FIRST
CAPITAL

2022
THIRD QUARTER REPORT

Certain statements contained in this MD&A constitute forward-looking statements and information within the meaning of applicable securities law, including but not limited to statements made with respect to the impact of the 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 November 1, 2022 and are qualified by these cautionary statements.

COMPANY PROFILE

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

Business and Strategy Overview

Our business

First Capital Real Estate Investment Trust, with **$10 billion** in assets, owns, operates and develops grocery-anchored, open-air centres in neighbourhoods with the strongest demographics in Canada.

Our purpose

Through the expertise and collaboration of our team, we create thriving properties which generate value for businesses, investors and our neighbourhoods. Thriving properties...Thriving neighbourhoods.

Our grocery-anchored, open-air centres are designed to be vibrant places that meet the needs of everyday life- bring together people, retail shops and services, public art, and access to public transportation.

Our operations

YYZ
TORONTO HEADQUARTERS

FCR.UN
LISTED ON TSX

145
NEIGHBOURHOODS

22.2M
SQ. FT. OF GLA

>2,400
TENANTS

360
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 2021 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 investment strategy

Creating thriving properties in 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 super urban and top-tier suburban 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
- **Orienting our capital allocation** towards more impactful uses, through the monetization of a portion of our growing roster of density entitlements and certain other assets where value-creation objectives have been achieved
- **Actively managing our balance sheet** to maintain financial strength and flexibility and a competitive cost of capital

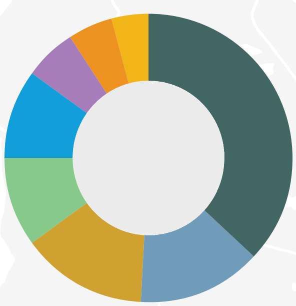
Our target markets

We target specific super urban and top-tier suburban neighbourhoods within Canada's largest and fastest growing cities.

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

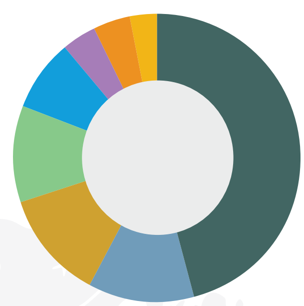
Within each of these markets, we own some of the best located properties in neighbourhoods with strong demographics that we expect will continue to get stronger over time, thereby attracting the most desirable tenants with the highest rent growth potential and the most compelling opportunities for value creation.

Urban Markets



	% of Annual Minimum Rent*	% of Portfolio Value*
Greater Toronto Area	40%	49%
Greater Montreal Area	14%	12%
Greater Calgary Area	13%	11%
Greater Vancouver Area	10%	11%
Greater Edmonton Area	10%	7%
Greater Ottawa Area	5%	4%
Kitchener/Waterloo/Guelph Area	5%	4%
Other	3%	2%
Total	**100%**	**100%**

*As at September 30, 2022



Creating thriving properties 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 super urban and top-tier suburban neighbourhoods.

Strategic and Diversified Retail Tenant Mix – 3,897 stores

	# of Stores	% of Rent
Other Necessity-Based Retailers	460	17.7
Grocery Stores	124	17.3
Medical, Professional & Personal Services	1,301	15.7
QSR, Chains & Cafes	911	13.4
Pharmacies	118	9.2
Other Tenants	466	8.7
Banks & Credit Unions	184	8.1
Fitness Facilities	76	3.7
Liquor Stores	88	3.1
Other Restaurants	65	1.5
Daycare & Learning Centres	104	1.6

As at September 30, 2022

24 million square feet of incremental density within our existing portfolio

30 public art installations across our portfolio

Actively managing our assets

We view proactive management of our portfolio as a core competency and an important part of our strategy.

Proactive management means we continually invest in our properties to ensure they retain their market leading position. We strive to maintain the highest standards in design, appearance and customer amenities in our properties including the addition of public art installations and enhancing connectivity to transit and the local community. We are highly focused on maximizing the value and competitive position of our properties, by proactively evolving our tenant mix to attract the right tenants with the highest rent growth potential.

Our executive leadership team is centralized at our head office in Toronto, which ensures that best practices, procedures and standards are applied consistently across our operating markets through local teams.

Measuring our progress

As we continue to advance our real estate strategy, we measure our progress through a number of key metrics.

Portfolio Metrics

We define a super urban or top-tier suburban property based on its proximity to transit, its "Walk Score", and most importantly its population density. We 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 amongst our North American peers 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 include disclosures aligned with the Sustainability Accounting Standards Board (SASB) and the United Nations Sustainable Development Goals (UNSDGs). Our 2021 ESG Report included our inaugural Report on the Task Force for Climate-Related Financial Disclosures. 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 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:

Achieved 4-Star Rating in the 2022 GRESB Real Estate Assessment with a score of 82

AA

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

Awarded Gold 2022 Green Lease Leader Recognition by the Institute for Market Transformation (IMT) and the U.S. Department of Energy's Better Building Alliance

AWARDED PRIME STATUS FOR CORPORATE ESG PERFORMANCE by Institutional Shareholder Services in 2022

Our ESG Priorities and Progress

ENVIRONMENTAL

Reduce our carbon emissions and energy use

- 14% reduction in absolute greenhouse gas (GHG) emissions over 5 years (2017-2021)
- Commited to establish a science-based 2030 GHG emissions reduction target, with a goal of net-zero emissions by 2050, or sooner
- 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; 79% 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 (126 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); Inaugural TCFD report included in our 2021 ESG Report
- 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
- Established employee-led Equity, Diversity & Inclusion (ED&I) Council and launched the Building an FCR for Everyone 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
- 86% employee engagement score in our 2021 employee survey

Be a good corporate citizen in the communities we operate

- Long-standing support of public arts, now with 30 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 $338,000
- Raised more than $100,000 for Kids Help Phone as part of FCR's Thriving Neighbourhoods Foundation's 2022 Commercial Real Estate Softball Classic baseball tournament
- Participation in numerous local neighbourhood and community volunteer events

GOVERNANCE

Have a strong governance framework in place that:

- Reflects our values
- Ensures effective governance practices are followed
- Ensures the Board functions independently of management
- Ensures diversity is considered in determining optimal board composition

Strive to be a governance leader by making it a priority to:

- Continuously adopt new and improved governance practices
- Follow recommendations as governance standards evolve

Monitor our progress:

- Reviewing our annual governance scores from ISS, the Globe and Mail Board Games and other similar rankings with our Board
- Providing opportunities for our unitholders to communicate directly with our Board

At First Capital, we aspire to uphold our position as an industry leader in ESG. We strive for performance excellence at our properties and new developments, creating thriving, healthy, sustainable urban neighbourhoods. We foster a vibrant corporate culture that ensures equal opportunity and well-being for all employees. Through our actions we will continue to create long-term value for all of our stakeholders. For more information on the Company's ESG practices, please refer to the latest ESG report on the Company's website at **www.fcr.ca/esg.**

MD&A

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

INTRODUCTION

This Management's Discussion and Analysis ("MD&A") of the financial position and results of operations of First Capital Real Estate Investment Trust ("First Capital", "FCR" or the "Trust") is intended to provide readers with an assessment of performance and summarize the financial position and results of operations for the three and nine months ended September 30, 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 November 1, 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.

CURRENT BUSINESS ENVIRONMENT AND OUTLOOK

During the third quarter, challenges related to high and persistent inflation, driven by higher food and energy costs and broad year-over-year price increases across the CPI-basket, continued to impact the economy, consumer spending and interest rates. The persistence of inflationary forces has amplified the Bank of Canada's resolve towards a more restrictive monetary policy, including quantitative tightening and higher interest rates. In this regard, the Bank of Canada's overnight lending rate has increased by 350 basis points thus far in 2022 and in its late October 2022 statement it reiterated prior guidance, stating "Given elevated inflation and inflation expectations, as well as ongoing demand pressures in the economy, the Governing Council expects that policy interest rate will need to rise further".

On September 15, 2022, the Trust announced that its Board of Trustees approved an increase in FCR's regular monthly distribution to $0.072 per unit, which equates to an annualized rate of approximately $0.86 per unit. First Capital temporarily reduced its distribution in January 2021 to mitigate the risks associated with the ongoing COVID-19 pandemic at the time. Through the benefit of significant retained capital, the reduced distribution rate provided First Capital with additional financial flexibility through this period of heightened uncertainty. With the challenges related to the pandemic having subsided and their impacts on the FCR portfolio having largely passed, and the Trust's requirement to distribute all its taxable income, FCR's Board deemed it appropriate to return the monthly distribution rate to the pre-2021 level.

While the health impacts of the SARS-CoV-2 virus across the population appears to have waned, and the virus is increasingly cited as endemic, the recurrence of variants of concern will remain a key public health risk that bears ongoing monitoring.

First Capital's high-quality grocery-anchored and mixed-use portfolio continues to be resilient and has a demonstrated track record of producing strong cash collections, solid leasing volumes, and growth in its average net rental rate through economic cycles.

Enhanced Capital Allocation and Portfolio Optimization Plan

Near the end of the third quarter, the Trust announced its Enhanced Capital Allocation and Portfolio Optimization Plan, which aims to monetize more than $1 billion of low-yielding and sought-after assets over a two-year period where value-enhancing goals have been achieved. The objective of the Enhanced Capital Allocation and Portfolio Optimization Plan is to capitalize on the successful strategies employed on specific assets that are now prime for monetization. This will re-orient the REIT's portfolio by increasing short- to medium-term net operating income and FFO growth, while at the same time maintaining a prudent yet meaningful pipeline of development assets that provide significant flexibility to the REIT and, reducing debt.

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 $1 billion 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 Trust 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.

Execution of the monetization program has commenced, and on October 3, 2022, the REIT announced that it had entered into a firm agreement to sell its remaining 50% non-managing interest in the residential component of King High Line, located at 1100 King Street West in Toronto, for gross proceeds of $149 million. The sale price equated to a capitalization rate of less than 3% on in-place net operating income and it was a premium to the carrying value of the property.

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. FCR's Real Estate Services Team continues to focus on property improvements, customer amenities, and merchandising mix or tenant uses that are most in demand to serve the communities and neighbourhoods in which the Trust operates.

Managing the balance sheet

With the announcement of the Trust's Enhanced Capital Allocation and Portfolio Optimization Plan, First Capital is well positioned to continue to strengthen its financial position through debt reduction and an improving cost of capital over the long-term, targeting a net debt to EBITDA ratio of less than 10x. As of November 1, 2022, the Trust's liquidity position included approximately $900 million of cash and undrawn credit facilities with remaining debt maturities for 2022 totaling $250 million. As at September 30, 2022, the Trust had unencumbered properties with an IFRS value of approximately $6.8 billion and a net debt to asset ratio of 45.4%.

Normal Course Issuer Bid ("NCIB")

Since the beginning of 2019, the REIT has completed approximately $1.5 billion of dispositions, while continuing to invest meaningfully in the business. Collectively, these activities achieved several of First Capital's strategic objectives, including strengthening the balance sheet and significantly improving the composition of the REIT's real estate portfolio. Notably, FCR has met these objectives while selling properties at prices generally above their respective IFRS values.

Commencing on May 18, 2022, First Capital implemented an NCIB pursuant to which it may repurchase its trust units for cancellation. The substantial disconnect that currently exists between the intrinsic value of the REIT's units and their publicly traded price presents a significant opportunity to generate value through the repurchase of trust units. Therefore, from time to time, the purchase of FCR trust units at certain market prices below NAV presents an attractive use of the REIT's capital that should afford additional value and liquidity for the issued and outstanding units, while benefiting remaining Unitholders by increasing their proportionate equity interest in the REIT. As of September 30, 2022, the REIT has repurchased 6.0 million Trust units for approximately $91.5 million.

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 $241.5 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

In addition to the Trust's recently approved Enhanced Capital Allocation and Portfolio Optimization Plan, First Capital's approach to property dispositions is more broadly 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.

Development initiatives

Management continually monitors economic and capital market forces and their potential impact on the portfolio, including properties under development. As of September 30, 2022, FCR had approximately 0.6 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

As the world economy adjusts towards a post pandemic environment and living with SARS-CoV-2, new challenges have emerged, including broadening and persistent inflation and significant increases in interest rates, which in turn have amplified capital markets volatility and concerns related to future economic growth, or recession. There remain uncertainties with respect to the more lasting after-effects of the pandemic on the economy at large, as well as 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 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, equating to low re-leasing risk for potential vacancy because of COVID-19. This has proven true thus far, with a limited volume of space that has become vacant, some of which has been re-leased.

First Capital will continue to be guided by its corporate responsibility and sustainability program, and values. The core beliefs of collaboration, innovation, excellence, accountability, and passion continue to be demonstrated throughout all areas of the organization.

NON-IFRS FINANCIAL MEASURES

In addition to measures determined in accordance with International Financial Reporting Standards ("IFRS"), First Capital uses non-IFRS financial measures to analyze its financial performance. In Management's view, such non-IFRS financial measures are commonly accepted and meaningful indicators of financial performance in the real estate industry and provide useful supplemental information to both Management and investors. These measures do not have a standardized meaning prescribed under IFRS and therefore may not be comparable to similar measures presented by other real estate entities, and should not be construed as an alternative to other financial measures determined in accordance with IFRS.

The following describe the non-IFRS measures First Capital currently uses in evaluating is financial performance.

Proportionate Interest

"Proportionate interest" or "Proportionate share" is defined by Management as First Capital's proportionate share of revenues, expenses, assets and liabilities in all of its real estate investments. Under IFRS, FCR's nine equity accounted joint ventures are presented on one line item in the consolidated balance sheets and the consolidated statements of income (loss), in aggregate. In the "Non-IFRS Reconciliations and Financial Measures" section of this MD&A, Management presents a consolidated balance sheet and income statement as if its joint ventures were proportionately consolidated. In addition, Management presents certain tables relating to its portfolio by geographic region, enterprise value, and debt metrics on a proportionate basis to enhance the relevance of the information presented. The presentation of financial information at FCR's proportionate interest provides a useful and more detailed view of the operation and performance of First Capital's business and how Management operates and manages the business. This presentation also depicts the extent to which the underlying assets are leveraged, which are included in First Capital's debt metrics. In addition, FCR's lenders require Management to calculate its debt metrics on a proportionate interest basis.
To achieve the proportionate presentation of its nine equity accounted joint ventures, Management allocates FCR's proportionate share of revenues, expenses, assets, and liabilities to each relevant line item which replaces the one line presentation found in the IFRS consolidated financial statements. In addition, under IFRS, FCR exercises control over two partially owned ventures and consolidates 100% of the revenues, expenses, assets, and liabilities in the consolidated financial statements. In the reconciliations, the partially owned ventures are also presented as if they were proportionately consolidated. To achieve the proportionate presentation of its partially owned ventures, Management subtracts the non-controlling interest's share (the portion FCR doesn't own) of revenue, expenses, assets, and liabilities on each relevant line item. FCR does not independently control its joint ventures that are accounted for using the equity method, and the proportionate presentation of these joint ventures does not necessarily represent FCR's legal claim to such items.

Net Operating Income

Net Operating Income ("NOI") is defined by Management as property rental revenue less property operating costs. NOI is a commonly used metric for analyzing real estate performance in Canada by real estate industry analysts, investors and Management. Management believes that NOI is useful in analyzing the operating performance of First Capital's portfolio.

Total Same Property NOI

Total Same Property NOI ("SP NOI") is defined by Management as NOI from properties categorized as "Same Property — stable" and "Same Property with redevelopment" (see definitions under "Real Estate Investments — Investment Property Categories" section of this MD&A). NOI from properties that have been (i) acquired, (ii) disposed, (iii) included in major redevelopment, ground-up development, properties under construction, and density and development land or (iv) held for sale are excluded from the determination of SP NOI. SP NOI is presented on a cash basis, as it excludes straight-line rent. Management believes that SP NOI is a useful measure in understanding period over period changes in cash NOI for its Same Property portfolio due to occupancy, rental rates, operating costs and realty taxes. A reconciliation from SP NOI to total NOI can be found in the "Results of Operations - Net Operating Income" section of this MD&A.

Same Property — Stable NOI

Same Property — stable NOI is defined by Management as NOI from stable properties where the only significant activities are leasing and ongoing maintenance (see complete definition under "Real Estate Investments — Investment Property Categories" section of this MD&A). Management believes that Same Property — stable NOI is a useful measure in understanding period over period changes in cash NOI for its largest category of properties.

Funds from Operations

Funds from Operations ("FFO") is a recognized measure that is widely used by the real estate industry, particularly by publicly traded entities that own and operate income-producing properties. First Capital calculates FFO in accordance with the recommendations of the Real Property Association of Canada ("REALPAC") as published in its most recent 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 February 2019.

Management considers ACFO a meaningful metric to measure operating cash flows as it represents sustainable cash available to pay distributions to Unitholders. ACFO includes a number of adjustments to cash flow from operations under IFRS including, eliminating seasonal and non-recurring fluctuations in working capital, adding cash flows associated with equity accounted joint ventures and deducting actual revenue sustaining capital expenditures and actual capital expenditures recoverable from tenants. Lastly, ACFO includes an adjustment to exclude the non-controlling interest's portion of cash flow from operations under IFRS, attributed to FCR's consolidated joint venture. A reconciliation of cash flow from operations under IFRS to ACFO can be found in the "Non-IFRS Reconciliations and Financial Measures — FFO, 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, AFFO and ACFO Payout Ratios

FFO, AFFO 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 AFFO payout ratio is calculated using distributions declared per unit divided by AFFO 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 (19.3 million square feet at its ownership interest compared to 22.2 million square feet at 100% as at September 30, 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 its operations on a geographical or any other basis and, accordingly, has a single reportable segment for disclosure purposes. As a result, effective January 1, 2021, the Trust has one reportable segment for financial reporting purposes which comprises the ownership, management and development of investment properties located across Canada.

