FIRST
CAPITAL

2022
FOURTH 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 this MD&A and the matters discussed under "Risk Factors" in First Capital's current Annual Information Form. Factors that could cause actual results or events to differ materially from those expressed, implied or projected by forward-looking statements, in addition to those factors referenced above, include, but are not limited to: general economic conditions; real property ownership; tenant financial difficulties, defaults and bankruptcies; the relative illiquidity of real property; increases in operating costs, property taxes and income taxes; First Capital's ability to maintain occupancy and to lease or re-lease space at current or anticipated rents; the availability and cost of equity and debt capital to finance the Trust's business, including the repayment of existing indebtedness as well as development, intensification and acquisition activities; changes in interest rates and credit spreads; organizational structure; changes to credit ratings; the availability of a new competitive supply of retail properties which may become available either through construction, lease or sublease; the Trust's ability to: execute on its Urban Investment Strategy, including with respect to dispositions, capitalize on competitive advantages, optimize portfolio assets and accelerate value delivered to its investors and stakeholders, remain ahead of changing market conditions, surface unrecognized value, reach its demographic targets and ensure the Trust retains its best in class position; unexpected costs or liabilities related to acquisitions, development and construction; geographic and tenant concentration; residential development, sales and leasing; compliance with financial covenants; changes in governmental regulation; environmental liability and compliance costs; unexpected costs or liabilities related to dispositions; challenges associated with the integration of acquisitions into the Trust; uninsured losses and First Capital's ability to obtain insurance coverage at a reasonable cost; risks in joint ventures; unitholder activism; 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 this MD&A 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 February 7, 2023 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 **$9.6 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

371
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

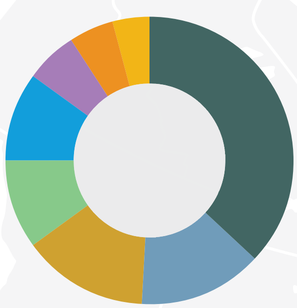
Our target markets

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.

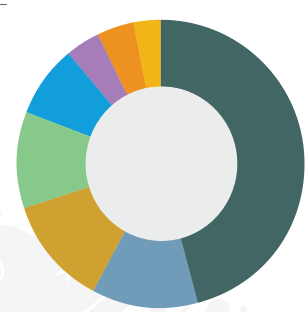
Within each of these markets, we own some of the best located properties in neighbourhoods with strong demographics that we expect will continue to get stronger over time, thereby attracting the most desirable tenants with the highest rent growth potential and the most compelling opportunities for value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

Urban Markets



	% of Annual Minimum Rent*	% of Portfolio Value*
Greater Toronto Area	40%	48%
Greater Montreal Area	14%	12%
Greater Calgary Area	13%	11%
Greater Vancouver Area	10%	12%
Greater Edmonton Area	10%	7%
Greater Ottawa Area	5%	4%
Kitchener/Waterloo/Guelph Area	5%	4%
Other	3%	2%
Total	**100%**	**100%**

*As at December 31, 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 – 3,901 locations

	# of Locations	% of Rent
Grocery Stores	124	17.4
Medical, Professional & Personal Services	1,292	15.6
QSR, Chains & Cafes	918	13.3
Other Necessity-Based Retailers	378	12.1
Pharmacies	119	9.2
Other Tenants	466	8.4
Banks & Credit Unions	184	8.2
Value-Based Retailers	84	5.8
Fitness Facilities	75	3.6
Liquor Stores	87	3.1
Other Restaurants	68	1.7
Daycare & Learning Centres	106	1.6

As at December 31, 2022

24 million square feet of incremental density within our existing portfolio

31 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)
- 2030 GHG emissions reduction target of 46% reduction (2019 base year) approved by Science Based Target Initiative (SBTi), with long term goal of reaching net-zero by 2050, or sooner
- Hosted our inaugural Collaboration for Climate Action Forum, bringing together major national retail tenants and prominent retail property owners for a solutions-focused discussion around the decarbonization of retail buildings in Canada

Promote sustainable transportation

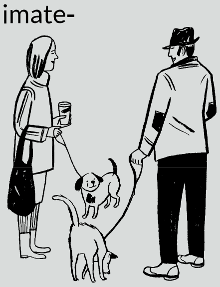
- > 99% of our portfolio within a 5-minute walk of public transit
- Average Walk Score for our portfolio is 71 (very walkable)
- Over 250 electric vehicle charging stations; goal to have electric charging stations installed at all our properties, where feasible, by 2024

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
- 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

- Named one of Canada's 2022 Greenest Employers by Mediacorp Canada and the Globe and Mail
- 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)
- 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
- 87% employee engagement score in our 2022 employee pulse survey

Be a good corporate citizen in the communities we operate

- Long-standing support of public arts, now with 31 installations across our portfolio
- Launched the FCR Thriving Neighbourhoods Foundation in 2020 and have since raised over $600,000 in donations through employee-led charitable giving and volunteer programs focused on community support
- In 2020/2021 raised over $404,000 to fight food insecurity, including $338,000 donated to Second Harvest and $66,000 to food banks to fight food insecurity
- In 2022 raised over $196,000 for Kids Help Phone through multiple staff led initiatives and FCR's Thriving Neighborhoods Foundation's 2022 Commercial Real Estate Softball Classic baseball tournament
- In 2022, 82% of FCR staff utilized their volunteer day to support local charities in our communities

GOVERNANCE

Have a strong governance framework in place that:	• Reflects our values • Ensures effective governance practices are followed • Ensures the Board functions independently of management • Ensures diversity is considered in determining optimal board composition
Strive to be a governance leader by making it a priority to:	• Continuously adopt new and improved governance practices • Follow recommendations as governance standards evolve
Monitor our progress:	• Reviewing our annual governance scores from ISS, the Globe and Mail Board Games and other similar rankings with our Board • Providing opportunities for our unitholders to communicate directly with our Board

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

MD&A

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

INTRODUCTION

This Management’s Discussion and Analysis (“MD&A”) of the financial position and results of operations of First Capital Real Estate Investment Trust (“First Capital”, “FCR” or the “Trust”) is intended to provide readers with an assessment of performance and summarize the financial position and results of operations for the three months and years ended December 31, 2022 and 2021. It should be read in conjunction with the Trust’s audited annual consolidated financial statements for the years ended December 31, 2022 and 2021. 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 February 7, 2023.

CURRENT BUSINESS ENVIRONMENT AND OUTLOOK

Throughout 2022, 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 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 increased by 425 basis points since the beginning of 2022, and in its January 2023 statement, the Governing Council stated that it “*expects to hold the policy rate at its current level while it assesses the impact of the cumulative interest rate increases. Governing Council is prepared to increase the policy rate further if needed to return inflation to the 2% target, and remains resolute in its commitment to restoring price stability for Canadians.*”

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. Accordingly, 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.

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 is in the midst of undertaking 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.

The on-going execution of the Enhanced Capital Allocation and Portfolio Optimization Plan during the fourth quarter resulted in the sale of assets for an aggregate selling price of $179.3 million. During the quarter, the REIT disposed of 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 $149.0 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. In addition, in late December 2022, the Trust disposed of a 25% interest in its Yonge & Roselawn development site located in mid-town Toronto for $30.3 million.

As of December 31, 2022, the Trust has classified $187.7 million of its non-current assets as held for sale.

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 February 7, 2023, the Trust's liquidity position included approximately $1.1 billion of cash and undrawn credit facilities with debt maturities for 2023 totaling $445 million. As at December 31, 2022, the Trust had unencumbered properties with an IFRS value of approximately $6.6 billion and a net debt to asset ratio of 44.0% as well as a net debt to Adjusted EBITDA ratio that improved to 10.2 from 11.2 year over year.

Normal Course Issuer Bid ("NCIB")

Since the beginning of 2019, the REIT has completed approximately $1.7 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 December 31, 2022, the REIT has repurchased 6.2 million Trust units for approximately $94.5 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 $176.5 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 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 December 31, 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 for a 50% interest in the 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

The global economy has proven resilient in the face of high inflation, supply chain disruptions, mobility restrictions in China, and Russia's war on Ukraine. With the lag-effect of global central bank policy responses taking hold, there are signs that many economies are slowing, and that inflation is subsiding, albeit slowly.

Canada's inflation rate peaked last year at 8.1% in June, and it rounded out 2022 at 6.3% in December. Lower energy prices have provided much of the relief, yet there has been no reprieve in food and housing costs. Also operating with a lag, tight labour markets continue to serve as an underlying inflationary force.

In its January 25, 2023, interest rate decision, the Bank of Canada Governing Council increased the policy interest rate by 25 basis points, to 4.50%. With that announcement, the Governing Council stated expectations of holding the policy rate steady, while it "assesses the impact of the cumulative interest rate increases". Citing lower energy prices, improvements in global supply chains, and the dampening effects of higher interest rates on demand, the Bank of Canada expects that inflation will decline significantly this year. The Bank's outlook is towards inflation of "around 3% in the middle of this year" and "and back to the 2% target in 2024".

If convincing signs of a path back to the 2% target emerge, this could have positive implications towards lower future interest rates. If not, the Bank continues to state its preparedness to increase the policy rate further if needed, as it remains "resolute in its commitment to restoring price stability for Canadians".

Certain aspects of the Trust's business and operations that could potentially be impacted include rental income, occupancy, leasing terms and tenant improvements, future demand for space, and market rents, all of which impact the underlying value of investment properties. 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.

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 January 2023.

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 December 31, 2022). First Capital's operating metrics and GLA excludes residential GLA totaling 203,000 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

For the years ended December 31	**2022**	2021	2020
Revenues, Income and Cash Flows [(1)]			
Revenues and other income	**$ 712,966**	$ 685,770	$ 685,138
NOI [(2)]	**$ 425,499**	$ 412,538	$ 399,032
Increase (decrease) in value of investment properties, net	**$ (409,716)**	$ 198,617	$ (185,700)
Increase (decrease) in value of hotel property	**$ 6,908**	$ (1,122)	$ (9.432)
Net income (loss) attributable to Unitholders	**$ (159,997)**	$ 460,131	$ 2,702
Net income (loss) per unit attributable to Unitholders (diluted)	**$ (0.73)**	$ 2.08	$ 0.01
Weighted average number of units - diluted (in thousands)	**218,162**	220,826	220,495
Cash provided by operating activities	**$ 251,221**	$ 249,613	$ 219,505
Distributions			
Distributions declared	**$ 124,191**	$ 94,804	$ 188,027
Distributions declared per unit	**$ 0.575**	$ 0.432	$ 0.860
Cash distributions paid	**$ 116,721**	$ 102,618	$ 187,929
Cash distributions paid per unit	**$ 0.539**	$ 0.432	$ 0.860

As at December 31	**2022**	2021	2020
Financial Information [(1)]			
Investment properties [(3)]	**$ 8,627,788**	$ 9,126,839	$ 9,490,641
Hotel property [(3)]	**$ 90,600**	$ 85,400	$ 88,000
Total assets	**$ 9,581,938**	$10,109,074	$10,032,463
Mortgages [(3)]	**$ 1,140,490**	$ 1,173,175	$ 1,346,637
Credit facilities	**$ 1,104,614**	$ 899,777	$ 915,928
Senior unsecured debentures	**$ 1,898,824**	$ 2,348,145	$ 2,522,135
Exchangeable Units	**$ 1,009**	$ 1,947	$ 1,399
Unitholders' equity	**$ 4,279,373**	$ 4,620,942	$ 4,227,164
Net Asset Value per unit [(2)]	**$ 23.48**	$ 24.26	$ 22.32
Capitalization and Leverage			
Trust Units outstanding (in thousands)	**213,518**	219,541	219,315
Exchangeable Units outstanding (in thousands)	**60**	103	103
Enterprise value [(2)]	**$ 7,786,007**	$ 8,568,292	$ 7,657,576
Net debt to total assets [(2)(4)]	**44.0%**	43.9%	47.2%
Net debt to Adjusted EBITDA [(2)(4)]	**10.2**	11.2	12.0
Weighted average term to maturity on mortgages, fixed rate unsecured term loans and senior unsecured debentures (years)	**3.4**	4.0	4.6

As at December 31		2022		2021		2020
Operational Information						
Number of neighbourhoods		**145**		146		150
GLA (square feet) - at 100%		**22,216,000**		22,485,000		22,822,000
GLA (square feet) - at ownership interest		**19,325,000**		19,657,000		19,991,000
Occupancy - Same Property - stable (2)		**96.1%**		96.0%		96.0%
Total portfolio occupancy		**95.8%**		96.1%		96.2%
Development pipeline and adjacent land (GLA) (5)						
Commercial pipeline (primarily retail)		**1,742,000**		1,720,000		1,803,000
Residential pipeline		**22,388,000**		21,752,000		22,038,000
Weighted average rate per occupied square foot	**$**	**22.95**	$	22.42	$	21.89
Commercial GLA developed and transferred online - at ownership interest (6)		**15,000**		194,000		33,000
Residential units developed and transferred online (6)		**—**		399		193
Same Property - stable NOI - increase (decrease) over prior period (2) (7)		**5.2%**		5.1%		(5.8%)
Total Same Property NOI - increase (decrease) over prior period (2) (7)		**5.1%**		5.7%		(7.1%)

For the years ended December 31		2022		2021		2020
Funds from Operations (2) (4)						
FFO	**$**	**263,155**	$	250,989	$	221,974
FFO per diluted unit	**$**	**1.21**	$	1.14	$	1.01
FFO payout ratio		**47.7%**		38.0%		85.4%
Weighted average number of units - diluted (in thousands)		**218,162**		220,826		220,495
Adjusted Funds from Operations (2) (4)						
AFFO	**$**	**226,217**	$	223,512	$	189,187
AFFO per diluted unit	**$**	**1.04**	$	1.01	$	0.86
AFFO payout ratio		**55.4%**		42.7%		100.2%
Weighted average number of units - diluted (in thousands)		**218,162**		220,826		220,495
Adjusted Cash Flow from Operations (2) (4)						
ACFO	**$**	**235,588**	$	243,816	$	203,047
ACFO payout ratio on a rolling four quarter basis		**49.5%**		42.1%		92.6%

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

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

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

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

(5) At First Capital's ownership interest.

(6) During the twelve months ended December 31.

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

BUSINESS AND OPERATIONS REVIEW

Real Estate Investments

Investment Property Categories

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

Total Same Property consisting of:

> *Same Property* **–** *stable* **–** includes stable properties where the only significant activities are leasing and ongoing maintenance. Properties that will be undergoing a redevelopment in a future period, including adjacent parcels of land, and those having planning activities underway are also in this category until such development activities commence. At that time, the property will be reclassified to either Same Property with redevelopment or to major redevelopment.
>
> *Same Property with redevelopment* **–** includes properties that are largely stable, including adjacent parcels of land, but are undergoing incremental redevelopment or expansion activities (pads or building extensions) which intensify the land use. Such redevelopment activities often include façade, parking, lighting and building upgrades.

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

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

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

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

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

Non-current assets 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 December 31, 2022, First Capital had interests in 145 neighbourhoods, which were 95.8% 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 $9.0 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 $7.9 billion. These properties represent 92% of FCR's neighbourhood count, 95% of its GLA at FCR's ownership interest and 88% of its fair value as at December 31, 2022.

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

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

As at	**December 31, 2022**					December 31, 2021				
Property Type [(1)]	**% of Total GLA**	**GLA (000s sq. ft.)**	**Fair Value** [(2)]	**Occupancy**	**Weighted Average Rate per Occupied Square Foot**	% of Total GLA	GLA (000s sq. ft.)	Fair Value [(2)]	Occupancy	Weighted Average Rate per Occupied Square Foot
Same Property – stable	**91.5%**	**17,687**	**$ 7,707**	**96.1%**	**$ 22.96**	90.1%	17,705	$ 8,042	96.0%	$ 22.68
Same Property with redevelopment	**3.1%**	**594**	**215**	**96.5%**	**21.32**	3.3%	648	217	96.2%	19.57
Total Same Property	**94.6%**	**18,281**	**7,922**	**96.2%**	**22.91**	93.4%	18,353	8,259	96.0%	22.57
Major redevelopment	**3.9%**	**760**	**239**	**90.1%**	**21.18**	4.3%	851	270	97.3%	18.21
Ground-up development	**0.4%**	**86**	**132**	**88.3%**	**32.17**	0.4%	86	128	89.7%	32.68
Properties under construction	**—%**	**—**	**88**	**—%**	**—**	—%	—	16	—%	—
Acquisitions [(3)]	**0.5%**	**87**	**88**	**87.6%**	**27.59**	0.1%	10	22	100.0%	52.83
Density and Development land [(4)] [(5)]	**0.2%**	**42**	**388**	**93.4%**	**28.93**	0.2%	40	392	99.3%	21.69
Non-current assets classified as held for sale	**0.4%**	**69**	**186**	**98.0%**	**33.73**	0.4%	73	180	94.5%	28.91
Dispositions [(6)]	**—%**	**—**	**—**	**—%**	**—**	1.2%	244	264	99.1%	19.50
Total	**100.0%**	**19,325**	**$ 9,043**	**95.8%**	**$ 22.95**	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 non-current assets classified as held for sale and hotel property as at December 31, 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 December 31, 2022.

(5) Approximately $83 million (December 31, 2021 - $79 million) of density and development land is included in non-current assets classified as held for sale as at December 31, 2022.

(6) Comparative information presented relates to 2022 dispositions that have been completed and no longer form part of these metrics as at December 31, 2022. As at December 31, 2021, approximately $39 million of density and development land is included in dispositions.

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

As at	**December 31, 2022**							December 31, 2021						
(millions of dollars, except other data) **Area**	**Number of Neighbour-hoods**	**GLA (000s sq. ft.)**	**Fair Value** [(1)]	**% of Total Fair Value**	**Occupancy**	**Weighted Average Rate per Occupied Square Foot**	**% of Annual Minimum Rent**	Number of Neighbour-hoods	GLA (000s sq. ft.)	Fair Value [(1)]	% of Total Fair Value	Occupancy	Weighted Average Rate per Occupied Square Foot	% of Annual Minimum Rent
Greater Toronto	**51**	**6,754**	**$ 4,366**	**48%**	**95.6%**	**$ 26.51**	**40%**	50	6,862	$ 4,599	48%	96.0%	$ 25.73	40%
Greater Montreal	**28**	**3,606**	**1,085**	**12%**	**94.9%**	**17.46**	**14%**	28	3,586	1,140	12%	95.9%	17.12	14%
Greater Calgary	**15**	**2,374**	**998**	**11%**	**93.8%**	**25.23**	**13%**	15	2,380	1,081	11%	93.9%	24.93	13%
Greater Vancouver	**15**	**1,607**	**1,047**	**12%**	**97.1%**	**28.03**	**10%**	15	1,613	1,032	11%	96.3%	27.35	10%
Greater Edmonton	**10**	**2,215**	**664**	**7%**	**97.6%**	**19.34**	**10%**	11	2,256	754	8%	96.8%	19.39	10%
Greater Ottawa	**12**	**1,021**	**329**	**4%**	**97.9%**	**19.46**	**5%**	13	1,182	379	4%	98.4%	18.98	5%
KW/Guelph [(2)]	**5**	**991**	**344**	**4%**	**99.0%**	**20.06**	**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**	**19,325**	**$ 9,043**	**100%**	**95.8%**	**$ 22.95**	**100%**	146	19,657	$ 9,531	100%	96.1%	$ 22.42	100%

(1) At FCR's proportionate interest, including non-current assets classified as held for sale and hotel property as at December 31, 2022 and December 31, 2021, respectively.

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

Investment Properties

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

	Year ended December 31, 2022		
(millions of dollars)	**Consolidated Balance Sheet**	**Adjustments for Proportionate Interest**	**Proportionate Interest [2]**
Balance at beginning of year	**$ 9,127**	**$ 319**	**$ 9,446**
Acquisitions			
Investment properties and additional adjacent spaces	**64**	**—**	**64**
Development activities and property improvements	**125**	**7**	**132**
Increase (decrease) in value of investment properties, net	**(410)**	**—**	**(410)**
Dispositions	**(277)**	**—**	**(277)**
Other changes	**(1)**	**(2)**	**(3)**
Balance at end of year [1]	**$ 8,628**	**$ 324**	**$ 8,952**

(1) Includes non-current assets classified as held for sale as at December 31, 2022 totaling $142 million ($140 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 non-current assets 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 year ended December 31, 2022, as part of the Trust's strategy of expanding positions in key neighbourhoods, First Capital acquired interests in six 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
7.	328 Bloor Street West	Toronto, ON	Q4	50%	2,117	0.0	3.3
	Total				76,985	7.1	$ 63.8

2021 Acquisitions

Income-producing properties

During the year ended December 31, 2021, First Capital acquired four properties located in Toronto, as summarized in the table below:

Count	Property Name	City/Province	Quarter Acquired	Interest Acquired	GLA (sq. ft.)	Acreage	Acquisition Cost (in millions)
1.	8051 Yonge Street (Royal Orchard)	Toronto, ON	Q1	50.0%	2,478	0.2	$ 5.4
2.	129 Jefferson Avenue (Liberty Village)	Toronto, ON	Q1	100%	3,700	0.1	2.1
3.	199 Avenue Road	Toronto, ON	Q2	20%	3,186	0.1	2.7
4.	897-901 Eglinton Avenue West	Toronto, ON	Q3	50%	5,628	0.2	12.4
	Total				14,992	0.6	$ 22.6

2022 Dispositions

During the year ended December 31, 2022, First Capital disposed of four income-producing properties, and four parcels of excess land for $277.4 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	
7.	King High Line residential	Toronto, ON	Q4	50%	161,434	0.9	
8.	Yonge & Roselawn (land)	Toronto, ON	Q4	25%	—	0.5	
	Total				405,861	29.6	$ 277.4

2021 Dispositions

Consistent with First Capital's strategy of focusing on super urban neighbourhoods and partnering with strategic institutional partners, First Capital completed $344.8 million of dispositions during 2021. In addition, First Capital entered into a new strategic partnership with Pemberton Group to develop the former Christie Cookie site in Toronto (2150 Lakeshore Boulevard West). The $156 million transaction crystallized a significant gain for First Capital, and provided for a sizeable increase in the fair value of the REIT's 50% interest in the property. These dispositions are summarized in the table below:

Count	Property Name	City/Province	Quarter Sold	Interest Sold	GLA (sq. ft.)	Acreage	Gross Sales Price (in millions)
1.	Fairview Mall - Staples	St. Catharines, ON	Q2	100%	31,000	2.9	
2.	Eagleson Place - expansion unit	Ottawa, ON	Q2	50%	2,294	0.2	
3.	Dundas & Aukland (Station Place)	Toronto, ON	Q3	50%	109,809	0.3	
4.	Towerlane Centre & Airdrie Village Square	Airdrie, AB	Q3	100%	249,875	27.1	
5.	134, 146-150 Lakeshore Road West (Lakeshore & Kerr)	Oakville, ON	Q3	100%	20,551	1.7	
6.	Langley Mall	Langley, BC	Q4	100%	136,657	9.1	
7.	King High Line residential	Toronto, ON	Q4	16.67%	53,822	0.3	
8.	802, 812, 816-838 – 11th Avenue SW (GM Glenbow)	Calgary, AB	Q4	50%	32,669	0.7	
9.	731-739 – 10th Avenue SW (Five Roses Building)	Calgary, AB	Q4	50%	10,404	0.2	
10.	738 – 11th Avenue SW (Sherwin Block)	Calgary, AB	Q4	50%	15,000	0.2	
11.	5095-5107 Queen Mary	Montreal, QC	Q4	100%	6,400	0.1	
12.	Fairview Mall - Kelsey's	St. Catharines, ON	Q4	100%	5,002	1.2	
13.	Eagleson Place - expansion unit	Ottawa, ON	Q4	50%	2,474	0.3	
14.	Humbertown Shopping Centre (land) [2]	Toronto, ON	Q4	50%	—	0.9	
	Total				675,957	45.2	$ 344.8

[1] 35% at FCR's proportionate share.

[2] Previously classified as Residential Inventory.

Impact of Acquisitions and Dispositions

The annualized NOI of properties acquired and disposed, at the time of acquisition or disposition, during the years ended December 31, 2022 and 2021 is summarized in the table below:

	Acquired		Disposed	
For the year ended December 31	**2022**	2021	**2022**	2021
Greater Toronto Area	**$ 1,699**	$ 637	**$ 5,062**	$ 1,642
Greater Montreal Area	**—**	—	**—**	164
Greater Calgary Area	**—**	—	**—**	4,424
Greater Vancouver Area	**—**	—	**—**	1,112
Greater Edmonton Area	**—**	—	**720**	—
Greater Ottawa Area	**—**	—	**2,824**	165
KW/Guelph Area [1]	**—**	—	**—**	—
Other	**—**	—	**—**	680
Total	**$ 1,699**	$ 637	**$ 8,606**	$ 8,187

[1] Includes Kitchener, Waterloo, and Guelph Area.

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:

Year ended December 31			**2022**			2021
	Capital Expenditures	**Adjustments for Proportionate Interest**	**Proportionate Interest (1)**	Capital Expenditures	Adjustments for Proportionate Interest	Proportionate Interest (1)
Revenue sustaining	**$ 20,694**	**$ 136**	**$ 20,830**	$ 15,554	$ 16	$ 15,570
Revenue enhancing	**28,527**	**43**	**28,570**	35,438	3	35,441
Expenditures recoverable from tenants	**10,002**	**—**	**10,002**	4,033	—	4,033
Development expenditures	**65,785**	**6,533**	**72,318**	98,494	(8,991)	89,503
Sub-total	**$ 125,008**	**$ 6,712**	**$ 131,720**	$ 153,519	$ (8,972)	$ 144,547
Residential Inventory	**$ 26,289**	**$ 3,914**	**$ 30,203**	$ 14,541	$ 6,545	$ 21,086
Total	**$ 151,297**	**$ 10,626**	**$ 161,923**	$ 168,060	$ (2,427)	$ 165,633

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

Capital expenditures for the year ended December 31, 2022 were $161.9 million, which was $3.7 million lower than in the prior year.

