FIRST CAPITAL

2021
THIRD 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 November 2, 2021 and are qualified by these cautionary statements.

COMPANY PROFILE

First Capital is a leading owner, operator, and developer of grocery anchored and 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 grocery anchored and 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

148
NEIGHBOURHOODS

22.7M
SQ. FT. OF GLA

>2,400
TENANTS

347
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 2020 Environmental, Social & Governance 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, grocery anchored and 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

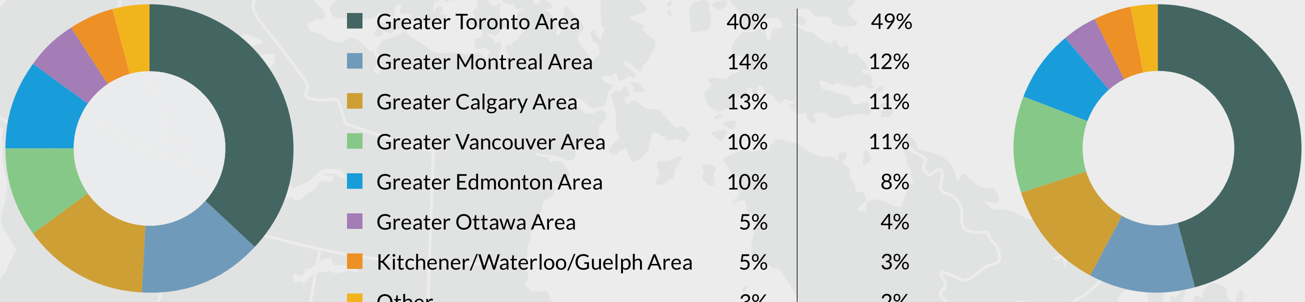
Our target markets

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	40%	49%
Greater Montreal Area	14%	12%
Greater Calgary Area	13%	11%
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 September 30, 2021

Creating neighbourhoods for everyday urban life™

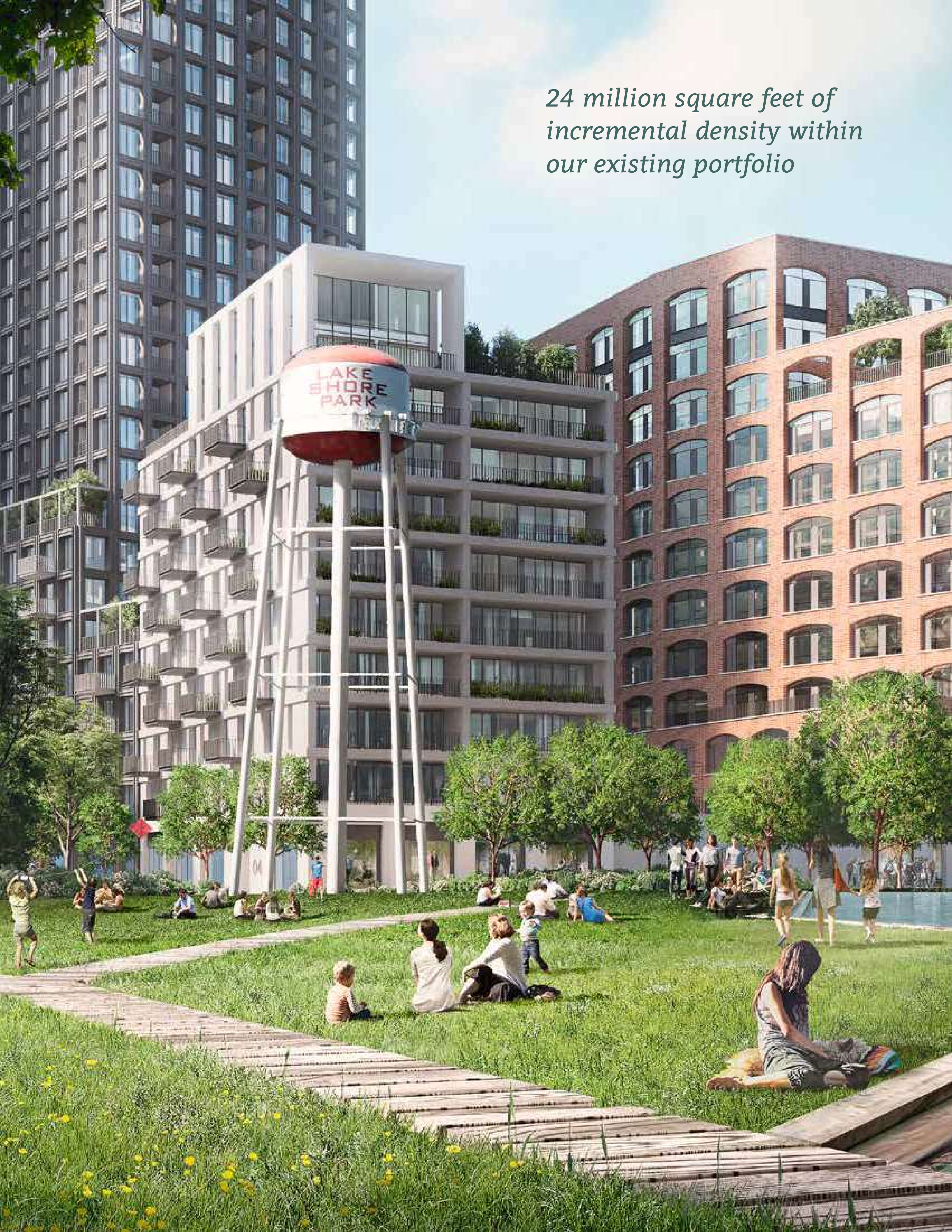
Currently, over 90% of our revenues come from retail tenants who provide the essential products and services consumers need everyday, including grocery stores, pharmacies, liquor stores, banks, restaurants, cafés, fitness centres, medical services, childcare facilities and other professional and personal 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 – 3,974 stores

	# of Stores	% of Rent
Other Necessity-Based Retailers	478	18.0
Grocery Stores	126	17.3
Medical, Professional & Personal Services	1,347	15.5
QSR, Chains & Cafes	898	13.0
Pharmacies	120	9.3
Other Tenants	480	8.6
Banks & Credit Unions	187	8.1
Fitness Facilities	75	3.7
Liquor Stores	91	3.3
Other Restaurants	66	1.6
Daycare & Learning Centres	106	1.6

As at September 30, 2021

24 million square feet of incremental density within our existing portfolio



30 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.

300,000

Average population density within a five-kilometre radius of each of our properties, up 95,000 or 46% 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 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 2020 Environmental, Social & Governance report has 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

Awarded Sector Leader Status in the 2021 GRESB Real Estate Assessment – Development Benchmark: Retail, Overall Regional Sector Leader

Awarded Gold 2021 Green Lease Leader Recognition by the Institute for Market Transformation (IMT) and the U.S. Department of Energy's Better Building Alliance

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 (2016-2020)
- Current target: 9% reduction in normalized carbon intensity (kg/ft2), 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 240 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
- First Canadian Retail REIT to achieve the WELL Health-Safety Rating for Facility Operations & Management from the International WELL Building Institute (IWBI) at 35 of our buildings totalling 7.1 million square feet

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
- Became the first Canadian REIT to be a signatory in support of the Task Force on Climate-Related Financial Disclosures (TCFD); while establishing a concrete plan to align and improve upon our own disclosures
- 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 ESG report on the Company's website at **www.fcr.ca/esg.**

MD&A

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

INTRODUCTION

This Management’s Discussion and Analysis (“MD&A”) of the financial position and results of operations of First Capital Real Estate Investment Trust (“First Capital”, “FCR” or the “Trust”) is intended to provide readers with an assessment of performance and summarize the financial position and results of operations for the three and nine months ended September 30, 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 November 2, 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 most of the third quarter, essential and non-essential businesses were allowed to operate with the latter subject to continuing capacity limits. In Alberta, capacity restrictions were re-implemented in order to address a surge in COVID-19 cases following the easing of nearly all restrictions in that province in late spring. As provinces implement proof of vaccination measures for restaurants, gyms, theatres, etc., capacity limits continue to be eased or lifted for non-essential businesses. On October 23, 2021, the federal government's rent support program, the Canada Emergency Rent Subsidy ("CERS"), which provided funding directly to qualifying tenants ended. On October 21, 2021, the federal government proposed targeted new financial support mechanisms via The Tourism and Hospitality Recovery Program and The Hardest-Hit Business Recovery Program. The federal government has proposed the introduction of legislation to allow for the extension of these new programs until May 7, 2022. First Capital does not expect a material impact on its operations from the expiry of the CERS program nor the commencement of the new, more targeted programs.

Despite the continuing challenges facing many businesses as a result of the pandemic, First Capital's high quality grocery-anchored and mixed-use portfolio continues to produce solid leasing activity, growth in its average net rental rate while 2021 has seen new leases signed with numerous growing retailers and full-service restaurant operators.

FCR continues to follow all governmental directives to ensure the safety of its employees, tenants, customers, and neighbours during the reopening process.

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. 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 in 2020, 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 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. In the second quarter, it was announced the program would be extended for an additional 20 weeks to October 23, 2021. Effective July 3, 2021, only applicants with a minimum revenue decline of 10% can participate in the CERS program. There was no change to the subsidy rate in the first 4 week extension period. However, after July 3, 2021, the subsidy rate declined in the subsequent reporting periods (60%, 40% and 20% respectively) with the lockdown support rate remaining consistent at 25%.

The new Tourism and Hospitality Recovery Program and the Hardest-Hit Business Recovery Program took effect October 24, 2021 and legislation is proposed to extend these programs until May 7, 2022. The Tourism and Hospitality Recovery Program will provide help through wage and rent subsidies for hotels, tour operators, travel agencies and restaurants with a subsidy rate of up to 75%. The Hardest-Hit Business Recovery Program will provide support through wage and rent subsidies for other businesses that have faced deep losses, with a subsidy rate of up to 50%. For these two programs, eligibility will require both a significant revenue loss over 12 months during the pandemic and a revenue loss in the current month of application.

First Capital also provided 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 are passed on to tenants through lower operating cost recoveries. The CEWS program was extended to October 23, 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 $1.7 million and $7.1 million for the three and nine months ended September 30, 2021.

Overall, First Capital collected 97% of the gross rent due in the third quarter. To date, First Capital collected 97% of the gross rent due for the month of October.

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 November 2, 2021, the Trust's liquidity position included approximately $695 million of cash and undrawn credit facilities with remaining debt maturities for 2021 totaling only $32 million. As at September 30, 2021, the Trust had unencumbered properties with an IFRS value of approximately $7.3 billion and a net debt to asset ratio of 44.9%.

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 can 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 $186.8 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's approach to property dispositions is centered around several objectives. The first is to sell 100% interests in properties that are deemed to be inconsistent with its Super Urban Strategy, as properties in these markets do not benefit from the same attractive long-term demographic growth drivers as the business overall. 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. Finally, First Capital seeks to strategically partner with organizations that offer expertise that is complementary to the REIT's existing strengths in retail real estate operations, master planning and entitlements, in order to maximize the potential value and reduce risk inherent in its large-scale mixed-use projects. 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 $1.4 billion or 96% of its target. FCR continues to pursue strategic disposition opportunities as the property transaction market has demonstrated strong momentum in 2021 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 September 30, 2021, FCR had approximately 0.1 million square feet under active development. First Capital believes that the strategy to develop, own and operate properties that meet the needs of everyday urban life in Canada's most densely populated neighbourhoods will provide value over the long term in all the asset classes in which it invests.

On September 17, 2021, the Pemberton Group ("Pemberton") subscribed to 50% ownership in a new strategic partnership to develop the 28-acre site located at 2150 Lake Shore Boulevard West at Park Lawn Road in Toronto (the "Development Site") into a sustainable and inclusive master-planned, mixed-use, transit-oriented neighbourhood. First Capital exercised a previously secured option to purchase its former partner's 50% interest in the Development Site for approximately $56 million at the same time Pemberton invested $156 million in the new partnership. The Trust has maintained its 50% ownership interest in the property.

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. There are also ongoing effects of the pandemic, including but not limited to social distancing recommendations, capacity limits in enclosed spaces that remain lower than pre-COVID limits, higher operating costs for many businesses due to personal protective equipment provisioning, and labour shortages in some instances. 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 nine 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 nine 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 on a proportionate basis. 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 (19.9 million square feet at its ownership interest compared to 22.7 million square feet at 100% as at September 30, 2021). First Capital's operating metrics and GLA excludes residential GLA totaling 419,000 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

	Three months ended September 30		Nine months ended September 30	
	2021	2020	**2021**	2020
Revenues, Income and Cash Flows [1]				
Revenues and other income	**$ 167,995**	$ 166,728	**$ 511,640**	$ 511,788
NOI [2]	**$ 103,078**	$ 101,478	**$ 306,620**	$ 293,386
Increase (decrease) in value of investment properties, net	**$ 21,396**	$ (40,907)	**$ 172,621**	$ (193,146)
Increase (decrease) in value of hotel property	**$ 448**	$ (23)	**$ 1,039**	$ (4,350)
Net income (loss) attributable to Unitholders	**$ 181,526**	$ 11,262	**$ 431,502**	$ (34,566)
Net income (loss) per unit attributable to Unitholders (diluted)	**$ 0.82**	$ 0.05	**$ 1.95**	$ (0.16)
Weighted average number of units - diluted (in thousands)	**220,899**	220,522	**220,794**	220,478
Cash provided by operating activities	**$ 50,590**	$ 43,469	**$ 166,038**	$ 126,768
Distributions				
Distributions declared	**$ 23,709**	$ 47,068	**$ 71,094**	$ 140,875
Distributions declared per unit	**$ 0.108**	$ 0.215	**$ 0.324**	$ 0.645
Cash distributions paid	**$ 23,704**	$ 46,990	**$ 78,908**	$ 140,779

As at September 30	**2021**	2020
Financial Information [1]		
Investment properties [3]	**$ 9,225,364**	$ 9,537,692
Hotel property	**$ 88,000**	$ 55,620
Total assets	**$10,186,252**	$10,013,445
Mortgages [3]	**$ 1,263,425**	$ 1,364,311
Credit facilities	**$ 948,495**	$ 906,246
Senior unsecured debentures	**$ 2,347,895**	$ 2,521,844
Exchangeable Units	**$ 1,807**	$ 1,722
Unitholders' equity	**$ 4,608,489**	$ 4,233,905
Net Asset Value per unit [2]	**$ 23.99**	$ 22.24
Capitalization and Leverage		
Trust Units outstanding (in thousands)	**219,529**	219,286
Exchangeable Units outstanding (in thousands)	**103**	133
Enterprise value [2]	**$ 8,397,854**	$ 7,630,938
Net debt to total assets [2] [4]	**44.9%**	48.0%
Weighted average term to maturity on mortgages, fixed rate unsecured term loans and senior unsecured debentures (years)	**4.2**	4.9

As at September 30	2021	2020
Operational Information		
Number of neighbourhoods	**148**	150
GLA (square feet) - at 100%	**22,736,000**	22,830,000
GLA (square feet) - at ownership interest	**19,853,000**	20,232,000
Occupancy - Same Property - stable [2]	**96.1%**	96.1%
Total portfolio occupancy	**95.9%**	96.0%
Development pipeline and adjacent land (GLA) [5]		
Commercial pipeline (primarily retail)	**1,635,000**	2,240,000
Residential pipeline	**22,275,000**	22,770,000
Weighted average rate per occupied square foot	**$ 22.24**	$ 21.84
Commercial GLA developed and transferred online - at ownership interest [6]	**181,000**	28,000
Residential units developed and transferred online	**399**	119
Same Property - stable NOI - increase (decrease) over prior period [2] [7]	**6.3%**	(6.5%)
Total Same Property NOI - increase (decrease) over prior period [2] [7]	**6.6%**	(8.2%)

	Three months ended September 30		Nine months ended September 30	
	2021	2020	**2021**	2020
Funds from Operations [2] [4]				
FFO	**$ 59,047**	$ 58,140	**$ 190,160**	$ 159,458
FFO per diluted unit	**$ 0.27**	$ 0.26	**$ 0.86**	$ 0.72
FFO payout ratio	**40.4%**	81.4%	**37.6%**	89.2%
Weighted average number of units - diluted (in thousands)	**220,899**	220,522	**220,794**	220,478
Adjusted Cash Flow from Operations [2] [4]				
ACFO	**$ 70,710**	$ 68,117	**$ 182,720**	$ 143,547
ACFO payout ratio on a rolling four quarter basis			**52.0%**	88.6%

(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) During the nine months ended September 30.

