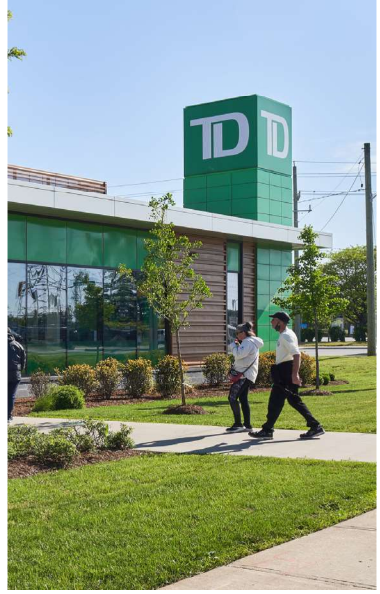


FIRST CAPITAL

2023 SECOND 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. Management believes that the expectations reflected in forward-looking statements are based upon reasonable assumptions; however, Management can give no assurance that actual results will be consistent with these forward-looking statements.

These forward-looking statements are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations, including the matters discussed in the "Risks and Uncertainties" section of First Capital's MD&A for the year ended December 31, 2022 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 or other infectious disease outbreaks on First Capital, that are further described in First Capital's MD&A for the year ended December 31, 2022 under the heading "Risks and Uncertainties – Ongoing Pandemic, Epidemics or New Outbreaks".

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 August 1, 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

144
NEIGHBOURHOODS

22.3M
SQ. FT. OF GLA

>2,400
TENANTS

383
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 2022 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** in targeted super urban and top-tier suburban neighbourhoods
- **Fully integrating retail** with other uses to create thriving properties
- **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

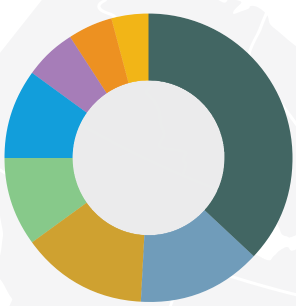
Our target markets

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.

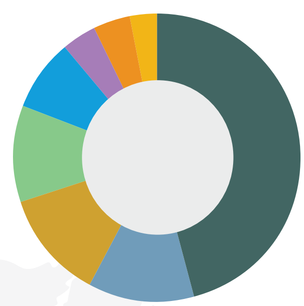
Within each of these markets, we own some of the best located properties in neighbourhoods with strong demographics that we expect will continue to get stronger over time, thereby attracting the most desirable tenants with the highest rent growth potential and the most compelling opportunities for value 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 June 30, 2023



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 – 3,918 locations

	# of Locations	% of Rent
Grocery Stores	123	17.5
Medical, Professional & Personal Services	1,291	15.5
QSR, Chains & Cafes	922	13.2
Other Necessity-Based Retailers	382	12.6
Pharmacies	118	9.2
Other Tenants	470	8.0
Banks & Credit Unions	184	8.1
Value-Based Retailers	83	5.6
Fitness Facilities	81	3.8
Liquor Stores	87	3.1
Other Restaurants	72	1.8
Daycare & Learning Centres	105	1.6

As at June 30, 2023

25 million square feet of incremental density within our existing 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.

31 public art installations across our portfolio

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.

99%

Currently, over 99% of our properties are located within a 5-minute walk to public transit.

84

Our portfolio has a “Walk Score” of 84. It is considered “Very Walkable”, which is the second highest level achievable, where most errands can be accomplished on foot.