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 December 31, 2022 and December 31, 2021:

As at and for the three and twelve months ended *(millions of dollars)*										**December 31, 2022**	
Property Type	**Valuation Method**		**Fair Value**		**Adjustments for Proportionate Interest**		**Proportionate Interest [1]**		**Net Operating Income [1]**		
Same Property - stable	DCF [2]	**$**	**7,601**	**$**	**61**	**$**	**7,662**	**$**	**102**	**$**	**388**
Same Property with redevelopment	DCF [2]		**215**		**—**		**215**		**3**		**12**
Total Same Property		**$**	**7,816**	**$**	**61**	**$**	**7,877**	**$**	**105**	**$**	**400**
Major redevelopment	DCF [2], Cost [2]		**239**		**—**		**239**		**3**		**12**
Ground-up development	DCF [2], Cost [2]		**49**		**83**		**132**		**1**		**3**
Properties under construction	DCF [2], Cost [2]		**89**		**(1)**		**88**		**—**		**—**
Acquisitions	DCF [2], Cost [2]		**80**		**8**		**88**		**—**		**1**
Density and Development Land [3] [4]	Cost [2], comparable land sales		**213**		**175**		**388**		**—**		**1**
Non-current assets classified as held for sale	DCF [2], comparable land sales		**142**		**(2)**		**140**		**1**		**2**
Dispositions	N/A		**—**		**—**		**—**		**1**		**7**
Total investment properties		**$**	**8,628**	**$**	**324**	**$**	**8,952**	**$**	**111**	**$**	**426**
NOI related to other investments									**1**		**4**
Total NOI								**$**	**112**	**$**	**430**

(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 $83 million ($83 million at First Capital's share) of density and development land is included in non-current assets 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 three and 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	$	62	$	8,000	$	94	$	371
Same Property with redevelopment	DCF [3]		217		—		217		3		10
Total Same Property		$	8,155	$	62	$	8,217	$	97	$	381
Major redevelopment	DCF [3], Cost [3]		270		—		270		4		14
Ground-up development	DCF [3], Cost [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		169		392		—		1
Non-current assets classified as held for sale	DCF [3], comparable land sales		139		(2)		137		1		2
Dispositions [6]	N/A		264		—		264		3		14
Total investment properties		$	9,127	$	319	$	9,446	$	105	$	413
NOI related to other investments									2		3
Total NOI								$	107	$	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 $79 million ($79 million at First Capital's share) of density and development land is included in non-current assets 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 $38 million ($38 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 December 31, 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.

Throughout 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 $409.7 million ($410.5 million at FCR's share) for the year ended December 31, 2022.

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

As at December 31, 2022	**Stabilized Capitalization Rate**		
Area	**Weighted Average**	**Median**	**Range**
Greater Toronto	**4.8%**	**4.9%**	**3.0%-7.3%**
Greater Montreal	**5.9%**	**5.8%**	**5.0%-7.3%**
Greater Calgary	**5.5%**	**5.6%**	**5.3%-6.3%**
Greater Vancouver	**4.4%**	**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	**5.2%**	**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 December 31, 2022, the Trust's share of properties under construction, residential inventory and density and development land totaled approximately $760 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 December 31, 2022, the invested cost of these non-income producing properties was $650 million as compared to a fair value of $760 million. Cumulative gains of approximately $110 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 December 31, 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 December 31, 2022, Management had identified approximately 24.1 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 December 31, 2022	Square feet *(in thousands)*				Value recognized [1][2]	
	Commercial	Residential	Total [1]	Recognized to date [2]		*(in millions)*
Properties under construction	**242**	**24**	**266**	**266**	**$**	**88**
Density and development land						
Medium term	1,300	11,300	12,600			
Long term	100	6,700	6,800			
Very long term	100	4,000	4,100			
	1,500	**22,000**	**23,500**	**7,066**	**$**	**506**
Residential inventory	**—**	**364**	**364**	**364**	**$**	**166**
Total development pipeline	**1,742**	**22,388**	**24,130**	**7,696**	**$**	**760**

(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 7.7 million or 32% of FCR's 24.1 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 $506 million, or $72 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 December 31, 2022, the invested cost of the density and development land recognized in the Trust's proportionate balance sheet totaled $407 million representing acquisition cost and pre-development costs to date.

As at December 31, 2022 [1] *(in millions)*			Unencumbered		Encumbered		Fair Value
Development land	Unzoned	$	74	$	12	$	86
	Zoned		256		—		256
	Total		**330**		**12**		**342**
IPP with density	Unzoned		73		—		73
	Zoned		91		—		91
	Total		**164**		**—**		**164**
Value of density and development land		**$**	**494**	**$**	**12**	**$**	**506**

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

The remaining 16.4 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 December 31, 2022 *(in thousands of square feet)*	Incremental Density Pipeline	
	Total	% of Total
Greater Toronto Area	14,086	58.3%
Greater Montreal Area	5,464	22.6%
Greater Vancouver Area	2,410	10.0%
Greater Calgary Area	1,098	4.6%
Greater Ottawa Area	714	3.0%
Greater Edmonton Area	358	1.5%
Total development pipeline	**24,130**	**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 December 31, 2022, entitlement submissions to date total approximately 16.7 million square feet representing 69% of FCR's 24.1 million incremental density pipeline. To date, 7.6 million square feet has been zoned and the Trust expects up to 1.2 million square feet of existing entitlement submissions to be zoned during the first half of 2023.

Entitlement Applications		000's of square feet submitted for (at FCR's share):					
		Residential	Commercial	Total	Existing	Incremental	Zoned
1.	Pre-2019 Entitlement Applications [1]	2,986	707	3,693	175	3,518	3,583
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	1,638	35	1,673	78	1,595	—
	Total Entitlement Applications Submitted	**16,727**	**2,039**	**18,766**	**1,030**	**17,736**	**8,622**
	Dispositions [2]	—	—	—	—	(1,047)	(1,047)
	Total Entitlement Applications Submitted - net	**16,727**	**2,039**	**18,766**	**1,030**	**16,689**	**7,575**

[1] As of December 31, 2022, all pre-2019 entitlement applications have been approved with final zoning as indicated above.

[2] 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 7.4 million square feet of additional incremental density which includes 6.8 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.	Kingston Square W.	Lawrence Ave. E. / Morningside Ave.	Toronto, ON	100%
4.	Olde Oakville (future phases)	South Oakville	Oakville, ON	100%
5.	Yonge-Davis Centre	Yonge St./Davis Dr. W.	Newmarket, ON	100%
6.	Appleby Square	Appleby	Burlington, ON	100%
7.	Harwood Plaza	Harwood Ave. S. / Bayly St. W.	Ajax, ON	100%
8.	1000 Wellington St.	Griffintown	Montreal, QC	100%
9.	Centre Commercial Domaine	Longue-Pointe	Montreal, QC	100%
10.	Centre Commercial Van Horne	Cote-Des-Neiges	Montreal, QC	100%
11.	Galeries Normandie	Hwy. 15/Rue de Salaberry	Montreal, QC	100%
12.	Place Provencher	Saint - Leonard	Montreal, QC	100%
13.	Le Campanile & Place du Commerce	Nun's Island	Montreal, QC	100%
14.	Place Michelet	Saint - Leonard	Montreal, QC	100%
15.	Scott 72 Shopping Centre	120 St./72 Ave.	Delta, BC	100%
16.	Semiahmoo (future phases)	South Surrey	Surrey, BC	100%
17.	Newport Village	Macleod Trail SE/Southland Dr. SE	Calgary, AB	100%
18.	Mount Royal Village East	Beltline	Calgary, AB	100%
19.	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 year ended December 31, 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 year ended December 31, 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 December 31, 2022.

Active Development and Redevelopment Activities

Consistent with its strategy of long-term ownership and value creation, First Capital's developments are completed based on the highest standards in architecture, construction, choice of materials, lighting, parking, vehicular access, pedestrian amenities and accessibility, as well as development to Leadership in Energy and Environmental Design ("LEED") standards. Prospectively, First Capital's development program also strives to achieve net zero carbon certification, where feasible.

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 December 31, 2022 are as follows:

As at December 31, 2022					Estimated GLA upon completion (thousands of square feet) [2]		
Project	Ownership Interest %	Type	Target Completion Date [1]	Estimated Number of Residential Units [2]	Residential [2]	Commercial [2]	Total [2]
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	—	—	136	136
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	—	—	12	12
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**	**242**	**630**

(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 December 31, 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	$ 10	$ 11	$ 21	$ 10	$ —	$ 10
200 West Esplanade, Vancouver, BC	16	11	27	16	—	16
Cedarbrae Mall, Toronto, ON [2]	33	22	55	43	—	43
Edenbridge Condos, Toronto, ON (residential)	35	81	116	—	35	35
Edenbridge Condos, Toronto, ON (retail)	1	5	6	1	—	1
400 King St. W., Toronto, ON (residential)	66	104	170	—	66	66
400 King St. W., Toronto, ON (retail)	4	13	17	6	—	6
138 Yorkville Ave., Toronto, ON (residential)	65	TBD	TBD	—	65	65
138 Yorkville Ave., Toronto, ON (retail)	12	TBD	TBD	12	—	12
Total at FCR's share [1]	**$ 242**	**$ 247**	**$ 489**	**$ 88**	**$ 166**	**$ 254**

(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 building structure is now complete with plumbing and window installation underway. 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 136,000 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 shortly. The Trust's co-development partner in the project is Greybrook Realty Partners.

Leasing and Occupancy

As at December 31, 2022, total portfolio occupancy increased 0.1% to 95.8%, while Same Property occupancy increased 0.2% to 96.2% compared to September 30, 2022 occupancy rates. Total portfolio occupancy decreased 0.3% to 95.8%, primarily due to net closures versus openings, while Same Property occupancy increased 0.2% to 96.2% compared to December 31, 2021.

For the year ended December 31, 2022, the monthly average occupancy for the total portfolio was 95.6% compared to 95.9%, and the Same Property portfolio occupancy was 95.9% compared to 95.9% for the prior year, respectively.

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

As at	**December 31, 2022**			December 31, 2021		
(square feet in thousands)	**Total Occupied Square Feet**	**% Occupied**	**Weighted Average Rate per Occupied Square Foot**	Total Occupied Square Feet	% Occupied	Weighted Average Rate per Occupied Square Foot
Same Property – stable	**17,005**	**96.1%**	**$ 22.96**	16,996	96.0%	$ 22.68
Same Property with redevelopment	**573**	**96.5%**	**21.32**	623	96.2%	19.57
Total Same Property	**17,578**	**96.2%**	**22.91**	17,619	96.0%	22.57
Major redevelopment	**685**	**90.1%**	**21.18**	829	97.3%	18.21
Ground-up development	**76**	**88.3%**	**32.17**	77	89.7%	32.68
Non-current assets classified as held for sale	**67**	**98.0%**	**33.73**	69	94.5%	28.91
Total portfolio before acquisitions and dispositions	**18,406**	**95.9%**	**22.92**	18,594	96.0%	22.44
Acquisitions [(1)]	**76**	**87.6%**	**27.59**	10	100.0%	52.83
Dispositions [(2)]	**—**	**—%**	**—**	242	99.1%	19.50
Density and Development land	**39**	**93.4%**	**28.93**	40	99.3%	21.69
Total [(3)]	**18,521**	**95.8%**	**$ 22.95**	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 December 31, 2022.

(3) At FCR's ownership interest.

During the three months ended December 31, 2022, First Capital completed 711,000 square feet of lease renewals across the portfolio. First Capital achieved an 9.9% 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 December 31, 2022, First Capital achieved a 11.1% lease renewal rate increase when comparing the average net rental rate over the renewal term to the net rental rate in the last year of the expiring term.

The average rental rate per occupied square foot for the total portfolio increased 0.7% from $22.80 as at September 30, 2022 to $22.95 as at December 31, 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 December 31, 2022 are set out below:

Three months ended December 31, 2022	Total Same Property			Major redevelopment, ground-up, acquisitions, dispositions, density & development land			Vacancy				Total Portfolio [1]		
	Occupied Square Feet (thousands)	%	Weighted Average Rate per Occupied Square Foot	Occupied Square Feet (thousands)	%	Weighted Average Rate per Occupied Square Foot	Under Redevelopment Square Feet (thousands)	%	Vacant Square Feet (thousands)	%	Total Square Feet (thousands)	Occupied Square Feet %	Weighted Average Rate per Occupied Square Foot
September 30, 2022 [2]	**17,548**	**96.0%**	**$ 22.77**	**938**	**90.3%**	**$ 23.52**	**—**	**—%**	**840**	**4.3%**	**19,326**	**95.7%**	**$ 22.80**
Tenant possession	153		24.63	5		81.31	—		(158)		—		26.41
Tenant closures	(121)		(26.96)	(1)		(70.01)	—		122		—		(27.48)
Tenant closures for redevelopment	—		—	—		—	—		—		—		—
Developments – tenants coming online [3]	—		—	—		—	—		—		—		—
Redevelopments – tenant possession	—		—	—		—	—		—		—		—
Demolitions	—		—	—		—	—		—		—		—
Reclassification	(2)		—	—		—	—		(1)		(3)		—
Total portfolio before Q4 2022 acquisitions and dispositions	17,578	96.2%	$ 22.91	942	90.4%	$ 23.76	—	—%	803	4.2%	19,323	95.8%	$ 22.95
Acquisitions (at date of acquisition)	—	—%	—	1	65.8%	49.20	—	—%	1		2	65.8%	49.20
Dispositions (at date of disposition)	—	—%	—	—	—%	—	—	—%	—		—	—%	—
December 31, 2022	**17,578**	**96.2%**	**$ 22.91**	**943**	**90.4%**	**$ 23.80**	**—**	**—%**	**804**	**4.2%**	**19,325**	**95.8%**	**$ 22.95**
Renewals	694		$ 25.60	17		$ 19.39					711		$ 25.45
Renewals – expired	(694)		$ (23.30)	(17)		$ (17.35)					(711)		$ (23.16)
Net change per square foot from renewals			$ 2.30			$ 2.04							$ 2.29
% Increase on renewal of expiring rents (first year of renewal term)			9.9%			11.8%							9.9%
% increase on renewal of expiring rents (average rate in renewal term)													11.1%

(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 year ended December 31, 2022, First Capital completed 2,615,000 square feet of lease renewals across the portfolio. First Capital achieved an 9.5% lease renewal rate increase when comparing the per square foot net rental rate in the first year of the renewal term to the per square foot net rental rate of the last year in the expiring term. For the year ended December 31, 2022, First Capital achieved a 11.0% 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 2.4% from $22.42 as at December 31, 2021 to $22.95 as at December 31, 2022 primarily due to renewal lifts, rent escalations, and dispositions.

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

Year ended December 31, 2022	Total Same Property			Major redevelopment, ground-up, acquisitions, dispositions, density & development land			Vacancy				Total Portfolio [1]		
	Occupied Square Feet (thousands)	%	Weighted Average Rate per Occupied Square Foot	Occupied Square Feet (thousands)	%	Weighted Average Rate per Occupied Square Foot	Under Redevelopment 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]	**17,619**	**96.0%**	**$ 22.57**	**1,267**	**97.1%**	**$ 20.29**	**—**	**— %**	**771**	**3.9%**	**19,657**	**96.1%**	**$ 22.42**
Tenant possession	428		23.22	39		26.69	—		(467)		—		23.51
Tenant closures	(415)		(28.97)	(58)		(16.96)	—		473		—		(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	—		—	—		—	(98)		12		(86)		—
Total portfolio before 2022 acquisitions and dispositions	17,578	96.2%	$ 22.91	1,111	91.7%	$ 23.18	—	—%	803	4.1%	19,492	95.9%	$ 22.92
Acquisitions (at date of acquisition)	—	—%	—	66	86.3%	20.64	—	—%	11		77	86.3%	20.64
Dispositions (at date of disposition)	—	—%	—	(234)	95.8%	(19.98)	—	—%	(10)		(244)	95.8%	(19.98)
December 31, 2022	**17,578**	**96.2%**	**$ 22.91**	**943**	**90.4%**	**$ 23.80**	**—**	**—%**	**804**	**4.2%**	**19,325**	**95.8%**	**$ 22.95**
Renewals	2,447		$ 21.97	168		$ 24.59					2,615		$ 22.14
Renewals – expired	(2,447)		$ (20.09)	(168)		$ (22.16)					(2,615)		$ (20.22)
Net change per square foot from renewals			$ 1.88			$ 2.43							$ 1.92
% Increase on renewal of expiring rents (first year of renewal term)			9.4%			11.0%							9.5%
% increase on renewal of expiring rents (average rate in renewal term)													11.0%

(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.

Top Forty Tenants

As at December 31, 2022, 55.1% of First Capital's annualized minimum rent came from its top 40 tenants (December 31, 2021 – 55.4%). Of these rents, 74.9% (December 31, 2021 – 74.9%) came from tenants that have investment grade credit ratings and who represent many of Canada's leading grocery stores, pharmacies, national and discount retailers, financial institutions and other familiar retailers. The weighted average remaining lease term for First Capital's top 10 tenants was 5.3 years as at December 31, 2022, excluding contractual renewal options.

Rank	Tenant [1] [2]	Number of Stores	Square Feet (thousands)	Percent of Total Gross Leasable Area	Percent of Total Annualized Minimum Rent	DBRS Credit Rating	S&P Credit Rating	Moody's Credit Rating
1.	Loblaw Companies Limited ("Loblaw")	95	1,905	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.	Dollarama	50	445	2.4%	1.9%	BBB	BBB	Baa2
8.	Save-On-Foods	9	324	1.7%	1.9%			
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		**374**	**7,531**	**40.7%**	**33.3%**			
11.	CIBC	33	167	0.9%	1.4%	AA	A+	Aa2
12.	Lowe's	4	361	1.9%	1.4%	BBB (high)	BBB+	Baa1
13.	LCBO	22	192	1.0%	1.4%	AA (low)	A+	Aa3
14.	McKesson	24	175	0.9%	1.3%		BBB+	Baa1
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.	Recipe Unlimited	30	116	0.6%	0.8%			
22.	Nordstrom	1	40	0.2%	0.8%	BB	BB+	Ba1
23.	Petsmart	7	118	0.6%	0.7%		B+	B1
24.	Staples	7	140	0.8%	0.7%		B	B3
25.	Whole Foods Market	2	90	0.5%	0.6%		AA-	A1
26.	Starbucks	32	45	0.2%	0.6%		BBB+	Baa1
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	59	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.	14	43	0.2%	0.4%			
35.	Pet Valu	19	51	0.3%	0.4%			
36.	Michaels	3	54	0.3%	0.3%		B-	B2
37.	Goodwill	3	55	0.3%	0.3%			
38.	Indigo	3	54	0.3%	0.3%			
39.	Home Hardware	5	67	0.4%	0.3%			
40.	Bulk Barn	10	46	0.2%	0.3%			
Top 40 Tenants Total		**818**	**10,903**	**58.7%**	**55.1%**			

[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 December 31, 2022, excluding any contractual renewal options, is as follows:

Maturity Date	Number of Stores	Occupied Square Feet (thousands)	Percent of Total Square Feet	Annualized Minimum Rent at Expiration (thousands)	Percent of Total Annualized Minimum Rent	Average Annual Minimum Rent per Square Foot at Expiration
Month-to-month tenants [1]	184	343	1.8%	$ 7,558	1.6%	$ 22.05
2023	548	2,134	11.0%	44,215	9.6%	20.72
2024	586	2,241	11.6%	50,695	11.1%	22.62
2025	567	2,423	12.5%	58,759	12.8%	24.25
2026	483	1,811	9.4%	48,551	10.6%	26.81
2027	539	2,615	13.5%	65,502	14.3%	25.05
2028	282	1,832	9.5%	46,277	10.1%	25.26
2029	177	1,066	5.5%	26,812	5.8%	25.14
2030	145	779	4.0%	20,883	4.6%	26.82
2031	145	860	4.5%	22,675	5.0%	26.36
2032	145	818	4.2%	21,716	4.7%	26.54
2033	59	420	2.2%	10,929	2.4%	26.05
Thereafter	63	1,179	6.1%	33,922	7.4%	28.77
Total or Weighted Average	3,923	18,521	95.8%	$ 458,494	100.0%	$ 24.76

[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 December 31, 2022, excluding contractual renewal options, but including month-to-month and other short-term leases.

Investment in Joint Ventures

As at December 31, 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:

Name of Entity	Name of Property/Business Activity	Location	Effective Ownership December 31, 2022	Effective Ownership 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 years ended December 31, 2022 and 2021:

	December 31, 2022	December 31, 2021
Balance at beginning of year	**$ 349,488**	$ 52,570
Contributions to equity accounted joint ventures	**12,491**	17,110
Distributions from equity accounted joint ventures	**(4,658)**	(16,897)
Reclassification to equity accounted joint ventures	**—**	298,165
Share of income (loss) from equity accounted joint ventures	**(199)**	(1,460)
Balance at end of year	**$ 357,122**	$ 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	December 31, 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)	**136,352**	122,321
Other investments	**9,595**	5,801
Due from co-owners (c)	**22,703**	—
Total non-current	**168,650**	129,608
Current		
Loans and mortgages receivable classified as FVTPL (a)	**1,506**	6
Loans and mortgages receivable classified as amortized cost (a)(b)	**38,641**	116,152
FVTPL investments in securities (d)	**3,334**	25,976
Total current	**43,481**	142,134
Total	**$ 212,131**	$ 271,742

(a) Loans and mortgages receivable are secured by interests in investment properties or shares of entities owning investment properties. As at December 31, 2022, these receivables bear interest at weighted average effective interest rates of 6.9% (December 31, 2021 – 5.4%) and mature between 2023 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, was due and repaid before December 31, 2022, and the remainder is due on or before September 17, 2026. The loan was not subject to 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 year ended December 31, 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 $21.9 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 sheets.

(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 December 31			Year ended December 31		
	% change	**2022**	2021	**% change**	**2022**	2021
Property rental revenue						
Base rent [1]		**$ 108,172**	$ 106,291		**$ 430,429**	$ 426,146
Operating cost recoveries		**26,700**	26,367		**106,162**	100,865
Realty tax recoveries		**28,871**	28,955		**117,061**	118,842
Lease termination fees		**3,586**	7		**4,113**	1,541
Percentage rent		**928**	797		**2,633**	2,528
Straight-line rent adjustment		**(748)**	32		**(567)**	2,082
Prior year operating cost and tax recovery adjustments		**(1,035)**	(594)		**376**	(2,308)
Temporary tenants, storage, parking and other [2]		**9,626**	8,342		**32,889**	25,194
Total Property rental revenue	**3.5%**	**176,100**	170,197	**2.7%**	**693,096**	674,890
Property operating costs						
Recoverable operating expenses		**29,877**	29,297		**118,296**	111,951
Recoverable realty tax expense		**32,953**	32,659		**132,422**	134,899
Prior year realty tax expense (recovery)		**(316)**	(513)		**(361)**	(1,877)
Other operating costs and adjustments [3]		**2,427**	2,836		**17,240**	17,379
Total Property operating costs		**64,941**	64,279		**267,597**	262,352
NOI [4]	**4.9%**	**$ 111,159**	$ 105,918	**3.1%**	**$ 425,499**	$ 412,538
NOI margin		**63.1%**	62.2%		**61.4%**	61.1%

(1) Includes residential revenue.

(2) Includes hotel property revenue.

(3) Includes residential operating costs, hotel property operating costs and bad debt expense. For the three months and year ended December 31, 2022, bad debt expense (recovery) totaled ($2.1) million and ($0.7) million, respectively (three months and year ended December 31, 2021 - $1.4 million and $8.5 million, respectively).

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

For the three months and year ended December 31, 2022, total NOI increased $5.2 million and $13.0 million, respectively, compared to the same prior year periods primarily due to lower bad debt expense, rent escalations, and higher lease termination fees, partially offset by the impact of dispositions.

For the three months and year ended December 31, 2022, the NOI margin increased 0.9% and 0.3%, respectively, compared to the same prior year periods due to lower bad debt expense, and higher lease termination fees.

For the three months and year ended December 31, 2022, property operating costs include $5.7 million and $23.4 million, respectively, (three months and year ended December 31, 2021 – $5.2 million and $20.8 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 months and year ended December 31, 2022 of Nil related to property operations personnel (three months and year ended December 31, 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 December 31			Year ended December 31		
	% change	**2022**	2021	**% change**	**2022**	2021
Property rental revenue						
Base rent [1]		**$ 100,579**	$ 98,529		**$ 400,009**	$ 392,397
Operating cost recoveries		**25,584**	25,030		**100,814**	94,875
Realty tax recoveries		**27,592**	27,400		**110,543**	111,515
Lease termination fees		**3,581**	7		**4,107**	1,493
Percentage rent		**850**	619		**2,466**	2,084
Prior year operating cost and tax recovery adjustments		**(1,023)**	(613)		**262**	(2,257)
Temporary tenants, storage, parking and other [2]		**6,876**	5,947		**24,294**	19,664
Total Same Property rental revenue		**164,039**	156,919		**642,495**	619,771
Property operating costs						
Recoverable operating expenses		**28,094**	27,426		**110,764**	103,836
Recoverable realty tax expense		**30,951**	30,388		**123,578**	123,098
Prior year realty tax expense		**(318)**	33		**(442)**	(1,131)
Other operating costs and adjustments [3]		**82**	1,928		**8,565**	13,468
Total Same Property operating costs		**58,809**	59,775		**242,465**	239,271
Total Same Property NOI [4]	**8.3%**	**$ 105,230**	$ 97,144	**5.1%**	**$ 400,030**	$ 380,500
Major redevelopment		**3,028**	3,934		**12,030**	12,580
Ground-up development		**514**	477		**1,842**	87
Acquisitions – 2022		**272**	—		**506**	
Acquisitions – 2021		**174**	110		**589**	170
Non-current assets classified as held for sale		**1,412**	1,024		**3,867**	2,413
Dispositions – 2022		**1,253**	2,401		**6,792**	7,763
Dispositions – 2021		**(142)**	479		**(186)**	5,872
Straight-line rent adjustment		**(748)**	32		**(567)**	2,082
Development land		**166**	317		**596**	1,071
NOI [4]	**4.9%**	**$ 111,159**	$ 105,918	**3.1%**	**$ 425,499**	$ 412,538
NOI margin		**63.1%**	62.2%		**61.4%**	61.1%

(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 December 31		Year ended December 31	
	2022	2021 (1)	**2022**	2021 (1)
Same Property – Stable	**8.5%**	1.9%	**5.2%**	5.1%
Same Property with redevelopment	**3.5%**	24.6%	**3.1%**	15.4%
Total Same Property NOI Growth (2)	**8.3%**	3.2%	**5.1%**	5.7%

(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 months and year ended December 31, 2022, SP NOI increased by $8.1 million and $19.5 million, or 8.3% and 5.1%, respectively, primarily due to rent escalations, lower bad debt expense, and higher lease termination fees over the same prior year periods. Excluding bad debt expense (recovery) and lease termination fees, SP NOI increased 0.8% and 1.8% for the three months and year ended December 31, 2022, respectively.