(7) 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 September 30, 2021, First Capital had interests in 148 neighbourhoods, which were 95.9% occupied with a total GLA of 19.9 million square feet at FCR's ownership interest (22.7 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 136 neighbourhoods with a total GLA of 18.9 million square feet at FCR's ownership interest (21.6 million square feet at 100%) and a fair value of $8.5 billion. These properties represent 91.9% of FCR's neighbourhood count, 95.2% of its GLA at FCR's ownership interest and 88.0% of its fair value as at September 30, 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	**September 30, 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	**88.2%**	**17,510**	**$ 8,004**	**96.1%**	**$ 22.65**	87.5%	17,497	$ 7,940	96.1%	$ 22.49
Same Property with redevelopment	**7.0%**	**1,391**	**476**	**96.3%**	**18.11**	7.0%	1,386	462	96.0%	17.63
Total Same Property	**95.2%**	**18,901**	**8,480**	**96.1%**	**22.32**	94.5%	18,883	8,402	96.1%	22.14
Major redevelopment	**2.0%**	**407**	**112**	**90.9%**	**21.70**	1.6%	323	101	94.6%	18.14
Ground-up development	**0.4%**	**79**	**256**	**92.5%**	**30.93**	—%	—	145	—%	—
Properties under construction	**—%**	**—**	**19**	**—%**	**—**	—%	—	124	—%	—
Acquisitions [3]	**0.1%**	**22**	**72**	**80.2%**	**51.93**	0.1%	7	50	39.1%	40.28
Density and Development land [4] [5]	**0.2%**	**33**	**414**	**99.2%**	**15.54**	0.2%	49	399	100.0%	15.95
Investment properties classified as held for sale	**2.1%**	**411**	**279**	**93.9%**	**16.36**	2.1%	428	232	97.1%	16.77
Dispositions [6]	**—%**	**—**	**—**	**—%**	**—**	1.5%	301	134	99.6%	18.89
Total	**100.0%**	**19,853**	**$ 9,632**	**95.9%**	**$ 22.24**	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 September 30, 2021 and December 31, 2020, respectively.

(3) Includes current year and prior year acquisitions.

(4) Approximately $5 million of density and development land is included in acquisitions as at September 30, 2021.

(5) Approximately $69 million (December 31, 2020 - $76 million) of density and development land is included in investment properties classified as held for sale as at September 30, 2021.

(6) Comparative information presented relates to 2021 dispositions that have been completed and no longer form part of these metrics as at September 30, 2021.

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

As at	**September 30, 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	**50**	**6,840**	**$ 4,635**	**49%**	**95.9%**	**$ 25.63**	**40%**	51	6,803	$ 4,624	48%	95.8%	$ 25.23	39%
Greater Montreal	**28**	**3,622**	**1,135**	**12%**	**95.9%**	**17.18**	**14%**	28	3,551	1,106	12%	96.3%	17.02	14%
Greater Calgary	**16**	**2,438**	**1,094**	**11%**	**95.1%**	**24.30**	**13%**	17	2,688	1,147	12%	95.7%	23.37	14%
Greater Vancouver	**16**	**1,750**	**1,094**	**11%**	**96.2%**	**25.88**	**10%**	16	1,750	1,041	11%	95.9%	25.53	10%
Greater Edmonton	**11**	**2,256**	**755**	**8%**	**95.5%**	**19.43**	**10%**	11	2,246	764	8%	95.2%	19.24	10%
Greater Ottawa	**13**	**1,185**	**375**	**4%**	**97.8%**	**19.01**	**5%**	13	1,180	370	4%	97.9%	18.97	5%
KW/Guelph [2]	**5**	**1,047**	**336**	**3%**	**96.4%**	**18.99**	**5%**	5	1,047	332	3%	98.3%	19.00	5%
Other	**9**	**715**	**208**	**2%**	**96.3%**	**18.53**	**3%**	9	726	203	2%	98.7%	17.77	3%
Total	**148**	**19,853**	**$ 9,632**	**100%**	**95.9%**	**$ 22.24**	**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 September 30, 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:

			Nine months ended September 30, 2021	
(millions of dollars)		**Consolidated Balance Sheet**	**Adjustments for Proportionate Interest**	**Proportionate Interest [3]**
Balance at beginning of period	$	**9,491**	$ **8**	$ **9,499**
Acquisitions				
Investment properties and additional adjacent spaces		**15**	**8**	**23**
Development activities and property improvements		**125**	**(9)**	**116**
Reclassification to residential development inventory		**(92)**	**20**	**(72)**
Increase (decrease) in value of investment properties, net		**173**	**(17)**	**156**
Dispositions		**(214)**	**34**	**(180)**
Reclassification to equity accounted joint ventures [1]		**(274)**	**274**	**—**
Other changes		**1**	**1**	**2**
Balance at end of period [2]	$	**9,225**	$ **319**	$ **9,544**

(1) In the third quarter, two properties were reclassified to investment in joint ventures as the legal ownership of these two properties changed or was restructured as part of disposition transactions. The two properties are now beneficially owned in separate limited partnerships owned 50/50 by the Trust and their respective partners.

(2) Includes investment properties classified as held for sale as at September 30, 2021 totaling $279 million ($279 million at First Capital's share) of investment properties.

(3) 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 nine months ended September 30, 2021, First Capital acquired four 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%	3,700	0.1		2.1
3.	199 Avenue Road	Toronto, ON	Q2	20%	3,186	0.1		2.7
4.	897-901 Eglinton Avenue West	Toronto, ON	Q3	50%	5,628	0.2	$	12.4
	Total				14,992	0.6	$	22.6

2021 Dispositions

During the nine months ended September 30, 2021, First Capital disposed of its interest in four properties and a 50% interest in one land parcel. In addition, First Capital disposed of a 50% (35% at FCR's share) interest in one property held through Main & Main Urban Realty LP to a strategic partner that will operate the residential property going forward. These dispositions are summarized in the table below:

Count	Property Name	City/Province	Quarter Sold	Interest Sold	GLA (sq. ft.)	Acreage		Gross Sales Price (in millions)
1.	Fairview Mall - Staples	St. Catharines	Q2	100%	31,000	2.9		
2.	Eagleson Place - expansion unit	Ottawa, ON	Q2	50%	2,294	0.4		
3.	Dundas & Aukland (Station Place)	Toronto, ON	Q3	50% (1)	109,809	0.3		
4.	Towerlane Centre & Airdrie Village Square	Airdrie, AB	Q3	100%	249,875	27.1		
5.	134, 146-150 Lakeshore Road West (Lakeshore & Kerr)	Oakville, ON	Q3	100%	20,551	1.7		
	Total				413,529	32.4	$	180.0

(1) 35% at FCR's proportionate share.

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:

Nine months ended September 30		**2021**				2020	
		Capital Expenditures	**Adjustments for Proportionate Interest**	**Proportionate Interest [1]**	Capital Expenditures	Adjustments for Proportionate Interest	Proportionate Interest [1]
Revenue sustaining		**$ 10,726**	**$ 3**	**$ 10,729**	$ 14,771	$ 39	$ 14,810
Revenue enhancing		**28,690**	**3**	**28,693**	14,496	261	14,757
Expenditures recoverable from tenants		**2,385**	**—**	**2,385**	1,084	—	1,084
Development expenditures		**83,640**	**(8,663)**	**74,977**	120,274	(12,087)	108,187
Sub-total		**$ 125,441**	**$ (8,657)**	**$ 116,784**	$ 150,625	$ (11,787)	$ 138,838
Residential Inventory		**$ 11,032**	**$ 909**	**$ 11,941**	$ 4,928	$ (452)	$ 4,476
Total		**$ 136,473**	**$ (7,748)**	**$ 128,725**	$ 155,553	$ (12,239)	$ 143,314

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

Capital expenditures for the nine months ended September 30, 2021 were $128.7 million, which was $14.6 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 September 30, 2021 and December 31, 2020:

As at and for the three months ended *(millions of dollars)*					**September 30, 2021**
Property Type	**Valuation Method**	**Fair Value**	**Adjustments for Proportionate Interest**	**Proportionate Interest [1]**	**Net Operating Income [1]**
Same Property - stable	DCF [2]	**$ 7,942**	**$ 62**	**$ 8,004**	**$ 93**
Same Property with redevelopment	DCF [2]	**425**	**(2)**	**423**	**5**
Total Same Property		**$ 8,367**	**$ 60**	**$ 8,427**	**$ 98**
Major redevelopment	DCF [2]	**112**	**—**	**112**	**2**
Ground-up development	DCF [2]	**173**	**83**	**256**	**1**
Properties under construction	DCF [2], Cost [2]	**19**	**—**	**19**	**—**
Acquisitions	DCF [2], Cost [2]	**29**	**8**	**37**	**—**
Density and Development Land [3] [4]	Cost [2], comparable land sales	**246**	**168**	**414**	**—**
Investment properties classified as held for sale	DCF [2], comparable land sales	**279**	**—**	**279**	**2**
Dispositions	N/A	**—**	**—**	**—**	**1**
Total investment properties		**$ 9,225**	**$ 319**	**$ 9,544**	**$ 104**
NOI related to other investments					**—**
Total NOI					**$ 104**

(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 $69 million ($69 million at First Capital's share) of density and development land is included in investment properties classified as held for sale.

(4) Approximately $5 million, at First Capital's share, 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]	$	7,878	$	62	$	7,940	$ 355
Same Property with redevelopment	DCF [3]		411		(2)		409	22
Total Same Property		$	8,289	$	60	$	8,349	$ 377
Major redevelopment	DCF [3]		101		—		101	6
Ground-up development	DCF [3]		145		—		145	2
Properties under construction	DCF [3], Cost [3]		146		(22)		124	—
Acquisitions	DCF [3], Cost [3]		15		—		15	—
Density and Development Land [4]	Cost [3], comparable land sales		407		(8)		399	1
Investment properties classified as held for sale	DCF [3], comparable land sales		232		—		232	6
Dispositions [5]	N/A		156		(22)		134	11
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 $76 million of density and development land is included in investment properties classified as held for sale.

(5) Includes properties that were disposed of in 2021.

The majority of the Trust's portfolio is valued under the Income Approach using the discounted cash flow ("DCF") method. As at September 30, 2021, the weighted average valuation yields (stabilized overall capitalization, terminal, and discount rates) used in valuing those investment properties under the Income Approach remained substantially unchanged from December 31, 2020.

During the third quarter of 2021, as part of its normal course internal valuations, the Trust adjusted the fair value of certain properties that are held for sale to reflect the expected transaction price, as well as revaluations of development land. In addition, the Trust made revisions to capitalization and discount rates for certain properties. As a result, an overall increase in the value of investment properties was recorded in the amount of $21.4 million ($20.2 million at FCR's share) for the three months ended September 30, 2021. For the nine months ended September 30, 2021, an overall increase in the value of investment properties was recorded in the amount of $172.6 million ($155.7 million at FCR's share).

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 $193.1 million ($203.8 million at FCR's share) for the nine months ended September 30, 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 September 30, 2021 and December 31, 2020:

As at September 30, 2021	Stabilized Capitalization Rate		
Area	**Weighted Average**	**Median**	**Range**
Greater Toronto	**4.5%**	**4.8%**	**3.0%-7.0%**
Greater Montreal	**5.6%**	**5.5%**	**4.6%-7.0%**
Greater Calgary	**5.2%**	**5.3%**	**4.9%-6.0%**
Greater Vancouver	**4.3%**	**4.4%**	**3.5%-5.3%**
Greater Edmonton	**5.8%**	**5.7%**	**5.0%-6.5%**
Greater Ottawa	**5.9%**	**5.8%**	**4.4%-6.8%**
KW/Guelph (1)	**5.6%**	**5.6%**	**5.3%-6.3%**
Other	**5.9%**	**5.8%**	**5.0%-7.0%**
Weighted Average	**5.0%**	**5.3%**	**3.0%-7.0%**

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 September 30, 2021, the Trust's share of properties under construction as well as density and development land totaled approximately $507 million. These non-income producing properties represent approximately 5% 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 September 30, 2021, the invested cost of these non-income producing properties was $388 million as compared to a fair value of $507 million. Cumulative gains of approximately $119 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 September 30, 2021, First Capital's portfolio is comprised of 19.9 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 September 30, 2021, Management had identified approximately 23.9 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 September 30, 2021	Square feet *(in thousands)*				Value recognized [1]
	Commercial	Residential	Total [1]	Recognized to date [2]	*(in millions)*
Properties under construction	**35**	**24**	**59**	**59**	**$ 19**
Density and development land					
Medium term	1,500	10,900	12,400		
Long term	100	6,400	6,500		
Very long term	—	4,400	4,400		
	1,600	**21,700**	**23,300**	**7,915**	**$ 488**
Residential inventory	**—**	**551**	**551**	**551**	**$ 164**
Total development pipeline	**1,635**	**22,275**	**23,910**	**8,525**	**$ 671**

(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 8.5 million or 36% of FCR's 23.9 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 recognized in the Trust's proportionate balance sheet totaling $488 million, or $62 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 September 30, 2021, the invested cost of the density and development land recognized in the Trust's proportionate balance sheet totaled $368 million representing acquisition cost and pre-development costs to date.

As at September 30, 2021 [1] *(in millions)*		Unencumbered	Encumbered	Fair Value
Development land	Unzoned	$ 61	$ 12	$ 73
	Zoned	248	—	248
	Total	**309**	**12**	**321**
IPP with density	Unzoned	19	11	30
	Zoned	127	10	137
	Total	**146**	**21**	**167**
Value of density and development land		**$ 455**	**$ 33**	**$ 488**

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

The remaining 15.4 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 September 30, 2021 *(in thousands of square feet)*	Incremental Density Pipeline	
	Total	% of Total
Greater Toronto Area	13,166	55.1%
Greater Montreal Area	5,545	23.2%
Greater Vancouver Area	2,819	11.8%
Greater Calgary Area	1,300	5.4%
Greater Ottawa Area	720	3.0%
Greater Edmonton Area	360	1.5%
Total development pipeline	**23,910**	**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”).

As of September 30, 2021, entitlement submissions to date total approximately 13.7 million square feet representing 57% of FCR's 23.9 million incremental density pipeline. To date, 8.0 million square feet has been zoned and the Trust expects the remaining pre-2019 entitlement submissions to be approved in the fourth quarter.

Entitlement Applications	000s of square feet submitted for (at FCR's share):					
	Residential	Commercial	Total	Existing	Incremental	Zoned
1. Pre-2019 Entitlement Applications [1]	2,986	707	3,693	175	3,518	3,209
2. 2019 Entitlement Applications	8,086	966	9,052	516	8,536	4,675
3. 2020 Entitlement Applications	2,540	309	2,849	135	2,714	115
Total Entitlement Applications	**13,612**	**1,982**	**15,594**	**826**	**14,768**	**7,999**

(1) Disposed of Place Panama (Phase I) in the fourth quarter of 2020 which included 1,047,000 square feet of previously zoned density.

First Capital has 10.2 million square feet of additional incremental density which includes 10.1 million square feet primarily related to the properties listed below, where entitlements have yet to be submitted, and 0.1 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.	Bayview Lane Plaza	Thornhill	Markham, ON	100%
12.	Yonge-Davis Centre	Yonge St./Davis Dr. W.	Newmarket, ON	100%
13.	Appleby Square	Appleby	Burlington, ON	100%
14.	Harwood Plaza	Harwood Ave. S. / Bayly St. W.	Ajax, ON	100%
15.	1000 Wellington St.	Griffintown	Montreal, QC	100%
16.	Centre Commercial Domaine	Longue-Pointe	Montreal, QC	100%
17.	Centre Commercial Van Horne	Cote-Des-Neiges	Montreal, QC	100%
18.	Galeries Normandie	Hwy. 15/Rue de Salaberry	Montreal, QC	100%
19.	Place Provencher	Saint - Leonard	Montreal, QC	100%
20.	Le Campanile & Place du Commerce	Nun's Island	Montreal, QC	100%
21.	Place Michelet	Saint - Leonard	Montreal, QC	100%
22.	Langley Mall	Downtown Langley	Langley, BC	100%
23.	Scott 72 Shopping Centre	120 St./72 Ave.	Delta, BC	100%
24.	Semiahmoo (future phases)	South Surrey	Surrey, BC	100%
25.	GM Glenbow	Beltline	Calgary, AB	50%
26.	Newport Village	Macleod Trail SE/Southland Dr. SE	Calgary, AB	100%
27.	Mount Royal Village East	Beltline	Calgary, AB	100%
28.	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 nine months ended September 30, 2021, First Capital completed the transfer of 181,000 square feet of new retail space in addition to 399 residential units to the income-producing portfolio at a total cost of $187.3 million. All of the retail space transferred was located in super urban neighbourhoods and 162,000 square feet became occupied at an average rental rate of $30.32 per square foot.

For the nine months ended September 30, 2021, First Capital had tenant closures for redevelopment of 49,000 square feet at an average rental rate of $18.18 per square foot.

Active Development and Redevelopment Activities

Construction on all projects has largely been unaffected by COVID-19 restrictions during 2021. 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 five projects under construction. At the Trust's share, these projects include approximately 59,000 square feet of space, of which 35,000 square feet is retail space and 24,000 square feet is residential rental apartments. A total of 9,000 square feet of the retail space currently under development is subject to committed leases at a weighted average rate of $62.76 per square foot. As construction on large projects occurs in phases, there continues to be ongoing lease 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 September 30, 2021 are as follows:

As at September 30, 2021						
Count/Project		Major Tenants	Ownership Interest %	Square Feet Under Development (in thousands)	Target Completion Date [1]	Fair Value (in millions)
1.	Leaside Expansion, Toronto, ON	*(Shoppers Drug Mart, PetSmart, Medical Office)*	100%	8	H2 2021	
2.	Chartwell Shopping Centre, Toronto, ON	*(Mabu Station, Coco Tea)*	100%	4	H2 2021	
3.	Victoria Terrace, Toronto, ON	*(Burger King)*	100%	3	H2 2021	
4.	200 West Esplanade, Vancouver, BC [2]	*(Residential rental units)*	50%	29	H2 2023	
5.	Wilderton, Montreal, QC [3]	*(Metro, Pharmaprix, Tim Hortons, SAQ)*	100%	15	H2 2023	
	Total properties under construction at FCR's share [4]			**59**		**$ 19**

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

(2) The square feet under development consists of 9,000 square feet of retail and 48,000 square feet of residential space (75 rental units) for a total of 57,000 square feet on a 100% basis. FCR proportionately consolidates 50% of this property under IFRS.