295,000

Average population density within a five-kilometre radius of each of our properties, up 90,000 or 44% 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 Vice President of ESG 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), the United Nations Sustainable Development Goals (UNSDGs), and the Task Force on Climate-related Financial Disclosures (TCFD). 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

AAA

'AAA' rating, in the Morgan Stanley Capital International (MSCI) ESG Ratings assessment in 2022

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

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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

- Greenhouse gas (GHG) emissions reduction target approved by Science Based Target Initiative (SBTi): 46% reduction in Scope 1 & 2 emissions by 2030 (2019 base year), with long term goal of reaching net-zero by 2050, or sooner
- 9% reduction in Scope 1 & 2 GHG emissions since 2019 base year (2019-2022)
- 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 84 (very walkable)
- Over 300 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; 80% of our portfolio is certified, as of December 31, 2022
- Certify all new construction projects to Leadership in Energy and Environmental Design (LEED) standards (subject to tenant acceptance); approximately 20% of our portfolio (127 projects) is certified to LEED as of December 31, 2022
- 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); TCFD report included within our 2022 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

- Strong gender diversity metrics achieved through all levels of the organization; over 56% 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 the third consecutive year (2020 - 2022)
- 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 & 2022 as one of Canada's Best Employers for Recent Graduates
- 87% employee engagement score in 2022

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 to fight food insecurity (Second Harvest, food banks) and mental health initiatives (Kids Help Phone)
- In 2022, 82% of FCR staff volunteered 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

Table of Contents

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

INTRODUCTION

This Management's Discussion and Analysis ("MD&A") of the financial position and results of operations of First Capital Real Estate Investment Trust ("First Capital", "FCR" or the "Trust") is intended to provide readers with an assessment of performance and summarize the financial position and results of operations for the three and six months ended June 30, 2023 and 2022. 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 August 1, 2023.

CURRENT BUSINESS ENVIRONMENT AND OUTLOOK

Globally and in Canada, inflation continued to decline throughout the second quarter although at a slower pace than expected. Economic growth in Europe and the US has stalled or is softening in the face of higher interest rates, however consumer spending is proving resilient underpinned principally by tight labour markets. Canada's economy has been stronger than anticipated by most economic forecasters, with persistent excess demand for housing as well as a strong labour market with wage growth estimated at 4-5%. In Canada, inflation measured 4.4% in April, which prompted Canada's central bank to increase the policy rate by 25 basis points in early June followed by a subsequent increase of 25 basis points in mid-July. Subsequent inflation data points, including 3.4% in May and 2.8% in June have been more encouraging, with the latter being the lowest of the last two years. The Bank of Canada is forecasting CPI inflation to hover around 3% for the next year before gradually declining to 2% in the middle of 2025. Notwithstanding recent encouraging trends, the Bank of Canada's revised projections indicate that the return to target is taking longer than anticipated in the face of elevated core inflation and excess demand. Consequently, the Bank of Canada's Governing Council remains concerned that progress towards the 2% target could stall, jeopardizing the return to price stability. With the overnight rate now at a 22 year high of 5.0%, the Governing Council reiterated in its July 2023 statement that "*it will continue to assess the dynamics of core inflation and the outlook for CPI inflation. In particular, we will be evaluating whether the evolution of excess demand, inflation expectations, wage growth and corporate pricing behaviour are consistent with achieving the 2% inflation target. The Bank remains resolute in its commitment to restoring price stability for Canadians*."

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

During the third quarter of 2022, 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.

During the first half of 2023, First Capital continued to execute on the Portfolio Optimization Plan with $124 million of dispositions completed, including (i) the Hazelton Hotel, together with its 50% interest in ONE Restaurant, located in Toronto's Yorkville neighbourhood and (ii) 5146-5164 Queen Mary Road, located in Montreal. To date, First Capital has completed or has under firm agreement, approximately $460 million of dispositions with a cumulative yield of less than 3% under the Plan, demonstrating strong progress on the initiatives that are aimed at driving FFO per unit growth, while further strengthening First Capital’s debt metrics.

As of June 30, 2023, the Trust has classified $224.3 million of its 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 by the end of 2024. As of August 1, 2023, the Trust's liquidity position included approximately $1.1 billion of cash and undrawn credit facilities with debt maturities for 2023 totaling approximately $310 million. As at June 30, 2023, the Trust had unencumbered properties with an IFRS value of approximately $6.3 billion and a net debt to asset ratio of 44.5% as well as a net debt to Adjusted EBITDA ratio that improved to 10.3x (10.1x excluding non-recurring costs related to Unitholder activism) from 10.9x year over year.