SUMMARY CONSOLIDATED INFORMATION AND HIGHLIGHTS

	Three months ended September 30		Nine months ended September 30	
	2022	2021	**2022**	2021
Revenues, Income and Cash Flows [1]				
Revenues and other income	**$ 176,599**	$ 167,995	**$ 531,391**	$ 511,640
NOI [2]	**$ 107,219**	$ 103,078	**$ 314,340**	$ 306,620
Increase (decrease) in value of investment properties, net	**$ (271,048)**	$ 21,396	**$ (378,645)**	$ 172,621
Increase (decrease) in value of hotel property	**$ —**	$ 448	**$ —**	$ 1,039
Net income (loss) attributable to Unitholders	**$ (204,722)**	$ 181,526	**$ (202,369)**	$ 431,502
Net income (loss) per unit attributable to Unitholders (diluted)	**$ (0.95)**	$ 0.82	**$ (0.92)**	$ 1.95
Weighted average number of units - diluted (in thousands)	**216,008**	220,899	**219,195**	220,794
Cash provided by operating activities	**$ 52,810**	$ 50,590	**$ 174,413**	$ 166,038
Distributions				
Distributions declared	**$ 30,811**	$ 23,709	**$ 78,071**	$ 71,094
Distributions declared per unit	**$ 0.144**	$ 0.108	**$ 0.360**	$ 0.324
Cash distributions paid	**$ 23,169**	$ 23,704	**$ 70,587**	$ 78,908
Cash distributions paid per unit	**$ 0.108**	$ 0.108	**$ 0.324**	$ 0.324

As at September 30	**2022**	2021
Financial Information [1]		
Investment properties [3]	**$ 8,802,830**	$ 9,225,364
Hotel property	**$ 84,096**	$ 88,000
Total assets	**$ 9,829,570**	$10,186,252
Mortgages [3]	**$ 1,217,104**	$ 1,263,425
Credit facilities	**$ 1,008,472**	$ 948,495
Senior unsecured debentures	**$ 2,148,686**	$ 2,347,895
Exchangeable Units	**$ 908**	$ 1,807
Unitholders' equity	**$ 4,291,030**	$ 4,608,489
Net Asset Value per unit [2]	**$ 23.47**	$ 23.99
Capitalization and Leverage		
Trust Units outstanding (in thousands)	**213,715**	219,529
Exchangeable Units outstanding (in thousands)	**60**	103
Enterprise value [2]	**$ 7,679,546**	$ 8,397,854
Net debt to total assets [2] [4]	**45.4%**	44.9%
Weighted average term to maturity on mortgages, fixed rate unsecured term loans and senior unsecured debentures (years)	**3.6**	4.2

As at September 30	2022	2021
Operational Information		
Number of neighbourhoods	**145**	148
GLA (square feet) - at 100%	**22,213,000**	22,736,000
GLA (square feet) - at ownership interest	**19,326,000**	19,853,000
Occupancy - Same Property - stable (2)	**95.9%**	96.0%
Total portfolio occupancy	**95.7%**	95.9%
Development pipeline and adjacent land (GLA) (5)		
Commercial pipeline (primarily retail)	**1,744,000**	1,635,000
Residential pipeline	**22,088,000**	22,275,000
Weighted average rate per occupied square foot	**$ 22.80**	$ 22.24
Commercial GLA developed and transferred online - at ownership interest (6)	**15,000**	181,000
Residential units developed and transferred online (6)	**—**	399
Same Property - stable NOI - increase (decrease) over prior period (2) (7)	**4.4%**	6.3%
Total Same Property NOI - increase (decrease) over prior period (2) (7)	**4.4%**	6.6%

	Three months ended September 30		Nine months ended September 30	
	2022	2021	**2022**	2021
Funds from Operations (2) (4)				
FFO	**$ 66,575**	$ 59,047	**$ 182,610**	$ 190,160
FFO per diluted unit	**$ 0.31**	$ 0.27	**$ 0.83**	$ 0.86
FFO payout ratio	**46.8%**	40.4%	**43.2%**	37.6%
Weighted average number of units - diluted (in thousands)	**216,008**	220,899	**219,195**	220,794
Adjusted Funds from Operations (2) (4)				
AFFO	**$ 54,489**	$ 53,319	**$ 153,762**	$ 170,645
AFFO per diluted unit	**$ 0.25**	$ 0.24	**$ 0.70**	$ 0.77
AFFO payout ratio	**57.1%**	44.8%	**51.4%**	41.9%
Weighted average number of units - diluted (in thousands)	**216,008**	220,899	**219,195**	220,794
Adjusted Cash Flow from Operations (2) (4)				
ACFO	**$ 56,949**	$ 70,710	**$ 176,324**	$ 182,720
ACFO payout ratio on a rolling four quarter basis			**39.7%**	52.0%

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

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

(3) Includes properties and mortgages classified as held for sale.

(4) Reflects joint ventures proportionately consolidated. Total assets excludes cash balances. Refer to the "Non-IFRS Financial Measures – *Proportionate Interest*" section of this MD&A.

(5) At First Capital's ownership interest.

(6) During the nine months ended September 30.

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

BUSINESS AND OPERATIONS REVIEW

Real Estate Investments

Investment Property Categories

First Capital categorizes its properties for the purposes of evaluating operating performance including Total Same Property NOI. This enables FCR to better reflect its development, redevelopment and repositioning activities on its properties, including density and land use intensification, and its completed and planned disposition activities. In addition, FCR revises comparative information to reflect property categories consistent with current period status. The property categories are as follows:

Total Same Property consisting of:

Same Property **–** *stable* **–** includes stable properties where the only significant activities are leasing and ongoing maintenance. Properties that will be undergoing a redevelopment in a future period, including adjacent parcels of land, and those having planning activities underway are also in this category until such development activities commence. At that time, the property will be reclassified to either Same Property with redevelopment or to major redevelopment.

Same Property with redevelopment **–** includes properties that are largely stable, including adjacent parcels of land, but are undergoing incremental redevelopment or expansion activities (pads or building extensions) which intensify the land use. Such redevelopment activities often include façade, parking, lighting and building upgrades.

Major redevelopment **–** includes properties in planning or recently completed multi-year redevelopment projects with significant intensification, reconfiguration and building and tenant upgrades.

Ground-up development **–** consists of recently completed new construction, either on a vacant land parcel typically situated in an urban area or on an urban land site with conversion of an existing vacant building to retail use.

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

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

Acquisitions and dispositions **–** consists of properties acquired during the period including those in close proximity to existing properties. Dispositions include information for properties disposed of in the period.

Investment properties classified as held for sale **–** consists of properties that meet the held for sale criteria under IFRS.

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

Portfolio Overview

As at September 30, 2022, First Capital had interests in 145 neighbourhoods, which were 95.7% occupied with a total GLA of 19.3 million square feet at FCR's ownership interest (22.2 million square feet at 100%) and a fair value of $9.2 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 133 neighbourhoods with a total GLA of 18.3 million square feet at FCR's ownership interest (21.0 million square feet at 100%) and a fair value of $8.0 billion. These properties represent 92% of FCR's neighbourhood count, 95% of its GLA at FCR's ownership interest and 87% of its fair value as at September 30, 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	September 30, 2022					December 31, 2021				
Property Type [1]	% of Total GLA	GLA (000's sq. ft.)	Fair Value [2]	Occupancy	Weighted Average Rate per Occupied Square Foot	% of Total GLA	GLA (000's sq. ft.)	Fair Value [2]	Occupancy	Weighted Average Rate per Occupied Square Foot
Same Property – stable	91.6%	17,699	$ 7,764	95.9%	$ 22.85	90.1%	17,711	$ 8,086	96.0%	$ 22.69
Same Property with redevelopment	3.1%	594	214	96.4%	20.79	3.3%	648	217	96.2%	19.57
Total Same Property	94.7%	18,293	7,978	96.0%	22.79	93.4%	18,359	8,303	96.0%	22.58
Major redevelopment	4.0%	760	236	89.7%	21.11	4.4%	851	270	97.3%	18.21
Ground-up development	0.4%	86	133	89.7%	32.68	0.4%	86	128	89.7%	32.68
Properties under construction	—%	—	76	—%	—	—%	—	16	—%	—
Acquisitions [3]	0.4%	85	85	88.1%	27.06	0.1%	10	22	100.0%	52.83
Density and Development land [4] [5]	0.2%	39	383	93.7%	23.24	0.2%	40	391	99.3%	21.69
Investment properties classified as held for sale	0.3%	63	320	98.1%	29.18	0.3%	67	302	94.1%	26.11
Dispositions [6]	—%	—	—	—%	—	1.2%	244	99	99.1%	19.50
Total	100.0%	19,326	$ 9,211	95.7%	$ 22.80	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 September 30, 2022 and December 31, 2021, respectively.

(3) Includes current year and prior year acquisitions.

(4) Approximately $35 million (December 31, 2021 - $5 million) of density and development land is included in acquisitions as at September 30, 2022.

(5) Approximately $113 million (December 31, 2021 - $108 million) of density and development land is included in investment properties classified as held for sale as at September 30, 2022.

(6) Comparative information presented relates to 2022 dispositions that have been completed and no longer form part of these metrics as at September 30, 2022. As at December 31, 2021, approximately $10 million of density and development land is included in dispositions.

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

As at	September 30, 2022							December 31, 2021						
(millions of dollars, except other data) Area	Number of Neighbour-hoods	GLA (000's 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 (000's sq. ft.)	Fair Value[1]	% of Total Fair Value	Occupancy	Weighted Average Rate per Occupied Square Foot	% of Annual Minimum Rent
Greater Toronto	51	6,752	$ 4,520	49%	95.6%	$ 26.25	40%	50	6,862	$ 4,599	48%	96.0%	$ 25.73	40%
Greater Montreal	28	3,601	1,085	12%	95.4%	17.31	14%	28	3,586	1,140	12%	95.9%	17.12	14%
Greater Calgary	15	2,380	1,009	11%	92.4%	25.16	13%	15	2,380	1,081	11%	93.9%	24.93	13%
Greater Vancouver	15	1,607	1,040	11%	97.0%	27.96	10%	15	1,613	1,032	11%	96.3%	27.35	10%
Greater Edmonton	10	2,214	676	7%	97.0%	19.37	10%	11	2,256	754	8%	96.8%	19.39	10%
Greater Ottawa	12	1,021	328	4%	98.2%	19.40	5%	13	1,182	379	4%	98.4%	18.98	5%
KW/Guelph [2]	5	994	343	4%	98.6%	19.89	5%	5	1,047	338	4%	96.5%	19.04	5%
Other	9	757	210	2%	93.6%	18.64	3%	9	731	208	2%	98.1%	18.48	3%
Total	145	19,326	$ 9,211	100%	95.7%	$ 22.80	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 September 30, 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:

	Nine months ended September 30, 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	**61**	**—**	**61**
Development activities and property improvements	**92**	**6**	**98**
Increase (decrease) in value of investment properties, net	**(379)**	**—**	**(379)**
Dispositions	**(98)**	**—**	**(98)**
Other changes	**—**	**(1)**	**(1)**
Balance at end of period [1]	**$ 8,803**	**$ 324**	**$ 9,127**

[1] Includes investment properties classified as held for sale as at September 30, 2022 totaling $322 million ($320 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 nine months ended September 30, 2022, as part of the Trust's strategy of expanding positions in key neighbourhoods, First Capital acquired interests in five Toronto properties and a 50% managing interest in a shopping centre located in Pickering, 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
4.	70 Montgomery Avenue	Toronto, ON	Q2	100%	—	0.1	3.6
5.	Amberlea Shopping Centre	Pickering, ON	Q3	50%	50,088	6.3	23.0
6.	64 Montgomery Avenue	Toronto, ON	Q3	100%	—	0.1	2.5
	Total				74,868	7.1	$ 60.5

2022 Dispositions

During the nine months ended September 30, 2022, First Capital disposed of three income-producing properties, and three parcels of excess land for $98.1 million. These dispositions are summarized in the table below:

Count	Property Name	City/Province	Quarter Sold	Interest Sold	GLA (sq. ft.)	Acreage	Gross Sales Price (in millions)
1.	Carrefour St-Hubert (land)	St-Hubert, QC	Q1	100%	—	1.0	
2.	Staples Gateway	Edmonton, AB	Q2	100%	39,879	2.9	
3.	La Porte de Gatineau	Gatineau, QC	Q3	100%	161,496	16.4	
4.	Bayview Lane Plaza	Markham, ON	Q3	100%	43,052	3.6	
5.	Derry Heights Plaza (land)	Milton, ON	Q3	100%	—	4.1	
6.	Place Portobello (land)	Brossard, QC	Q3	100%	—	0.2	
	Total				244,427	28.2	$ 98.1

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:

Nine months ended September 30			**2022**			2021
	Capital Expenditures	**Adjustments for Proportionate Interest**	**Proportionate Interest [1]**	Capital Expenditures	Adjustments for Proportionate Interest	Proportionate Interest [1]
Revenue sustaining	**$ 16,280**	**$ 136**	**$ 16,416**	$ 10,726	$ 3	$ 10,729
Revenue enhancing	**24,941**	**41**	**24,982**	28,690	3	28,693
Expenditures recoverable from tenants	**7,357**	**—**	**7,357**	2,385	—	2,385
Development expenditures	**43,600**	**5,773**	**49,373**	83,640	(8,663)	74,977
Sub-total	**$ 92,178**	**$ 5,950**	**$ 98,128**	$ 125,441	$ (8,657)	$ 116,784
Residential Inventory	**$ 20,715**	**$ (98)**	**$ 20,617**	$ 11,032	$ 909	$ 11,941
Total	**$ 112,893**	**$ 5,852**	**$ 118,745**	$ 136,473	$ (7,748)	$ 128,725

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

Capital expenditures for the nine months ended September 30, 2022 were $118.7 million, which was $10.0 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 September 30, 2022 and December 31, 2021:

As at and for the three and nine months ended *(millions of dollars)*						**September 30, 2022**
Property Type	**Valuation Method**	**Fair Value**	**Adjustments for Proportionate Interest**	**Proportionate Interest [1]**	**Net Operating Income [1]**	
Same Property - stable	DCF [2]	**$ 7,619**	**$ 61**	**$ 7,680**	**$ 97**	**$ 286**
Same Property with redevelopment	DCF [2]	**214**	**—**	**214**	**3**	**9**
Total Same Property		**$ 7,833**	**$ 61**	**$ 7,894**	**$ 100**	**$ 295**
Major redevelopment	DCF [2]	**236**	**—**	**236**	**3**	**9**
Ground-up development	DCF [2]	**50**	**83**	**133**	**1**	**2**
Properties under construction	DCF [2], Cost [2]	**78**	**(2)**	**76**	**—**	**—**
Acquisitions	DCF [2], Cost [2]	**77**	**8**	**85**	**—**	**1**
Density and Development Land [3] [4]	Cost [2], comparable land sales	**207**	**176**	**383**	**—**	**1**
Investment properties classified as held for sale	DCF [2], comparable land sales	**322**	**(2)**	**320**	**2**	**4**
Dispositions	N/A	**—**	**—**	**—**	**1**	**3**
Total investment properties		**$ 8,803**	**$ 324**	**$ 9,127**	**$ 107**	**$ 315**
NOI related to other investments					**3**	**3**
Total NOI					**$ 110**	**$ 318**

(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 $113 million ($113 million at First Capital's share) of density and development land is included in investment properties classified as held for sale.

(4) Approximately $30 million ($35 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]	$ 7,938	$ 63	$ 8,001	$ 371
Same Property with redevelopment	DCF [3]	217	—	217	11
Total Same Property		$ 8,155	$ 63	$ 8,218	$ 382
Major redevelopment	DCF [3]	270	—	270	14
Ground-up development	DCF [3]	46	82	128	1
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	223	168	391	1
Investment properties classified as held for sale	DCF [3], comparable land sales	304	(2)	302	5
Dispositions [6]	N/A	99	—	99	11
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 $108 million ($108 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 $10 million ($10 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 September 30, 2022, the weighted average valuation yields (stabilized overall capitalization, terminal, and discount rates) used in valuing those investment properties under the Income Approach increased from December 31, 2021.

During the third quarter of 2022, as part of its normal course internal valuations, the Trust made revisions to stabilized capitalization rates, discount rates, and terminal capitalization rates to reflect current market conditions and rising interest rates. As a result, an overall decrease in the value of investment properties was recorded in the amount of $271.0 million ($271.7 million at FCR's share) for the three months ended September 30, 2022. For the nine months ended September 30, 2022, an overall decrease in the value of investment properties was recorded in the amount of $378.6 million ($379.3 million at FCR's share).

The associated stabilized capitalization rates by major market for FCR's investment properties valued under the Income Approach were as follows as at September 30, 2022 and December 31, 2021:

As at September 30, 2022	**Stabilized Capitalization Rate**		
Area	**Weighted Average**	**Median**	**Range**
Greater Toronto	**4.7%**	**4.9%**	**3.0%-7.3%**
Greater Montreal	**5.8%**	**5.8%**	**5.0%-7.3%**
Greater Calgary	**5.5%**	**5.6%**	**5.2%-6.3%**
Greater Vancouver	**4.3%**	**4.4%**	**3.5%-5.3%**
Greater Edmonton	**6.3%**	**6.0%**	**5.3%-7.0%**
Greater Ottawa	**5.9%**	**5.8%**	**5.0%-6.8%**
KW/Guelph [1]	**5.6%**	**5.5%**	**5.3%-6.0%**
Other	**5.9%**	**5.8%**	**5.0%-7.0%**
Weighted Average	**5.1%**	**5.5%**	**3.0%-7.3%**

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.

Property Development Activities

As at September 30, 2022, the Trust's share of properties under construction, residential inventory and density and development land totaled approximately $763 million. These non-income producing properties represent approximately 8% of the Trust's total portfolio value and consists of development land, adjacent land parcels, properties slated for redevelopment with limited income and properties in active development. As at September 30, 2022, the invested cost of these non-income producing properties was $651 million as compared to a fair value of $763 million. Cumulative gains of approximately $112 million have been recognized to date and are expected to grow over time as development projects are entitled, advanced and completed.

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

Development Pipeline

As at September 30, 2022, First Capital's portfolio is comprised of 19.3 million square feet of GLA at FCR's ownership interest. Substantially all of this GLA is located in Canada's six largest urban growth markets which are undergoing significant land use intensification. As such, Management has identified meaningful incremental density available for future development within its existing portfolio. As at September 30, 2022, Management had identified approximately 23.8 million square feet of incremental density. This incremental density represents an opportunity that exceeds FCR's existing portfolio.

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

As a substantial part of the portfolio is located in urban markets where significant land use intensification continues to occur, Management expects future incremental density will continue to grow and provide First Capital with increased opportunity to redevelop its generally low density properties.

A breakdown of the properties under construction, density and development land, and residential inventory within the portfolio by component and type is as follows:

As at September 30, 2022	Square feet *(in thousands)*				Value recognized [1][2]
	Commercial	Residential	Total [1]	Recognized to date [2]	*(in millions)*
Properties under construction	**244**	**24**	**268**	**268**	**$ 76**
Density and development land					
Medium term	1,300	11,000	12,300		
Long term	100	6,700	6,800		
Very long term	100	4,000	4,100		
	1,500	**21,700**	**23,200**	**7,180**	**$ 531**
Residential inventory	**—**	**364**	**364**	**364**	**$ 156**
Total development pipeline	**1,744**	**22,088**	**23,832**	**7,812**	**$ 763**

(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 7.8 million or 33% of FCR's 23.8 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 $531 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 September 30, 2022, the invested cost of the density and development land recognized in the Trust's proportionate balance sheet totaled $430 million representing acquisition cost and pre-development costs to date.

As at September 30, 2022 [1] *(in millions)*		**Unencumbered**	**Encumbered**	**Fair Value**
Development land	Unzoned	$ 73	$ 12	$ 85
	Zoned	244	—	244
	Total	**317**	**12**	**329**
IPP with density	Unzoned	71	—	71
	Zoned	131	—	131
	Total	**202**	**—**	**202**
Value of density and development land		**$ 519**	**$ 12**	**$ 531**

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

The remaining 16.0 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 area.

Development Pipeline by Urban Market

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

As at September 30, 2022 *(in thousands of square feet)*	Incremental Density Pipeline	
	Total	% of Total
Greater Toronto Area	13,809	58.0%
Greater Montreal Area	5,442	22.8%
Greater Vancouver Area	2,411	10.1%
Greater Calgary Area	1,098	4.6%
Greater Ottawa Area	714	3.0%
Greater Edmonton Area	358	1.5%
Total development pipeline	**23,832**	**100.0%**

Entitlements Program

First Capital has a program in place to seek entitlements for the incremental density within its portfolio. Entitlement applications are submitted based on gross floor area (“GFA”).

