FIRST
CAPITAL

2022
FIRST QUARTER REPORT

Certain statements contained in this MD&A constitute forward-looking statements and information within the meaning of applicable securities law, including but not limited to statements made with respect to the impact of the 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 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 pandemic will have the intended impact, the Federal and Provincial governments will continue to issue directives with respect to the pandemic, 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 First Capital's MD&A for the year ended December 31, 2021 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 the pandemic 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 the pandemic further described in First Capital's MD&A for the year ended December 31, 2021 under the heading "Risks and Uncertainties – Ongoing Pandemic, Epidemics or New Outbreaks". Given the evolving circumstances surrounding the pandemic, it is difficult to predict how significant the adverse impact will be on the global and domestic economy, the business, operations and financial position of the REIT's tenants, and the business operations and financial position of the REIT.

Readers, therefore, should not place undue reliance on any such forward-looking statements. Further, a forward-looking statement speaks only as of the date on which such statement is made. First Capital undertakes no obligation to publicly update any such statement or to reflect new information or the occurrence of future events or circumstances, except as required by applicable securities law. All forward-looking statements in this MD&A are made as of May 3, 2022 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 over **$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

22.5M
SQ. FT. OF GLA

>2,400
TENANTS

351
EMPLOYEES

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 strengthen our balance sheet
- **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.

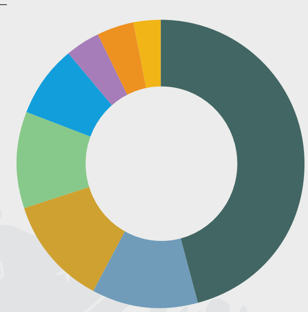
These neighbourhoods are located in Toronto, Montreal, Vancouver, Edmonton, Calgary and Ottawa. We have achieved critical mass in each of our target markets, which helps generate economies of scale and operating synergies, as well as deep local knowledge of our properties, tenants, neighbourhoods and 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%	48%
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%	4%
Other	3%	2%
Total	**100%**	**100%**

*As at March 31, 2022



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 – 3,945 stores

	# of Stores	% of Rent
Other Necessity-Based Retailers	474	18.1
Grocery Stores	125	17.2
Medical, Professional & Personal Services	1,329	15.7
QSR, Chains & Cafes	910	13.3
Pharmacies	120	9.2
Other Tenants	464	8.3
Banks & Credit Unions	186	8.1
Fitness Facilities	76	3.7
Liquor Stores	89	3.3
Other Restaurants	65	1.5
Daycare & Learning Centres	107	1.6

As at March 31, 2022

23 million square feet of incremental density within our existing portfolio

29 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.

71

Our portfolio has a "Walk Score" of 71. 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:

GRESB REAL ESTATE Sector Leader 2021

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

AA

'AA' rating, in the Morgan Stanley Capital International (MSCI) ESG Ratings assessment

GREEN LEASE LEADER GOLD

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

Corporate ESG Performance Prime RATED BY ISS ESG

AWARDED PRIME STATUS FOR CORPORATE ESG PERFORMANCE by Institutional Shareholder Services in 2021

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)
- Establishing near-term and long-term GHG reduction targets, with the goal of net-zero emissions
- 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 71 (very walkable)
- Over 250 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; 87% of our portfolio is certified, as of December 31, 2021
- Certify all new construction projects to Leadership in Energy and Environmental Design (LEED) standards (subject to tenant acceptance); approximately 20% of our portfolio (125 projects) is certified to LEED as of December 31, 2021
- 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
- Formed an FCR TCFD Task Force made up of senior leaders from across business functions. The Task Force performed a climate scenario analysis to assess the magnitude of the financial impacts associated with climate-related risks and opportunities

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 (ED&I) Council and developed a three-year 2021–2023 ED&I Action Plan

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 the third consecutive year (2020 – 2022)
- Named one of Canada's 2022 Greenest Employers by Mediacorp Canada and the Globe and Mail
- 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 29 installations across our portfolio
- Launched the FCR Thriving Neighbourhoods Foundation in 2020; employee-led charitable giving and volunteer program focused on community support
- FCR Thriving Neighbourhoods 2021 Foundation Fall fundraiser in support of Second Harvest raised over $281,000
- Launched FCR's Small Business Support Program to assist qualifying tenants early in 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 months ended March 31, 2022 and 2021. It should be read in conjunction with the Trust’s audited annual consolidated financial statements for the years ended December 31, 2021 and 2020. Additional information, including First Capital's current Annual Information Form, is available on the SEDAR website at www.sedar.com and on the FCR website at www.fcr.ca.

All dollar amounts are in thousands of Canadian dollars, unless otherwise noted. Historical results and percentage relationships contained in First Capital’s unaudited interim and audited annual consolidated financial statements and MD&A, including trends which might appear, should not be taken as indicative of its future operations. The information contained in this MD&A is based on information available to Management and is dated as of May 3, 2022.

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

In late 2021 and early 2022, provincial governments mandated temporary capacity restrictions and lockdowns to slow the spread of the Omicron COVID variant. As Omicron began to wane, and hospitalizations declined, provincial governments gradually eased restrictions through the first quarter. By quarter-end, essential and non-essential businesses were operating at full capacity and mask mandates had been lifted in most public settings. Although Canada entered the sixth wave of the pandemic in early April, driven by the highly transmissible BA.2 sub-variant of the Omicron coronavirus, it appears unlikely that the provincial governments will re-introduce restrictions or capacity limits.

While there is no specific threshold that dictates the classification, there are encouraging signs that COVID is now transitioning from a pandemic to endemic. This is occurring through the collective efforts of vaccines, testing and isolation. With the more recent Omicron variant, most people who tested positive while being fully vaccinated had mild symptoms or were asymptomatic. Vaccine-based immunity is a very important element of defense and currently approximately 82% of the Canadian population is fully vaccinated. Moreover, boosters are available to anyone over the age of 12, and additional boosters are available to those age 60 and greater.

Most of First Capital’s tenants have successfully adapted their operations through periods of off-and-on government-imposed restrictions and in the face of COVID-related challenges. First Capital's high-quality grocery-anchored and mixed-use portfolio continues to be resilient and produce strong cash collections, solid leasing volumes and growth in its average net rental rate.

Actively managing assets

First Capital operates a portfolio of assets located in super urban and top-tier suburban 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. Throughout the pandemic FCR has supported their tenants through support and relief programs such as the Small Business Support Program and participation in the federal government implemented Canada Emergency Commercial Rental Assistance ("CECRA") program.

Many of the federal government relief programs ended in late 2021, however as provincial governments reintroduced mandatory capacity restrictions and lockdowns in late 2021 and early 2022, additional programs were made available to those businesses significantly impacted by these restrictions. The Tourism and Hospitality Recovery Program and the Hardest-Hit Business Recovery Program took effect October 24, 2021 and are available 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.

The Local Lockdown Program is currently available to organizations, regardless of sector that are subject to a qualifying health restriction from October 24, 2021 to May 7, 2022. Businesses that have one or more locations subject to a public health restriction for at least seven days in the claim period may be eligible for support at the same subsidy rates available under the Tourism and Hospitality Recovery Program. To qualify, the public health restriction must cause the business to cease activities that accounted for at least approximately 25% of their total revenues during the prior reference period. In addition, the organization must have a current month revenue loss of at least 40%.

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 $0.4 million for the three months ended March 31, 2022.

To date, First Capital collected 98% of the gross rent due in the first quarter.

Managing the balance sheet

First Capital has taken the following proactive measures to provide greater financial strength and flexibility.

- On January 12, 2021, First Capital announced a reduction of its monthly distribution to Unitholders from $0.0716 per unit to $0.036 per unit (or $0.432 per unit annually). The reduction of the distribution will provide First Capital with additional retained cash flow of approximately $95 million per annum and provide meaningful financial flexibility to advance the Trust’s strategic objectives.
- First Capital is continuing to maintain a strong balance sheet. As of May 3, 2022, the Trust's liquidity position included approximately $630 million of cash and undrawn credit facilities with remaining debt maturities for 2022 totaling only $45 million. As at March 31, 2022, the Trust had unencumbered properties with an IFRS value of approximately $7.5 billion and a net debt to asset ratio of 43.8%.

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 $235.6 million (December 31, 2021 - $240.0 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 real estate strategy, as certain properties may not offer 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. Since the beginning of 2019, FCR has completed dispositions under this strategy totaling approximately $1.4 billion.

Development initiatives

Management continually monitors economic and capital market forces and their potential impact on the portfolio, including properties under development. As of March 31, 2022, FCR had approximately 0.4 million square feet under active development, including residential inventory. 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. Early in the second quarter, the Site Plan Application for Phase I of the redevelopment was submitted to the City of Toronto for approval.

Outlook

After two years of recurrent and sometimes lengthy lockdowns, capacity restrictions, social distancing recommendations and mask mandates, there are positive signs that COVID and related variants are waning amidst high vaccination rates around the world. Most countries have lifted restrictions and mask mandates and are adapting to living with the virus which is expected to become endemic in 2022. Set against these positive signals are more recent concerns with respect to rising and broadening inflation, and higher interest rates. While there remain uncertainties with respect to the full impact of the pandemic on First Capital, certain aspects of the Trust’s business and operations that could potentially be impacted include rental income, occupancy, tenant improvements, future demand for space, and market rents, all of which ultimately impact the underlying value of investment properties. Refer to FCR's MD&A for the year-ended December 31, 2021 under the heading "Risks and Uncertainties - Ongoing Pandemic, Epidemics or New Outbreaks" 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 ten 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 ten 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 guidance on "Funds from Operations and Adjusted Funds From Operations for IFRS" dated January 2022. 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, AFFO and ACFO" section of this MD&A.

Adjusted Funds from Operations

Adjusted Funds from Operations ("AFFO") is a supplementary 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 AFFO in accordance with the recommendations of the Real Property Association of Canada ("REALPAC") as published in its most recent guidance on "Funds from Operations and Adjusted Funds From Operations for IFRS" dated January 2022. Management considers AFFO to be a meaningful financial measure of recurring economic earnings and relevant in understanding First Capital's ability to service it's debt, fund capital expenditures and pay distributions to Unitholders. AFFO is defined as FFO less amortization of straight-line rents, regular and recoverable maintenance capital expenditures, and incremental leasing costs. A reconciliation from FFO to AFFO can be found in the "Non-IFRS Reconciliations and Financial Measures — FFO, AFFO 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. FCR calculates ACFO in accordance with the recommendations of REALPAC as published in its most recent guidance on "Adjusted Cashflow From Operations (ACFO) for IFRS" dated January 2022.

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, AFFO 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. Management believes Adjusted EBITDA is useful in assessing the Trust's ability to service its debt, finance capital expenditures and provide for distributions to its Unitholders.

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 diluted unit represents NAV, as calculated above, adjusted for the exclusion of the unit-based compensation plan liability and for the proceeds to be received upon the exercise of outstanding options divided by the number of diluted units outstanding as at the end of the period. For purposes of calculating diluted 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 outstanding Deferred Units, Restricted Units, Performance Units and Options as at the end of the period. Management believes that NAV is useful to financial statement users who consider it a key measure of the intrinsic value of the Trust.

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 (19.6 million square feet at its ownership interest compared to 22.5 million square feet at 100% as at March 31, 2022). First Capital's operating metrics and GLA excludes residential GLA totaling 364,000 square feet and hotel GLA of 49,000 square feet, at its ownership interest, as amounts are not significant at this time.

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

SUMMARY CONSOLIDATED INFORMATION AND HIGHLIGHTS

As at March 31	**2022**	2021
Revenues, Income and Cash Flows [1]		
Revenues and other income	**$ 178,145**	$ 174,418
NOI [2]	**$ 100,980**	$ 100,949
Increase (decrease) in value of investment properties, net	**$ 1,039**	$ (7,331)
Increase (decrease) in value of hotel property	**$ —**	$ (6)
Net income (loss) attributable to Unitholders	**$ 44,455**	$ 37,987
Net income (loss) per unit attributable to Unitholders (diluted)	**$ 0.20**	$ 0.17
Weighted average number of units - diluted (in thousands)	**220,906**	220,667
Cash provided by operating activities	**$ 59,298**	$ 44,296
Distributions		
Distributions declared	**$ 23,716**	$ 23,689
Distributions declared per unit	**$ 0.108**	$ 0.108
Cash distributions paid	**$ 23,711**	$ 31,508

As at March 31	**2022**	2021
Financial Information [1]		
Investment properties [3]	**$ 9,182,612**	$ 9,528,177
Hotel property	**$ 84,993**	$ 88,000
Total assets	**$10,194,026**	$ 9,972,075
Mortgages [3]	**$ 1,152,762**	$ 1,332,861
Credit facilities	**$ 1,127,825**	$ 1,025,690
Senior unsecured debentures	**$ 2,148,340**	$ 2,347,410
Exchangeable Units	**$ 1,853**	$ 1,702
Unitholders' equity	**$ 4,665,001**	$ 4,254,796
Net Asset Value per unit [2]	**$ 24.55**	$ 22.48
Capitalization and Leverage		
Trust Units outstanding (in thousands)	**219,677**	219,404
Exchangeable Units outstanding (in thousands)	**103**	103
Enterprise value [2]	**$ 8,385,401**	$ 8,315,722
Net debt to total assets [2] [4]	**43.8%**	47.3%
Weighted average term to maturity on mortgages, fixed rate unsecured term loans and senior unsecured debentures (years)	**4.0**	4.6

As at March 31	2022	2021
Operational Information		
Number of neighbourhoods	**148**	150
GLA (square feet) - at 100%	**22,456,000**	22,890,000
GLA (square feet) - at ownership interest	**19,619,000**	20,053,000
Occupancy - Same Property - stable [2]	**95.6%**	95.8%
Total portfolio occupancy	**95.5%**	95.8%
Development pipeline and adjacent land (GLA) [5]		
Commercial pipeline (primarily retail)	**1,560,000**	1,730,000
Residential pipeline	**21,788,000**	21,959,000
Weighted average rate per occupied square foot	**$ 22.57**	$ 21.99
Commercial GLA developed and transferred online - at ownership interest [6]	**1,000**	63,000
Residential units developed and transferred online [6]	**—**	2
Same Property - stable NOI - increase (decrease) over prior period [2] [7]	**1.9%**	1.2%
Total Same Property NOI - increase (decrease) over prior period [2] [7]	**1.9%**	0.4%

For the years ended December 31	2022	2021
Funds from Operations [2] [4]		
FFO	**$ 54,794**	$ 55,009
FFO per diluted unit	**$ 0.25**	$ 0.25
FFO payout ratio	**43.5%**	43.4%
Weighted average number of units - diluted (in thousands)	**220,906**	220,667
Adjusted Funds from Operations [2] [4]		
AFFO	**$ 47,646**	$ 49,372
AFFO per diluted unit	**$ 0.22**	$ 0.22
AFFO payout ratio	**50.0%**	48.2%
Weighted average number of units - diluted (in thousands)	**220,906**	220,667
Adjusted Cash Flow from Operations [2] [4]		
ACFO	**$ 43,101**	$ 42,612
ACFO payout ratio on a rolling four quarter basis	**38.8%**	83.5%

(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 three months ended March 31.

(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 March 31, 2022, First Capital had interests in 148 neighbourhoods, which were 95.5% occupied with a total GLA of 19.6 million square feet at FCR's ownership interest (22.5 million square feet at 100%) and a fair value of $9.6 billion. This compares to 146 neighbourhoods, which were 96.1% occupied with a total GLA of 19.7 million square feet at FCR's ownership interest (22.5 million square feet at 100%) and a fair value of $9.5 billion as at December 31, 2021.

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 18.5 million square feet at FCR's ownership interest (21.2 million square feet at 100%) and a fair value of $8.4 billion. These properties represent 92% of FCR's neighbourhood count, 94% of its GLA at FCR's ownership interest and 87% of its fair value as at March 31, 2022.

The balance of FCR's real estate assets consists of properties which are in various stages of redevelopment, properties acquired in 2022 or 2021 and properties in close proximity to them, as well as properties held for sale.

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

As at	March 31, 2022					December 31, 2021				
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	**91.9%**	**18,032**	**$ 8,198**	**95.6%**	**$ 22.57**	92.2%	18,117	$ 8,179	96.2%	$ 22.40
Same Property with redevelopment	**2.3%**	**459**	**188**	**95.6%**	**21.64**	2.3%	459	184	95.8%	21.60
Total Same Property	**94.2%**	**18,491**	**8,386**	**95.6%**	**22.54**	94.5%	18,576	8,363	96.2%	22.38
Major redevelopment	**2.2%**	**423**	**122**	**94.9%**	**21.02**	2.1%	408	113	95.0%	20.82
Ground-up development	**0.4%**	**86**	**268**	**89.7%**	**32.68**	0.4%	86	265	89.7%	32.68
Properties under construction	**—%**	**—**	**28**	**—%**	**—**	—%	—	16	—%	—
Acquisitions [3]	**0.2%**	**35**	**50**	**71.8%**	**29.84**	0.1%	10	22	100.0%	52.83
Density and Development land [4] [5]	**0.2%**	**44**	**483**	**96.5%**	**23.41**	0.2%	37	494	99.3%	25.89
Investment properties classified as held for sale	**2.8%**	**540**	**253**	**93.9%**	**22.81**	2.7%	540	253	95.1%	22.50
Dispositions [6]	**—%**	**—**	**—**	**—%**	**—**	—%	—	5	—%	—
Total	**100.0%**	**19,619**	**$ 9,590**	**95.5%**	**$ 22.57**	100.0%	19,657	$ 9,531	96.1%	$ 22.42

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

(2) At FCR's proportionate interest, including investment properties classified as held for sale and hotel property at net book value as at March 31, 2022 and December 31, 2021, respectively.

(3) Includes current year and prior year acquisitions.

(4) Approximately $27 million (December 31, 2021 - $5 million) of density and development land is included in acquisitions as at March 31, 2022.