Normal Course Issuer Bid ("NCIB")

Since the beginning of 2019, the REIT has completed approximately $1.8 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. On May 16, 2023, First Capital received TSX approval for the renewal of its NCIB pursuant to which it may repurchase and cancel up to 21,148,491 of its outstanding units until May 17, 2024. Cumulatively from May 2022 to June 30, 2023, the REIT has repurchased 7.8 million Trust units for approximately $118.1 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.

As of June 30, 2023, FCR's loans and mortgages receivable totaling $119.7 million (December 31, 2022 - $176.5 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

The Trust's current property disposition program is focused on executing upon the objectives of the Enhanced Capital Allocation and Portfolio Optimization Plan. On a longer-term basis, First Capital's approach to property dispositions is more broadly centered around the following 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. First Capital also 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 June 30, 2023, 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. As of June 30, 2023, pre-development work is underway to facilitate Phase 1 construction.

Outlook

The global economy including Canada's has proven resilient in the face of high inflation. At the same time, labour markets remain tight and measures of core inflation in many advanced economies suggest persistent price pressures, especially for food and services. Economic growth is expected to weaken as the year progresses. Growth in consumption is expected to slow as higher interest rates and increasingly restrictive monetary policy work their way through to consumers and the economy more broadly. Moreover, tightening in the banking sector, particularly in the United States, is also expected to continue to remain a challenging element within corporate credit/lending conditions.

Canada's inflation rate is expected to continue declining over the next few months, although reaching the Bank of Canada's 2% target might prove to be challenging over the next year, as prices for services and wage growth remain elevated.

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 eight 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 eight 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 at FCR's proportionate interest 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 (19.4 million square feet at its ownership interest compared to 22.3 million square feet at 100% as at June 30, 2023). First Capital's operating metrics and GLA excludes residential GLA totaling 184,000 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.

SUMMARY CONSOLIDATED INFORMATION AND HIGHLIGHTS

	Three months ended June 30		Six months ended June 30	
	2023	2022	**2023**	2022
Revenues, Income and Cash Flows [1]				
Revenues and other income	**$ 176,682**	$ 176,647	**$ 357,283**	$ 354,792
NOI [2]	**$ 106,510**	$ 106,141	**$ 209,563**	$ 207,121
Increase (decrease) in value of investment properties, net	**$ (105,553)**	$ (108,636)	**$ (112,925)**	$ (107,597)
Increase (decrease) in value of hotel property	**$ —**	$ —	**$ 3,646**	$ —
Net income (loss) attributable to Unitholders	**$ (29,049)**	$ (42,102)	**$ 19,689**	$ 2,353
Net income (loss) per unit attributable to Unitholders (diluted)	**$ (0.14)**	$ (0.19)	**$ 0.09**	$ 0.01
Weighted average number of units - diluted (in thousands)	**214,056**	220,812	**214,648**	220,829
Cash provided by operating activities	**$ 67,022**	$ 62,305	**$ 95,741**	$ 121,603
Distributions				
Distributions declared	**$ 45,849**	$ 23,544	**$ 91,897**	$ 47,260
Distributions declared per unit	**$ 0.215**	$ 0.108	**$ 0.430**	$ 0.216
Cash distributions paid	**$ 45,868**	$ 23,707	**$ 91,993**	$ 47,418