Interest and Other Income

	Three months ended December 31		Year ended December 31	
	2022	2021	**2022**	2021
Interest, dividend and distribution income from marketable securities and other investments	**$ 207**	$ 109	**$ 565**	$ 499
Interest income from loans and mortgages receivable classified as FVTPL	**19**	26	**76**	100
Interest income from loans and mortgages receivable at amortized cost	**3,824**	2,564	**13,889**	5,809
Fees and other income	**1,425**	1,234	**5,340**	4,472
Total	**$ 5,475**	$ 3,933	**$ 19,870**	$ 10,880

For the three months and year ended December 31, 2022, interest and other income increased $1.5 million and $9.0 million, respectively, compared to the same prior year periods primarily due to higher interest income as a result of higher outstanding loans and mortgages receivable and increased interest rates year-over-year, 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 December 31		Year ended December 31	
	2022	2021	**2022**	2021
Mortgages	**$ 11,817**	$ 11,658	**$ 46,557**	$ 49,912
Credit facilities	**11,073**	6,250	**34,638**	26,260
Senior unsecured debentures	**20,785**	23,851	**85,446**	95,961
Distributions on Exchangeable Units (1)	**13**	12	**42**	45
Interest capitalized	**(5,055)**	(4,168)	**(16,641)**	(19,508)
Interest expense	**$ 38,633**	$ 37,603	**$ 150,042**	$ 152,670

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

For the three months ended December 31, 2022, interest expense increased $1.0 million compared to the same prior year period primarily due to higher outstanding credit facilities and increased interest rates year-over-year, partially offset by the repayment of senior unsecured debentures (Series O & Series P).

For the year ended December 31, 2022, interest expense decreased $2.6 million over prior year primarily due to the repayment of mortgages and senior unsecured debentures (Series N, O and P), partially offset by higher outstanding credit facilities and increased interest rates year-over-year.

During the years ended December 31, 2022 and 2021, approximately 10.0% or $16.6 million, and 11.3% or $19.5 million, respectively, of interest expense was capitalized to real estate investments under active development or redevelopment as well as for land or properties held for development. 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 December 31		Year ended December 31	
	2022	2021	**2022**	2021
Salaries, wages and benefits	**$ 6,782**	$ 6,001	**$ 29,542**	$ 27,675
Unit-based compensation	**2,063**	1,788	**7,393**	7,155
Other corporate costs	**4,774**	2,510	**15,496**	10,611
Total corporate expenses	**13,619**	10,299	**52,431**	45,441
Amounts capitalized to investment properties under development	**(1,787)**	(1,539)	**(7,196)**	(7,234)
Corporate expenses	**$ 11,832**	$ 8,760	**$ 45,235**	$ 38,207

For the three months and year ended December 31, 2022, gross corporate expenses, before capitalization, increased by $3.3 million and $7.0 million, respectively, over the same prior year periods. The increase in corporate expenses is primarily due to increased post pandemic spend on travel and business expenses, severance and reorganization costs as well as legal and advisory costs including those related to the Unitholder activism.

First Capital manages substantially all 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 years ended December 31, 2022 and 2021, approximately $7.2 million and $7.2 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 December 31		**2022**		2021
	Consolidated Statements of Income (Loss)	**Included in FFO**	Consolidated Statements of Income (Loss)	Included in FFO
Unrealized gain (loss) on marketable securities	**$ (64)**	**$ (64)**	$ (2,276)	$ (2,276)
Net gain (loss) on early settlement of debt [(1)(2)]	**12,845**	**12,845**	(1,139)	(1,139)
Pre-selling costs of residential inventory	**(8)**	**(8)**	(27)	(27)
Investment property selling costs	**(75)**	**—**	(3,093)	—
Other	**(4)**	**(4)**	(5)	(5)
Total per consolidated statements of income (loss)	**$ 12,694**	**$ 12,769**	$ (6,540)	$ (3,447)
Other gains (losses) and (expenses) applicable to NCI	**2**	**2**	8	8
Other gains (losses) and (expenses) under equity accounted joint ventures [(3)]	**(38)**	**(38)**	(164)	(164)
Total at First Capital's proportionate interest [(4)]	**$ 12,658**	**$ 12,733**	$ (6,696)	$ (3,603)

(1) During the second quarter of 2022, the Trust recognized a $13.5 million hedging gain in other comprehensive income in relation to the mortgage financing of the King High Line residential property. In the fourth quarter, the Trust's interest in the property was sold and the unamortized hedging gain of $13.1 million was reclassified to other gains (losses) and (expenses) upon assumption of the mortgage by the purchaser. In addition, $0.3 million of deferred financing costs related to the mortgage was also written off upon disposition of the property.

(2) During the year ended December 31, 2021 the Trust incurred pre-payment penalties in the amount of $1.1 million in relation to the early settlement of debt.

(3) Other gains (losses) and (expenses) under equity accounted joint ventures, included in FFO, is comprised of pre-selling costs of residential inventory of $38.0 thousand (December 31, 2021 - $0.2 million).

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

Year ended December 31		**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	**(15,167)**	**(15,167)**	14,786	14,786
Net gain (loss) on early settlement of debt (1)(2)	**12,845**	**12,845**	(1,139)	(1,139)
Transaction costs	**(572)**	**—**	—	—
Gain (loss) on loan receivable modification	**(566)**	**(566)**	—	—
Pre-selling costs of residential inventory	**(31)**	**(31)**	(238)	(238)
Investment property selling costs	**(4,440)**	**—**	(7,133)	—
Gain on Option	**—**	**—**	80,822	—
Other	**23**	**23**	(9)	(9)
Total per consolidated statements of income (loss)	**$ (2,317)**	**$ 2,695**	$ 87,089	$ 13,400
Other gains (losses) and (expenses) applicable to NCI	**9**	**9**	69	69
Other gains (losses) and (expenses) under equity accounted joint ventures (3)	**(282)**	**(282)**	145	148
Total at First Capital's proportionate interest (4)	**$ (2,590)**	**$ 2,422**	$ 87,303	$ 13,617

(1) During the second quarter of 2022, the Trust recognized a $13.5 million hedging gain in other comprehensive income in relation to the mortgage financing of the King High Line residential property. In the fourth quarter, the Trust's interest in the property was sold and the unamortized hedging gain of $13.1 million was reclassified to other gains (losses) and (expenses) upon assumption of the mortgage by the purchaser. In addition, $0.3 million of deferred financing costs related to the mortgage was also written off upon disposition of the property.

(2) During the year ended December 31, 2021 the Trust incurred pre-payment penalties in the amount of $1.1 million in relation to the early settlement of debt.

(3) Other gains (losses) and (expenses) under equity accounted joint ventures, included in FFO, is comprised of pre-selling costs of residential inventory of $0.3 million (December 31, 2021 - gain on investment of $0.7 million, partially offset by pre-selling costs of residential inventory of $0.6 million).

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

For the three months ended December 31, 2022, First Capital recognized $12.7 million in other gains in its consolidated statement of income (loss) compared to $6.5 million in other losses for the same prior year period. The $19.2 million net change over prior year is primarily due to a $12.8 million net gain related to the hedging of the King High Line residential property that was disposed of in the fourth quarter of 2022 versus $1.1 million in prepayment penalties incurred in the fourth quarter of 2021. Additionally, the net change was also due to $3.0 million in lower investment property selling costs, and $2.2 million in lower unrealized losses on marketable securities.

For the year ended December 31, 2022, First Capital recognized $2.3 million in other losses in its consolidated statement of income (loss) compared to $87.1 million in other gains for the prior year. The $89.4 million net change over prior year 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, a $24.4 million negative fair value swing on marketable securities year-over-year, partially offset by a $14.0 million net gain on the early settlement of debt.

Income Taxes

For the three months and years ended December 31, 2022 and 2021, deferred income tax expense (recovery) totaled $5.8 million and $7.2 million, respectively, compared to $48.9 million and $25.9 million, respectively, over the same prior year periods. The decrease of $18.7 million for the year ended December 31, 2022, in deferred income tax expense was primarily due to a release in reserves of $12.2 million in the fourth quarter of 2022.

Net Income (Loss) Attributable to Unitholders

For the three months ended December 31, 2022, net income (loss) attributable to Unitholders was $42.4 million or $0.20 per diluted unit compared to $28.6 million or $0.13 per diluted unit for the same prior year period. The $13.7 million increase over prior year was primarily due to an increase in net operating income and other gains (losses) and (expenses) year-over-year, partially offset by higher corporate expenses and interest expense.

For the year ended December 31, 2022, net income (loss) attributable to Unitholders was ($160.0) million or ($0.73) per diluted unit compared to $460.1 million or $2.08 per diluted unit for the prior year. The $620.1 million decrease was primarily due to a net year-over-year change in the fair value of investment property of $608.3 million.

CAPITAL STRUCTURE AND LIQUIDITY

Total Capital Employed

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

As at	**December 31, 2022**	December 31, 2021
Liabilities (principal amounts outstanding)		
Bank indebtedness	**$ 1,594**	$ 2,476
Mortgages [(1)]	**1,235,767**	1,216,872
Credit facilities [(1)]	**1,098,235**	893,958
Senior unsecured debentures	**1,900,000**	2,350,000
Total Debt [(1)]	**$ 4,235,596**	$ 4,463,306
Cash and cash equivalents [(1)]	**(39,827)**	(37,512)
Net Debt [(1) (2)]	**$ 4,195,769**	$ 4,425,794
Exchangeable Units	**1,009**	1,947
Equity market capitalization [(3)]	**3,589,229**	4,140,551
Enterprise value [(1)]	**$ 7,786,007**	$ 8,568,292
Trust Units outstanding (000's)	**213,518**	219,541
Closing market price	**$ 16.81**	$ 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 months and years ended December 31, 2022 and 2021:

	Three months ended December 31		Year ended December 31	
	2022	2021	**2022**	2021
Net income (loss) attributable to Unitholders	**$ 42,372**	$ 28,629	**$ (159,997)**	$ 460,131
Add (deduct) [1]:				
Deferred income tax expense (recovery)	**5,849**	47,773	**7,287**	24,782
Interest Expense	**39,637**	37,941	**152,930**	154,013
Amortization expense	**2,100**	1,850	**8,364**	8,473
(Increase) decrease in value of investment properties	**31,184**	(25,833)	**410,474**	(181,490)
(Increase) decrease in value of hotel property	**(6,908)**	2,161	**(6,908)**	1,122
Increase (decrease) in value of Exchangeable Units	**102**	140	**(321)**	548
Increase (decrease) in value of unit-based compensation	**4,386**	2,528	**(5,250)**	9,286
Incremental leasing costs	**1,764**	1,448	**6,626**	5,859
Abandoned transaction (costs) recovery	**122**	146	**(2,770)**	248
Other non-cash and/or non-recurring items	**(12,658)**	6,696	**2,590**	(87,303)
Adjusted EBITDA [1]	**$ 107,950**	$ 103,479	**$ 413,025**	$ 395,669

[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	**December 31, 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)	**3.4**	4.0
Net debt to total assets [1]	**44.0%**	43.9%
Net debt to Adjusted EBITDA [1]	**10.2**	11.2
Unencumbered aggregate assets [1]	**$ 6,569,548**	$ 7,394,398
Unencumbered aggregate assets to unsecured debt, based on fair value [1]	**2.2**	2.3
Adjusted EBITDA interest coverage [1]	**2.4**	2.3

[1] Calculated with joint ventures proportionately consolidated in accordance with FCR's debt covenants. Total assets excludes cash balances. Refer to the "Non-IFRS Financial Measures" section of this MD&A.

The Net debt to Adjusted EBITDA ratio decreased by 1.0 to 10.2, as of December 31, 2022, primarily due to a $230.0 million decrease in net debt as well as a $17.4 million increase in EBITDA (on a rolling four quarter basis).

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

On June 9, 2022, S&P affirmed FCR's Issuer Rating and issue level debt rating at BBB-, and revised the outlook to stable from negative.

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 December 31, 2022 is summarized in the table below:

As at December 31, 2022	Mortgages (1)	Credit Facilities/Bank Indebtedness (2)	Senior Unsecured Debentures	Total	% Due
2023	$ 32,597	$ 225,995	$ 300,000	$ 558,592	13.4%
2024	140,423	308,306	300,000	748,729	18.0%
2025	96,612	275,000	300,000	671,612	16.2%
2026	120,246	275,000	300,000	695,246	16.8%
2027	103,942	21,907	500,000	625,849	15.1%
2028	166,973	—	200,000	366,973	8.8%
2029	251,257	—	—	251,257	6.1%
2030	176,480	—	—	176,480	4.3%
2031	55,326	—	—	55,326	1.3%
	$ 1,143,856	$ 1,106,208	$ 1,900,000	$ 4,150,064	100.0%
Add (deduct): unamortized deferred financing costs, premiums and discounts, net	(3,366)	—	(1,176)	(4,542)	
Total	**$ 1,140,490**	**$ 1,106,208**	**$ 1,898,824**	**$ 4,145,522**	

(1) Principal amount outstanding for mortgages on a proportionate basis is $1,235,767.

(2) Principal amount outstanding for credit facilities and bank indebtedness on a proportionate basis is $1,098,235 and $1,594, 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 year ended December 31, 2022 are set out below:

Year ended December 31, 2022		Amount	Weighted Average Effective Interest Rate
Balance at beginning of year	$	1,173,175	3.5%
Mortgage borrowings		91,075	5.1%
Mortgage repayments		(13,338)	3.7%
Scheduled amortization on mortgages		(30,946)	—%
Mortgages assumed by purchaser on sale of investment properties		(80,000)	4.9%
Amortization of financing costs and net premium		524	—%
Balance at end of year	**$**	**1,140,490**	**3.5%**

As at December 31, 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 5.0 years as at December 31, 2022 on $1.1 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 December 31, 2022 is summarized in the table below:

As at December 31, 2022		Scheduled Amortization		Payments on Maturity		Total	Weighted Average Effective Interest Rate
2023	$	32,597	$	—	$	32,597	N/A
2024		31,945		108,478		140,423	3.7%
2025		29,641		66,971		96,612	3.8%
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%
	$	**187,251**	**$**	**956,605**	**$**	**1,143,856**	**3.5%**
Add: unamortized deferred financing costs and premiums and discounts, net						(3,366)	
Total					**$**	**1,140,490**	

Credit Facilities

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

As at December 31, 2022	Borrowing Capacity	Amounts Drawn	Bank Indebtedness and Outstanding Letters of Credit	Available to be Drawn	Interest Rates	Maturity Date
Unsecured operating facilities						
Revolving facility maturing 2026 - 2027 (1)	$ 450,000	$ —	$ (5,593)	$ 444,407	BA + 1.45% or Prime + 0.45% or US$ LIBOR + 1.45%	June 30, 2026 - June 30, 2027
Revolving facility maturing 2024 (2)	100,000	(100,564)	—	—	BA + 1.15% or Prime + 0.30% or US$ LIBOR + 1.15%	August 31, 2024
Revolving facility maturing 2023	250,000	(80,000)	—	170,000	BA + 1.15% or Prime + 0.30% or US$ LIBOR + 1.15%	October 31, 2023
Floating rate unsecured term loan maturing 2023 - 2025 (3)	200,000	(200,000)	—	—	BA + 1.20% BA + 1.50%	April 15, 2023 - April 15, 2025
Fixed rate unsecured term loan maturing 2025 (4)(5)	100,000	(100,000)	—	—	5.00%	January 9, 2025
Fixed rate unsecured term loans maturing 2024 - 2026 (5)	550,000	(550,000)	—	—	3.29%	March 28, 2024 - April 15, 2026
Secured construction facilities						
Maturing 2027	170,000	(21,907)	—	148,093	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	(7,742)	—	11,579	Prime - 0.25%	June 1, 2024
Maturing 2023 (5)	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	**$ 1,955,172**	**$ (1,104,614)**	**$ (5,593)**	**$ 845,529**		

(1) As at December 31, 2022, approximately $380.0 million of the unsecured revolving credit facility has been extended by one year and is due June 30, 2027. The remaining $70.0 million is due June 30, 2026.

(2) The Trust has drawn in U.S. dollars the equivalent of CAD$100.0 million which was revalued at CAD$100.6 million as at December 31, 2022.

(3) As at December 31, 2022, $100.0 million is due April 15, 2023 at a spread of BA + 1.20%, and the remaining $100.0 million is due April 15, 2025 at a spread of BA + 1.50%.

(4) The Trust has the option to extend the unsecured term loan for an additional two years, to January 9, 2027.

(5) The Trust has entered into BA-based interest rate swaps to economically convert these unsecured term loans and secured construction facility from variable rate BA-based debt instruments to fixed rate debt instruments over their respective terms to maturity.

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 December 31, 2022			Interest Rate		Remaining Term to Maturity	Principal Outstanding
Series	Maturity Date	Interest Payment Dates	Coupon	Effective	(years)	
Q	October 30, 2023	April 30, October 30	3.90%	3.97%	0.8	300,000
R	August 30, 2024	February 28, August 30	4.79%	4.72%	1.7	300,000
S	July 31, 2025	January 31, July 31	4.32%	4.24%	2.6	300,000
T	May 6, 2026	May 6, November 6	3.60%	3.57%	3.3	300,000
V	January 22, 2027	January 22, July 22	3.46%	3.54%	4.1	200,000
U	July 12, 2027	January 12, July 12	3.75%	3.82%	4.5	300,000
A	March 1, 2028	March 1, September 1	3.45%	3.54%	5.2	200,000
Weighted Average or Total			**3.94%**	**3.95%**	**3.0**	**$ 1,900,000**

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.

On December 5, 2022, upon maturity, First Capital repaid its 3.95% Series P Senior Unsecured Debentures in the amount of $250.0 million.

Unitholders' Equity

Unitholders' equity amounted to $4.3 billion as at December 31, 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 year ended December 31, 2022.

As at February 6, 2023, 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 December 31, 2022, the Trust has acquired and cancelled 6.2 million Units at a weighted average purchase price of $15.14 per unit, for a total cost of $94.5 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 $12.1 million.

Unit Options

As at December 31, 2022, First Capital had 6.3 million unit options outstanding, with an average exercise price of $19.76, which, if exercised, would result in First Capital receiving proceeds of $124.0 million.

Liquidity

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

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

As at (millions of dollars)		**December 31, 2022**		December 31, 2021
Total available under credit facilities	**$**	**846**	$	724
Cash and cash equivalents	**$**	**33**	$	35
Unencumbered aggregate assets	**$**	**6,570**	$	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 December 31, 2022, and availability on existing credit facilities, address substantially all of the contractual 2023 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 December 31				Year ended December 31			
		2022		2021		**2022**		2021
Cash provided by (used in) operating activities	**$**	**76,808**	$	83,575	**$**	**251,221**	$	249,613
Cash provided by (used in) financing activities		**(208,862)**		(161,267)		**(387,209)**		(470,245)
Cash provided by (used in) investing activities		**135,772**		67,600		**133,983**		154,887
Net change in cash and cash equivalents	**$**	**3,718**	$	(10,092)	**$**	**(2,005)**	$	(65,745)

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

	Three months ended December 31				Year ended December 31			
		2022		2021		**2022**		2021
Cash provided by operating activities	**$**	**76,808**	$	83,575	**$**	**251,221**	$	249,613
Distributions declared		**(46,120)**		(23,710)		**(124,191)**		(94,804)
Excess (shortfall) of cash provided by operating activities over distributions declared	**$**	**30,688**	$	59,865	**$**	**127,030**	$	154,809

For the three months and years ended December 31, 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 December 31, 2022 is set out below:

As at December 31, 2022	Payments due by period				
	2023	2024 to 2025	2026 to 2027	Thereafter	Total
Scheduled mortgage principal amortization	$ 32,597	$ 61,586	$ 49,965	$ 43,103	$ 187,251
Mortgage principal repayments on maturity	—	175,449	174,223	606,933	956,605
Credit facilities and bank indebtedness	225,995	583,306	296,907	—	1,106,208
Senior unsecured debentures	300,000	600,000	800,000	200,000	1,900,000
Interest obligations [1]	154,224	211,371	96,243	37,512	499,350
Land leases (expiring between 2023 and 2061)	866	1,238	1,209	14,932	18,245
Contractually committed costs to complete current development projects [2]	46,168	60,773	—	—	106,941
Total contractual obligations	**$ 759,850**	**$ 1,693,723**	**$ 1,418,547**	**$ 902,480**	**$ 4,774,600**

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

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

First Capital had $27.6 million of outstanding letters of credit issued by financial institutions to support certain of FCR's contractual obligations and $1.6 million of bank overdrafts.

As of December 31, 2022, contractually committed costs related to the Trust's development projects is $106.9 million ($92.8 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 $149.9 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 $27.6 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 $0.9 million (December 31, 2021 – $1.2 million) with a total obligation of $18.2 million (December 31, 2021 – $19.5 million).

NON-IFRS RECONCILIATIONS AND FINANCIAL MEASURES

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

The following table provides a reconciliation of First Capital’s consolidated balance sheets, as presented in its audited annual consolidated financial statements, to its proportionate interest.

As at	**December 31, 2022**			December 31, 2021		
	Consolidated Balance Sheet (1)	**Adjustments for Proportionate Interest**	**Proportionate Interest (2)**	Consolidated Balance Sheet (1)	Adjustments for Proportionate Interest	Proportionate Interest (2)
ASSETS						
Investment properties	**$ 8,485,361**	**$ 326,152**	**$ 8,811,513**	$ 8,975,539	$ 319,015	$ 9,294,554
Residential development inventory	**157,883**	**8,163**	**166,046**	156,039	5,056	161,095
Hotel property	**45,300**	**—**	**45,300**	85,400	—	85,400
Loans, mortgages and other assets	**212,131**	**(6,503)**	**205,628**	271,742	108	271,850
Cash and cash equivalents	**32,694**	**7,133**	**39,827**	34,699	2,813	37,512
Amounts receivable	**25,970**	**2,065**	**28,035**	27,784	665	28,449
Other assets	**77,750**	**16,547**	**94,297**	57,083	21,858	78,941
Investment in joint ventures	**357,122**	**(357,122)**	**—**	349,488	(349,488)	—
Non-current assets classified as held for sale	**187,727**	**(2,027)**	**185,700**	151,300	—	151,300
Total assets	**$ 9,581,938**	**$ (5,592)**	**$ 9,576,346**	$ 10,109,074	$ 27	$ 10,109,101
LIABILITIES						
Mortgages	**$ 1,127,361**	**$ 91,665**	**$ 1,219,026**	$ 1,173,175	$ 39,731	$ 1,212,906
Credit facilities	**1,104,614**	**(6,379)**	**1,098,235**	899,777	(5,819)	893,958
Bank indebtedness	**1,594**	**—**	**1,594**	2,476	—	2,476
Senior unsecured debentures	**1,898,824**	**—**	**1,898,824**	2,348,145	—	2,348,145
Exchangeable Units	**1,009**	**—**	**1,009**	1,947	—	1,947
Deferred tax liabilities	**769,388**	**(1,230)**	**768,158**	740,309	(1,147)	739,162
Mortgages on non-current assets classified as held for sale	**13,129**	**—**	**13,129**	—	—	—
Accounts payable and other liabilities	**330,724**	**(33,726)**	**296,998**	274,163	15,402	289,565
Total liabilities	**5,246,643**	**50,330**	**5,296,973**	5,439,992	48,167	5,488,159
EQUITY						
Unitholders' equity	**4,279,373**	**—**	**4,279,373**	4,620,942	—	4,620,942
Non-controlling interest	**55,922**	**(55,922)**	**—**	48,140	(48,140)	—
Total equity	**4,335,295**	**(55,922)**	**4,279,373**	4,669,082	(48,140)	4,620,942
Total liabilities and equity	**$ 9,581,938**	**$ (5,592)**	**$ 9,576,346**	$ 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 December 31, 2022 and 2021, to its proportionate interest.

Three months ended December 31			**2022**			2021
	Consolidated Statements of Income (Loss)	**Adjustment to proportionate interest**	**Proportionate interest [1]**	Consolidated Statements of Income (Loss)	Adjustment to proportionate interest	Proportionate interest [1]
Property rental revenue	**$ 176,100**	**$ 5,788**	**$ 181,888**	$ 170,197	$ 2,639	$ 172,836
Property operating costs	**64,941**	**4,821**	**69,762**	64,279	1,986	66,265
Net operating income	**111,159**	**967**	**112,126**	105,918	653	106,571
Other income and expenses						
Interest and other income	**5,475**	**373**	**5,848**	3,933	262	4,195
Interest expense	**(38,633)**	**(1,004)**	**(39,637)**	(37,603)	(338)	(37,941)
Corporate expenses	**(11,832)**	**44**	**(11,788)**	(8,760)	25	(8,735)
Abandoned transaction (costs) recovery	**(122)**	**—**	**(122)**	(146)	—	(146)
Amortization expense	**(1,322)**	**(778)**	**(2,100)**	(1,453)	(397)	(1,850)
Share of profit from joint ventures	**(387)**	**387**	**—**	(813)	813	—
Other gains (losses) and (expenses)	**12,694**	**(36)**	**12,658**	(6,540)	(156)	(6,696)
(Increase) decrease in value of unit-based compensation	**(4,386)**	**—**	**(4,386)**	(2,528)	—	(2,528)
(Increase) decrease in value of Exchangeable Units	**(102)**	**—**	**(102)**	(140)	—	(140)
Increase (decrease) in value of hotel property	**6,908**	**—**	**6,908**	(2,161)	—	(2,161)
Increase (decrease) in value of investment properties, net	**(31,071)**	**(113)**	**(31,184)**	25,996	(163)	25,833
	(62,778)	**(1,127)**	**(63,905)**	(30,215)	46	(30,169)
Income (loss) before income taxes	**48,381**	**(160)**	**48,221**	75,703	699	76,402
Deferred income tax expense (recovery)	**5,849**	**—**	**5,849**	48,920	(1,147)	47,773
Net income (loss)	**$ 42,532**	**$ (160)**	**$ 42,372**	$ 26,783	$ 1,846	$ 28,629
Net income (loss) attributable to:						
Unitholders	**$ 42,372**	**$ —**	**$ 42,372**	$ 28,629	$ —	$ 28,629
Non-controlling interest	**160**	**(160)**	**—**	(1,846)	1,846	—
	$ 42,532	**$ (160)**	**$ 42,372**	$ 26,783	$ 1,846	$ 28,629
Net income (loss) per unit attributable to Unitholders:						
Basic	**$ 0.20**			$ 0.13		
Diluted	**$ 0.20**			$ 0.13		

[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 years ended December 31, 2022 and 2021, as presented in its audited annual consolidated financial statements, to its proportionate interest.