(5) Approximately $11 million (December 31, 2021 - $11 million) of density and development land is included in investment properties classified as held for sale as at March 31, 2022.

(6) Comparative information presented relates to 2022 dispositions that have been completed and no longer form part of these metrics as at March 31, 2022. As at December 31, 2021, approximately $5 million of density and development land is included in dispositions.

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

As at	March 31, 2022							December 31, 2021						
(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	**52**	**6,854**	**$ 4,650**	**48%**	**94.3%**	**$ 26.07**	**40%**	50	6,862	$ 4,599	48%	96.0%	$ 25.73	40%
Greater Montreal	**28**	**3,585**	**1,138**	**12%**	**96.0%**	**17.21**	**14%**	28	3,586	1,140	12%	95.9%	17.12	14%
Greater Calgary	**15**	**2,380**	**1,083**	**11%**	**93.2%**	**24.96**	**13%**	15	2,380	1,081	11%	93.9%	24.93	13%
Greater Vancouver	**15**	**1,613**	**1,038**	**11%**	**97.0%**	**27.35**	**10%**	15	1,613	1,032	11%	96.3%	27.35	10%
Greater Edmonton	**11**	**2,256**	**751**	**8%**	**96.8%**	**19.32**	**10%**	11	2,256	754	8%	96.8%	19.39	10%
Greater Ottawa	**13**	**1,182**	**379**	**4%**	**98.1%**	**19.15**	**5%**	13	1,182	379	4%	98.4%	18.98	5%
KW/Guelph [2]	**5**	**993**	**338**	**4%**	**97.1%**	**19.69**	**5%**	5	1,047	338	4%	96.5%	19.04	5%
Other	**9**	**756**	**213**	**2%**	**98.2%**	**18.36**	**3%**	9	731	208	2%	98.1%	18.48	3%
Total	**148**	**19,619**	**$ 9,590**	**100%**	**95.5%**	**$ 22.57**	**100%**	146	19,657	$ 9,531	100%	96.1%	$ 22.42	100%

(1) At FCR's proportionate interest, including investment properties classified as held for sale and hotel property at net book value as at March 31, 2022 and December 31, 2021, respectively.

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

Investment Properties

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

	Three months ended March 31, 2022		
(millions of dollars)	**Consolidated Balance Sheet**	**Adjustments for Proportionate Interest**	**Proportionate Interest** (2)
Balance at beginning of period	**$ 9,127**	**$ 319**	**$ 9,446**
Acquisitions			
Investment properties and additional adjacent spaces	**31**	**—**	**31**
Development activities and property improvements	**28**	**2**	**30**
Increase (decrease) in value of investment properties, net	**1**	**1**	**2**
Dispositions	**(5)**	**—**	**(5)**
Other changes	**1**	**—**	**1**
Balance at end of period (1)	**$ 9,183**	**$ 322**	**$ 9,505**

(1) Includes investment properties classified as held for sale as at March 31, 2022 totaling $253 million ($253 million at First Capital's share) of investment properties.

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

	Year ended December 31, 2021		
(millions of dollars)	Consolidated Balance Sheet	Adjustments for Proportionate Interest	Proportionate Interest (3)
Balance at beginning of year	$ 9,491	$ 8	$ 9,499
Acquisitions (1)			
Investment properties and additional adjacent spaces	15	8	23
Development activities and property improvements	154	(9)	145
Reclassification to residential development inventory	(92)	20	(72)
Increase (decrease) in value of investment properties, net	199	(18)	181
Dispositions	(367)	34	(333)
Reclassification to equity accounted joint ventures (1)	(274)	274	—
Other changes	1	2	3
Balance at end of year (2)	$ 9,127	$ 319	$ 9,446

(1) In the third quarter of 2021, 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 December 31, 2021 totaling $151 million ($151 million at First Capital's share) of investment properties.

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

2022 Acquisitions

Income-producing properties

During the three months ended March 31, 2022, as part of the Trust's strategy of expanding positions in key neighbourhoods, first quarter activity included acquiring interests in three Toronto properties, as summarized in the table below:

Count	Property Name	City/Province	Quarter Acquired	Interest Acquired	GLA (sq. ft.)	Acreage	Acquisition Cost (in millions)
1.	272 Lawrence Avenue West	Toronto, ON	Q1	100%	16,046	0.4	$ 21.3
2.	102 Atlantic Avenue	Toronto, ON	Q1	50%	8,734	0.1	7.6
3.	66 Montgomery Avenue	Toronto, ON	Q1	100%	—	0.1	2.5
	Total				24,780	0.6	$ 31.4

2022 Dispositions

During the three months ended March 31, 2022, First Capital disposed of a parcel of excess land located in St-Hubert, QC for $4.5 million. This disposition is summarized in the table below:

Count	Property Name	City/Province	Quarter Sold	Interest Sold	GLA (sq. ft.)	Acreage	Gross Sales Price (in millions)
1.	Carrefour St-Hubert (land)	St-Hubert, QC	Q1	100%	—	1.0	
	Total				—	1.0	$ 4.5

Capital Expenditures

Capital expenditures are incurred by First Capital for maintaining and/or renovating its existing properties. In addition, FCR also incurs expenditures for the purposes of expansion, redevelopment, ground-up development as well as condominium and townhome development activities.

Revenue sustaining capital expenditures are required for maintaining First Capital's property infrastructure and revenues from leasing of existing space. Revenue sustaining capital expenditures are generally not recoverable from tenants. However, certain leases provide the ability to recover from tenants, over time, a portion of capital expenditures to maintain the physical aspects of FCR's properties. Revenue sustaining capital expenditures generally include tenant improvement costs related to new and renewal leasing, and capital expenditures required to maintain the physical aspects of the properties, such as roof replacements and resurfacing of parking lots.

Revenue enhancing capital expenditures are those expenditures that increase the revenue generating ability of FCR's properties. Revenue enhancing capital expenditures are incurred in conjunction with or in contemplation of a development or redevelopment strategy, a strategic repositioning after an acquisition, or in advance of a planned disposition to maximize the potential sale price. First Capital owns and actively seeks to acquire older, well-located properties in urban locations, where expenditures tend to be higher when they are subsequently repaired or redeveloped to meet FCR's standards.

Capital expenditures incurred in development and redevelopment projects include pre-development costs, direct construction costs, leasing costs, tenant improvements, borrowing costs, overhead including applicable salaries and direct costs of internal staff directly attributable to the projects under active development.

Capital expenditures on investment properties and residential inventory by type are summarized in the table below:

Three months ended March 31			**2022**			2021
	Capital Expenditures	**Adjustments for Proportionate Interest**	**Proportionate Interest (1)**	Capital Expenditures	Adjustments for Proportionate Interest	Proportionate Interest (1)
Revenue sustaining	**$ 3,574**	**$ 92**	**$ 3,666**	$ 2,887	$ —	$ 2,887
Revenue enhancing	**11,648**	**13**	**11,661**	7,374	—	7,374
Expenditures recoverable from tenants	**1,736**	**—**	**1,736**	747	—	747
Development expenditures	**11,081**	**1,506**	**12,587**	31,225	(2,277)	28,948
Sub-total	**$ 28,039**	**$ 1,611**	**$ 29,650**	$ 42,233	$ (2,277)	$ 39,956
Residential Inventory	**$ 3,897**	**$ 273**	**$ 4,170**	$ 2,984	$ 828	$ 3,812
Total	**$ 31,936**	**$ 1,884**	**$ 33,820**	$ 45,217	$ (1,449)	$ 43,768

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

Capital expenditures for the three months ended March 31, 2022 were $33.8 million, which was $9.9 million lower than in the same prior year period. The decrease was primarily due to the completion of Station Place in the third quarter of 2021.

Valuation of Investment Properties

The approach selected for valuing investment properties depends on the type of property and other factors such as stage of development. The components of First Capital's investment properties for the purposes of calculating fair values were as follows as at March 31, 2022 and December 31, 2021:

As at and for the three months ended *(millions of dollars)*					**March 31, 2022**
Property Type	**Valuation Method**	**Fair Value**	**Adjustments for Proportionate Interest**	**Proportionate Interest** [1]	**Net Operating Income** [1]
Same Property - stable	DCF [2]	**$ 8,051**	**$ 62**	**$ 8,113**	**$ 94**
Same Property with redevelopment	DCF [2]	**190**	**(2)**	**188**	**2**
Total Same Property		**$ 8,241**	**$ 60**	**$ 8,301**	**$ 96**
Major redevelopment	DCF [2]	**122**	**—**	**122**	**2**
Ground-up development	DCF [2]	**185**	**83**	**268**	**1**
Properties under construction	DCF [2], Cost [2]	**29**	**(1)**	**28**	**—**
Acquisitions	DCF [2], Cost [2]	**42**	**8**	**50**	**—**
Density and Development Land [3] [4]	Cost [2], comparable land sales	**311**	**172**	**483**	**—**
Investment properties classified as held for sale	DCF [2], comparable land sales	**253**	**—**	**253**	**3**
Dispositions	N/A	**—**	**—**	**—**	**—**
Total investment properties		**$ 9,183**	**$ 322**	**$ 9,505**	**$ 102**
NOI related to other investments					**—**
Total NOI					**$ 102**

(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 $11 million ($11 million at First Capital's share) of density and development land is included in investment properties classified as held for sale.

(4) Approximately $21 million ($27 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, 2021
Property Type [1]	Valuation Method	Fair Value	Adjustments for Proportionate Interest	Proportionate Interest [2]	Net Operating Income [2]
Same Property - stable	DCF [3]	$ 8,031	$ 63	$ 8,094	$ 375
Same Property with redevelopment	DCF [3]	186	(2)	184	9
Total Same Property		$ 8,217	$ 61	$ 8,278	$ 384
Major redevelopment	DCF [3]	113	—	113	7
Ground-up development	DCF [3]	183	82	265	4
Properties under construction	DCF [3], Cost [3]	16	—	16	—
Acquisitions	DCF [3], Cost [3]	14	8	22	—
Density and Development Land [4][5]	Cost [3], comparable land sales	326	168	494	1
Investment properties classified as held for sale	DCF [3], comparable land sales	253	—	253	12
Dispositions [6]	N/A	5	—	5	6
Total investment properties		$ 9,127	$ 319	$ 9,446	$ 414
NOI related to other investments					2
Total NOI					$ 416

(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 $11 million ($11 million at First Capital's share) of density and development land is included in investment properties classified as held for sale.

(5) Approximately $5 million, at First Capital's share, of density and development land is included in acquisitions.

(6) Includes properties that were disposed of in 2022. Approximately $5 million ($5 million at First Capital's share) of density and development land is included in dispositions.

The majority of the Trust's portfolio is valued under the Income Approach using the discounted cash flow ("DCF") method. As at March 31, 2022, the weighted average valuation yields (stabilized overall capitalization, terminal, and discount rates) used in valuing those investment properties under the Income Approach remained unchanged from December 31, 2021.

During the first quarter of 2022, as part of its normal course internal valuations, the Trust made revisions to discounted cash flows for certain properties. As a result, an overall increase in the value of investment properties was recorded in the amount of $1.0 million ($1.6 million at FCR's share) for the three months ended March 31, 2022.

The associated stabilized capitalization rates by major market for FCR's investment properties valued under the Income Approach were as follows as at March 31, 2022 and December 31, 2021:

As at March 31, 2022	**Stabilized Capitalization Rate**		
Area	**Weighted Average**	**Median**	**Range**
Greater Toronto	**4.5%**	**4.8%**	**3.0%-7.0%**
Greater Montreal	**5.6%**	**5.5%**	**4.5%-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%**	**5.8%**	**5.0%-6.5%**
Greater Ottawa	**5.8%**	**5.8%**	**4.4%-6.3%**
KW/Guelph (1)	**5.6%**	**5.5%**	**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, 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%	4.5%-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%	5.8%	5.0%-6.5%
Greater Ottawa	5.8%	5.8%	4.4%-6.3%
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%

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

Properties Under Development

As at March 31, 2022, the Trust's share of properties under construction as well as density and development land totaled approximately $689 million. These non-income producing properties represent approximately 7% of the Trust's total portfolio value and consists of development land, adjacent land parcels, properties slated for redevelopment with limited income and properties in active development. As at March 31, 2022, the invested cost of these non-income producing properties was $591 million as compared to a fair value of $689 million. Cumulative gains of approximately $98 million have been recognized to date and are expected to grow over time as development projects are entitled, advanced and completed.

Development and redevelopment activities are completed selectively, based on opportunities in First Capital's properties or in the markets where FCR operates. First Capital's development activities include redevelopment of stable properties, major redevelopment, and ground-up projects. Additionally, properties under development include land with future development potential. All commercial development activities are strategically managed to reduce risk, and properties are generally developed after obtaining anchor tenant lease commitments. Individual commercial buildings within a development are generally constructed only after obtaining lease commitments on a substantial portion of the space.

Development Pipeline

As at March 31, 2022, First Capital's portfolio is comprised of 19.6 million square feet of GLA at FCR's ownership interest. Substantially all of this GLA is located in Canada's six largest urban growth markets which are undergoing significant land use intensification. As such, Management has identified meaningful incremental density available for future development within its existing portfolio. As at March 31, 2022, Management had identified approximately 23.3 million square feet of incremental density. This incremental density represents an opportunity that exceeds FCR's existing portfolio.

Management undertakes a quarterly review of its entire portfolio and updates all of its future incremental density. Management stratifies the density by expected project commencement time frame. Medium term includes project commencement expected within the next 7 years, long term between 8 and 15 years and very long term beyond 15 years. First Capital's incremental density is classified by type between commercial and residential. Commercial density primarily consists of retail density.

As a substantial part of the portfolio is located in urban markets where significant land use intensification continues to occur, Management expects future incremental density will continue to grow and provide First Capital with increased opportunity to redevelop its generally low density properties. A breakdown of the properties under construction, density and development land, and residential inventory within the portfolio by component and type is as follows:

As at March 31, 2022	Square feet *(in thousands)*				Value recognized [1][2]
	Commercial	Residential	Total [1]	Recognized to date [2]	*(in millions)*
Properties under construction	**60**	**24**	**84**	**84**	**$ 28**
Density and development land					
Medium term	1,400	10,700	12,100		
Long term	100	6,900	7,000		
Very long term	—	3,800	3,800		
	1,500	**21,400**	**22,900**	**7,081**	**$ 521**
Residential inventory	**—**	**364**	**364**	**364**	**$ 140**
Total development pipeline	**1,560**	**21,788**	**23,348**	**7,529**	**$ 689**

(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 7.5 million or 32% of FCR's 23.3 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 $521 million, or $74 per square foot, as presented below, consists of development land and adjacent land parcels, future pad developments and properties slated for redevelopment with limited income. As of March 31, 2022, the invested cost of the density and development land recognized in the Trust's proportionate balance sheet totaled $423 million representing acquisition cost and pre-development costs to date.

As at March 31, 2022 [1] *(in millions)*		Unencumbered	Encumbered	Fair Value
Development land	Unzoned	$ 65	$ 12	$ 77
	Zoned	244	—	244
	Total	**309**	**12**	**321**
IPP with density	Unzoned	71	—	71
	Zoned	129	—	129
	Total	**200**	**—**	**200**
Value of density and development land		**$ 509**	**$ 12**	**$ 521**

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

The remaining 15.8 million square feet of identified incremental density may be included in the value of the property in the future, based on certain factors including the expiry or removal of tenant encumbrances and zoning approvals. The majority of the incremental residential density is located above income producing shopping centres or their parking areas.

Development Pipeline by Urban Market

A breakdown of FCR's properties under construction, density and development land, and residential inventory by urban market is as follows:

As at March 31, 2022 *(in thousands of square feet)*	Incremental Density Pipeline	
	Total	% of Total
Greater Toronto Area	13,292	56.9%
Greater Montreal Area	5,481	23.5%
Greater Vancouver Area	2,411	10.3%
Greater Calgary Area	1,098	4.7%
Greater Ottawa Area	714	3.1%
Greater Edmonton Area	352	1.5%
Total development pipeline	**23,348**	**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 March 31, 2022, entitlement submissions to date total approximately 15.1 million square feet representing 65% of FCR's 23.3 million incremental density pipeline. To date, 8.0 million square feet has been zoned and the Trust expects approximately 2.0 million of existing entitlement submissions to be zoned throughout 2022.

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
4. 2021 Entitlement Applications	1,477	22	1,499	126	1,373	—
Total Entitlement Applications	**15,089**	**2,004**	**17,093**	**952**	**16,141**	**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 8.2 million square feet of additional incremental density which includes 7.8 million square feet primarily related to the properties listed below, where entitlements have yet to be submitted, and 0.4 million square feet currently under active development and redevelopment activities (see active projects table).

Additional Incremental Density

Property		Neighbourhood	City, Province	Ownership Interest %
1.	895 Lawrence	Don Mills	Toronto, ON	100%
2.	Danforth Sobeys	Danforth Village	Toronto, ON	100%
3.	Cliffcrest Plaza	Cliffcrest	Toronto, ON	100%
4.	Midland Lawrence Plaza	Midland Park	Toronto, ON	100%
5.	Kingston Square W.	Lawrence Ave. E. / Morningside Ave.	Toronto, ON	100%
6.	Morningside (portion of shopping centre)	Lawrence Ave. E. / Morningside Ave.	Toronto, ON	100%
7.	Olde Oakville (future phases)	South Oakville	Oakville, ON	100%
8.	Bayview Lane Plaza	Thornhill	Markham, ON	100%
9.	Yonge-Davis Centre	Yonge St./Davis Dr. W.	Newmarket, ON	100%
10.	Appleby Square	Appleby	Burlington, ON	100%
11.	Harwood Plaza	Harwood Ave. S. / Bayly St. W.	Ajax, ON	100%
12.	1000 Wellington St.	Griffintown	Montreal, QC	100%
13.	Centre Commercial Domaine	Longue-Pointe	Montreal, QC	100%
14.	Centre Commercial Van Horne	Cote-Des-Neiges	Montreal, QC	100%
15.	Galeries Normandie	Hwy. 15/Rue de Salaberry	Montreal, QC	100%
16.	Place Provencher	Saint - Leonard	Montreal, QC	100%
17.	Le Campanile & Place du Commerce	Nun's Island	Montreal, QC	100%
18.	Place Michelet	Saint - Leonard	Montreal, QC	100%
19.	Scott 72 Shopping Centre	120 St./72 Ave.	Delta, BC	100%
20.	Semiahmoo (future phases)	South Surrey	Surrey, BC	100%
21.	Newport Village	Macleod Trail SE/Southland Dr. SE	Calgary, AB	100%
22.	Mount Royal Village East	Beltline	Calgary, AB	100%
23.	Gloucester City Centre (future phases)	Gloucester	Ottawa, ON	50%

FCR continues to review each of its properties and has identified meaningful incremental density in properties that have not progressed to the point of inclusion in First Capital's incremental density pipeline, that Management expects may be included in the future.