As at June 30	**2023**	2022
Financial Information [1]		
Investment properties [3]	**$ 8,639,719**	$ 9,092,040
Hotel property [3]	**$ —**	$ 84,509
Total assets	**$ 9,596,650**	$10,057,358
Mortgages [3]	**$ 1,355,838**	$ 1,224,853
Credit facilities	**$ 993,679**	$ 988,017
Senior unsecured debentures	**$ 1,898,898**	$ 2,148,511
Exchangeable Units	**$ 878**	$ 899
Unitholders' equity	**$ 4,194,618**	$ 4,542,689
Net Asset Value per unit [2]	**$ 23.13**	$ 24.46
Capitalization and Leverage		
Trust Units outstanding (in thousands)	**212,197**	215,112
Exchangeable Units outstanding (in thousands)	**60**	60
Enterprise value [2]	**$ 7,298,684**	$ 7,643,157
Net debt to total assets [2] [4]	**44.5%**	44.1%
Net debt to Adjusted EBITDA [2] [4]	**10.3 / 10.1** [5]	10.9
Weighted average term to maturity on mortgages, fixed rate unsecured term loans and senior unsecured debentures (years)	**3.3**	3.9

As at June 30	**2023**	2022
Operational Information		
Number of neighbourhoods	**144**	147
GLA (square feet) - at 100%	**22,334,000**	22,339,000
GLA (square feet) - at ownership interest	**19,425,000**	19,501,000
Occupancy - Same Property - stable [2]	**95.8%**	95.7%
Total portfolio occupancy	**95.9%**	95.6%
Development pipeline and adjacent land (GLA) [6]		
Commercial pipeline (primarily retail)	**1,270,000**	1,697,000
Residential pipeline	**23,489,000**	21,888,000
Weighted average rate per occupied square foot	**$ 22.97**	$ 22.72
Commercial GLA developed and transferred online - at ownership interest [7]	**77,000**	1,000
Cost of GLA developed and brought online – at FCR's share	**$ 38,345**	$ 291
Same Property - stable NOI - increase (decrease) over prior period [2] [8]	**3.1%**	3.9%
Total Same Property NOI - increase (decrease) over prior period [2] [8]	**3.0%**	4.0%

	Three months ended June 30		Six months ended June 30	
	2023	2022	**2023**	2022
Funds from Operations [2] [4]				
FFO	**$ 63,784**	$ 61,241	**$ 117,319**	$ 116,035
FFO per diluted unit	**$ 0.30**	$ 0.28	**$ 0.55**	$ 0.53
FFO payout ratio	**72.1%**	39.0%	**78.6%**	41.1%
Weighted average number of units - diluted (in thousands)	**214,056**	220,812	**214,648**	220,829
Adjusted Funds from Operations [2] [4]				
AFFO	**$ 55,897**	$ 51,719	**$ 99,815**	$ 99,273
AFFO per diluted unit	**$ 0.26**	$ 0.23	**$ 0.47**	$ 0.45
AFFO payout ratio	**82.4%**	46.2%	**92.5%**	48.0%
Weighted average number of units - diluted (in thousands)	**214,056**	220,812	**214,648**	220,829
Adjusted Cash Flow from Operations [2] [4]				
ACFO	**$ 72,789**	$ 76,274	**$ 111,566**	$ 119,375
ACFO payout ratio on a rolling four quarter basis			**70.8%**	37.8%

(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) Net debt to Adjusted EBITDA was 10.3x as at June 30, 2023. Excluding non-recurring costs related to Unitholder activism, the ratio was 10.1x.

(6) At First Capital's ownership interest.

(7) During the six months ended June 30.

(8) 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.

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 June 30, 2023, First Capital had interests in 144 neighbourhoods, which were 95.9% occupied with a total GLA of 19.4 million square feet at FCR's ownership interest (22.3 million square feet at 100%) and a fair value of $9.0 billion. This compares to 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 as at December 31, 2022.

The Same Property portfolio includes properties sub-categorized in Same Property – stable and Same Property with redevelopment. The Same Property portfolio is comprised of 131 neighbourhoods with a total GLA of 18.2 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 91% of FCR's neighbourhood count, 94% of its GLA at FCR's ownership interest and 88% of its fair value as at June 30, 2023.