Year ended December 31			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	**$ 693,096**	**$ 20,744**	**$ 713,840**	$ 674,890	$ 9,010	$ 683,900
Property operating costs	**267,597**	**15,900**	**283,497**	262,352	5,395	267,747
Net operating income	**425,499**	**4,844**	**430,343**	412,538	3,615	416,153
Other income and expenses						
Interest and other income	**19,870**	**1,161**	**21,031**	10,880	955	11,835
Interest expense	**(150,042)**	**(2,888)**	**(152,930)**	(152,670)	(1,343)	(154,013)
Corporate expenses	**(45,235)**	**260**	**(44,975)**	(38,207)	29	(38,178)
Abandoned transaction (costs) recovery	**2,770**	**—**	**2,770**	(248)	—	(248)
Amortization expense	**(5,673)**	**(2,691)**	**(8,364)**	(6,018)	(2,455)	(8,473)
Share of profit from joint ventures	**(199)**	**199**	**—**	(1,460)	1,460	—
Other gains (losses) and (expenses)	**(2,317)**	**(273)**	**(2,590)**	87,089	214	87,303
(Increase) decrease in value of unit-based compensation	**5,250**	**—**	**5,250**	(9,286)	—	(9,286)
(Increase) decrease in value of Exchangeable Units	**321**	**—**	**321**	(548)	—	(548)
Increase (decrease) in value of hotel property	**6,908**	**—**	**6,908**	(1,122)	—	(1,122)
Increase (decrease) in value of investment properties, net	**(409,716)**	**(758)**	**(410,474)**	198,617	(17,127)	181,490
	(578,063)	**(4,990)**	**(583,053)**	87,027	(18,267)	68,760
Income (loss) before income taxes	**(152,564)**	**(146)**	**(152,710)**	499,565	(14,652)	484,913
Deferred income tax expense (recovery)	**7,197**	**90**	**7,287**	25,929	(1,147)	24,782
Net income (loss)	**$ (159,761)**	**$ (236)**	**$ (159,997)**	$ 473,636	$ (13,505)	$ 460,131
Net income (loss) attributable to:						
Unitholders	**$ (159,997)**	**$ —**	**$ (159,997)**	$ 460,131	$ —	$ 460,131
Non-controlling interest	**236**	**(236)**	**—**	13,505	(13,505)	—
	$ (159,761)	**$ (236)**	**$ (159,997)**	$ 473,636	$ (13,505)	$ 460,131
Net income (loss) per unit attributable to Unitholders:						
Basic	**$ (0.74)**			$ 2.10		
Diluted	**$ (0.73)**			$ 2.08		

[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 December 31		Year ended December 31	
	2022	2021	**2022**	2021
Net income (loss) attributable to Unitholders	**$ 42,372**	$ 28,629	**$ (159,997)**	$ 460,131
Add (deduct):				
(Increase) decrease in value of investment properties [1]	**31,184**	(25,833)	**410,474**	(181,490)
(Increase) decrease in value of hotel property [1]	**(6,908)**	2,161	**(6,908)**	1,122
Adjustment for equity accounted joint ventures [2]	**778**	397	**2,691**	2,455
Adjustment for capitalized interest related to equity accounted joint ventures [2]	**817**	—	**3,010**	—
Incremental leasing costs [3]	**1,764**	1,448	**6,626**	5,859
Amortization expense [4]	**113**	481	**489**	1,937
Transaction costs [5]	**—**	—	**572**	—
Distributions on Exchangeable Units [6]	**13**	12	**42**	45
Increase (decrease) in value of Exchangeable Units [6]	**102**	140	**(321)**	548
Increase (decrease) in value of unit-based compensation [7]	**4,386**	2,528	**(5,250)**	9,286
Gain on Option [8]	**—**	—	**—**	(80,822)
Investment property selling costs [1]	**75**	3,093	**4,440**	7,136
Deferred income taxes (recovery) [1]	**5,849**	47,773	**7,287**	24,782
FFO [9]	**$ 80,545**	$ 60,829	**$ 263,155**	$ 250,989

(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 December 31			Year ended December 31		
	% change	**2022**	2021	change	**2022**	2021
Net operating income		**$ 112,126**	$ 106,571		**$ 430,343**	$ 416,153
Interest and other income		**5,848**	4,195		**21,031**	11,835
Interest expense [1][2]		**(38,807)**	(37,929)		**(149,878)**	(153,968)
Corporate expenses [3]		**(10,024)**	(7,287)		**(38,349)**	(32,319)
Abandoned transaction (costs) recovery		**(122)**	(146)		**2,770**	(248)
Amortization expense [4]		**(1,209)**	(972)		**(5,184)**	(4,081)
Other gains (losses) and (expenses) [5]		**12,733**	(3,603)		**2,422**	13,617
FFO [6]	32.4%	**$ 80,545**	$ 60,829	4.8%	**$ 263,155**	$ 250,989
FFO per diluted unit	36.0%	**$ 0.37**	$ 0.28	6.1%	**$ 1.21**	$ 1.14
Weighted average number of units – diluted (in thousands)	(2.6%)	**215,098**	220,929	(1.2%)	**218,162**	220,826

(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 December 31, 2022, FFO increased $19.7 million, or $0.10 per unit, over the same prior year period. The increase was primarily due to a year-over-year change in other gains (losses) and (expenses), totaling $16.3 million ($0.07 per unit), and a $5.6 million ($0.03 per unit), increase in NOI driven primarily by higher lease termination fees, lower bad debt expense as well as higher base rent. The year-over-year change in other gains (losses) and (expenses) includes a $12.8 million ($0.06 per unit) hedging gain related to the mortgage financing of the King High Line residential property. This hedging gain was reclassified from accumulated other comprehensive income upon assumption of the mortgage by the purchaser at the time of disposition.

For the year ended December 31, 2022, FFO increased $12.2 million, or $0.07 per unit, over the prior year. The increase was primarily due to a $14.2 million ($0.06 per unit), increase in NOI driven primarily by higher base rent and lower bad debt expense, and a $9.2 million ($0.04 per unit), increase in interest and other income. The increase was partially offset by a year-over-year decrease in other gains (losses) and (expenses), totaling $11.2 million ($0.05 per unit). 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 December 31			Year ended December 31		
	% change	**2022**	2021	% change	**2022**	2021
FFO [1]		**$ 80,545**	$ 60,829		**$ 263,155**	$ 250,989
Add (deduct):						
Revenue sustaining capital expenditures		**(4,414)**	(4,841)		**(20,830)**	(15,570)
Recoverable capital expenditures		**(2,645)**	(1,648)		**(10,002)**	(4,033)
Incremental leasing costs		**(1,764)**	(1,448)		**(6,626)**	(5,859)
Straight-line rent adjustment		**732**	(25)		**520**	(2,015)
AFFO [1]	37.0%	**$ 72,454**	$ 52,867	1.2%	**$ 226,217**	$ 223,512
AFFO per diluted unit	40.8%	**$ 0.34**	$ 0.24	2.4%	**$ 1.04**	$ 1.01
Weighted average number of units – diluted (in thousands)	(2.6%)	**215,098**	220,929	(1.2%)	**218,162**	220,826

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

For the three months ended December 31, 2022, AFFO per unit increased by approximately $0.10 over the same prior year period primarily due to higher FFO, or $0.10 per unit. For the year ended December 31, 2022, AFFO per unit increased by approximately $0.03 over prior year primarily due to higher FFO, or $0.07 per unit, largely offset by 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 December 31		Year ended December 31	
	2022	2021	**2022**	2021
Cash provided by operating activities	**$ 76,808**	$ 83,575	**$ 251,221**	$ 249,613
Add (deduct):				
Working capital adjustments [1]	**(11,619)**	(15,926)	**4,867**	12,826
Adjustment for equity accounted joint ventures	**601**	387	**2,370**	2,322
Revenue sustaining capital expenditures	**(4,414)**	(4,828)	**(20,694)**	(15,554)
Recoverable capital expenditures	**(2,645)**	(1,648)	**(10,002)**	(4,033)
Leasing costs on properties under development	**441**	362	**1,656**	1,465
Realized gain (loss) on sale of marketable securities	**—**	—	**5,591**	—
Non-controlling interest	**92**	(826)	**579**	(2,823)
ACFO [2]	**$ 59,264**	$ 61,096	**$ 235,588**	$ 243,816

(1) Working capital adjustments primarily include adjustments for prepaid as well as accrued property taxes as their levels vary considerably over the course of the year as well as certain other adjustments as specified in the most recent REALPAC guidance on ACFO issued in January 2023.

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

For the three months and year ended December 31, 2022, ACFO totaled $59.3 million and $235.6 million compared to $61.1 million and $243.8 million for the prior years, respectively. The $1.8 million and $8.2 million decrease in ACFO for the three months and year ended December 31, 2022, respectively, was primarily due to higher capital expenditures and changes in working capital, partially offset by interest expense savings as well as a realized gain on sale of marketable securities during the twelve month period.

ACFO Payout Ratio

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

		Year ended December 31, 2022		**Q4 2022**		**Q3 2022**		**Q2 2022**		**Q1 2022**
ACFO [1]	**$**	**235,588**	$	59,264	$	56,949	$	76,274	$	43,101
Cash distributions paid		**116,721**		46,134		23,169		23,707		23,711
ACFO payout ratio [1]		**49.5%**								

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

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

		Year ended December 31, 2021		Q4 2021		Q3 2021		Q2 2021		Q1 2021
ACFO [1]	$	243,816	$	61,096	$	70,710	$	69,398	$	42,612
Cash distributions paid		102,618		23,710		23,704		23,696		31,508
ACFO payout ratio [1]		42.1%								

[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 December 31, 2022, the ACFO payout was 49.5% (December 31, 2021 - 42.1%).

Net Asset Value

The following table provides FCR's calculation of NAV for the years ended December 31, 2022 and 2021:

As at		**December 31, 2022**		December 31, 2021
Unitholders' equity	**$**	**4,279,373**	$	4,620,942
Exchangeable Units		**1,009**		1,947
Deferred tax liabilities		**768,158**		739,162
Net Asset Value (NAV) [1]	**$**	**5,048,540**	$	5,362,051
Units outstanding [2]		**213,578**		219,645
NAV per unit - diluted [3]	**$**	**23.48**	$	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 1.5 million Deferred Units, Restricted Units and Performance Units and 6.3 million unit options outstanding with an average exercise price of $19.76 (implied option proceeds of $124.0 million) and the exclusion of the unit-based compensation plan liability.

The decrease in NAV per diluted unit from $24.26 to $23.48 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 December 31		Year ended December 31	
(in dollars)	**2022**	2021	**2022**	2021
Distributions declared per unit	**$ 0.215**	$ 0.108	**$ 0.575**	$ 0.432

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 December 31
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
	FCR (1)		Guarantors (2)		Non-Guarantors (3)		Consolidation Adjustments (4)		Total Consolidated	
Property rental revenue	**$ 74**	$ 71	**$ 103**	$ 100	**$ —**	$ —	**$ (1)**	$ (1)	**$ 176**	$ 170
NOI (5)	**$ 50**	$ 47	**$ 61**	$ 59	**$ —**	$ —	**$ —**	$ —	**$ 111**	$ 106
Net income (loss) attributable to Unitholders	**$ 42**	$ 29	**$ 102**	$ 81	**$ —**	$ (1)	**$ (102)**	$ (80)	**$ 42**	$ 29

(millions of dollars)										Year ended December 31
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
	FCR (1)		Guarantors (2)		Non-Guarantors (3)		Consolidation Adjustments (4)		Total Consolidated	
Property rental revenue	**$ 286**	$ 278	**$ 411**	$ 400	**$ —**	$ 1	**$ (4)**	$ (4)	**$ 693**	$ 675
NOI (5)	**$ 190**	$ 182	**$ 237**	$ 231	**$ —**	$ —	**$ (2)**	$ —	**$ 425**	$ 413
Net income (loss) attributable to Unitholders	**$ (160)**	$ 460	**$ 172**	$ 576	**$ —**	$ 24	**$ (172)**	$ (600)	**$ (160)**	$ 460

(millions of dollars)					As at December 31, 2022
	FCR [1]	Guarantors [2]	Non-Guarantors [3]	Consolidation Adjustments [4]	Total Consolidated
Current assets	**$ 700**	**$ (223)**	**$ 116**	**$ (120)**	**$ 473**
Non-current assets	**$ (1,349)**	**$ 11,456**	**$ 130**	**$ (1,128)**	**$ 9,109**
Current liabilities	**$ 698**	**$ 98**	**$ —**	**$ 2**	**$ 798**
Non-current liabilities	**$ 3,485**	**$ 969**	**$ 50**	**$ (55)**	**$ 4,449**

(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 audited annual consolidated financial statements include the financial statements of First Capital Real Estate Investment Trust and all of its subsidiaries, including First Capital Realty Inc., First Capital REIT Limited Partnership and First Capital Holdings Trust. First Capital Realty Inc. and First Capital Holdings Trust are the significant subsidiaries of the Trust and are wholly owned.

SUBSEQUENT EVENTS

Alberta Neighbourhood Retail Portfolio - Mortgage Financing

On January 26, 2023, First Capital secured $233.7 million of mortgage financing against a portfolio of six Alberta neighbourhood retail properties. Carrying a term of ten-years, the mortgages are due in January 2033. The mortgage portfolio bears interest at an effective interest rate of 5.4% per annum, payable monthly commencing February 26, 2023.

QUARTERLY FINANCIAL INFORMATION

	2022				2021			
(unit counts in thousands)	**Q4**	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Property rental revenue	**$ 176,100**	$ 171,914	$ 172,606	$ 172,476	$ 170,197	$ 165,613	$ 167,168	$ 171,912
Net operating income [1]	**$ 111,159**	$ 107,219	$ 106,141	$ 100,980	$ 105,918	$ 103,078	$ 102,593	$ 100,949
Net income (loss) attributable to Unitholders	**$ 42,372**	$ (204,722)	$ (42,102)	$ 44,455	$ 28,629	$ 181,526	$ 211,989	$ 37,987
Net income (loss) per unit attributable to Unitholders:								
Basic	**$ 0.20**	$ (0.95)	$ (0.19)	$ 0.20	$ 0.13	$ 0.83	$ 0.97	$ 0.17
Diluted	**$ 0.20**	$ (0.95)	$ (0.19)	$ 0.20	$ 0.13	$ 0.82	$ 0.96	$ 0.17

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

	2022				2021			
(unit counts in thousands)	**Q4**	Q3	Q2	Q1	Q4	Q3	Q2	Q1
FFO [(1)]	**$ 80,545**	$ 66,575	$ 61,241	$ 54,794	$ 60,829	$ 59,047	$ 76,104	$ 55,009
FFO per diluted unit [(1)]	**$ 0.37**	$ 0.31	$ 0.28	$ 0.25	$ 0.28	$ 0.27	$ 0.35	$ 0.25
Weighted average number of diluted units outstanding	**215,098**	216,008	220,812	220,906	220,929	220,899	220,863	220,667
Cash provided by operating activities	**$ 76,808**	$ 52,810	$ 62,305	$ 59,298	$ 83,575	$ 50,590	$ 71,152	$ 44,296
AFFO [(1)]	**$ 72,454**	$ 54,489	$ 51,719	$ 47,554	$ 52,867	$ 53,319	$ 67,954	$ 49,372
AFFO per diluted unit [(1)]	**$ 0.34**	$ 0.25	$ 0.23	$ 0.22	$ 0.24	$ 0.24	$ 0.31	$ 0.22
ACFO [(1)]	**$ 59,264**	$ 56,949	$ 76,274	$ 43,101	$ 61,096	$ 70,710	$ 69,398	$ 42,612
Distribution declared per unit	**$ 0.215**	$ 0.144	$ 0.108	$ 0.108	$ 0.108	$ 0.108	$ 0.108	$ 0.108
Total assets	**$9,581,938**	$9,829,570	$10,057,358	$10,194,026	$10,109,074	$10,186,252	$10,189,522	$9,972,075
Total mortgages and credit facilities	**$2,245,104**	$2,225,576	$2,212,870	$2,280,587	$2,072,952	$2,211,920	$2,370,499	$2,358,551
Unitholders' equity	**$4,279,373**	$4,291,030	$4,542,689	$4,665,001	$4,620,942	$4,608,489	$4,445,198	$4,254,796
Other								
Number of neighbourhoods	**145**	145	147	148	146	148	150	150
GLA - at 100% (in thousands)	**22,216**	22,213	22,339	22,456	22,485	22,736	22,935	22,890
GLA - at ownership interest (in thousands)	**19,325**	19,326	19,501	19,619	19,657	19,853	20,092	20,053
Monthly average occupancy %	**95.6%**	95.5%	95.4%	95.7%	96.0%	95.9%	95.8%	96.0%
Total portfolio occupancy %	**95.8%**	95.7%	95.6%	95.5%	96.1%	95.9%	95.9%	95.8%

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

CRITICAL ACCOUNTING ESTIMATES

First Capital makes 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. Actual results could differ from those estimates. Management believes that the policies that are most subject to estimation and Management's judgment are those outlined below.

Judgments

Investment properties

In applying the Trust's policy with respect to investment properties, judgment is applied in determining whether certain costs are additions to the carrying amount of the property and, for properties under development, identifying the point at which capitalization of borrowing and other costs ceases.

Hedge accounting

Where First Capital undertakes to apply cash flow hedge accounting, it must determine whether such hedges are expected to be highly effective in achieving offsetting changes in cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the reporting periods for which they were designated.

Income taxes

First Capital retains its REIT status if it meets the prescribed conditions under the *Income Tax Act (Canada) (the "Tax Act")*. Management uses judgment in its interpretation and application of these conditions. First Capital determined that it qualifies as a REIT for the current period and expects to meet the prescribed conditions going forward. However, should the Trust no longer meet the REIT conditions, substantial adverse tax consequences may result.

With respect to its corporate subsidiaries, the Trust exercises judgment in estimating deferred tax assets and liabilities. Income tax laws may be subject to different interpretations, and the income tax expense recorded by the Trust reflects the Trust's interpretation of the relevant tax laws. The Trust is also required to estimate the timing of reversals of temporary differences between accounting and taxable income in determining the appropriate rate to apply in calculating deferred taxes.

For the determination of deferred tax assets and liabilities where investment property is measured using the fair value model, the presumption is that the carrying amount of an investment property is recovered through sale, as opposed to presuming that the economic benefits of the investment property will be substantially consumed through use over time.

Estimates and Assumptions

Valuation of Investment properties

First Capital's policy in determining the fair value of its investment properties at the end of each reporting period, includes the following approaches:

1. Internal valuations - by a certified staff appraiser employed by FCR, in accordance with professional appraisal standards and IFRS. Every investment property has an internal valuation completed at least once a year.
2. Value updates - primarily consisting of Management's review of the key assumptions from previous internal valuations and updating the value for changes in the property cash flow, physical condition and changes in market conditions.

External appraisals are obtained periodically by Management. These appraisals are used as data points, together with other market information accumulated by Management, in arriving at its conclusions on key assumptions and values. External appraisals are completed by an independent appraisal firm, in accordance with professional appraisal standards and IFRS.

Income-producing properties are appraised primarily based on an income approach that reflects stabilized cash flows or net operating income from existing tenants with the property in its existing state, since purchasers typically focus on expected income. Internal valuations are conducted using and placing reliance on both the direct capitalization method and the discounted cash flow method (including the estimated proceeds from a potential future disposition).

Properties undergoing development, redevelopment or expansion are valued either (i) using the discounted cash flow method, with a deduction for costs to complete the project, or (ii) at cost, when cost approximates fair value. Stabilized capitalization rates, discount rates and terminal capitalization rates, as applicable, are adjusted to reflect lease-up assumptions and construction risk, when appropriate. Adjacent land parcels held for future development are valued based on comparable sales of commercial land.

The primary method of appraisal for development land is the comparable sales approach, which considers recent sales activity for similar land parcels in the same or similar markets to estimate a value on either a per acre basis or on a basis of per square foot buildable. Such values are applied to First Capital's properties after adjusting for factors specific to the site, including its location, zoning, servicing and configuration.

Refer to Note 2(h) of the audited consolidated financial statements for the year ended December 31, 2022 for further information on the estimates and assumptions made by Management in connection with the fair values of investment properties.

Valuation of Financial Instruments

First Capital is required to determine the fair value of its loans, mortgages and credit facilities, senior unsecured debentures, Exchangeable Units, unit-based compensation plans, loans and mortgages receivable, other equity investments, marketable securities and derivatives. The fair values of the marketable securities are based on quoted market prices. The fair values of the other financial instruments are calculated using internally developed models as follows:

- Mortgages and credit facilities are calculated based on market interest rates plus a risk-adjusted spread on discounted cash flows;

- Senior unsecured debentures are based on closing bid risk-adjusted spreads and current underlying Government of Canada bond yields on discounted cash flows, also incorporating interest rate quotations provided by financial institutions;
- Exchangeable Units are based on the closing price of FCR's Trust Units at each period end;
- The fair value of the unit-based compensation plans are based on the following:

  Unit Options: Fair value of each tranche is valued separately using a Black-Scholes option pricing model;

  Deferred Units/Restricted Units: Fair value is based on the closing price of FCR's Trust Units at each period end; and

  Performance Units: Fair value is calculated using a Monte-Carlo simulation model;
- Derivative instruments are determined using present value forward pricing and swap calculations at interest rates that reflect current market conditions;
- Loans and mortgages receivable are calculated based on current market rates plus borrower level risk-adjusted spreads on discounted cash flows, adjusted for allowances for non-payment and collateral related risk;
- Equity investments in certain funds are based on the fair value of the properties held in the funds. The fair value of the equity investment in a private entity approximates its cost.

Estimates of risk-adjusted credit spreads applicable to a specific financial instrument and its underlying collateral could vary and result in a different disclosed fair value.

COVID-19

The outbreak of coronavirus ("COVID-19"), which the World Health Organization has declared a global pandemic, and government related action to shutdown large parts of the economy has impacted global commercial activity and contributed to significant volatility in certain equity and debt markets. The extent and duration of the impact of COVID-19 on communities and the economy remains unclear. In the preparation of these audited annual consolidated financial statements, the Trust has 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 December 31, 2022 and 2021. Actual results could differ from those estimates. The estimates and assumptions that the Trust considers critical and/or could be impacted by COVID-19 include those underlying the valuation of investment properties, the valuation of its hotel property, the net realizable value of residential inventory, the carrying amount of its investment in joint ventures, the estimate of any expected credit losses on amounts receivable or loans and mortgages receivable and determining the values of financial instruments for disclosure purposes.

Accounting Policy Changes

Refer to Note 2(b) of the audited annual consolidated financial statements for the years ended December 31, 2022 and 2021 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:

Amendments 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 has determined that there will be no impact to First Capital's consolidated financial statements upon adoption of these amendments.

Amendments to IAS 8, Definition of Accounting Estimates

In February 2021, the IASB issued amendments to IAS 8 to introduce a definition of "Accounting Estimates". The amendments clarify the distinction between changes in accounting estimates and accounting policies as well as the correction of errors. Additionally, the IASB clarifies how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective January 1, 2023, with early adoption permitted. Management has determined that there will be no material impact to First Capital's consolidated financial statements upon adoption of these amendments.

Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their "significant" accounting policies with a requirement to disclose their "material" accounting policies. In addition, the IASB has provided guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments are effective January 1, 2023, with early adoption permitted. Management does not expect material changes to its accounting policy disclosures upon adoption of these amendments.

CONTROLS AND PROCEDURES

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

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

The Chief Executive Officer and the Chief Financial Officer of First Capital have evaluated, or caused the evaluation of, under their supervision, the effectiveness of FCR's disclosure controls and procedures and its internal controls over financial reporting (each as defined in National Instrument 52-109-Certification of Disclosure in Issuers' Annual and Interim Filings) as at December 31, 2022, and have concluded that such disclosure controls and procedures and internal controls over financial reporting were operating effectively.

First Capital did not make any changes in its internal controls over financial reporting during the quarter ended December 31, 2022 that have had, or are reasonably likely to have, a material effect on FCR's internal controls over financial reporting. On an ongoing basis, FCR will continue to analyze its controls and procedures for potential areas of improvement.

Management does recognize that any controls and procedures, no matter how well designed and operated, can only provide reasonable assurance and not absolute assurance of achieving the desired control objectives. In the unforeseen event that lapses in the disclosure controls and procedures or internal controls over financial reporting occur and/or mistakes happen, First Capital intends to take the necessary steps to minimize the consequences thereof.

RISKS AND UNCERTAINTIES

First Capital, as an owner of income-producing properties and development properties, is exposed to numerous business risks in the normal course of its business that can impact both short- and long-term performance. Income-producing and development properties are affected by general economic conditions and local market conditions such as oversupply of similar properties or a reduction in tenant demand. It is the responsibility of Management, under the supervision of the Board of Trustees, to identify and, to the extent possible, mitigate or minimize the impact of all such business risks. The major categories of risk First Capital encounters in conducting its business and some of the actions it takes to mitigate these risks are outlined below. First Capital's most current Annual Information Form, which provides a detailed description of these and other risks that may affect FCR, can be found on SEDAR at www.sedar.com and on FCR's website at www.fcr.ca.

Economic Conditions and Ownership of Real Estate

Real property investments are affected by various factors including changes in general economic conditions (such as the availability of long-term mortgage and unsecured debenture financings, fluctuations in interest rates and unemployment levels) and in local market conditions (such as inflation, an oversupply of space or a reduction in demand for real estate in the area), the attractiveness of the properties to tenants, competition from other real estate developers, managers and owners in seeking tenants, the ability of the owner to provide adequate maintenance at an economic cost, and various other factors. The economic conditions in the markets in which First Capital operates can also have a significant impact on FCR's tenants and, in turn, FCR's financial success. Adverse changes in general or local economic conditions can result in some retailers being unable to sustain viable businesses and meet their lease obligations to FCR, and may also limit FCR's ability to attract new or replacement tenants. Should inflation remain high and more persistent than expected, any additional increases in interest rates may adversely affect consumer spending and debt levels, which may impact FCR's tenants and/or FCR's financial performance.

First Capital's portfolio has major concentrations in Ontario, Alberta, Quebec and British Columbia. Moreover, within each of these provinces, FCR's portfolio is concentrated predominantly in selected urban markets. As a result, economic and real estate conditions in these regions will significantly affect FCR's revenues and the value of its properties.

Revenue from First Capital's properties depends primarily on the ability of FCR's tenants to pay the full amount of rent and other charges due under their leases on a timely basis. Leases comprise any agreements relating to the occupancy or use of FCR's real property. There can be no assurance that tenants and other parties will be willing or able to perform their obligations under any such leases. If a significant tenant or a number of smaller tenants were to become unable or unwilling to meet their obligations to FCR, FCR's financial position and results of operations would be adversely affected. In the event of default by a tenant, FCR may experience delays and unexpected costs in enforcing its rights as landlord under lease terms, which may also adversely affect FCR's financial position and results of operations. FCR may also incur significant costs in making improvements or repairs to a property required in order to re-lease vacated premises to a new tenant.