2022 Development and Redevelopment Coming Online and Space Going Offline

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

During the three months ended March 31, 2022, First Capital completed the transfer of 1,000 square feet of new retail space to the income-producing portfolio at a total cost of $0.3 million. The retail space transferred was located in super urban neighbourhoods and 1,000 square feet became occupied at an average rental rate of $32.50 per square foot.

For the three months ended March 31, 2022, First Capital had tenant closures for redevelopment of 158,000 square feet at an average rental rate of $2.74 per square foot. Approximately 59,000 square feet was demolished as of March 31, 2022.

Active Development and Redevelopment Activities

The quality of First Capital's developments are 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.

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 March 31, 2022 are as follows:

As at March 31, 2022					Estimated GLA upon completion (thousands of square feet) [2]		
Project	Ownership Interest %	Type	Target Completion Date [1]	Estimated Number of Residential Units [2]	Residential [2]	Commercial [2]	Total [2]
200 West Esplanade, Vancouver, BC	50%	Mixed-Use (rental)	H2 2023	38	24	5	29
Wilderton (Phase I), Montreal, QC	100%	Retail	H1 2022	—	—	14	14
Edenbridge Condos, Toronto, ON	50%	Mixed-Use (condo)	H2 2025	105	122	—	122
		Mixed-Use (retail)	H2 2025	—	—	4	4
400 King St. W., Toronto, ON	35%	Mixed-Use (condo)	H2 2026	217	151	—	151
		Mixed-Use (retail)	H2 2026	—	—	13	13
138 Yorkville Ave., Toronto, ON	33%	Mixed-Use (condo)	H1 2026	22	91	—	91
		Mixed-Use (retail)	H1 2026	—	—	24	24
Total at FCR's share [2]				**382**	**388**	**60**	**448**

[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.

As at March 31, 2022	Investment at cost [1] (in million's)			Value recognized [1] (in million's)		
Project	Incurred to Date [1]	Estimated to Complete [1]	Total [1]	Properties under Construction [1]	Residential Development Inventory [1]	Total [1]
200 West Esplanade, Vancouver, BC	$ 9	$ 16	$ 25	$ 9	$ —	$ 9
Wilderton (Phase I), Montreal, QC	5	7	12	5	—	5
Edenbridge Condos, Toronto, ON (residential)	26	79	105	—	26	26
Edenbridge Condos, Toronto, ON (retail)	1	5	6	1	—	1
400 King St. W., Toronto, ON (residential)	53	113	166	—	53	53
400 King St. W., Toronto, ON (retail)	3	17	20	4	—	4
138 Yorkville Ave., Toronto, ON (residential)	61	TBD	TBD	—	61	61
138 Yorkville Ave., Toronto, ON (retail)	9	TBD	TBD	9	—	9
Total at FCR's share [1]	**$ 167**	**$ 237**	**$ 404**	**$ 28**	**$ 140**	**$ 168**

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

200 West Esplanade

200 West Esplanade, North Vancouver, is a 58,000 square foot mixed-use development that includes 75 rental apartments and approximately 9,000 square feet of retail GLA at grade. The project is currently at the site excavation phase. The Trust's co-development partner in the project is Cressey Development Group.

Centre Wilderton

Centre Wilderton, Montreal, is a mixed-use residential-retail development that is replacing a former single-storey 1950's era shopping centre. Upon completion, the new Wilderton Centre will include approximately 500,000 square feet of residential density (including 300 recently constructed seniors housing units that are now owned and operated by Le Groupe Maurice) above more than 125,000 square feet of retail GLA.

The property is centrally located on the Island of Montreal on Van Horne Avenue between Darlington and Wilderton Avenues in Côte-des-Neiges, an urban, transit-oriented, dense neighbourhood that is adjacent to Mont-Royal and in close proximity to the University of Montreal campus and several hospitals.

Most of Phase 1 of the project is complete, with the recent opening of the new Metro, PharmaPrix, SAQ and Dollarama stores. Still to come on-line is approximately 14,000 sf of retail GLA, along with the completion of certain final site and parking area work. Phase 2 of the project will include a mid-rise residential rental building, where the intent is to partner with a local developer/operator. Phase 2 is currently wholly-owned by First Capital.

Edenbridge Condominiums

Edenbridge on the Kingsway, Etobicoke, is a 9-storey condominium development that includes 209 luxury suites and approximately 7,000 square feet of retail GLA at grade. The project is located on the southeast corner of the REIT's Humbertown Shopping Centre and 87% of the units have been pre-sold. The project is currently at the site excavation and shoring phase. The Trust's 50% co-development partner in the project is Tridel.

400 King

400 King Street West, Toronto, is a 47-storey condominium development that includes 612 suites and approximately 34,000 square feet of street front retail GLA located over two levels. Demolition of the former structure is nearing completion, and excavation and shoring will commence in Q2. As of quarter end, 96% of the units have been pre-sold. The Trust's co-development partners in the project are Plazacorp and Main & Main.

138 Yorkville

138 Yorkville Avenue, Toronto, is a 29-storey ultra-luxury condominium tower that includes 65 large-size suites and approximately 40,000 square feet of high-end retail at its base. Located on the northeast corner of Avenue Road and Yorkville Avenue, the property is situated prominently at the "gateway" to Toronto's prestigious Yorkville neighbourhood, and it will be integrated into the REIT's Yorkville Village and Hazelton Hotel properties. Demolition of the former structures is in progress and site excavation and shoring is expected to commence later this year. The Trust's co-development partner in the project is Greybrook Realty Partners.

Leasing and Occupancy

As at March 31, 2022, total portfolio and Same Property occupancy, decreased 0.3% and 0.2% to 95.5% and 95.6%, respectively, compared to March 31, 2021 occupancy rates. Total portfolio and Same Property occupancy, decreased 0.6% to 95.5% and 95.6%, respectively, compared to December 31, 2021 occupancy rates. The decrease was primarily due to net closures (including closures for redevelopment) versus openings.

For the three months ended March 31, 2022, the monthly average occupancy for the total portfolio was 95.7% compared to 96.0%, and the Same Property portfolio occupancy was 95.7% compared to 96.0% for the same prior year period, respectively.

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

As at	**March 31, 2022**			December 31, 2021		
(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	**17,246**	**95.6%**	**$ 22.57**	17,422	96.2%	$ 22.40
Same Property with redevelopment	**439**	**95.6%**	**21.64**	440	95.8%	21.60
Total Same Property	**17,685**	**95.6%**	**22.54**	17,862	96.2%	22.38
Major redevelopment	**401**	**94.9%**	**21.02**	387	95.0%	20.82
Ground-up development	**77**	**89.7%**	**32.68**	77	89.7%	32.68
Investment properties classified as held for sale	**507**	**93.9%**	**22.81**	513	95.1%	22.50
Total portfolio before acquisitions and dispositions	**18,670**	**95.5%**	**22.56**	18,839	96.1%	22.39
Acquisitions [(1)]	**25**	**71.8%**	**29.84**	10	100.0%	52.83
Density and Development land	**42**	**96.5%**	**23.41**	37	99.3%	25.89
Total [(2)]	**18,737**	**95.5%**	**$ 22.57**	18,886	96.1%	$ 22.42

(1) Includes current year and prior year acquisitions.

(2) At FCR's ownership interest.

During the three months ended March 31, 2022, First Capital completed 838,000 square feet of lease renewals across the portfolio. First Capital achieved an 7.5% 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 March 31, 2022, First Capital achieved a 8.9% 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 $22.42 as at December 31, 2021 to $22.57 as at March 31, 2022 primarily due to rent escalations, and renewal lifts.

Changes in First Capital's gross leasable area and occupancy for the total portfolio for the three months ended March 31, 2022 are set out below:

Three months ended March 31, 2022	Total Same Property			Major redevelopment, ground-up, acquisitions, dispositions, density & development land			Vacancy				Total Portfolio [1]		
	Occupied Square Feet (thousands)	%	Weighted Average Rate per Occupied Square Foot	Occupied Square Feet (thousands)	%	Weighted Average Rate per Occupied Square Foot	Under Redevelop-ment Square Feet (thousands)	%	Vacant Square Feet (thousands)	%	Total Square Feet (thousands)	Occupied Square Feet %	Weighted Average Rate per Occupied Square Foot
December 31, 2021 [2]	**17,862**	**96.2%**	**$ 22.38**	**1,024**	**94.8%**	**$ 23.04**	**—**	**—%**	**771**	**3.9%**	**19,657**	**96.1%**	**$ 22.42**
Tenant possession	70		22.42	26		16.04	—		(96)		—		20.66
Tenant closures	(95)		(35.42)	(9)		(5.14)	—		104		—		(32.93)
Tenant closures for redevelopment	(153)		(2.83)	(5)		—	158		—		—		(2.74)
Developments – tenants coming online [3]	—		—	1		32.50	—		—		1		32.50
Redevelopments – tenant possession	—		—	—		—	—		—		—		—
Demolitions	—		—	—		—	(59)		—		(59)		—
Reclassification	1		—	—		—	(21)		15		(5)		—
Total portfolio before Q1 2022 acquisitions and dispositions	17,685	95.6%	$ 22.54	1,037	94.1%	$ 23.16	78	0.4%	794	4.1%	19,594	95.5%	$ 22.58
Acquisitions (at date of acquisition)	—	—%	—	15	60.5%	14.38	—	—%	10		25	60.5%	14.38
Dispositions (at date of disposition)	—	—%	—	—	—%	—	—	—%	—		—	—%	—
March 31, 2022	**17,685**	**95.6%**	**$ 22.54**	**1,052**	**93.4%**	**$ 23.04**	**78**	**0.4%**	**804**	**4.1%**	**19,619**	**95.5%**	**$ 22.57**
Renewals	819		$ 20.07	19		$ 14.77					838		$ 19.94
Renewals – expired	(819)		$ (18.64)	(19)		$ (14.62)					(838)		$ (18.55)
Net change per square foot from renewals			$ 1.43			$ 0.15							$ 1.39
% Increase on renewal of expiring rents (first year of renewal term)			7.7%			1.0%							7.5%
% increase on renewal of expiring rents (average rate in renewal term)													8.9%

(1) At FCR's ownership interest.

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

(3) For further discussion of development and redevelopment coming online and under development vacancy, refer to the "Properties Under Development – 2022 Development and Redevelopment Coming Online and Space Going Offline" section of this MD&A.

Top Forty Tenants

As at March 31, 2022, 55.4% of First Capital's annualized minimum rent came from its top 40 tenants (December 31, 2021 – 55.4%). Of these rents, 74.9% (December 31, 2021 – 74.9%) came from tenants that have investment grade credit ratings and who represent many of Canada's leading grocery stores, pharmacies, national and discount retailers, financial institutions and other familiar retailers. The weighted average remaining lease term for First Capital's top 10 tenants was 5.6 years as at March 31, 2022, 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")	93	1,936	10.3%	10.4%	BBB (high)	BBB	
2.	Sobeys	50	1,389	7.4%	5.5%	BBB (low)	BBB-	
3.	Metro	35	879	4.7%	3.2%	BBB	BBB	
4.	Canadian Tire	21	670	3.6%	2.7%	BBB	BBB	
5.	Walmart	11	1,109	5.9%	2.3%	AA	AA	Aa2
6.	TD Canada Trust	43	196	1.0%	2.0%	AA (high)	AA-	Aa1
7.	Save-On-Foods	9	324	1.7%	1.8%			
8.	GoodLife Fitness	24	466	2.5%	1.8%			B2
9.	RBC Royal Bank	38	195	1.0%	1.7%	AA (high)	AA-	Aa1
10.	Dollarama	47	420	2.2%	1.7%	BBB	BBB	Baa2
Top 10 Tenants Total		**371**	**7,584**	**40.3%**	**33.1%**			
11.	CIBC	34	170	0.9%	1.4%	AA	A+	Aa2
12.	Lowe's	4	361	1.9%	1.4%	BBB (high)	BBB+	Baa1
13.	Winners	13	337	1.8%	1.4%		A	A2
14.	LCBO	22	192	1.0%	1.3%	AA (low)	A+	Aa3
15.	McKesson	24	176	0.9%	1.3%		BBB+	Baa2
16.	Longo's [3]	5	196	1.0%	1.1%			
17.	Restaurant Brands International	55	123	0.7%	1.1%		BB	Ba3
18.	Scotiabank	25	117	0.6%	1.1%	AA	A+	Aa2
19.	BMO	25	102	0.5%	1.0%	AA	A+	Aa2
20.	London Drugs	8	192	1.0%	1.0%			
21.	Nordstrom	1	40	0.2%	0.8%	BB	BB+	Ba1
22.	Recipe Unlimited	29	112	0.6%	0.8%			
23.	Staples	8	168	0.9%	0.7%		B	B3
24.	Starbucks	36	50	0.3%	0.7%		BBB+	Baa1
25.	Petsmart	6	100	0.5%	0.7%		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.	Pusateri's	1	35	0.2%	0.5%			
29.	McDonald's	20	72	0.4%	0.5%		BBB+	Baa1
30.	Toys "R" Us	3	127	0.7%	0.5%			
31.	Subway	60	59	0.3%	0.5%			
32.	The Beer Store	10	59	0.3%	0.4%	AA (low)	A+	Aa3
33.	SAQ	15	59	0.3%	0.4%	AA (low)	AA-	Aa2
34.	The Home Depot	2	153	0.8%	0.4%	A	A	A2
35.	Williams-Sonoma	2	38	0.2%	0.4%			
36.	Alcanna Inc.	15	45	0.2%	0.4%			
37.	Equinox	2	37	0.2%	0.4%		CCC	Caa3
38.	Pet Valu	19	51	0.3%	0.3%			
39.	Goodwill	2	52	0.3%	0.3%			
40.	Indigo	3	54	0.3%	0.3%			
Top 40 Tenants Total		**826**	**11,028**	**58.5%**	**55.4%**			

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

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

[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 March 31, 2022, 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]	167	283	1.4%	$ 5,392	1.2%	$ 19.02
2022	422	1,377	7.0%	30,539	6.7%	22.17
2023	610	2,575	13.1%	54,112	11.9%	21.01
2024	572	2,375	12.1%	52,612	11.6%	22.15
2025	540	2,348	12.0%	57,836	12.7%	24.63
2026	482	1,799	9.2%	48,762	10.7%	27.11
2027	352	1,933	9.8%	48,505	10.6%	25.09
2028	171	1,317	6.7%	33,989	7.5%	25.82
2029	175	955	4.9%	25,714	5.6%	26.92
2030	151	797	4.1%	21,443	4.7%	26.91
2031	144	861	4.4%	22,892	5.0%	26.58
2032	95	680	3.5%	15,158	3.3%	22.29
Thereafter	77	1,437	7.3%	38,733	8.5%	26.97
Total or Weighted Average [2]	3,958	18,737	95.5%	$ 455,687	100.0%	$ 24.32

(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 5.1 years as at March 31, 2022, excluding contractual renewal options, but including month-to-month and other short-term leases.

Investment in Joint Ventures

As at March 31, 2022, First Capital had interests in ten joint ventures that it accounts for using the equity method. First Capital's joint ventures are as follows:

			Effective Ownership	
Name of Entity	Name of Property/Business Activity	Location	**March 31, 2022**	December 31, 2021
Aukland and Main Developments LP [1]	Station Place	Toronto, ON	**35.4%**	35.4%
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 Rd.	Toronto, ON	**20.0%**	20.0%
Green Capital Limited Partnership	Royal Orchard	Markham, ON	**50.0%**	50.0%
Lakeshore Development LP	2150 Lake Shore Blvd. W.	Toronto, ON	**50.0%**	50.0%
Hazelton Food Services Partnership	116 Yorkville Ave. (ONE restaurant)	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 Developments 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 Developments 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 three months ended March 31, 2022 and year ended December 31, 2021:

		March 31, 2022		December 31, 2021
Balance at beginning of period	$	349,488	$	52,570
Contributions to equity accounted joint ventures		7,526		17,110
Distributions from equity accounted joint ventures		(951)		(16,897)
Reclassification to equity accounted joint ventures		—		298,165
Share of income (loss) from equity accounted joint ventures		(3)		(1,460)
Balance at end of period	$	356,060	$	349,488

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.

On November 26, 2021, the Trust contributed 100% of the lands to the Edenbridge Kingsway (Humbertown) joint venture which was previously classified as residential inventory for $24.7 million. The Trust’s joint venture partner contributed $12.3 million to the partnership, to pay for its portion of the land which was subsequently distributed to the Trust.

On January 1, 2022, the Trust purchased 50% of the partnership units in the ONE Restaurant located in the Hazelton Hotel for $2.65 million. The acquisition was accounted for as a business combination, as such, transaction costs in the amount of $0.6 million were expensed in other (gains) losses and expenses.

As of March 31, 2022, none of the Trust’s investments in joint ventures were determined to be impaired.