The balance of FCR’s real estate assets consists of properties which are in various stages of redevelopment, properties acquired in 2023 or 2022 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					**June 30, 2023**					December 31, 2022
Property Type [(1)]	**% of Total GLA**	**GLA (000's sq. ft.)**	**Fair Value** [(2)]	**Occupancy**	**Weighted Average Rate per Occupied Square Foot**	% of Total GLA	GLA (000's sq. ft.)	Fair Value [(2)]	Occupancy	Weighted Average Rate per Occupied Square Foot
Same Property – stable	**91.4%**	**17,758**	**$ 7,716**	**95.8%**	**$ 23.18**	91.7%	17,712	$ 7,832	96.0%	$ 23.21
Same Property with redevelopment	**2.4%**	**457**	**139**	**98.7%**	**17.50**	2.4%	457	139	98.7%	17.31
Total Same Property	**93.8%**	**18,215**	**7,855**	**95.9%**	**23.03**	94.1%	18,169	7,971	96.1%	23.06
Major redevelopment	**4.3%**	**833**	**275**	**95.3%**	**20.39**	3.9%	760	239	90.1%	21.18
Properties under construction	**—%**	**—**	**82**	**—%**	**—**	—%	—	88	—%	—
Acquisitions [(3)]	**1.0%**	**199**	**134**	**95.2%**	**27.25**	1.0%	189	64	94.8%	13.70
Density and Development land [(4)] [(5)]	**0.2%**	**41**	**399**	**91.5%**	**22.12**	0.2%	44	380	98.3%	25.49
Investment properties classified as held for sale	**0.7%**	**137**	**223**	**98.0%**	**24.93**	0.7%	135	199	99.0%	24.69
Dispositions [(6)]	**—%**	**—**	**—**	**—%**	**—**	0.1%	28	102	100.0%	47.26
Total	**100.0%**	**19,425**	**$ 8,968**	**95.9%**	**$ 22.97**	100.0%	19,325	$ 9,043	95.8%	$ 22.95

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

(2) At FCR's proportionate interest, including investment properties classified as held for sale and hotel property at net book value as at June 30, 2023 and December 31, 2022, respectively.

(3) Includes current year and prior year acquisitions.

(4) Approximately $47 million (December 31, 2022 - $33 million) of density and development land is included in acquisitions as at June 30, 2023.

(5) Approximately $147 million (December 31, 2022 - $132 million) of density and development land is included in investment properties classified as held for sale as at June 30, 2023.

(6) Comparative information presented relates to 2023 dispositions that have been completed and no longer form part of these metrics as at June 30, 2023.

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

As at					**June 30, 2023**									
(millions of dollars, except other data) **Area**	**Number of Neighbour-hoods**	**GLA (000's sq. ft.)**	**Fair Value**[(1)]	**% of Total Fair Value**	**Occupancy**	**Weighted Average Rate per Occupied Square Foot**	**% of Annual Minimum Rent**	Number of Neighbour-hoods	GLA (000's sq. ft.)	Fair Value[(1)]	% of Total Fair Value	Occupancy	Weighted Average Rate per Occupied Square Foot	% of Annual Minimum Rent
								December 31, 2022						
Greater Toronto	**51**	**6,895**	**$ 4,290**	**48%**	**95.8%**	**$ 25.95**	**40%**	51	6,754	$ 4,366	48%	95.6%	$ 26.51	40%
Greater Montreal	**27**	**3,580**	**1,137**	**12%**	**95.4%**	**18.19**	**14%**	28	3,606	1,085	12%	94.9%	17.46	14%
Greater Calgary	**15**	**2,356**	**945**	**11%**	**93.8%**	**25.37**	**13%**	15	2,374	998	11%	93.8%	25.23	13%
Greater Vancouver	**15**	**1,608**	**1,035**	**12%**	**96.5%**	**28.23**	**10%**	15	1,607	1,047	12%	97.1%	28.03	10%
Greater Edmonton	**10**	**2,219**	**659**	**7%**	**95.9%**	**19.50**	**10%**	10	2,215	664	7%	97.6%	19.34	10%
Greater Ottawa	**12**	**1,021**	**332**	**4%**	**97.9%**	**19.61**	**5%**	12	1,021	329	4%	97.9%	19.46	5%
KW/Guelph [(2)]	**5**	**990**	**356**	**4%**	**98.5%**	**20.18**	**5%**	5	991	344	4%	99.0%	20.06	5%
Other	**9**	**756**	**214**	**2%**	**97.3%**	**18.47**	**3%**	9	757	210	2%	93.6%	18.64	3%
Total	**144**	**19,425**	**$ 8,968**	**100%**	**95.9%**	**$ 22.97**	**100%**	145	19,325	$ 9,043	100%	95.8%	$ 22.95	100%