As of September 30, 2022, entitlement submissions to date total approximately 16.1 million square feet representing 68% of FCR's 23.8 million incremental density pipeline. To date, 8.2 million square feet has been zoned and the Trust expects approximately 0.7 million square feet of existing entitlement submissions to be zoned during the fourth quarter of 2022.

Entitlement Applications		000's of square feet submitted for (at FCR's share):					
		Residential	Commercial	Total	Existing	Incremental	Zoned
1.	Pre-2019 Entitlement Applications	2,986	707	3,693	175	3,518	3,210
2.	2019 Entitlement Applications	8,086	966	9,052	516	8,536	4,924
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	—
5.	2022 Entitlement Applications	1,033	27	1,060	36	1,024	—
	Total Entitlement Applications Submitted	**16,122**	**2,031**	**18,153**	**988**	**17,165**	**8,249**
	Dispositions [1]	—	—	—	—	(1,047)	—
	Total Entitlement Applications Submitted - net	**16,122**	**2,031**	**18,153**	**988**	**16,118**	**8,249**

[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 7.7 million square feet of additional incremental density which includes 7.1 million square feet primarily related to the properties listed below, where entitlements have yet to be submitted, and 0.6 million square feet currently under active development and redevelopment activities (see active projects table).

Additional Incremental Density				
Property		Neighbourhood	City, Province	Ownership Interest %
1.	Danforth Sobeys	Danforth Village	Toronto, ON	100%
2.	Cliffcrest Plaza	Cliffcrest	Toronto, ON	100%
3.	Midland Lawrence Plaza	Midland Park	Toronto, ON	100%
4.	Kingston Square W.	Lawrence Ave. E. / Morningside Ave.	Toronto, ON	100%
5.	Olde Oakville (future phases)	South Oakville	Oakville, ON	100%
6.	Yonge-Davis Centre	Yonge St./Davis Dr. W.	Newmarket, ON	100%
7.	Appleby Square	Appleby	Burlington, ON	100%
8.	Harwood Plaza	Harwood Ave. S. / Bayly St. W.	Ajax, ON	100%

Additional Incremental Density (continued)				
Property		Neighbourhood	City, Province	Ownership Interest %
9.	1000 Wellington St.	Griffintown	Montreal, QC	100%
10.	Centre Commercial Domaine	Longue-Pointe	Montreal, QC	100%
11.	Centre Commercial Van Horne	Cote-Des-Neiges	Montreal, QC	100%
12.	Galeries Normandie	Hwy. 15/Rue de Salaberry	Montreal, QC	100%
13.	Place Provencher	Saint - Leonard	Montreal, QC	100%
14.	Le Campanile & Place du Commerce	Nun's Island	Montreal, QC	100%
15.	Place Michelet	Saint - Leonard	Montreal, QC	100%
16.	Scott 72 Shopping Centre	120 St./72 Ave.	Delta, BC	100%
17.	Semiahmoo (future phases)	South Surrey	Surrey, BC	100%
18.	Newport Village	Macleod Trail SE/Southland Dr. SE	Calgary, AB	100%
19.	Mount Royal Village East	Beltline	Calgary, AB	100%
20.	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 nine months ended September 30, 2022, First Capital completed the transfer of 15,000 square feet of new retail space marking the completion of the Wilderton (Phase 1) project at a total cost of $6.7 million.

For the nine months ended September 30, 2022, First Capital had tenant closures for redevelopment of 192,000 square feet at an average rental rate of $4.80 per square foot. Approximately 94,000 square feet was demolished as of September 30, 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 September 30, 2022 are as follows:

As at September 30, 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]
Stanley Park Mall, Kitchener, ON	100%	Retail	H2 2023	—	—	61	61
200 West Esplanade, Vancouver, BC	50%	Mixed-Use (rental)	H1 2024	38	24	5	29
Cedarbrae Mall, Toronto, ON	100%	Retail	H1 2024	—	—	137	137
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 2027	22	91	—	91
		Mixed-Use (retail)	H1 2027	—	—	24	24
Total at FCR's share [2]				**382**	**388**	**244**	**632**

(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 September 30, 2022	Investment at cost [1] (in millions)			Value recognized [1] (in millions)		
Project	Incurred to Date [1]	Estimated to Complete [1]	Total [1]	Properties under Construction [1]	Residential Development Inventory [1]	Total [1]
Stanley Park Mall, Kitchener, ON	$ 9	$ 12	$ 21	$ 9	$ —	$ 9
200 West Esplanade, Vancouver, BC	13	14	27	13	—	13
Cedarbrae Mall, Toronto, ON [2]	27	24	51	37	—	37
Edenbridge Condos, Toronto, ON (residential)	30	79	109	—	30	30
Edenbridge Condos, Toronto, ON (retail)	1	5	6	1	—	1
400 King St. W., Toronto, ON (residential)	63	107	170	—	63	63
400 King St. W., Toronto, ON (retail)	4	13	17	5	—	5
138 Yorkville Ave., Toronto, ON (residential)	63	TBD	TBD	—	63	63
138 Yorkville Ave., Toronto, ON (retail)	11	TBD	TBD	11	—	11
Total at FCR's share [1]	**$ 221**	**$ 254**	**$ 475**	**$ 76**	**$ 156**	**$ 232**

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

(2) Includes an allocation of land and building with respect to the space under development within the existing shopping centre.

Stanley Park Mall

Stanley Park Mall, Kitchener, is the construction of a new purpose-built 61,000 square foot Canadian Tire store replacing the former 54,000 square foot Walmart. Demolition of the former building is complete and work to prepare the site and pad will commence shortly. Canadian Tire will open in their new space during the first half of 2024.

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 structural forming phase. The Trust's co-development partner in the project is Cressey Development Group.

Cedarbrae Mall

Cedarbrae Mall, Toronto, is an extensive retail renovation within the former Walmart box. Fronting Lawrence Avenue East, the reimagined two-storey space totaling 137,000 square feet will include substantial exterior improvements including upgraded retail facades, additional public space, site enhancements, and a new main entry to the mall. The 16 individual ground floor units will consist of several larger format spaces facing the exterior of the mall, as well as many small-sized interior-facing units catering to local businesses. Construction on the project is now underway.

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. Below-grade forming is progressing well on-site. 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 existing structure is complete, and excavation and shoring is underway. As of quarter end, 98% 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 now complete 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 September 30, 2022, total portfolio occupancy decreased 0.2% to 95.7%, while Same Property occupancy remained flat at 96.0% compared to September 30, 2021 occupancy rates. Total portfolio occupancy decreased 0.4% to 95.7%, primarily due to net closures versus openings, while Same Property occupancy remained flat at 96.0% compared to December 31, 2021.

For the nine months ended September 30, 2022, the monthly average occupancy for the total portfolio was 95.5% compared to 95.9%, and the Same Property portfolio occupancy was 95.8% compared to 95.9% for the same prior year period, respectively.

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

As at	**September 30, 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	**16,981**	**95.9%**	**$ 22.85**	17,002	96.0%	$ 22.69
Same Property with redevelopment	**573**	**96.4%**	**20.79**	623	96.2%	19.57
Total Same Property	**17,554**	**96.0%**	**22.79**	17,625	96.0%	22.58
Major redevelopment	**682**	**89.7%**	**21.11**	829	97.3%	18.21
Ground-up development	**77**	**89.7%**	**32.68**	77	89.7%	32.68
Investment properties classified as held for sale	**62**	**98.1%**	**29.18**	63	94.1%	26.11
Total portfolio before acquisitions and dispositions	**18,375**	**95.7%**	**22.79**	18,594	96.0%	22.44
Acquisitions [(1)]	**75**	**88.1%**	**27.06**	10	100.0%	52.83
Dispositions [(2)]	**—**	**—%**	**—**	242	99.1%	19.50
Density and Development land	**36**	**93.7%**	**23.24**	40	99.3%	21.69
Total [(3)]	**18,486**	**95.7%**	**$ 22.80**	18,886	96.1%	$ 22.42

(1) Includes current year and prior year acquisitions.

(2) Comparative information presented relates to 2022 dispositions that have been completed and no longer form part of these metrics as at September 30, 2022.

(3) At FCR's ownership interest.

During the three months ended September 30, 2022, First Capital completed 556,000 square feet of lease renewals across the portfolio. First Capital achieved an 10.4% lease renewal rate increase when comparing the per square foot net rental rate in the first year of the renewal term to the per square foot net rental rate of the last year of the expiring term. For the three months ended September 30, 2022, First Capital achieved a 12.0% 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 0.4% from $22.72 as at June 30, 2022 to $22.80 as at September 30, 2022 primarily due to renewals lifts, and rent escalations.

Changes in First Capital's gross leasable area and occupancy for the total portfolio for the three months ended September 30, 2022 are set out below:

Three months ended September 30, 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
June 30, 2022 [2]	**17,525**	**95.8%**	**$ 22.74**	**1,112**	**91.9%**	**$ 22.35**	**—**	**—%**	**864**	**4.4%**	**19,501**	**95.6%**	**$ 22.72**
Tenant possession	161		19.70	1		30.51	—		(162)		—		19.79
Tenant closures	(132)		(26.54)	(3)		(13.16)	—		135		—		(26.26)
Tenant closures for redevelopment	—		—	(34)		(14.25)	34		—		—		(14.25)
Developments – tenants coming online [3]	—		—	—		—	—		14		14		—
Redevelopments – tenant possession	—		—	—		—	—		—		—		—
Demolitions	—		—	—		—	(34)		—		(34)		—
Reclassification	—		—	—		—	—		—		—		—
Total portfolio before Q3 2022 acquisitions and dispositions	17,554	96.0%	$ 22.79	1,076	90.6%	$ 22.69	—	—%	851	4.4%	19,481	95.6%	$ 22.78
Acquisitions (at date of acquisition)	—	—%	—	50	100.0%	21.72	—	—%	—		50	100.0%	21.72
Dispositions (at date of disposition)	—	—%	—	(194)	94.9%	(20.21)	—	—%	(11)		(205)	94.9%	(20.21)
September 30, 2022	**17,554**	**96.0%**	**$ 22.79**	**932**	**90.2%**	**$ 23.16**	**—**	**—%**	**840**	**4.3%**	**19,326**	**95.7%**	**$ 22.80**
Renewals	540		$ 21.86	16		$ 32.11					556		$ 22.16
Renewals – expired	(540)		$ (19.80)	(16)		$ (29.51)					(556)		$ (20.08)
Net change per square foot from renewals			$ 2.06			$ 2.60							$ 2.08
% Increase on renewal of expiring rents (first year of renewal term)			10.4%			8.8%							10.4%
% increase on renewal of expiring rents (average rate in renewal term)													12.0%

[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 "Property Development Activities – 2022 Development and Redevelopment Coming Online and Space Going Offline" section of this MD&A.

During the nine months ended September 30, 2022, First Capital completed 1,904,000 square feet of lease renewals across the portfolio. First Capital achieved an 9.3% lease renewal rate increase when comparing the per square foot net rental rate in the first year of the renewal term to the per square foot net rental rate of the last year in the expiring term. For the nine months ended September 30, 2022, First Capital achieved a 10.9% 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 1.7% from $22.42 as at December 31, 2021 to $22.80 as at September 30, 2022 primarily due to rent escalations, renewal lifts, and dispositions.

Changes in First Capital’s gross leasable area and occupancy for the total portfolio for the nine months ended September 30, 2022 are set out below:

Nine months ended September 30, 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]	**17,625**	**96.0%**	**$ 22.58**	**1,261**	**97.1%**	**$ 20.11**	**—**	**— %**	**771**	**3.9%**	**19,657**	**96.1%**	**$ 22.42**
Tenant possession	275		22.44	34		18.84	—		(309)		—		22.04
Tenant closures	(294)		(29.80)	(57)		(15.57)	—		351		—		(27.49)
Tenant closures for redevelopment	(54)		(8.00)	(138)		(3.55)	192		—		—		(4.80)
Developments – tenants coming online [3]	—		—	1		32.50	—		14		15		32.50
Redevelopments – tenant possession	—		—	—		—	—		—		—		—
Demolitions	—		—	—		—	(94)		—		(94)		—
Reclassification	2		—	—		—	(98)		13		(83)		—
Total portfolio before 2022 acquisitions and dispositions	17,554	96.0%	$ 22.79	1,101	91.6%	$ 22.67	—	—%	840	4.3%	19,495	95.7%	$ 22.78
Acquisitions (at date of acquisition)	—	—%	—	65	86.9%	20.03	—	—%	10		75	86.9%	20.03
Dispositions (at date of disposition)	—	—%	—	(234)	95.8%	(19.98)	—	—%	(10)		(244)	95.8%	(19.98)
September 30, 2022	**17,554**	**96.0%**	**$ 22.79**	**932**	**90.2%**	**$ 23.16**	**—**	**—%**	**840**	**4.3%**	**19,326**	**95.7%**	**$ 22.80**
Renewals	1,753		$ 20.54	151		$ 25.19					1,904		$ 20.90
Renewals – expired	(1,753)		$ (18.82)	(151)		$ (22.70)					(1,904)		$ (19.12)
Net change per square foot from renewals			$ 1.72			$ 2.49							$ 1.78
% Increase on renewal of expiring rents (first year of renewal term)			9.1%			11.0%							9.3%
% increase on renewal of expiring rents (average rate in renewal term)													10.9%

(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 “Property Development Activities – 2022 Development and Redevelopment Coming Online and Space Going Offline” section of this MD&A.

Top Forty Tenants

As at September 30, 2022, 54.9% of First Capital's annualized minimum rent came from its top 40 tenants (December 31, 2021 – 55.4%). Of these rents, 74.7% (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 5.4 years as at September 30, 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	1,900	10.3%	10.4%	BBB (high)	BBB	
2.	Sobeys	50	1,389	7.5%	5.5%	BBB	BBB-	
3.	Metro	36	899	4.9%	3.3%	BBB	BBB	
4.	Canadian Tire	19	640	3.5%	2.6%	BBB	BBB	
5.	Walmart	11	1,109	6.0%	2.3%	AA	AA	Aa2
6.	TD Canada Trust	43	194	1.0%	2.0%	AA (high)	AA-	Aa1
7.	Save-On-Foods	9	324	1.8%	1.9%			
8.	Dollarama	48	423	2.3%	1.8%	BBB	BBB	Baa2
9.	RBC Royal Bank	38	195	1.1%	1.7%	AA (high)	AA-	Aa1
10.	GoodLife Fitness	23	431	2.3%	1.7%			B2
Top 10 Tenants Total		**370**	**7,504**	**40.7%**	**33.2%**			
11.	Lowe's	4	361	2.0%	1.4%	BBB (high)	BBB+	Baa1
12.	CIBC	33	167	0.9%	1.4%	AA	A+	Aa2
13.	LCBO	22	192	1.0%	1.4%	AA (low)	A+	Aa3
14.	McKesson	24	175	0.9%	1.3%		BBB+	Baa2
15.	Winners	13	309	1.7%	1.3%		A	A2
16.	Longo's [3]	5	196	1.1%	1.1%			
17.	Restaurant Brands International	53	118	0.6%	1.1%		BB	Ba3
18.	Scotiabank	25	117	0.6%	1.1%	AA	A+	Aa2
19.	BMO	25	102	0.6%	1.0%	AA	A+	Aa2
20.	London Drugs	7	174	0.9%	0.9%			
21.	Nordstrom	1	40	0.2%	0.8%	BB	BB+	Ba1
22.	Recipe Unlimited	29	112	0.6%	0.8%			
23.	Petsmart	7	118	0.6%	0.7%		B	B1
24.	Staples	7	140	0.8%	0.6%		B	B3
25.	Starbucks	33	45	0.2%	0.6%		BBB+	Baa1
26.	Whole Foods Market	2	90	0.5%	0.6%		AA-	A1
27.	Pusateri's	1	35	0.2%	0.5%			
28.	Toys "R" Us	3	127	0.7%	0.5%			
29.	McDonald's	20	72	0.4%	0.5%		BBB+	Baa1
30.	Subway	60	58	0.3%	0.5%			
31.	The Beer Store	10	59	0.3%	0.5%	AA (low)	A+	Aa3
32.	The Home Depot	2	153	0.8%	0.4%	A	A	A2
33.	Williams-Sonoma	2	38	0.2%	0.4%			
34.	Alcanna Inc.	15	45	0.2%	0.4%			
35.	Equinox	2	37	0.2%	0.4%		CCC	Caa3
36.	Michaels	3	54	0.3%	0.3%		B-	B2
37.	Pet Valu	19	51	0.3%	0.3%			
38.	Goodwill	2	52	0.3%	0.3%			
39.	Indigo	3	54	0.3%	0.3%			
40.	Bulk Barn	10	46	0.2%	0.3%			
Top 40 Tenants Total		**812**	**10,841**	**58.6%**	**54.9%**			

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

(2) Tenants noted include all banners of the respective retailer.

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

Lease Maturity Profile

First Capital's lease maturity profile for its portfolio as at September 30, 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]	180	378	2.0%	$ 7,609	1.7%	$ 20.14
2022	149	387	2.0%	9,543	2.1%	24.69
2023	572	2,386	12.3%	49,843	10.9%	20.89
2024	572	2,222	11.5%	50,432	11.1%	22.69
2025	548	2,386	12.3%	58,246	12.8%	24.41
2026	484	1,807	9.4%	48,429	10.6%	26.80
2027	493	2,399	12.4%	59,743	13.1%	24.90
2028	219	1,499	7.8%	38,193	8.4%	25.48
2029	176	1,063	5.5%	26,720	5.9%	25.13
2030	148	785	4.1%	21,231	4.6%	27.06
2031	145	855	4.4%	22,644	5.0%	26.49
2032	142	818	4.2%	21,582	4.7%	26.40
Thereafter	91	1,501	7.8%	41,691	9.1%	27.77
Total or Weighted Average	3,919	18,486	95.7%	$ 455,906	100.0%	$ 24.66

(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.

The weighted average remaining lease term for the portfolio was 4.9 years as at September 30, 2022, excluding contractual renewal options, but including month-to-month and other short-term leases.

Investment in Joint Ventures

As at September 30, 2022, First Capital had interests in nine joint ventures that it accounts for using the equity method. First Capital's joint ventures are as follows:

			Effective Ownership	
Name of Entity	Name of Property/Business Activity	Location	**September 30, 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	**N/A**	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. During the second quarter of 2022, the joint venture made final distributions and is in the process of being legally wound up.

First Capital has determined that these investments are joint ventures as all decisions regarding their activities are made unanimously between First Capital and its partners.

The following table reconciles the changes in First Capital's interests in its equity accounted joint ventures for the nine months ended September 30, 2022 and year ended December 31, 2021:

	September 30, 2022	December 31, 2021
Balance at beginning of period	**$ 349,488**	$ 52,570
Contributions to equity accounted joint ventures	**11,915**	17,110
Distributions from equity accounted joint ventures	**(3,629)**	(16,897)
Reclassification to equity accounted joint ventures	**—**	298,165
Share of income (loss) from equity accounted joint ventures	**188**	(1,460)
Balance at end of period	**$ 357,962**	$ 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.

