

First Capital REIT Reaffirms Value-Creation Strategy

Cautions Unitholders that Dori Segal and Ewing Morris Cannot be Trusted

- Unitholders should be skeptical about Dori Segal and Ewing Morris' agenda, which is being advanced under guise of self-serving governance related demands with conflicted director candidates
- The Board continues to work in the best interests of all unitholders to unlock value for ALL unitholders

Toronto, Ontario (October 11, 2022) – First Capital REIT (“First Capital”, “FCR” or the “REIT”) (TSX: FCR.UN) today reaffirmed its commitment to its Enhanced Capital Allocation and Portfolio Optimization Plan as a strategic path to value-creation for unitholders over the short-, medium- and longer-term time horizons.

The Board of Trustees (the “Board”) also cautions unitholders that departed CEO Dori Segal and activist Ewing Morris & Co. Investment Partners Ltd. (“Ewing Morris”) (together, the “Segal Group”) cannot be trusted. The Board is issuing this warning following recent claims and demands that the Segal Group has made publicly to advance a self-serving, short-term agenda to appoint their two conflicted director candidates.

First Capital is Already Unlocking and Increasing Value for ALL Unitholders

As a Canadian REIT with one of the largest pipelines of high-quality development assets, First Capital's industry leading portfolio has substantial embedded value.

First Capital is executing against a clearly defined strategy to unlock this value and generate near- to medium-term funds from operations (FFO) per unit growth, while continuing to undertake initiatives aimed at increasing Net Asset Value per unit and retaining a meaningful long-term development pipeline. This strategy is a result of the Board's extensive review of the REIT's portfolio, unitholder engagement and consideration of alternative value-creation strategies. This approach, along with recent steps to prioritize unit buybacks, honour the REIT's commitment to return the unitholder distribution to its pre-pandemic level, and execute the first of a series of targeted asset sales of low and no-yielding assets, has been well received by unitholders and research analysts.

Further, FCR's unit price and total returns, have exceeded that of the retail REITs (the "Retail REITs") referenced by the Segal Group since the announcement of each of these steps. Regarding our Enhanced Capital Allocation and Portfolio Optimization Plan, leading research analysts have said:

“We view FCR's announced strategic initiatives as steps in the right direction to enhance growth and support a structurally stronger valuation and it should: 1) validate value created (and to be created) in the portfolio... 2) provide capital to reduce leverage and fund additional unit buybacks and developments and 3) improve near-term EBITDA and FFOPU growth while providing a substantial pipeline of drivers to support NAVPU upside.”

Pammi Bir, RBC September 23, 2022

“We think execution = higher unit price.”

Mario Saric, Scotia Capital, September 23, 2022

Accordingly, First Capital firmly believes that there is no basis for the “immediate suspension of asset sales” as demanded by the Segal Group. The Board believes this demand is tactical and made not with the best interests of unitholders, but rather to advance the agenda of the Segal Group.

First Capital Urges Caution with Respect to Activist Ewing Morris and Dori Segal

Ewing Morris cannot be trusted

- The Segal Group is cherry picking data to misrepresent FCR’s performance. The Segal Group deliberately picked performance periods to ignore key dates and time frames which show much different results.
- Prior to the onset of the COVID-19 pandemic, the REIT’s unit price, along with its FFO, AFFO and NAV per unit growth rates, substantially outperformed the average of the Retail REITs. Although FCR’s well-regarded urban property portfolio performed well operationally throughout the pandemic, COVID-19’s impact was perceived to be greater on urban locations, and this translated into an impact on the REIT’s unit price performance. As the impact of COVID-19 has receded, First Capital has again been a leading performer.
- Since the announcement of the REIT’s NCIB on May 16, 2022, the announcement of the restoration of the REIT’s distribution to \$0.86 (on an annualized basis) on September 15, 2022, and the announcement of the REIT’s Enhanced Capital Allocation and Portfolio Optimization Plan on September 22, 2022, which comprise FCR’s go forward strategic and financial plan, the REIT’s units have significantly outperformed the Retail REIT group average and the REIT Index:

	Total Return since FCR’s 2022 Announcements of:		
	NCIB	Distribution Increase	Enhanced Capital Allocation and Portfolio Optimization Plan
First Capital REIT	+1%	-1%	+2%
Retail REIT Average⁽¹⁾	-12%	-8%	-5%
REIT Index⁽²⁾	-16%	-9%	-4%

(1) Retail REITs referenced by the Segal Group include: Choice Properties REIT, Crombie REIT, CT REIT, RioCan REIT, Slate Grocery REIT and SmartCentres REIT.

