (a) (b)	**16**	**353**	15	295
Distributions reinvested	**3**	**6**	4	8
Exercised	**—**	**(244)**	—	(189)
Forfeited	**—**	**(14)**	—	(16)
Outstanding at end of period	**387**	**890**	308	761
Expense recorded for the period	**$325**	**$1,441**	$255	$513

(a) The fair value of the DUs granted during the three months ended March 31, 2021 was $0.3 million (three months ended March 31, 2020 – $0.2 million), measured based on First Capital’s prevailing Trust Unit price on the date of grant. The fair value of the RUs granted during the three months ended March 31, 2021 was $3.1 million (three months ended March 31, 2020 – $3.5 million), measured based on First Capital’s Trust Unit price on the date of grant.

(b) The fair value of the PUs granted during the three months ended March 31, 2021 was $2.8 million (three months ended March 31, 2020 – $2.6 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 and relative to a customized index of publicly-listed peers.

Three months ended March 31	2021	2020
Grant date	**March 1, 2021**	February 28, 2020
PUs granted (thousands)	**146**	131
Term to expiry	**3 years**	3 years
Weighted average volatility rate	**30.1%**	13.8%
Weighted average correlation	**72.4%**	35.0%
Weighted average total Unitholder return	**10.4%**	(4.0%)
Weighted average risk free interest rate	**0.34%**	1.11%
Fair value (thousands)	**$2,771**	$2,573

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

First Capital’s unit-based compensation plans are accounted for as cash-settled awards. Therefore, outstanding Unit Options, Deferred Units, Restricted Units and Performance Units are recognized as a liability and carried at fair value through profit and loss. As at March 31, 2021, the carrying value of the unit-based compensation liability was $17,102 (December 31, 2020 – $12,168)(Note 12). For the three months ended March 31, 2021, FCR recognized an increase in the value of the unit-based compensation plans which resulted in a loss of $5.4 million due to an increase in the Trust Unit's price since December 31, 2020.

16. NET OPERATING INCOME

Net Operating Income by Component

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

	Three months ended March 31		
	% change	**2021**	2020
Property rental revenue			
Base rent [1]		**$ 106,602**	$ 106,886
Operating cost recoveries		**26,782**	27,687
Realty tax recoveries		**32,196**	33,680
Lease termination fees		**697**	304
Percentage rent		**564**	902
Straight-line rent adjustment		**486**	882
Prior year operating cost and tax recovery adjustments		**(255)**	(429)
Temporary tenants, storage, parking and other [2]		**4,840**	6,224
Total Property rental revenue	**(2.4%)**	**171,912**	176,136
Property operating costs			
Recoverable operating expenses		**29,862**	30,965
Recoverable realty tax expense		**36,703**	37,989
Prior year realty tax expense		**(295)**	(108)
Other operating costs and adjustments [3]		**4,693**	4,150
Total Property operating costs		**70,963**	72,996
Total NOI	**(2.1%)**	**$ 100,949**	$ 103,140
NOI margin		**58.7%**	58.6%

(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 three months ended March 31, 2021 of $2.6 million (three months ended March 31, 2020 - recovery of $0.1 million).

For the three months ended March 31, 2021, property operating costs include $5.5 million (three months ended March 31, 2020 –$5.7 million) related to employee compensation. Employee compensation is presented net of subsidies received under the Canada Emergency Wage Subsidy ("CEWS") program for the three months ended March 31, 2021 of $0.3 million related to property operations personnel (three months ended March 31, 2020 - Nil). A portion of this wage subsidy will be passed on to tenants through lower operating cost recoveries.

17. INTEREST AND OTHER INCOME

		Three months ended March 31			
	Note		**2021**		2020
Interest, dividend and distribution income from marketable securities and other investments	6	**$**	**209**	$	212
Interest income from loans and mortgages receivable classified as FVTPL	6		**25**		290
Interest income from loans and mortgages receivable at amortized cost	6		**1,236**		1,859
Fees and other income			**1,036**		778
Total		**$**	**2,506**	$	3,139

18. INTEREST EXPENSE

		Three months ended March 31			
	Note		**2021**		2020
Mortgages	10	**$**	**13,117**	$	12,851
Credit facilities	10		**6,464**		7,255
Senior unsecured debentures	11		**24,678**		26,218
Distributions on Exchangeable Units (1)	13		**11**		260
Total interest expense			**44,270**		46,584
Interest capitalized to investment properties under development			**(5,782)**		(6,168)
Interest expense		**$**	**38,488**	$	40,416
Change in accrued interest			**10,154**		5,138
Coupon interest rate in excess of effective interest rate on senior unsecured debentures			**284**		330
Coupon interest rate in excess of effective interest rate on assumed mortgages			**53**		121
Amortization of deferred financing costs			**(1,984)**		(1,527)
Cash interest paid associated with operating activities		**$**	**46,995**	$	44,478

(1) The distributions declared on the Exchangeable Units are accounted for as interest expense.