Loans, Mortgages and Other Assets

As at	September 30, 2022	December 31, 2021
Non-current		
Loans and mortgages receivable classified as FVTPL (a)	**$ —**	$ 1,486
Loans and mortgages receivable classified as amortized cost (a)(b)	**132,079**	122,321
Other investments	**9,471**	5,801
Due from co-owners (c)	**21,997**	—
Total non-current	**163,547**	129,608
Current		
Loans and mortgages receivable classified as FVTPL (a)	**1,514**	6
Loans and mortgages receivable classified as amortized cost (a)(b)	**107,949**	116,152
FVTPL investments in securities (d)	**3,398**	25,976
Total current	**112,861**	142,134
Total	**$ 276,408**	$ 271,742

(a) Loans and mortgages receivable are secured by interests in investment properties or shares of entities owning investment properties. As at September 30, 2022, these receivables bear interest at weighted average effective interest rates of 6.7% (December 31, 2021 – 5.4%) and mature between 2022 and 2027.

(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 is accreted into interest income over the interest free period of the loan.

(c) During the first quarter of 2022, 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 principal 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 consolidated 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 September 30			Nine months ended September 30		
	% change	**2022**	2021	**% change**	**2022**	2021
Property rental revenue						
Base rent [1]		**$ 108,040**	$ 107,018		**$ 322,257**	$ 319,854
Operating cost recoveries		**25,564**	23,354		**79,462**	74,498
Realty tax recoveries		**27,333**	28,290		**88,191**	89,887
Lease termination fees		**407**	460		**526**	1,534
Percentage rent		**503**	731		**1,705**	1,731
Straight-line rent adjustment		**(420)**	(223)		**181**	2,050
Prior year operating cost and tax recovery adjustments		**358**	(796)		**1,412**	(1,713)
Temporary tenants, storage, parking and other [2]		**10,129**	6,779		**23,262**	16,852
Total Property rental revenue	**3.8%**	**171,914**	165,613	**2.4%**	**516,996**	504,693
Property operating costs						
Recoverable operating expenses		**28,104**	26,137		**88,419**	82,654
Recoverable realty tax expense		**30,951**	32,064		**99,469**	102,240
Prior year realty tax expense		**57**	(506)		**(45)**	(1,364)
Other operating costs and adjustments [3]		**5,583**	4,840		**14,813**	14,543
Total Property operating costs		**64,695**	62,535		**202,656**	198,073
NOI [4]	**4.0%**	**$ 107,219**	$ 103,078	**2.5%**	**$ 314,340**	$ 306,620
NOI margin		**62.4%**	62.2%		**60.8%**	60.8%

(1) Includes residential revenue.

(2) Includes hotel property revenue.

(3) Includes residential operating costs, hotel property operating costs and bad debt expense. For the three and nine months ended September 30, 2022, bad debt expense totaled $0.6 million and $1.4 million, respectively (three and nine months ended September 30, 2021 - $1.7 million and $7.1 million, respectively).

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

For the three and nine months ended September 30, 2022, total NOI increased $4.1 million and $7.7 million, respectively, compared to the same prior year periods primarily due to lower bad debt expense, rent escalations, and higher variable revenues, partially offset by the impact of dispositions.

For the three and nine months ended September 30, 2022, the NOI margin increased marginally by 0.2% to 62.4% and remained consistent at 60.8%, respectively, compared to the same prior year periods.

For the three and nine months ended September 30, 2022, property operating costs include $6.1 million and $17.8 million, respectively, (three and nine months ended September 30, 2021 – $5.3 million and $15.7 million, respectively) related to employee compensation. Employee compensation is presented net of subsidies received under the Canada Emergency Wage Subsidy ("CEWS") program for the three and nine months ended September 30, 2022 of Nil related to property operations personnel (three and nine months ended September 30, 2021 – Nil and $0.6 million, respectively). 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 September 30			Nine months ended September 30		
	% change	**2022**	2021	**% change**	**2022**	2021
Property rental revenue						
Base rent [1]		**$ 100,473**	$ 98,379		**$ 299,431**	$ 293,868
Operating cost recoveries		**24,162**	21,876		**75,231**	69,844
Realty tax recoveries		**25,826**	26,578		**82,951**	84,116
Lease termination fees		**407**	460		**526**	1,486
Percentage rent		**452**	539		**1,616**	1,466
Prior year operating cost and tax recovery		**311**	(705)		**1,284**	(1,647)
Temporary tenants, storage, parking and other [2]		**9,746**	6,409		**22,206**	16,011
Total Same Property rental revenue		**161,377**	153,536		**483,245**	465,144
Property operating costs						
Recoverable operating expenses		**26,303**	24,133		**82,681**	76,417
Recoverable realty tax expense		**28,961**	29,169		**92,674**	92,754
Prior year realty tax expense		**(24)**	(490)		**(124)**	(1,164)
Other operating costs and adjustments [3]		**4,394**	4,071		**11,932**	13,446
Total Same Property operating costs		**59,634**	56,883		**187,163**	181,453
Total Same Property NOI [4]	**5.3%**	**$ 101,743**	$ 96,653	**4.4%**	**$ 296,082**	$ 283,691
Major redevelopment		**2,962**	2,939		**9,001**	8,646
Ground-up development		**376**	(294)		**1,328**	(390)
Acquisitions – 2022		**201**	—		**234**	—
Acquisitions – 2021		**150**	26		**415**	60
Investment properties classified as held for sale		**1,420**	1,009		**3,801**	2,884
Dispositions – 2022		**648**	1,152		**2,911**	3,534
Dispositions – 2021		**(11)**	1,638		**(44)**	5,393
Straight-line rent adjustment		**(420)**	(223)		**181**	2,050
Development land		**150**	178		**431**	752
NOI [4]	**4.0%**	**$ 107,219**	$ 103,078	**2.5%**	**$ 314,340**	$ 306,620
NOI margin		**62.4%**	62.2%		**60.8%**	60.8%

(1) Includes residential revenue.

(2) Includes hotel property revenue.

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

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

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

	Three months ended September 30		Nine months ended September 30	
	2022	2021 [1]	**2022**	2021 [1]
Same Property – Stable	**5.5%**	3.4%	**4.4%**	6.3%
Same Property with redevelopment	**(1.9%)**	18.3%	**3.0%**	12.0%
Total Same Property NOI Growth [2]	**5.3%**	4.2%	**4.4%**	6.6%

(1) Prior periods as reported; not restated to reflect current period property categories.

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

For the three and nine months ended September 30, 2022, SP NOI increased by $5.1 million and $12.4 million, or 5.3% and 4.4%, respectively, primarily due to rent escalations, lower bad debt expense, and higher variable revenues, partially offset by lower lease termination fees over the same prior year periods.

Interest and Other Income

	Three months ended September 30		Nine months ended September 30	
	2022	2021	**2022**	2021
Interest, dividend and distribution income from marketable securities and other investments	**$ 157**	$ 91	**$ 358**	$ 390
Interest income from loans and mortgages receivable classified as FVTPL	**19**	25	**57**	74
Interest income from loans and mortgages receivable at amortized cost	**3,202**	1,025	**10,065**	3,245
Fees and other income	**1,307**	1,241	**3,915**	3,238
Total	**$ 4,685**	$ 2,382	**$ 14,395**	$ 6,947

For the three and nine months ended September 30, 2022, interest and other income increased $2.3 million and $7.4 million, respectively, compared to the same prior year periods primarily due to higher interest income as a result of higher loans and mortgages receivable outstanding year-over-year as well as higher interest rates being charged, 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 September 30		Nine months ended September 30	
	2022	2021	**2022**	2021
Mortgages	**$ 11,990**	$ 12,400	**$ 34,740**	$ 38,254
Credit facilities	**8,042**	6,648	**23,565**	20,010
Senior unsecured debentures	**21,544**	23,849	**64,661**	72,110
Distributions on Exchangeable Units [1]	**8**	11	**29**	33
Interest capitalized	**(4,044)**	(4,510)	**(11,586)**	(15,340)
Interest expense	**$ 37,540**	$ 38,398	**$ 111,409**	$ 115,067

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

For the three and nine months ended September 30, 2022, interest expense decreased $0.9 million and $3.7 million, respectively, compared to the same prior year periods primarily due to the repayment of mortgages and senior unsecured debentures (Series N & Series O), partially offset by higher outstanding credit facilities and increased interest rates year-over-year.

During the nine months ended September 30, 2022 and 2021, approximately 9.4% or $11.6 million, and 11.8% or $15.3 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 September 30		Nine months ended September 30	
	2022	2021	**2022**	2021
Salaries, wages and benefits	**$ 8,446**	$ 6,941	**$ 22,760**	$ 21,674
Unit-based compensation	**2,161**	1,725	**5,330**	5,367
Other corporate costs	**3,996**	2,109	**10,722**	8,101
Total corporate expenses	**14,603**	10,775	**38,812**	35,142
Amounts capitalized to investment properties under	**(1,774)**	(1,581)	**(5,409)**	(5,695)
Corporate expenses	**$ 12,829**	$ 9,194	**$ 33,403**	$ 29,447

For the three and nine months ended September 30, 2022, gross corporate expenses, before capitalization, increased by $3.8 million and $3.7 million, respectively, over the same prior year periods primarily due to severance and reorganization costs incurred in the third quarter of 2022. Additionally, higher post-pandemic spending on other corporate costs such as travel and higher compensation expense as a result of the wage subsidies recognized in the prior year period.

First Capital manages all of its acquisitions, development and redevelopment and leasing activities internally. Certain internal costs directly related to development, including salaries and related costs for planning, zoning, construction and so forth, are capitalized in accordance with IFRS to development projects as incurred. During the nine months ended September 30, 2022 and 2021, approximately $5.4 million and $5.7 million, respectively, of compensation-related and other corporate expenses were capitalized to real estate investments for properties undergoing development or redevelopment projects. Amounts capitalized are based on development and pre-development projects underway. Changes in capitalized corporate expenses are primarily the result of timing of completion of development and redevelopment projects and First Capital’s current level of pre-development and early redevelopment activity.

Other Gains (Losses) and (Expenses)

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

Three months ended September 30	**2022**		2021	
	Consolidated Statements of Income (Loss)	**Included in FFO**	Consolidated Statements of Income (Loss)	Included in FFO
Unrealized gain (loss) on marketable securities	**$ (375)**	**$ (375)**	$ (917)	$ (917)
Pre-selling costs of residential inventory	**(7)**	**(7)**	(15)	(15)
Investment property selling costs	**(3,371)**	**—**	(3,490)	—
Gain on Option	**—**	**—**	80,822	—
Other	**4**	**4**	(8)	(8)
Total per consolidated statements of income (loss)	**$ (3,749)**	**$ (378)**	$ 76,392	$ (940)
Other gains (losses) and (expenses) applicable to NCI	**2**	**2**	4	4
Other gains (losses) and (expenses) under equity accounted joint ventures [1]	**(36)**	**(36)**	595	598
Total at First Capital's proportionate interest [2]	**$ (3,783)**	**$ (412)**	$ 76,991	$ (338)

[1] Other gains (losses) and (expenses) under equity accounted joint ventures, included in FFO, is comprised of pre-selling costs of residential inventory of $36.0 thousand (September 30, 2021 - a gain on investment of $0.7 million, partially offset by pre-selling costs of residential inventory of $0.1 million).

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

Nine months ended September 30		**2022**		2021
	Consolidated Statements of Income (Loss)	**Included in FFO**	Consolidated Statements of Income (Loss)	Included in FFO
Realized gain (loss) on sale of marketable securities	**$ 5,591**	**$ 5,591**	$ —	$ —
Unrealized gain (loss) on marketable securities	**(15,103)**	**(15,103)**	17,062	17,062
Transaction costs	**(572)**	**—**	—	—
Gain (loss) on loan receivable modification	**(566)**	**(566)**	—	—
Pre-selling costs of residential inventory	**(23)**	**(23)**	(211)	(211)
Investment property selling costs	**(4,365)**	**—**	(4,040)	—
Gain on Option	**—**	**—**	80,822	—
Other	**27**	**27**	(4)	(4)
Total per consolidated statements of income (loss)	**$ (15,011)**	**$ (10,074)**	$ 93,629	$ 16,847
Other gains (losses) and (expenses) applicable to NCI	**7**	**7**	61	61
Other gains (losses) and (expenses) under equity accounted joint ventures [1]	**(244)**	**(244)**	309	312
Total at First Capital's proportionate interest [2]	**$ (15,248)**	**$ (10,311)**	$ 93,999	$ 17,220

(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 (September 30, 2021 - a gain on investment of $0.7 million, partially offset by pre-selling costs of residential inventory of $0.4 million).

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

For the three months ended September 30, 2022, First Capital recognized $3.7 million in other losses in its consolidated statement of income (loss) compared to $76.4 million in other gains for the same prior year period. The $80.1 million decrease is primarily due to an $80.8 million gain recognized in the third quarter of 2021 related to the exercise of a previously secured option to purchase FCR's partner's 50% interest in 2150 Lake Shore Boulevard West, partially offset by lower unrealized losses on marketable securities.

For the nine months ended September 30, 2022, First Capital recognized $15.0 million in other losses in its consolidated statement of income (loss) compared to $93.6 million in other gains for the same prior year period. The $108.6 million decrease is primarily due to an $80.8 million non-recurring gain on option recognized in the third quarter of 2021, and a $26.6 million negative fair value swing on marketable securities over the prior year period.

Income Taxes

For the three and nine months ended September 30, 2022, deferred income tax expense (recovery) totaled ($6.6) million and $1.3 million, respectively, compared to ($26.5) million and $(23.0) million, respectively, over the same prior year periods. The increase of $24.3 million for the nine months ended September 30, 2022, in deferred income tax expense was primarily due to a recovery adjustment to the rate differential applied to temporary differences applicable to the Trust's corporate subsidiaries in the third quarter of 2021.

Net Income (Loss) Attributable to Unitholders

For the three months ended September 30, 2022, net income (loss) attributable to Unitholders was ($204.7) million or ($0.95) per diluted unit compared to $181.5 million or $0.82 per diluted unit for the same prior year period. The $386.2 million decrease was primarily related to the recognition of a net fair value loss on investment properties of $271.7 million versus net fair value gains of $20.2 million in the prior year period on a proportionate basis, and an $80.8 million non-recurring gain on option recognized in the third quarter of 2021.

For the nine months ended September 30, 2022, net income (loss) attributable to Unitholders was ($202.4) million or ($0.92) per diluted unit compared to $431.5 million or $1.95 per diluted unit for the same prior year period. The $633.9 million decrease was primarily related to the recognition of a net fair value loss on investment properties of $379.3 million versus net fair value gains of $155.7 million in the prior year period on a proportionate basis, and a non-recurring $80.8 million gain on option recognized in the third quarter of 2021.

CAPITAL STRUCTURE AND LIQUIDITY

Total Capital Employed

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

As at		**September 30, 2022**		December 31, 2021
Liabilities (principal amounts outstanding)				
Bank indebtedness	**$**	**17,729**	$	2,476
Mortgages [(1)]		**1,312,942**		1,216,872
Credit facilities [(1)]		**1,002,203**		893,958
Senior unsecured debentures		**2,150,000**		2,350,000
Total Debt [(1)]	**$**	**4,482,874**	$	4,463,306
Cash and cash equivalents [(1)]		**(35,601)**		(37,512)
Net Debt [(1) (2)]	**$**	**4,447,273**	$	4,425,794
Exchangeable Units		**908**		1,947
Equity market capitalization [(3)]		**3,231,365**		4,140,551
Enterprise value [(1)]	**$**	**7,679,546**	$	8,568,292
Trust Units outstanding (000's)		**213,715**		219,541
Closing market price	**$**	**15.12**	$	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.

Adjusted EBITDA

Adjusted EBITDA is a non-IFRS measure that is calculated as net income, adding back income tax expense, interest expense and amortization and excluding the increase or decrease in the fair value of investment properties, fair value gains or losses on Exchangeable Units, fair value gains or losses on unit-based compensation and other non-cash or non-recurring items on a proportionate basis. First Capital also adjusts for incremental leasing costs, which is a recognized adjustment to FFO, in accordance with the recommendations of REALPAC.

The following table reconciles First Capital's net income (loss) to Adjusted EBITDA for the three and nine months ended September 30, 2022 and 2021:

	Three months ended September 30		Nine months ended September 30	
	2022	2021	**2022**	2021
Net income (loss) attributable to Unitholders	**$ (204,722)**	$ 181,526	**$ (202,369)**	$ 431,502
Add (deduct) [1]:				
Deferred income tax expense (recovery)	**(6,516)**	(26,454)	**1,438**	(22,991)
Interest Expense	**38,782**	38,741	**113,293**	116,072
Amortization expense	**1,903**	2,099	**6,264**	6,623
(Increase) decrease in value of investment properties	**271,686**	(20,226)	**379,290**	(155,657)
(Increase) decrease in value of hotel property	**—**	(448)	**—**	(1,039)
Increase (decrease) in value of Exchangeable Units	**8**	(10)	**(423)**	408
Increase (decrease) in value of unit-based compensation	**(294)**	(605)	**(9,636)**	6,758
Incremental leasing costs	**1,852**	1,430	**4,862**	4,411
Abandoned transaction (costs) recovery	**(2,945)**	21	**(2,892)**	102
Other non-cash and/or non-recurring items	**3,783**	(76,991)	**15,248**	(93,999)
Adjusted EBITDA [1]	**$ 103,537**	$ 99,083	**$ 305,075**	$ 292,190

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

Key Metrics

The ratios below include measures not specifically defined in IFRS.

As at	**September 30, 2022**	December 31, 2021
Weighted average effective interest rate on mortgages, fixed rate unsecured term loans and senior unsecured debentures	**3.8%**	3.8%
Weighted average maturity on mortgages, fixed rate unsecured term loans and senior unsecured debentures (years)	**3.6**	4.0
Net debt to total assets [1]	**45.4%**	43.9%
Net debt to Adjusted EBITDA [1]	**10.9**	11.2
Unencumbered aggregate assets [1]	**$ 6,842,748**	$ 7,394,398
Unencumbered aggregate assets to unsecured debt, based on fair value [1]	**2.2**	2.3
Adjusted EBITDA interest coverage [1]	**2.5**	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 0.3 to 10.9, as of September 30, 2022, primarily due to a $13 million increase in EBITDA (on a rolling four quarter basis), partially offset by a $21 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 9, 2022, S&P affirmed FCR's Issuer Rating and issue level debt rating at BBB-, and revised the outlook from negative to stable.

On June 23, 2022, DBRS confirmed FCR's Issuer Rating and Senior Unsecured Debentures rating at BBB with a stable trend.

According to DBRS, a credit rating in the BBB category is generally an indication of adequate credit quality and an acceptable capacity for the payment of financial obligations. DBRS indicates that BBB rated obligations may be vulnerable to future events. A rating trend, expressed as positive, stable or negative, provides guidance in respect of DBRS' opinion regarding the outlook for the rating in question.