(3) Target completion date reflects future phases.

(4) 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 $40.0 million.

Residential Inventory - active development

First Capital has four residential development projects representing approximately 551,000 square feet of incremental density at FCR's ownership interest.

Highlights of First Capital’s active residential projects as at September 30, 2021 are as follows:

As at September 30, 2021							
Count/Project		City, Province	Ownership Interest %	Total Units	Square Feet Under Development (in thousands)	Target Completion Date [1]	Value recognized (in millions) [2]
1.	Rutherford Marketplace	Vaughan, ON	50%	50	64	H1 2022	
2.	Humbertown Condos (Phase 1) [3]	Toronto, ON	100%/50%	209	245	H1 2025	
3.	400 King St. W.	Toronto, ON	35%	612	151	H2 2025	
4.	138 Yorkville	Toronto, ON	33%	78	91	H2 2026	
Total Residential Inventory				**949**	**551**		**$ 164**

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

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

(3) The Trust continues to own 100% of the Humbertown land until such time it will be sold to the joint venture. The 50%/50% joint venture has commenced pre-development and marketing activities.

Leasing and Occupancy

As at September 30, 2021, total portfolio occupancy decreased 0.1% to 95.9%, while Same Property occupancy remained flat at 96.1% compared to September 30, 2020 occupancy rates. Total portfolio occupancy decreased 0.3% to 95.9%, while Same Property occupancy remained flat at 96.1% compared to December 31, 2020, primarily due to net closures versus openings.

For the nine months ended September 30, 2021, the monthly average occupancy for the total portfolio was 95.9% compared to 96.3%, and the Same Property portfolio occupancy was 96.0% compared to 96.4% for the same prior year period, respectively.

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

As at		**September 30, 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	**16,828**	**96.1%**	**$ 22.65**	16,823	96.1%	$ 22.49
Same Property with redevelopment	**1,338**	**96.3%**	**18.11**	1,330	96.0%	17.63
Total Same Property	**18,166**	**96.1%**	**22.32**	18,153	96.1%	22.13
Major redevelopment	**370**	**90.9%**	**21.70**	305	94.6%	18.14
Ground-up development	**73**	**92.5%**	**30.93**	—	—%	—
Investment properties classified as held for sale	**386**	**93.9%**	**16.36**	415	97.1%	16.77
Total portfolio before acquisitions and dispositions	**18,995**	**95.9%**	**22.22**	18,873	96.1%	21.95
Acquisitions [1]	**17**	**80.2%**	**51.93**	3	39.1%	40.28
Dispositions [2]	**—**	**—%**	**—**	300	99.6%	18.89
Density and Development land	**33**	**99.2%**	**15.54**	49	100.0%	15.95
Total [3]	**19,045**	**95.9%**	**$ 22.24**	19,225	96.2%	$ 21.89

(1) Includes current year and prior year acquisitions.

(2) Comparative information presented relates to 2021 dispositions that have been completed and no longer form part of these metrics as at September 30, 2021.

(3) At FCR's ownership interest.

During the three months ended September 30, 2021, First Capital completed 466,000 square feet of lease renewals across the portfolio. First Capital achieved an 8.8% lease renewal rate increase when comparing the per square foot net rental rate in the first year of the renewal term to the per square foot net rental rate of the last year of the expiring term. For the three months ended September 30, 2021, First Capital achieved a 11.5% lease renewal rate increase when comparing the average net rental rate over the renewal term to the net rental rate in the last year of the expiring term.

The average rental rate per occupied square foot for the total portfolio increased 0.7% from $22.09 as at June 30, 2021 to $22.24 as at September 30, 2021 primarily due to renewal lifts, rent escalations and dispositions.

Changes in First Capital's gross leasable area and occupancy for the total portfolio for the three months ended September 30, 2021 are set out below:

Three months ended September 30, 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
June 30, 2021 [2]	**18,137**	**96.0%**	**$ 22.23**	**1,127**	**94.6%**	**$ 19.87**	**—**	**—%**	**828**	**4.1%**	**20,092**	**95.9%**	**$ 22.09**
Tenant possession	137		21.44	25		19.64	—		(162)		—		21.17
Tenant closures	(108)		(26.55)	(22)		(16.38)	—		130		—		(24.81)
Tenant closures for redevelopment	—		—	(10)		(14.90)	10		—		—		(14.90)
Developments – tenants coming online [3]	—		—	3		42.00	—		19		22		42.00
Redevelopments – tenant possession	—		—	—		—	—		—		—		—
Demolitions	—		—	—		—	(3)		—		(3)		—
Reclassification	—		—	3		—	—		15		18		—
Total portfolio before Q3 2021 acquisitions and dispositions	18,166	96.1%	$ 22.32	1,126	91.7%	$ 20.10	7	—%	830	4.1%	20,129	95.8%	$ 22.19
Acquisitions (at date of acquisition)	—	—%	—	9	100.0%	54.63	—	—%	—		9	100.0%	54.63
Dispositions (at date of disposition)	—	—%	—	(256)	89.8%	(19.92)	—	—%	(29)		(285)	89.8%	(19.92)
September 30, 2021	**18,166**	**96.1%**	**$ 22.32**	**879**	**92.4%**	**$ 20.50**	**7**	**—%**	**801**	**4.0%**	**19,853**	**95.9%**	**$ 22.24**
Renewals	449		$ 22.92	17		$ 29.40					466		$ 23.16
Renewals – expired	(449)		$ (21.02)	(17)		$ (27.89)					(466)		$ (21.28)
Net change per square foot from renewals			$ 1.90			$ 1.51							$ 1.88
% Increase on renewal of expiring rents (first year of renewal term)			9.0%			5.4%							8.8%
% increase on renewal of expiring rents (average rate in renewal term)													11.5%

(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.

During the nine months ended September 30, 2021, First Capital completed 1,629,000 square feet of lease renewals across the portfolio. First Capital achieved an 8.3% lease renewal rate increase when comparing the per square foot net rental rate in the first year of the renewal term to the per square foot net rental rate of the last year in the expiring term. For the nine months ended September 30, 2021, First Capital achieved a 10.3% lease renewal rate increase when comparing the average net rental rate over the renewal term to the net rental rate in the last year of the expiring term.

The average rental rate per occupied square foot for the total portfolio increased 1.6% from $21.89 as at December 31, 2020 to $22.24 as at September 30, 2021 primarily due to renewal lifts, rent escalations and dispositions.

Changes in First Capital's gross leasable area and occupancy for the total portfolio for the nine months ended September 30, 2021 are set out below:

Nine months ended September 30, 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 Redevelopment 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]	**18,153**	**96.1%**	**$ 22.14**	**1,072**	**96.8%**	**$ 17.78**	**—**	**— %**	**766**	**3.8%**	**19,991**	**96.2%**	**$ 21.89**
Tenant possession	284		22.31	29		20.34	—		(313)		—		22.12
Tenant closures	(259)		(25.44)	(62)		(15.89)	—		321		—		(23.58)
Tenant closures for redevelopment	—		—	(49)		(18.18)	49		—		—		(18.18)
Developments – tenants coming online [3]	5		32.21	157		30.26	—		19		181		30.32
Redevelopments – tenant possession	—		—	—		—	—		—		—		—
Demolitions	—		—	—		—	(4)		—		(4)		—
Reclassification	(15)		—	3		—	(38)		37		(13)		—
Total portfolio before 2021 acquisitions and dispositions	18,168	96.1%	$ 22.32	1,150	91.9%	$ 19.85	7	—%	830	4.1%	20,155	95.8%	$ 22.17
Acquisitions (at date of acquisition)	—	—%	—	17	100.0%	51.70	—	—%	—		17	100.0%	51.70
Dispositions (at date of disposition)	(2)	100.0%	(27.50)	(288)	90.8%	(19.71)	—	—%	(29)		(319)	90.9%	(19.78)
September 30, 2021	**18,166**	**96.1%**	**$ 22.32**	**879**	**92.4%**	**$ 20.50**	**7**	**—%**	**801**	**4.0%**	**19,853**	**95.9%**	**$ 22.24**
Renewals	1,556		$ 19.66	73		$ 18.61					1,629		$ 19.61
Renewals – expired	(1,556)		$ (18.08)	(73)		$ (18.48)					(1,629)		$ (18.10)
Net change per square foot from renewals			$ 1.58			$ 0.13							$ 1.51
% Increase on renewal of expiring rents (first year of renewal term)			8.7%			0.7%							8.3%
% increase on renewal of expiring rents (average rate in renewal term)													10.3%

(1) At FCR's ownership interest.

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

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

Top Forty Tenants

As at September 30, 2021, 55.3% of First Capital's annualized minimum rent came from its top 40 tenants (December 31, 2020 – 55.0%). Of these rents, 75.3% (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 5.8 years as at September 30, 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")	94	1,973	10.4%	10.6%	BBB (high)	BBB	
2.	Sobeys	50	1,389	7.3%	5.4%	BBB (low)	BBB-	
3.	Metro	35	879	4.6%	3.2%	BBB	BBB	
4.	Canadian Tire	21	670	3.5%	2.7%	BBB	BBB	
5.	Walmart	13	1,246	6.5%	2.5%	AA	AA	Aa2
6.	TD Canada Trust	43	195	1.0%	2.0%	AA (high)	AA-	Aa1
7.	Save-On-Foods	9	324	1.7%	1.8%			
8.	RBC Royal Bank	39	202	1.1%	1.8%	AA (high)	AA-	Aa2
9.	GoodLife Fitness	24	466	2.4%	1.7%			
10.	Dollarama	47	428	2.2%	1.7%	BBB	BBB	Baa2
Top 10 Tenants Total		**375**	**7,772**	**40.7%**	**33.4%**			
11.	CIBC	35	175	0.9%	1.4%	AA	A+	Aa2
12.	Lowe's	4	361	1.9%	1.4%	BBB (high)	BBB+	Baa1
13.	LCBO	22	192	1.0%	1.3%	AA (low)	A+	Aa3
14.	Winners	13	312	1.6%	1.3%		A	A2
15.	McKesson	24	179	0.9%	1.3%		BBB+	Baa2
16.	Longo's [3]	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.	London Drugs	8	192	1.0%	1.0%			
20.	BMO	25	102	0.5%	1.0%	AA	A+	Aa2
21.	Recipe Unlimited	30	117	0.6%	0.8%			
22.	Nordstrom	1	40	0.2%	0.8%	BB	BB+	Ba1
23.	Starbucks	36	50	0.3%	0.7%		BBB+	Baa1
24.	Petsmart	6	100	0.5%	0.7%		B	B2
25.	Staples	7	148	0.8%	0.6%		B	B2
26.	Michaels	4	77	0.4%	0.6%		B	B1
27.	Whole Foods Market	2	90	0.5%	0.6%		AA-	A1
28.	McDonald's	20	72	0.4%	0.5%		BBB+	Baa1
29.	Pusateri's	1	35	0.2%	0.5%			
30.	Subway	60	59	0.3%	0.5%			
31.	Toys "R" Us	3	127	0.7%	0.5%			
32.	The Beer Store	10	59	0.3%	0.4%	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.	Alcanna Inc.	16	48	0.3%	0.4%			
36.	Williams-Sonoma	2	38	0.2%	0.4%			
37.	Equinox	2	37	0.2%	0.4%		CCC	Caa3
38.	Pet Valu	19	51	0.3%	0.3%			
39.	Katz Group	7	9	—%	0.3%			
40.	Goodwill	2	52	0.3%	0.3%			
Top 40 Tenants Total		**836**	**11,144**	**58.3%**	**55.3%**			

[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.

[3] As of May 2021, Empire Company Ltd., the parent of Sobeys Inc., owns 51% of Longo's.

Lease Maturity Profile

First Capital’s lease maturity profile for its portfolio as at September 30, 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]	160	283	1.4%	$ 5,089	1.1%	$ 18.01
2021	127	382	1.9%	6,297	1.4%	16.50
2022	611	2,062	10.4%	47,581	10.4%	23.07
2023	606	3,008	15.1%	59,594	13.1%	19.81
2024	558	2,299	11.6%	51,100	11.2%	22.23
2025	529	2,310	11.6%	57,331	12.6%	24.82
2026	436	1,723	8.7%	45,367	10.0%	26.32
2027	221	1,420	7.1%	33,505	7.4%	23.60
2028	165	1,072	5.4%	29,736	6.5%	27.74
2029	173	951	4.8%	25,736	5.7%	27.07
2030	160	825	4.2%	23,212	5.1%	28.14
2031	142	869	4.4%	22,486	4.9%	25.87
Thereafter	105	1,841	9.3%	48,368	10.6%	26.26
Total or Weighted Average [2]	3,993	19,045	95.9%	$ 455,402	100.0%	$ 23.91

(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 September 30, 2021, excluding contractual renewal options, but including month-to-month and other short-term leases.

Investment in Joint Ventures

As at September 30, 2021, First Capital had interests in nine joint ventures that it accounts for using the equity method. First Capital's joint ventures are as follows:

Name of Entity	Name of Property/Business Activity	Location	Effective Ownership September 30, 2021	Effective Ownership December 31, 2020
Aukland and Main Developments LP [1]	Station Place	Toronto, ON	**35.4%**	70.9%
College Square General Partnership	College Square	Ottawa, ON	**50.0%**	50.0%
Edenbridge Kingsway (Humbertown)	Humbertown Condos (Phase 1)	Toronto, ON	**50.0%**	50.0%
Fashion Media Group GP Ltd.	Toronto Fashion Week events	Toronto, ON	**78.0%**	78.0%
FC Access LP [2]	Whitby Mall (self storage operation)	Whitby, ON	**25.0%**	25.0%
FC Urban Properties, LP	199 Avenue Road	Toronto, ON	**20.0%**	N/A
Green Capital Limited Partnership	Royal Orchard	Markham, ON	**50.0%**	50.0%
Lakeshore Development LP	2150 Lake Shore Blvd. W.	Toronto, ON	**50.0%**	N/A
Stackt Properties LP	Shipping Container marketplace	Toronto, ON	**94.0%**	94.0%

(1) As at December 31, 2020, Aukland and Main Development LP was a consolidated subsidiary subject to a non-controlling interest of 29.1%, resulting in the Trust's effective ownership of 70.9%. In the third quarter of 2021, the Trust's new partner in Station Place subscribed to 50% of the limited partnership units of Aukland and Main Development LP, reducing the Trust's effective ownership to 35.4%.

(2) During the third quarter of 2021, FC Access LP disposed of its self storage operations at Whitby Mall. The joint venture is in the process of being legally wound up.

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 nine months ended September 30, 2021 and year ended December 31, 2020:

	September 30, 2021	December 31, 2020
Balance at beginning of period	$ 52,570	$ 59,498
Contributions to equity accounted joint ventures	9,695	3,889
Distributions from equity accounted joint ventures	(3,933)	(2,982)
Reclassification to equity accounted joint ventures	273,500	—
Share of income (loss) from equity accounted joint ventures	(647)	(7,835)
Balance at end of period	$ 331,185	$ 52,570

On September 1, 2021, the Trust's new 50% partner in Station Place subscribed to 50% of the limited partnership units in Aukland and Main Developments LP, the beneficial owner of the property, for $117.5 million.

On September 17, 2021, the Trust's new 50% partner in 2150 Lake Shore Boulevard West subscribed to 50% of the limited partnership units in the newly formed Lakeshore Development LP for $156 million by way of $56 million in cash and $100 million in notes receivable. Concurrent with the subscription, the Trust's 50% interest in the Christie Cookie lands was transferred into the new joint venture as well as the purchase of the former partner's 50% interest which was conveyed to Lakeshore Development LP on closing.

As of September 30, 2021, none of the Trust's investments in joint ventures were determined to be impaired.

Loans, Mortgages and Other Assets

As at	September 30, 2021	December 31, 2020
Non-current		
Loans and mortgages receivable classified as FVTPL (a)	$ 1,963	$ 1,968
Loans and mortgages receivable classified as amortized cost (a) (b)	129,035	37,612
Other investments	5,106	12,580
Total non-current	136,104	52,160
Current		
Loans and mortgages receivable classified as FVTPL (a)	6	6
Loans and mortgages receivable classified as amortized cost (a)	55,760	73,548
FVTPL investments in securities (c)	28,252	3,715
Total current	84,018	77,269
Total	$ 220,122	$ 129,429

(a) Loans and mortgages receivable are secured by interests in investment properties or shares of entities owning investment properties. As at September 30, 2021, these receivables bear interest at weighted average effective interest rates of 5.5% (December 31, 2020 – 6.3%) and mature between 2021 and 2024. As of September 30, 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) On September 17, 2021, the Trust's partner in 2150 Lake Shore Boulevard West subscribed to 50% of the units in the newly formed Lakeshore Development LP for $156 million. The subscription price was satisfied through the payment of $56 million in cash and $100 million in loans receivable. One half of the loan, or $50 million, is due on or before December 31, 2022, and the remainder is due on or before September 17, 2026. The loan bears no interest until December 31, 2022 and thereafter bears interest at the greater of prime plus 2.5% or 5%. At inception, a discount in the amount of $6.5 million was recognized and netted against the principal amount of the loan. This discount will be accreted into interest income over the interest free period of the loan.