Loans, Mortgages and Other Assets

As at		March 31, 2022		December 31, 2021
Non-current				
Loans and mortgages receivable classified as FVTPL (a)	$	1,481	$	1,486
Loans and mortgages receivable classified as amortized cost (a)(b)		114,202		122,321
Other investments		6,371		5,801
Due from co-owners (c)		21,528		—
Total non-current		143,582		129,608
Current				
Loans and mortgages receivable classified as FVTPL (a)		12		6
Loans and mortgages receivable classified as amortized cost (a)(b)		119,944		116,152
FVTPL investments in securities (d)		19,947		25,976
Total current		139,903		142,134
Total	$	283,485	$	271,742

(a) Loans and mortgages receivable are secured by interests in investment properties or shares of entities owning investment properties. As at March 31, 2022, these receivables bear interest at weighted average effective interest rates of 5.2% (December 31, 2021 – 5.4%) and mature between 2022 and 2026. As of March 31, 2022, 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) During the quarter, the Trust contributed equity to one of its co-ownerships whereas its partners made draws on the co-ownership's new credit facility to fund the co-ownership's development project. The due from co-owners in the amount of $21.5 million equals the Trust's proportionate share of the co-ownership's credit facility draws. As there is no right of offset for these two financial instruments they are presented on a gross basis on the balance sheet.

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

RESULTS OF OPERATIONS

Net Operating Income

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

		Three months ended March 31	
	% change	**2022**	2021
Property rental revenue			
Base rent [1]		**$ 106,275**	$ 106,602
Operating cost recoveries		**28,856**	26,782
Realty tax recoveries		**31,128**	32,196
Lease termination fees		**64**	697
Percentage rent		**557**	564
Straight-line rent adjustment		**240**	486
Prior year operating cost and tax recovery adjustments		**(100)**	(255)
Temporary tenants, storage, parking and other [2]		**5,456**	4,840
Total Property rental revenue	**0.3%**	**172,476**	171,912
Property operating costs			
Recoverable operating expenses		**32,169**	29,862
Recoverable realty tax expense		**35,065**	36,703
Prior year realty tax expense		**(165)**	(295)
Other operating costs and adjustments [3]		**4,427**	4,693
Total Property operating costs		**71,496**	70,963
NOI [4]	**—%**	**$ 100,980**	$ 100,949
NOI margin		**58.5%**	58.7%

(1) Includes residential revenue.

(2) Includes hotel property revenue.

(3) Includes residential operating costs, hotel property operating costs and bad debt expense. For the three months ended March 31, 2022, bad debt expense totaled $0.4 million (three months ended March 31, 2021 - $2.6 million).

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

For the three months ended March 31, 2022, total NOI was consistent with the same prior year period primarily due to lower bad debt expense, offset by the impact of dispositions.

For the three months ended March 31, 2022, the NOI margin decreased 0.2% compared to the same prior year period due to lower lease termination fees.

For the three months ended March 31, 2022, property operating costs include $5.9 million (three months ended March 31, 2021 – $5.5 million) related to employee compensation. Employee compensation is presented net of subsidies received under the Canada Emergency Wage Subsidy ("CEWS") program for the three months ended March 31, 2022 of Nil related to property operations personnel (three months ended March 31, 2021 – $0.3 million). A portion of this wage subsidy was passed on to tenants through lower operating cost recoveries.

Same Property NOI Growth

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

		Three months ended March 31	
	% change	**2022**	2021
Property rental revenue			
Base rent [1]		**$ 99,338**	$ 98,426
Operating cost recoveries		**27,491**	25,210
Realty tax recoveries		**29,624**	30,552
Lease termination fees		**64**	697
Percentage rent		**492**	532
Prior year operating cost and tax recovery adjustments		**(55)**	(217)
Temporary tenants, storage, parking and other [2]		**5,121**	4,524
Total Same Property rental revenue		**162,075**	159,724
Property operating costs			
Recoverable operating expenses		**30,318**	27,858
Recoverable realty tax expense		**33,063**	33,728
Prior year realty tax expense		**(165)**	(112)
Other operating costs and adjustments [3]		**3,678**	4,803
Total Same Property operating costs		**66,894**	66,277
Total Same Property NOI [4]	**1.9%**	**$ 95,181**	$ 93,447
Major redevelopment		**1,494**	1,236
Ground-up development		**1,031**	615
Acquisitions – 2022		**42**	—
Acquisitions – 2021		**101**	18
Investment properties classified as held for sale		**2,819**	2,865
Dispositions – 2022		**—**	—
Dispositions – 2021		**(54)**	1,912
Straight-line rent adjustment		**240**	486
Development land		**126**	370
NOI [4]	**—%**	**$ 100,980**	$ 100,949
NOI margin		**58.5%**	58.7%

[1] Includes residential revenue.

[2] Includes hotel property revenue.

[3] Includes residential operating costs, hotel property operating costs and bad debt expense.

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

The components of SP NOI growth and comparisons to the same prior year period are as follows:

	Three months ended March 31	
	2022	2021 [1]
Same Property – Stable	**1.9%**	1.2%
Same Property with redevelopment [2]	**(0.6%)**	(11.4%)
Total Same Property NOI Growth [3]	**1.9%**	0.4%

(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.

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

For the three months ended March 31, 2022, SP NOI increased by $1.7 million, or 1.9%, primarily due to lower bad debt expense, and rent escalations, partially offset by lower lease termination fees over the same prior year period.

Interest and Other Income

	Three months ended March 31	
	2022	2021
Interest, dividend and distribution income from marketable securities and other investments	**$ 99**	$ 209
Interest income from loans and mortgages receivable classified as FVTPL	**19**	25
Interest income from loans and mortgages receivable at amortized cost	**3,988**	1,236
Fees and other income	**1,563**	1,036
Total	**$ 5,669**	$ 2,506

For the three months ended March 31, 2022, interest and other income increased $3.2 million over the same prior year period primarily due to higher interest income as a result of higher loans and mortgages receivable outstanding quarter-over-quarter and income from the sale of residential townhouses recognized in the first quarter of 2022.

Interest Expense

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

	Three months ended March 31	
	2022	2021
Mortgages	**$ 11,230**	$ 13,117
Credit facilities	**7,584**	6,464
Senior unsecured debentures	**21,808**	24,678
Distributions on Exchangeable Units [1]	**11**	11
Interest capitalized	**(4,259)**	(5,782)
Interest expense	**$ 36,374**	$ 38,488

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

For the three months ended March 31, 2022, interest expense decreased $2.1 million over the same prior year period primarily due to the repayment of Series N & O unsecured debentures on March 1, 2021 and January 31, 2022, respectively.

During the three months ended March 31, 2022 and 2021, approximately 10.5% or $4.3 million, and 13.1% or $5.8 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 Station Place and Wilderton.

Corporate Expenses

First Capital's corporate expenses are as follows:

	Three months ended March 31	
	2022	2021
Salaries, wages and benefits	**$ 7,327**	$ 8,129
Unit-based compensation	**1,578**	1,847
Other corporate costs	**3,423**	3,221
Total corporate expenses	**12,328**	13,197
Amounts capitalized to investment properties under development	**(1,996)**	(2,519)
Corporate expenses	**$ 10,332**	$ 10,678

For the three months ended March 31, 2022, gross corporate expenses, before capitalization, decreased by $0.9 million primarily due to lower compensation expense as a result of higher severance expense incurred in the first quarter of 2021 and the deferral of the 2022 unit-based compensation grant to the second quarter.

First Capital manages all of its acquisitions, development and redevelopment and leasing activities internally. Certain internal costs directly related to development, including salaries and related costs for planning, zoning, construction and so forth, are capitalized in accordance with IFRS to development projects as incurred. During the three months ended March 31, 2022 and 2021, approximately $2.0 million and $2.5 million, respectively, of compensation-related and other corporate expenses were capitalized to real estate investments for properties undergoing development or redevelopment projects. Amounts capitalized are based on development and pre-development projects underway. Changes in capitalized corporate expenses are primarily the result of timing of completion of development and redevelopment projects and First Capital's current level of pre-development and early redevelopment activity.

Other Gains (Losses) and (Expenses)

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

Three months ended March 31		**2022**		2021
	Consolidated Statements of Income (Loss)	**Included in FFO**	Consolidated Statements of Income (Loss)	Included in FFO
Unrealized gain (loss) on marketable securities	**$ (6,028)**	**$ (6,028)**	$ 129	$ 129
Transaction costs	**(572)**	**—**	—	—
Gain (loss) on loan receivable modification	**(566)**	**(566)**	—	—
Pre-selling costs of residential inventory	**(7)**	**(7)**	—	—
Investment properties selling costs	**(710)**	**—**	(382)	—
Other	**(7)**	**(7)**	(1)	(1)
Total per consolidated statements of income (loss)	**$ (7,890)**	**$ (6,608)**	$ (254)	$ 128
Other gains (losses) and (expenses) applicable to NCI	**2**	**2**	—	—
Other gains (losses) and (expenses) under equity accounted joint ventures [1]	**(170)**	**(170)**	(111)	(111)
Total at First Capital's proportionate interest [2]	**$ (8,058)**	**$ (6,776)**	$ (365)	$ 17

(1) Other gains (losses) and (expenses) under equity accounted joint ventures, included in FFO, is comprised of pre-selling costs of residential inventory of $0.2 million (March 31, 2021 - $0.1 million).

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

For the three months ended March 31, 2022, First Capital recognized $7.9 million in other losses in its consolidated statement of income (loss) compared to $0.3 million for the same prior year period. The $7.6 million decrease is primarily due to higher unrealized losses on marketable securities, transaction costs, a loss related to the revaluation of a loan receivable, and higher investment property selling costs.

Income Taxes

For the three months ended March 31, 2022, deferred income tax expense (recovery) totaled $7.9 million, compared to $0.9 million, over the same prior year period. The increase of $7.0 million in deferred income tax expense was primarily due to an increase in taxable income applicable to the Trust's corporate subsidiaries.

Net Income (Loss) Attributable to Unitholders

For the three months ended March 31, 2022, net income attributable to Unitholders was $44.5 million or $0.20 per diluted unit compared to $38.0 million or $0.17 per diluted unit for the same prior year period. The $6.5 million increase was primarily due to an increase in the fair value of investment property of $8.8 million.

CAPITAL STRUCTURE AND LIQUIDITY

Total Capital Employed

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

As at	**March 31, 2022**	December 31, 2021
Liabilities (principal amounts outstanding)		
Bank indebtedness	**$ 21,733**	$ 2,476
Mortgages [1]	**1,196,052**	1,216,872
Credit facilities [1]	**1,121,556**	893,958
Senior unsecured debentures	**2,150,000**	2,350,000
Total Debt [1]	**$ 4,489,341**	$ 4,463,306
Cash and cash equivalents [1]	**(48,997)**	(37,512)
Net Debt [1] [2]	**$ 4,440,344**	$ 4,425,794
Exchangeable Units	**1,853**	1,947
Equity market capitalization [3]	**3,943,204**	4,140,551
Enterprise value [1]	**$ 8,385,401**	$ 8,568,292
Trust Units outstanding (000's)	**219,677**	219,541
Closing market price	**$ 17.95**	$ 18.86

(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 decreased from $4.1 billion at December 31, 2021 to $3.9 billion at March 31, 2022 due to a decrease in the Trust's unit price quarter-over-quarter.

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 months ended March 31, 2022 and 2021:

	Three months ended March 31	
	2022	2021
Net income (loss) attributable to Unitholders	**$ 44,455**	$ 37,987
Add (deduct) [1]:		
Deferred income tax expense (recovery)	**7,892**	919
Interest Expense	**36,705**	38,820
Amortization expense	**2,112**	2,290
(Increase) decrease in value of investment properties	**(1,552)**	7,276
(Increase) decrease in value of hotel property	**—**	6
Increase (decrease) in value of Exchangeable Units	**(94)**	303
Increase (decrease) in value of unit-based compensation	**(421)**	5,430
Incremental leasing costs	**1,587**	1,505
Abandoned transaction costs	**10**	81
Other non-cash and/or non-recurring items	**8,058**	365
Adjusted EBITDA [1]	**$ 98,752**	$ 94,982

(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	**March 31, 2022**	December 31, 2021
Weighted average effective interest rate on mortgages, fixed rate unsecured term loans and senior unsecured debentures	**3.7%**	3.8%
Weighted average maturity on mortgages, fixed rate unsecured term loans and senior unsecured debentures (years)	**4.0**	4.0
Net debt to total assets [1]	**43.8%**	43.9%
Net debt to Adjusted EBITDA [1]	**11.1**	11.2
Unencumbered aggregate assets [1]	**$ 7,484,564**	$ 7,394,398
Unencumbered aggregate assets to unsecured debt, based on fair value [1]	**2.3**	2.3
Adjusted EBITDA interest coverage [1]	**2.4**	2.3

(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 0.1 to 11.1, as of March 31, 2022, primarily due to a $5 million increase in EBITDA (on a rolling four quarter basis), partially offset by a $15 million increase in net debt.

Measures used in these ratios are defined below:

- Debt consists of principal amounts outstanding on credit facilities and mortgages, and the par value of senior unsecured debentures;
- Net debt is calculated as Debt, as defined above, reduced by cash balances at the end of the period;

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

Credit Ratings

From November 2012 to March 2019, DBRS and Moody's rated FCR's unsecured debentures as BBB (high) and Baa2, respectively. On April 16, 2019, 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 March 31, 2022 is summarized in the table below:

As at March 31, 2022	Mortgages [1]	Credit Facilities/Bank Indebtedness [2]	Senior Unsecured Debentures	Total	% Due
2022 (remainder of the year)	$ 23,715	$ 66,134	$ 250,000	$ 339,849	7.6%
2023	32,597	413,303	300,000	745,900	16.8%
2024	140,423	298,593	300,000	739,016	16.6%
2025	85,536	75,000	300,000	460,536	10.3%
2026	120,246	275,000	300,000	695,246	15.6%
2027	103,942	21,528	500,000	625,470	14.1%
2028	166,973	—	200,000	366,973	8.2%
2029	251,257	—	—	251,257	5.6%
2030	176,480	—	—	176,480	4.0%
2031	55,326	—	—	55,326	1.2%
2032	—	—	—	—	—%
	$ 1,156,495	$ 1,149,558	$ 2,150,000	$ 4,456,053	100.0%
Add (deduct): unamortized deferred financing costs, premiums and discounts, net	(3,733)	—	(1,660)	(5,393)	
Total	**$ 1,152,762**	**$ 1,149,558**	**$ 2,148,340**	**$ 4,450,660**	

(1) Principal amount outstanding for mortgages on a proportionate basis is $1,196,052.

(2) Principal amount outstanding for credit facilities and bank indebtedness on a proportionate basis is $1,121,556 and $21,733, respectively.

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

Mortgages

The changes in First Capital’s mortgages during the three months ended March 31, 2022 are set out below:

Three months ended March 31, 2022	Amount	Weighted Average Effective Interest Rate
Balance at beginning of period	$ 1,173,175	3.5%
Mortgage repayments	(13,338)	3.7%
Scheduled amortization on mortgages	(7,231)	—%
Amortization of financing costs and net premium	156	—%
Balance at end of period	**$ 1,152,762**	**3.5%**

As at March 31, 2022, 100% (December 31, 2021 – 100%) of the outstanding mortgages bore interest at fixed interest rates. The average remaining term of mortgages outstanding decreased from 5.8 years as at December 31, 2021 on $1.2 billion of mortgages to 5.6 years as at March 31, 2022 on $1.2 billion of mortgages after reflecting borrowing activity and repayments during the period.

Mortgage Maturity Profile

The maturity profile including scheduled amortization of First Capital’s mortgages as at March 31, 2022 is summarized in the table below:

As at March 31, 2022	Scheduled Amortization	Payments on Maturity	Total	Weighted Average Effective Interest Rate
2022 (remainder of the year)	$ 23,715	$ —	$ 23,715	N/A
2023	32,597	—	32,597	N/A
2024	31,945	108,478	140,423	3.8%
2025	29,641	55,895	85,536	3.4%
2026	25,886	94,360	120,246	3.3%
2027	24,079	79,863	103,942	3.6%
2028	21,250	145,723	166,973	3.8%
2029	14,377	236,880	251,257	3.5%
2030	7,105	169,375	176,480	3.3%
2031	371	54,955	55,326	3.5%
2032	—	—	—	—%
	$ 210,966	**$ 945,529**	**$ 1,156,495**	**3.5%**
Add: unamortized deferred financing costs and premiums and discounts, net			(3,733)	
Total			**$ 1,152,762**	

Credit Facilities

First Capital's credit facilities as at March 31, 2022 are summarized in the table below:

As at March 31, 2022	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	$ —	$ (27,428)	$ 422,572	BA + 1.45% or Prime + 0.45% or US$ LIBOR + 1.45%	June 30, 2026
Revolving facility maturing 2024 (1)	100,000	(98,593)	—	1,407	BA + 1.15% or Prime + 0.30% or US$ LIBOR + 1.15%	August 31, 2024
Revolving facility maturing 2023 (2)	250,000	(214,617)	—	35,383	BA + 1.15% or Prime + 0.30% or US$ LIBOR + 1.15%	October 31, 2023
Floating rate unsecured term loan maturing 2023 (3)	200,000	(198,686)	—	1,314	BA + 1.20%	April 15, 2023
Fixed rate unsecured term loans maturing 2024 - 2026	550,000	(550,000)	—	—	3.29%	March 28, 2024 - April 15, 2026
Secured construction facilities						
Maturing 2027	170,000	(21,528)	—	148,472	BA + 2.30%	January 20, 2027
Maturing 2022	33,333	(33,333)	—	—	2.79%	August 24, 2022
Secured Facilities						
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	**$ 1,764,401**	**$ (1,127,825)**	**$ (27,428)**	**$ 609,148**		

(1) The Trust had drawn in U.S. dollars the equivalent of CAD$100.0 million which was revalued at CAD$98.6 million as at March 31, 2022.

(2) The Trust had drawn in U.S. dollars the equivalent of CAD$200.0 million which was revalued at CAD$199.6 million as at March 31, 2022. In addition, the Trust had drawn $15.0 million in Canadian dollars as at March 31, 2022.