First Capital's portfolio has more concentration with certain tenants. In the event that one or more tenants that individually or collectively account for an important amount of First Capital's annual minimum rent experience financial difficulty and are unable to pay rent or fulfill their lease commitments, FCR's financial position, results of operation and the value of its properties concerned would be adversely affected.

First Capital's net income could be adversely affected in the event of a downturn in the business, or the bankruptcy or insolvency, of any anchor store or anchor tenant. Anchor tenants generally occupy large amounts of leasable area, pay a significant portion of the total rents at a property and contribute to the success of other tenants by drawing significant numbers of customers to a property. The closing of one or more anchor stores at a property could have a significant adverse effect on that property.

Unpredictability and Volatility of Trust Unit Price

A publicly-traded real estate investment trust will not necessarily trade at values determined by reference to the underlying value of its business. The prices at which the Trust Units will trade cannot be predicted. The market price of the Trust Units could be subject to significant fluctuations in response to variations in quarterly operating results, distributions and other factors. The annual yield on the Trust Units as compared to the annual yield on other financial instruments may also influence the price of the Trust Units in the public trading markets. In addition, the securities markets have experienced significant price and volume fluctuations from time to time in recent years that often have been unrelated or disproportionate to the operating performance of particular issuers. These broad fluctuations may adversely affect the market price of the Trust Units.

Lease Renewals and Rental Increases

Upon the expiry of any lease, there can be no assurance that the lease will be renewed or the tenant replaced. Expiries of certain leases will occur in both the short and long term, including expiry of leases of certain significant tenants, and although certain lease renewals and/or rental increases are expected to occur in the future, there can be no assurance that such renewals or rental increases will in fact occur. The failure to achieve renewals and/or rental increases may have an adverse effect on the financial position and results of operations of First Capital. In addition, the terms of any subsequent lease may be less favourable to FCR than the existing lease.

Changes in lease accounting rules may require tenants to account for real property leases differently and, as a result, may incentivize tenants to seek new and renewal leases on different terms. Tenants may favour shorter lease terms, fewer renewals and a heavier weighting to variable as opposed to fixed rents, which could adversely affect the stability of First Capital's rental income, the level of secured financing available, the value of its properties and FCR's financial position and results of operations.

Financing, Interest Rates, Repayment of Indebtedness and Access to Capital

First Capital has outstanding indebtedness in the form of mortgages, credit facilities, senior unsecured debentures and bank indebtedness and, as such, is subject to the risks normally associated with debt financing, including the risk that FCR's cash flow will be insufficient to meet required payments of principal and interest.

The amount of indebtedness outstanding could require FCR to dedicate a substantial portion of its cash flow from operations to service its debt, thereby reducing funds available for operations, acquisitions, development activities and other business opportunities that may arise. FCR's internally generated cash may not be sufficient to repay all of its outstanding indebtedness. Upon the expiry of the term of the financing on any particular property owned by FCR, refinancing on a conventional mortgage loan basis may not be available in the amount required or may be available only on terms less favourable to FCR than the existing financing. FCR may elect to repay certain indebtedness through the issuance of equity securities or the sale of assets, where appropriate.

Interest rates have a significant effect on the profitability of commercial properties as interest represents a significant cost in the ownership of real property where debt financing is used as a source of capital. FCR has a total of $1.6 billion principal amount of fixed rate interest-bearing instruments outstanding including mortgages, senior unsecured debentures and secured credit facilities maturing between January 1, 2023 and December 31, 2025 at a weighted average coupon interest rate of 4.0%. If these amounts were refinanced at an average interest rate that was 100 basis points higher or lower than the existing rate, FCR's annual interest cost would increase or decrease, respectively, by $15.8 million. In addition, as at December 31, 2022, First Capital had $414.9 million at FCR's share, principal amount of debt (or 10% of FCR's aggregate debt as of such date) at floating interest rates.

First Capital seeks to reduce its interest rate risk by staggering the maturities of long-term debt and limiting the use of floating rate debt so as to minimize exposure to interest rate fluctuations. Moreover, from time to time, FCR may enter into interest rate swap transactions to modify the interest rate profile of its current or future variable rate debts without an exchange of the underlying principal amount.

Management and the Board have discretion under the Declaration of Trust to increase the amount of outstanding debt. The decisions with regard to the incurrence and maintenance of debt are based on available investment opportunities for which capital is required, the cost of debt in relation to such investment opportunities, whether secured or unsecured debt is available, the effect of additional debt on existing financial ratios and the maturity of the proposed new debt relative to maturities of existing debt. First Capital could become more highly leveraged, resulting in increased debt service costs that could adversely affect cash flows and operating results. First Capital's intention is to gradually return its leverage to levels prior to the share buy back that took place in 2019 and may do so in a number of ways, including by disposing of selected assets. Any failure to gradually return its leverage to levels prior to the share buy back may have a material adverse impact on First Capital's requirements, its financial position or its ability to achieve its business objectives.

Credit Ratings

Any credit rating that is assigned to the senior unsecured debentures may not remain in effect for any given period of time or may be lowered, withdrawn or revised by one or more of the rating agencies if, in their judgment, circumstances so warrant. Refer to "Capital Structure and Liquidity - Credit Ratings". Any lowering, withdrawal or revision of a credit rating may have an adverse effect on the market price of the senior unsecured debentures and the other securities of First Capital, may adversely affect a securityholder's ability to sell its senior unsecured debentures or other securities of FCR and may adversely affect FCR's access to financial markets and its cost of borrowing.

Acquisitions, Expansions, Development, Redevelopment and Strategic Dispositions

First Capital's acquisition and investment strategy and market selection process may not ultimately be successful and may not provide positive returns on investment. The acquisition of properties or portfolios of properties entails risks that include the following, any of which could adversely affect FCR's financial position and results of operations and its ability to meet its obligations: (i) FCR may not be able to identify suitable properties to acquire or may be unable to complete the acquisition of the properties identified; (ii) FCR may not be able to successfully integrate any acquisitions into its existing operations; (iii) properties acquired may fail to achieve the occupancy or rental rates projected at the time of the acquisition decision, which may result in the properties' failure to achieve the returns projected; (iv) FCR's pre-acquisition evaluation of the physical condition of each new investment may not detect certain defects or identify necessary repairs, which could significantly increase FCR's total acquisition costs; (v) FCR's investigation of a property or building prior to acquisition, may fail to reveal various liabilities, which could reduce the cash flow from the property or increase its acquisition cost; and (vi) representations and warranties obtained from third party vendors may not adequately protect against unknown, unexpected or undisclosed liabilities and any recourse against such vendors may be limited by the financial capacity of such vendors.

Further, FCR's development and redevelopment commitments are subject to those risks usually attributable to construction projects, which include: (i) construction or other unforeseen delays; (ii) cost overruns; (iii) the failure of tenants to occupy and pay rent in accordance with existing lease agreements, some of which are conditional; (iv) the inability to achieve projected rental rates or anticipated pace of lease-ups; and (v) an increase in interest rates during the life of the development or redevelopment.

Where FCR's development commitments relate to properties intended for sale, such as the residential portion of certain projects, FCR is also subject to the risk that purchasers of such properties may become unable or unwilling to meet their obligations to FCR or that FCR may not be able to close the sale of a significant number of units in a development project on economically favourable terms.

In addition, FCR undertakes strategic property dispositions in order to recycle its capital and maintain an optimal portfolio composition. FCR may be subject to unexpected costs or liabilities related to such dispositions, which could adversely affect FCR's financial position and results of operations and its ability to meet its obligations.

Competition

The real estate business is competitive. Numerous other developers, managers and owners of retail properties compete with First Capital in seeking tenants. Some of the properties located in the same markets as FCR's properties may be newer, better located and/or have stronger anchor tenants than FCR's properties. The existence of developers, managers and owners in the markets in which FCR operates, or any increase in supply of available space in such markets (due to new construction, tenant insolvencies or other vacancy) and competition for FCR's tenants could adversely affect FCR's ability to lease space in its properties in such markets and on the rents charged or concessions granted. In addition, the internet and other technologies increasingly play a more significant role in consumer preferences and shopping patterns, which presents an evolving competitive risk to FCR that is not easily assessed. Any of the aforementioned factors could have an adverse effect on FCR's financial position and results of operations.

Unitholder Activism

Certain activist Unitholders have recently advocated for governance and strategic changes at First Capital. Responding to activist campaigns that contest or conflict with FCR's governance and strategic direction can be costly and time-consuming, disrupting business operations and diverting the attention and resources of the Board of Trustees, management and employees. Unitholder activism may result in uncertainty relating to the leadership, governance and strategic direction of FCR, which could adversely affect or undermine FCR's ability to execute on its real estate strategy, harm FCR's business and create adverse volatility in the market price and trading volume of Trust Units. Events such as these could adversely affect FCR's operating and financial results.

Residential Development Sales and Leasing

First Capital is and expects to be increasingly involved in the development of mixed-use properties that include residential condominiums and rental apartments. These developments are often carried out with an experienced residential developer as FCR's partner. Purchaser demand for residential condominiums is cyclical and is significantly affected by changes in general and local economic and industry conditions, such as employment levels, availability of financing for homebuyers, interest rates, consumer confidence, levels of new and existing homes for sale, demographic trends and housing demand.

As a residential landlord in its properties that include rental apartments, FCR is subject to the risks inherent in the multi-unit residential rental property industry. In addition to the risks highlighted above, these include exposure to private individual tenants (as opposed to commercial tenants in FCR's retail properties), fluctuations in occupancy levels, the inability to achieve economic rents (including anticipated increases in rent), controlling bad debt exposure, rent control regulations, increases in operating costs including the costs of utilities (residential leases are often "gross" leases under which the landlord is not able to pass on costs to its residents), the imposition of increased taxes or new taxes and capital investment requirements.

Environmental Matters

First Capital maintains comprehensive environmental insurance and conducts environmental due diligence upon the acquisition of new properties. There is, however, a risk that the value of any given property in FCR's portfolio could be adversely affected as a result of unforeseen or uninsured environmental matters or changes in governmental regulations.

Under various federal, provincial and local laws, FCR, as an owner, and potentially as a person in control of or managing real property, could potentially be liable for costs of investigation, remediation and monitoring of certain contaminants, hazardous or toxic substances present at or released from its properties or disposed of at other locations, whether FCR knows of, or is responsible for, the environmental contamination and whether the contamination occurred before or after FCR acquired the property. The costs of investigation, removal or remediation of hazardous or toxic substances are not estimable, may be substantial and could adversely affect FCR's results of operations or financial position. The presence of contamination or the failure to remediate such substances, if any, may adversely affect FCR's ability to sell such real estate or to borrow using such real estate as collateral and could potentially also result in claims, including proceedings by government regulators or third-party lawsuits. Environmental legislation can change rapidly and FCR may become subject to more stringent environmental laws in the future, and compliance with more stringent environmental laws, or increased enforcement of the same, could have a material adverse effect on its business, financial position or results of operations.

Partnerships

First Capital has investments in properties with non-affiliated partners through partnership, co-ownership and limited liability corporate venture arrangements (collectively, “partnerships”). As a result, FCR does not control all decisions regarding those properties and may be required to take actions that are in the interest of the partners collectively, but not in FCR’s sole best interests. Accordingly, FCR may not be able to favourably resolve any issues that arise with respect to such decisions, or FCR may have to take legal action or provide financial or other inducements to partners to obtain such resolution. In addition, FCR may be exposed to risks resulting from the actions, omissions or financial situation of a partner, which may result in harm to FCR’s reputation or adversely affect the value of FCR’s investments.

Investments Subject to Credit and Market Risk

First Capital provides co-owner financing, priority mortgages and mezzanine loans to third parties in connection with certain transactions and partnerships (“Loans and Mortgages Receivable”). First Capital also invests in marketable and other securities. FCR is exposed to customary risks in the event that the values of its Loans and Mortgages Receivable and/or its investments, in marketable and other securities, decrease due to overall market conditions, business failure, and/or other non-performance/defaults by the counterparties or investees. Not all lending activities will translate into acquisitions or equity participation in a project and the value of the assets securing FCR’s Loans and Mortgages Receivable is dependent on real estate market conditions and in the event of a large market correction, their value may be unable to support the investments. There can also be no assurance FCR will advance new Loans and Mortgages Receivable at the same rate or in the same amount repaid, which could negatively impact future earnings. Additionally, repayment of one or more of the current loans outstanding would result in an immediate decrease of FCR’s Loans and Mortgages Receivable unless and until such time that FCR advances new loans.

Climate Change

Changing weather patterns and other effects of climate change have created uncertainty as to future trends and weather conditions and could have an impact on FCR's properties, adversely impacting its results. First Capital's properties, tenants, and communities may become impacted by more severe weather events and natural disasters, including increases in storm intensity and rising water levels resulting in floods. Over time, these conditions could result in a decreased demand for space in FCR’s impacted properties or, in extreme cases, it may impact FCR’s ability to operate the properties at all. Climate change may also have indirect effects on First Capital’s business by increasing the cost of (or making unavailable) property insurance on favourable terms, resulting in additional costs to repair or replace damaged properties or protect its properties against such risks, which could negatively impact FCR’s earnings, liquidity or capital resources. The occurrence of natural disasters or severe weather conditions can also delay new development projects. In addition, compliance with new laws or regulations related to climate change may require First Capital to make improvements to its existing properties or increase taxes and fee assessments, which could result in declining demand for FCR’s properties and increased expenses and may adversely affect operating and financial results.

Cybersecurity

A cyber incident is considered to be any adverse event that threatens the confidentiality, integrity or availability of FCR’s information resources. More specifically, a cyber incident is an intentional attack or an unintentional event that can include gaining unauthorized access to information systems to disrupt operations, corrupt data or steal confidential information. As FCR’s reliance on technology has increased, so have the risks posed to its systems. First Capital's primary risks that could directly result from the occurrence of a cyber incident include operational interruption, damage to its reputation, damage to its business relationships with tenants as well as the disclosure of confidential information. Events such as these could adversely affect First Capital’s financial position and results of operations.

Cash Distributions Are Not Guaranteed; Non-Cash Distributions

Distributions on the Trust Units are established by the Board of Trustees and are subject to change at the discretion of the Board of Trustees. While First Capital's distribution policy has been established pursuant to the Declaration of Trust and may only be changed with the approval of a majority of Unitholders, the actual amount of distributions paid in respect of the Trust Units will depend upon numerous factors, all of which are susceptible to a number of risks and other factors beyond the control of First Capital. The market value of the Trust Units may deteriorate if First Capital is unable to meet its distribution targets in the future, and that deterioration could be significant. In addition, the composition of the cash distributions for tax purposes may change over time and could affect the after-tax return for Unitholders.

In addition, certain distributions declared by the Trustees on the Trust Units may be payable in cash, Trust Units or a combination of cash and Trust Units. Immediately after any pro rata distribution of additional Trust Units to all Unitholders, the number of the outstanding Trust Units may be automatically consolidated such that each such holder will hold after the consolidation the same number of Trust Units as such holder held before the distribution of additional Trust Units (provided that Unitholders not resident in Canada for Canadian federal income tax purposes may be subject to applicable withholding taxes in connection therewith). Such an automatic consolidation may affect a Unitholder's after-tax return relating to their investment in Trust Units.

Taxation Matters

The Trust or its subsidiary First Capital Realty Inc. ("FCR Inc.") may not qualify as a "mutual fund trust" or a "mutual fund corporation" (as applicable) for purposes of the Tax Act, or it may cease to so qualify. If the Trust or FCR Inc. did not so qualify for such purposes continuously throughout a taxation year, it would be subject to adverse tax consequences which likely may materially reduce its ability to make distributions on the Trust Units. Furthermore, if the Trust or FCR Inc. was considered to have been established primarily for the benefit of non-resident persons, it would be permanently disqualified from qualifying as a "mutual fund trust" or a "mutual fund corporation" (as applicable) for such purposes.

There is a risk (for example, as a result of an unanticipated event) that the Trust will not qualify (under the exception for real estate investment trusts from the rules applicable to SIFT trusts or SIFT partnerships in the Tax Act) as a "real estate investment trust" under the Tax Act for one or more of its taxation years. Were this to occur, the level of monthly cash distributions made on the Trust Units may be materially reduced. Furthermore, there is no assurance that the provisions of the Tax Act regarding the exemption afforded to REITs from the SIFT rules will not change in a manner that adversely impacts the Unitholders.

Although First Capital is of the view that all expenses to be claimed by it and its subsidiaries will be reasonable and deductible and that the cost amount and capital cost allowance claims of entities indirectly owned by First Capital will have been correctly determined, there can be no assurance that the Tax Act, or the interpretation of the Tax Act, will not change, or that the Canada Revenue Agency (the "CRA") will agree. If the CRA successfully challenges the deductibility of such expenses or the allocation of such income, First Capital's taxable income, and indirectly the taxable income of Unitholders, will increase or change.

Ongoing Pandemic, Epidemics or New Outbreaks

On March 11, 2020, the World Health Organization declared a global pandemic and it continues to impact Canadian society at large with the emergence of new variants such as the Omicron variant. Although it is difficult to ascertain the ultimate impacts of the pandemic (or any subsequent pandemic, epidemic or other outbreak) on First Capital's operating results for 2022, the positive impact of high vaccination rates on the overall economy and an improved and more stable operating environment support a strengthening outlook for FCR.

However, a substantial portion of First Capital's tenants have been forced at various times throughout the pandemic to close in accordance with government regulations or were or have been operating at a reduced capacity, which may negatively impact their ability to pay rent in accordance with the terms of their lease. First Capital has received a large number of rent deferral requests from tenants across the country and some of its tenants have withheld rent. Qualifying small business tenants were granted an initial two months' rent deferral as part of FCR's Small Business Support Program and other tenants have been or may be granted similar or more substantial rent relief on a case-by-case basis. A substantial number of tenants elected to participate in government relief programs), including many that had initially been part of

FCR's Small Business Support Program. There is no certainty as to the extent that government relief programs will benefit First Capital or its tenants. The timing and extent to which certain non-essential businesses will be able to operate at full capacity remains uncertain with the emergence of new variants and there is no certainty that these businesses will be allowed to remain open should governmental authorities reinstate business closures. There is also no certainty as to the adequate supply, availability and long-term efficacy of vaccines (including new variant-specific vaccines) and the corresponding effect on First Capital and its tenants. Additionally, First Capital may be required to take further action that negatively impacts its financial results and operations in response to directives of government and public health authorities or that are in the best interests of the health and safety of its employees, tenants, partners and other stakeholders, as necessary.

In addition to the changes described above and the macroeconomic impact of the pandemic, epidemic or other outbreak, specific effects of the pandemic that may impact the FCR's business operations, financial results and its ability to execute on its strategy, may include: consumer demand for tenants' products or services, changing consumer habits, a temporary or long-term increase in vacancy, temporary or long-term stoppage of development projects, temporary or long-term stoppage of construction projects, temporary or long-term labour shortages or disruptions, temporary or long-term impacts on global supply chains, closures or slowdowns of government offices and increased risks to employee engagement, IT systems and networks. Changes to operations in response to these and other effects of the pandemic on the economy and consumer habits could materially adversely impact First Capital's financial results and may negatively impact several aspects of FCR's business, including but not limited to: the fair value of its properties and other investments; the net realizable value of residential inventory and ability to lease residential space; the performance of its hotel operations, the carrying amount of its investment in joint ventures; its ability to execute on its strategy, including dispositions and acquisitions and surfacing value from its density pipeline; tenants' ability to pay rent in full or at all (including deferred rent); its ability to complete construction required to transfer possession of leased premises to tenants; its ability to renew expiring leases and to lease vacant space; its ability to collect on interest and loans receivables; its ability to meet deleveraging targets, maintain current and/or achieve target debt metrics, maintain current credit ratings and to comply with debt covenants; its ability to make distributions; its ability to maintain its balance sheet and to access capital on acceptable terms or at all. Additionally, health and safety issues related to the pandemic as well as actions taken by FCR with respect to tenant defaults could also result in legal claims and proceedings against First Capital. Uncertain economic conditions resulting from the pandemic may, in the short or long term, materially adversely impact operations and the financial performance of FCR.

The spread of the pandemic has caused economic uncertainty and increased volatility in financial markets, which has negatively impacted the market price for FCR's securities. Governments and central banks have responded with monetary and fiscal interventions intended to stabilize economic conditions. However, it is not known how these interventions will impact short or long-term debt and equity markets or the economy generally. Although the ultimate impact of the pandemic on the global economy and its duration remains uncertain, disruptions caused by the pandemic may materially adversely affect the performance of First Capital. Uncertain economic conditions resulting from the pandemic outbreak may, in the short or long term, materially adversely impact First Capital's tenants and/or the debt and equity markets, both of which could adversely impact FCR's operations and financial performance.

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CONSOLIDATED FINANCIAL STATEMENTS

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Management's Responsibility

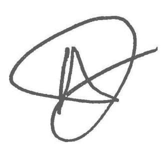
First Capital Real Estate Investment Trust’s consolidated financial statements and Management’s Discussion and Analysis (“MD&A”) are the responsibility of Management and have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

The preparation of consolidated financial statements and the MD&A necessarily involves the use of estimates based on Management’s judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. In addition, in preparing this financial information, Management must make determinations as to the relevancy of information to be included, and estimates and assumptions that affect the reported information. The MD&A also includes information regarding the impact of current transactions and events, sources of liquidity and capital resources, operating trends, risks and uncertainties. Actual results in the future may differ materially from the present assessment of this information because future events and circumstances may not occur as expected. The consolidated financial statements have been properly prepared within reasonable limits of materiality and in light of information available up to February 7, 2023.

Management is also responsible for the maintenance of financial and operating systems, which include effective controls to provide reasonable assurance that First Capital's assets are safeguarded, transactions are properly authorized and recorded, and that reliable financial information is produced.

The Board of Trustees is responsible for ensuring that Management fulfills its responsibilities, including the preparation and presentation of the consolidated financial statements and all of the information in the MD&A, and the maintenance of financial and operating systems, through its Audit Committee, that is comprised of independent Trustees who are not involved in the day-to-day operations of First Capital. Each quarter, the Audit Committee meets with Management and, as necessary, with the independent auditor, Ernst & Young LLP, to satisfy itself that Management’s responsibilities are properly discharged and to review and report to the Board of Trustees on the consolidated financial statements.

In accordance with generally accepted auditing standards, the independent auditor conducts an examination each year in order to express a professional opinion on the consolidated financial statements.



Adam E. Paul
President and Chief Executive Officer

Neil Downey
Executive Vice President, Enterprise Strategies and Chief Financial Officer

Toronto, Ontario
February 7, 2023

Independent Auditor's Report

To the Unitholders of
First Capital Real Estate Investment Trust

Opinion

We have audited the consolidated financial statements of First Capital Real Estate Investment Trust (the "Trust"), which comprise the consolidated balance sheets as at December 31, 2022 and 2021, and the consolidated statements of income (loss), consolidated statements of comprehensive income (loss), consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Trust as at December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Trust in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key Audit Matter	How our audit addressed the key audit matter
Valuation of Investment Properties	
The Trust's investment property portfolio has a fair value of $8.6 billion, which represents 90.0% of total assets at December 31, 2022.	With the assistance of our real estate valuation specialists, we evaluated the appropriateness of the underlying valuation methodology, and performed the following audit procedures, among others:
The Trust employs a certified staff appraiser to value the investment property portfolio. The valuation methodology for these investment properties is primarily based on an income approach, utilizing the direct capitalization method and/or the discounted cash flow method.	We assessed the competence and objectivity of Management's valuation department, including the certified staff appraiser, by reviewing the qualifications and expertise of the individuals involved in the preparation and review of the valuations.

Independent Auditor's Report

Key Audit Matter	How our audit addressed the key audit matter
The valuation of the Trust's investment property portfolio is a key audit matter given the inherently subjective nature of significant assumptions including discount rates, stabilized capitalization rates, terminal capitalization rates, and stabilized cash flows or net operating income which are based on vacancy and leasing assumptions, as applicable. These assumptions are influenced by property-specific characteristics including location, type and quality of the properties and tenancy agreements.	We selected a sample of properties where either the fair value change from prior year or significant assumptions fell outside our expectations, based on our understanding of the geographical real estate market for the specific asset type. For this sample of investment properties, we evaluated the significant assumptions by comparison to the expected real estate market benchmark range for similar assets and tenancies, in similar locations. We also considered whether there were any additional asset-specific characteristics that may impact the significant assumptions utilized and whether these were appropriately considered in the overall assessment of fair value.
Note 2(h) of the consolidated financial statements describes the accounting policy for investment properties, including the valuation method and valuation inputs.	We assessed the accuracy of Management's historical fair value estimates through comparison to transactions to acquire and dispose of interests in investment properties completed by the Trust.
Note 3(b) of the consolidated financial statements discloses the sensitivity of the fair value of investment properties to a change in stabilized capitalization rates and stabilized net operating income.	We evaluated the Trust's critical accounting policies and related disclosures in the consolidated financial statements to assess appropriateness and conformity with IFRS.

Other information

Management is responsible for the other information. The other information comprises:

- Management's Discussion & Analysis; and
- The information, other than the consolidated financial statements and our auditor's report thereon, in the Annual Report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion & Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

The Annual Report is expected to be made available to us after the date of the auditor's report. If, based on the work we will perform on this other information, we conclude there is a material misstatement of other information, we are required to report that fact to those charged with governance.

Responsibilities of Management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, Management is responsible for assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Trust or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Trust's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements

Independent Auditor's Report

can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Trust to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are, therefore, the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Stephanie Lamont.