(c) 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 September 30			Nine months ended September 30		
	% change	**2021**	2020	**% change**	**2021**	2020
Property rental revenue						
Base rent [1]		**$107,018**	$104,216		**$319,854**	$318,962
Operating cost recoveries		**23,354**	23,385		**74,498**	72,500
Realty tax recoveries		**28,290**	29,032		**89,887**	92,547
Lease termination fees		**460**	524		**1,534**	916
Percentage rent		**731**	958		**1,731**	2,262
Straight-line rent adjustment		**(223)**	452		**2,050**	2,182
Prior year operating cost and tax recovery adjustments		**(796)**	625		**(1,713)**	47
Temporary tenants, storage, parking and other [2]		**6,779**	4,760		**16,852**	13,416
Total Property rental revenue	**1.0%**	**165,613**	163,952	**0.4%**	**504,693**	502,832
Property operating costs						
Recoverable operating expenses		**26,137**	25,446		**82,654**	79,934
Recoverable realty tax expense		**32,064**	33,447		**102,240**	105,671
Prior year realty tax expense		**(506)**	235		**(1,364)**	(303)
Other operating costs and adjustments [3]		**4,840**	3,346		**14,543**	24,144
Total Property operating costs		**62,535**	62,474		**198,073**	209,446
NOI [4]	**1.6%**	**$103,078**	$101,478	**4.5%**	**$306,620**	$293,386
NOI margin		**62.2%**	61.9%		**60.8%**	58.3%

(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 and nine months ended September 30, 2021, bad debt expense totaled $1.7 million and $7.1 million, respectively (three and nine months ended September 30, 2020 - $3.4 million and $20.2 million, respectively).

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

For the three and nine months ended September 30, 2021, total NOI increased by $1.6 million and $13.2 million, respectively, compared to the same prior year periods primarily due to higher base rent and variable revenues as well as lower bad debt expense, partially offset by the impact of dispositions.

For the three and nine months ended September 30, 2021, the NOI margin increased 0.3% and 2.5%, respectively, compared to the same prior year periods due to the decrease in bad debt expense.

For the three and nine months ended September 30, 2021, property operating costs include $5.3 million and $15.7 million, respectively, (three and nine months ended September 30, 2020 – $3.6 million and $12.0 million, respectively) related to employee compensation. Employee compensation is presented net of subsidies received under the Canada Emergency Wage Subsidy ("CEWS") program for the three and nine months ended September 30, 2021 of Nil and $0.6 million, respectively, related to property operations personnel (three and nine months ended September 30, 2020 - $1.6 million and $4.1 million, respectively). 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 September 30			Nine months ended September 30		
	% change	**2021**	2020	**% change**	**2021**	2020
Property rental revenue						
Base rent [1]		**$101,103**	$ 97,239		**$302,055**	$295,013
Operating cost recoveries		**22,442**	22,277		**71,495**	68,314
Realty tax recoveries		**27,105**	27,540		**86,084**	86,904
Lease termination fees		**460**	524		**1,486**	913
Percentage rent		**683**	940		**1,652**	2,161
Prior year operating cost and tax recovery adjustments		**(706)**	529		**(1,641)**	462
Temporary tenants, storage, parking and other [2]		**5,508**	4,010		**14,128**	12,258
Total Same Property rental revenue		**156,595**	153,059		**475,259**	466,025
Property operating costs						
Recoverable operating expenses		**24,833**	24,071		**78,455**	74,753
Recoverable realty tax expense		**29,664**	30,815		**94,862**	96,833
Prior year realty tax expense		**(500)**	3		**(1,170)**	(267)
Other operating costs and adjustments [3]		**3,603**	3,158		**12,355**	22,054
Total Same Property operating costs		**57,600**	58,047		**184,502**	193,373
Total Same Property NOI [4]	**4.2%**	**$ 98,995**	$ 95,012	**6.6%**	**$290,757**	$272,652
Major redevelopment		**1,124**	1,144		**3,472**	3,510
Ground-up development		**356**	576		**1,401**	1,005
Acquisitions – 2021		**26**	—		**60**	—
Acquisitions – 2020		**162**	(24)		**203**	(24)
Investment properties classified as held for sale		**1,591**	1,694		**4,669**	4,737
Dispositions – 2021		**1,056**	1,229		**3,611**	3,608
Dispositions – 2020		**(67)**	1,044		**1**	5,055
Straight-line rent adjustment		**(223)**	452		**2,050**	2,182
Development land		**58**	351		**396**	661
NOI [4]	**1.6%**	**$103,078**	$101,478	**4.5%**	**$306,620**	$293,386
NOI margin		**62.2%**	61.9%		**60.8%**	58.3%

(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 September 30		Nine months ended September 30	
	2021	2020 [1]	**2021**	2020 [1]
Same Property – Stable	**3.4%**	(4.1%)	**6.3%**	(6.5%)
Same Property with redevelopment [2]	**18.3%**	(16.3%)	**12.0%**	(21.7%)
Total Same Property NOI Growth [3]	**4.2%**	(5.4%)	**6.6%**	(8.2%)

(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 experienced a decline in NOI due to the impact of COVID-19 in 2020.

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

For the three and nine months ended September 30, 2021, SP NOI increased by $4.0 million and $18.1 million, or 4.2% and 6.6%, respectively, primarily due to rent escalations and lower bad debt expense over the same prior year periods. Excluding bad debt expense and lease termination fees, SP NOI increased 2.6% and 1.9% for the three and nine months ended September 30, 2021, respectively.

Interest and Other Income

	Three months ended September 30		Nine months ended September 30	
	2021	2020	**2021**	2020
Interest, dividend and distribution income from marketable securities and other investments	**$ 91**	$ 155	**$ 390**	$ 790
Interest income from loans and mortgages receivable classified as FVTPL	**25**	216	**74**	806
Interest income from loans and mortgages receivable at amortized cost	**1,025**	1,652	**3,245**	5,114
Fees and other income	**1,241**	753	**3,238**	2,246
Total	**$ 2,382**	$ 2,776	**$ 6,947**	$ 8,956

For the three and nine months ended September 30, 2021, First Capital's interest and other income totaled $2.4 million and $6.9 million, compared to $2.8 million and $9.0 million, respectively, for the same prior year periods. The decrease of $0.4 million and $2.0 million, respectively, over the same prior year periods was primarily due to lower interest income as a result of lower loans and mortgage receivables outstanding over the same prior year periods.

Interest Expense

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

	Three months ended September 30		Nine months ended September 30	
	2021	2020	**2021**	2020
Mortgages	**$ 12,400**	$ 13,185	**$ 38,254**	$ 38,761
Credit facilities	**6,648**	7,634	**20,010**	22,129
Senior unsecured debentures	**23,849**	24,621	**72,110**	75,038
Distributions on Exchangeable Units [1]	**11**	108	**33**	628
Interest capitalized	**(4,510)**	(6,597)	**(15,340)**	(18,696)
Interest expense	**$ 38,398**	$ 38,951	**$ 115,067**	$ 117,860

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

For the three and nine months ended September 30, 2021, interest expense decreased by $0.6 million and $2.8 million, respectively, primarily due to the repayment of Series M and Series N unsecured debentures on April 16, 2020 and March 1, 2021, respectively.

During the nine months ended September 30, 2021 and 2020, approximately 11.8% or $15.3 million, and 13.7% or $18.7 million, respectively, of interest expense was capitalized to real estate investments for properties undergoing development or redevelopment projects. The decrease in capitalized interest is primarily due to the completion, or near completion, of major development projects such as King High Line and Wilderton.

Corporate Expenses

First Capital's corporate expenses are as follows:

	Three months ended September 30		Nine months ended September 30	
	2021	2020	**2021**	2020
Salaries, wages and benefits	**$ 6,941**	$ 5,379	**$ 21,674**	$ 17,899
Unit-based compensation	**1,725**	2,014	**5,367**	5,138
Other corporate costs	**2,109**	2,441	**8,101**	8,081
Total corporate expenses	**10,775**	9,834	**35,142**	31,118
Amounts capitalized to investment properties under development	**(1,581)**	(1,746)	**(5,695)**	(5,933)
Corporate expenses	**$ 9,194**	$ 8,088	**$ 29,447**	$ 25,185

For the three and nine months ended September 30, 2021, gross corporate expenses, before capitalization, increased by $0.9 million and $4.0 million, respectively. The increase was primarily due to higher compensation expense as a result of lower wage subsidies received over the prior year periods for the three and nine months ended September 30, 2021 of $1.3 million and $3.0 million, respectively.

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 nine months ended September 30, 2021 and 2020, approximately $5.7 million and $5.9 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 September 30		**2021**		2020
	Consolidated Statements of Income (Loss)	**Included in FFO**	Consolidated Statements of Income (Loss)	Included in FFO
Unrealized gain (loss) on marketable securities	**$ (917)**	**$ (917)**	$ 65	$ 65
Net gain (loss) on prepayments of debt	**—**	**—**	—	—
Pre-selling costs of residential inventory	**(15)**	**(15)**	—	—
Investment properties selling costs	**(3,490)**	**—**	(139)	—
REIT conversion costs	**—**	**—**	—	—
Gain on Option	**80,822**	**—**	—	—
Other	**(8)**	**(8)**	2	2
Total per consolidated statements of income (loss)	**$ 76,392**	**$ (940)**	$ (72)	$ 67
Other gains (losses) and (expenses) applicable to NCI	**4**	**4**	—	—
Other gains (losses) and (expenses) under equity accounted joint ventures [(2)]	**595**	**598**	(209)	(209)
Total at First Capital's proportionate interest [(1)]	**$ 76,991**	**$ (338)**	$ (281)	$ (142)

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

(2) Other gains (losses) and (expenses) under equity accounted joint ventures, included in FFO, is comprised of a gain on investment of $0.7 million, partially offset by pre-selling costs of residential inventory of $0.1 million (September 30, 2020 - $0.2 million).

Nine months ended September 30		**2021**		2020
	Consolidated Statements of Income (Loss)	**Included in FFO**	Consolidated Statements of Income (Loss)	Included in FFO
Unrealized gain (loss) on marketable securities	**$ 17,062**	**$ 17,062**	$ (814)	$ (814)
Net gain (loss) on prepayments of debt	**—**	**—**	(282)	(282)
Pre-selling costs of residential inventory	**(211)**	**(211)**	(142)	(142)
Investment properties selling costs	**(4,040)**	**—**	(3,304)	—
REIT conversion costs	**—**	**—**	(906)	(906)
Gain on Option	**80,822**	**—**	—	—
Other	**(4)**	**(4)**	37	37
Total per consolidated statements of income (loss)	**$ 93,629**	**$ 16,847**	$ (5,411)	$ (2,107)
Other gains (losses) and (expenses) applicable to NCI	**61**	**61**	—	—
Other gains (losses) and (expenses) under equity accounted joint ventures [2]	**309**	**312**	(1,612)	(1,674)
Total at First Capital's proportionate interest [1]	**$ 93,999**	**$ 17,220**	$ (7,023)	$ (3,781)

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

(2) Other gains (losses) and (expenses) under equity accounted joint ventures, included in FFO, is comprised of a gain on investment of $0.7 million, partially offset by pre-selling costs of residential inventory of $0.4 million (September 30, 2020 - $1.7 million).

For the three months ended September 30, 2021, First Capital recognized $76.4 million in other gains in its consolidated statement of income (loss) compared to $0.1 million in other losses in the same prior year period. The $76.5 million increase is primarily due to an $80.8 million gain related to the exercise of a previously secured option to purchase it's partner's 50% interest in 2150 Lake Shore Boulevard West, partially offset by higher investment property selling costs and higher unrealized losses on marketable securities.

For the nine months ended September 30, 2021, FCR recognized $93.6 million in other gains in its consolidated statement of income (loss) compared to $5.4 million in other losses in the same prior year period. The $99.0 million increase is primarily due to an $80.8 million gain on option and higher unrealized gains on marketable securities. The unrealized gain on marketable securities primarily relates to a $16.6 million mark-to-market on shares of a construction management company which completed an initial public offering in May 2021.

In the third quarter of 2021, the Trust exercised its option to buy its former partner's 50% interest in 2150 Lake Shore Boulevard West for $55.5 million. Concurrent with closing, the Trust entered into a new partnership and conveyed 50% of the property to a new partner for $156 million. The gain on the option was reduced by the derecognition of $13.2 million in previously capitalized option costs and the discount recognized on the loans receivable of $6.5 million.

Income Taxes

For the three and nine months ended September 30, 2021, deferred income tax expense (recovery) totaled ($26.5) million and ($23.0) million, respectively, compared to ($1.8) million and ($8.7) million, respectively, over the same prior year periods. The increase of $24.7 million and $14.3 million, respectively, in deferred tax recovery was primarily due to an adjustment to the rate differential applied to temporary differences applicable to the Trust's corporate subsidiaries.

Net Income (Loss) Attributable to Unitholders

For the three months ended September 30, 2021, net income attributable to Unitholders was $181.5 million or $0.82 per diluted unit compared to $11.3 million or $0.05 per diluted unit for the same prior year period. The $170.3 million increase was primarily due to an increase in the fair value of investment property of $67.1 million at the Trust's share, an $80.8 million gain on option and an increase in deferred tax recovery of $24.7 million.

For the nine months ended September 30, 2021, net income attributable to Unitholders was $431.5 million or $1.95 per diluted unit compared to a net loss of $34.6 million or $0.16 per diluted unit for the same prior year period. The $466.1 million increase was primarily due to an increase in the fair value of investment property of $359.4 million at the Trust's share, an $80.8 million gain on option and an increase in deferred tax recovery of $14.3 million year-over-year.

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	**September 30, 2021**	December 31, 2020
Liabilities (principal amounts outstanding)		
Bank indebtedness	**$ —**	$ 238
Mortgages [1]	**1,307,643**	1,390,466
Credit facilities [1]	**942,676**	881,414
Senior unsecured debentures	**2,350,000**	2,525,000
Total Debt [1]	**$ 4,600,319**	$ 4,797,118
Cash and cash equivalents [1]	**(46,032)**	(112,664)
Net Debt [1] [2]	**$ 4,554,287**	$ 4,684,454
Exchangeable Units	**1,807**	1,399
Equity market capitalization [3]	**3,841,760**	2,971,723
Enterprise value [1]	**$ 8,397,854**	$ 7,657,576
Trust Units outstanding (000's)	**219,529**	219,315
Closing market price	**$ 17.50**	$ 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 measure is not defined by IFRS, does not have a standard definition and, as such, may not be comparable to similar measures disclosed by other issuers.

Equity market capitalization increased from $3.0 billion at December 31, 2020 to $3.8 billion at September 30, 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 on a proportionate basis. 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 and nine months ended September 30, 2021 and 2020:

	Three months ended September 30		Nine months ended September 30	
	2021	2020	**2021**	2020
Net income (loss) attributable to Unitholders	**$ 181,526**	$ 11,262	**$ 431,502**	$ (34,566)
Add (deduct) [1]:				
Deferred income tax expense (recovery)	**(26,454)**	(1,785)	**(22,991)**	(8,729)
Interest Expense	**38,741**	39,337	**116,072**	118,874
Amortization expense	**2,099**	2,130	**6,623**	6,026
(Increase) decrease in value of investment properties	**(20,226)**	46,835	**(155,657)**	203,753
(Increase) decrease in value of hotel property	**(448)**	23	**(1,039)**	4,350
Increase (decrease) in value of Exchangeable Units	**(10)**	782	**408**	(7,434)
Increase (decrease) in value of unit-based compensation	**(605)**	(1,891)	**6,758**	(9,724)
Incremental leasing costs	**1,430**	1,612	**4,411**	4,960
Abandoned transaction costs	**21**	8	**102**	90
Other non-cash and/or non-recurring items	**(76,991)**	646	**(93,999)**	7,109
Adjusted EBITDA [1]	**$ 99,083**	$ 98,959	**$ 292,190**	$ 284,709

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

Key Metrics

The ratios below include measures not specifically defined in IFRS.

As at	**September 30, 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)	**4.2**	4.6
Net debt to total assets [1]	**44.9%**	47.3%
Net debt to Adjusted EBITDA [1]	**11.5**	12.0
Unencumbered aggregate assets [1]	**$ 7,294,086**	$ 7,003,026
Unencumbered aggregate assets to unsecured debt, based on fair value [1]	**2.3**	2.1
Adjusted EBITDA interest coverage [1]	**2.2**	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 decreased by 0.5 to 11.5, as of September 30, 2021, primarily due to a decrease in net debt which arose primarily from the repayment of unsecured debentures and mortgages over the last nine months.

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 June 4, 2021, S&P affirmed FCR's Issuer Rating and issue level debt rating at BBB-, but revised the outlook to negative from stable.

On June 23, 2021, 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 September 30, 2021 is summarized in the table below:

As at September 30, 2021	Mortgages [(1)]	Credit Facilities/Bank Indebtedness [(2)]	Senior Unsecured Debentures	Total	% Due
2021 (remainder of the year)	$ 7,299	$ 31,584	$ —	$ 38,883	0.9%
2022	127,503	129,911	450,000	707,414	15.5%
2023	32,597	201,818	300,000	534,415	11.7%
2024	140,423	235,182	300,000	675,605	14.8%
2025	85,537	75,000	300,000	460,537	10.1%
2026	120,246	275,000	300,000	695,246	15.2%
2027	103,943	—	500,000	603,943	13.2%
2028	166,973	—	200,000	366,973	8.0%
2029	251,256	—	—	251,256	5.5%
2030	176,479	—	—	176,479	3.9%
2031	55,325	—	—	55,325	1.2%
	$ 1,267,581	$ 948,495	$ 2,350,000	$ 4,566,076	100.0%
Add (deduct): unamortized deferred financing costs, premiums and discounts, net	(4,156)	—	(2,105)	(6,261)	
Total	**$ 1,263,425**	**$ 948,495**	**$ 2,347,895**	**$ 4,559,815**	

(1) Principal amount outstanding for mortgages on a proportionate basis is $1,307,643.