(2) iShares S&P/TSX Capped REIT Index ETF (XRE) (referenced by the Segal Group).

- The Segal Group also failed to put the performance data in proper context and makes no mention of the fact that FCR has one of the largest development portfolios among Canadian REITs, a factor that will impact the relative performance comparisons to peers as the time horizon to surface the intrinsic value of assets is accordingly over a longer term time horizon. This is well known to Dori Segal, who shared the following with Real Estate News Exchange in June 2019:

“Segal noted some of First Capital’s biggest sites — including Liberty Village and Yorkville Village in Toronto and a large property in Calgary — involved assembling assets over time. Those properties might have initially delivered very low returns, but they fit into long-term plans to create comprehensive properties which probably can’t be duplicated.”

Ewing Morris has been incapable of delivering value for its own investors – why trust them with your investment?

- Ewing Morris does not properly recognize the potential for long-term value creation. In a 2021 letter to its investors, Ewing Morris made the following remark on its poor performance:

“We have left far too much meat on the bone in situations where there was a significant growth story within a deep value stock.”

Ewing Morris LP Letter, January 2021

- Given the long-term upside of the 24 million square feet of development assets in the First Capital portfolio, this admission by an activist investor with a poor track record of performance who considers himself a qualified Board Trustee is particularly concerning.
- Indeed, based on publicly available data, the Ewing Morris equities portfolio appears to be down on average -21% from the fourth quarter of 2021 to year to date 2022. This follows reports of horrendous performance in 2019, 2020 and 2021.

“In a year where most every asset class was up, and up substantially, being fractionally positive is hardly anything to crow about. While the results may have outperformed the interest rate on your chequing account or a bet on the Patriots Super Bowl moneyline, they certainly did not meet our expectations.”

Ewing Morris LP Letter January 2020

“The less we say about 2020 the better. It straight up sucked.”

Ewing Morris LP Letter January 2021

- We question the capabilities of Darcy Morris to 1) act in the best interests of FCR unitholders and 2) have the judgement to support value creation at the REIT.

The Segal Group is hiding information and its true agenda

- In the short-time frame in which the Segal Group has engaged privately and publicly with First Capital it has not been forthcoming about the parties involved or its true agenda.
- Unitholders should ask why Ewing Morris did not disclose it was acting on behalf of departed CEO Dori Segal?
- Ewing Morris has also failed to answer questions about its engagement with other market participants. Although Ewing Morris made the solicitation materials for its planned actions against the REIT publicly available on its website, it has sought to dissemble and deflect direct questions in its engagements with the Board and in its public statements. Unitholders should ask what else is the Segal Group hiding?

The Board of Trustees Will Continue to Act in the Best Interests of ALL Unitholders

The Board will continue to evaluate First Capital's governance and strategy in a manner that best serves all unitholders. The Board has an active unitholder engagement program and is open to constructive input from unitholders.

First Capital has always been committed to Board refreshment and since 2018 has appointed five new Trustees. Unitholders should be skeptical about the Segal Group's agenda which is being advanced under the guise of self-serving governance related demands with conflicted director candidates who are beholden to Dori Segal.

Advisors

Kingsdale Advisors is acting as strategic shareholder advisor to First Capital. Gagnier Communications is acting as communications advisor to First Capital. Stikeman Elliott LLP is acting as legal counsel to the Board of Trustees. RBC Capital Markets is acting as financial advisor to First Capital.

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.

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 expectations related to the REIT's ongoing performance and enhanced capital allocation and portfolio optimization plan. 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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