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
February 7, 2023

Consolidated Balance Sheets

As at *(thousands of dollars)*	Note	**December 31, 2022**	December 31, 2021
ASSETS			
Non-current Assets			
Real Estate Investments			
Investment properties	3	**$ 8,485,361**	$ 8,975,539
Investment in joint ventures	4	**357,122**	349,488
Hotel property	5	**45,300**	85,400
Loans, mortgages and other assets	6	**168,650**	129,608
Total real estate investments		**9,056,433**	9,540,035
Other non-current assets	8	**52,132**	12,174
Total non-current assets		**9,108,565**	9,552,209
Current Assets			
Cash and cash equivalents	27(d)	**32,694**	34,699
Loans, mortgages and other assets	6	**43,481**	142,134
Residential development inventory		**157,883**	156,039
Amounts receivable	7	**25,970**	27,784
Other assets	8	**25,618**	44,909
		285,646	405,565
Non-current assets classified as held for sale	3(d)	**187,727**	151,300
Total current assets		**473,373**	556,865
Total assets		**$ 9,581,938**	$ 10,109,074
LIABILITIES			
Non-current Liabilities			
Mortgages	10	**$ 1,095,724**	$ 1,129,500
Credit facilities	10	**880,213**	824,792
Senior unsecured debentures	11	**1,598,989**	1,898,677
Exchangeable Units	13	**—**	1,947
Other liabilities	12	**104,798**	53,497
Deferred tax liabilities	21	**769,388**	740,309
Total non-current liabilities		**4,449,112**	4,648,722
Current Liabilities			
Bank indebtedness	10	**1,594**	2,476
Mortgages	10	**31,637**	43,675
Credit facilities	10	**224,401**	74,985
Senior unsecured debentures	11	**299,835**	449,468
Exchangeable Units	13	**1,009**	—
Accounts payable and other liabilities	12	**225,926**	220,666
		784,402	791,270
Mortgages on non-current assets classified as held for sale	3(d), 10	**13,129**	—
Total current liabilities		**797,531**	791,270
Total liabilities		**5,246,643**	5,439,992
EQUITY			
Unitholders' equity	14	**4,279,373**	4,620,942
Non-controlling interest	24	**55,922**	48,140
Total equity		**4,335,295**	4,669,082
Total liabilities and equity		**$ 9,581,938**	$ 10,109,074

Refer to accompanying notes to the consolidated financial statements.

Approved by the Board of Trustees:

Al Mawani, *Trustee*   Adam E. Paul, *Trustee*

Consolidated Statements of Income (Loss)

		Year ended December 31	
(thousands of dollars)	**Note**	**2022**	2021
Property rental revenue		**$ 693,096**	$ 674,890
Property operating costs		**267,597**	262,352
Net operating income	16	**425,499**	412,538
Other income and expenses			
Interest and other income	17	**19,870**	10,880
Interest expense	18	**(150,042)**	(152,670)
Corporate expenses	19	**(45,235)**	(38,207)
Abandoned transaction (costs) recovery		**2,770**	(248)
Amortization expense		**(5,673)**	(6,018)
Share of profit (loss) from joint ventures	4	**(199)**	(1,460)
Other gains (losses) and (expenses)	20	**(2,317)**	87,089
(Increase) decrease in value of unit-based compensation	15	**5,250**	(9,286)
(Increase) decrease in value of Exchangeable Units	13	**321**	(548)
Increase (decrease) in value of hotel property	5	**6,908**	(1,122)
Increase (decrease) in value of investment properties, net	3	**(409,716)**	198,617
		(578,063)	87,027
Income (loss) before income taxes		**(152,564)**	499,565
Deferred income tax expense (recovery)	21	**7,197**	25,929
Net income (loss)		**$ (159,761)**	$ 473,636
Net income (loss) attributable to:			
Unitholders	14	**$ (159,997)**	$ 460,131
Non-controlling interest	24	**236**	13,505
		$ (159,761)	$ 473,636

Refer to accompanying notes to the consolidated financial statements.

Consolidated Statements of Comprehensive Income (Loss)

		Year ended December 31	
(thousands of dollars)	**Note**	**2022**	2021
Net income (loss)		**$ (159,761)**	$ 473,636
Other comprehensive income (loss)			
Unrealized gain (loss) on cash flow hedges [1]		**64,686**	37,485
Reclassification of net (gains) losses on cash flow hedges to net income		**(10,072)**	3,143
		54,614	40,628
Deferred tax expense (recovery)	21	**21,300**	15,866
Other comprehensive income (loss)		**33,314**	24,762
Comprehensive income (loss)		**$ (126,447)**	$ 498,398
Comprehensive income (loss) attributable to:			
Unitholders	14	**$ (126,683)**	$ 484,893
Non-controlling interest	24	**236**	13,505
		$ (126,447)	$ 498,398

[1] Items that may subsequently be reclassified to net income (loss).

Refer to accompanying notes to the consolidated financial statements.

Consolidated Statements of Changes in Equity

(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 year:						
Net income (loss)	(159,997)	—	—	(159,997)	236	(159,761)
Conversion of Exchangeable Units	—	—	617	617	—	617
Repurchase of Trust Units *(Note 14(a))*	(12,063)	—	(82,393)	(94,456)	—	(94,456)
Options, deferred units, restricted units, and performance units, net	—	—	3,144	3,144	—	3,144
Other comprehensive income (loss)	—	33,314	—	33,314	—	33,314
Contributions from (distributions to) non-controlling interest, net	—	—	—	—	7,546	7,546
Distributions *(Note 14(b))*	(124,191)	—	—	(124,191)	—	(124,191)
December 31, 2022	**$ 1,445,238**	**$ 14,496**	**$ 2,819,639**	**$ 4,279,373**	**$ 55,922**	**$ 4,335,295**

(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 year:						
Net income (loss)	460,131	—	—	460,131	13,505	473,636
Options, deferred units, restricted units, and performance units, net	—	—	3,689	3,689	—	3,689
Other comprehensive income (loss)	—	24,762	—	24,762	—	24,762
Contributions from (distributions to) non-controlling interest, net	—	—	—	—	5,372	5,372
Distributions *(Note 14(b))*	(94,804)	—	—	(94,804)	—	(94,804)
December 31, 2021	$ 1,741,489	$ (18,818)	$ 2,898,271	$ 4,620,942	$ 48,140	$ 4,669,082

Refer to accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

		Year ended December 31	
(thousands of dollars)	**Note**	**2022**	2021
OPERATING ACTIVITIES			
Net income (loss)		**$ (159,761)**	$ 473,636
Adjustments for:			
(Increase) decrease in value of investment properties, net	3	**409,716**	(198,617)
(Increase) decrease in value of hotel property	5	**(6,908)**	1,122
Interest expense	18	**150,042**	152,670
Amortization expense		**5,673**	6,018
Share of (profit) loss of joint ventures	4	**199**	1,460
Cash interest paid associated with operating activities	18	**(149,241)**	(149,490)
Items not affecting cash and other items	27(a)	**11,702**	(47,118)
Net changes in other working capital items	27(b)	**(10,201)**	9,932
Cash provided by (used in) operating activities		**251,221**	249,613
FINANCING ACTIVITIES			
Mortgage borrowings, net of financing costs	10	**90,766**	—
Mortgage principal instalment payments	10	**(30,946)**	(28,115)
Mortgage repayments	10	**(13,338)**	(146,112)
Credit facilities, net advances (repayments)	10	**206,373**	(24,753)
Repayment of senior unsecured debentures	11	**(450,000)**	(175,000)
Settlement of hedges		**13,451**	—
Repurchase of Trust Units	14(a)	**(94,456)**	—
Issuance of Trust Units, net of issue costs		**116**	981
Payment of distributions		**(116,721)**	(102,618)
Net contributions from (distributions to) non-controlling interest	24	**7,546**	5,372
Cash provided by (used in) financing activities		**(387,209)**	(470,245)
INVESTING ACTIVITIES			
Acquisition of investment properties	3(c)	**(63,798)**	(14,504)
Net proceeds from property dispositions	3(d)	**187,963**	319,068
Distributions from joint ventures	4	**4,658**	16,897
Contributions to joint ventures	4	**(12,491)**	(17,110)
Capital expenditures on investment properties	3(a)	**(125,008)**	(153,519)
Changes in investing-related prepaid expenses and other liabilities		**60,618**	(4,430)
Changes in loans, mortgages and other assets	27(c)	**82,041**	8,485
Cash provided by (used in) investing activities		**133,983**	154,887
Net increase (decrease) in cash and cash equivalents		**(2,005)**	(65,745)
Cash and cash equivalents, beginning of year		**34,699**	100,444
Cash and cash equivalents, end of year	27(d)	**$ 32,694**	$ 34,699

Refer to accompanying notes to the consolidated financial statements.

Notes to the 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 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

(b) Basis of presentation

The audited annual 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. The accounting policies set out below have been applied consistently in all material respects to all years presented, unless otherwise noted.

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. 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.

These audited annual consolidated financial statements were approved by the Board of Trustees and authorized for issue on February 7, 2023.

(c) Basis of Consolidation

The consolidated financial statements include the financial statements of the Trust as well as the entities that are controlled by the Trust (subsidiaries). The Trust controls an entity when the Trust is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Trust. They are deconsolidated from the date that control ceases. Inter-company transactions, balances and other transactions between consolidated entities are eliminated.

(d) Trust Units

First Capital's Trust Units are redeemable at the option of the holder and, therefore, are considered puttable instruments in accordance with IAS 32, "Financial Instruments – Presentation" ("IAS 32"). Puttable instruments are required to be accounted for as financial liabilities, except where certain conditions are met in accordance with IAS 32, in which case, the puttable instruments may be presented as equity.

To be presented as equity, a puttable instrument must meet all of the following conditions: (i) it must entitle the holder to a pro-rata share of the entity's net assets in the event of the entity's dissolution; (ii) it must be in the class of instruments that is subordinate to all other instruments; (iii) all instruments in the class in (ii) above must have identical features; (iv) other than the redemption feature, there can be no other contractual obligations that meet the definition of a liability; and (v) the expected cash flows for the instrument must be based substantially on the profit or loss of the entity or change in the fair value of the instrument.

The Trust Units meet the conditions of IAS 32 and, accordingly, are presented as equity in the consolidated financial statements.

Earnings per Unit

As First Capital's Trust Units are puttable instruments and, therefore, financial liabilities, they may not be considered as equity for the purposes of calculating net income (loss) on a per unit basis under IAS 33, "Earnings per Share". Consequently, the Trust has not reported earnings per unit.

(e) Exchangeable Units

The Class B Limited Partnership Units of First Capital REIT Limited Partnership, a subsidiary of the Trust, are exchangeable, at the option of the holder, into Trust Units. The Exchangeable Units are considered a financial liability as there is a contractual obligation for First Capital to deliver Trust Units (which, as noted in Note 2(d), are puttable instruments) upon exchange. Exchangeable Units are required to be classified as financial liabilities at fair value through profit or loss ("FVTPL"). The distributions declared on the Exchangeable Units are accounted for as interest expense.

(f) Business combinations

At the time of acquisition of property, First Capital considers whether the acquisition represents the acquisition of a business. The Trust accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the property.

The cost of a business combination is measured as the aggregate of the consideration transferred at acquisition date fair value. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair value at the acquisition date. The Trust recognizes any contingent consideration to be transferred by the Trust at its acquisition date fair value. Goodwill is initially measured at cost, being the excess of the purchase price over the fair value of the net identifiable assets acquired and liabilities assumed. Acquisition-related costs are expensed in the period incurred.

When the acquisition of property does not represent a business, it is accounted for as an acquisition of a group of assets and liabilities. The cost of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values, and no goodwill is recognized. Acquisition-related costs are capitalized to investment property at the time the acquisition is completed.

(g) Investments in joint arrangements

First Capital accounts for its investment in joint ventures using the equity method and accounts for investments in joint operations by recognizing the Trust’s direct rights to assets, obligations for liabilities, revenues and expenses. Under the equity method, the interest in the joint venture is carried in the consolidated balance sheets at cost plus post-acquisition changes in the Trust’s share of the net assets of the joint ventures, less distributions received and less any impairment in the value of individual investments. First Capital's consolidated statements of income (loss) reflect its share of the results of operations of the joint ventures after tax, if applicable.

(h) Investment properties

Investment properties consist of income-producing properties and development land that are held to earn rental income or for capital appreciation, or both. Investment properties also include properties that are being constructed or developed for future use, as well as ground leases to which the Trust is the lessee. The Trust classifies its investment properties on its consolidated balance sheets as follows:

(i) Investment properties

Investment properties include First Capital's income-producing portfolio, properties currently under development or redevelopment, and any adjacent land parcels available for expansion but not currently under development. Also included in investment properties is development land, which includes land parcels at various stages of development planning, primarily for future retail or mixed-use occupancy.

(ii) Non-current assets classified as held for sale

Non-current assets, including investment properties are classified as held for sale when it is expected that the carrying amount will be recovered principally through sale rather than from continuing use. For this to be the case, the property must be available for immediate sale in its present condition, subject only to terms that are usual and customary for sales of such property, and its sale must be highly probable, generally within one year. Upon designation as held for sale, non-current assets, including investment properties continue to be measured at fair value and are presented separately on the consolidated balance sheets.

Valuation method

Investment properties are recorded at fair value, which reflects current market conditions, at each reporting period end date. Gains and losses from changes in fair values are recorded in net income in the period in which they arise.

The determination of fair values requires Management to make estimates and assumptions that affect the values presented, such that actual values in sales transactions may differ from those presented.

First Capital's policy in determining the fair value of its investment properties at the end of each reporting period includes the following approaches:

1. Internal valuations – by a certified staff appraiser employed by the Trust, in accordance with professional appraisal standards and IFRS. Every investment property has an internal valuation completed at least once a year.
2. Value updates – primarily consisting of Management's review of the key assumptions from previous internal valuations and updating the value for changes in the property cash flow, physical condition and changes in market conditions.

External appraisals are obtained periodically by Management. These appraisals are used as data points, together with other market information accumulated by Management, in arriving at its conclusions on key assumptions and values. External appraisals are completed by an independent appraisal firm, in accordance with professional appraisal standards and IFRS.

The selection of the approach for each property is made based upon the following criteria:

- Property type – this includes an evaluation of a property's complexity, stage of development, time since acquisition, and other specific opportunities or risks associated with the property. Stable properties and recently acquired properties will generally receive a value update, while properties under development will typically be valued using internal valuations until completion.
- Market risks – specific risks in a region or a trade area may warrant an internal valuation for certain properties.
- Changes in overall economic conditions – significant changes in overall economic conditions may increase the number of external or internal appraisals performed.
- Business needs – financings or acquisitions and dispositions may require an external appraisal.

Valuation Inputs

First Capital's investment property is measured using Level 3 inputs (in accordance with the IFRS fair value hierarchy), as not all significant inputs are based on observable market data (unobservable inputs). These unobservable inputs reflect the Trust’s own assumptions of how market participants would price investment property, and are developed based on the best information available, including the Trust’s own data. These significant unobservable inputs include:

- Stabilized cash flows or net operating income, which is based on the location, type and quality of the properties and supported by the terms of any existing lease, other contracts, or external evidence such as current market rents for similar properties, adjusted for estimated vacancy rates based on current and expected future market conditions after expiry of any current lease and expected maintenance costs.
- Stabilized capitalization rates, discount rates and terminal capitalization rates, which are based on location, size and quality of the properties and taking into account market data at the valuation date. Stabilized capitalization rates are used for the direct capitalization method and discount and terminal capitalization rates are used in the discounted cash flow method described below.
- Costs to complete for properties under development.

(i) Investment properties

Investment properties that are income-producing are appraised primarily based on an income approach that reflects stabilized cash flows or net operating income from existing tenants with the property in its existing state, since purchasers typically focus on expected income. Internal valuations are conducted using and placing reliance on both the direct capitalization method and the discounted cash flow method (including the estimated proceeds from a potential future disposition).

(ii) Properties under development

Properties undergoing development, redevelopment or expansion are valued either (i) using the discounted cash flow method, with a deduction for costs to complete the project, or (ii) at cost, when cost approximates fair value. Stabilized capitalization rates, discount rates and terminal capitalization rates, as applicable, are adjusted to reflect lease-up assumptions and construction risk, when appropriate. Adjacent land parcels held for future development are valued based on comparable sales of commercial land.

The primary method of appraisal for development land is the comparable sales approach, which considers recent sales activity for similar land parcels in the same or similar markets to estimate a value on either a per acre basis or on a basis of per square foot buildable. Such values are applied to First Capital's properties after adjusting for factors specific to the site, including its location, zoning, servicing and configuration.

The cost of development properties includes direct development costs, including internal development costs, realty taxes and borrowing costs attributable to the development. Borrowing costs associated with expenditures on properties under development or redevelopment are capitalized. Borrowing costs are also capitalized on land or properties acquired specifically for development or redevelopment when activities necessary to prepare the asset for development or redevelopment are in progress. The amount of borrowing costs capitalized is determined first by reference to borrowings specific to the project, where relevant, and otherwise by applying a weighted average cost of borrowings to eligible expenditures after adjusting for borrowings associated with other specific developments. Where borrowings are associated with specific developments, the amount capitalized is the gross cost incurred on those borrowings, less any interest income earned on funds not yet employed in construction funding.

Capitalization of borrowing costs and all other costs commences when the activities necessary to prepare an asset for development or redevelopment begin, and continue until the date that construction is complete and all necessary occupancy and related permits have been received, whether or not the space is leased. If the Trust is required as a condition of a lease to construct tenant improvements that enhance the value of the property, then capitalization of costs continues until such improvements are completed. Capitalization ceases if there are prolonged periods when development activity is interrupted.

As required by IFRS in determining investment property fair value, the Trust makes no adjustments for portfolio premiums and discounts, nor for any value attributable to the Trust's management platform.

(i) Hotel property

First Capital accounts for its hotel property as property, plant and equipment under the revaluation model. Hotel property is recognized initially at fair value if acquired in a business combination and is subsequently carried at fair value at the revaluation date less any accumulated impairment and subsequent accumulated amortization. The Trust amortizes these assets on a straight-line basis over their relevant estimated useful lives. The estimated useful lives of the assets range from 3 to 40 years. The fair value of the hotel property is based on an income approach and determined using a discounted cash flow model.

Revaluation of the hotel property is typically performed annually, unless market conditions arise that would require quarterly revaluations. Where the carrying amount of an asset is increased as a result of a revaluation, the increase is recognized in other comprehensive income (loss) ("OCI") and accumulated in equity within revaluation surplus, unless the increase reverses a previously recognized revaluation loss recorded through prior period net income, in which case that portion of the increase is recognized in net income. Where the carrying amount of an asset is decreased, the decrease is recognized in OCI to the extent of any balance existing in revaluation surplus in respect of the asset, with the remainder recognized in net income. Revaluation gains are recognized in OCI, and are not subsequently recycled into profit or loss. The cumulative revaluation surplus is transferred directly to retained earnings when the asset is derecognized.

The revenue and operating expenses of the hotel property are included within net operating income in First Capital's consolidated statements of income (loss).

(j) Residential development inventory

Residential development inventory, which is developed for sale, is recorded at the lower of cost and estimated net realizable value. Residential development inventory is reviewed for impairment at each reporting date. An impairment loss is recognized in net income when the carrying value of the property exceeds its net realizable value. Net realizable value is based on projections of future cash flows, which take into account the development plans for each project and Management's best estimate of the most probable set of anticipated economic conditions.

The cost of residential development inventory includes borrowing costs directly attributable to projects under active development. The amount of borrowing costs capitalized is determined first by reference to borrowings specific to the project, where relevant, and otherwise by applying a weighted average capitalization rate for the Trust's other borrowings to eligible expenditures. Borrowing costs are not capitalized on residential development inventory where no development activity is taking place.

Transfers into residential inventory are based on a change in use, evidenced by the commencement of development activities with a view to sell, at which point an investment property would be transferred to inventory. Transfers from residential inventory to investment property are based on a change in used evidenced by Management's commitment to use the property for rental income purposes and the establishment of an operating lease.

(k) Taxation

First Capital qualifies as a mutual fund trust under the *Income Tax Act* (Canada)(the "Act"). 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 ("MFC").

Current income tax assets and liabilities are measured at the amount expected to be received from or paid to tax authorities based on the tax rates and laws enacted or substantively enacted at the consolidated balance sheet dates.

Deferred tax liabilities are measured by applying the appropriate tax rate to temporary differences between the carrying amounts of assets and liabilities, and their respective tax basis. The appropriate tax rate is determined by reference to the rates that are expected to apply to the year and the jurisdiction in which the assets are expected to be realized or the liabilities settled.

Deferred tax assets are recorded for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax credits and unused tax losses can be utilized. For the determination of deferred tax assets and liabilities where investment property is measured using the fair value model, the presumption is that the carrying amount of an investment property is recovered through sale, as opposed to presuming that the economic benefits of the investment property will be substantially consumed through use over time.

Current and deferred income taxes are recognized in correlation to the underlying transaction either in OCI or directly in equity.

(l) Provisions

A provision is a liability of uncertain timing or amount. First Capital records provisions, including asset retirement obligations, when it has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Provisions are remeasured at each consolidated balance sheet date using the current discount rate. The increase in the provision due to passage of time is recognized as interest expense.

(m) Unit-based Compensation Plans

Unit Options, Restricted Units (“RUs”), Performance Units (“PUs”), and Trustee Deferred Units (“DUs”) are issued by First Capital from time to time as non-cash compensation. These unit-based compensation plans are measured at fair value at the grant date and compensation expense is recognized in the consolidated statements of income (loss) consistent with the vesting features of each plan. The unit-based compensation plans are accounted for as cash-settled awards as the Trust is an open-ended trust making its units redeemable, and thus requiring outstanding Unit Options, RUs, PUs and DUs to be recognized as a liability and carried at fair value. The liability is adjusted for changes in fair value with such adjustments being recognized as compensation expense in the consolidated statements of income (loss) in the period in which they occur. The liability balance is reduced as Unit Options are exercised or RUs, PUs and DUs are settled for Trust Units and recorded in equity.

(n) Revenue recognition

First Capital retains substantially all of the risks and benefits of ownership of its investment properties and, therefore, accounts for leases with its tenants as operating leases.

Revenue recognition under a lease commences when the tenant has a right to use the leased asset, which is typically when the space is turned over to the tenant to begin fixturing. Where the Trust is required to make additions to the property in the form of tenant improvements that enhance the value of the property, revenue recognition begins upon substantial completion of those improvements.

First Capital's revenues are earned from lease contracts with tenants and include both a lease component and a non-lease component.

Base rent, straight-line rent, realty tax recoveries, lease termination fees and percentage rent are considered lease components and are in the scope of IFRS 16, *"Leases"* ("IFRS 16").

The total amount of contractual base rent to be received from operating leases is recognized on a straight-line basis over the term of the lease, including any fixturing period. A receivable, which is included in the carrying amount of an investment property, is recorded for the difference between the straight-line rental revenue recorded and the contractual amount received.

Realty tax recoveries are variable recoveries relating to the leased property and do not transfer a good or service to the lessee and as a result are recognized as costs are incurred and chargeable to tenants.

Lease termination fees are earned from tenants in connection with the cancellation or early termination of their remaining lease obligations, and are recognized when a lease termination agreement is signed and collection is reasonably assured.

Percentage rents are recognized when the sales thresholds set out in the leases have been met.

Operating cost recoveries relate to the property management services provided to maintain the property and are considered non-lease components subject to the guidance in IFRS 15, "*Revenue from Contracts with Customers*" ("IFRS 15"). The property management services are considered a performance obligation, meeting the criteria for over-time recognition, and are recognized in the period that recoverable costs are incurred or services are performed.

(o) Financial instruments and derivatives

In accordance with IFRS 9, “Financial Instruments” (“IFRS 9”), all financial instruments are required to be measured at fair value on initial recognition. Measurement in subsequent periods depends on whether the financial instrument has been classified as FVTPL, fair value through other comprehensive income (“FVOCI”) or amortized cost.

Derivative instruments are recorded in the consolidated balance sheets at fair value, including those derivatives that are embedded in financial or non-financial contracts.

First Capital enters into forward contracts, interest rate swaps, and cross currency swaps to hedge its risks associated with movements in interest rates and the movement in the Canadian to U.S. dollar exchange rate. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Hedge accounting is discontinued prospectively when the hedging relationship is terminated, when the instrument no longer qualifies as a hedge, or when the hedged item is sold or terminated. In cash flow hedging relationships, the portion of the change in the fair value of the hedging derivative that is considered to be effective is recognized in OCI while the portion considered to be ineffective is recognized in net income. Unrealized hedging gains and losses in accumulated other comprehensive income (loss) are reclassified to net income in the periods when the hedged item affects net income. Gains and losses on derivatives are immediately reclassified to net income when the hedged item is sold or terminated or when it is determined that a hedged forecasted transaction is no longer probable.

Changes in the fair value of derivative instruments, including embedded derivatives, that are not designated as hedges for accounting purposes, are recognized in other gains (losses) and (expenses).

The following summarizes the Trust's classification and measurement of financial assets and liabilities for the years ended December 31, 2022 and 2021:

	Classification & Measurement
Financial assets	
Other investments	FVTPL
Derivative assets	FVTPL
Loans and mortgages receivable	Amortized Cost
Loans and mortgages receivable (1)	FVTPL
Equity securities designated as FVTPL	FVTPL
Amounts receivable	Amortized Cost
Cash and cash equivalents	Amortized Cost
Restricted cash	Amortized Cost
Bond asset	Amortized Cost
Financial liabilities	
Bank indebtedness	Amortized Cost
Mortgages	Amortized Cost
Credit facilities	Amortized Cost
Senior unsecured debentures	Amortized Cost
Exchangeable Units	FVTPL
Accounts payable and other liabilities	Amortized Cost
Unit-based compensation plans	FVTPL
Derivative liabilities	FVTPL

(1) The loans whose cash flows are not solely payments of principal or interest are classified as FVTPL.

In determining fair values, the Trust evaluates counterparty credit risks and makes adjustments to fair values and credit spreads based upon changes in these risks.

Fair value measurements recognized in the consolidated balance sheets are categorized using a fair value hierarchy that reflects the significance of inputs used in determining the fair values as follows:

(i) Level 1 Inputs – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Trust has the ability to access at the measurement date. The Trust's investments in equity securities are measured using Level 1 inputs;

(ii) Level 2 Inputs – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices). The Trust's derivative assets and liabilities are measured using Level 2 inputs; and

(iii) Level 3 Inputs – inputs for the asset or liability that are not based on observable market data (unobservable inputs). These unobservable inputs reflect the Trust's own assumptions about the data that market participants would use in pricing the asset or liability, and are developed based on the best information available, including the Trust's own data. The Trust's loans and mortgages receivable classified as FVTPL and other investments are measured using Level 3 inputs.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Trust determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

(p) Cash and cash equivalents

Cash and cash equivalents include cash and short-term investments with original maturities at the time of acquisition of three months or less.

(q) Critical judgments in applying accounting policies

The following are the critical judgments that have been made in applying First Capital's accounting policies and that have the most significant effect on the amounts in the consolidated financial statements:

(i) Investment properties

In applying the Trust's policy with respect to investment properties, judgment is applied in determining whether certain costs are additions to the carrying amount of the property and, for properties under development, identifying the point at which capitalization of borrowing and other costs ceases.

(ii) Hedge accounting

Where the Trust undertakes to apply cash flow hedge accounting, it must determine whether such hedges are expected to be highly effective in achieving offsetting changes in cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the reporting periods for which they were designated.