(2) Principal amount outstanding for credit facilities and bank indebtedness on a proportionate basis is $942,676 and Nil, 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 nine months ended September 30, 2021 are set out below:

Nine months ended September 30, 2021		Amount	Weighted Average Effective Interest Rate
Balance at beginning of period	$	1,346,637	3.6%
Mortgage repayments		(62,623)	4.9%
Scheduled amortization on mortgages		(21,087)	—%
Amortization of financing costs and net premium		498	—%
Balance at end of period	**$**	**1,263,425**	**3.5%**

As at September 30, 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 5.7 years as at September 30, 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 September 30, 2021 is summarized in the table below:

As at September 30, 2021	Scheduled Amortization	Payments on Maturity	Total	Weighted Average Effective Interest Rate
2021 (remainder of the year)	$ 7,299	$ —	$ 7,299	N/A
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	3.4%
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	14,376	236,880	251,256	3.5%
2030	7,104	169,375	176,479	3.3%
2031	370	54,955	55,325	3.5%
	$ 226,529	**$ 1,041,052**	**$ 1,267,581**	**3.5%**
Add: unamortized deferred financing costs and premiums and discounts, net			(4,156)	
Total			**$ 1,263,425**	

Credit Facilities

First Capital's credit facilities as at September 30, 2021 are summarized in the table below:

As at September 30, 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 2026	$ 450,000	$ —	$ (6,117)	$ 443,883	BA + 1.45% or Prime + 0.45% or US$ LIBOR + 1.45%	June 30, 2026
Revolving facility maturing 2024 (1)	100,000	(35,182)	—	64,818	BA + 1.10% or Prime + 0.25% or US$ LIBOR + 1.10%	August 31, 2024
Revolving facility maturing 2022 (2)	250,000	(85,510)	—	164,490	BA + 1.10% or Prime + 0.25% or US$ LIBOR + 1.10%	September 29, 2022
Floating rate unsecured term loan maturing 2023 (3)	200,000	(201,818)	—	—	BA + 1.20%	April 15, 2023
Fixed rate unsecured term loans maturing 2024 - 2026	550,000	(550,000)	—	—	3.29%	March 28, 2024 - April 15, 2026
Secured construction facilities						
Maturing 2021	20,000	(19,984)	—	16	BA + 2.50% or Prime + 1.00%	December 31, 2021
Maturing 2022	33,333	(33,333)	—	—	2.79%	February 25, 2022
Secured Facilities						
Maturing 2021	19,734	(11,600)	(1,320)	6,814	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	**$ 1,634,135**	**$ (948,495)**	**$ (7,437)**	**$ 680,021**		

(1) The Trust had drawn in U.S. dollars the equivalent of CAD$35.0 million which was revalued at CAD$35.2 million as at September 30, 2021.

(2) The Trust had drawn in U.S. dollars the equivalent of CAD$85.0 million which was revalued at CAD$85.5 million as at September 30, 2021.

(3) The Trust had drawn in U.S. dollars the equivalent of CAD$200.0 million which was revalued at CAD$201.8 million as at September 30, 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.

On September 1, 2021, First Capital extended and amended its $450.0 million unsecured revolving credit facilities while also transitioning them into "Sustainability-Linked Credit facilities ("SLCs"). This demonstrates the continued integration of sustainability priorities into FCR's strategic direction and its commitment to environmental, social and governance ("ESG") leadership in real estate operations, development and finance.

Senior Unsecured Debentures

As at September 30, 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%	0.3	$ 200,000
P	December 5, 2022	June 5, December 5	3.95%	4.18%	1.2	250,000
Q	October 30, 2023	April 30, October 30	3.90%	3.97%	2.1	300,000
R	August 30, 2024	February 28, August 30	4.79%	4.72%	2.9	300,000
S	July 31, 2025	January 31, July 31	4.32%	4.24%	3.8	300,000
T	May 6, 2026	May 6, November 6	3.60%	3.56%	4.6	300,000
U	July 12, 2027	January 12, July 12	3.75%	3.82%	5.8	300,000
V	January 22, 2027	January 22, July 22	3.46%	3.54%	5.3	200,000
A	March 1, 2028	March 1, September 1	3.45%	3.54%	6.4	200,000
Weighted Average or Total			**3.99%**	**4.03%**	**3.6**	**$ 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 $4.6 billion as at September 30, 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 nine months ended September 30, 2021.

As at November 1, 2021, there were 219.5 million Trust Units and 0.1 million Exchangeable Units outstanding.

Unit Options

As at September 30, 2021, First Capital had 6.7 million unit options outstanding, with an average exercise price of $19.78, which, if exercised, would result in First Capital receiving proceeds of $133.1 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)	**September 30, 2021**	December 31, 2020
Total available under credit facilities	**$ 680**	$ 823
Cash and cash equivalents	**$ 45**	$ 100
Unencumbered aggregate assets	**$ 7,294**	$ 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 September 30, 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 September 30		Nine months ended September 30	
	2021	2020	**2021**	2020
Cash provided by (used in) operating activities	**$ 50,590**	$ 43,469	**$ 166,038**	$ 126,768
Cash provided by (used in) financing activities	**(180,372)**	(11,844)	**(308,978)**	(94,170)
Cash provided by (used in) investing activities	**147,189**	(63,238)	**87,287**	(35,669)
Net change in cash and cash equivalents	**$ 17,407**	$ (31,613)	**$ (55,653)**	$ (3,071)

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

	Three months ended September 30		Nine months ended September 30	
	2021	2020	**2021**	2020
Cash provided by operating activities	**$ 50,590**	$ 43,469	**$ 166,038**	$ 126,768
Distributions declared	**(23,709)**	(47,068)	**(71,094)**	(140,875)
Excess (shortfall) of cash provided by operating activities over distributions declared	**$ 26,881**	$ (3,599)	**$ 94,944**	$ (14,107)

For the three and nine months ended September 30, 2021, cash provided by operating activities exceeded distributions declared by $26.9 million and $94.9 million, respectively. For the three and nine months ended September 30, 2020, distributions declared exceeded cash flows provided by operating activities by $3.6 million and $14.1 million, respectively, representing a return of capital. This shortfall was 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 in 2020 was 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 September 30, 2021 is set out below:

As at September 30, 2021	Payments due by period				
	Remainder of 2021	2022 to 2023	2024 to 2025	Thereafter	Total
Scheduled mortgage principal amortization	$ 7,299	$ 64,578	$ 61,587	$ 93,065	$ 226,529
Mortgage principal repayments on maturity	—	95,522	164,373	781,157	1,041,052
Credit facilities and bank indebtedness	31,584	331,729	310,182	275,000	948,495
Senior unsecured debentures	—	750,000	600,000	1,000,000	2,350,000
Interest obligations [(1)]	41,493	285,125	195,482	132,648	654,748
Land leases (expiring between 2023 and 2061)	302	2,076	1,238	16,187	19,803
Contractually committed costs to complete current development projects	12,365	138	—	—	12,503
Total contractual obligations	**$ 93,043**	**$ 1,529,168**	**$ 1,332,862**	**$ 2,298,057**	**$ 5,253,130**

(1) Interest obligations include expected interest payments on mortgages and credit facilities as at September 30, 2021 (assuming balances remain outstanding through to maturity) and senior unsecured debentures, as well as standby credit facility fees.

First Capital had $30.7 million of outstanding letters of credit issued by financial institutions to support certain of FCR's contractual obligations and Nil of bank overdrafts.

First Capital's estimated cost to complete properties currently under development is $40.0 million, of which $12.5 million ($12.2 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 $74.2 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 $30.7 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 $19.8 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	**September 30, 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	**$ 8,946,114**	**$ 318,674**	**$ 9,264,788**	$ 9,328,792	$ 8,696	$ 9,337,488
Residential development inventory	**176,549**	**(12,940)**	**163,609**	74,190	5,779	79,969
Hotel property	**88,000**	**—**	**88,000**	88,000	—	88,000
Loans, mortgages and other assets	**220,122**	**(116)**	**220,006**	129,429	2,050	131,479
Cash and cash equivalents	**44,791**	**1,241**	**46,032**	100,444	12,220	112,664
Amounts receivable	**32,689**	**910**	**33,599**	46,296	644	46,940
Other assets	**67,552**	**20,973**	**88,525**	50,893	11,086	61,979
Investment in joint ventures	**331,185**	**(331,185)**	**—**	52,570	(52,570)	—
Investment properties classified as held for sale	**279,250**	**—**	**279,250**	161,849	—	161,849
Total assets	**$ 10,186,252**	**$ (2,443)**	**$ 10,183,809**	$ 10,032,463	$ (12,095)	$ 10,020,368
LIABILITIES						
Mortgages	**$ 1,263,425**	**$ 39,981**	**$ 1,303,406**	$ 1,346,637	$ 39,082	$ 1,385,719
Credit facilities	**948,495**	**(5,819)**	**942,676**	915,928	(34,514)	881,414
Bank indebtedness	**—**	**—**	**—**	238	—	238
Senior unsecured debentures	**2,347,895**	**—**	**2,347,895**	2,522,135	—	2,522,135
Exchangeable Units	**1,807**	**—**	**1,807**	1,399	—	1,399
Deferred tax liabilities	**686,750**	**—**	**686,750**	698,528	—	698,528
Accounts payable and other liabilities	**280,805**	**11,981**	**292,786**	291,171	12,600	303,771
Total liabilities	**5,529,177**	**46,143**	**5,575,320**	5,776,036	17,168	5,793,204
EQUITY						
Unitholders' equity	**4,608,489**	**—**	**4,608,489**	4,227,164	—	4,227,164
Non-controlling interest	**48,586**	**(48,586)**	**—**	29,263	(29,263)	—
Total equity	**4,657,075**	**(48,586)**	**4,608,489**	4,256,427	(29,263)	4,227,164
Total liabilities and equity	**$ 10,186,252**	**$ (2,443)**	**$ 10,183,809**	$ 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 September 30			**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	**$ 165,613**	**$ 2,628**	**$ 168,241**	$ 163,952	$ 1,924	$ 165,876
Property operating costs	**62,535**	**1,558**	**64,093**	62,474	1,374	63,848
Net operating income	**103,078**	**1,070**	**104,148**	101,478	550	102,028
Other income and expenses						
Interest and other income	**2,382**	**312**	**2,694**	2,776	338	3,114
Interest expense	**(38,398)**	**(343)**	**(38,741)**	(38,951)	(386)	(39,337)
Corporate expenses	**(9,194)**	**5**	**(9,189)**	(8,088)	(72)	(8,160)
Abandoned transaction costs	**(21)**	**—**	**(21)**	(8)	—	(8)
Amortization expense	**(1,426)**	**(673)**	**(2,099)**	(1,382)	(748)	(2,130)
Share of profit from joint ventures	**(223)**	**223**	**—**	(6,637)	6,637	—
Other gains (losses) and (expenses)	**76,392**	**599**	**76,991**	(72)	(209)	(281)
(Increase) decrease in value of unit-based compensation	**605**	**—**	**605**	1,891	—	1,891
(Increase) decrease in value of Exchangeable Units	**10**	**—**	**10**	(782)	—	(782)
Increase (decrease) in value of hotel property	**448**	**—**	**448**	(23)	—	(23)
Increase (decrease) in value of investment properties, net	**21,396**	**(1,170)**	**20,226**	(40,907)	(5,928)	(46,835)
	51,971	**(1,047)**	**50,924**	(92,183)	(368)	(92,551)
Income (loss) before income taxes	**155,049**	**23**	**155,072**	9,295	182	9,477
Deferred income tax expense (recovery)	**(26,454)**	**—**	**(26,454)**	(1,785)	—	(1,785)
Net income (loss)	**$ 181,503**	**$ 23**	**$ 181,526**	$ 11,080	$ 182	$ 11,262
Net income (loss) attributable to:						
Unitholders	**$ 181,526**	**$ —**	**$ 181,526**	$ 11,262	$ —	$ 11,262
Non-controlling interest	**(23)**	**23**	**—**	(182)	182	—
	$ 181,503	**$ 23**	**$ 181,526**	$ 11,080	$ 182	$ 11,262
Net income (loss) per unit attributable to Unitholders:						
Basic	**$ 0.83**			$ 0.05		
Diluted	**$ 0.82**			$ 0.05		

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

Nine months ended September 30			2021			2020
	Consolidated Statements of Income (Loss)	**Adjustment for proportionate interest**	**Proportionate interest [1]**	Consolidated Statements of Income (Loss)	Adjustment for proportionate interest	Proportionate interest [1]
Property rental revenue	**$ 504,693**	**$ 6,371**	**$ 511,064**	$ 502,832	$ 5,530	$ 508,362
Property operating costs	**198,073**	**3,409**	**201,482**	209,446	4,101	213,547
Net operating income	**306,620**	**2,962**	**309,582**	293,386	1,429	294,815
Other income and expenses						
Interest and other income	**6,947**	**693**	**7,640**	8,956	1,092	10,048
Interest expense	**(115,067)**	**(1,005)**	**(116,072)**	(117,860)	(1,014)	(118,874)
Corporate expenses	**(29,447)**	**4**	**(29,443)**	(25,185)	(15)	(25,200)
Abandoned transaction costs	**(102)**	**—**	**(102)**	(90)	—	(90)
Amortization expense	**(4,565)**	**(2,058)**	**(6,623)**	(3,981)	(2,045)	(6,026)
Share of profit from joint ventures	**(647)**	**647**	**—**	(7,688)	7,688	—
Other gains (losses) and (expenses)	**93,629**	**370**	**93,999**	(5,411)	(1,612)	(7,023)
(Increase) decrease in value of unit-based compensation	**(6,758)**	**—**	**(6,758)**	9,724	—	9,724
(Increase) decrease in value of Exchangeable Units	**(408)**	**—**	**(408)**	7,434	—	7,434
Increase (decrease) in value of hotel property	**1,039**	**—**	**1,039**	(4,350)	—	(4,350)
Increase (decrease) in value of investment properties, net	**172,621**	**(16,964)**	**155,657**	(193,146)	(10,607)	(203,753)
	117,242	**(18,313)**	**98,929**	(331,597)	(6,513)	(338,110)
Income (loss) before income taxes	**423,862**	**(15,351)**	**408,511**	(38,211)	(5,084)	(43,295)
Deferred income tax expense (recovery)	**(22,991)**	**—**	**(22,991)**	(8,729)	—	(8,729)
Net income (loss)	**$ 446,853**	**$ (15,351)**	**$ 431,502**	$ (29,482)	$ (5,084)	$ (34,566)
Net income (loss) attributable to:						
Unitholders	**$ 431,502**	**$ —**	**$ 431,502**	$ (34,566)	$ —	$ (34,566)
Non-controlling interest	**15,351**	**(15,351)**	**—**	5,084	(5,084)	—
	$ 446,853	**$ (15,351)**	**$ 431,502**	$ (29,482)	$ (5,084)	$ (34,566)
Net income (loss) per unit attributable to Unitholders:						
Basic	**$ 1.97**			$ (0.16)		
Diluted	**$ 1.95**			$ (0.16)		

[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 September 30		Nine months ended September 30	
	2021	2020	**2021**	2020
Net income (loss) attributable to Unitholders	**$ 181,526**	$ 11,262	**$ 431,502**	$ (34,566)
Add (deduct):				
(Increase) decrease in value of investment properties [1]	**(20,226)**	46,835	**(155,657)**	203,753
(Increase) decrease in value of hotel property [1]	**(448)**	23	**(1,039)**	4,350
Adjustment for equity accounted joint ventures [2]	**673**	748	**2,058**	2,045
Incremental leasing costs [3]	**1,430**	1,612	**4,411**	4,960
Amortization expense [4]	**479**	307	**1,456**	933
Distributions on Exchangeable Units [5]	**11**	108	**33**	628
Increase (decrease) in value of Exchangeable Units [5]	**(10)**	782	**408**	(7,434)
Increase (decrease) in value of unit-based compensation [6]	**(605)**	(1,891)	**6,758**	(9,724)
Gain on Option [7]	**(80,822)**	—	**(80,822)**	—
Investment properties selling costs [1]	**3,493**	139	**4,043**	3,242
Deferred income taxes (recovery) [1]	**(26,454)**	(1,785)	**(22,991)**	(8,729)
FFO [8]	**$ 59,047**	$ 58,140	**$ 190,160**	$ 159,458

(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) Adjustment to exclude the gain on option in accordance with the recommendations of REALPAC.

(8) 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 September 30			Nine months ended September 30		
	% change	**2021**	2020	% change	**2021**	2020
Net operating income		**$ 104,148**	$ 102,028		**$ 309,582**	$ 294,815
Interest and other income		**2,694**	3,114		**7,640**	10,048
Interest expense [1]		**(38,730)**	(39,229)		**(116,039)**	(118,246)
Corporate expenses [2]		**(7,759)**	(6,548)		**(25,032)**	(20,240)
Abandoned transaction costs		**(21)**	(8)		**(102)**	(90)
Amortization expense [3]		**(947)**	(1,075)		**(3,109)**	(3,048)
Other gains (losses) and (expenses) [4]		**(338)**	(142)		**17,220**	(3,781)
FFO [5]	1.6%	**$ 59,047**	$ 58,140	19.3%	**$ 190,160**	$ 159,458
FFO per diluted unit	1.1%	**$ 0.27**	$ 0.26	19.1%	**$ 0.86**	$ 0.72
Weighted average number of units – diluted (in thousands)	0.2%	**220,899**	220,522	0.1%	**220,794**	220,478

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

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

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

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

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

For the three and nine months ended September 30, 2021, FFO per diluted unit increased $0.01 and $0.14, respectively, compared to the same prior year periods. The increase for the three months ended September 30, 2021 was primarily due to lower bad debt expense of $1.7 million, higher net rent per square foot and higher variable revenues, partially offset by higher corporate expenses over the prior year period.