(3) The Trust had drawn in U.S. dollars the equivalent of CAD$200.0 million which was revalued at CAD$198.7 million as at March 31, 2022.

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 March 31, 2022			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%	—	$ —
P	December 5, 2022	June 5, December 5	3.95%	4.18%	0.7	250,000
Q	October 30, 2023	April 30, October 30	3.90%	3.97%	1.6	300,000
R	August 30, 2024	February 28, August 30	4.79%	4.72%	2.4	300,000
S	July 31, 2025	January 31, July 31	4.32%	4.24%	3.3	300,000
T	May 6, 2026	May 6, November 6	3.60%	3.56%	4.1	300,000
U	July 12, 2027	January 12, July 12	3.75%	3.82%	5.3	300,000
V	January 22, 2027	January 22, July 22	3.46%	3.54%	4.8	200,000
A	March 1, 2028	March 1, September 1	3.45%	3.54%	5.9	200,000
Weighted Average or Total			**3.94%**	**3.98%**	**3.4**	**$ 2,150,000**

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

On January 31, 2022, upon maturity, First Capital repaid its 4.43% Series O Senior Unsecured Debentures in the amount of $200.0 million.

Unitholders' Equity

Unitholders' equity amounted to $4.7 billion as at March 31, 2022, compared to Unitholders' equity of $4.6 billion as at December 31, 2021. The increase is primarily attributed to higher net income and other comprehensive income for the three months ended March 31, 2022.

As at May 2, 2022, there were 219.7 million Trust Units and 0.1 million Exchangeable Units outstanding.

Unit Options

As at March 31, 2022, First Capital had 6.3 million unit options outstanding, with an average exercise price of $19.75, which, if exercised, would result in First Capital receiving proceeds of $125.0 million.

Liquidity

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

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

As at (millions of dollars)	**March 31, 2022**	December 31, 2021
Total available under credit facilities	**$ 609**	$ 724
Cash and cash equivalents	**$ 46**	$ 35
Unencumbered aggregate assets	**$ 7,485**	$ 7,394

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

Planned and completed financings subsequent to March 31, 2022, and availability on existing credit facilities, address substantially all of the contractual 2022 debt maturities and contractually committed costs to complete current development projects.

Cash Flows

Cash flow from operating activities represents First Capital's primary source of liquidity for servicing debt and funding planned revenue sustaining expenditures, corporate expenses and distributions to Unitholders. Interest and other income and cash on hand are other sources of liquidity.

	Three months ended March 31	
	2022	2021
Cash provided by (used in) operating activities	**$ 59,298**	$ 44,296
Cash provided by (used in) financing activities	**17,852**	(100,107)
Cash provided by (used in) investing activities	**(65,626)**	(26,045)
Net change in cash and cash equivalents	**$ 11,524**	$ (81,856)

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

	Three months ended March 31	
	2022	2021
Cash provided by operating activities	**$ 59,298**	$ 44,296
Distributions declared	**(23,716)**	(23,689)
Excess (shortfall) of cash provided by operating activities over distributions declared	**$ 35,582**	$ 20,607

Cash provided by operating activities exceeded distributions declared for the three months ended March 31, 2022 and 2021.

Contractual Obligations

An analysis of First Capital's contractual maturities of its material financial liabilities and other contractual commitments, as at March 31, 2022 is set out below:

As at March 31, 2022	Payments due by period				
	Remainder of 2022	2023 to 2024	2025 to 2026	Thereafter	Total
Scheduled mortgage principal amortization	$ 23,715	$ 64,542	$ 55,527	$ 67,182	$ 210,966
Mortgage principal repayments on maturity	—	108,478	150,255	686,796	945,529
Credit facilities and bank indebtedness	66,134	711,896	350,000	21,528	1,149,558
Senior unsecured debentures	250,000	600,000	600,000	700,000	2,150,000
Interest obligations [1]	113,969	245,118	144,883	73,948	577,918
Land leases (expiring between 2023 and 2061)	907	1,486	1,245	15,512	19,150
Contractually committed costs to complete current development projects [2]	18,515	45,160	—	—	63,675
Other committed costs	19,965	—	—	—	19,965
Total contractual obligations	**$ 493,205**	**$ 1,776,680**	**$ 1,301,910**	**$ 1,564,966**	**$ 5,136,761**

(1) Interest obligations include expected interest payments on mortgages and credit facilities as at March 31, 2022 (assuming balances remain outstanding through to maturity) and senior unsecured debentures, as well as standby credit facility fees.

(2) Includes amounts related to equity accounted joint ventures.

First Capital had $29.4 million of outstanding letters of credit issued by financial institutions to support certain of FCR's contractual obligations and $21.7 million of bank overdrafts.

As of March 31, 2022, contractually committed costs related to the Trust's development projects is $63.7 million ($57.5 million at First Capital's interest). 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 $62.5 million (December 31, 2021 – $73.2 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 $29.4 million (December 31, 2021 – $29.7 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, 2021 – $1.2 million) with a total obligation of $19.2 million (December 31, 2021 – $19.5 million).

NON-IFRS RECONCILIATIONS AND FINANCIAL MEASURES

Reconciliation of Consolidated Balance Sheets to First Capital's Proportionate Interest

The following table provides a reconciliation of First Capital's consolidated balance sheets, as presented in its unaudited interim condensed consolidated financial statements, to its proportionate interest.

As at		**March 31, 2022**			December 31, 2021	
	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	**$ 8,930,062**	**$ 321,956**	**$ 9,252,018**	$ 8,975,539	$ 319,015	$ 9,294,554
Residential development inventory	**135,491**	**4,522**	**140,013**	156,039	5,056	161,095
Hotel property	**84,993**	**—**	**84,993**	85,400	—	85,400
Loans, mortgages and other assets	**283,485**	**(6,160)**	**277,325**	271,742	108	271,850
Cash and cash equivalents	**46,223**	**2,774**	**48,997**	34,699	2,813	37,512
Amounts receivable	**33,192**	**770**	**33,962**	27,784	665	28,449
Other assets	**71,970**	**23,386**	**95,356**	57,083	21,858	78,941
Investment in joint ventures	**356,060**	**(356,060)**	**—**	349,488	(349,488)	—
Investment properties classified as held for sale	**252,550**	**—**	**252,550**	151,300	—	151,300
Total assets	**$ 10,194,026**	**$ (8,812)**	**$ 10,185,214**	$ 10,109,074	$ 27	$ 10,109,101
LIABILITIES						
Mortgages	**$ 1,152,762**	**$ 39,484**	**$ 1,192,246**	$ 1,173,175	$ 39,731	$ 1,212,906
Credit facilities	**1,127,825**	**(6,269)**	**1,121,556**	899,777	(5,819)	893,958
Bank indebtedness	**21,733**	**—**	**21,733**	2,476	—	2,476
Senior unsecured debentures	**2,148,340**	**—**	**2,148,340**	2,348,145	—	2,348,145
Exchangeable Units	**1,853**	**—**	**1,853**	1,947	—	1,947
Deferred tax liabilities	**761,165**	**(1,147)**	**760,018**	740,309	(1,147)	739,162
Accounts payable and other liabilities	**260,094**	**14,373**	**274,467**	274,163	15,402	289,565
Total liabilities	**5,473,772**	**46,441**	**5,520,213**	5,439,992	48,167	5,488,159
EQUITY						
Unitholders' equity	**4,665,001**	**—**	**4,665,001**	4,620,942	—	4,620,942
Non-controlling interest	**55,253**	**(55,253)**	**—**	48,140	(48,140)	—
Total equity	**4,720,254**	**(55,253)**	**4,665,001**	4,669,082	(48,140)	4,620,942
Total liabilities and equity	**$ 10,194,026**	**$ (8,812)**	**$ 10,185,214**	$ 10,109,074	$ 27	$ 10,109,101

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

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

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

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

Three months ended March 31			**2022**			2021
	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	**$ 172,476**	**$ 3,208**	**$ 175,684**	$ 171,912	$ 1,762	$ 173,674
Property operating costs	**71,496**	**2,684**	**74,180**	70,963	1,327	72,290
Net operating income	**100,980**	**524**	**101,504**	100,949	435	101,384
Other income and expenses						
Interest and other income	**5,669**	**264**	**5,933**	2,506	328	2,834
Interest expense	**(36,374)**	**(331)**	**(36,705)**	(38,488)	(332)	(38,820)
Corporate expenses	**(10,332)**	**60**	**(10,272)**	(10,678)	(63)	(10,741)
Abandoned transaction costs	**(10)**	**—**	**(10)**	(81)	—	(81)
Amortization expense	**(1,368)**	**(744)**	**(2,112)**	(1,599)	(691)	(2,290)
Share of profit from joint ventures	**(3)**	**3**	**—**	(724)	724	—
Other gains (losses) and (expenses)	**(7,890)**	**(168)**	**(8,058)**	(254)	(111)	(365)
(Increase) decrease in value of unit-based compensation	**421**	**—**	**421**	(5,430)	—	(5,430)
(Increase) decrease in value of Exchangeable Units	**94**	**—**	**94**	(303)	—	(303)
Increase (decrease) in value of hotel property	**—**	**—**	**—**	(6)	—	(6)
Increase (decrease) in value of investment properties, net	**1,039**	**513**	**1,552**	(7,331)	55	(7,276)
	(48,754)	**(403)**	**(49,157)**	(62,388)	(90)	(62,478)
Income (loss) before income taxes	**52,226**	**121**	**52,347**	38,561	345	38,906
Deferred income tax expense (recovery)	**7,892**	**—**	**7,892**	919	—	919
Net income (loss)	**$ 44,334**	**$ 121**	**$ 44,455**	$ 37,642	$ 345	$ 37,987
Net income (loss) attributable to:						
Unitholders	**$ 44,455**	**$ —**	**$ 44,455**	$ 37,987	$ —	$ 37,987
Non-controlling interest	**(121)**	**121**	**—**	(345)	345	—
	$ 44,334	**$ 121**	**$ 44,455**	$ 37,642	$ 345	$ 37,987
Net income (loss) per unit attributable to Unitholders:						
Basic	**$ 0.20**			$ 0.17		
Diluted	**$ 0.20**			$ 0.17		

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

FFO, AFFO and ACFO

Funds from Operations

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

	Three months ended March 31	
	2022	2021
Net income (loss) attributable to Unitholders	**$ 44,455**	$ 37,987
Add (deduct):		
(Increase) decrease in value of investment properties (1)	**(1,552)**	7,276
(Increase) decrease in value of hotel property (1)	**—**	6
Adjustment for equity accounted joint ventures (2)	**744**	691
Adjustment for capitalized interest related to equity accounted joint ventures (2)	**714**	—
Incremental leasing costs (3)	**1,587**	1,505
Amortization expense (4)	**176**	499
Transaction costs (5)	**572**	—
Distributions on Exchangeable Units (6)	**11**	11
Increase (decrease) in value of Exchangeable Units (6)	**(94)**	303
Increase (decrease) in value of unit-based compensation (7)	**(421)**	5,430
Investment properties selling costs (1)	**710**	382
Deferred income taxes (recovery) (1)	**7,892**	919
FFO (8)	**$ 54,794**	$ 55,009

(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 transaction costs incurred as part of a business combination in accordance with the recommendations of REALPAC.

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

(7) Adjustment to exclude fair value adjustments on unit-based compensation plans 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 March 31	
	% change	**2022**	2021
Net operating income		**$ 101,504**	$ 101,384
Interest and other income		**5,933**	2,834
Interest expense (1)(2)		**(35,980)**	(38,809)
Corporate expenses (3)		**(8,685)**	(9,236)
Abandoned transaction costs		**(10)**	(81)
Amortization expense (4)		**(1,192)**	(1,100)
Other gains (losses) and (expenses) (5)		**(6,776)**	17
FFO (6)	(0.4%)	**$ 54,794**	$ 55,009
FFO per diluted unit	(0.4%)	**$ 0.25**	$ 0.25
Weighted average number of units – diluted (in thousands)	0.1%	**220,906**	220,667

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

(2) Adjustment to exclude distributions on Exchangeable Units in accordance with the recommendations of REALPAC.

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

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

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

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

For the three months ended March 31, 2022, FFO decreased $0.2 million over the same prior year period, while FFO per diluted unit of $0.25 remained consistent with prior year. FFO per unit remained unchanged primarily due to a $3.1 million increase in interest and other income, and interest expense savings of $2.8 million, which were offset by other losses primarily related to unrealized losses on marketable securities, totaling $6.8 million, or $0.03 per unit. FFO per unit excluding other gains and losses increased 12.0%, or $0.03 per unit, to $0.28 over the same prior year period.

Adjusted Funds from Operations

A reconciliation from FFO to AFFO can be found in the table below:

		Three months ended March 31	
	% change	**2022**	2021
FFO [1]		**$ 54,794**	$ 55,009
Add (deduct):			
Revenue sustaining capital expenditures		**(3,574)**	(2,887)
Recoverable capital expenditures		**(1,736)**	(747)
Incremental leasing costs		**(1,587)**	(1,505)
Straight-line rent adjustment		**(251)**	(498)
AFFO [1]	(3.5%)	**$ 47,646**	$ 49,372
AFFO per diluted unit	(3.6%)	**$ 0.22**	$ 0.22
Weighted average number of units – diluted (in thousands)	0.1%	**220,906**	220,667

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

For the three months ended March 31, 2022, AFFO decreased $1.7 million, or approximately $0.01 per diluted unit, over the same prior year period. The decrease was due to higher capital expenditures of $1.7 million, or $0.01 per unit, over the same prior year period.

Adjusted Cash Flow from Operations

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

	Three months ended March 31	
	2022	2021
Cash provided by operating activities	**$ 59,298**	$ 44,296
Add (deduct):		
Working capital adjustments [1]	**(11,553)**	1,063
Adjustment for equity accounted joint ventures	**425**	938
Revenue sustaining capital expenditures	**(3,574)**	(2,887)
Recoverable capital expenditures	**(1,736)**	(747)
Leasing costs on properties under development	**397**	376
Non-controlling interest	**(156)**	(427)
ACFO [2]	**$ 43,101**	$ 42,612

(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 guidance on ACFO issued in January 2022.

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

For the three months ended March 31, 2022, ACFO totaled $43.1 million compared to $42.6 million for the same prior year period. The $0.5 million increase in ACFO for the three months ended March 31, 2022 was primarily due to higher cash generated from operating activities net of working capital adjustments, partially offset by higher capital expenditures.

ACFO Payout Ratio

First Capital's ACFO payout ratio for the four quarters ended March 31, 2022 is calculated as follow:

		Twelve months ended March 31, 2022		Q1 2022		Q4 2021		Q3 2021		Q2 2021
ACFO [1]	**$**	**244,305**	$	43,101	$	61,096	$	70,710	$	69,398
Cash distributions paid		**94,821**		23,711		23,710		23,704		23,696
ACFO payout ratio [1]		**38.8%**								

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

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

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

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

First Capital considers a rolling four quarter payout ratio (cash distributions / ACFO) to be more relevant than a payout ratio in any given quarter due to seasonal fluctuations in ACFO. For the four quarters ended March 31, 2022, the ACFO payout was 38.8% (March 31, 2021 - 83.5%).

Net Asset Value

The following table provides FCR's calculation of NAV for the three months ended March 31, 2022 and 2021:

As at		**March 31, 2022**		December 31, 2021
Unitholders' equity	**$**	**4,665,001**	$	4,620,942
Exchangeable Units		**1,853**		1,947
Deferred tax liabilities		**760,018**		739,162
Net Asset Value (NAV) [1]	**$**	**5,426,872**	$	5,362,051
Units outstanding [2]		**219,780**		219,645
NAV per unit - diluted [3]	**$**	**24.55**	$	24.26

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

[2] Includes Trust Units and Exchangeable Units.

[3] Adjusted for 1.0 million Deferred Units, Restricted Units and Performance Units and 6.3 million unit options outstanding with an average exercise price of $19.75 (implied option proceeds of $125.0 million) and the exclusion of the unit-based compensation plan liability.

The increase in NAV per diluted unit from $24.26 to $24.55 is primarily due to derivative gains related to interest rate swaps in other comprehensive income and retained FFO over the prior quarter.

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 was effective for First Capital's January 2021 distribution, payable to Unitholders in February 2021.

The following chart specifies distributions declared by First Capital:

	Three months ended March 31	
(in dollars)	**2022**	2021
Distributions declared per unit	**$ 0.108**	$ 0.108

SUMMARY OF FINANCIAL RESULTS OF LONG-TERM DEBT GUARANTORS

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

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

(millions of dollars)									Three months ended March 31	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
	FCR [1]		Guarantors [2]		Non-Guarantors [3]		Consolidation Adjustments [4]		Total Consolidated	
Property rental revenue	**$ 72**	$ 72	**$ 102**	$ 101	**$ —**	$ —	**$ (2)**	$ (1)	**$ 172**	$ 172
NOI [5]	**$ 46**	$ 45	**$ 55**	$ 56	**$ —**	$ —	**$ —**	$ —	**$ 101**	$ 101
Net income (loss) attributable to Unitholders	**$ 44**	$ 38	**$ 93**	$ 73	**$ —**	$ —	**$ (93)**	$ (73)	**$ 44**	$ 38

(millions of dollars)					As at March 31, 2022
	FCR [1]	Guarantors [2]	Non-Guarantors [3]	Consolidation Adjustments [4]	Total Consolidated
Current assets	**$ 275**	**$ 354**	**$ 116**	**$ (94)**	**$ 651**
Non-current assets	**$ (679)**	**$ 11,259**	**$ 130**	**$ (1,167)**	**$ 9,543**
Current liabilities	**$ 442**	**$ 97**	**$ —**	**$ 22**	**$ 561**
Non-current liabilities	**$ 3,945**	**$ 966**	**$ 50**	**$ (49)**	**$ 4,912**

(millions of dollars)					As at December 31, 2021
	FCR [1]	Guarantors [2]	Non-Guarantors [3]	Consolidation Adjustments [4]	Total Consolidated
Current assets	$ 203	$ 352	$ 81	$ (79)	$ 557
Non-current assets	$ (562)	$ 10,966	$ 130	$ (982)	$ 9,552
Current liabilities	$ 688	$ 100	$ 2	$ 1	$ 791
Non-current liabilities	$ 3,671	$ 976	$ 38	$ (36)	$ 4,649

(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.