(iii) Income taxes

First Capital retains its REIT status if it meets the prescribed conditions under the Act. Management uses judgment in its interpretation and application of these conditions. First Capital determined that it qualifies as a REIT for the current period and expects to meet the prescribed conditions going forward. However, should the Trust no longer meet the REIT conditions, substantial adverse tax consequences may result.

With respect to its corporate subsidiaries, the Trust exercises judgment in estimating deferred tax assets and liabilities. Income tax laws may be subject to different interpretations, and the income tax expense recorded by the Trust reflects the Trust's interpretation of the relevant tax laws. The Trust is also required to estimate the timing of reversals of temporary differences between accounting and taxable income in determining the appropriate rate to apply in calculating deferred taxes.

(r) Critical accounting estimates and assumptions

First Capital makes 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.

The outbreak of coronavirus ("COVID-19"), which the World Health Organization has declared a global pandemic, and government related action to shutdown large parts of the economy has impacted global commercial activity and contributed to significant volatility in certain equity and debt markets. The extent and duration of the impact of COVID-19 on communities and the economy remains unclear. In the preparation of these audited annual consolidated financial statements, the Trust has 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 December 31, 2022. Actual results could differ from those estimates. The estimates and assumptions that the Trust considers critical and/or could be impacted by

COVID-19 include those underlying the valuation of investment properties, the valuation of its hotel property, the net realizable value of residential inventory, the carrying amount of its investment in joint ventures, the estimate of any expected credit losses on amounts receivable or loans and mortgages receivable and determining the values of financial instruments for disclosure purposes (Note 23).

Additional critical accounting estimates and assumptions include those used for estimating deferred taxes (Note 21), and estimating the fair value of unit-based compensation arrangements (Note 15).

(s) Impacts of COVID-19

Rent Abatements

FCR accounts for rental abatements, in connection with tenants experiencing financial hardship as a result of COVID-19 and qualify under the Canada Emergency Commercial Rent Assistance ("CECRA") program, under the derecognition rules of IFRS 9, "Financial Instruments". Financial assets, such as trade receivables, are derecognized when all or a portion of outstanding amounts will be forgiven or abated and no further collection activities will be pursued. The forgiveness or abatement of the tenant receivable is recognized in the period First Capital forgoes the contractual right to all or a portion of the outstanding receivable and is recognized as a loss in the consolidated statements of income (loss), under property operating costs.

Government Assistance

First Capital recognizes government assistance, in the form of grants or forgivable loans, when there is reasonable assurance that the Trust will be able to comply with the conditions attached to the assistance and that the assistance will be received. Government assistance that compensates FCR for expenses incurred is recognized in the consolidated statements of income (loss), as a reduction of the related expense, in the periods in which the expenses are recognized.

(t) Future Changes in Accounting Policies

Amendments 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 has determined that there will be no impact to First Capital's consolidated financial statements upon adoption of these amendments.

Amendments to IAS 8, Definition of Accounting Estimates

In February 2021, the IASB issued amendments to IAS 8 to introduce a definition of "Accounting Estimates". The amendments clarify the distinction between changes in accounting estimates and accounting policies as well as the correction of errors. Additionally, the IASB clarifies how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective January 1, 2023, with early adoption permitted. Management has determined that there will be no material impact to First Capital's consolidated financial statements upon adoption of these amendments.

Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their "significant" accounting policies with a requirement to disclose their "material" accounting policies. In addition, the IASB has provided guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments are effective January 1, 2023, with early adoption permitted. Management does not expect material changes to its accounting policy disclosures upon adoption of these amendments.

3. INVESTMENT PROPERTIES

(a) Activity

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

					Year ended December 31, 2022
		Income-Producing Properties	**Properties under Construction**	**Density & Development Land**	**Total**
Balance at beginning of year	$	**8,769,927**	$ **16,021**	$ **340,891**	$ **9,126,839**
Acquisitions		**33,802**	**—**	**29,996**	**63,798**
Capital expenditures		**71,912**	**27,583**	**25,513**	**125,008**
Developments transferred offline / online, net		**(21,525)**	**39,474**	**(17,949)**	**—**
Increase (decrease) in value of investment properties, net		**(403,139)**	**5,951**	**(12,528)**	**(409,716)**
Straight-line rent and other changes		**(738)**	**—**	**—**	**(738)**
Dispositions		**(237,015)**	**—**	**(40,388)**	**(277,403)**
Balance at end of year	$	**8,213,224**	$ **89,029**	$ **325,535**	$ **8,627,788**
Investment properties	$	**8,153,397**	$ **89,029**	$ **242,935**	$ **8,485,361**
Non-current assets classified as held for sale [1]		**59,827**	**—**	**82,600**	**142,427**
Total	$	**8,213,224**	$ **89,029**	$ **325,535**	$ **8,627,788**

[1] See Note 5 Hotel Property for additional non-current assets classified as held for sale.

					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
Non-current assets 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 $2.3 billion (December 31, 2021 – $2.5 billion) are pledged as security for $1.2 billion (December 31, 2021 – $1.2 billion) in mortgages and secured credit facilities.

(b) Investment property valuation

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

As at	**December 31, 2022**	December 31, 2021
Weighted Average Total		
Overall Capitalization Rate	**5.2%**	5.0%
Terminal Capitalization Rate	**5.4%**	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 December 31, 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.

Throughout 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 $409.7 million ($410.5 million at FCR's share) for the year ended December 31, 2022.

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

As at December 31, 2022		*(millions of dollars)*
(Decrease) Increase in stabilized overall capitalization rate		Resulting increase (decrease) in fair value of investment properties
(1.00%)	$	2,047
(0.75%)	$	1,449
(0.50%)	$	914
(0.25%)	$	434
0.25%	$	(394)
0.50%	$	(754)
0.75%	$	(1,083)
1.00%	$	(1,385)

Additionally, a 1% increase or decrease in stabilized net operating income ("SNOI") would result in a $86 million increase or a $86 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 $524 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 $476 million.

(c) Investment properties – Acquisitions

For the years ended December 31, 2022 and 2021, First Capital acquired investment properties as follows:

Year ended December 31		**2022**		2021
Total purchase price, including acquisition costs	**$**	**63,798**	$	14,504
Total cash paid	**$**	**63,798**	$	14,504

(d) Non-current assets classified as held for sale and dispositions

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

As at		December 31, 2022		December 31, 2021
Aggregate fair value [1]	**$**	**142,427**	$	151,300
Mortgages secured by non-current assets classified as held for sale	**$**	**13,129**	$	—
Weighted average effective interest rate of mortgages secured by non-current assets classified as held for sale		**2.8%**		N/A

[1] See Note 5 Hotel Property for additional non-current assets classified as held for sale.

The decrease of $8.9 million in non-current assets classified as held for sale from December 31, 2021, primarily arose from the disposition of investment properties, partially offset by the addition of new properties classified as held for sale, in line with First Capital's Enhanced Capital Allocation and Portfolio Optimization Plan.

For the years ended December 31, 2022 and 2021, First Capital sold investment properties as follows:

Year ended December 31		2022		2021
Total selling price	**$**	**277,403**	$	366,732
Mortgages assumed by purchaser on sale of investment properties		**(80,000)**		—
Vendor take-back mortgage on sale		**(5,000)**		(40,531)
Property selling costs		**(4,440)**		(7,133)
Net cash proceeds (payments)	**$**	**187,963**	$	319,068

4. INVESTMENT IN JOINT VENTURES

As at December 31, 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	**December 31, 2022**	December 31, 2021
Aukland and Main Developments LP [1]	Station Place	Toronto, ON	**35.4%**	35.4%
College Square General Partnership	College Square	Ottawa, ON	**50.0%**	50.0%
Edenbridge Kingsway (Humbertown)	Humbertown Condos (Phase 1)	Toronto, ON	**50.0%**	50.0%
Fashion Media Group GP Ltd.	Toronto Fashion Week events	Toronto, ON	**78.0%**	78.0%
FC Access LP [2]	Whitby Mall (self storage operation)	Whitby, ON	**N/A**	25.0%
FC Urban Properties, LP	199 Avenue Road	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.

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).

Summarized financial information of the joint ventures' financial position and performance is set out below:

As at	**December 31, 2022**	December 31, 2021
Total assets	**$ 1,056,773**	$ 921,985
Total liabilities	**(319,317)**	(201,255)
Net assets at 100%	**737,456**	720,730
First Capital's investment in equity accounted joint ventures	**$ 357,122**	$ 349,488

For the year ended	**December 31, 2022**	December 31, 2021
Property revenue	**$ 40,772**	$ 17,369
Property expenses	**(28,985)**	(9,507)
Increase (decrease) in value of investment properties, net	**(1,603)**	(4,145)
Other income and (expenses)	**(7,458)**	(3,061)
Income (loss) before income taxes	**2,726**	656
Current income tax expense (recovery)	**—**	—
Net income (loss) and total comprehensive income (loss) at 100%	**$ 2,726**	$ 656
First Capital's share of income (loss) in equity accounted joint ventures	**$ (199)**	$ (1,460)

During 2022, First Capital received distributions from its joint ventures of $4.7 million (2021 – $16.9 million) and made contributions to its joint ventures of $12.5 million (2021 – $17.1 million).

As at December 31, 2022, there were approximately $37.6 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 years ended December 31, 2022 and 2021.

	December 31, 2022	December 31, 2021
Balance at beginning of year	**$ 85,400**	$ 88,000
Amortization	**(1,910)**	(1,937)
Additions	**202**	459
Revaluation of hotel property	**6,908**	(1,122)
	90,600	85,400
Reclassification to non-current assets classified as held for sale	**(45,300)**	—
Balance at end of year	**$ 45,300**	$ 85,400

6. LOANS, MORTGAGES AND OTHER ASSETS

As at	December 31, 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)	**136,352**	122,321
Other investments	**9,595**	5,801
Due from co-owners (c)	**22,703**	—
Total non-current	**168,650**	129,608
Current		
Loans and mortgages receivable classified as FVTPL (a)	**1,506**	6
Loans and mortgages receivable classified as amortized cost (a)(b)	**38,641**	116,152
FVTPL investments in securities (d)	**3,334**	25,976
Total current	**43,481**	142,134
Total	**$ 212,131**	$ 271,742

(a) Loans and mortgages receivable are secured by interests in investment properties or shares of entities owning investment properties. As at December 31, 2022, these receivables bear interest at weighted average effective interest rates of 6.9% (December 31, 2021 – 5.4%) and mature between 2023 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, was due and repaid before December 31, 2022, and the remainder is due on or before September 17, 2026. The loan was not subject to 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 year ended December 31, 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 $21.9 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 sheets.

(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).

Scheduled principal receipts of loans and mortgages receivable and the weighted average effective floating or fixed interest rates as at December 31, 2022 are as follows:

	Scheduled Receipts	Weighted Average Effective Interest Rate
2023	$ 38,219	5.4%
2024	47,700	7.5%
2025	33,550	10.6%
2026	50,000	5.2%
2027	5,000	5.8%
Sub-Total	$ 174,469	6.9%
Unamortized deferred financing fees and accrued interest	2,030	
Total scheduled principal receipts of loans and mortgages receivable	$ 176,499	
Current	$ 40,147	5.4%
Non-current	136,352	7.4%
Total	$ 176,499	6.9%

7. AMOUNTS RECEIVABLE

As at	December 31, 2022	December 31, 2021
Tenant receivables (net of allowance for expected credit losses of $9.5 million; December 31, 2021 – $17.2 million)	$ 25,760	$ 27,032
Corporate and other amounts receivable	210	752
Total	$ 25,970	$ 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 the tenant's ability to pay any trade receivables outstanding at December 31, 2022.

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

As at	December 31, 2022	December 31, 2021
Allowance for expected credit losses, beginning of year	$ 17,213	$ 11,440
Receivables written off during the year	(7,858)	(4,232)
Additional provision and other adjustments recorded during the year	144	10,005
Allowance for expected credit losses, end of year	$ 9,499	$ 17,213

8. OTHER ASSETS

As at	Note	December 31, 2022	December 31, 2021
Non-current			
Fixtures, equipment and computer hardware and software (net of accumulated amortization of $21.6 million; December 31, 2021 – $22.3 million)		$ 6,615	$ 7,671
Deferred financing costs on credit facilities (net of accumulated amortization of $8.6 million; December 31, 2021 – $7.5 million)		3,460	2,960
Environmental indemnity and insurance proceeds receivable	12(a)	663	1,244
Derivatives at fair value	23	41,394	299
Total non-current		52,132	12,174
Current			
Deposits and costs on investment properties under option		5,595	8,358
Prepaid expenses		14,590	11,364
Bond asset		—	13,388
Other deposits		250	250
Restricted cash		2,716	5,538
Derivatives at fair value	23	2,467	6,011
Total current		25,618	44,909
Total		$ 77,750	$ 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		**December 31, 2022**		December 31, 2021
Liabilities (principal amounts outstanding)				
Bank indebtedness	**$**	**1,594**	$	2,476
Mortgages		**1,143,856**		1,177,064
Credit facilities		**1,104,614**		899,777
Mortgages under equity accounted joint ventures (at the Trust's interest)		**91,911**		39,808
Senior unsecured debentures		**1,900,000**		2,350,000
		4,241,975		4,469,125
Exchangeable Units		**1,009**		1,947
Equity market capitalization [1]		**3,589,229**		4,140,551
Total capital employed	**$**	**7,832,213**	$	8,611,623
Trust Units outstanding (000's)		**213,518**		219,541
Closing market price	**$**	**16.81**	$	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 December 31, 2022, First Capital remains in compliance with all of its applicable financial covenants.

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

As at	Measure/ Covenant		**December 31, 2022**		December 31, 2021
Net debt to total assets [1]	≤65%		**44.0%**		43.9%
Unencumbered aggregate assets to unsecured debt, using 10 quarter average capitalization rate [1][2]	>1.3		**2.3**		2.3
Unitholders' equity, using four quarter average (billions) [2]	>$2.0	**$**	**4.4**	$	4.5
Secured indebtedness to total assets [2]	≤35%		**13.6%**		12.7%
For the rolling four quarters ended					
Interest coverage (Adjusted EBITDA to interest expense) [2]	>1.65		**2.4**		2.3
Fixed charge coverage (Adjusted EBITDA to debt service) [2]	>1.50		**2.1**		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	**December 31, 2022**	December 31, 2021
Fixed rate mortgages	**$ 1,140,490**	$ 1,173,175
Unsecured facilities	**1,030,564**	824,792
Secured facilities	**74,050**	74,985
Mortgages and credit facilities	**$ 2,245,104**	$ 2,072,952
Current	**$ 256,038**	$ 118,660
Mortgages on non-current assets classified as held for sale	**13,129**	—
Non-current	**1,975,937**	1,954,292
Total	**$ 2,245,104**	$ 2,072,952

Mortgages and secured facilities are secured by First Capital's investment properties. As at December 31, 2022, approximately $2.3 billion (December 31, 2021 – $2.5 billion) of investment properties out of $8.6 billion (December 31, 2021 – $9.1 billion) (Note 3(a)) had been pledged as security under the mortgages and the secured facilities.

As at December 31, 2022, mortgages bear coupon interest at a weighted average coupon rate of 3.4% (December 31, 2021 – 3.4%) and mature in the years ranging from 2024 to 2031. The weighted average effective interest rate on all mortgages as at December 31, 2022 is 3.5% (December 31, 2021 – 3.5%).

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

	Scheduled Amortization	Payments on Maturity	Total	Weighted Average Effective Interest Rate
2023	$ 32,597	$ —	$ 32,597	N/A
2024	31,945	108,478	140,423	3.7%
2025	29,641	66,971	96,612	3.8%
2026	25,886	94,360	120,246	3.2%
2027	24,079	79,863	103,942	3.6%
2028 to 2031	43,103	606,933	650,036	3.5%
	$ 187,251	**$ 956,605**	**$ 1,143,856**	**3.5%**
Unamortized deferred financing costs and premiums, net			(3,366)	
Total			**$ 1,140,490**	

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

As at December 31, 2022	Borrowing Capacity	Amounts Drawn	Bank Indebtedness and Outstanding Letters of Credit	Available to be Drawn	Interest Rates	Maturity Date
Unsecured Operating Facilities						
Revolving facility maturing 2026 - 2027 (1)	$ 450,000	$ —	$ (5,593)	$ 444,407	BA + 1.45% or Prime + 0.45% or US$ LIBOR + 1.45%	June 30, 2026 - June 30, 2027
Revolving facility maturing 2024 (2)	100,000	(100,564)	—	—	BA + 1.15% or Prime + 0.30% or US$ LIBOR + 1.15%	August 31, 2024
Revolving facility maturing 2023	250,000	(80,000)	—	170,000	BA + 1.15% or Prime + 0.30% or US$ LIBOR + 1.15%	October 31, 2023
Floating rate unsecured term loan maturing 2023 - 2025 (3)	200,000	(200,000)	—	—	BA + 1.20% BA + 1.50%	April 15, 2023 - April 15, 2025
Fixed rate unsecured term loan maturing 2025 (4)(5)	100,000	(100,000)	—	—	5.00%	January 9, 2025
Fixed rate unsecured term loans maturing 2024 - 2026 (5)	550,000	(550,000)	—	—	3.29%	March 28, 2024 - April 15, 2026
Secured Construction Facilities						
Maturing 2027	170,000	(21,907)	—	148,093	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	(7,742)	—	11,579	Prime - 0.25%	June 1, 2024
Maturing 2023 (5)	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	**$ 1,955,172**	**$ (1,104,614)**	**$ (5,593)**	**$ 845,529**		

(1) As at December 31, 2022, approximately $380.0 million of the unsecured revolving credit facility has been extended by one year and is due June 30, 2027. The remaining $70.0 million is due June 30, 2026.

(2) The Trust has drawn in U.S. dollars the equivalent of CAD$100.0 million which was revalued at CAD$100.6 million as at December 31, 2022.

(3) As at December 31, 2022, $100.0 million is due April 15, 2023 at a spread of BA + 1.20%, and the remaining $100.0 million is due April 15, 2025 at a spread of BA + 1.50%.

(4) The Trust has the option to extend the unsecured term loan for an additional two years, to January 9, 2027.

(5) The Trust has entered into BA-based interest rate swaps to economically convert these unsecured term loans and secured construction facility from variable rate BA-based debt instruments to fixed rate debt instruments over their respective terms to maturity.

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				**December 31, 2022**		December 31, 2021
		Interest Rate				
Series	Maturity Date	Coupon	Effective	**Principal Outstanding**	**Liability**	Liability
O	January 31, 2022	4.43%	4.59%	**$ —**	**$ —**	$ 199,975
P	December 5, 2022	3.95%	4.18%	**—**	**—**	249,493
Q	October 30, 2023	3.90%	3.97%	**300,000**	**299,835**	299,644
R	August 30, 2024	4.79%	4.72%	**300,000**	**300,323**	300,507
S	July 31, 2025	4.32%	4.24%	**300,000**	**300,588**	300,801
T	May 6, 2026	3.60%	3.57%	**300,000**	**300,386**	300,487
V	January 22, 2027	3.46%	3.54%	**200,000**	**199,397**	199,261
U	July 12, 2027	3.75%	3.82%	**300,000**	**299,124**	298,950
A	March 1, 2028	3.45%	3.54%	**200,000**	**199,171**	199,027
Weighted Average or Total		3.94%	3.95%	**$ 1,900,000**	**$ 1,898,824**	$ 2,348,145
Current				**$ 300,000**	**$ 299,835**	$ 449,468
Non-current				**1,600,000**	**1,598,989**	1,898,677
Total				**$ 1,900,000**	**$ 1,898,824**	$ 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.

On December 5, 2022, upon maturity, First Capital repaid its 3.95% Series P Senior Unsecured Debentures in the amount of $250.0 million.

12. ACCOUNTS PAYABLE AND OTHER LIABILITIES

As at	Note	**December 31, 2022**	December 31, 2021
Non-current			
Asset retirement obligations (a)		**$ 1,152**	$ 1,755
Ground leases payable		**8,136**	8,811
Derivatives at fair value	23	**—**	8,990
Unit-based compensation plans	15(c)	**6,758**	6,802
Deferred purchase price of investment property		**1,425**	2,850
Other liabilities (b)		**87,327**	24,289
Total non-current		**104,798**	53,497
Current			
Trade payables and accruals		**76,291**	75,900
Construction and development payables		**49,117**	44,696
Unit-based compensation plans	15(c)	**16,964**	17,815
Distributions payable	14(b)	**15,373**	7,903
Interest payable		**28,736**	33,641
Tenant deposits		**39,436**	40,236
Derivatives at fair value	23	**—**	464
Other liabilities		**9**	11
Total current		**225,926**	220,666
Total		**$ 330,724**	$ 274,163

(a) First Capital has obligations for environmental remediation at certain sites within its property portfolio. FCR has also recognized a related environmental indemnity and insurance proceeds receivable totaling $0.7 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	**December 31, 2022**		December 31, 2021	
	Number of Exchangeable Units	**Value**	Number of Exchangeable Units	Value
Balance at beginning of year	**103**	**$ 1,947**	103	$ 1,399
Converted to Trust Units	**(43)**	**(617)**	—	—
Fair value adjustment	**—**	**(321)**	—	548
Balance at end of year	**60**	**$ 1,009**	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	**December 31, 2022**		December 31, 2021	
	Number of Trust Units	**Value of Trust Units**	Number of Trust Units	Value of Trust Units
Balance at beginning of year	**219,541**	**$ 2,898,271**	219,315	$ 2,894,582
Trust Units repurchased	**(6,238)**	**(82,393)**	—	—
Exercise of options, and settlement of any restricted, performance and deferred trust units	**172**	**3,144**	226	3,689
Conversion of Exchangeable Units	**43**	**617**	—	—
Balance at end of year	**213,518**	**$ 2,819,639**	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 December 31, 2022, the Trust has acquired and cancelled 6.2 million Units at a weighted average purchase price of $15.14 per unit, for a total cost of $94.5 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 $12.1 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 $0.575 per Trust Unit for the year ended December 31, 2022 (year ended December 31, 2021 - $0.432 per Trust Unit).

15. UNIT-BASED COMPENSATION PLANS

(a) Unit Option Plan

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

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

As at	**December 31, 2022**					December 31, 2021				
	Outstanding Options			**Vested Options**		Outstanding Options			Vested Options	
Exercise Price Range ($)	**Number of Trust Units Issuable (in thousands)**	**Weighted Average Exercise Price per Trust Unit**	**Weighted Average Remaining Life (years)**	**Number of Trust Units Issuable (in thousands)**	**Weighted Average Exercise Price per Trust Unit**	Number of Trust Units Issuable (in thousands)	Weighted Average Exercise Price per Trust Unit	Weighted Average Remaining Life (years)	Number of Trust Units Issuable (in thousands)	Weighted Average Exercise Price per Trust Unit
15.53 - 19.29	**1,553**	**$ 17.24**	**4.1**	**1,067**	**$ 18.01**	1,609	$ 17.27	5.2	965	$ 18.43
19.30 - 20.05	**1,509**	**$ 19.86**	**3.9**	**1,349**	**$ 19.84**	1,515	$ 19.86	5.3	1,167	$ 19.81
20.06 - 21.19	**1,749**	**$ 20.67**	**4.9**	**1,388**	**$ 20.55**	1,749	$ 20.67	6.2	1,043	$ 20.49
21.20 - 21.24	**1,464**	**$ 21.24**	**6.8**	**636**	**$ 21.24**	1,464	$ 21.24	8.2	293	$ 21.24
15.53 - 21.24	**6,275**	**$ 19.76**	**4.9**	**4,440**	**$ 19.82**	6,337	$ 19.75	6.2	3,468	$ 19.75

During the year ended December 31, 2022, $0.7 million (year ended December 31, 2021 – $1.0 million) was recorded as an expense related to stock options.

Year ended December 31	**2022**		2021	
	Number of Trust Units Issuable (in thousands)	**Weighted Average Exercise Price**	Number of Trust Units Issuable (in thousands)	Weighted Average Exercise Price
Outstanding at beginning of year	**6,337**	**$ 19.75**	7,103	$ 20.20
Granted (a)	**—**	**—**	644	15.53
Exercised (b)	**(7)**	**17.90**	(60)	16.41
Forfeited	**(15)**	**19.34**	(545)	20.59
Expired	**(40)**	**17.90**	(805)	20.05
Outstanding at end of year	**6,275**	**$ 19.76**	6,337	$ 19.75

(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.

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

(b) The weighted average market price at which options were exercised for the year ended December 31, 2022 was $18.17 (year ended December 31, 2021 – $16.72).

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

As at December 31	**2022**	2021
Expected Trust Unit price volatility	**20.50% - 32.62%**	17.92% - 35.17%
Expected life of options	**0.2 - 6.0 years**	0.2 - 6.5 years
Expected distribution yield	**5.12%**	4.25%
Risk free interest rate	**3.32% - 4.57%**	0.16% - 1.28%

(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.

Year ended December 31		**2022**		2021
(in thousands)	**DUs**	**RUs / PUs**	DUs	RUs / PUs
Outstanding at beginning of year	**320**	**897**	368	789
Granted (a) (b)	**77**	**460**	65	355
Distributions reinvested	**12**	**35**	8	22
Exercised	**(7)**	**(284)**	(121)	(244)
Forfeited	**—**	**(25)**	—	(25)
Outstanding at end of year	**402**	**1,083**	320	897
Expense recorded for the year	**$1,416**	**$5,693**	$1,299	$5,365

(a) The fair value of the DUs granted during the year ended December 31, 2022 was $1.2 million (year ended December 31, 2021 – $1.1 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 year ended December 31, 2022 was $4.7 million (year ended December 31, 2021 – $3.1 million), measured based on First Capital’s Trust Unit price on the date of grant.

(b) The fair value of the PUs granted during the year ended December 31, 2022 was $2.5 million (year ended December 31, 2021 – $2.8 million). The fair value is calculated using the Monte-Carlo simulation model based on the assumptions below as well as a market adjustment factor based on the total Unitholder return of First Capital's Trust Units relative to the S&P/TSX Capped REIT Index and relative to a customized index of publicly-listed peers.

Year ended December 31	**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 December 31, 2022, the carrying value of the unit-based compensation liability was $23.7 million (December 31, 2021 – $24.6 million)(Note 12). For the year ended December 31, 2022, FCR recognized a decrease in the value of the unit-based compensation plans which resulted in a revaluation gain of $5.3 million in the consolidated statements of income (loss) due to a decrease in the Trust Unit's price year-over-year.

