First Capital REIT Announces Enhanced Capital Allocation and Portfolio Optimization Plan

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Key Highlights

- *FCR's industry leading portfolio has substantial embedded value due to proactive management and value enhancing activities which have driven net asset value meaningfully higher*
- *Success of these value-enhancing strategies has created an abundance of low-yielding assets that are now primed for monetization*
- *Opportunity to rebalance portfolio to a higher proportion of EBITDA-producing assets and enhance FCR's near- to medium-term FFO-growth while maintaining significant long-term upside*
- *Monetizing more than $1B of low-yielding and sought-after assets over a two-year period where value-enhancing goals have been achieved and where FCR has a large quantity of similarly or better positioned assets*
- *Continuing value-maximizing entitlements program and operational improvements to advance future monetization pipeline of lower-yielding, non-core properties while preserving a deep pool of future development opportunities and maintaining a strong financial position*
- *Investor presentation available at https://fcr.ca/investors/investor-resources*

Toronto, Ontario (September 22, 2022) – First Capital REIT ("First Capital", "FCR" or the "REIT") (TSX: FCR.UN) announced today that its Board of Trustees has approved an enhanced capital allocation and portfolio optimization plan.

Over the past several years, including through the challenges of the pandemic, First Capital improved the quality of its income producing portfolio through active management and the disposition of secondary market assets, selling approximately $700 million of properties at an average premium to IFRS net asset value (NAV) of 19% over the past three years.

During this time, the REIT also added significant NAV to its portfolio through its entitlements program and other value-add undertakings. This has created a sizable and expanding opportunity subset of low-yielding assets that are now primed for monetization.

Accordingly, the Board and management have undertaken a thorough review of the REIT's portfolio focused on increasing short- to medium-term net operating income growth, while at the same time maintaining a prudent yet meaningful pipeline of development assets that provide significant future optionality to the REIT.

Bernard McDonell, Chair of First Capital, said, "First Capital has an exceptional portfolio that is defined by the strength of our necessity based, grocery anchored retail assets. With strong operating and distribution metrics firmly re-established, our executive team, working closely with the Board, is taking the steps necessary to unlock value through the monetization of targeted assets while maintaining an attractive pipeline of development opportunities and redeploying capital to generate a more meaningful near-term impact."

Adam Paul, President and CEO of First Capital said, “Over the years, including through the challenging Covid-19 period, our team has advanced our platform and created significant net asset value in our portfolio. In some cases, we have increased NAV meaningfully in properties that have yet to contribute to FFO. A good example is our Christie Cookie development property which created approximately $180 million or $0.90 per unit of NAV in 2021 alone, but its contributions to NOI and FFO are not expected for several more years. While there remains additional significant short- to medium-term value enhancing opportunities for FCR in assets like Christie Cookie, we have identified several other properties that have followed a similar value creation path but that are now ready for monetization.”

Mr. Paul continued, “The plan outlined today will allow the REIT to be opportunistic in realizing short-, medium- and long-term growth from its development pipeline and other non-core, low yielding assets in a more balanced way, with the proceeds used to enhance near term growth in NOI, EBITDA, FFO per unit and managing our balance sheet.”

Benefits of the Plan

Creating a Focused Cycle of Strategic Monetization and Investment

Through proactive management, the REIT has realized short- to medium-term value upside in a significant portion of its non-grocery anchored or no- and low-yielding assets and will continue to do so to maintain two steady pipelines:

- Monetization Pipeline that will be continually refreshed as value-enhancing activities are completed for assets FCR does not select for future development
- High Impact Development Pipeline for assets that will be developed by FCR independently or with strategic partners

Active 2-Year Monetization Pipeline

To achieve this strategic repositioning and portfolio optimization, First Capital will undertake a value maximizing sales process expected to generate gross proceeds of more than $1B by the end of 2024. The assets identified for disposition have a run rate yield of less than 2% on the expected monetization value. The REIT also expects to complete the rezoning of approximately 11 million square feet of density on a well-staggered basis over the next one, two and three years, which it anticipates will increase their value by approximately $700 million, based on current market density value for these properties. These properties will form a capital source to crystallize value created by the REIT and deploy that capital to more productive uses with a focus on EBITDA and FFO per unit growth and consequently balance sheet strength.

Optimal Portfolio and Higher Impact Capital Allocation

Through the board approved plan, First Capital expects to deliver an attractive combination of income and growth through its cash distribution (paid monthly) and an anticipated multi year FFO per unit growth rate of at least 4%. The development pipeline will be some of the most attractive development assets in the Canadian REIT sector with a focus on FCR’s best-in-class, grocery-anchored, necessity-based retail located in thriving neighbourhoods with superior demographics.

First Capital will be well positioned to continue to strengthen the balance sheet through debt reduction and an improving cost of capital for the long-term, targeting a debt to EBITDA ratio of less than 10x. The REIT will also maintain its reinstated distribution and continue its previously announced NCIB.

About First Capital REIT (TSX: FCR.UN)

First Capital owns, operates and develops grocery-anchored, open-air centres in neighbourhoods with the strongest demographics in Canada.

NON-IFRS FINANCIAL MEASURES

First Capital prepares and releases unaudited interim and audited annual consolidated financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”). As a complement to results provided in accordance with IFRS, First Capital discloses certain non-IFRS financial measures in this press release, including but not limited to FFO, NOI and EBITDA. Since these non-IFRS measures do not have standardized meanings prescribed by IFRS, they may not be comparable to similar measures reported by other issuers. First Capital uses and presents the above non-IFRS measures as management believes they are commonly accepted and meaningful financial measures of operating performance. These non-IFRS measures should not be construed as alternatives to net income or cash flow from operating activities determined in accordance with IFRS as measures of First Capital’s operating performance.

FORWARD-LOOKING STATEMENT ADVISORY

This press release contains forward-looking statements and information within the meaning of applicable securities law, including but not limited to the impact of the pandemic on the REIT and expectations related to the REIT’s ongoing performance and enhanced capital allocation and portfolio optimization plan, including the anticipated monetization of certain properties, the realization and deployment of proceeds and anticipated growth in NOI, EBITDA and FFO per unit. These forward-looking statements are not historical facts but, rather, reflect First Capital’s current expectations and are subject to risks and uncertainties that could cause the outcome to differ materially from current expectations. Such risks and uncertainties include, among others, general economic conditions; tenant financial difficulties, defaults and bankruptcies; increases in operating costs, property taxes and income taxes; First Capital’s ability to maintain occupancy and to lease or release space at current or anticipated rents; development, intensification and acquisition activities; residential development, sales and leasing; risks in joint ventures; environmental liability and compliance costs and uninsured losses; and risks and uncertainties related to the impact of the ongoing pandemic, epidemics or other outbreaks on First Capital which are 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". Additionally, forward-looking statements are subject to those risks and uncertainties discussed in First Capital’s MD&A for the year ended December 31, 2021 and in its current Annual Information Form. Readers, therefore, should not place undue reliance on any such forward-looking statements. First Capital undertakes no obligation to publicly update any such forward-looking 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 press release are made as of the date hereof and are qualified by these cautionary statements. For further information:

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