QUARTERLY FINANCIAL INFORMATION

	2022	2021				2020		
(unit counts in thousands)	**Q1**	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Property rental revenue	**$ 172,476**	$ 170,197	$ 165,613	$ 167,168	$ 171,912	$ 170,058	$ 163,952	$ 162,744
Net operating income [1]	**$ 100,980**	$ 105,918	$ 103,078	$ 102,593	$ 100,949	$ 105,646	$ 101,478	$ 88,768
Net income (loss) attributable to Unitholders	**$ 44,455**	$ 28,629	$ 181,526	$ 211,989	$ 37,987	$ 37,268	$ 11,262	$ 10,530
Net income (loss) per unit attributable to Unitholders:								
Basic	**$ 0.20**	$ 0.13	$ 0.83	$ 0.97	$ 0.17	$ 0.17	$ 0.05	$ 0.05
Diluted	**$ 0.20**	$ 0.13	$ 0.82	$ 0.96	$ 0.17	$ 0.17	$ 0.05	$ 0.05
FFO [1]	**$ 54,794**	$ 60,829	$ 59,047	$ 76,104	$ 55,009	$ 62,516	$ 58,140	$ 47,462
FFO per diluted unit [1]	**$ 0.25**	$ 0.28	$ 0.27	$ 0.35	$ 0.25	$ 0.28	$ 0.26	$ 0.22
Weighted average number of diluted units outstanding	**220,906**	220,929	220,899	220,863	220,667	220,551	220,522	220,492
Cash provided by operating activities	**$ 59,298**	$ 83,575	$ 50,590	$ 71,152	$ 44,296	$ 92,737	$ 43,469	$ 46,249
AFFO [1]	**$ 47,646**	$ 52,867	$ 53,319	$ 67,954	$ 49,372	$ 54,043	$ 50,805	$ 38,831
AFFO per diluted unit [1]	**$ 0.22**	$ 0.24	$ 0.24	$ 0.31	$ 0.22	$ 0.25	$ 0.23	$ 0.18
ACFO [1]	**$ 43,101**	$ 61,096	$ 70,710	$ 69,398	$ 42,612	$ 59,500	$ 68,117	$ 36,500
Distribution declared per unit	**$ 0.108**	$ 0.108	$ 0.108	$ 0.108	$ 0.108	$ 0.215	$ 0.215	$ 0.215
Total assets	**$10,194,026**	$10,109,074	$10,186,252	$10,189,522	$9,972,075	$10,032,463	$10,013,445	$10,037,370
Total mortgages and credit facilities	**$2,280,587**	$2,072,952	$2,211,920	$2,370,499	$2,358,551	$2,262,565	$2,270,557	$2,434,042
Unitholders' equity	**$4,665,001**	$4,620,942	$4,608,489	$4,445,198	$4,254,796	$4,227,164	$4,233,905	$4,252,417
Other								
Number of neighbourhoods	**148**	146	148	150	150	150	150	149
GLA - at 100% (in thousands)	**22,456**	22,485	22,736	22,935	22,890	22,822	22,830	22,844
GLA - at ownership interest (in thousands)	**19,619**	19,657	19,853	20,092	20,053	19,991	20,232	20,250
Monthly average occupancy %	**95.7%**	96.0%	95.9%	95.8%	96.0%	96.0%	96.1%	96.3%
Total portfolio occupancy %	**95.5%**	96.1%	95.9%	95.9%	95.8%	96.2%	96.0%	96.3%

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

CRITICAL ACCOUNTING ESTIMATES

First Capital's unaudited interim condensed consolidated financial statements for the three months ended March 31, 2022 and 2021 have been prepared in accordance with IAS 34, "Interim Financial Reporting" as issued by the International Accounting Standards Board. The unaudited interim condensed consolidated financial statements have been prepared by applying the same accounting policies and methods of computation as compared with the most recent audited annual consolidated financial statements except as noted in Note 2(b) of the interim condensed consolidated financial statements. The Trust has also incorporated the potential impact of COVID-19 into its estimates and assumptions that affect the carrying amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amount of earnings for the reporting periods using the best available information as of March 31, 2022. 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 2021 Annual Report contains a discussion of the significant accounting policies most affected by estimates and judgments used in the preparation of the consolidated financial statements, being the accounting policies relating to estimates of fair values of investment properties, valuation of financial instruments both for disclosure and measurement purposes, and estimating deferred tax assets and liabilities. Management determined that as at March 31, 2022, there is no change to the assessment of the significant accounting policies most affected by estimates and judgments as detailed in FCR's 2021 Annual Report.

Accounting Policy Changes

Refer to Note 2(b) of the unaudited interim condensed consolidated financial statements for the three months ended March 31, 2022 for details on the impact of accounting policy changes.

The IASB has issued amendments to existing standards. These changes are not yet adopted by First Capital and could have an impact on future periods. These changes are described in detail below:

Amendment to IAS 1, Presentation of Financial Statements - Classification of Liabilities as Current or Non-Current

In January 2020, the IASB issued amendments to IAS 1 to clarify the requirements for classifying liabilities as current or non-current. The amendments clarify the classification of liabilities as current or non-current based on rights that are in existence at the end of the reporting period and unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability. The amendments also clarify the definition of 'settlement' of a liability. The amendments are effective January 1, 2023, with early adoption permitted. The amendments are to be applied retrospectively. Management is currently assessing the impact of this amendment.

CONTROLS AND PROCEDURES

As at March 31, 2022, the Chief Executive Officer and the Chief Financial Officer of First Capital, with the assistance of other staff and Management of FCR to the extent deemed necessary, have designed FCR's disclosure controls and procedures to provide reasonable assurance that information required to be disclosed in the various reports filed or submitted by FCR under securities legislation is recorded, processed, summarized and reported accurately and have designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

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

First Capital did not make any changes in its internal controls over financial reporting during the quarter ended March 31, 2022 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, 2021, as well as its most current Annual Information Form, which provides a detailed description of these and other risks that may affect FCR. These documents are available on SEDAR at www.sedar.com and on FCR's website at www.fcr.ca.

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INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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Interim Condensed Consolidated Balance Sheets

As at *(thousands of dollars)*	Note	March 31, 2022 (unaudited)	December 31, 2021 (audited)
ASSETS			
Non-current Assets			
Real Estate Investments			
Investment properties	3	**$ 8,930,062**	$ 8,975,539
Investment in joint ventures	4	**356,060**	349,488
Hotel property	5	**84,993**	85,400
Loans, mortgages and other assets	6	**143,582**	129,608
Total real estate investments		**9,514,697**	9,540,035
Other non-current assets	8	**28,612**	12,174
Total non-current assets		**9,543,309**	9,552,209
Current Assets			
Cash and cash equivalents	25(d)	**46,223**	34,699
Loans, mortgages and other assets	6	**139,903**	142,134
Residential development inventory		**135,491**	156,039
Amounts receivable	7	**33,192**	27,784
Other assets	8	**43,358**	44,909
		398,167	405,565
Investment properties classified as held for sale	3(d)	**252,550**	151,300
Total current assets		**650,717**	556,865
Total assets		**$ 10,194,026**	$ 10,109,074
LIABILITIES			
Non-current Liabilities			
Mortgages	10	**$ 1,121,613**	$ 1,129,500
Credit facilities	10	**1,083,424**	824,792
Senior unsecured debentures	11	**1,898,713**	1,898,677
Exchangeable Units	13	**1,853**	1,947
Other liabilities	12	**45,597**	53,497
Deferred tax liabilities	21	**761,165**	740,309
Total non-current liabilities		**4,912,365**	4,648,722
Current Liabilities			
Bank indebtedness	10	**21,733**	2,476
Mortgages	10	**31,149**	43,675
Credit facilities	10	**44,401**	74,985
Senior unsecured debentures	11	**249,627**	449,468
Accounts payable and other liabilities	12	**214,497**	220,666
Total current liabilities		**561,407**	791,270
Total liabilities		**5,473,772**	5,439,992
EQUITY			
Unitholders' equity	14	**4,665,001**	4,620,942
Non-controlling interest	24	**55,253**	48,140
Total equity		**4,720,254**	4,669,082
Total liabilities and equity		**$ 10,194,026**	$ 10,109,074

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

Approved by the Board of Trustees:

Al Mawani
Trustee

Adam E. Paul
Trustee

Interim Condensed Consolidated Statements of Income (Loss)

(unaudited)		Three months ended March 31	
(thousands of dollars)	**Note**	**2022**	2021
Property rental revenue		**$ 172,476**	$ 171,912
Property operating costs		**71,496**	70,963
Net operating income	16	**100,980**	100,949
Other income and expenses			
Interest and other income	17	**5,669**	2,506
Interest expense	18	**(36,374)**	(38,488)
Corporate expenses	19	**(10,332)**	(10,678)
Abandoned transaction costs		**(10)**	(81)
Amortization expense		**(1,368)**	(1,599)
Share of profit (loss) from joint ventures	4	**(3)**	(724)
Other gains (losses) and (expenses)	20	**(7,890)**	(254)
(Increase) decrease in value of unit-based compensation	15	**421**	(5,430)
(Increase) decrease in value of Exchangeable Units	13	**94**	(303)
Increase (decrease) in value of hotel property	5	**—**	(6)
Increase (decrease) in value of investment properties, net	3	**1,039**	(7,331)
		(48,754)	(62,388)
Income (loss) before income taxes		**52,226**	38,561
Deferred income tax expense (recovery)	21	**7,892**	919
Net income (loss)		**$ 44,334**	$ 37,642
Net income (loss) attributable to:			
Unitholders	14	**$ 44,455**	$ 37,987
Non-controlling interest	24	**(121)**	(345)
		$ 44,334	$ 37,642

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

Interim Condensed Consolidated Statements of Comprehensive Income (Loss)

(unaudited)			Three months ended March 31
(thousands of dollars)	**Note**	**2022**	2021
Net income (loss)		**$ 44,334**	$ 37,642
Other comprehensive income (loss)			
Unrealized gain (loss) on cash flow hedges [1]		**32,410**	18,714
Reclassification of net losses on cash flow hedges to net income		**831**	778
		33,241	19,492
Deferred tax expense (recovery)	21	**12,964**	7,602
Other comprehensive income (loss)		**20,277**	11,890
Comprehensive income (loss)		**$ 64,611**	$ 49,532
Comprehensive income (loss) attributable to:			
Unitholders	14	**$ 64,732**	$ 49,877
Non-controlling interest	24	**(121)**	(345)
		$ 64,611	$ 49,532

[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, 2021	**$ 1,741,489**	**$ (18,818)**	**$ 2,898,271**	**$ 4,620,942**	**$ 48,140**	**$ 4,669,082**
Changes during the period:						
Net income (loss)	44,455	—	—	44,455	(121)	44,334
Options, deferred units, restricted units, and performance units, net	—	—	3,043	3,043	—	3,043
Other comprehensive income (loss)	—	20,277	—	20,277	—	20,277
Contributions from (distributions to) non-controlling interest, net	—	—	—	—	7,234	7,234
Distributions *(Note 14(b))*	(23,716)	—	—	(23,716)	—	(23,716)
March 31, 2022	**$ 1,762,228**	**$ 1,459**	**$ 2,901,314**	**$ 4,665,001**	**$ 55,253**	**$ 4,720,254**

(unaudited) (thousands of dollars)	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Trust Units	Total Unitholders' Equity	Non-Controlling Interest	Total Equity
			(Note 14(a))			
December 31, 2020	$ 1,376,162	$ (43,580)	$ 2,894,582	$ 4,227,164	$ 29,263	$ 4,256,427
Changes during the period:						
Net income (loss)	37,987	—	—	37,987	(345)	37,642
Options, deferred units, restricted units, and performance units, net	—	—	1,444	1,444	—	1,444
Other comprehensive income (loss)	—	11,890	—	11,890	—	11,890
Distributions *(Note 14(b))*	(23,689)	—	—	(23,689)	—	(23,689)
March 31, 2021	$ 1,390,460	$ (31,690)	$ 2,896,026	$ 4,254,796	$ 28,918	$ 4,283,714

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

Interim Condensed Consolidated Statements of Cash Flows

(unaudited)		Three months ended March 31	
(thousands of dollars)	**Note**	**2022**	2021
OPERATING ACTIVITIES			
Net income (loss)		**$ 44,334**	$ 37,642
Adjustments for:			
(Increase) decrease in value of investment properties, net	3	**(1,039)**	7,331
(Increase) decrease in value of hotel property	5	**—**	6
Interest expense	18	**36,374**	38,488
Amortization expense		**1,368**	1,599
Share of (profit) loss of joint ventures	4	**3**	724
Cash interest paid associated with operating activities	18	**(43,993)**	(46,995)
Items not affecting cash and other items	25(a)	**16,138**	8,396
Net changes in other working capital items	25(b)	**6,113**	(2,895)
Cash provided by (used in) operating activities		**59,298**	44,296
FINANCING ACTIVITIES			
Mortgage principal instalment payments	10	**(7,231)**	(6,887)
Mortgage repayments	10	**(13,338)**	(7,064)
Credit facilities, net advances (repayments)	10	**254,871**	119,677
Repayment of senior unsecured debentures	11	**(200,000)**	(175,000)
Issuance of trust units, net of issue costs		**27**	675
Payment of distributions		**(23,711)**	(31,508)
Net contributions from (distributions to) non-controlling interest	24	**7,234**	—
Cash provided by (used in) financing activities		**17,852**	(100,107)
INVESTING ACTIVITIES			
Acquisition of investment properties	3(c)	**(31,366)**	(2,125)
Net proceeds from property dispositions	3(d)	**3,790**	(382)
Distributions from joint ventures	4	**951**	728
Contributions to joint ventures	4	**(7,526)**	(6,570)
Capital expenditures on investment properties	3(a)	**(28,039)**	(42,233)
Changes in investing-related prepaid expenses and other liabilities		**(6,231)**	(4,557)
Changes in loans, mortgages and other assets	25(c)	**2,795**	29,094
Cash provided by (used in) investing activities		**(65,626)**	(26,045)
Net increase (decrease) in cash and cash equivalents		**11,524**	(81,856)
Cash and cash equivalents, beginning of period		**34,699**	100,444
Cash and cash equivalents, end of period	25(d)	**$ 46,223**	$ 18,588

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, grocery anchored and mixed-use real estate located in Canada's most densely populated cities. 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, 2021 and 2020.

(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) Future Changes in Accounting Policies

Amendment to IAS 1, Presentation of Financial Statements - Classification of Liabilities as Current or Non-Current

In January 2020, the IASB issued amendments to IAS 1 to clarify the requirements for classifying liabilities as current or non-current. The amendments clarify the classification of liabilities as current or non-current based on rights that are in existence at the end of the reporting period and unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability. The amendments also clarify the definition of 'settlement' of a liability. The amendments are effective January 1, 2023, with early adoption permitted. The amendments are to be applied retrospectively. Management is currently assessing the impact of this amendment.

(d) Approval of unaudited interim condensed consolidated financial statements

These unaudited interim condensed consolidated financial statements were approved by the Board of Trustees and authorized for issue on May 3, 2022.

3. INVESTMENT PROPERTIES

(a) Activity

The following tables summarize the changes in First Capital's investment properties for the three months ended March 31, 2022 and year ended December 31, 2021:

								Three months ended March 31, 2022
		Income Producing Properties		**Properties under Construction**		**Density & Development Land**		**Total**
Balance at beginning of period	**$**	**8,769,927**	**$**	**16,021**	**$**	**340,891**	**$**	**9,126,839**
Acquisitions		**7,541**		**—**		**23,825**		**31,366**
Capital expenditures		**20,785**		**1,903**		**5,351**		**28,039**
Developments transferred offline / online, net		**33,733**		**(6,114)**		**(27,619)**		**—**
Increase (decrease) in value of investment properties, net		**(21,658)**		**17,219**		**5,478**		**1,039**
Straight-line rent and other changes		**(171)**		**—**		**—**		**(171)**
Dispositions		**—**		**—**		**(4,500)**		**(4,500)**
Balance at end of period	**$**	**8,810,157**	**$**	**29,029**	**$**	**343,426**	**$**	**9,182,612**
Investment properties	**$**	**8,568,357**	**$**	**29,029**	**$**	**332,676**	**$**	**8,930,062**
Investment properties classified as held for sale		**241,800**		**—**		**10,750**		**252,550**
Total	**$**	**8,810,157**	**$**	**29,029**	**$**	**343,426**	**$**	**9,182,612**

								Year ended December 31, 2021
		Income Producing Properties		Properties under Construction		Density & Development Land		Total
Balance at beginning of year	$	8,786,149	$	221,116	$	483,376	$	9,490,641
Acquisitions		14,504		—		—		14,504
Capital expenditures		67,856		59,783		25,880		153,519
Developments transferred offline / online, net		262,238		(278,306)		16,068		—
Reclassification to residential development inventory		—		—		(92,286)		(92,286)
Increase (decrease) in value of investment properties, net		121,336		13,428		63,853		198,617
Straight-line rent and other changes		2,076		—		—		2,076
Dispositions		(366,732)		—		—		(366,732)
Reclassification to equity accounted joint venture [(1)]		(117,500)		—		(156,000)		(273,500)
Balance at end of year	$	8,769,927	$	16,021	$	340,891	$	9,126,839
Investment properties	$	8,691,027	$	16,021	$	268,491	$	8,975,539
Investment properties classified as held for sale		78,900		—		72,400		151,300
Total	$	8,769,927	$	16,021	$	340,891	$	9,126,839

[(1)] In the third quarter of 2021, 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.

Investment properties with a fair value of $2.5 billion (December 31, 2021 – $2.5 billion) are pledged as security for $1.2 billion (December 31, 2021 – $1.2 billion) in mortgages and secured credit facilities.