The increase for the nine months ended September 30, 2021 was primarily due to a $17.9 million, or $0.08 per unit, unrealized fair value gain on marketable securities (included in other gains, losses and expenses) and lower bad debt expense of $13.1 million, or $0.06 per unit. The unrealized fair value gain on marketable securities is primarily attributable to shares of a construction management software company which completed an initial public offering in the second quarter.

Adjusted Cash Flow from Operations

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

	Three months ended September 30		Nine months ended September 30	
	2021	2020	**2021**	2020
Cash provided by operating activities	**$ 50,590**	$ 43,469	**$ 166,038**	$ 126,768
Add (deduct):				
Working capital adjustments [1]	**23,583**	28,311	**28,752**	29,851
Adjustment for equity accounted joint ventures	**472**	713	**1,935**	859
Revenue sustaining capital expenditures	**(3,845)**	(3,496)	**(10,726)**	(14,771)
Recoverable capital expenditures	**(705)**	(424)	**(2,385)**	(1,084)
Leasing costs on properties under development	**358**	403	**1,103**	1,240
Non-controlling interest	**257**	(859)	**(1,997)**	684
ACFO [2]	**$ 70,710**	$ 68,117	**$ 182,720**	$ 143,547

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

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

For the three and nine months ended September 30, 2021, ACFO totaled $70.7 million and $182.7 million compared to $68.1 million and $143.5 million for the same prior year periods, respectively. The $39.2 million increase in ACFO for the nine months ended September 30, 2021 was primarily due to higher cash inflows from working capital and lower capital expenditures.

ACFO Payout Ratio

First Capital's ACFO payout ratio for the four quarters ended September 30, 2021 is calculated as follow:

	Twelve months ended September 30, 2021	**Q3 2021**	**Q2 2021**	**Q1 2021**	**Q4 2020**
ACFO [1]	**$ 242,220**	$ 70,710	$ 69,398	$ 42,612	$ 59,500
Cash distributions paid	**126,058**	23,704	23,696	31,508	47,150
ACFO payout ratio [1]	**52.0%**				

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

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

	Twelve months ended September 30, 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019
ACFO [1]	$ 212,105	$ 68,117	$ 36,500	$ 38,930	$ 68,558
Cash distributions / dividends paid	187,885	46,990	46,915	46,874	47,106
ACFO payout ratio [1]	88.6%				

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

First Capital considers a rolling four quarter payout ratio (cash distributions / ACFO) to be more relevant than a payout ratio in any given quarter due to seasonal fluctuations in ACFO. For the four quarters ended September 30, 2021, the ACFO payout was 52.0% (September 30, 2020 - 88.6%).

Net Asset Value

The following table provides FCR's calculation of NAV for the nine months ended September 30, 2021 and 2020:

As at		**September 30, 2021**		September 30, 2020
Unitholders' equity	**$**	**4,608,489**	$	4,233,905
Exchangeable Units		**1,807**		1,722
Deferred tax liabilities		**686,750**		669,809
Net Asset Value (NAV) [(1)]	**$**	**5,297,046**	$	4,905,436
Units outstanding - diluted [(1)]		**220,830**		220,550
NAV per unit [(1)]	**$**	**23.99**	$	22.24

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

The increase in NAV per unit from $22.24 to $23.99 is primarily due to an increase in the fair value of investment properties of $163.6 million (at the Trust's share) over the past 12 months, an $80.8 million gain on option exercised in Q3 2021 and an increase in retained FFO over the last 12 months.

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 September 30				Nine months ended September 30			
(in dollars)		**2021**		2020		**2021**		2020
Distributions declared per unit	**$**	**0.108**	$	0.215	**$**	**0.324**	$	0.645

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 September 30
	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	**$ 67**	$ 70	**$ 100**	$ 96	**$ 1**	$ —	**$ (2)**	$ (2)	**$ 166**	$ 164
NOI [5]	**$ 44**	$ 46	**$ 59**	$ 57	**$ —**	$ —	**$ —**	$ (2)	**$ 103**	$ 101
Net income attributable to common shareholders	**$ 182**	$ 11	**$ 187**	$ 56	**$ —**	$ —	**$ (187)**	$ (56)	**$ 182**	$ 11

(millions of dollars)										Nine months ended September 30
	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	**$ 207**	$ 220	**$ 300**	$ 287	**$ 1**	$ —	**$ (3)**	$ (4)	**$ 505**	$ 503
NOI [5]	**$ 135**	$ 136	**$ 172**	$ 160	**$ —**	$ —	**$ —**	$ (3)	**$ 307**	$ 293
Net income (loss) attributable to Unitholders	**$ 432**	$ (35)	**$ 495**	$ 236	**$ 25**	$ 9	**$ (520)**	$ (245)	**$ 432**	$ (35)

(millions of dollars)					As at September 30, 2021
	FCR [1]	Guarantors [2]	Non-Guarantors [3]	Consolidation Adjustments [4]	Total Consolidated
Current assets	**$ 312**	**$ 356**	**$ 80**	**$ (76)**	**$ 672**
Non-current assets	**$ (649)**	**$ 10,991**	**$ 129**	**$ (957)**	**$ 9,514**
Current liabilities	**$ 595**	**$ 104**	**$ 6**	**$ (5)**	**$ 700**
Non-current liabilities	**$ 3,787**	**$ 1,041**	**$ 35**	**$ (33)**	**$ 4,830**

(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

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

Collection of October 2021 Rent

As of November 2, 2021, First Capital has collected approximately 97% of the gross rents payable from tenants for the month of October.

QUARTERLY FINANCIAL INFORMATION

	2021			2020				2019
(unit counts in thousands)	**Q3**	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Property rental revenue	**$ 165,613**	$ 167,168	$ 171,912	$ 170,058	$ 163,952	$ 162,744	$ 176,136	$ 181,624
Net operating income [1]	**$ 103,078**	$ 102,593	$ 100,949	$ 105,646	$ 101,478	$ 88,768	$ 103,140	$ 113,949
Net income (loss) attributable to Unitholders / Shareholders	**$ 181,526**	$ 211,989	$ 37,987	$ 37,268	$ 11,262	$ 10,530	$ (56,358)	$ 192,459
Net income (loss) per unit / share attributable to Unitholders / Shareholders:								
Basic	**$ 0.83**	$ 0.97	$ 0.17	$ 0.17	$ 0.05	$ 0.05	$ (0.26)	$ 0.88
Diluted	**$ 0.82**	$ 0.96	$ 0.17	$ 0.17	$ 0.05	$ 0.05	$ (0.26)	$ 0.87
FFO [1]	**$ 59,047**	$ 76,104	$ 55,009	$ 62,516	$ 58,140	$ 47,462	$ 53,856	$ 63,443
FFO per diluted unit / share [1]	**$ 0.27**	$ 0.35	$ 0.25	$ 0.28	$ 0.26	$ 0.22	$ 0.24	$ 0.29
Weighted average number of diluted units / shares outstanding	**220,899**	220,863	220,667	220,551	220,522	220,492	220,470	220,545
Cash provided by operating activities	**$ 50,590**	$ 71,152	$ 44,296	$ 92,737	$ 43,469	$ 46,249	$ 37,050	$ 106,905
ACFO [1]	**$ 70,710**	$ 69,398	$ 42,612	$ 59,500	$ 68,117	$ 36,500	$ 38,930	$ 68,558
Distribution / Dividend declared per unit / share	**$ 0.108**	$ 0.108	$ 0.108	$ 0.215	$ 0.215	$ 0.215	$ 0.215	$ 0.072
Total assets	**$10,186,252**	$10,189,522	$9,972,075	$10,032,463	$10,013,445	$10,037,370	$10,237,121	$10,161,360
Total mortgages and credit facilities	**$2,211,920**	$2,370,499	$2,358,551	$2,262,565	$2,270,557	$2,434,042	$2,447,687	$2,226,186
Unitholders' equity	**$4,608,489**	$4,445,198	$4,254,796	$4,227,164	$4,233,905	$4,252,417	$4,298,037	$4,426,592
Other								
Number of neighbourhoods	**148**	150	150	150	150	149	151	156
GLA - at 100% (in thousands)	**22,736**	22,935	22,890	22,822	22,830	22,844	23,246	23,528
GLA - at ownership interest (in thousands)	**19,853**	20,092	20,053	19,991	20,232	20,250	20,651	20,927
Monthly average occupancy %	**95.9%**	95.8%	96.0%	96.0%	96.1%	96.3%	96.5%	96.6%
Total portfolio occupancy %	**95.9%**	95.9%	95.8%	96.2%	96.0%	96.3%	96.4%	96.9%

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

CRITICAL ACCOUNTING ESTIMATES

First Capital's unaudited interim condensed consolidated financial statements for the three and nine months ended September 30, 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 September 30, 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 September 30, 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 September 30, 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 September 30, 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.

FS

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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Interim Condensed Consolidated Balance Sheets

As at *(thousands of dollars)*	**Note**	**September 30, 2021** **(unaudited)**	December 31, 2020 (audited)
ASSETS			
Non-current Assets			
Real Estate Investments			
Investment properties	3	**$ 8,946,114**	$ 9,328,792
Investment in joint ventures	4	**331,185**	52,570
Hotel property	5	**88,000**	88,000
Loans, mortgages and other assets	6	**136,104**	52,160
Total real estate investments		**9,501,403**	9,521,522
Other non-current assets	8	**12,463**	28,555
Total non-current assets		**9,513,866**	9,550,077
Current Assets			
Cash and cash equivalents	25(d)	**44,791**	100,444
Loans, mortgages and other assets	6	**84,018**	77,269
Residential development inventory		**176,549**	74,190
Amounts receivable	7	**32,689**	46,296
Other assets	8	**55,089**	22,338
		393,136	320,537
Investment properties classified as held for sale	3(d)	**279,250**	161,849
Total current assets		**672,386**	482,386
Total assets		**$ 10,186,252**	$ 10,032,463
LIABILITIES			
Non-current Liabilities			
Mortgages	10	**$ 1,137,319**	$ 1,256,333
Credit facilities	10	**793,755**	854,661
Senior unsecured debentures	11	**2,148,000**	2,347,170
Exchangeable Units	13	**1,807**	1,399
Other liabilities	12	**61,958**	65,998
Deferred tax liabilities		**686,750**	698,528
Total non-current liabilities		**4,829,589**	5,224,089
Current Liabilities			
Bank indebtedness	10	**—**	238
Mortgages	10	**126,106**	90,304
Credit facilities	10	**154,740**	61,267
Senior unsecured debentures	11	**199,895**	174,965
Accounts payable and other liabilities	12	**218,847**	225,173
Total current liabilities		**699,588**	551,947
Total liabilities		**5,529,177**	5,776,036
EQUITY			
Unitholders' equity	14	**4,608,489**	4,227,164
Non-controlling interest	24	**48,586**	29,263
Total equity		**4,657,075**	4,256,427
Total liabilities and equity		**$ 10,186,252**	$ 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 September 30		Nine months ended September 30	
(thousands of dollars)	**Note**	**2021**	2020	**2021**	2020
Property rental revenue		**$ 165,613**	$ 163,952	**$ 504,693**	$ 502,832
Property operating costs		**62,535**	62,474	**198,073**	209,446
Net operating income	16	**103,078**	101,478	**306,620**	293,386
Other income and expenses					
Interest and other income	17	**2,382**	2,776	**6,947**	8,956
Interest expense	18	**(38,398)**	(38,951)	**(115,067)**	(117,860)
Corporate expenses	19	**(9,194)**	(8,088)	**(29,447)**	(25,185)
Abandoned transaction costs		**(21)**	(8)	**(102)**	(90)
Amortization expense		**(1,426)**	(1,382)	**(4,565)**	(3,981)
Share of profit (loss) from joint ventures	4	**(223)**	(6,637)	**(647)**	(7,688)
Other gains (losses) and (expenses)	20	**76,392**	(72)	**93,629**	(5,411)
(Increase) decrease in value of unit-based compensation	15	**605**	1,891	**(6,758)**	9,724
(Increase) decrease in value of Exchangeable Units	13	**10**	(782)	**(408)**	7,434
Increase (decrease) in value of hotel property	5	**448**	(23)	**1,039**	(4,350)
Increase (decrease) in value of investment properties, net	3	**21,396**	(40,907)	**172,621**	(193,146)
		51,971	(92,183)	**117,242**	(331,597)
Income (loss) before income taxes		**155,049**	9,295	**423,862**	(38,211)
Deferred income tax expense (recovery)	21	**(26,454)**	(1,785)	**(22,991)**	(8,729)
Net income (loss)		**$ 181,503**	$ 11,080	**$ 446,853**	$ (29,482)
Net income (loss) attributable to:					
Unitholders	14	**$ 181,526**	$ 11,262	**$ 431,502**	$ (34,566)
Non-controlling interest	24	**(23)**	(182)	**15,351**	5,084
		$ 181,503	$ 11,080	**$ 446,853**	$ (29,482)

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

Interim Condensed Consolidated Statements of Comprehensive Income (Loss)

(unaudited)		Three months ended September 30				Nine months ended September 30			
(thousands of dollars)	**Note**		**2021**		2020		**2021**		2020
Net income (loss)		**$**	**181,503**	$	11,080	**$**	**446,853**	$	(29,482)
Other comprehensive income (loss)									
Unrealized gain (loss) on revaluation of hotel	5		—		—		—		(2,910)
Unrealized gain (loss) on cash flow hedges [1]			**5,074**		1,818		**26,470**		(59,795)
Reclassification of net losses on cash flow hedges to net income			**788**		542		**2,340**		1,413
			5,862		2,360		**28,810**		(61,292)
Deferred tax expense (recovery)	21		**2,286**		920		**11,236**		(22,724)
Other comprehensive income (loss)			**3,576**		1,440		**17,574**		(38,568)
Comprehensive income (loss)		**$**	**185,079**	$	12,520	**$**	**464,427**	$	(68,050)
Comprehensive income (loss) attributable to:									
Unitholders	14	**$**	**185,102**	$	12,702	**$**	**449,076**	$	(73,134)
Non-controlling interest	24		**(23)**		(182)		**15,351**		5,084
		$	**185,079**	$	12,520	**$**	**464,427**	$	(68,050)

[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)	431,502	—	—	431,502	15,351	446,853
Options, deferred units, restricted units, and performance units, net	—	—	3,343	3,343	—	3,343
Other comprehensive income (loss)	—	17,574	—	17,574	—	17,574
Contributions from (distributions to) non-controlling interest, net	—	—	—	—	3,972	3,972
Distributions *(Note 14(b))*	(71,094)	—	—	(71,094)	—	(71,094)
September 30, 2021	**$ 1,736,570**	**$ (26,006)**	**$ 2,897,925**	**$ 4,608,489**	**$ 48,586**	**$ 4,657,075**

(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)	(34,566)	—	—	(34,566)	5,084	(29,482)
Conversion of Exchangeable Units	—	—	15,854	15,854	—	15,854
Options, deferred units, restricted units, and performance units, net	—	—	5,468	5,468	—	5,468
Other comprehensive income (loss)	—	(38,568)	—	(38,568)	—	(38,568)
Contributions from (distributions to) non-controlling interest, net	—	—	—	—	(24,430)	(24,430)
Distributions *(Note 14(b))*	(140,875)	—	—	(140,875)	—	(140,875)
September 30, 2020	$ 1,386,046	$ (46,370)	$ 2,894,229	$ 4,233,905	$ 29,568	$ 4,263,473

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

Interim Condensed Consolidated Statements of Cash Flows

(unaudited)		Three months ended September 30		Nine months ended September 30	
(thousands of dollars)	**Note**	**2021**	2020	**2021**	2020
OPERATING ACTIVITIES					
Net income (loss)		**$ 181,503**	$ 11,080	**$ 446,853**	$ (29,482)
Adjustments for:					
(Increase) decrease in value of investment properties, net	3	**(21,396)**	40,907	**(172,621)**	193,146
(Increase) decrease in value of hotel property	5	**(448)**	23	**(1,039)**	4,350
Interest expense	18	**38,398**	38,951	**115,067**	117,860
Amortization expense		**1,426**	1,382	**4,565**	3,981
Share of (profit) loss of joint ventures	4	**223**	6,637	**647**	7,688
Cash interest paid associated with operating activities	18	**(43,767)**	(43,758)	**(120,313)**	(122,300)
Items not affecting cash and other items	25(a)	**(101,407)**	(1,144)	**(105,963)**	(18,589)
Net change in non-cash operating items	25(b)	**(3,942)**	(10,609)	**(1,158)**	(29,886)
Cash provided by (used in) operating activities		**50,590**	43,469	**166,038**	126,768
FINANCING ACTIVITIES					
Mortgage borrowings, net of financing costs	10	**—**	115,236	**—**	115,236
Mortgage principal instalment payments	10	**(7,147)**	(7,118)	**(21,087)**	(21,400)
Mortgage repayments	10	**(36,775)**	(45,857)	**(62,623)**	(56,909)
Credit facilities, net advances (repayments)	10	**(116,798)**	(219,021)	**23,913**	14,380
Issuance of senior unsecured debentures, net of issue costs	11	**—**	198,870	**—**	198,870
Repayment of senior unsecured debentures	11	**—**	—	**(175,000)**	(175,000)
Settlement of hedges		**—**	(6,964)	**—**	(6,964)
Issuance of trust units, net of issue costs		**80**	—	**755**	2,826
Payment of distributions		**(23,704)**	(46,990)	**(78,908)**	(140,779)
Net contributions from (distributions to) non-controlling interest	24	**3,972**	—	**3,972**	(24,430)
Cash provided by (used in) financing activities		**(180,372)**	(11,844)	**(308,978)**	(94,170)
INVESTING ACTIVITIES					
Acquisition of investment properties	3(c)	**(12,379)**	(17,020)	**(14,504)**	(17,020)
Net proceeds (payments) from property dispositions	3(d)	**203,038**	(139)	**203,726**	131,038
Distributions from joint ventures	4	**2,228**	934	**3,933**	2,237
Contributions to joint ventures	4	**(1,162)**	(1,510)	**(9,695)**	(2,664)
Capital expenditures on investment properties	3(a)	**(47,281)**	(48,268)	**(125,441)**	(150,625)
Changes in investing-related prepaid expenses and other liabilities		**12,338**	3,664	**2,395**	(9,707)
Changes in loans, mortgages and other assets	25(c)	**(9,593)**	(899)	**26,873**	11,072
Cash provided by (used in) investing activities		**147,189**	(63,238)	**87,287**	(35,669)
Net increase (decrease) in cash and cash equivalents		**17,407**	(31,613)	**(55,653)**	(3,071)
Cash and cash equivalents, beginning of period		**27,384**	54,045	**100,444**	25,503
Cash and cash equivalents, end of period	25(d)	**$ 44,791**	$ 22,432	**$ 44,791**	$ 22,432

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 November 2, 2021.