As defined by S&P, a credit rating in the BBB category denotes that these debentures exhibit adequate protection parameters and an acceptable capacity to meet its financial commitments. S&P indicates that BBB rated obligations are more likely to weaken an obligor's capacity to meet its financial commitments if adverse economic conditions or changing circumstances were to take place. A rating outlook provided by S&P, expressed as positive, stable, negative or developing, is an opinion regarding the potential direction of a credit rating over the intermediate term (typically six months to two years).

Outstanding Debt and Principal Maturity Profile

The maturity profile including scheduled amortization of First Capital's mortgages and credit facilities as well as its senior unsecured debentures as at September 30, 2022 is summarized in the table below:

As at September 30, 2022	Mortgages [1]	Credit Facilities/Bank Indebtedness [2]	Senior Unsecured Debentures	Total	% Due
2022 (remainder of the year)	$ 7,974	$ 17,729	$ 250,000	$ 275,703	6.2%
2023	32,597	331,026	300,000	663,623	15.1%
2024	140,423	305,918	300,000	746,341	17.0%
2025	85,536	75,000	300,000	460,536	10.5%
2026	120,246	275,000	300,000	695,246	15.8%
2027	103,942	21,528	500,000	625,470	14.2%
2028	166,973	—	200,000	366,973	8.4%
2029	251,257	—	—	251,257	5.7%
2030	176,480	—	—	176,480	4.0%
2031	55,326	—	—	55,326	1.3%
2032	80,000	—	—	80,000	1.8%
	$ 1,220,754	$ 1,026,201	$ 2,150,000	$ 4,396,955	100.0%
Add (deduct): unamortized deferred financing costs, premiums and discounts, net	(3,650)	—	(1,314)	(4,964)	
Total	**$ 1,217,104**	**$ 1,026,201**	**$ 2,148,686**	**$ 4,391,991**	

(1) Principal amount outstanding for mortgages on a proportionate basis is $1,312,942.

(2) Principal amount outstanding for credit facilities and bank indebtedness on a proportionate basis is $1,002,203 and $17,729, respectively.

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

Mortgages

The changes in First Capital's mortgages during the nine months ended September 30, 2022 are set out below:

Nine months ended September 30, 2022		Amount	Weighted Average Effective Interest Rate
Balance at beginning of period	$	1,173,175	3.5%
Mortgage borrowings		80,000	4.9%
Mortgage repayments		(13,338)	3.7%
Scheduled amortization on mortgages		(22,972)	—%
Amortization of financing costs and net premium		239	—%
Balance at end of period	**$**	**1,217,104**	**3.6%**

As at September 30, 2022, 100% (December 31, 2021 – 100%) of the outstanding mortgages bore interest at fixed interest rates. The average remaining term on mortgages outstanding remained consistent at 5.5 years as at September 30, 2022 on $1.2 billion of mortgages (5.8 years as at December 31, 2021 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 September 30, 2022 is summarized in the table below:

As at September 30, 2022	Scheduled Amortization	Payments on Maturity	Total	Weighted Average Effective Interest Rate
2022 (remainder of the year)	$ 7,974	$ —	$ 7,974	N/A
2023	32,597	—	32,597	N/A
2024	31,945	108,478	140,423	3.7%
2025	29,641	55,895	85,536	3.4%
2026	25,886	94,360	120,246	3.2%
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	—	80,000	80,000	4.9%
	$ 195,225	**$ 1,025,529**	**$ 1,220,754**	**3.6%**
Add: unamortized deferred financing costs and premiums and discounts, net			(3,650)	
Total			**$ 1,217,104**	

Credit Facilities

First Capital's credit facilities as at September 30, 2022 are summarized in the table below:

As at September 30, 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 2027 [(1)]	$ 450,000	$ —	$ (21,964)	$ 428,036	BA + 1.45% or Prime + 0.45% or US$ LIBOR + 1.45%	June 30, 2027
Revolving facility maturing 2024 [(2)]	100,000	(101,010)	—	—	BA + 1.15% or Prime + 0.30% or US$ LIBOR + 1.15%	August 31, 2024
Revolving facility maturing 2023 [(3)]	250,000	(82,391)	—	167,609	BA + 1.15% or Prime + 0.30% or US$ LIBOR + 1.15%	October 31, 2023
Floating rate unsecured term loan maturing 2023 [(4)]	200,000	(204,234)	—	—	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 2025	71,450	—	—	71,450	BA + 2.65% or Prime + 1.00%	November 28, 2025
Maturing 2024	19,321	(4,908)	—	14,413	Prime - 0.25%	June 1, 2024
Maturing 2023	33,333	(33,333)	—	—	2.79%	February 24, 2023
Secured Facilities						
Maturing 2023	4,313	(4,313)	—	—	BA + 1.20% or Prime + 0.20%	September 28, 2023
Maturing 2023	6,755	(6,755)	—	—	BA + 1.20% or Prime + 0.20%	December 19, 2023
Total	**$ 1,855,172**	**$ (1,008,472)**	**$ (21,964)**	**$ 829,980**		

(1) As at September 30, 2022, approximately $380.0 million of the unsecured revolving credit facility was extended by one year and is due June 30, 2027. The remaining $70.0 million is due June 30, 2026.

(2) The Trust had drawn in U.S. dollars the equivalent of CAD$100.0 million which was revalued at CAD$101.0 million as at September 30, 2022.

(3) The Trust had drawn in U.S. dollars the equivalent of CAD$55.0 million which was revalued at CAD$57.4 million as at September 30, 2022. In addition, the Trust had drawn $25.0 million in Canadian dollars as at September 30, 2022.

(4) The Trust had drawn in U.S. dollars the equivalent of CAD$200.0 million which was revalued at CAD$204.2 million as at September 30, 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 September 30, 2022			Interest Rate		Remaining Term to Maturity	Principal Outstanding
Series	Maturity Date	Interest Payment Dates	Coupon	Effective	(years)	
P	December 5, 2022	June 5, December 5	3.95%	4.18%	0.2	250,000
Q	October 30, 2023	April 30, October 30	3.90%	3.97%	1.1	300,000
R	August 30, 2024	February 28, August 30	4.79%	4.72%	1.9	300,000
S	July 31, 2025	January 31, July 31	4.32%	4.24%	2.8	300,000
T	May 6, 2026	May 6, November 6	3.60%	3.56%	3.6	300,000
V	January 22, 2027	January 22, July 22	3.46%	3.54%	4.3	200,000
U	July 12, 2027	January 12, July 12	3.75%	3.82%	4.8	300,000
A	March 1, 2028	March 1, September 1	3.45%	3.54%	5.4	200,000
Weighted Average or Total			**3.94%**	**3.98%**	**2.9**	**$ 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 $4.3 billion as at September 30, 2022, compared to Unitholders' equity of $4.6 billion as at December 31, 2021. The decrease is primarily attributed to a higher net loss, repurchase of Trust Units and higher distributions declared, partially offset by higher other comprehensive income for the nine months ended September 30, 2022.

As at October 31, 2022, there were 213.5 million Trust Units and 0.1 million Exchangeable Units outstanding.

Normal Course Issuer Bid ("NCIB")

On May 16, 2022, First Capital received TSX approval to commence a normal course issuer bid ("NCIB") which will enable it to purchase for cancellation up to 21,910,353 of its outstanding Trust Units ("Units").

As of September 30, 2022, the Trust has acquired and cancelled 6.0 million Units at a weighted average purchase price of $15.14 per unit, for a total cost of $91.5 million. The excess of the purchase price over the carrying amount of the Units purchased, representing the unit price increase over the weighted average historical issuance price, was recorded as a reduction to retained earnings of $11.7 million.

Unit Options

As at September 30, 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 $124.4 million.

Liquidity

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

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

As at (millions of dollars)		**September 30, 2022**		December 31, 2021
Total available under credit facilities	**$**	**830**	$	724
Cash and cash equivalents	**$**	**29**	$	35
Unencumbered aggregate assets	**$**	**6,843**	$	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 September 30, 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 September 30				Nine months ended September 30			
		2022		2021		**2022**		2021
Cash provided by (used in) operating activities	**$**	**52,810**	$	50,590	**$**	**174,413**	$	166,038
Cash provided by (used in) financing activities		**(29,732)**		(180,372)		**(178,347)**		(308,978)
Cash provided by (used in) investing activities		**(28,011)**		147,189		**(1,789)**		87,287
Net change in cash and cash equivalents	**$**	**(4,933)**	$	17,407	**$**	**(5,723)**	$	(55,653)

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

	Three months ended September 30				Nine months ended September 30			
		2022		2021		**2022**		2021
Cash provided by operating activities	**$**	**52,810**	$	50,590	**$**	**174,413**	$	166,038
Distributions declared		**(30,811)**		(23,709)		**(78,071)**		(71,094)
Excess (shortfall) of cash provided by operating activities over distributions declared	**$**	**21,999**	$	26,881	**$**	**96,342**	$	94,944

For the three and nine months ended September 30, 2022 and 2021, cash provided by operating activities exceeded distributions declared.

Contractual Obligations

An analysis of First Capital's contractual maturities of its material financial liabilities and other contractual commitments, as at September 30, 2022 is set out below:

As at September 30, 2022	Payments due by period				
	Remainder of 2022	2023 to 2024	2025 to 2026	Thereafter	Total
Scheduled mortgage principal amortization	$ 7,974	$ 64,542	$ 55,527	$ 67,182	$ 195,225
Mortgage principal repayments on maturity	—	108,478	150,255	766,796	1,025,529
Credit facilities and bank indebtedness	17,729	636,944	350,000	21,528	1,026,201
Senior unsecured debentures	250,000	600,000	600,000	700,000	2,150,000
Interest obligations (1)	40,777	261,002	153,743	95,263	550,785
Land leases (expiring between 2023 and 2061)	304	1,486	1,245	15,512	18,547
Contractually committed costs to complete current development projects (2)	9,772	87,635	—	—	97,407
Other committed costs	14,000	—	—	—	14,000
Total contractual obligations	**$ 340,556**	**$ 1,760,087**	**$ 1,310,770**	**$ 1,666,281**	**$ 5,077,694**

(1) Interest obligations include expected interest payments on mortgages and credit facilities as at September 30, 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 $28.5 million of outstanding letters of credit issued by financial institutions to support certain of FCR's contractual obligations and $17.7 million of bank overdrafts.

As of September 30, 2022, contractually committed costs related to the Trust's development projects is $97.4 million ($84.0 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 $67.2 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 $28.5 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 $18.5 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	**September 30, 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	**$ 8,481,257**	**$ 325,824**	**$ 8,807,081**	$ 8,975,539	$ 319,015	$ 9,294,554
Residential development inventory	**152,309**	**4,151**	**156,460**	156,039	5,056	161,095
Hotel property	**84,096**	**—**	**84,096**	85,400	—	85,400
Loans, mortgages and other assets	**276,408**	**(6,299)**	**270,109**	271,742	108	271,850
Cash and cash equivalents	**28,976**	**6,625**	**35,601**	34,699	2,813	37,512
Amounts receivable	**27,313**	**2,030**	**29,343**	27,784	665	28,449
Other assets	**99,676**	**21,030**	**120,706**	57,083	21,858	78,941
Investment in joint ventures	**357,962**	**(357,962)**	**—**	349,488	(349,488)	—
Investment properties classified as held for sale	**321,573**	**(1,991)**	**319,582**	151,300	—	151,300
Total assets	**$ 9,829,570**	**$ (6,592)**	**$ 9,822,978**	$ 10,109,074	$ 27	$ 10,109,101
LIABILITIES						
Mortgages	**$ 1,124,118**	**$ 91,914**	**$ 1,216,032**	$ 1,173,175	$ 39,731	$ 1,212,906
Credit facilities	**1,008,472**	**(6,269)**	**1,002,203**	899,777	(5,819)	893,958
Bank indebtedness	**17,729**	**—**	**17,729**	2,476	—	2,476
Senior unsecured debentures	**2,148,686**	**—**	**2,148,686**	2,348,145	—	2,348,145
Exchangeable Units	**908**	**—**	**908**	1,947	—	1,947
Deferred tax liabilities	**766,822**	**(1,230)**	**765,592**	740,309	(1,147)	739,162
Debt secured by investment properties classified as held for sale	**92,986**	**—**	**92,986**	—	—	—
Accounts payable and other liabilities	**323,311**	**(35,499)**	**287,812**	274,163	15,402	289,565
Total liabilities	**5,483,032**	**48,916**	**5,531,948**	5,439,992	48,167	5,488,159
EQUITY						
Unitholders' equity	**4,291,030**	**—**	**4,291,030**	4,620,942	—	4,620,942
Non-controlling interest	**55,508**	**(55,508)**	**—**	48,140	(48,140)	—
Total equity	**4,346,538**	**(55,508)**	**4,291,030**	4,669,082	(48,140)	4,620,942
Total liabilities and equity	**$ 9,829,570**	**$ (6,592)**	**$ 9,822,978**	$ 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) for the three months ended September 30, 2022 and 2021, as presented in its unaudited interim condensed consolidated financial statements, to its proportionate interest.

Three months ended September 30			**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	**$ 171,914**	**$ 6,534**	**$ 178,448**	$ 165,613	$ 2,628	$ 168,241
Property operating costs	**64,695**	**4,239**	**68,934**	62,535	1,558	64,093
Net operating income	**107,219**	**2,295**	**109,514**	103,078	1,070	104,148
Other income and expenses						
Interest and other income	**4,685**	**241**	**4,926**	2,382	312	2,694
Interest expense	**(37,540)**	**(1,242)**	**(38,782)**	(38,398)	(343)	(38,741)
Corporate expenses	**(12,829)**	**74**	**(12,755)**	(9,194)	5	(9,189)
Abandoned transaction (costs) recovery	**2,945**	**—**	**2,945**	(21)	—	(21)
Amortization expense	**(1,610)**	**(293)**	**(1,903)**	(1,426)	(673)	(2,099)
Share of profit from joint ventures	**603**	**(603)**	**—**	(223)	223	—
Other gains (losses) and (expenses)	**(3,749)**	**(34)**	**(3,783)**	76,392	599	76,991
(Increase) decrease in value of unit-based compensation	**294**	**—**	**294**	605	—	605
(Increase) decrease in value of Exchangeable Units	**(8)**	**—**	**(8)**	10	—	10
Increase (decrease) in value of hotel property	**—**	**—**	**—**	448	—	448
Increase (decrease) in value of investment properties, net	**(271,048)**	**(638)**	**(271,686)**	21,396	(1,170)	20,226
	(318,257)	**(2,495)**	**(320,752)**	51,971	(1,047)	50,924
Income (loss) before income taxes	**(211,038)**	**(200)**	**(211,238)**	155,049	23	155,072
Deferred income tax expense (recovery)	**(6,606)**	**90**	**(6,516)**	(26,454)	—	(26,454)
Net income (loss)	**$ (204,432)**	**$ (290)**	**$ (204,722)**	$ 181,503	$ 23	$ 181,526
Net income (loss) attributable to:						
Unitholders	**$ (204,722)**	**$ —**	**$ (204,722)**	$ 181,526	$ —	$ 181,526
Non-controlling interest	**290**	**(290)**	**—**	(23)	23	—
	$ (204,432)	**$ (290)**	**$ (204,722)**	$ 181,503	$ 23	$ 181,526
Net income (loss) per unit attributable to Unitholders:						
Basic	**$ (0.95)**			$ 0.83		
Diluted	**$ (0.95)**			$ 0.82		

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

The following table provides a reconciliation of First Capital's consolidated statements of income (loss) for the nine months ended September 30, 2022 and 2021, as presented in its unaudited interim condensed consolidated financial statements, to its proportionate interest.

Nine months ended September 30			**2022**			2021
	Consolidated Statements of Income (Loss)	**Adjustment for proportionate interest**	**Proportionate interest [1]**	Consolidated Statements of Income (Loss)	Adjustment for proportionate interest	Proportionate interest [1]
Property rental revenue	**$ 516,996**	**$ 14,956**	**$ 531,952**	$ 504,693	$ 6,371	$ 511,064
Property operating costs	**202,656**	**11,079**	**213,735**	198,073	3,409	201,482
Net operating income	**314,340**	**3,877**	**318,217**	306,620	2,962	309,582
Other income and expenses						
Interest and other income	**14,395**	**788**	**15,183**	6,947	693	7,640
Interest expense	**(111,409)**	**(1,884)**	**(113,293)**	(115,067)	(1,005)	(116,072)
Corporate expenses	**(33,403)**	**216**	**(33,187)**	(29,447)	4	(29,443)
Abandoned transaction (costs) recovery	**2,892**	**—**	**2,892**	(102)	—	(102)
Amortization expense	**(4,351)**	**(1,913)**	**(6,264)**	(4,565)	(2,058)	(6,623)
Share of profit from joint ventures	**188**	**(188)**	**—**	(647)	647	—
Other gains (losses) and (expenses)	**(15,011)**	**(237)**	**(15,248)**	93,629	370	93,999
(Increase) decrease in value of unit-based compensation	**9,636**	**—**	**9,636**	(6,758)	—	(6,758)
(Increase) decrease in value of Exchangeable Units	**423**	**—**	**423**	(408)	—	(408)
Increase (decrease) in value of hotel property	**—**	**—**	**—**	1,039	—	1,039
Increase (decrease) in value of investment properties, net	**(378,645)**	**(645)**	**(379,290)**	172,621	(16,964)	155,657
	(515,285)	**(3,863)**	**(519,148)**	117,242	(18,313)	98,929
Income (loss) before income taxes	**(200,945)**	**14**	**(200,931)**	423,862	(15,351)	408,511
Deferred income tax expense (recovery)	**1,348**	**90**	**1,438**	(22,991)	—	(22,991)
Net income (loss)	**$ (202,293)**	**$ (76)**	**$ (202,369)**	$ 446,853	$ (15,351)	$ 431,502
Net income (loss) attributable to:						
Unitholders	**$ (202,369)**	**$ —**	**$ (202,369)**	$ 431,502	$ —	$ 431,502
Non-controlling interest	**76**	**(76)**	**—**	15,351	(15,351)	—
	$ (202,293)	**$ (76)**	**$ (202,369)**	$ 446,853	$ (15,351)	$ 431,502
Net income (loss) per unit attributable to Unitholders:						
Basic	**$ (0.93)**			$ 1.97		
Diluted	**$ (0.92)**			$ 1.95		

[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 September 30		Nine months ended September 30	
	2022	2021	**2022**	2021
Net income (loss) attributable to Unitholders	**$ (204,722)**	$ 181,526	**$ (202,369)**	$ 431,502
Add (deduct):				
(Increase) decrease in value of investment properties [1]	**271,686**	(20,226)	**379,290**	(155,657)
(Increase) decrease in value of hotel property [1]	**—**	(448)	**—**	(1,039)
Adjustment for equity accounted joint ventures [2]	**293**	673	**1,913**	2,058
Adjustment for capitalized interest related to equity accounted joint ventures [2]	**768**	—	**2,193**	—
Incremental leasing costs [3]	**1,852**	1,430	**4,862**	4,411
Amortization expense [4]	**121**	479	**376**	1,456
Transaction costs [5]	**—**	—	**572**	—
Distributions on Exchangeable Units [6]	**8**	11	**29**	33
Increase (decrease) in value of Exchangeable Units [6]	**8**	(10)	**(423)**	408
Increase (decrease) in value of unit-based compensation [7]	**(294)**	(605)	**(9,636)**	6,758
Gain on Option [8]	**—**	(80,822)	**—**	(80,822)
Investment property selling costs [1]	**3,371**	3,493	**4,365**	4,043
Deferred income taxes (recovery) [1]	**(6,516)**	(26,454)	**1,438**	(22,991)
FFO [9]	**$ 66,575**	$ 59,047	**$ 182,610**	$ 190,160

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

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

The components of FFO at proportionate interest are as follows:

	Three months ended September 30			Nine months ended September 30		
	% change	**2022**	2021	change	**2022**	2021
Net operating income		**$ 109,514**	$ 104,148		**$ 318,217**	$ 309,582
Interest and other income		**4,926**	2,694		**15,183**	7,640
Interest expense [1][2]		**(38,006)**	(38,730)		**(111,071)**	(116,039)
Corporate expenses [3]		**(10,903)**	(7,759)		**(28,325)**	(25,032)
Abandoned transaction (costs) recovery		**2,945**	(21)		**2,892**	(102)
Amortization expense [4]		**(1,489)**	(947)		**(3,975)**	(3,109)
Other gains (losses) and (expenses) [5]		**(412)**	(338)		**(10,311)**	17,220
FFO [6]	12.7%	**$ 66,575**	$ 59,047	(4.0%)	**$ 182,610**	$ 190,160
FFO per diluted unit	15.4%	**$ 0.31**	$ 0.27	(3.3%)	**$ 0.83**	$ 0.86
Weighted average number of units – diluted (in thousands)	(2.2%)	**216,008**	220,899	(0.7%)	**219,195**	220,794

(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 property 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 September 30, 2022, FFO increased $7.5 million, or $0.04 per unit, over the same prior year period. The increase was primarily due to a $5.4 million, or $0.02 per unit, increase in NOI driven primarily by higher base rent and variable revenue contributions, and a $2.2 million, or $0.01 per unit, increase in interest and other income. In addition, unit repurchases through First Capital's NCIB resulted in a lower weighted average unit count, thus driving a further increase of $0.01 in FFO per unit.