19. CORPORATE EXPENSES

	Three months ended March 31			
		2021		2020
Salaries, wages and benefits	**$**	**8,129**	$	7,919
Unit-based compensation		**1,847**		1,094
Other corporate costs		**3,221**		3,372
Total corporate expenses		**13,197**		12,385
Amounts capitalized to investment properties under development		**(2,519)**		(2,398)
Corporate expenses	**$**	**10,678**	$	9,987

For the three months ended March 31, 2021, salaries, wages and benefits include $0.1 million of wage subsidies received under the CEWS program.

20. OTHER GAINS (LOSSES) AND (EXPENSES)

	Three months ended March 31	
	2021	2020
Unrealized gain (loss) on marketable securities	**$ 129**	$ (1,342)
Investment properties selling costs	**(382)**	(2,025)
REIT conversion costs	**—**	(906)
Other	**(1)**	41
Total	**$ (254)**	$ (4,232)

21. INCOME TAXES

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

The following reconciles the expected tax expense computed at the statutory tax rate to the actual tax expense for the three months ended March 31, 2021 and 2020.

	Three months ended March 31	
	2021	2020
Income tax computed at the Canadian statutory rate of Nil applicable to the Trust at March 31, 2021 and March 31, 2020	**$ —**	$ —
Increase (decrease) in income taxes due to:		
Deferred income taxes (recoveries) applicable to corporate subsidiaries	**648**	(717)
Other	**271**	(748)
Deferred income taxes expense (recovery)	**$ 919**	$ (1,465)

22. RISK MANAGEMENT

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

(a) Interest rate risk

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

(b) Credit risk

Credit risk arises from the possibility that tenants and/or debtors may experience financial difficulty and be unable or unwilling to fulfill their lease commitments or loan obligations. First Capital mitigates the risk of credit loss from tenants by investing in well-located properties in urban markets that attract high quality tenants, ensuring that its tenant mix is diversified, and by limiting its exposure to any one tenant. As at March 31, 2021, 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 mitigates the risk of credit loss from debtors by undertaking a number of activities typical in lending arrangements including obtaining registered mortgages on the real estate properties.

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

(c) Liquidity risk

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

An analysis of First Capital's contractual maturities of its material financial liabilities and other contractual commitments as at March 31, 2021 is set out below:

As at March 31, 2021	Payments Due by Period				
	Remainder of 2021	2022 to 2023	2024 to 2025	Thereafter	Total
Scheduled mortgage principal amortization	$ 21,498	$ 64,578	$ 61,587	$ 93,067	$ 240,730
Mortgage principal repayments on maturity	55,559	95,522	164,373	781,157	1,096,611
Credit facilities and bank indebtedness	62,517	427,138	375,000	175,000	1,039,655
Senior unsecured debentures	—	750,000	600,000	1,000,000	2,350,000
Interest obligations (1)	124,234	280,849	185,266	131,023	721,372
Land leases (expiring between 2023 and 2061)	909	2,076	1,238	16,187	20,410
Contractually committed costs to complete current development projects	20,684	313	—	—	20,997
Total contractual obligations	$ 285,401	$ 1,620,476	$ 1,387,464	$ 2,196,434	$ 5,489,775

(1) Interest obligations include expected interest payments on mortgages and credit facilities as at March 31, 2021 (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 March 31, 2021, there was $0.8 billion (December 31, 2020 – $0.7 billion) of cash advances drawn against First Capital's unsecured credit facilities.

In addition, as at March 31, 2021, First Capital had $34.3 million (December 31, 2020 – $49.2 million) of outstanding letters of credit issued by financial institutions primarily to support certain of FCR's contractual obligations and $14.0 million (December 31, 2020 – $0.2 million) of bank overdrafts.