3. INVESTMENT PROPERTIES

(a) Activity

The following tables summarize the changes in First Capital's investment properties for the nine months ended September 30, 2021 and year ended December 31, 2020:

				Nine months ended September 30, 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	**14,504**	**—**	**—**	**14,504**
Capital expenditures	**51,934**	**53,365**	**20,142**	**125,441**
Developments transferred offline / online, net	**274,078**	**(266,968)**	**(7,110)**	**—**
Reclassification to residential development inventory	**—**	**—**	**(92,286)**	**(92,286)**
Increase (decrease) in value of investment properties, net	**94,412**	**11,731**	**66,478**	**172,621**
Straight-line rent and other changes	**2,145**	**—**	**—**	**2,145**
Dispositions	**(214,202)**	**—**	**—**	**(214,202)**
Reclassification to equity accounted joint ventures [1]	**(117,500)**	**—**	**(156,000)**	**(273,500)**
Balance at end of period	**$ 8,891,520**	**$ 19,244**	**$ 314,600**	**$ 9,225,364**
Investment properties	**$ 8,680,770**	**$ 19,244**	**$ 246,100**	**$ 8,946,114**
Investment properties classified as held for sale	**210,750**	**—**	**68,500**	**279,250**
Total	**$ 8,891,520**	**$ 19,244**	**$ 314,600**	**$ 9,225,364**

[1] In the third quarter, two properties were reclassified to investment in joint ventures as the legal ownership of these two properties changed or was restructured as part of disposition transactions. The two properties are now beneficially owned in separate limited partnerships owned 50/50 by the Trust and their respective partners. See Note 4 for further information.

				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 $2.6 billion (December 31, 2020 – $2.8 billion) are pledged as security for $1.3 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	**September 30, 2021**	December 31, 2020
Weighted Average Total		
Overall Capitalization Rate	**5.0%**	5.0%
Terminal Capitalization Rate	**5.2%**	5.2%
Discount Rate	**5.7%**	5.8%

The majority of the Trust's portfolio is valued under the Income Approach using the discounted cash flow ("DCF") method. As at September 30, 2021, the weighted average valuation yields (stabilized overall capitalization, terminal, and discount rates) used in valuing those investment properties under the Income Approach remained substantially unchanged from December 31, 2020.

During the third quarter of 2021, as part of its normal course internal valuations, the Trust adjusted the fair value of certain properties that are held for sale to reflect the expected transaction price, as well as revaluations of development land. In addition, the Trust made revisions to capitalization and discount rates for certain properties. As a result, an overall increase in the value of investment properties was recorded in the amount of $21.4 million ($20.2 million at FCR's share) for the three months ended September 30, 2021. For the nine months ended September 30, 2021, an overall increase in the value of investment properties was recorded in the amount of $172.6 million ($155.7 million at FCR's share).

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 $193.1 million ($203.8 million at FCR's share) for the nine months ended September 30, 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 September 30, 2021 is set out in the table below:

As at September 30, 2021		*(millions of dollars)*
(Decrease) Increase in stabilized overall capitalization rate		Resulting increase (decrease) in fair value of investment properties
(1.00%)	$	2,300
(0.75%)	$	1,623
(0.50%)	$	1,021
(0.25%)	$	484
0.25%	$	(437)
0.50%	$	(834)
0.75%	$	(1,197)
1.00%	$	(1,528)

Additionally, a 1% increase or decrease in stabilized net operating income ("SNOI") would result in a $91 million increase or a $91 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 $579 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 $524 million.

(c) Investment properties – Acquisitions

For the three and nine months ended September 30, 2021 and 2020, First Capital acquired investment properties as follows:

	Three months ended September 30		Nine months ended September 30	
	2021	2020	**2021**	2020
Total purchase price, including acquisition costs [1]	**$ 12,379**	$ 17,020	**$ 14,504**	$ 17,020
Total cash paid	**$ 12,379**	$ 17,020	**$ 14,504**	$ 17,020

[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 and dispositions

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	**September 30, 2021**	December 31, 2020
Aggregate fair value	**$ 279,250**	$ 161,849

The increase of $117.4 million in investment properties classified as held for sale from December 31, 2020, primarily arose from fair value adjustments on certain properties and new investment properties classified as held for sale, in line with First Capital's super urban strategy.

For the three and nine months ended September 30, 2021 and 2020, First Capital sold investment properties as follows:

	Three months ended September 30		Nine months ended September 30	
	2021	2020	**2021**	2020
Total selling price	**$ 205,000**	$ —	**$ 214,202**	$ 134,342
Vendor take-back mortgage on sale	**(6,436)**	—	**(6,436)**	—
Property selling costs	**(3,490)**	(139)	**(4,040)**	(3,304)
Proceeds released from escrow [1]	**7,964**	—	**—**	—
Net cash proceeds	**$ 203,038**	$ (139)	**$ 203,726**	$ 131,038

[1] Proceeds received on July 2, 2021 related to a property disposition that closed on June 30, 2021.

4. INVESTMENT IN JOINT VENTURES

As at September 30, 2021, First Capital had interests in nine 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	**September 30, 2021**	December 31, 2020
Aukland and Main Developments LP [1]	Station Place	Toronto, ON	**35.4%**	70.9%
College Square General Partnership	College Square	Ottawa, ON	**50.0%**	50.0%
Edenbridge Kingsway (Humbertown)	Humbertown Condos (Phase 1)	Toronto, ON	**50.0%**	50.0%
Fashion Media Group GP Ltd.	Toronto Fashion Week events	Toronto, ON	**78.0%**	78.0%
FC Access LP [2]	Whitby Mall (self storage operation)	Whitby, ON	**25.0%**	25.0%
FC Urban Properties, LP	199 Avenue Road	Toronto, ON	**20.0%**	N/A
Green Capital Limited Partnership	Royal Orchard	Markham, ON	**50.0%**	50.0%
Lakeshore Development LP	2150 Lake Shore Blvd. W.	Toronto, ON	**50.0%**	N/A
Stackt Properties LP	Shipping Container marketplace	Toronto, ON	**94.0%**	94.0%

[1] As at December 31, 2020, Aukland and Main Development LP was a consolidated subsidiary subject to a non-controlling interest of 29.1%, resulting in the Trust's effective ownership of 70.9%. In the third quarter of 2021, the Trust's new partner in Station Place subscribed to 50% of the limited partnership units of Aukland and Main Development LP, reducing the Trust's effective ownership to 35.4%.

[2] During the third quarter of 2021, FC Access LP disposed of its self storage operations at Whitby Mall. The joint venture is in the process of being legally wound up.

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 nine months ended September 30, 2021 and year ended December 31, 2020:

	September 30, 2021	December 31, 2020
Balance at beginning of period	**$ 52,570**	$ 59,498
Contributions to equity accounted joint ventures	**9,695**	3,889
Distributions from equity accounted joint ventures	**(3,933)**	(2,982)
Reclassification to equity accounted joint ventures	**273,500**	—
Share of income (loss) from equity accounted joint ventures	**(647)**	(7,835)
Balance at end of period	**$ 331,185**	$ 52,570

On September 1, 2021, the Trust's new 50% partner in Station Place subscribed to 50% of the limited partnership units in Aukland and Main Developments LP, the beneficial owner of the property, for $117.5 million.

On September 17, 2021, the Trust's new 50% partner in 2150 Lake Shore Boulevard West subscribed to 50% of the limited partnership units in the newly formed Lakeshore Development LP for $156 million by way of $56 million in cash and $100 million in notes receivable. Concurrent with the subscription, the Trust's 50% interest in the Christie Cookie lands was transferred into the new joint venture as well as the purchase of the former partner's 50% interest which was conveyed to Lakeshore Development LP on closing.

As of September 30, 2021, none of the Trust’s investments in joint ventures were determined to be impaired.

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 nine months ended September 30, 2021 and year ended December 31, 2020.

		September 30, 2021		December 31, 2020
Balance at beginning of period	**$**	**88,000**	$	62,199
Acquisition		**—**		37,080
Amortization		**(1,456)**		(1,432)
Additions		**417**		2,495
Revaluation of hotel property [1]		**1,039**		(12,342)
Balance at end of period	**$**	**88,000**	$	88,000

[1] The revaluation loss of $12.3 million, for the year ended December 31, 2020, was recognized partly through other comprehensive income (loss) to reverse previously recognized gains on the hotel property of $2.9 million in accordance with the revaluation model accounting for the hotel. The remaining $9.4 million revaluation loss was recognized in the consolidated statements of income.

6. LOANS, MORTGAGES AND OTHER ASSETS

As at		**September 30, 2021**		December 31, 2020
Non-current				
Loans and mortgages receivable classified as FVTPL (a)	**$**	**1,963**	$	1,968
Loans and mortgages receivable classified as amortized cost (a)(b)		**129,035**		37,612
Other investments		**5,106**		12,580
Total non-current		**136,104**		52,160
Current				
Loans and mortgages receivable classified as FVTPL (a)		**6**		6
Loans and mortgages receivable classified as amortized cost (a)		**55,760**		73,548
FVTPL investments in securities (c)		**28,252**		3,715
Total current		**84,018**		77,269
Total	**$**	**220,122**	$	129,429

(a) Loans and mortgages receivable are secured by interests in investment properties or shares of entities owning investment properties. As at September 30, 2021, these receivables bear interest at weighted average effective interest rates of 5.5% (December 31, 2020 – 6.3%) and mature between 2021 and 2026. As of September 30, 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) On September 17, 2021, the Trust's partner in 2150 Lake Shore Boulevard West subscribed to 50% of the units in the newly formed Lakeshore Development LP for $156 million. The subscription price was satisfied through the payment of $56 million in cash and $100 million in loans receivable. One half of the loan, or $50 million, is due on or before December 31, 2022, and the remainder is due on or before September 17, 2026. The loan bears no interest until December 31, 2022 and thereafter bears interest at the greater of prime plus 2.5% or 5%. At inception, a discount in the amount of $6.5 million was recognized and netted against the principal amount of the loan. This discount will be accreted into interest income over the interest free period of the loan.

(c) 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	September 30, 2021	December 31, 2020
Tenant receivables (net of allowances for doubtful accounts of $16.9 million; December 31, 2020 – $11.4 million)	**$ 32,476**	$ 45,439
Corporate and other amounts receivable	**213**	857
Total	**$ 32,689**	$ 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 September 30, 2021. The Trust has increased its provision for doubtful accounts for the nine months ended September 30, 2021 by $5.5 million as a result of the COVID-19 environment (nine months ended September 30, 2020 - $6.8 million).

8. OTHER ASSETS

As at	Note	September 30, 2021	December 31, 2020
Non-current			
Fixtures, equipment and computer hardware and software (net of accumulated amortization of $21.3 million; December 31, 2020 – $18.2 million)		**$ 7,999**	$ 9,958
Deferred financing costs on credit facilities (net of accumulated amortization of $7.2 million; December 31, 2020 – $6.3 million)		**3,082**	3,021
Environmental indemnity and insurance proceeds receivable	12(a)	**1,382**	1,611
Bond asset		**—**	13,965
Total non-current		**12,463**	28,555
Current			
Deposits and costs on investment properties under option		**2,765**	10,450
Prepaid expenses		**26,939**	10,679
Bond asset		**13,535**	—
Other deposits		**250**	250
Restricted cash		**7,830**	959
Derivatives at fair value	23	**3,770**	—
Total current		**55,089**	22,338
Total		**$ 67,552**	$ 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	**September 30, 2021**	December 31, 2020
Liabilities (principal amounts outstanding)		
Bank indebtedness	**$ —**	$ 238
Mortgages	**1,267,581**	1,351,291
Credit facilities	**948,495**	915,928
Mortgages under equity accounted joint ventures (at the Trust's interest)	**40,062**	39,175
Senior unsecured debentures	**2,350,000**	2,525,000
	4,606,138	4,831,632
Exchangeable Units	**1,807**	1,399
Equity market capitalization [1]	**3,841,760**	2,971,723
Total capital employed	**$ 8,449,705**	$ 7,804,754
Trust Units outstanding (000's)	**219,529**	219,315
Closing market price	**$ 17.50**	$ 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 September 30, 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	**September 30, 2021**	December 31, 2020
Net debt to total assets [1]		**44.9%**	47.3%
Unencumbered aggregate assets to unsecured debt, using 10 quarter average capitalization rate [1]	≥1.3	**2.2**	2.0
Unitholders' equity, using four quarter average (billions) [2]	>$2.0B	**$ 4.4**	$ 4.3
Secured indebtedness to total assets [2]	<35%	**13.5%**	15.2%
For the rolling four quarters ended			
Interest coverage (Adjusted EBITDA to interest expense) [2]	>1.65	**2.2**	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	September 30, 2021	December 31, 2020
Fixed rate mortgages	**$ 1,263,425**	$ 1,346,637
Unsecured facilities	**872,510**	745,054
Secured facilities	**75,985**	170,874
Mortgages and credit facilities	**$ 2,211,920**	$ 2,262,565
Current	**$ 280,846**	$ 151,571
Non-current	**1,931,074**	2,110,994
Total	**$ 2,211,920**	$ 2,262,565

Mortgages and secured facilities are secured by First Capital's investment properties. As at September 30, 2021, approximately $2.6 billion (December 31, 2020 – $2.8 billion) of investment properties out of $9.2 billion (December 31, 2020 – $9.5 billion) (Note 3(a)) had been pledged as security under the mortgages and the secured facilities.

As at September 30, 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 September 30, 2021 is 3.5% (December 31, 2020 – 3.6%).

Principal repayments of mortgages outstanding as at September 30, 2021 are as follows:

	Scheduled Amortization	Payments on Maturity	Total	Weighted Average Effective Interest Rate
2021 (remainder of the year)	$ 7,299	$ —	$ 7,299	N/A
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	3.4%
2026 to 2031	93,065	781,157	874,222	3.5%
	$ 226,529	**$ 1,041,052**	**$ 1,267,581**	**3.5%**
Unamortized deferred financing costs and premiums, net			(4,156)	
Total			**$ 1,263,425**	

First Capital's credit facilities as at September 30, 2021 are summarized in the table below:

As at September 30, 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 2026	$ 450,000	$ —	$ (6,117)	$ 443,883	BA + 1.45% or Prime + 0.45% or US$ LIBOR + 1.45%	June 30, 2026
Revolving facility maturing 2024 (1)	100,000	(35,182)	—	64,818	BA + 1.10% or Prime + 0.25% or US$ LIBOR + 1.10%	August 31, 2024
Revolving facility maturing 2022 (2)	250,000	(85,510)	—	164,490	BA + 1.10% or Prime + 0.25% or US$ LIBOR + 1.10%	September 29, 2022
Floating rate unsecured term loan maturing 2023 (3)	200,000	(201,818)	—	—	BA + 1.20%	April 15, 2023
Fixed rate unsecured term loans maturing 2024 - 2026	550,000	(550,000)	—	—	3.29%	March 28, 2024 - April 15, 2026
Secured Construction Facilities						
Maturing 2021	20,000	(19,984)	—	16	BA + 2.50% or Prime + 1.00%	December 31, 2021
Maturing 2022	33,333	(33,333)	—	—	2.79%	February 25, 2022
Secured Facilities						
Maturing 2021	19,734	(11,600)	(1,320)	6,814	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	**$ 1,634,135**	**$ (948,495)**	**$ (7,437)**	**$ 680,021**		

(1) The Trust had drawn in U.S. dollars the equivalent of CAD$35.0 million which was revalued at CAD$35.2 million as at September 30, 2021.

(2) The Trust had drawn in U.S. dollars the equivalent of CAD$85.0 million which was revalued at CAD$85.5 million as at September 30, 2021.

(3) The Trust had drawn in U.S. dollars the equivalent of CAD$200.0 million which was revalued at CAD$201.8 million as at September 30, 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.

On September 1, 2021, First Capital extended and amended its $450.0 million unsecured revolving credit facilities while also transitioning them into "Sustainability-Linked Credit facilities ("SLCs").