For the nine months ended September 30, 2022, FFO decreased $7.6 million, or $0.03 per unit, over the prior year. The decrease was primarily due to a $26.6 million, or $0.12 per unit, negative fair value swing year over year on marketable securities, partially offset by an $8.6 million, or $0.04 per unit, increase in NOI, and a $7.5 million, or $0.04 per unit, increase in interest and other income. In addition, unit repurchases through First Capital's NCIB resulted in a lower weighted average unit count, thus driving a further increase of $0.01 in FFO per unit.

Adjusted Funds from Operations

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

	Three months ended September 30			Nine months ended September 30		
	% change	**2022**	2021	% change	**2022**	2021
FFO [1]		**$ 66,575**	$ 59,047		**$ 182,610**	$ 190,160
Add (deduct):						
Revenue sustaining capital expenditures		**(7,549)**	(3,835)		**(16,416)**	(10,729)
Recoverable capital expenditures		**(3,092)**	(705)		**(7,357)**	(2,385)
Incremental leasing costs		**(1,852)**	(1,430)		**(4,862)**	(4,411)
Straight-line rent adjustment		**407**	242		**(213)**	(1,990)
AFFO [1]	2.2%	**$ 54,489**	$ 53,319	(9.9%)	**$ 153,762**	$ 170,645
AFFO per diluted unit	4.5%	**$ 0.25**	$ 0.24	(9.2%)	**$ 0.70**	$ 0.77
Weighted average number of units – diluted (in thousands)	(2.2%)	**216,008**	220,899	(0.7%)	**219,195**	220,794

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

For the three months ended September 30, 2022, AFFO per unit increased by approximately $0.01 over the same prior year period primarily due to higher FFO, or $0.04 per unit, partially offset by higher capital expenditures, or $0.03 per unit. For the nine months ended September 30, 2022, AFFO per unit decreased by approximately $0.07 over prior year primarily due to lower FFO, or $0.03 per unit, and higher capital expenditures, or $0.05 per unit.

Adjusted Cash Flow from Operations

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

	Three months ended September 30		Nine months ended September 30	
	2022	2021	**2022**	2021
Cash provided by operating activities	**$ 52,810**	$ 50,590	**$ 174,413**	$ 166,038
Add (deduct):				
Working capital adjustments [1]	**13,443**	23,583	**16,486**	28,752
Adjustment for equity accounted joint ventures	**795**	472	**1,769**	1,935
Revenue sustaining capital expenditures	**(7,535)**	(3,845)	**(16,280)**	(10,726)
Recoverable capital expenditures	**(3,092)**	(705)	**(7,357)**	(2,385)
Leasing costs on properties under development	**462**	358	**1,215**	1,103
Realized gain (loss) on sale of marketable securities	**—**	—	**5,591**	—
Non-controlling interest	**66**	257	**487**	(1,997)
ACFO [2]	**$ 56,949**	$ 70,710	**$ 176,324**	$ 182,720

(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 February 2019.

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

For the three and nine months ended September 30, 2022, ACFO totaled $56.9 million and $176.3 million compared to $70.7 million and $182.7 million for the same prior year periods, respectively. The $13.8 million and $6.4 million decrease in ACFO for the three and nine months ended September 30, 2022, respectively, was primarily due to higher capital expenditures and changes in working capital, partially offset by interest expense savings over prior year periods as well as a realized gain on sale of marketable securities during the nine month period in 2022.

ACFO Payout Ratio

First Capital's ACFO payout ratio for the four quarters ended September 30, 2022 is calculated as follows:

	Twelve months ended September 30, 2022	**Q3 2022**	**Q2 2022**	**Q1 2022**	**Q4 2021**
ACFO [1]	**$ 237,420**	$ 56,949	$ 76,274	$ 43,101	$ 61,096
Cash distributions paid	**94,297**	23,169	23,707	23,711	23,710
ACFO payout ratio [1]	**39.7%**				

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

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

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

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

First Capital considers a rolling four quarter payout ratio (cash distributions / ACFO) to be more relevant than a payout ratio in any given quarter due to seasonal fluctuations in ACFO. For the four quarters ended September 30, 2022, the ACFO payout was 39.7% (September 30, 2021 - 52.0%).

Net Asset Value

The following table provides FCR's calculation of NAV for the nine months ended September 30, 2022 and year ended December 31, 2021:

As at	**September 30, 2022**	December 31, 2021
Unitholders' equity	**$ 4,291,030**	$ 4,620,942
Exchangeable Units	**908**	1,947
Deferred tax liabilities	**765,592**	739,162
Net Asset Value (NAV) [1]	**$ 5,057,530**	$ 5,362,051
Units outstanding [2]	**213,775**	219,645
NAV per unit - diluted [3]	**$ 23.47**	$ 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 1.4 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 $124.4 million) and the exclusion of the unit-based compensation plan liability.

The decrease in NAV per diluted unit from $24.26 to $23.47 is primarily due to a year-to-date decrease in the fair value of investment property, partially offset by retained FFO for the year, the impact of the NCIB, and derivative gains related to interest rate swaps in other comprehensive income.

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 $0.07167 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. On September 15, 2022, First Capital announced the reinstatement of the Trust’s regular monthly distribution to $0.072 per unit commencing with the September 2022 distribution.

The following chart specifies distributions declared by First Capital:

	Three months ended September 30		Nine months ended September 30	
(in dollars)	**2022**	2021	**2022**	2021
Distributions declared per unit	**$ 0.144**	$ 0.108	**$ 0.360**	$ 0.324

SUMMARY OF FINANCIAL RESULTS OF LONG-TERM DEBT GUARANTORS

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

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

(millions of dollars)									Three months ended September 30	
	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	**$ 70**	$ 67	**$ 103**	$ 100	**$ —**	$ 1	**$ (1)**	$ (2)	**$ 172**	$ 166
NOI (5)	**$ 47**	$ 44	**$ 60**	$ 59	**$ —**	$ —	**$ —**	$ —	**$ 107**	$ 103
Net income (loss) attributable to Unitholders	**$ (205)**	$ 182	**$ (39)**	$ 187	**$ —**	$ —	**$ 39**	$ (187)	**$ (205)**	$ 182

(millions of dollars)									Nine months ended September 30	
	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	**$ 212**	$ 207	**$ 308**	$ 300	**$ —**	$ 1	**$ (3)**	$ (3)	**$ 517**	$ 505
NOI (5)	**$ 140**	$ 135	**$ 175**	$ 172	**$ —**	$ —	**$ (1)**	$ —	**$ 314**	$ 307
Net income (loss) attributable to Unitholders	**$ (202)**	$ 432	**$ 70**	$ 495	**$ —**	$ 25	**$ (70)**	$ (520)	**$ (202)**	$ 432

(millions of dollars)					As at September 30, 2022
		FCR [1]	Guarantors [2]	Non-Guarantors [3]	Consolidation Adjustments [4]	Total Consolidated
Current assets	$	**684**	$ **(7)**	$ **116**	$ **(101)**	$ **692**
Non-current assets	$	**(1,026)**	$ **11,218**	$ **130**	$ **(1,185)**	$ **9,137**
Current liabilities	$	**742**	$ **94**	$ **—**	$ **18**	$ **854**
Non-current liabilities	$	**3,662**	$ **969**	$ **50**	$ **(52)**	$ **4,629**

(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)	**Q3**	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Property rental revenue	**$ 171,914**	$ 172,606	$ 172,476	$ 170,197	$ 165,613	$ 167,168	$ 171,912	$ 170,058
Net operating income [1]	**$ 107,219**	$ 106,141	$ 100,980	$ 105,918	$ 103,078	$ 102,593	$ 100,949	$ 105,646
Net income (loss) attributable to Unitholders	**$ (204,722)**	$ (42,102)	$ 44,455	$ 28,629	$ 181,526	$ 211,989	$ 37,987	$ 37,268
Net income (loss) per unit attributable to Unitholders:								
Basic	**$ (0.95)**	$ (0.19)	$ 0.20	$ 0.13	$ 0.83	$ 0.97	$ 0.17	$ 0.17
Diluted	**$ (0.95)**	$ (0.19)	$ 0.20	$ 0.13	$ 0.82	$ 0.96	$ 0.17	$ 0.17
FFO [1]	**$ 66,575**	$ 61,241	$ 54,794	$ 60,829	$ 59,047	$ 76,104	$ 55,009	$ 62,516
FFO per diluted unit [1]	**$ 0.31**	$ 0.28	$ 0.25	$ 0.28	$ 0.27	$ 0.35	$ 0.25	$ 0.28
Weighted average number of diluted units outstanding	**216,008**	220,812	220,906	220,929	220,899	220,863	220,667	220,551
Cash provided by operating activities	**$ 52,810**	$ 62,305	$ 59,298	$ 83,575	$ 50,590	$ 71,152	$ 44,296	$ 92,737

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

	2022			2021				2020
(unit counts in thousands)	**Q3**	Q2	Q1	Q4	Q3	Q2	Q1	Q4
AFFO (1)	**$ 54,489**	$ 51,719	$ 47,554	$ 52,867	$ 53,319	$ 67,954	$ 49,372	$ 54,043
AFFO per diluted unit (1)	**$ 0.25**	$ 0.23	$ 0.22	$ 0.24	$ 0.24	$ 0.31	$ 0.22	$ 0.25
ACFO (1)	**$ 56,949**	$ 76,274	$ 43,101	$ 61,096	$ 70,710	$ 69,398	$ 42,612	$ 59,500
Distribution declared per unit	**$ 0.144**	$ 0.108	$ 0.108	$ 0.108	$ 0.108	$ 0.108	$ 0.108	$ 0.215
Total assets	**$9,829,570**	$10,057,358	$10,194,026	$10,109,074	$10,186,252	$10,189,522	$9,972,075	$10,032,463
Total mortgages and credit facilities	**$2,225,576**	$2,212,870	$2,280,587	$2,072,952	$2,211,920	$2,370,499	$2,358,551	$2,262,565
Unitholders' equity	**$4,291,030**	$4,542,689	$4,665,001	$4,620,942	$4,608,489	$4,445,198	$4,254,796	$4,227,164
Other								
Number of neighbourhoods	**145**	147	148	146	148	150	150	150
GLA - at 100% (in thousands)	**22,213**	22,339	22,456	22,485	22,736	22,935	22,890	22,822
GLA - at ownership interest (in thousands)	**19,326**	19,501	19,619	19,657	19,853	20,092	20,053	19,991
Monthly average occupancy %	**95.5%**	95.4%	95.7%	96.0%	95.9%	95.8%	96.0%	96.0%
Total portfolio occupancy %	**95.7%**	95.6%	95.5%	96.1%	95.9%	95.9%	95.8%	96.2%

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

CRITICAL ACCOUNTING ESTIMATES

First Capital's unaudited interim condensed consolidated financial statements for the three and nine months ended September 30, 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 September 30, 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 September 30, 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 and nine months ended September 30, 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 September 30, 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 September 30, 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	**September 30, 2022** **(unaudited)**	December 31, 2021 (audited)
ASSETS			
Non-current Assets			
Real Estate Investments			
Investment properties	3	**$ 8,481,257**	$ 8,975,539
Investment in joint ventures	4	**357,962**	349,488
Hotel property	5	**84,096**	85,400
Loans, mortgages and other assets	6	**163,547**	129,608
Total real estate investments		**9,086,862**	9,540,035
Other non-current assets	8	**50,366**	12,174
Total non-current assets		**9,137,228**	9,552,209
Current Assets			
Cash and cash equivalents	25(d)	**28,976**	34,699
Loans, mortgages and other assets	6	**112,861**	142,134
Residential development inventory		**152,309**	156,039
Amounts receivable	7	**27,313**	27,784
Other assets	8	**49,310**	44,909
		370,769	405,565
Investment properties classified as held for sale	3(d)	**321,573**	151,300
Total current assets		**692,342**	556,865
Total assets		**$ 9,829,570**	$ 10,109,074
LIABILITIES			
Non-current Liabilities			
Mortgages	10	**$ 1,092,729**	$ 1,129,500
Credit facilities	10	**766,592**	824,792
Senior unsecured debentures	11	**1,898,786**	1,898,677
Exchangeable Units	13	**908**	1,947
Other liabilities	12	**103,006**	53,497
Deferred tax liabilities	21	**766,822**	740,309
Total non-current liabilities		**4,628,843**	4,648,722
Current Liabilities			
Bank indebtedness	10	**17,729**	2,476
Mortgages	10	**31,389**	43,675
Credit facilities	10	**241,880**	74,985
Senior unsecured debentures	11	**249,900**	449,468
Accounts payable and other liabilities	12	**220,305**	220,666
		761,203	791,270
Mortgages on investment properties classified as held for sale	3(d), 10	**92,986**	—
Total current liabilities		**854,189**	791,270
Total liabilities		**5,483,032**	5,439,992
EQUITY			
Unitholders' equity	14	**4,291,030**	4,620,942
Non-controlling interest	24	**55,508**	48,140
Total equity		**4,346,538**	4,669,082
Total liabilities and equity		**$ 9,829,570**	$ 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 September 30		Nine months ended September 30	
(thousands of dollars)	**Note**	**2022**	2021	**2022**	2021
Property rental revenue		**$ 171,914**	$ 165,613	**$ 516,996**	$ 504,693
Property operating costs		**64,695**	62,535	**202,656**	198,073
Net operating income	16	**107,219**	103,078	**314,340**	306,620
Other income and expenses					
Interest and other income	17	**4,685**	2,382	**14,395**	6,947
Interest expense	18	**(37,540)**	(38,398)	**(111,409)**	(115,067)
Corporate expenses	19	**(12,829)**	(9,194)	**(33,403)**	(29,447)
Abandoned transaction (costs) recovery		**2,945**	(21)	**2,892**	(102)
Amortization expense		**(1,610)**	(1,426)	**(4,351)**	(4,565)
Share of profit (loss) from joint ventures	4	**603**	(223)	**188**	(647)
Other gains (losses) and (expenses)	20	**(3,749)**	76,392	**(15,011)**	93,629
(Increase) decrease in value of unit-based compensation	15	**294**	605	**9,636**	(6,758)
(Increase) decrease in value of Exchangeable Units	13	**(8)**	10	**423**	(408)
Increase (decrease) in value of hotel property	5	**—**	448	**—**	1,039
Increase (decrease) in value of investment properties, net	3	**(271,048)**	21,396	**(378,645)**	172,621
		(318,257)	51,971	**(515,285)**	117,242
Income (loss) before income taxes		**(211,038)**	155,049	**(200,945)**	423,862
Deferred income tax expense (recovery)	21	**(6,606)**	(26,454)	**1,348**	(22,991)
Net income (loss)		**$ (204,432)**	$ 181,503	**$ (202,293)**	$ 446,853
Net income (loss) attributable to:					
Unitholders	14	**$ (204,722)**	$ 181,526	**$ (202,369)**	$ 431,502
Non-controlling interest	24	**290**	(23)	**76**	15,351
		$ (204,432)	$ 181,503	**$ (202,293)**	$ 446,853

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

Interim Condensed Consolidated Statements of Comprehensive Income (Loss)

(unaudited)		Three months ended September 30		Nine months ended September 30	
(thousands of dollars)	**Note**	**2022**	2021	**2022**	2021
Net income (loss)		**$ (204,432)**	$ 181,503	**$ (202,293)**	$ 446,853
Other comprehensive income (loss)					
Unrealized gain (loss) on cash flow hedges [(1)]		**7,137**	5,074	**60,689**	26,470
Reclassification of net losses on cash flow hedges to net income		**673**	788	**2,343**	2,340
		7,810	5,862	**63,032**	28,810
Deferred tax expense (recovery)	21	**3,045**	2,286	**24,582**	11,236
Other comprehensive income (loss)		**4,765**	3,576	**38,450**	17,574
Comprehensive income (loss)		**$ (199,667)**	$ 185,079	**$ (163,843)**	$ 464,427
Comprehensive income (loss) attributable to:					
Unitholders	14	**$ (199,957)**	$ 185,102	**$ (163,919)**	$ 449,076
Non-controlling interest	24	**290**	(23)	**76**	15,351
		$ (199,667)	$ 185,079	**$ (163,843)**	$ 464,427

[(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)	(202,369)	—	—	(202,369)	76	(202,293)
Conversion of Exchangeable Units	—	—	617	617	—	617
Repurchase of Trust Units *(Note 14(a))*	(11,749)	—	(79,790)	(91,539)	—	(91,539)
Options, deferred units, restricted units, and performance units, net	—	—	3,000	3,000	—	3,000
Other comprehensive income (loss)	—	38,450	—	38,450	—	38,450
Contributions from (distributions to) non-controlling interest, net	—	—	—	—	7,292	7,292
Distributions *(Note 14(b))*	(78,071)	—	—	(78,071)	—	(78,071)
September 30, 2022	**$ 1,449,300**	**$ 19,632**	**$ 2,822,098**	**$ 4,291,030**	**$ 55,508**	**$ 4,346,538**