(b) Investment property valuation

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

As at	**March 31, 2022**	December 31, 2021
Weighted Average Total		
Overall Capitalization Rate	**5.0%**	5.0%
Terminal Capitalization Rate	**5.2%**	5.2%
Discount Rate	**5.7%**	5.7%

The majority of the Trust's portfolio is valued under the Income Approach using the discounted cash flow ("DCF") method. As at March 31, 2022, the weighted average valuation yields (stabilized overall capitalization, terminal, and discount rates) used in valuing those investment properties under the Income Approach remained unchanged from December 31, 2021.

During the first quarter of 2022, as part of its normal course internal valuations, the Trust made revisions to discounted cash flows for certain properties. As a result, an overall increase in the value of investment properties was recorded in the amount of $1.0 million ($1.6 million at FCR's share) for the three months ended March 31, 2022.

The sensitivity of the fair values of investment properties to stabilized overall capitalization rates as at March 31, 2022 is set out in the table below:

As at March 31, 2022		*(millions of dollars)*
(Decrease) Increase in stabilized overall capitalization rate		Resulting increase (decrease) in fair value of investment properties
(1.00%)	$	2,288
(0.75%)	$	1,614
(0.50%)	$	1,016
(0.25%)	$	481
0.25%	$	(435)
0.50%	$	(830)
0.75%	$	(1,190)
1.00%	$	(1,521)

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 $576 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 $521 million.

(c) Investment properties – Acquisitions

For the three months ended March 31, 2022 and 2021, First Capital acquired investment properties as follows:

Three months ended March 31		**2022**		2021
Total purchase price, including acquisition costs	**$**	**31,366**	$	2,125
Total cash paid	**$**	**31,366**	$	2,125

(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 December 31		2022		2021
Aggregate fair value	**$**	**252,550**	$	151,300

The increase of $101.3 million in investment properties classified as held for sale from December 31, 2021, primarily arose from the disposition of investment properties as well as the addition of new investment properties classified as held for sale, in line with First Capital's super urban strategy.

For the three months ended March 31, 2022 and 2021, First Capital sold investment properties as follows:

Three months ended March 31		2022		2021
Total selling price	**$**	**4,500**	$	—
Property selling costs		**(710)**		(382)
Net cash proceeds (payments)	**$**	**3,790**	$	(382)

4. INVESTMENT IN JOINT VENTURES

As at March 31, 2022, First Capital had interests in ten joint ventures that it accounts for using the equity method. First Capital's joint ventures are as follows:

			Effective Ownership	
Name of Entity	Name of Property/Business Activity	Location	**March 31, 2022**	December 31, 2021
Aukland and Main Developments LP [1]	Station Place	Toronto, ON	**35.4%**	35.4%
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 Rd.	Toronto, ON	**20.0%**	20.0%
Green Capital Limited Partnership	Royal Orchard	Markham, ON	**50.0%**	50.0%
Lakeshore Development LP	2150 Lake Shore Blvd. W.	Toronto, ON	**50.0%**	50.0%
Hazelton Food Services Partnership	116 Yorkville Ave. (ONE restaurant)	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 Developments 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 Developments 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 three months ended March 31, 2022 and year ended December 31, 2021:

		March 31, 2022		December 31, 2021
Balance at beginning of period	$	349,488	$	52,570
Contributions to equity accounted joint ventures		7,526		17,110
Distributions from equity accounted joint ventures		(951)		(16,897)
Reclassification to equity accounted joint ventures		—		298,165
Share of income (loss) from equity accounted joint ventures		(3)		(1,460)
Balance at end of period	$	356,060	$	349,488

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.

On November 26, 2021, the Trust contributed 100% of the lands to the Edenbridge Kingsway (Humbertown) joint venture which was previously classified as residential inventory for $24.7 million. The Trust's joint venture partner contributed $12.3 million to the partnership, to pay for its portion of the land which was subsequently distributed to the Trust.

On January 1, 2022, the Trust purchased 50% of the partnership units in the ONE Restaurant located in the Hazelton Hotel for $2.65 million. The acquisition was accounted for as a business combination, as such, transaction costs in the amount of $0.6 million were expensed in other (gains) losses and expenses.

As at March 31, 2022, there were approximately $33.1 million of outstanding commitments and no contingent liabilities for the ten equity accounted joint ventures. Additionally, 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.

The following table summarizes the changes in the net book value of the hotel property for the three months ended March 31, 2022 and year ended December 31, 2021.

		March 31, 2022		December 31, 2021
Balance at beginning of period	$	85,400	$	88,000
Amortization		(481)		(1,937)
Additions		74		459
Revaluation of hotel property		—		(1,122)
Balance at end of period	$	84,993	$	85,400

6. LOANS, MORTGAGES AND OTHER ASSETS

As at	March 31, 2022	December 31, 2021
Non-current		
Loans and mortgages receivable classified as FVTPL (a)	**$ 1,481**	$ 1,486
Loans and mortgages receivable classified as amortized cost (a)(b)	**114,202**	122,321
Other investments	**6,371**	5,801
Due from co-owners (c)	**21,528**	—
Total non-current	**143,582**	129,608
Current		
Loans and mortgages receivable classified as FVTPL (a)	**12**	6
Loans and mortgages receivable classified as amortized cost (a)(b)	**119,944**	116,152
FVTPL investments in securities (d)	**19,947**	25,976
Total current	**139,903**	142,134
Total	**$ 283,485**	$ 271,742

(a) Loans and mortgages receivable are secured by interests in investment properties or shares of entities owning investment properties. As at March 31, 2022, these receivables bear interest at weighted average effective interest rates of 5.2% (December 31, 2021 – 5.4%) and mature between 2022 and 2026. As of March 31, 2022, 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) During the quarter, the Trust contributed equity to one of its co-ownerships whereas its partners made draws on the co-ownership's new credit facility to fund the co-ownership's development project. The due from co-owners in the amount of $21.5 million equals the Trust's proportionate share of the co-ownership's credit facility draws. As there is no right of offset for these two financial instruments they are presented on a gross basis on the balance sheet.

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

7. AMOUNTS RECEIVABLE

As at	March 31, 2022	December 31, 2021
Tenant receivables (net of allowance for expected credit losses of $15.4 million; December 31, 2021 – $17.2 million)	**$ 32,270**	$ 27,032
Corporate and other amounts receivable	**922**	752
Total	**$ 33,192**	$ 27,784

First Capital determines its allowance for expected credit losses on a tenant-by-tenant basis considering lease terms, credit risk, industry conditions, and the status of the tenant's account as well as the impact of COVID-19 on tenant's ability to pay any trade receivables outstanding at March 31, 2022.

The change in the allowance for expected credit losses is summarized below:

As at		**March 31, 2022**		December 31, 2021
Allowance for expected credit losses, beginning of period	**$**	**17,213**	$	11,440
Receivables written off during the period		**(2,278)**		(4,232)
Additional provision recorded during the period		**452**		10,005
Allowance for expected credit losses, end of period	**$**	**15,387**	$	17,213

8. OTHER ASSETS

As at	**Note**		**March 31, 2022**		December 31, 2021
Non-current					
Fixtures, equipment and computer hardware and software (net of accumulated amortization of $23.2 million; December 31, 2021 – $22.3 million)		**$**	**7,229**	$	7,671
Deferred financing costs on credit facilities (net of accumulated amortization of $7.7 million; December 31, 2021 – $7.5 million)			**3,022**		2,960
Environmental indemnity and insurance proceeds receivable	12(a)		**865**		1,244
Derivatives at fair value	23		**17,496**		299
Total non-current			**28,612**		12,174
Current					
Deposits and costs on investment properties under option			**5,777**		8,358
Prepaid expenses			**19,048**		11,364
Bond asset			**—**		13,388
Other deposits			**250**		250
Restricted cash			**11,306**		5,538
Derivatives at fair value	23		**6,977**		6,011
Total current			**43,358**		44,909
Total		**$**	**71,970**	$	57,083

9. CAPITAL MANAGEMENT

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

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

As at	**March 31, 2022**	December 31, 2021
Liabilities (principal amounts outstanding)		
Bank indebtedness	**$ 21,733**	$ 2,476
Mortgages	**1,156,495**	1,177,064
Credit facilities	**1,127,825**	899,777
Mortgages under equity accounted joint ventures (at the Trust's interest)	**39,557**	39,808
Senior unsecured debentures	**2,150,000**	2,350,000
	4,495,610	4,469,125
Exchangeable Units	**1,853**	1,947
Equity market capitalization [1]	**3,943,204**	4,140,551
Total capital employed	**$ 8,440,667**	$ 8,611,623
Trust Units outstanding (000's)	**219,677**	219,541
Closing market price	**$ 17.95**	$ 18.86

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

First Capital is subject to financial covenants in agreements governing its senior unsecured debentures and its credit facilities. In accordance with the terms of the Trust's credit agreements, all ratios are calculated with joint ventures proportionately consolidated. As at March 31, 2022, First Capital remains in compliance with all of its applicable financial covenants.

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

As at	Measure/ Covenant	**March 31, 2022**	December 31, 2021
Net debt to total assets [1]		**43.8%**	43.9%
Unencumbered aggregate assets to unsecured debt, using 10 quarter average capitalization rate [1]	≥1.3	**2.3**	2.3
Unitholders' equity, using four quarter average (billions) [2]	>$2.0B	**$ 4.6**	$ 4.5
Secured indebtedness to total assets [2]	<35%	**12.3%**	12.7%
For the rolling four quarters ended			
Interest coverage (Adjusted EBITDA to interest expense) [2]	>1.65	**2.4**	2.3
Fixed charge coverage (Adjusted EBITDA to debt service) [2]	>1.50	**2.0**	2.0

(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 below:

- Debt consists of principal amounts outstanding on credit facilities and mortgages, and the par value of senior unsecured debentures;

- Net debt is calculated as Debt, as defined above, reduced by cash balances at the end of the period;
- Secured indebtedness includes mortgages and any draws under the secured facilities that are collateralized against investment property;
- Adjusted EBITDA, is calculated as net income, adding back income tax expense; interest expense; and amortization and excluding the increase or decrease in the fair value of investment properties, Exchangeable Units and unit-based compensation; other gains (losses) and (expenses); and other non-cash or non-recurring items. The Trust also adjusts for incremental leasing costs, which is a recognized adjustment to Funds from Operations, in accordance with the recommendations of the Real Property Association of Canada;
- Fixed charges include regular principal and interest payments and capitalized interest in the calculation of interest expense; and
- Unencumbered assets include the value of assets that have not been pledged as security under any credit agreement or mortgage. The unencumbered asset value ratio is calculated as unencumbered assets divided by the principal amount of the unsecured debt, which consists of the bank indebtedness, unsecured bank term loans, unsecured credit facilities, and senior unsecured debentures.

10. MORTGAGES AND CREDIT FACILITIES

As at	**March 31, 2022**	December 31, 2021
Fixed rate mortgages	**$ 1,152,762**	$ 1,173,175
Unsecured facilities	**1,061,896**	824,792
Secured facilities	**65,929**	74,985
Mortgages and credit facilities	**$ 2,280,587**	$ 2,072,952
Current	**$ 75,550**	$ 118,660
Non-current	**2,205,037**	1,954,292
Total	**$ 2,280,587**	$ 2,072,952

Mortgages and secured facilities are secured by First Capital's investment properties. As at March 31, 2022, approximately $2.5 billion (December 31, 2021 – $2.5 billion) of investment properties out of $9.2 billion (December 31, 2021 – $9.1 billion) (Note 3(a)) had been pledged as security under the mortgages and the secured facilities.

As at March 31, 2022, mortgages bear coupon interest at a weighted average coupon rate of 3.4% (December 31, 2021 – 3.4%) and mature in the years ranging from 2022 to 2031. The weighted average effective interest rate on all mortgages as at March 31, 2022 is 3.5% (December 31, 2021 – 3.5%).

Principal repayments of mortgages outstanding as at March 31, 2022 are as follows:

	Scheduled Amortization	Payments on Maturity	Total	Weighted Average Effective Interest Rate
2022 (remainder of the year)	$ 23,715	$ —	$ 23,715	N/A
2023	32,597	—	32,597	N/A
2024	31,945	108,478	140,423	3.8%
2025	29,641	55,895	85,536	3.4%
2026	25,886	94,360	120,246	3.3%
2027 to 2031	67,182	686,796	753,978	3.5%
	$ 210,966	**$ 945,529**	**$ 1,156,495**	**3.5%**
Unamortized deferred financing costs and premiums, net			(3,733)	
Total			**$ 1,152,762**	

First Capital's credit facilities as at March 31, 2022 are summarized in the table below:

As at March 31, 2022	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	$ —	$ (27,428)	$ 422,572	BA + 1.45% or Prime + 0.45% or US$ LIBOR + 1.45%	June 30, 2026
Revolving facility maturing 2024 (1)	100,000	(98,593)	—	1,407	BA + 1.15% or Prime + 0.30% or US$ LIBOR + 1.15%	August 31, 2024
Revolving facility maturing 2023 (2)	250,000	(214,617)	—	35,383	BA + 1.15% or Prime + 0.30% or US$ LIBOR + 1.15%	October 31, 2023
Floating rate unsecured term loan maturing 2023 (3)	200,000	(198,686)	—	1,314	BA + 1.20%	April 15, 2023
Fixed rate unsecured term loans maturing 2024 - 2026	550,000	(550,000)	—	—	3.29%	March 28, 2024 - April 15, 2026
Secured Construction Facilities						
Maturing 2027	170,000	(21,528)	—	148,472	BA + 2.30%	January 20, 2027
Maturing 2022	33,333	(33,333)	—	—	2.79%	August 24, 2022
Secured Facilities						
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	**$ 1,764,401**	**$ (1,127,825)**	**$ (27,428)**	**$ 609,148**		

(1) The Trust had drawn in U.S. dollars the equivalent of CAD$100.0 million which was revalued at CAD$98.6 million as at March 31, 2022.

(2) The Trust had drawn in U.S. dollars the equivalent of CAD$200.0 million which was revalued at CAD$199.6 million as at March 31, 2022. In addition, the Trust had drawn $15.0 million in Canadian dollars as at March 31, 2022.

(3) The Trust had drawn in U.S. dollars the equivalent of CAD$200.0 million which was revalued at CAD$198.7 million as at March 31, 2022.

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					**March 31, 2022**	December 31, 2021
		Interest Rate				
Series	Maturity Date	Coupon	Effective	**Principal Outstanding**	**Liability**	Liability
O	January 31, 2022	4.43%	4.59%	**$ —**	**$ —**	$ 199,975
P	December 5, 2022	3.95%	4.18%	**250,000**	**249,627**	249,493
Q	October 30, 2023	3.90%	3.97%	**300,000**	**299,691**	299,644
R	August 30, 2024	4.79%	4.72%	**300,000**	**300,462**	300,507
S	July 31, 2025	4.32%	4.24%	**300,000**	**300,749**	300,801
T	May 6, 2026	3.60%	3.56%	**300,000**	**300,462**	300,487
U	July 12, 2027	3.75%	3.82%	**300,000**	**298,993**	298,950
V	January 22, 2027	3.46%	3.54%	**200,000**	**199,294**	199,261
A	March 1, 2028	3.45%	3.54%	**200,000**	**199,062**	199,027
Weighted Average or Total		3.94%	3.98%	**$ 2,150,000**	**$ 2,148,340**	$ 2,348,145
Current				**$ 250,000**	**$ 249,627**	$ 449,468
Non-current				**1,900,000**	**1,898,713**	1,898,677
Total				**$ 2,150,000**	**$ 2,148,340**	$ 2,348,145

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

On January 31, 2022, upon maturity, First Capital repaid its 4.43% Series O Senior Unsecured Debentures in the amount of $200.0 million.

12. ACCOUNTS PAYABLE AND OTHER LIABILITIES

As at	**Note**	**March 31, 2022**	December 31, 2021
Non-current			
Asset retirement obligations (a)		**$ 1,705**	$ 1,755
Ground leases payable		**8,659**	8,811
Derivatives at fair value	23	**—**	8,990
Unit-based compensation plans	15(c)	**3,322**	6,802
Deferred purchase price of investment property		**2,850**	2,850
Other liabilities		**29,061**	24,289
Total non-current		**45,597**	53,497
Current			
Trade payables and accruals		**77,625**	75,900
Construction and development payables		**43,537**	44,696
Unit-based compensation plans	15(c)	**19,604**	17,815
Distributions payable	14(b)	**7,908**	7,903
Interest payable		**24,558**	33,641
Tenant deposits		**38,148**	40,236
Derivatives at fair value	23	**3,104**	464
Other liabilities		**13**	11
Total current		**214,497**	220,666
Total		**$ 260,094**	$ 274,163

(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 $0.9 million (December 31, 2021 - $1.2 million) in other assets (Note 8).

13. EXCHANGEABLE UNITS

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

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

As at	**March 31, 2022**		December 31, 2021	
	Number of Exchangeable Units	**Value**	Number of Exchangeable Units	Value
Balance at beginning of period	**103**	**$ 1,947**	103	$ 1,399
Fair value adjustment	**—**	**(94)**	—	548
Balance at end of period	**103**	**$ 1,853**	103	$ 1,947

14. UNITHOLDERS' EQUITY

The Declaration of Trust authorizes the issuance of an unlimited number of Trust Units and special voting units:

Trust Units: Each Trust Unit is transferable and represents an equal, undivided beneficial interest in the Trust and any distributions from the Trust and entitles the holder to one vote at a meeting of Unitholders. With certain restrictions, a Unitholder has the right to require First Capital to redeem its Trust Units on demand. Upon receipt of a redemption notice by First Capital, all rights to and under the Trust Units tendered for redemption shall be surrendered and the holder thereof shall be entitled to receive a price per unit as determined by a market formula and shall be paid in accordance with the conditions provided for in the Declaration of Trust.