11. SENIOR UNSECURED DEBENTURES

As at					September 30, 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	199,895	199,667
P	December 5, 2022	3.95%	4.18%	250,000	249,358	248,966
Q	October 30, 2023	3.90%	3.97%	300,000	299,597	299,460
R	August 30, 2024	4.79%	4.72%	300,000	300,553	300,684
S	July 31, 2025	4.32%	4.24%	300,000	300,854	301,008
T	May 6, 2026	3.60%	3.56%	300,000	300,512	300,585
U	July 12, 2027	3.75%	3.82%	300,000	298,908	298,783
V	January 22, 2027	3.46%	3.54%	200,000	199,227	199,129
A	March 1, 2028	3.45%	3.54%	200,000	198,991	198,888
Weighted Average or Total		3.99%	4.03%	$ 2,350,000	$ 2,347,895	$ 2,522,135
Current				$ 200,000	$ 199,895	$ 174,965
Non-current				2,150,000	2,148,000	2,347,170
Total				$ 2,350,000	$ 2,347,895	$ 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	September 30, 2021	December 31, 2020
Non-current			
Asset retirement obligations (a)		$ 2,583	$ 1,476
Ground leases payable		8,961	9,444
Derivatives at fair value	23	20,213	45,422
Unit-based compensation plans	15(c)	4,620	2,541
Deferred purchase price of investment property		4,275	4,275
Other liabilities		21,306	2,840
Total non-current		61,958	65,998
Current			
Trade payables and accruals		83,190	74,334
Construction and development payables		49,824	46,196
Unit-based compensation plans	15(c)	15,503	9,627
Distributions payable	14(b)	7,903	15,718
Interest payable		26,810	36,826
Tenant deposits		35,599	37,509
Derivatives at fair value	23	—	4,946
Other liabilities		18	17
Total current		218,847	225,173
Total		$ 280,805	$ 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 $1.4 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	**September 30, 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	**—**	**408**	—	(7,404)
Balance at end of period	**103**	**$ 1,807**	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	**September 30, 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	**214**	**3,343**	254	5,468
Conversion of Exchangeable Units	**—**	**—**	1,107	16,207
Balance at end of period	**219,529**	**$ 2,897,925**	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 $0.324 per Trust Unit for the nine months ended September 30, 2021 (nine months ended September 30, 2020 - $0.645 per Trust Unit).

15. UNIT-BASED COMPENSATION PLANS

(a) Unit Option Plan

As of September 30, 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 September 30, 2021, 5.9 million (December 31, 2020 – 4.6 million) unit options are available to be granted to employees and officers. In addition, as at September 30, 2021, 6.7 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 September 30, 2021 have exercise prices ranging from $15.53 - $21.24 (December 31, 2020 – 15.70 - 21.24).

During the nine months ended September 30, 2021, $0.7 million (nine months ended September 30, 2020 – $1.0 million) was recorded as an expense related to stock options.

Nine months ended September 30			**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)	**(48)**		**15.90**	(162)		17.48
Forfeited	**(513)**		**20.69**	(19)		17.43
Expired	**(457)**		**19.68**	(104)		16.44
Outstanding at end of period	**6,729**	**$**	**19.78**	7,103	$	20.20

(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.

Nine months ended September 30	**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 nine months ended September 30, 2021 was $16.28 (nine months ended September 30, 2020 – $21.71).

The assumptions used to measure the fair value of the unit options under the Black-Scholes model (level 2) as at September 30, 2021 and 2020 were as follows:

As at September 30	**2021**	2020
Expected Trust Unit price volatility	**16.97% - 38.05%**	21.3% - 50.3%
Expected life of options	**0.2 - 6.8 years**	0.4 - 6.7 years
Expected distribution yield	**4.50%**	6.64%
Risk free interest rate	**0.18% - 1.24%**	0.15% - 0.38%

(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.

Nine months ended September 30		**2021**		2020
(in thousands)	**DUs**	**RUs / PUs**	DUs	RUs / PUs
Outstanding at beginning of period	**368**	**789**	289	663
Granted (a) (b)	**50**	**355**	45	295
Distributions reinvested	**6**	**17**	14	32
Exercised	**(121)**	**(244)**	—	(189)
Forfeited	**—**	**(22)**	—	(16)
Outstanding at end of period	**303**	**895**	348	785
Expense recorded for the period	**$995**	**$4,028**	$782	$3,594

(a) The fair value of the DUs granted during the nine months ended September 30, 2021 was $0.9 million (nine months ended September 30, 2020 – $0.6 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 nine months ended September 30, 2021 was $3.1 million (nine months ended September 30, 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 nine months ended September 30, 2021 was $2.8 million (nine months ended September 30, 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.

Nine months ended September 30	**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 September 30, 2021, the carrying value of the unit-based compensation liability was $20,123 (December 31, 2020 – $12,168)(Note 12). For the nine months ended September 30, 2021, FCR recognized an increase in the value of the unit-based compensation plans which resulted in a loss of $6.8 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 September 30			Nine months ended September 30		
	% change	**2021**	2020	**% change**	**2021**	2020
Property rental revenue						
Base rent [1]		**$107,018**	$104,216		**$ 319,854**	$ 318,962
Operating cost recoveries		**23,354**	23,385		**74,498**	72,500
Realty tax recoveries		**28,290**	29,032		**89,887**	92,547
Lease termination fees		**460**	524		**1,534**	916
Percentage rent		**731**	958		**1,731**	2,262
Straight-line rent adjustment		**(223)**	452		**2,050**	2,182
Prior year operating cost and tax recovery adjustments		**(796)**	625		**(1,713)**	47
Temporary tenants, storage, parking and other [2]		**6,779**	4,760		**16,852**	13,416
Total Property rental revenue	**1.0%**	**165,613**	163,952	**0.4%**	**504,693**	502,832
Property operating costs						
Recoverable operating expenses		**26,137**	25,446		**82,654**	79,934
Recoverable realty tax expense		**32,064**	33,447		**102,240**	105,671
Prior year realty tax expense		**(506)**	235		**(1,364)**	(303)
Other operating costs and adjustments [3]		**4,840**	3,346		**14,543**	24,144
Total Property operating costs		**62,535**	62,474		**198,073**	209,446
Total NOI	**1.6%**	**$103,078**	$101,478	**4.5%**	**$ 306,620**	$ 293,386
NOI margin		**62.2%**	61.9%		**60.8%**	58.3%

(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 and nine months ended September 30, 2021 of $1.7 million and $7.1 million, respectively (three and nine months ended September 30, 2020 - $3.4 million and $20.2 million, respectively).

For the three and nine months ended September 30, 2021, property operating costs include $5.3 million and $15.7 million, respectively, (three and nine months ended September 30, 2020 – $3.6 million and $12.0 million, respectively) related to employee compensation. Employee compensation is presented net of subsidies received under the Canada Emergency Wage Subsidy ("CEWS") program for the three and nine months ended September 30, 2021 of Nil and $0.6 million, respectively, related to property operations personnel (three and nine months ended September 30, 2020 - $1.6 million and $4.1 million, respectively). 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 September 30		Nine months ended September 30	
	Note	**2021**	2020	**2021**	2020
Interest, dividend and distribution income from marketable securities and other investments	6	**$ 91**	$ 155	**$ 390**	$ 790
Interest income from loans and mortgages receivable classified as FVTPL	6	**25**	216	**74**	806
Interest income from loans and mortgages receivable at amortized cost	6	**1,025**	1,652	**3,245**	5,114
Fees and other income		**1,241**	753	**3,238**	2,246
Total		**$ 2,382**	$ 2,776	**$ 6,947**	$ 8,956

18. INTEREST EXPENSE

		Three months ended September 30		Nine months ended September 30	
	Note	**2021**	2020	**2021**	2020
Mortgages	10	**$ 12,400**	$ 13,185	**$ 38,254**	$ 38,761
Credit facilities	10	**6,648**	7,634	**20,010**	22,129
Senior unsecured debentures	11	**23,849**	24,621	**72,110**	75,038
Distributions on Exchangeable Units (1)	13	**11**	108	**33**	628
Total interest expense		**42,908**	45,548	**130,407**	136,556
Interest capitalized to investment properties under development		**(4,510)**	(6,597)	**(15,340)**	(18,696)
Interest expense		**$ 38,398**	$ 38,951	**$ 115,067**	$ 117,860
Change in accrued interest		**6,966**	6,028	**9,991**	7,817
Coupon interest rate in excess of effective interest rate on senior unsecured debentures		**296**	285	**871**	915
Coupon interest rate in excess of effective interest rate on assumed mortgages		**21**	89	**127**	304
Amortization of deferred financing costs		**(1,914)**	(1,595)	**(5,743)**	(4,596)
Cash interest paid associated with operating activities		**$ 43,767**	$ 43,758	**$ 120,313**	$ 122,300

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

19. CORPORATE EXPENSES

	Three months ended September 30		Nine months ended September 30	
	2021	2020	**2021**	2020
Salaries, wages and benefits	**$ 6,941**	$ 5,379	**$ 21,674**	$ 17,899
Unit-based compensation	**1,725**	2,014	**5,367**	5,138
Other corporate costs	**2,109**	2,441	**8,101**	8,081
Total corporate expenses	**10,775**	9,834	**35,142**	31,118
Amounts capitalized to investment properties under development	**(1,581)**	(1,746)	**(5,695)**	(5,933)
Corporate expenses	**$ 9,194**	$ 8,088	**$ 29,447**	$ 25,185

For the three and nine months ended September 30, 2021, salaries, wages and benefits include Nil and $0.3 million, respectively, of wage subsidies received under the CEWS program (three and nine months ended September 30, 2020 - $1.3 million and $3.4 million, respectively).

20. OTHER GAINS (LOSSES) AND (EXPENSES)

	Three months ended September 30		Nine months ended September 30	
	2021	2020	**2021**	2020
Unrealized gain (loss) on marketable securities	**$ (917)**	$ 65	**$ 17,062**	$ (814)
Net gain (loss) on prepayments of debt	**—**	—	**—**	(282)
Pre-selling costs of residential inventory	**(15)**	—	**(211)**	(142)
Investment properties selling costs	**(3,490)**	(139)	**(4,040)**	(3,304)
REIT conversion costs	**—**	—	**—**	(906)
Gain on Option	**80,822**	—	**80,822**	—
Other	**(8)**	2	**(4)**	37
Total	**$ 76,392**	$ (72)	**$ 93,629**	$ (5,411)

In the third quarter of 2021, the Trust exercised its option to buy its former partner's 50% interest in 2150 Lake Shore Boulevard West for $55.5 million. Concurrent with closing, the Trust entered into a new partnership and conveyed 50% of the property to a new partner for $156 million. The gain on the option was reduced by the derecognition of $13.2 million in previously capitalized option costs and the discount recognized on the loans receivable of $6.5 million (Note 6 (b)).

21. INCOME TAXES

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

The following reconciles the expected tax expense computed at the statutory tax rate to the actual tax expense for the three and nine months ended September 30, 2021 and 2020.

	Three months ended September 30		Nine months ended September 30	
	2021	2020	**2021**	2020
Income tax computed at the Canadian statutory rate of Nil applicable to the Trust at September 30, 2021 and 2020	**$ —**	$ —	**$ —**	$ —
Increase (decrease) in income taxes due to:				
Deferred income taxes (recoveries) applicable to corporate subsidiaries	**18,828**	(1,880)	**22,010**	(8,729)
Deferred income tax recovery related to temporary differences associated with investment property applicable to corporate subsidiaries [1]	**(45,001)**	—	**(45,001)**	—
Other	**(281)**	95	**—**	—
Deferred income taxes expense (recovery)	**$ (26,454)**	$ (1,785)	**$ (22,991)**	$ (8,729)

[1] Adjustment to rate differential applied to temporary differences.

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 September 30, 2021, Loblaw Companies Limited (“Loblaw”) is FCR's largest tenant and accounts for 10.6% 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 September 30, 2021 is set out below:

As at September 30, 2021	Payments due by period				
	Remainder of 2021	2022 to 2023	2024 to 2025	Thereafter	Total
Scheduled mortgage principal amortization	$ 7,299	$ 64,578	$ 61,587	$ 93,065	$ 226,529
Mortgage principal repayments on maturity	—	95,522	164,373	781,157	1,041,052
Credit facilities and bank indebtedness	31,584	331,729	310,182	275,000	948,495
Senior unsecured debentures	—	750,000	600,000	1,000,000	2,350,000
Interest obligations [1]	41,493	285,125	195,482	132,648	654,748
Land leases (expiring between 2023 and 2061)	302	2,076	1,238	16,187	19,803
Contractually committed costs to complete current development projects	12,365	138	—	—	12,503
Total contractual obligations	**$ 93,043**	**$ 1,529,168**	**$ 1,332,862**	**$ 2,298,057**	**$ 5,253,130**

(1) Interest obligations include expected interest payments on mortgages and credit facilities as at September 30, 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 September 30, 2021, there was $0.9 billion (December 31, 2020 – $0.7 billion) of cash advances drawn against First Capital's unsecured credit facilities.

In addition, as at September 30, 2021, First Capital had $30.7 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 Nil (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		**September 30, 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	**$ 28,252**	**$ —**	**$ —**	$ 3,715	$ —	$ —
Loans and mortgages receivable	**—**	**—**	**1,969**	—	—	1,974
Other investments	**—**	**—**	**5,106**	—	—	12,580
Derivatives at fair value – assets	**—**	**3,770**	**—**	—	—	—
Financial Liabilities						
Exchangeable Units	**—**	**1,807**	**—**	—	1,399	—
Unit-based compensation plans	**—**	**20,123**	**—**	—	12,168	—
Derivatives at fair value – liabilities	**—**	**20,213**	**—**	—	50,368	—
Fair value of financial instruments measured at amortized cost						
Financial Assets						
Loans and mortgages receivable	**$ —**	**$ —**	**$ 186,167**	$ —	$ —	$ 110,045
Bond asset	**—**	**13,535**	**—**	—	13,965	—
Financial Liabilities						
Mortgages	**—**	**1,319,159**	**—**	—	1,446,711	—
Credit facilities	**—**	**948,495**	**—**	—	915,928	—
Senior unsecured debentures	**—**	**2,469,819**	**—**	—	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 September 30, 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 September 30, 2021	**September 30, 2021**	December 31, 2020
Derivative assets				
Bond forward contracts	Yes	January 2022	**$ 1,260**	$ —
Cross currency swaps	No	October 2021	**2,510**	$ —
Total			**$ 3,770**	$ —
Derivative liabilities				
Interest rate swaps	Yes	April 2024 - March 2027	**$ 20,213**	$ 45,422
Cross currency swaps	No	N/A	**—**	4,946
Total			**$ 20,213**	$ 50,368

As at September 30, 2021, the $30.2 million decrease in the fair value of outstanding derivative liabilities over prior year end 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 September 30, 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	**September 30, 2021**	December 31, 2020
Main and Main Developments LP ("MMLP")	46.875% Interest in MMUR [1]	**67.0%**	67.0%
Maincore Equities Inc.	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.

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 September 30		Nine months ended September 30	
	Note	**2021**	2020	**2021**	2020
Straight-line rent adjustment	16	**$ 223**	$ (452)	**$ (2,050)**	$ (2,182)
Investment properties selling costs	20	**3,490**	139	**4,040**	3,304
Unrealized (gain) loss on marketable securities classified as FVTPL	20	**917**	(65)	**(17,062)**	814
Gain on Option	20	**(80,822)**	—	**(80,822)**	—
Unit-based compensation expense	15	**1,854**	2,128	**5,755**	5,403
Increase (decrease) in value of Exchangeable Units	13	**(10)**	782	**408**	(7,434)
Increase (decrease) in value of unit-based compensation	15	**(605)**	(1,891)	**6,758**	(9,724)
Deferred income taxes expense (recovery)	21	**(26,454)**	(1,785)	**(22,991)**	(8,729)
Other non-cash items		**—**	—	**1**	(41)
Total		**$ (101,407)**	$ (1,144)	**$ (105,963)**	$ (18,589)

(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 September 30		Nine months ended September 30	
	2021	2020	**2021**	2020
Amounts receivable	**$ 16,948**	$ 26,370	**$ 13,607**	$ (8,339)
Prepaid expenses	**(13,485)**	(11,142)	**(16,258)**	(25,586)
Trade payables and accruals	**7,696**	(14,564)	**13,903**	11,755
Tenant security and other deposits	**(3,888)**	(8,963)	**(1,910)**	(3,576)
Other working capital changes	**(11,213)**	(2,310)	**(10,500)**	(4,140)
Total	**$ (3,942)**	$ (10,609)	**$ (1,158)**	$ (29,886)

(c) Changes in loans, mortgages and other assets

	Three months ended September 30		Nine months ended September 30	
	2021	2020	**2021**	2020
Advances of loans and mortgages receivable	**$ (9,600)**	$ (6,605)	**$ (18,875)**	$ (12,761)
Repayments of loans and mortgages receivable	**7**	5,706	**45,748**	24,111
Other investments, net	**—**	—	**—**	(278)
Total	**$ (9,593)**	$ (899)	**$ 26,873**	$ 11,072

(d) Cash and cash equivalents

As at	**September 30, 2021**	December 31, 2020
Cash and cash equivalents	**$ 44,791**	$ 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 $74.2 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 $30.7 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 $19.8 million (December 31, 2020 – $20.7 million).

27. RELATED PARTY TRANSACTIONS

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

Collection of October 2021 Rent

As of November 2, 2021, First Capital has collected approximately 97% of the gross rents payable from tenants for the month of October.

Unitholder Information

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