(unaudited) *(thousands of dollars)*	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Trust Units	Total Unitholders' Equity	Non-Controlling Interest	Total Equity
			(Note 14(a))			
December 31, 2020	$ 1,376,162	$ (43,580)	$ 2,894,582	$ 4,227,164	$ 29,263	$ 4,256,427
Changes during the period:						
Net income (loss)	431,502	—	—	431,502	15,351	446,853
Options, deferred units, restricted units, and performance units, net	—	—	3,343	3,343	—	3,343
Other comprehensive income (loss)	—	17,574	—	17,574	—	17,574
Contributions from (distributions to) non-controlling interest, net	—	—	—	—	3,972	3,972
Distributions *(Note 14(b))*	(71,094)	—	—	(71,094)	—	(71,094)
September 30, 2021	$ 1,736,570	$ (26,006)	$ 2,897,925	$ 4,608,489	$ 48,586	$ 4,657,075

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

Interim Condensed Consolidated Statements of Cash Flows

(unaudited)		Three months ended September 30		Nine months ended September 30	
(thousands of dollars)	**Note**	**2022**	2021	**2022**	2021
OPERATING ACTIVITIES					
Net income (loss)		**$ (204,432)**	$ 181,503	**$ (202,293)**	$ 446,853
Adjustments for:					
(Increase) decrease in value of investment properties, net	3	**271,048**	(21,396)	**378,645**	(172,621)
(Increase) decrease in value of hotel property	5	**—**	(448)	**—**	(1,039)
Interest expense	18	**37,540**	38,398	**111,409**	115,067
Amortization expense		**1,610**	1,426	**4,351**	4,565
Share of (profit) loss of joint ventures	4	**(603)**	223	**(188)**	647
Cash interest paid associated with operating activities	18	**(41,660)**	(43,767)	**(116,427)**	(120,313)
Items not affecting cash and other items	25(a)	**(445)**	(101,407)	**11,222**	(105,963)
Net changes in other working capital items	25(b)	**(10,248)**	(3,942)	**(12,306)**	(1,158)
Cash provided by (used in) operating activities		**52,810**	50,590	**174,413**	166,038
FINANCING ACTIVITIES					
Mortgage borrowings, net of financing costs	10	**—**	—	**79,779**	—
Mortgage principal instalment payments	10	**(7,905)**	(7,147)	**(22,972)**	(21,087)
Mortgage repayments	10	**—**	(36,775)	**(13,338)**	(62,623)
Credit facilities, net advances (repayments)	10	**22,098**	(116,798)	**119,451**	23,913
Repayment of senior unsecured debentures	11	**—**	—	**(200,000)**	(175,000)
Settlement of hedges		**—**	—	**13,451**	—
Repurchase of Trust Units	14(a)	**(20,756)**	—	**(91,539)**	—
Issuance of trust units, net of issue costs		**—**	80	**116**	755
Payment of distributions		**(23,169)**	(23,704)	**(70,587)**	(78,908)
Net contributions from (distributions to) non-controlling interest	24	**—**	3,972	**7,292**	3,972
Cash provided by (used in) financing activities		**(29,732)**	(180,372)	**(178,347)**	(308,978)
INVESTING ACTIVITIES					
Acquisition of investment properties	3(c)	**(25,548)**	(12,379)	**(60,502)**	(14,504)
Net proceeds from property dispositions	3(d)	**74,934**	203,038	**88,690**	203,726
Distributions from joint ventures	4	**1,635**	2,228	**3,629**	3,933
Contributions to joint ventures	4	**(3,326)**	(1,162)	**(11,915)**	(9,695)
Capital expenditures on investment properties	3(a)	**(40,002)**	(47,281)	**(92,178)**	(125,441)
Changes in investing-related prepaid expenses and other liabilities		**8,830**	12,338	**55,181**	2,395
Changes in loans, mortgages and other assets	25(c)	**(44,534)**	(9,593)	**15,306**	26,873
Cash provided by (used in) investing activities		**(28,011)**	147,189	**(1,789)**	87,287
Net increase (decrease) in cash and cash equivalents		**(4,933)**	17,407	**(5,723)**	(55,653)
Cash and cash equivalents, beginning of period		**33,909**	27,384	**34,699**	100,444
Cash and cash equivalents, end of period	25(d)	**$ 28,976**	$ 44,791	**$ 28,976**	$ 44,791

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 owns, operates and develops grocery-anchored, open-air centres in neighbourhoods with the strongest demographics in Canada. 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 November 1, 2022.

3. INVESTMENT PROPERTIES

(a) Activity

The following tables summarize the changes in First Capital's investment properties for the nine months ended September 30, 2022 and year ended December 31, 2021:

				Nine months ended September 30, 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	**30,506**	**—**	**29,996**	**60,502**
Capital expenditures	**59,919**	**16,014**	**16,245**	**92,178**
Developments transferred offline / online, net	**(19,361)**	**39,609**	**(20,248)**	**—**
Increase (decrease) in value of investment properties, net	**(378,445)**	**6,104**	**(6,304)**	**(378,645)**
Straight-line rent and other changes	**11**	**—**	**—**	**11**
Dispositions	**(88,014)**	**—**	**(10,041)**	**(98,055)**
Balance at end of period	**$ 8,374,543**	**$ 77,748**	**$ 350,539**	**$ 8,802,830**
Investment properties	**$ 8,165,837**	**$ 77,748**	**$ 237,672**	**$ 8,481,257**
Investment properties classified as held for sale	**208,706**	**—**	**112,867**	**321,573**
Total	**$ 8,374,543**	**$ 77,748**	**$ 350,539**	**$ 8,802,830**

				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 $2.7 billion (December 31, 2021 – $2.5 billion) are pledged as security for $1.3 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	**September 30, 2022**	December 31, 2021
Weighted Average Total		
Overall Capitalization Rate	**5.1%**	5.0%
Terminal Capitalization Rate	**5.3%**	5.2%
Discount Rate	**5.9%**	5.7%

The majority of the Trust's portfolio is valued under the Income Approach using the discounted cash flow ("DCF") method. As at September 30, 2022, the weighted average valuation yields (stabilized overall capitalization, terminal, and discount rates) used in valuing those investment properties under the Income Approach increased from December 31, 2021.

During the third quarter of 2022, as part of its normal course internal valuations, the Trust made revisions to stabilized capitalization rates, discount rates, and terminal capitalization rates to reflect current market conditions and rising interest rates. As a result, an overall decrease in the value of investment properties was recorded in the amount of $271.0 million ($271.7 million at FCR's share) for the three months ended September 30, 2022. For the nine months ended September 30, 2022, an overall decrease in the value of investment properties was recorded in the amount of $378.6 million ($379.3 million at FCR's share).

The sensitivity of the fair values of investment properties to stabilized overall capitalization rates as at September 30, 2022 is set out in the table below:

As at September 30, 2022		*(millions of dollars)*
(Decrease) Increase in stabilized overall capitalization rate		Resulting increase (decrease) in fair value of investment properties
(1.00%)	$	2,093
(0.75%)	$	1,481
(0.50%)	$	934
(0.25%)	$	443
0.25%	$	(402)
0.50%	$	(768)
0.75%	$	(1,104)
1.00%	$	(1,412)

Additionally, a 1% increase or decrease in stabilized net operating income ("SNOI") would result in a $87 million increase or a $87 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 $534 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 $485 million.

(c) Investment properties – Acquisitions

For the three and nine months ended September 30, 2022 and 2021, First Capital acquired investment properties as follows:

		Three months ended September 30				Nine months ended September 30		
		2022		2021		**2022**		2021
Total purchase price, including acquisition costs	**$**	**25,548**	$	12,379	**$**	**60,502**	$	14,504
Total cash paid	**$**	**25,548**	$	12,379	**$**	**60,502**	$	14,504

(d) Investment properties classified as held for sale and dispositions

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

As at	September 30, 2022	December 31, 2021
Aggregate fair value	$ 321,573	$ 151,300
Mortgages secured by investment properties classified as held for sale	$ 92,986	$ —
Weighted average effective interest rate of mortgages secured by investment properties classified as held for sale	4.6%	N/A

The increase of $170.3 million in investment properties classified as held for sale from December 31, 2021, primarily arose from the addition of new investment properties classified as held for sale and the disposition of investment properties, in line with First Capital's recently announced Enhanced Capital Allocation and Portfolio Optimization Plan.

For the three and nine months ended September 30, 2022 and 2021, First Capital sold investment properties as follows:

	Three months ended September 30		Nine months ended September 30	
	2022	2021	2022	2021
Total selling price	$ 83,305	$ 205,000	$ 98,055	$ 214,202
Vendor take-back mortgage on sale	(5,000)	(6,436)	(5,000)	(6,436)
Property selling costs	(3,371)	(3,490)	(4,365)	(4,040)
Proceeds released from escrow [1]	—	7,964	—	—
Net cash proceeds (payments)	$ 74,934	$ 203,038	$ 88,690	$ 203,726

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

4. INVESTMENT IN JOINT VENTURES

As at September 30, 2022, First Capital had interests in nine joint ventures that it accounts for using the equity method. First Capital's joint ventures are as follows:

			Effective Ownership	
Name of Entity	Name of Property/Business Activity	Location	September 30, 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	N/A	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. During the second quarter of 2022, the joint venture made final distributions and is in the process of being legally wound up.

First Capital has determined that these investments are joint ventures as all decisions regarding their activities are made unanimously between First Capital and its partners.

The following table reconciles the changes in First Capital's interests in its equity accounted joint ventures for the nine months ended September 30, 2022 and year ended December 31, 2021:

		September 30, 2022		December 31, 2021
Balance at beginning of period	**$**	**349,488**	$	52,570
Contributions to equity accounted joint ventures		**11,915**		17,110
Distributions from equity accounted joint ventures		**(3,629)**		(16,897)
Reclassification to equity accounted joint ventures		**—**		298,165
Share of income (loss) from equity accounted joint ventures		**188**		(1,460)
Balance at end of period	**$**	**357,962**	$	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 September 30, 2022, there were approximately $26.1 million of outstanding commitments and no contingent liabilities for the nine equity accounted joint ventures.

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 nine months ended September 30, 2022 and year ended December 31, 2021.

		September 30, 2022		December 31, 2021
Balance at beginning of period	**$**	**85,400**	$	88,000
Amortization		**(1,431)**		(1,937)
Additions		**127**		459
Revaluation of hotel property		**—**		(1,122)
Balance at end of period	**$**	**84,096**	$	85,400

6. LOANS, MORTGAGES AND OTHER ASSETS

As at		September 30, 2022		December 31, 2021
Non-current				
Loans and mortgages receivable classified as FVTPL (a)	**$**	**—**	$	1,486
Loans and mortgages receivable classified as amortized cost (a)(b)		**132,079**		122,321
Other investments		**9,471**		5,801
Due from co-owners (c)		**21,997**		—
Total non-current		**163,547**		129,608
Current				
Loans and mortgages receivable classified as FVTPL (a)		**1,514**		6
Loans and mortgages receivable classified as amortized cost (a)(b)		**107,949**		116,152
FVTPL investments in securities (d)		**3,398**		25,976
Total current		**112,861**		142,134
Total	**$**	**276,408**	$	271,742

(a) Loans and mortgages receivable are secured by interests in investment properties or shares of entities owning investment properties. As at September 30, 2022, these receivables bear interest at weighted average effective interest rates of 6.7% (December 31, 2021 – 5.4%) and mature between 2022 and 2027.

(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 is accreted into interest income over the interest free period of the loan.

(c) During the first quarter of 2022, 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 principal 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 consolidated 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	September 30, 2022		December 31, 2021	
Tenant receivables (net of allowance for expected credit losses of $14.5 million; December 31, 2021 – $17.2 million)	**$**	**26,918**	$	27,032
Corporate and other amounts receivable		**395**		752
Total	**$**	**27,313**	$	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 September 30, 2022.

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

As at	September 30, 2022		December 31, 2021	
Allowance for expected credit losses, beginning of period	**$**	**17,213**	$	11,440
Receivables written off during the period		**(4,376)**		(4,232)
Additional provision recorded during the period		**1,638**		10,005
Allowance for expected credit losses, end of period	**$**	**14,475**	$	17,213

8. OTHER ASSETS

As at	Note	September 30, 2022		December 31, 2021	
Non-current					
Fixtures, equipment and computer hardware and software (net of accumulated amortization of $25.3 million; December 31, 2021 – $22.3 million)		**$**	**6,157**	$	7,671
Deferred financing costs on credit facilities (net of accumulated amortization of $8.3 million; December 31, 2021 – $7.5 million)			**3,655**		2,960
Environmental indemnity and insurance proceeds receivable	12(a)		**970**		1,244
Derivatives at fair value	23		**39,584**		299
Total non-current			**50,366**		12,174
Current					
Deposits and costs on investment properties under option			**5,491**		8,358
Prepaid expenses			**28,525**		11,364
Bond asset			**—**		13,388
Other deposits			**508**		250
Restricted cash			**7,151**		5,538
Derivatives at fair value	23		**7,635**		6,011
Total current			**49,310**		44,909
Total		**$**	**99,676**	$	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		**September 30, 2022**		December 31, 2021
Liabilities (principal amounts outstanding)				
Bank indebtedness	**$**	**17,729**	$	2,476
Mortgages		**1,220,754**		1,177,064
Credit facilities		**1,008,472**		899,777
Mortgages under equity accounted joint ventures (at the Trust's interest)		**92,188**		39,808
Senior unsecured debentures		**2,150,000**		2,350,000
		4,489,143		4,469,125
Exchangeable Units		**908**		1,947
Equity market capitalization [1]		**3,231,365**		4,140,551
Total capital employed	**$**	**7,721,416**	$	8,611,623
Trust Units outstanding (000's)		**213,715**		219,541
Closing market price	**$**	**15.12**	$	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 September 30, 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		**September 30, 2022**		December 31, 2021
Net debt to total assets [1]	≤65%		**45.4%**		43.9%
Unencumbered aggregate assets to unsecured debt, using 10 quarter average capitalization rate [1]	>1.3		**2.2**		2.3
Unitholders' equity, using four quarter average (billions) [2]	>$2.0B	**$**	**4.5**	$	4.5
Secured indebtedness to total assets [2]	≤35%		**14.0%**		12.7%
For the rolling four quarters ended					
Interest coverage (Adjusted EBITDA to interest expense) [2]	>1.65		**2.5**		2.3
Fixed charge coverage (Adjusted EBITDA to debt service) [2]	>1.50		**2.1**		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	**September 30, 2022**	December 31, 2021
Fixed rate mortgages	**$ 1,217,104**	$ 1,173,175
Unsecured facilities	**937,635**	824,792
Secured facilities	**70,837**	74,985
Mortgages and credit facilities	**$ 2,225,576**	$ 2,072,952
Current	**$ 273,269**	$ 118,660
Mortgages on investment properties classified as held for sale	**92,986**	—
Non-current	**1,859,321**	1,954,292
Total	**$ 2,225,576**	$ 2,072,952

Mortgages and secured facilities are secured by First Capital's investment properties. As at September 30, 2022, approximately $2.7 billion (December 31, 2021 – $2.5 billion) of investment properties out of $8.8 billion (December 31, 2021 – $9.1 billion) (Note 3(a)) had been pledged as security under the mortgages and the secured facilities.

As at September 30, 2022, mortgages bear coupon interest at a weighted average coupon rate of 3.5% (December 31, 2021 – 3.4%) and mature in the years ranging from 2024 to 2032. The weighted average effective interest rate on all mortgages as at September 30, 2022 is 3.6% (December 31, 2021 – 3.5%).

Principal repayments of mortgages outstanding as at September 30, 2022 are as follows:

	Scheduled Amortization	Payments on Maturity	Total	Weighted Average Effective Interest Rate
2022 (remainder of the year)	$ 7,974	$ —	$ 7,974	N/A
2023	32,597	—	32,597	N/A
2024	31,945	108,478	140,423	3.7%
2025	29,641	55,895	85,536	3.4%
2026	25,886	94,360	120,246	3.2%
2027 to 2032	67,182	766,796	833,978	3.6%
	$ 195,225	**$ 1,025,529**	**$ 1,220,754**	**3.6%**
Unamortized deferred financing costs and premiums, net			(3,650)	
Total			**$ 1,217,104**	

First Capital's credit facilities as at September 30, 2022 are summarized in the table below:

As at September 30, 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 2027[(1)]	$ 450,000	$ —	$ (21,964)	$ 428,036	BA + 1.45% or Prime + 0.45% or US$ LIBOR + 1.45%	June 30, 2027
Revolving facility maturing 2024 [(2)]	100,000	(101,010)	—	—	BA + 1.15% or Prime + 0.30% or US$ LIBOR + 1.15%	August 31, 2024
Revolving facility maturing 2023 [(3)]	250,000	(82,391)	—	167,609	BA + 1.15% or Prime + 0.30% or US$ LIBOR + 1.15%	October 31, 2023
Floating rate unsecured term loan maturing 2023 [(4)]	200,000	(204,234)	—	—	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 2025	71,450	—	—	71,450	BA + 2.65% or Prime + 1.00%	November 28, 2025
Maturing 2024	19,321	(4,908)	—	14,413	Prime - 0.25%	June 1, 2024
Maturing 2023	33,333	(33,333)	—	—	2.79%	February 24, 2023
Secured Facilities						
Maturing 2023	4,313	(4,313)	—	—	BA + 1.20% or Prime + 0.20%	September 28, 2023
Maturing 2023	6,755	(6,755)	—	—	BA + 1.20% or Prime + 0.20%	December 19, 2023
Total	**$ 1,855,172**	**$ (1,008,472)**	**$ (21,964)**	**$ 829,980**		

(1) As at September 30, 2022, approximately $380.0 million of the unsecured revolving credit facility was extended by one year and is due June 30, 2027. The remaining $70.0 million is due June 30, 2026.

(2) The Trust had drawn in U.S. dollars the equivalent of CAD$100.0 million which was revalued at CAD$101.0 million as at September 30, 2022.

(3) The Trust had drawn in U.S. dollars the equivalent of CAD$55.0 million which was revalued at CAD$57.4 million as at September 30, 2022. In addition, the Trust had drawn $25.0 million in Canadian dollars as at September 30, 2022.

(4) The Trust had drawn in U.S. dollars the equivalent of CAD$200.0 million which was revalued at CAD$204.2 million as at September 30, 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					September 30, 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**	**249,900**	249,493
Q	October 30, 2023	3.90%	3.97%	**300,000**	**299,786**	299,644
R	August 30, 2024	4.79%	4.72%	**300,000**	**300,371**	300,507
S	July 31, 2025	4.32%	4.24%	**300,000**	**300,641**	300,801
T	May 6, 2026	3.60%	3.56%	**300,000**	**300,412**	300,487
V	January 22, 2027	3.46%	3.54%	**200,000**	**199,362**	199,261
U	July 12, 2027	3.75%	3.82%	**300,000**	**299,080**	298,950
A	March 1, 2028	3.45%	3.54%	**200,000**	**199,134**	199,027
Weighted Average or Total		3.94%	3.98%	**$ 2,150,000**	**$ 2,148,686**	$ 2,348,145
Current				**$ 250,000**	**$ 249,900**	$ 449,468
Non-current				**1,900,000**	**1,898,786**	1,898,677
Total				**$ 2,150,000**	**$ 2,148,686**	$ 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	September 30, 2022	December 31, 2021
Non-current			
Asset retirement obligations (a)		**$ 1,500**	$ 1,755
Ground leases payable		**8,296**	8,811
Derivatives at fair value	23	**—**	8,990
Unit-based compensation plans	15(c)	**4,013**	6,802
Deferred purchase price of investment property		**2,850**	2,850
Other liabilities (b)		**86,347**	24,289
Total non-current		**103,006**	53,497
Current			
Trade payables and accruals		**78,917**	75,900
Construction and development payables		**50,181**	44,696
Unit-based compensation plans	15(c)	**13,162**	17,815
Distributions payable	14(b)	**15,387**	7,903
Interest payable		**24,213**	33,641
Tenant deposits		**38,148**	40,236
Derivatives at fair value	23	**284**	464
Other liabilities		**13**	11
Total current		**220,305**	220,666
Total		**$ 323,311**	$ 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 $1.0 million (December 31, 2021 - $1.2 million) in other assets (Note 8).