16. NET OPERATING INCOME

Net Operating Income by Component

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

		Year ended December 31	
	% change	**2022**	2021
Property rental revenue			
Base rent [1]		**$ 430,429**	$ 426,146
Operating cost recoveries		**106,162**	100,865
Realty tax recoveries		**117,061**	118,842
Lease termination fees		**4,113**	1,541
Percentage rent		**2,633**	2,528
Straight-line rent adjustment		**(567)**	2,082
Prior year operating cost and tax recovery adjustments		**376**	(2,308)
Temporary tenants, storage, parking and other [2]		**32,889**	25,194
Total Property rental revenue	**2.7%**	**693,096**	674,890
Property operating costs			
Recoverable operating expenses		**118,296**	111,951
Recoverable realty tax expense		**132,422**	134,899
Prior year realty tax expense (recovery)		**(361)**	(1,877)
Other operating costs and adjustments [3]		**17,240**	17,379
Total Property operating costs		**267,597**	262,352
Total NOI	**3.1%**	**$ 425,499**	$ 412,538
NOI margin		**61.4%**	61.1%

(1) Includes residential revenue.

(2) Includes hotel property revenue.

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

Included in other operating costs and adjustments is bad debt expense (recovery) for the year ended December 31, 2022 of ($0.7) million (year ended December 31, 2021 – $8.5 million).

For the year ended December 31, 2022, property operating costs include $23.4 million (year ended December 31, 2021 – $20.8 million) related to employee compensation. Employee compensation is presented net of subsidies received under the Canada Emergency Wage Subsidy ("CEWS") program for the year ended December 31, 2022 of Nil related to property operations personnel (year ended December 31, 2021 – $0.6 million). A portion of this wage subsidy was passed on to tenants through lower operating cost recoveries.

17. INTEREST AND OTHER INCOME

		Year ended December 31	
	Note	**2022**	2021
Interest, dividend and distribution income from marketable securities and other investments	6	**$ 565**	$ 499
Interest income from loans and mortgages receivable classified as FVTPL	6	**76**	100
Interest income from loans and mortgages receivable at amortized cost	6	**13,889**	5,809
Fees and other income		**5,340**	4,472
Total		**$ 19,870**	$ 10,880

18. INTEREST EXPENSE

		Year ended December 31	
	Note	**2022**	2021
Mortgages	10	**$ 46,557**	$ 49,912
Credit facilities	10	**34,638**	26,260
Senior unsecured debentures	11	**85,446**	95,961
Distributions on Exchangeable Units (1)	13	**42**	45
Total interest expense		**166,683**	172,178
Interest capitalized to investment properties under development		**(16,641)**	(19,508)
Interest expense		**$ 150,042**	$ 152,670
Change in accrued interest		**4,863**	3,148
Coupon interest rate in excess of effective interest rate on senior unsecured debentures		**1,284**	1,169
Coupon interest rate in excess of effective interest rate on assumed mortgages		**17**	133
Amortization of deferred financing costs		**(6,965)**	(7,630)
Cash interest paid associated with operating activities		**$ 149,241**	$ 149,490

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

19. CORPORATE EXPENSES

	Year ended December 31	
	2022	2021
Salaries, wages and benefits	**$ 29,542**	$ 27,675
Unit-based compensation	**7,393**	7,155
Other corporate costs	**15,496**	10,611
Total corporate expenses	**52,431**	45,441
Amounts capitalized to investment properties under development	**(7,196)**	(7,234)
Corporate expenses	**$ 45,235**	$ 38,207

For the year ended December 31, 2022, salaries, wages and benefits include Nil of wage subsidies received under the CEWS program (year ended December 31, 2021 - $0.3 million).

20. OTHER GAINS (LOSSES) AND (EXPENSES)

	Year ended December 31	
	2022	2021
Realized gain (loss) on sale of marketable securities	**$ 5,591**	$ —
Unrealized gain (loss) on marketable securities	**(15,167)**	14,786
Net gain (loss) on early settlement of debt [(1)(2)]	**12,845**	(1,139)
Transaction costs	**(572)**	—
Gain (loss) on loan receivable modification	**(566)**	—
Pre-selling costs of residential inventory	**(31)**	(238)
Investment property selling costs	**(4,440)**	(7,133)
Gain on Option [(3)]	**—**	80,822
Other	**23**	(9)
Total	**$ (2,317)**	$ 87,089

(1) During the second quarter of 2022, the Trust recognized a $13.5 million hedging gain in other comprehensive income in relation to the mortgage financing of the King High Line residential property. In the fourth quarter, the Trust's interest in the property was sold and the unamortized hedging gain of $13.1 million was reclassified to other gains (losses) and (expenses) upon assumption of the mortgage by the purchaser. In addition, $0.3 million of deferred financing costs related to the mortgage was also written off upon disposition of the property.

(2) During the year ended December 31, 2021 the Trust incurred pre-payment penalties in the amount of $1.1 million in relation to the early settlement of debt.

(3) In the third quarter of 2021, the Trust exercised its option to buy its former partner's 50% interest in 2150 Lake Shore Boulevard West for $55.5 million. Concurrent with closing, the Trust entered into a new partnership and conveyed 50% of the property to a new partner for $156.0 million. The gain on the option of $100.5 million was reduced by the derecognition of $13.2 million in previously capitalized option costs and the discount recognized on the loans receivable of $6.5 million (Note 6 (b)).

21. INCOME TAXES

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

The sources of deferred tax balances and movements are as follows:

	December 31, 2021	Net income	Recognized in OCI	Equity and other	**December 31, 2022**
Deferred taxes related to non-capital losses	$ (29,213)	$ 22,555	$ —	$ (4,698)	**$ (11,356)**
Deferred tax liabilities related to difference in tax and book basis primarily related to real estate, net	769,522	(15,358)	21,300	5,280	**780,744**
Net deferred taxes	$ 740,309	$ 7,197	$ 21,300	$ 582	**$ 769,388**

As at December 31, 2022, the corporate subsidiaries of the Trust had approximately $35.2 million of non-capital losses which expire between 2028 and 2042.

	December 31, 2020	Net income	Recognized in OCI	Equity and other	December 31, 2021
Deferred taxes related to non-capital losses	$ (40,190)	$ 2,264	$ —	$ 8,713	$ (29,213)
Deferred tax liabilities related to difference in tax and book basis primarily related to real estate, net	738,718	23,665	15,866	(8,727)	769,522
Net deferred taxes	$ 698,528	$ 25,929	$ 15,866	$ (14)	$ 740,309

As at December 31, 2021, the corporate subsidiaries of the Trust had approximately $80.8 million of non-capital losses which expire between 2028 and 2041.

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

	Year ended December 31	
	2022	2021
Income tax computed at the Canadian statutory rate of Nil applicable to the Trust at December 31, 2022 and 2021	**$ —**	$ —
Increase (decrease) in income taxes due to:		
Deferred income taxes (recoveries) applicable to corporate subsidiaries	**58,134**	67,265
Deferred income tax recovery related to temporary differences associated with investment property applicable to corporate subsidiaries [1]	**(38,237)**	(45,001)
Release of reserves	**(12,177)**	—
Other	**(523)**	3,665
Deferred income taxes expense (recovery)	**$ 7,197**	$ 25,929

(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.

Interest represents a significant cost in financing the ownership of real property. As at December 31, 2022, First Capital has a total of $421.3 million of outstanding debt bearing interest at variable rates. If the average variable interest rate was 100 basis points higher or lower than the existing rate, FCR's annual interest cost would increase or decrease, respectively, by $4.2 million.

First Capital has a total of $1.6 billion principal amount of fixed rate interest-bearing instruments outstanding including mortgages, senior unsecured debentures and secured credit facilities maturing between January 1, 2023 and December 31, 2025 at a weighted average coupon interest rate of 4.0%. If these amounts were refinanced at an average interest rate that was 100 basis points higher or lower than the existing rate, FCR's annual interest cost would increase or decrease, respectively, by $15.8 million.

As at December 31, 2022, First Capital's loans and mortgages receivable that earn interest at variable rates total $125.3 million. If the average variable interest rate was 100 basis points higher than the existing rate, FCR's annual interest income would increase by approximately $1.3 million, and if the variable interest rate were 100 basis points lower, FCR's annual interest income would decrease by $0.8 million.

First Capital's loans and mortgages receivable that earn interest at fixed rates total $49.2 million. If the loans were refinanced at 100 basis points higher or lower than the existing rate, FCR's annual interest income would increase or decrease by approximately $0.5 million.

(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 December 31, 2022, Loblaw Companies Limited

(“Loblaw”) is FCR's largest tenant and accounts for 10.4% of FCR’s annualized minimum rent and has an investment grade credit rating. Other than Loblaw, no other tenant accounts for more than 10% of the annualized minimum rent. A tenant’s success over the term of its lease and its ability to fulfill its lease obligations is subject to many factors. There can be no assurance that a tenant will be able to fulfill all of its existing commitments and leases up to the expiry date. First Capital mitigates the risk of credit loss from debtors by undertaking a number of activities typical in lending arrangements including obtaining registered mortgages on the real estate properties.

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

Future minimum rentals receivable under non-cancellable operating leases as at December 31 are as follows:

(thousands of dollars)	**2022**
Within 1 year	**$ 394,431**
After 1 year, but not more than 5 years	**1,001,822**
More than 5 years	**531,891**
	$ 1,928,144

(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 December 31, 2022 is set out below:

As at December 31, 2022	Payments due by period				
	2023	2024 to 2025	2026 to 2027	Thereafter	Total
Scheduled mortgage principal amortization	$ 32,597	$ 61,586	$ 49,965	$ 43,103	$ 187,251
Mortgage principal repayments on maturity	—	175,449	174,223	606,933	956,605
Credit facilities and bank indebtedness	225,995	583,306	296,907	—	1,106,208
Senior unsecured debentures	300,000	600,000	800,000	200,000	1,900,000
Interest obligations [(1)]	154,224	211,371	96,243	37,512	499,350
Land leases (expiring between 2023 and 2061)	866	1,238	1,209	14,932	18,245
Contractually committed costs to complete current development projects	46,168	60,773	—	—	106,941
Total contractual obligations	**$ 759,850**	**$ 1,693,723**	**$ 1,418,547**	**$ 902,480**	**$ 4,774,600**

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

First Capital manages its liquidity risk by staggering debt maturities; renegotiating expiring credit arrangements proactively; using secured and unsecured credit facilities, mortgages and unsecured debentures; and issuing equity when considered appropriate. As at December 31, 2022, there was $1.0 billion (December 31, 2021 – $0.8 billion) of cash advances drawn against First Capital’s unsecured credit facilities.

In addition, as at December 31, 2022, First Capital had $27.6 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 $1.6 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. An increase of $1 dollar in the underlying price of First Capital's Trust Units would result in an increase to liabilities, and a decrease to net income as follows:

(i) Exchangeable Units: $0.1 million (December 31, 2021 – $0.1 million); and
(ii) Unit-based compensation liabilities: $3.3 million (December 31, 2021 – $3.5 million)

23. FAIR VALUE MEASUREMENT

A comparison of the carrying amounts and fair values, by class, of First Capital's financial instruments, other than those whose carrying amounts approximate their fair values, is as follows:

		Carrying Amount		Fair Value	
	Notes	**2022**	2021	**2022**	2021
Financial assets					
FVTPL investments in securities	6	**$ 3,334**	$ 25,976	**$ 3,334**	$ 25,976
Loans and mortgages receivable classified as FVTPL	6	**1,506**	1,492	**1,506**	1,492
Loans and mortgages receivable classified as amortized cost	6	**174,993**	238,473	**178,178**	239,135
Bond asset	8	**—**	13,388	**—**	13,388
Other investments	6	**9,595**	5,801	**9,595**	5,801
Derivatives at fair value	8	**43,861**	6,310	**43,861**	6,310
Financial liabilities					
Mortgages	10	**$ 1,140,490**	$ 1,173,175	**$ 1,046,429**	$ 1,219,703
Credit facilities	10	**1,104,614**	899,777	**1,104,614**	899,777
Senior unsecured debentures	11	**1,898,824**	2,348,145	**1,775,836**	2,437,878
Exchangeable Units	13	**1,009**	1,947	**1,009**	1,947
Unit-based compensation plans	15	**23,722**	24,617	**23,722**	24,617
Derivatives at fair value	12	**—**	9,454	**—**	9,454

The fair values of First Capital's FVTPL investments in securities are based on quoted market prices. First Capital has an investment in certain funds classified as Level 3, for which the fair values are based on the fair value of the properties held in the funds.

The fair value of First Capital's loans and mortgages receivable classified as Level 3, are calculated based on current market rates plus borrower level risk-adjusted spreads on discounted cash flows, adjusted for allowances for non-payment and collateral related risk. As at December 31, 2022, the risk-adjusted interest rates ranged from 3.0% to 13.8% (December 31, 2021 – 1.6% to 10.9%).

The fair value of First Capital's mortgages and credit facilities payable are calculated based on current market rates plus risk-adjusted spreads on discounted cash flows. As at December 31, 2022, these rates ranged from 5.4% to 6.4% (December 31, 2021 – 1.4% to 2.8%).

The fair value of the senior unsecured debentures are based on closing bid risk-adjusted spreads and current underlying Government of Canada bond yields on discounted cash flows. For the purpose of this calculation, the Trust uses, among others, interest rate quotations provided by financial institutions. As at December 31, 2022, these rates ranged from 6.2% to 6.5% (December 31, 2021 – 0.9% to 3.0%).

The fair value of the Exchangeable Units are based on the Trust's closing price as of December 31, 2022.

The fair value of the unit-based compensation plans are based on the following:

- *Unit Option Plan:* Fair value of each tranche is valued separately using a Black-Scholes option pricing model.
- *Deferred Units/Restricted Units:* Fair value is based on the Trust's closing price as of December 31, 2022.
- *Performance Units*: Fair Value is calculated using a Monte-Carlo simulation model.

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

As at		**December 31, 2022**			December 31, 2021	
	Level 1	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
Fair value of financial instruments measured at fair value						
Financial Assets						
FVTPL investments in securities	**$ 3,334**	**$ —**	**$ —**	$ 25,976	$ —	$ —
Loans and mortgages receivable	**—**	**—**	**1,506**	—	—	1,492
Other investments	**—**	**—**	**9,595**	—	—	5,801
Derivatives at fair value – assets	**—**	**43,861**	**—**	—	6,310	—
Financial Liabilities						
Exchangeable Units	**—**	**1,009**	**—**	—	1,947	—
Unit-based compensation plans	**—**	**23,722**	**—**	—	24,617	—
Derivatives at fair value – liabilities	**—**	**—**	**—**	—	9,454	—
Fair value of financial instruments measured at amortized cost						
Financial Assets						
Loans and mortgages receivable	**$ —**	**$ —**	**$ 178,178**	$ —	$ —	$ 239,135
Bond asset	**—**	**—**	**—**	—	13,388	—
Financial Liabilities						
Mortgages	**—**	**1,046,429**	**—**	—	1,219,703	—
Credit facilities	**—**	**1,104,614**	**—**	—	899,777	—
Senior unsecured debentures	**—**	**1,775,836**	**—**	—	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 December 31, 2022, the interest rates ranged from 3.3% to 6.2% (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 December 31, 2022	**December 31, 2022**	December 31, 2021
Derivative assets				
Bond forward contracts	Yes	January 2023	**$ 1,903**	$ 754
Interest rate swaps	Yes	April 2024 - March 2027	**41,394**	299
Cross currency swaps	No	January 2023	**564**	5,257
Total			**$ 43,861**	$ 6,310
Derivative liabilities				
Interest rate swaps	Yes	N/A	**$ —**	$ 8,990
Cross currency swaps	No	N/A	**—**	464
Total			**$ —**	$ 9,454

As at December 31, 2022, the $37.6 million increase in the fair value of outstanding derivative assets year-over-year is primarily due to significant increases in market interest 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 December 31, 2022, First Capital has interests in two entities that it controls and consolidates 100% of the assets, liabilities, revenues and expenses of each entity subject to a non-controlling interest.

		Effective Ownership	
Name of Entity	Primary Investment	**December 31, 2022**	December 31, 2021
Main and Main Developments LP ("MMLP")	46.875% Interest in MMUR [1]	**67.0%**	67.0%
Maincore Equities Inc.	46.875% Interest in MMUR [1]	**70.9%**	70.9%

[1] FCR has owned a 6.25% direct interest in M+M Realty LP ("MMUR") since 2014.

First Capital controls MMLP, a subsidiary in which it holds a 67% ownership interest.

Non-controlling interest in the equity and the results of these subsidiaries, before any inter-company eliminations, are as follows:

As at	**December 31, 2022**	December 31, 2021
Non-current assets	**$ 184,375**	$ 160,145
Current assets	**1,029**	377
Total assets	**185,404**	160,522
Non-current liabilities	**4,148**	3,860
Current liabilities	**34**	483
Total liabilities	**4,182**	4,343
Net assets	**$ 181,222**	$ 156,179
Non-controlling interests	**$ 55,922**	$ 48,140

	Year ended December 31	
	2022	2021
Revenue	**$ 4**	$ 1
Share of profit from joint ventures	**1,290**	48,004
Expenses	**(465)**	(4,649)
Net income	**$ 829**	$ 43,356
Non-controlling interests	**$ 236**	$ 13,505

	Year ended December 31	
	2022	2021
Cash provided by (used in) operating activities	**$ (1,215)**	$ (331)
Cash provided by (used in) financing activities	**12,745**	8,769
Cash provided by (used in) investing activities	**(11,470)**	(8,509)
Net increase (decrease) in cash and cash equivalents	**$ 60**	$ (71)

25. CO-OWNERSHIP INTERESTS

First Capital has co-ownership interests in several properties, as listed below, that are subject to joint control and represent joint operations under IFRS 11, *"Joint Arrangements"*. First Capital recognizes its share of the direct rights to the assets and obligations for the liabilities of these co-ownerships in the consolidated financial statements.

		Ownership Interest	
Property	**Location**	**December 31, 2022**	December 31, 2021
101 Yorkville Avenue	Toronto, ON	**50%**	50%
102 Atlantic Avenue	Toronto, ON	**50%**	—%
328 Bloor Street West	Toronto, ON	**50%**	—%
897-901 Eglinton Avenue West	Toronto, ON	**50%**	50%
Yonge & Roselawn	Toronto, ON	**75%**	100%
Amberlea Shopping Centre	Pickering, ON	**50%**	—%
Gloucester City Centre	Ottawa, ON	**50%**	50%
Carrefour du Plateau	Gatineau, QC	**50%**	50%
Merivale Mall	Ottawa, ON	**50%**	50%
Galeries de Repentigny	Repentigny, QC	**50%**	50%
Galeries Brien Ouest/Est	Repentigny, QC	**50%**	50%
Gateway Village	St. Albert, AB	**50%**	50%
King High Line residential	Toronto, ON	**—%**	50%
261 Queens Quay East (Bayside Village)	Toronto, ON	**50%**	50%
Midland (land)	Midland, ON	**50%**	50%
Rutherford Marketplace (Residential Inventory)	Vaughan, ON	**—%**	50%
Hunt Club – Petrocan	Ottawa, ON	**50%**	50%
Gatineau Portfolio (1)	Gatineau, QC	**50%**	50%
Hunt Club Marketplace	Ottawa, ON	**66.6%**	66.6%
Lachenaie Properties	Lachenaie, QC	**50%**	50%
South Oakville Properties (2)	Oakville, ON	**50%**	50%
Whitby Mall	Whitby, ON	**50%**	50%
Thickson Mall	Whitby, ON	**50%**	50%
St. Hubert Portfolio (3)	St. Hubert, QC	**50%**	50%
Ottawa Portfolio (3)	Ottawa, ON	**50%**	50%
West Island Portfolio (4)	Beaconsfield, QC / Kirkland, QC	**50%**	50%
Burlington Portfolio (5)	Burlington, ON	**50%**	50%
Seton Gateway	Calgary, AB	**50%**	50%
Sherwood Park (6)	Sherwood Park, AB	**50%**	50%
The Edmonton Brewery District	Edmonton, AB	**50%**	50%
138 Yorkville Avenue	Toronto, ON	**33.3%**	33.3%
Meadowbrook Centre	Edmonton, AB	**50%**	50%
Lakeview Plaza	Calgary, AB	**50%**	50%

(1) Gatineau Portfolio includes Place Cite des Jeunes, Place Nelligan, and Carrefour du Versant Ouest/Est.

(2) South Oakville Properties includes one property at 50% interest, with the remaining properties held at 100% interest.

(3) St. Hubert Portfolio includes Carrefour St-Hubert, Plaza Actuel, and Promenades du Parc. Ottawa Portfolio includes Loblaws Plaza, Eagleson Place, and Strandherd Crossing.

(4) West Island Portfolio includes Centre Commercial Beaconsfield, Plaza Beaconsfield, Centre St-Charles, Centre Kirkland, and Place Kirkland.

(5) Burlington Portfolio includes Burlingwood Shopping Centre and Beacon Hill Plaza.

(6) Sherwood Park includes Sherwood Centre, Sherwood Towne Square, Village Market, and Sherwood Centre 1000 Alder Avenue.

		Ownership Interest	
Property	**Location**	**December 31, 2022**	December 31, 2021
West Springs Village	Calgary, AB	**50%**	50%
216 Elgin Street	Ottawa, ON	**50%**	50%
221 - 227 Sterling	Toronto, ON	**35%**	35%
London Portfolio (1)	London, ON	**49.5%**	49.5%
906-1st Avenue North East (Molson Building)	Calgary, AB	**75%**	75%
1071 King Street West	Toronto, ON	**66.6%**	66.6%
200 Esplanade (Empire Theatres)	North Vancouver, BC	**50%**	50%
400 King Street West (2)	Toronto, ON	**50%**	50%
1120 Kingston Road (2)	Toronto, ON	**60%**	60%

(1) London Portfolio includes Wellington Corners, Sunningdale Village, Byron Village, Hyde Park Plaza, Stoneybrook Plaza, and Adelaide Shoppers.

(2) Co-ownership interests held by MMUR.

26. SUPPLEMENTAL OTHER COMPREHENSIVE INCOME (LOSS) INFORMATION

(a) Accumulated other comprehensive income (loss)

Year ended December 31			**2022**			2021
	Opening Balance January 1	**Net Change During the Year**	**Closing Balance December 31**	Opening Balance January 1	Net Change During the Year	Closing Balance December 31
Unrealized gains (losses) on cash flow hedges	**(18,818)**	**33,314**	**14,496**	(43,580)	24,762	(18,818)
Accumulated other comprehensive income (loss)	**$ (18,818)**	**$ 33,314**	**$ 14,496**	$ (43,580)	$ 24,762	$ (18,818)

(b) Tax effects relating to each component of other comprehensive income (loss)

Year ended December 31			**2022**			2021
	Before-Tax Amount	**Tax (Expense) Recovery**	**Net of Tax Amount**	Before-Tax Amount	Tax (Expense) Recovery	Net of Tax Amount
Unrealized gains (losses) on cash flow hedges	**$ 64,686**	**$ (25,228)**	**$ 39,458**	$ 37,485	$ (14,639)	$ 22,846
Reclassification of (gains) losses on cash flow hedges to net income	**(10,072)**	**3,928**	**(6,144)**	3,143	(1,227)	1,916
Other comprehensive income (loss)	**$ 54,614**	**$ (21,300)**	**$ 33,314**	$ 40,628	$ (15,866)	$ 24,762

27. SUPPLEMENTAL CASH FLOW INFORMATION

(a) Items not affecting cash and other items

		Year ended December 31	
	Note	**2022**	2021
Straight-line rent adjustment	16	**$ 567**	$ (2,082)
Investment property selling costs	20	**4,440**	7,133
Realized (gain) loss on sale of marketable securities	20	**(5,591)**	—
Unrealized (gain) loss on marketable securities classified as FVTPL	20	**15,167**	(14,786)
(Gain) loss on loan receivable modification	20	**566**	—
Net (gain) loss on early settlement of debt	20	**(12,845)**	—
Gain on Option	20	**—**	(80,822)
Unit-based compensation expense	15	**7,772**	7,676
Increase (decrease) in value of Exchangeable Units	13	**(321)**	548
Increase (decrease) in value of unit-based compensation	15	**(5,250)**	9,286
Deferred income taxes expense (recovery)	21	**7,197**	25,929
Total		**$ 11,702**	$ (47,118)

(b) Net changes in other working capital items

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

	Year ended December 31	
	2022	2021
Amounts receivable	**$ 1,814**	$ 18,512
Prepaid expenses	**(3,225)**	(686)
Trade payables and accruals	**3,254**	5,327
Tenant security and other deposits	**(800)**	2,727
Residential development inventory	**(1,845)**	—
Other working capital changes	**(9,399)**	(15,948)
Total	**$ (10,201)**	$ 9,932

(c) Changes in loans, mortgages and other assets

	Year ended December 31	
	2022	2021
Advances of loans and mortgages receivable	**$ (65,018)**	$ (45,275)
Repayments of loans and mortgages receivable	**137,787**	54,455
Other investments, net	**(3,794)**	(695)
Proceeds from disposition of marketable securities	**13,066**	—
Total	**$ 82,041**	$ 8,485

(d) Cash and cash equivalents

As at	**December 31, 2022**	December 31, 2021
Cash and cash equivalents	**$ 32,694**	$ 34,699

28. 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 $149.9 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 $27.6 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 $0.9 million (December 31, 2021 – $1.2 million) with a total obligation of $18.2 million (December 31, 2021 – $19.5 million).

29. RELATED PARTY TRANSACTIONS

(a) Subsidiaries of the Trust

The audited annual 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.

(b) Compensation of Key Management Personnel

Aggregate compensation for Trustees and the Chief Executive Officer, Chief Financial Officer and Chief Operating Officer included in corporate expenses is as follows:

	Year ended December 31	
	2022	2021
Salaries and short-term employee benefits	**$ 4,626**	$ 4,574
Unit-based compensation (non-cash compensation expense)	**5,457**	5,188
	$ 10,083	$ 9,762

30. SUBSEQUENT EVENTS

Alberta Neighbourhood Retail Portfolio - Mortgage Financing

On January 26, 2023, First Capital secured $233.7 million of mortgage financing against a portfolio of six Alberta neighbourhood retail properties. Carrying a term of ten-years, the mortgages are due in January 2033. The mortgage portfolio bears interest at an effective interest rate of 5.4% per annum, payable monthly commencing February 26, 2023.

Unitholder Information

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EXECUTIVE LEADERSHIP TEAM

Adam Paul
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Neil Downey
Executive Vice President, Enterprise Strategies and Chief Financial Officer

Jordan Robins
Executive Vice President and Chief Operating Officer

Carmine Francella
Senior Vice President, Real Estate Services

Alison Harnick
Senior Vice President, General Counsel and Corporate Secretary

Michele Walkau
Senior Vice President, Brand & Culture

AUDITOR

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FCR.CA

FIRST
CAPITAL

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