Special Voting Units: Each Exchangeable Unit (Note 13) is accompanied by one special voting unit which provides the holder thereof with a right to vote on matters respecting the Trust.

(a) Trust Units

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

As at	**March 31, 2022**		December 31, 2021	
	Number of Trust Units	**Value of Trust Units**	Number of Trust Units	Value of Trust Units
Balance at beginning of period	**219,541**	**$ 2,898,271**	219,315	$ 2,894,582
Exercise of options, and settlement of any restricted, performance and deferred trust units	**136**	**3,043**	226	3,689
Balance at end of period	**219,677**	**$ 2,901,314**	219,541	$ 2,898,271

(b) Distributions

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

First Capital declared monthly distributions totaling $0.108 per Trust Unit for the three months ended March 31, 2022 (three months ended March 31, 2021 - $0.108 per Trust Unit).

15. UNIT-BASED COMPENSATION PLANS

(a) Unit Option Plan

As of March 31, 2022, First Capital is authorized to grant up to 19.7 million (December 31, 2021 – 19.7 million) Trust Unit options to employees and officers. As of March 31, 2022, 6.6 million (December 31, 2021 – 6.6 million) unit options are available to be granted to employees and officers. In addition, as at March 31, 2022, 6.3 million unit options were outstanding (December 31, 2021 - 6.3 million). Options granted by First Capital expire 10 years from the date of grant and vest over five years.

The outstanding options as at March 31, 2022 have exercise prices ranging from $15.53 - $21.24 (December 31, 2021 – $15.53 - $21.24).

During the three months ended March 31, 2022, $0.2 million (three months ended March 31, 2021 – $0.2 million) was recorded as an expense related to stock options.

Three months ended March 31	**2022**		2021	
	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	**6,337**	**$ 19.75**	7,103	$ 20.20
Granted (a)	**—**	**—**	644	15.53
Exercised (b)	**(2)**	**17.90**	(43)	15.70
Forfeited	**(5)**	**19.96**	(499)	20.75
Expired	**—**	**—**	(9)	15.70
Outstanding at end of period	**6,330**	**$ 19.75**	7,196	$ 19.78

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

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

(b) The weighted average market price at which options were exercised for the three months ended March 31, 2022 was $18.38 (three months ended March 31, 2021 – $16.11).

The assumptions used to measure the fair value of the unit options under the Black-Scholes model (level 2) as at March 31, 2022 and 2021 were as follows:

As at March 31	**2022**	2021
Expected Trust Unit price volatility	**2.54% - 32.21%**	17.10% - 43.59%
Expected life of options	**0.0 - 6.7 years**	0.3 - 7.3 years
Expected distribution yield	**4.56%**	4.60%
Risk free interest rate	**0.76% - 2.46%**	0.11% - 1.27%

(b) Trust Unit arrangements

First Capital’s Trust Unit plans include a Trustees' Deferred Unit ("DU") plan and a Restricted Unit ("RU") plan that provides for the issuance of Restricted Units and Performance Units ("PU"). Under the DU and RU arrangements, a participant is entitled to receive one Trust Unit, or equivalent cash value for RU arrangements only, at First Capital’s option, (i) in the case of a DU, upon redemption by the holder after the date that the holder ceases to be a Trustee of FCR and any of its subsidiaries (the “Retirement Date”) but no later than December 15 of the first calendar year commencing after the Retirement Date, and (ii) in the case of an RU, on the third anniversary of the grant date. Under the PU arrangement, a participant is entitled to receive Nil – 2.0 Trust Units per PU granted, or equivalent cash value at First Capital's option, on the third anniversary of the grant date. Holders of units granted under each plan receive distributions in the form of additional units when First Capital declares distributions on its Trust Units.

Three months ended March 31		**2022**		2021
(in thousands)	**DUs**	**RUs / PUs**	DUs	RUs / PUs
Outstanding at beginning of period	**320**	**897**	368	789
Granted (a) (b)	**16**	**—**	16	353
Distributions reinvested	**2**	**7**	3	6
Exercised	**(7)**	**(240)**	—	(244)
Forfeited	**—**	**(19)**	—	(14)
Outstanding at end of period	**331**	**645**	387	890
Expense recorded for the period	**$335**	**$1,128**	$325	$1,441

(a) The fair value of the DUs granted during the three months ended March 31, 2022 was $0.3 million (three months ended March 31, 2021 – $0.3 million), measured based on First Capital’s prevailing Trust Unit price on the date of grant. The fair value of the RUs granted during the three months ended March 31, 2022 was Nil (three months ended March 31, 2021 – $3.1 million), measured based on First Capital’s Trust Unit price on the date of grant.

(b) The fair value of the PUs granted during the three months ended March 31, 2022 was Nil (three months ended March 31, 2021 – $2.8 million). The fair value is calculated using the Monte-Carlo simulation model based on the assumptions below as well as a market adjustment factor based on the total Unitholder return of First Capital's Trust Units relative to the S&P/TSX Capped REIT Index and relative to a customized index of publicly-listed peers.

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

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

First Capital’s unit-based compensation plans are accounted for as cash-settled awards. Therefore, outstanding Unit Options, Deferred Units, Restricted Units and Performance Units are recognized as a liability and carried at fair value through profit and loss. As at March 31, 2022, the carrying value of the unit-based compensation liability was $22.9 million (December 31, 2021 – $24.6 million)(Note 12). For the three months ended March 31, 2022, FCR recognized a decrease in the value of the unit-based compensation plans primarily due to the settlement of the 2019 grants and a revaluation gain of $0.4 million in the consolidated statements of income (loss) due to a decrease in the Trust Unit's price since December 31, 2021.

16. NET OPERATING INCOME

Net Operating Income by Component

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

		Three months ended March 31	
	% change	**2022**	2021
Property rental revenue			
Base rent [1]		**$ 106,275**	$ 106,602
Operating cost recoveries		**28,856**	26,782
Realty tax recoveries		**31,128**	32,196
Lease termination fees		**64**	697
Percentage rent		**557**	564
Straight-line rent adjustment		**240**	486
Prior year operating cost and tax recovery adjustments		**(100)**	(255)
Temporary tenants, storage, parking and other [2]		**5,456**	4,840
Total Property rental revenue	**0.3%**	**172,476**	171,912
Property operating costs			
Recoverable operating expenses		**32,169**	29,862
Recoverable realty tax expense		**35,065**	36,703
Prior year realty tax expense		**(165)**	(295)
Other operating costs and adjustments [3]		**4,427**	4,693
Total Property operating costs		**71,496**	70,963
Total NOI	**—%**	**$ 100,980**	$ 100,949
NOI margin		**58.5%**	58.7%

(1) Includes residential revenue.

(2) Includes hotel property revenue.

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

Included in other operating costs and adjustments is bad debt expense for the three months ended March 31, 2022 of $0.4 million (three months ended March 31, 2021 - $2.6 million).

For the three months ended March 31, 2022, property operating costs include $5.9 million (three months ended March 31, 2021 – $5.5 million) related to employee compensation. Employee compensation is presented net of subsidies received under the Canada Emergency Wage Subsidy ("CEWS") program for the three months ended March 31, 2022 of Nil related to property operations personnel (three months ended March 31, 2021 – $0.3 million). A portion of this wage subsidy was passed on to tenants through lower operating cost recoveries.

17. INTEREST AND OTHER INCOME

		Three months ended March 31	
	Note	**2022**	2021
Interest, dividend and distribution income from marketable securities and other investments	6	**$ 99**	$ 209
Interest income from loans and mortgages receivable classified as FVTPL	6	**19**	25
Interest income from loans and mortgages receivable at amortized cost	6	**3,988**	1,236
Fees and other income		**1,563**	1,036
Total		**$ 5,669**	$ 2,506

18. INTEREST EXPENSE

		Three months ended March 31	
	Note	**2022**	2021
Mortgages	10	**$ 11,230**	$ 13,117
Credit facilities	10	**7,584**	6,464
Senior unsecured debentures	11	**21,808**	24,678
Distributions on Exchangeable Units [1]	13	**11**	11
Total interest expense		**40,633**	44,270
Interest capitalized to investment properties under development		**(4,259)**	(5,782)
Interest expense		**$ 36,374**	$ 38,488
Change in accrued interest		**9,072**	10,154
Coupon interest rate in excess of effective interest rate on senior unsecured debentures		**304**	284
Coupon interest rate in excess of effective interest rate on assumed mortgages		**4**	53
Amortization of deferred financing costs		**(1,761)**	(1,984)
Cash interest paid associated with operating activities		**$ 43,993**	$ 46,995

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

19. CORPORATE EXPENSES

	Three months ended March 31	
	2022	2021
Salaries, wages and benefits	**$ 7,327**	$ 8,129
Unit-based compensation	**1,578**	1,847
Other corporate costs	**3,423**	3,221
Total corporate expenses	**12,328**	13,197
Amounts capitalized to investment properties under development	**(1,996)**	(2,519)
Corporate expenses	**$ 10,332**	$ 10,678

For the three months ended March 31, 2022, salaries, wages and benefits include Nil of wage subsidies received under the CEWS program (three months ended March 31, 2021 - $0.1 million).

20. OTHER GAINS (LOSSES) AND (EXPENSES)

	Three months ended March 31	
	2022	2021
Unrealized gain (loss) on marketable securities	**$ (6,028)**	$ 129
Transaction costs	**(572)**	—
Gain (loss) on loan receivable modification	**(566)**	—
Pre-selling costs of residential inventory	**(7)**	—
Investment properties selling costs	**(710)**	(382)
Other	**(7)**	(1)
Total	**$ (7,890)**	$ (254)

21. INCOME TAXES

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

The following reconciles the expected tax expense computed at the statutory tax rate to the actual tax expense for the three months ended March 31, 2022 and 2021.

	Three months ended March 31	
	2022	2021
Income tax computed at the Canadian statutory rate of Nil applicable to the Trust at March 31, 2022 and March 31, 2021	**$ —**	$ —
Increase (decrease) in income taxes due to:		
Deferred income taxes (recoveries) applicable to corporate subsidiaries	**7,971**	648
Other	**(79)**	271
Deferred income taxes expense (recovery)	**$ 7,892**	$ 919

22. RISK MANAGEMENT

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

(a) Interest rate risk

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

(b) Credit risk

Credit risk arises from the possibility that tenants and/or debtors may experience financial difficulty and be unable or unwilling to fulfill their lease commitments or loan obligations. First Capital mitigates the risk of credit loss from tenants by investing in well-located properties in urban markets that attract high quality tenants, ensuring that its tenant mix is diversified, and by limiting its exposure to any one tenant. As at March 31, 2022, Loblaw Companies Limited ("Loblaw") is FCR's largest tenant and accounts for 10.4% of FCR's annualized minimum rent and has an investment grade credit rating. Other than Loblaw, no other tenant accounts for more than 10% of the annualized minimum rent. A tenant's success over the term of its lease and its ability to fulfill its lease obligations is subject to many factors. There can be no assurance that a tenant will be able to fulfill all of its existing commitments and leases up to the expiry date. First Capital mitigates the risk of credit loss from debtors by undertaking a number of activities typical in lending arrangements including obtaining registered mortgages on the real estate properties.

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

(c) Liquidity risk

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

An analysis of First Capital's contractual maturities of its material financial liabilities and other contractual commitments as at March 31, 2022 is set out below:

As at March 31, 2022	Payments due by period				
	Remainder of 2022	2023 to 2024	2025 to 2026	Thereafter	Total
Scheduled mortgage principal amortization	$ 23,715	$ 64,542	$ 55,527	$ 67,182	$ 210,966
Mortgage principal repayments on maturity	—	108,478	150,255	686,796	945,529
Credit facilities and bank indebtedness	66,134	711,896	350,000	21,528	1,149,558
Senior unsecured debentures	250,000	600,000	600,000	700,000	2,150,000
Interest obligations (1)	113,969	245,118	144,883	73,948	577,918
Land leases (expiring between 2023 and 2061)	907	1,486	1,245	15,512	19,150
Contractually committed costs to complete current development projects (2)	18,515	45,160	—	—	63,675
Other committed costs	19,965	—	—	—	19,965
Total contractual obligations	**$ 493,205**	**$ 1,776,680**	**$ 1,301,910**	**$ 1,564,966**	**$ 5,136,761**

(1) Interest obligations include expected interest payments on mortgages and credit facilities as at March 31, 2022 (assuming balances remain outstanding through to maturity), and senior unsecured debentures, as well as standby credit facility fees.

(2) Includes amounts related to equity accounted joint ventures.

First Capital manages its liquidity risk by staggering debt maturities; renegotiating expiring credit arrangements proactively; using secured and unsecured credit facilities, mortgages and unsecured debentures; and issuing equity when considered appropriate. As at March 31, 2022, there was $1.1 billion (December 31, 2021 – $0.8 billion) of cash advances drawn against First Capital's unsecured credit facilities.

In addition, as at March 31, 2022, First Capital had $29.4 million (December 31, 2021 – $29.7 million) of outstanding letters of credit issued by financial institutions primarily to support certain of FCR's contractual obligations and $21.7 million (December 31, 2021 – $2.5 million) of bank overdrafts.

(d) Unit price risk

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

23. FAIR VALUE MEASUREMENT

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

As at	**March 31, 2022**			December 31, 2021		
	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	**$ 19,947**	**$ —**	**$ —**	$ 25,976	$ —	$ —
Loans and mortgages receivable	**—**	**—**	**1,493**	—	—	1,492
Other investments	**—**	**—**	**6,371**	—	—	5,801
Derivatives at fair value – assets	**—**	**24,473**	**—**	—	6,310	—
Financial Liabilities						
Exchangeable Units	**—**	**1,853**	**—**	—	1,947	—
Unit-based compensation plans	**—**	**22,926**	**—**	—	24,617	—
Derivatives at fair value – liabilities	**—**	**3,104**	**—**	—	9,454	—
Fair value of financial instruments measured at amortized cost						
Financial Assets						
Loans and mortgages receivable	**$ —**	**$ —**	**$ 233,484**	$ —	$ —	$ 239,135
Bond asset	**—**	**—**	**—**	—	13,388	—
Due from co-owners	**—**	**—**	**21,528**	—	—	—
Financial Liabilities						
Mortgages	**—**	**1,112,303**	**—**	—	1,219,703	—
Credit facilities	**—**	**1,127,825**	**—**	—	899,777	—
Senior unsecured debentures	**—**	**2,123,841**	**—**	—	2,437,878	—

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

The fair value of derivative instruments is determined using present value forward pricing and swap calculations at interest rates that reflect current market conditions. The models also take into consideration the credit quality of counterparties, interest rate curves and forward rate curves. As at March 31, 2022, the interest rates ranged from 2.2% to 4.3% (December 31, 2021 – 1.6% to 3.4%). The fair values of First Capital's asset (liability) hedging instruments are as follows:

	Designated as Hedging Instrument	Maturity as at March 31, 2022	**March 31, 2022**	December 31, 2021
Derivative assets				
Bond forward contracts	Yes	April 2022	**$ 6,977**	$ 754
Interest rate swaps	Yes	April 2024 - March 2027	**17,496**	299
Cross currency swaps	No	N/A	**—**	$ 5,257
Total			**$ 24,473**	$ 6,310
Derivative liabilities				
Interest rate swaps	Yes	N/A	**$ —**	$ 8,990
Cross currency swaps	No	April 2022	**3,104**	464
Total			**$ 3,104**	$ 9,454

As at March 31, 2022, the $18.2 million increase in the fair value of outstanding derivative assets and $6.4 million decrease in the fair value of outstanding derivative liabilities over prior quarter is primarily due to significant fluctuations in market rates (Canadian Bankers' Acceptance rate and Government of Canada bond rate) relative to the market rates locked-in at inception of outstanding interest rate swaps.

24. SUBSIDIARIES WITH NON-CONTROLLING INTEREST

As at March 31, 2022, First Capital has interests in two entities that it controls and consolidates 100% of the assets, liabilities, revenues and expenses of each entity subject to a non-controlling interest.

		Effective Ownership	
Name of Entity	Primary Investment	**March 31, 2022**	December 31, 2021
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.

25. SUPPLEMENTAL CASH FLOW INFORMATION

(a) Items not affecting cash and other items

		Three months ended March 31	
	Note	**2022**	2021
Straight-line rent adjustment	16	**$ (240)**	$ (486)
Investment properties selling costs	20	**710**	382
Unrealized (gain) loss on marketable securities classified as FVTPL	20	**6,028**	(129)
(Gain) loss on loan receivable modification	20	**566**	—
Unit-based compensation expense	15	**1,697**	1,976
Increase (decrease) in value of Exchangeable Units	13	**(94)**	303
Increase (decrease) in value of unit-based compensation	15	**(421)**	5,430
Deferred income taxes expense (recovery)	21	**7,892**	919
Other non-cash items		**—**	1
Total		**$ 16,138**	$ 8,396

(b) Net changes in other working capital items

The net changes in other working capital assets and liabilities consists of the following:

	Three months ended March 31	
	2022	2021
Amounts receivable	**$ (5,408)**	$ (2,516)
Prepaid expenses	**(7,682)**	(2,148)
Trade payables and accruals	**647**	4,948
Tenant security and other deposits	**(2,089)**	8
Residential development inventory	**20,548**	(2,984)
Other working capital changes	**97**	(203)
Total	**$ 6,113**	$ (2,895)

(c) Changes in loans, mortgages and other assets

	Three months ended March 31	
	2022	2021
Advances of loans and mortgages receivable	**$ (6,874)**	$ (3,834)
Repayments of loans and mortgages receivable	**10,239**	32,928
Other investments, net	**(570)**	—
Total	**$ 2,795**	$ 29,094

(d) Cash and cash equivalents

As at	**March 31, 2022**	December 31, 2021
Cash and cash equivalents	**$ 46,223**	$ 34,699

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 $62.5 million (December 31, 2021 – $73.2 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 $29.4 million (December 31, 2021 – $29.7 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, 2021 – $1.2 million) with a total obligation of $19.2 million (December 31, 2021 – $19.5 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.

Unitholder Information

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