(b) Other liabilities includes a loan payable to one of the Trust's joint ventures in the amount of $53.2 million in relation to mortgage proceeds received by the joint venture. The loan proceeds were concurrently advanced to the Trust and to the joint venture's other limited partners by way of a new loan arrangement that cannot be eliminated in the consolidated financial statements under IFRS.

13. EXCHANGEABLE UNITS

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

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

As at	**September 30, 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
Converted to Trust Units	**(43)**	**(617)**	—	—
Fair value adjustment	**—**	**(422)**	—	548
Balance at end of period	**60**	**$ 908**	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	**September 30, 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
Trust Units repurchased	**(6,041)**	**(79,790)**	—	—
Exercise of options, and settlement of any restricted, performance and deferred trust units	**172**	**3,000**	226	3,689
Conversion of Exchangeable Units	**43**	**617**	—	—
Balance at end of period	**213,715**	**$ 2,822,098**	219,541	$ 2,898,271

On May 16, 2022, First Capital received TSX approval to commence a normal course issuer bid ("NCIB") which will enable it to purchase for cancellation up to 21,910,353 of its outstanding Trust Units ("Units").

As of September 30, 2022, the Trust has acquired and cancelled 6.0 million Units at a weighted average purchase price of $15.14 per unit, for a total cost of $91.5 million. The excess of the purchase price over the carrying amount of the Units purchased, representing the unit price increase over the weighted average historical issuance price, was recorded as a reduction to retained earnings of $11.7 million.

(b) Distributions

On January 12, 2021, First Capital announced the reduction of its monthly distribution to Unitholders from $0.07167 per unit to $0.036 to provide the Trust with additional retained cash flow of approximately $95 million per annum.

On September 15, 2022, First Capital announced the reinstatement of the Trust's regular monthly distribution to $0.072 per unit commencing with the September 2022 distribution.

First Capital declared monthly distributions totaling $0.360 per Trust Unit for the nine months ended September 30, 2022 (nine months ended September 30, 2021 - $0.324 per Trust Unit).

15. UNIT-BASED COMPENSATION PLANS

(a) Unit Option Plan

As of September 30, 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 September 30, 2022, 6.7 million (December 31, 2021 – 6.6 million) unit options are available to be granted to employees and officers. In addition, as at September 30, 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 September 30, 2022 have exercise prices ranging from $15.53 - $21.24 (December 31, 2021 – $15.53 - $21.24).

During the nine months ended September 30, 2022, $0.6 million (nine months ended September 30, 2021 – $0.7 million) was recorded as an expense related to stock options.

Nine months ended September 30	**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)	**(7)**		**17.90**	(48)		15.90
Forfeited	**(15)**		**19.34**	(513)		20.69
Expired	**(15)**		**17.90**	(457)		19.68
Outstanding at end of period	**6,300**	**$**	**19.75**	6,729	$	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.

Nine months ended September 30	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 nine months ended September 30, 2022 was $18.17 (nine months ended September 30, 2021 – $16.28).

The assumptions used to measure the fair value of the unit options under the Black-Scholes model (level 2) as at September 30, 2022 and 2021 were as follows:

As at September 30	**2022**	2021
Expected Trust Unit price volatility	**19.97% - 30.79%**	16.97% - 38.05%
Expected life of options	**0.2 - 6.2 years**	0.2 - 6.8 years
Expected distribution yield	**5.69%**	4.50%
Risk free interest rate	**3.26% - 4.00%**	0.18% - 1.24%

(b) Trust Unit arrangements

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

Nine months ended September 30		**2022**		2021
(in thousands)	**DUs**	**RUs / PUs**	DUs	RUs / PUs
Outstanding at beginning of period	**320**	**897**	368	789
Granted (a) (b)	**58**	**460**	50	355
Distributions reinvested	**7**	**22**	6	17
Exercised	**(7)**	**(284)**	(121)	(244)
Forfeited	**—**	**(26)**	—	(22)
Outstanding at end of period	**378**	**1,069**	303	895
Expense recorded for the period	**$1,026**	**$4,095**	$995	$4,028

(a) The fair value of the DUs granted during the nine months ended September 30, 2022 was $0.9 million (nine months ended September 30, 2021 – $0.9 million), measured based on First Capital’s prevailing Trust Unit price on the date of grant. The fair value of the RUs granted during the nine months ended September 30, 2022 was $4.7 million (nine months ended September 30, 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 nine months ended September 30, 2022 was $2.5 million (nine months ended September 30, 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.

Nine months ended September 30	**2022**	2021
Grant date	**May 9, 2022**	March 1, 2021
PUs granted (thousands)	**177**	146
Term to expiry	**3 years**	3 years
Weighted average volatility rate	**31.1%**	30.1%
Weighted average correlation	**75.3%**	72.4%
Weighted average total Unitholder return	**(15.6%)**	10.4%
Weighted average risk free interest rate	**2.66%**	0.34%
Fair value (thousands)	**$2,479**	$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 September 30, 2022, the carrying value of the unit-based compensation liability was $17.2 million (December 31, 2021 – $24.6 million)(Note 12). For the nine months ended September 30, 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 $9.6 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 September 30			Nine months ended September 30		
	% change	**2022**	2021	**% change**	**2022**	2021
Property rental revenue						
Base rent [1]		**$ 108,040**	$ 107,018		**$ 322,257**	$ 319,854
Operating cost recoveries		**25,564**	23,354		**79,462**	74,498
Realty tax recoveries		**27,333**	28,290		**88,191**	89,887
Lease termination fees		**407**	460		**526**	1,534
Percentage rent		**503**	731		**1,705**	1,731
Straight-line rent adjustment		**(420)**	(223)		**181**	2,050
Prior year operating cost and tax recovery adjustments		**358**	(796)		**1,412**	(1,713)
Temporary tenants, storage, parking and other [2]		**10,129**	6,779		**23,262**	16,852
Total Property rental revenue	**3.8%**	**171,914**	165,613	**2.4%**	**516,996**	504,693
Property operating costs						
Recoverable operating expenses		**28,104**	26,137		**88,419**	82,654
Recoverable realty tax expense		**30,951**	32,064		**99,469**	102,240
Prior year realty tax expense		**57**	(506)		**(45)**	(1,364)
Other operating costs and adjustments [3]		**5,583**	4,840		**14,813**	14,543
Total Property operating costs		**64,695**	62,535		**202,656**	198,073
Total NOI	**4.0%**	**$ 107,219**	$ 103,078	**2.5%**	**$ 314,340**	$ 306,620
NOI margin		**62.4%**	62.2%		**60.8%**	60.8%

(1) Includes residential revenue.

(2) Includes hotel property revenue.

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

Included in other operating costs and adjustments is bad debt expense for the three and nine months ended September 30, 2022 of $0.6 million and $1.4 million, respectively (three and nine months ended September 30, 2021 – $1.7 million and $7.1 million, respectively).

For the three and nine months ended September 30, 2022, property operating costs include $6.1 million and $17.8 million, respectively, (three and nine months ended September 30, 2021 – $5.3 million and $15.7 million, respectively) related to employee compensation. Employee compensation is presented net of subsidies received under the Canada Emergency Wage Subsidy ("CEWS") program for the three and nine months ended September 30, 2022 of Nil related to property operations personnel (three and nine months ended September 30, 2021 – Nil and $0.6 million, respectively). A portion of this wage subsidy was passed on to tenants through lower operating cost recoveries.

17. INTEREST AND OTHER INCOME

		Three months ended September 30		Nine months ended September 30	
	Note	**2022**	2021	**2022**	2021
Interest, dividend and distribution income from marketable securities and other investments	6	**$ 157**	$ 91	**$ 358**	$ 390
Interest income from loans and mortgages receivable classified as FVTPL	6	**19**	25	**57**	74
Interest income from loans and mortgages receivable at amortized cost	6	**3,202**	1,025	**10,065**	3,245
Fees and other income		**1,307**	1,241	**3,915**	3,238
Total		**$ 4,685**	$ 2,382	**$ 14,395**	$ 6,947

18. INTEREST EXPENSE

		Three months ended September 30		Nine months ended September 30	
	Note	**2022**	2021	**2022**	2021
Mortgages	10	**$ 11,990**	$ 12,400	**$ 34,740**	$ 38,254
Credit facilities	10	**8,042**	6,648	**23,565**	20,010
Senior unsecured debentures	11	**21,544**	23,849	**64,661**	72,110
Distributions on Exchangeable Units [1]	13	**8**	11	**29**	33
Total interest expense		**41,584**	42,908	**122,995**	130,407
Interest capitalized to investment properties under development		**(4,044)**	(4,510)	**(11,586)**	(15,340)
Interest expense		**$ 37,540**	$ 38,398	**$ 111,409**	$ 115,067
Change in accrued interest		**5,493**	6,966	**9,398**	9,991
Coupon interest rate in excess of effective interest rate on senior unsecured debentures		**321**	296	**940**	871
Coupon interest rate in excess of effective interest rate on assumed mortgages		**5**	21	**13**	127
Amortization of deferred financing costs		**(1,699)**	(1,914)	**(5,333)**	(5,743)
Cash interest paid associated with operating activities		**$ 41,660**	$ 43,767	**$ 116,427**	$ 120,313

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

19. CORPORATE EXPENSES

	Three months ended September 30		Nine months ended September 30	
	2022	2021	**2022**	2021
Salaries, wages and benefits	**$ 8,446**	$ 6,941	**$ 22,760**	$ 21,674
Unit-based compensation	**2,161**	1,725	**5,330**	5,367
Other corporate costs	**3,996**	2,109	**10,722**	8,101
Total corporate expenses	**14,603**	10,775	**38,812**	35,142
Amounts capitalized to investment properties under development	**(1,774)**	(1,581)	**(5,409)**	(5,695)
Corporate expenses	**$ 12,829**	$ 9,194	**$ 33,403**	$ 29,447

For the three and nine months ended September 30, 2022, salaries, wages and benefits include Nil of wage subsidies received under the CEWS program (three and nine months ended September 30, 2021 - Nil and $0.3 million, respectively).

20. OTHER GAINS (LOSSES) AND (EXPENSES)

	Three months ended September 30		Nine months ended September 30	
	2022	2021	**2022**	2021
Realized gain (loss) on sale of marketable securities	**$ —**	$ —	**$ 5,591**	$ —
Unrealized gain (loss) on marketable securities	**(375)**	(917)	**(15,103)**	17,062
Transaction costs	**—**	—	**(572)**	—
Gain (loss) on loan receivable modification	**—**	—	**(566)**	—
Pre-selling costs of residential inventory	**(7)**	(15)	**(23)**	(211)
Investment property selling costs	**(3,371)**	(3,490)	**(4,365)**	(4,040)
Gain on Option	**—**	80,822	**—**	80,822
Other	**4**	(8)	**27**	(4)
Total	**$ (3,749)**	$ 76,392	**$ (15,011)**	$ 93,629

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 (recovery) computed at the statutory tax rate to the actual tax expense for the three and nine months ended September 30, 2022 and 2021.

	Three months ended September 30		Nine months ended September 30	
	2022	2021	**2022**	2021
Income tax computed at the Canadian statutory rate of Nil applicable to the Trust at September 30, 2022 and 2021	**$ —**	$ —	**$ —**	$ —
Increase (decrease) in income taxes due to:				
Deferred income taxes (recoveries) applicable to corporate subsidiaries	**(6,529)**	18,828	**1,293**	22,010
Deferred income tax recovery related to temporary differences associated with investment property applicable to corporate subsidiaries [1]	**—**	(45,001)	**—**	(45,001)
Other	**(77)**	(281)	**55**	—
Deferred income taxes expense (recovery)	**$ (6,606)**	$ (26,454)	**$ 1,348**	$ (22,991)

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

22. RISK MANAGEMENT

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

(a) Interest rate risk

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

(b) Credit risk

Credit risk arises from the possibility that tenants and/or debtors may experience financial difficulty and be unable or unwilling to fulfill their lease commitments or loan obligations. First Capital mitigates the risk of credit loss from tenants by investing in well-located properties in urban markets that attract high quality tenants, ensuring that its tenant mix is diversified, and by limiting its exposure to any one tenant. As at September 30, 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 September 30, 2022 is set out below:

As at September 30, 2022	Payments due by period				
	Remainder of 2022	2023 to 2024	2025 to 2026	Thereafter	Total
Scheduled mortgage principal amortization	$ 7,974	$ 64,542	$ 55,527	$ 67,182	$ 195,225
Mortgage principal repayments on maturity	—	108,478	150,255	766,796	1,025,529
Credit facilities and bank indebtedness	17,729	636,944	350,000	21,528	1,026,201
Senior unsecured debentures	250,000	600,000	600,000	700,000	2,150,000
Interest obligations [1]	40,777	261,002	153,743	95,263	550,785
Land leases (expiring between 2023 and 2061)	304	1,486	1,245	15,512	18,547
Contractually committed costs to complete current development projects [2]	9,772	87,635	—	—	97,407
Other committed costs	14,000	—	—	—	14,000
Total contractual obligations	**$ 340,556**	**$ 1,760,087**	**$ 1,310,770**	**$ 1,666,281**	**$ 5,077,694**

[1] Interest obligations include expected interest payments on mortgages and credit facilities as at September 30, 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 September 30, 2022, there was $0.9 billion (December 31, 2021 – $0.8 billion) of cash advances drawn against First Capital's unsecured credit facilities.

In addition, as at September 30, 2022, First Capital had $28.5 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 $17.7 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	**September 30, 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	**$ 3,398**	**$ —**	**$ —**	$ 25,976	$ —	$ —
Loans and mortgages receivable	**—**	**—**	**1,514**	—	—	1,492
Other investments	**—**	**—**	**9,471**	—	—	5,801
Derivatives at fair value – assets	**—**	**47,219**	**—**	—	6,310	—
Financial Liabilities						
Exchangeable Units	**—**	**908**	**—**	—	1,947	—
Unit-based compensation plans	**—**	**17,175**	**—**	—	24,617	—
Derivatives at fair value – liabilities	**—**	**284**	**—**	—	9,454	—
Fair value of financial instruments measured at amortized cost						
Financial Assets						
Loans and mortgages receivable	**$ —**	**$ —**	**$ 243,777**	$ —	$ —	$ 239,135
Bond asset	**—**	**—**	**—**	—	13,388	—
Due from co-owners	**—**	**—**	**21,997**	—	—	—
Financial Liabilities						
Mortgages	**—**	**1,112,812**	**—**	—	1,219,703	—
Credit facilities	**—**	**1,008,472**	**—**	—	899,777	—
Senior unsecured debentures	**—**	**2,022,996**	**—**	—	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 September 30, 2022, the interest rates ranged from 3.2% to 5.5% (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 September 30, 2022	**September 30, 2022**	December 31, 2021
Derivative assets				
Bond forward contracts	Yes	N/A	**$ —**	$ 754
Interest rate swaps	Yes	April 2024 - March 2027	**39,584**	299
Cross currency swaps	No	October 2022	**7,635**	$ 5,257
Total			**$ 47,219**	$ 6,310
Derivative liabilities				
Bond forward contracts	Yes	November 2022	**$ 284**	$ —
Interest rate swaps	Yes	N/A	**$ —**	$ 8,990
Cross currency swaps	No	N/A	**—**	464
Total			**$ 284**	$ 9,454

As at September 30, 2022, the $40.9 million increase in the fair value of outstanding derivative assets and $9.2 million decrease in the fair value of outstanding derivative liabilities compared to December 31, 2021 is primarily due to significant fluctuations in market rates (Canadian Bankers' Acceptance rate and Government of Canada bond rate) relative to the market rates locked-in at inception of outstanding interest rate swaps.

24. SUBSIDIARIES WITH NON-CONTROLLING INTEREST

As at September 30, 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	**September 30, 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 September 30		Nine months ended September 30	
	Note	**2022**	2021	**2022**	2021
Straight-line rent adjustment	16	**$ 420**	$ 223	**$ (181)**	$ (2,050)
Investment property selling costs	20	**3,371**	3,490	**4,365**	4,040
Realized (gain) loss on sale of marketable securities	20	**—**	—	**(5,591)**	—
Unrealized (gain) loss on marketable securities classified as FVTPL	20	**375**	917	**15,103**	(17,062)
(Gain) loss on loan receivable modification	20	**—**	—	**566**	—
Gain on Option	20	**—**	(80,822)	**—**	(80,822)
Unit-based compensation expense	15	**2,281**	1,854	**5,671**	5,755
Increase (decrease) in value of Exchangeable Units	13	**8**	(10)	**(423)**	408
Increase (decrease) in value of unit-based compensation	15	**(294)**	(605)	**(9,636)**	6,758
Deferred income taxes expense (recovery)	21	**(6,606)**	(26,454)	**1,348**	(22,991)
Other non-cash items		**—**	—	**—**	1
Total		**$ (445)**	$ (101,407)	**$ 11,222**	$ (105,963)

(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 September 30		Nine months ended September 30	
	2022	2021	**2022**	2021
Amounts receivable	**$ 3,093**	$ 16,948	**$ 471**	$ 13,607
Prepaid expenses	**(2,430)**	(13,485)	**(17,160)**	(16,258)
Trade payables and accruals	**(2,033)**	7,696	**6,116**	13,903
Tenant security and other deposits	**(3,455)**	(3,888)	**(2,089)**	(1,910)
Residential development inventory	**(3,245)**	—	**3,730**	—
Other working capital changes	**(2,178)**	(11,213)	**(3,374)**	(10,500)
Total	**$ (10,248)**	$ (3,942)	**$ (12,306)**	$ (1,158)

(c) Changes in loans, mortgages and other assets

	Three months ended September 30		Nine months ended September 30	
	2022	2021	**2022**	2021
Advances of loans and mortgages receivable	**$ (44,539)**	$ (9,600)	**$ (56,870)**	$ (18,875)
Repayments of loans and mortgages receivable	**5**	7	**62,780**	45,748
Other investments, net	**—**	—	**(3,670)**	—
Proceeds from disposition of marketable securities	**—**	—	**13,066**	—
Total	**$ (44,534)**	$ (9,593)	**$ 15,306**	$ 26,873

(d) Cash and cash equivalents

As at	September 30, 2022	December 31, 2021
Cash and cash equivalents	**$ 28,976**	$ 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 $67.2 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 $28.5 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 $18.5 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.

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