(d) Unit price risk

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

23. FAIR VALUE MEASUREMENT

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

As at		**March 31, 2021**			December 31, 2020	
	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	**$ 3,844**	**$ —**	**$ —**	$ 3,715	$ —	$ —
Loans and mortgages receivable	**—**	**—**	**1,973**	—	—	1,974
Other investments	**—**	**—**	**12,580**	—	—	12,580
Derivatives at fair value – assets	**—**	**—**	**—**	—	—	—
Financial Liabilities						
Exchangeable Units	**—**	**1,702**	**—**	—	1,399	—
Unit-based compensation plans	**—**	**17,102**	**—**	—	12,168	—
Derivatives at fair value – liabilities	**—**	**27,885**	**—**	—	50,368	—
Fair value of financial instruments measured at amortized cost						
Financial Assets						
Loans and mortgages receivable	**$ —**	**$ —**	**$ 80,585**	$ —	$ —	$ 110,045
Bond asset	**—**	**13,823**	**—**	—	13,965	—
Financial Liabilities						
Mortgages	**—**	**1,382,891**	**—**	—	1,446,711	—
Credit facilities	**—**	**1,025,690**	**—**	—	915,928	—
Senior unsecured debentures	**—**	**2,486,810**	**—**	—	2,693,223	—

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

The fair value of derivative instruments is determined using present value forward pricing and swap calculations at interest rates that reflect current market conditions. The models also take into consideration the credit quality of counterparties, interest rate curves and forward rate curves. As at March 31, 2021, the interest rates ranged from 1.6% to 3.2% (December 31, 2020 – 1.7% to 2.5%). The fair values of First Capital's asset (liability) hedging instruments are as follows:

	Designated as Hedging Instrument	Maturity as at March 31, 2021	**March 31, 2021**	December 31, 2020
Derivative assets				
Total			**$ —**	$ —
Derivative liabilities				
Interest rate swaps	Yes	April 2024 - March 2027	**26,708**	45,422
Cross currency swaps	No	April 2021	**1,177**	4,946
Total			**$ 27,885**	$ 50,368

As at March 31, 2021, the $22.5 million decrease in the fair value of outstanding derivative liabilities over prior quarter 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 March 31, 2021, 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	**March 31, 2021**	December 31, 2020
Main and Main Developments LP ("MMLP")	46.875% Interest in MMUR [1]	**67.0%**	67.0%
Maincore Equities Inc. [2]	46.875% Interest in MMUR [1]	**70.9%**	70.9%

[1] FCR has owned a 6.25% direct interest in M+M Realty LP ("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 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.

25. SUPPLEMENTAL CASH FLOW INFORMATION

(a) Items not affecting cash and other items

		Three months ended March 31	
	Note	**2021**	2020
Straight-line rent adjustment	16	**$ (486)**	$ (882)
Investment properties selling costs	20	**382**	2,025
Unrealized (gain) loss on marketable securities classified as FVTPL	20	**(129)**	1,342
Unit-based compensation expense	15	**1,976**	1,117
Increase (decrease) in value of Exchangeable Units	13	**303**	(8,518)
Increase (decrease) in value of unit-based compensation	15	**5,430**	(8,483)
Deferred income taxes expense (recovery)	21	**919**	(1,465)
Other non-cash items		**1**	(41)
Total		**$ 8,396**	$ (14,905)

(b) Net change in non-cash operating items

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

	Three months ended March 31	
	2021	2020
Amounts receivable	**$ (2,516)**	$ (6,262)
Prepaid expenses	**(2,148)**	(10,456)
Trade payables and accruals	**4,948**	7,501
Tenant security and other deposits	**8**	(4,704)
Other working capital changes	**(3,187)**	(108)
Total	**$ (2,895)**	$ (14,029)

(c) Changes in loans, mortgages and other assets

	Three months ended March 31	
	2021	2020
Advances of loans and mortgages receivable	**$ (3,834)**	$ (4,439)
Repayments of loans and mortgages receivable	**32,928**	18,371
Total	**$ 29,094**	$ 13,932

(d) Cash and cash equivalents

As at	**March 31, 2021**	December 31, 2020
Cash and cash equivalents	**$ 18,588**	$ 100,444

26. COMMITMENTS AND CONTINGENCIES

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

(b) First Capital is contingently liable, jointly and severally or as guarantor, for approximately $71.8 million (December 31, 2020 – $70.5 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 $34.3 million (December 31, 2020 – $49.2 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, 2020 – $1.2 million) with a total obligation of $20.4 million (December 31, 2020 – $20.7 million).

27. RELATED PARTY TRANSACTIONS

(a) Subsidiaries of the Trust

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

28. SUBSEQUENT EVENTS

Stay-at-Home Order

On April 7, 2021, the Government of Ontario announced that, in response to a rising transmission of COVID-19 variants, the entire province would be placed under a 28 day "Stay-at-Home Order", effective April 8, 2021. On April 16, 2021, the Ontario provincial government announced that the "Stay-at-Home Order" would be extended for an additional two weeks, to May 20, 2021.

Collection of April 2021 Rent

As of May 4, 2021, First Capital has collected approximately 94% of the gross rents payable from tenants for the month of April.

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