(1) At FCR's proportionate interest, including investment properties classified as held for sale and hotel property at net book value as at June 30, 2023 and December 31, 2022, 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:

			Six months ended June 30, 2023
(millions of dollars)	**Consolidated Balance Sheet**	**Adjustments for Proportionate Interest**	**Proportionate Interest [(2)]**
Balance at beginning of year	**$ 8,628**	**$ 324**	**$ 8,952**
Acquisitions			
Investment properties and additional adjacent spaces	**71**	**—**	**71**
Development activities and property improvements	**69**	**2**	**71**
Increase (decrease) in value of investment properties, net	**(113)**	**2**	**(111)**
Dispositions	**(14)**	**—**	**(14)**
Other changes	**(1)**	**—**	**(1)**
Balance at end of period [(1)]	**$ 8,640**	**$ 328**	**$ 8,968**

(1) Includes assets classified as held for sale as at June 30, 2023 totaling $224 million ($223 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, 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 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.

2023 Acquisitions

Income-producing properties

During the six months ended June 30, 2023, First Capital acquired a 50% interest in a Toronto property located at the northeast corner of Bloor and Spadina, and the land under its Centre Commercial Maisonneuve property, in Montreal, as summarized in the table below:

Count	Property Name	City/Province	Quarter Acquired	Interest Acquired	GLA (sq. ft.)	Acreage	Acquisition Cost (in millions)
1.	320 - 326 Bloor Street West	Toronto, ON	Q1	50%	8,979	0.2	$ 15.7
2.	Centre Commercial Maisonneuve	Montreal, QC	Q2	100%	114,514	8.6	55.2
	Total				123,493	8.8	$ 70.9

2023 Dispositions

During the six months ended June 30, 2023, First Capital disposed of the Hazelton Hotel, including its interest in ONE Restaurant, and two residential units, collectively located in Toronto's Yorkville neighbourhood. Additionally, First Capital disposed of a small apartment building with ground floor retail located in Montreal, as summarized in the table below:

Count	Property Name	City/Province	Quarter Sold	Interest Sold	GLA (sq. ft.)	Acreage	Gross Sales Price (in millions)
1.	Yorkville Condo	Toronto, ON	Q1	100%	1,417	—	
2.	Carre Queen-Mary	Montreal, QC	Q2	100%	35,863	0.3	
3.	Yorkville Condo	Toronto, ON	Q2	100%	862	—	
4.	Hazelton Hotel (Yorkville Village) (1)	Toronto, ON	Q2	100%/50%	60,766	—	
	Total				98,908	0.3	$ 124.0

(1) First Capital sold its 100% and 50% interests in the Hazelton Hotel and ONE Restaurant, respectively.

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:

Six months ended June 30		**2023**			2022	
	Capital Expenditures	**Adjustments for Proportionate Interest**	**Proportionate Interest (1)**	Capital Expenditures	Adjustments for Proportionate Interest	Proportionate Interest (1)
Revenue sustaining	**$ 11,590**	**$ 7**	**$ 11,597**	$ 8,745	$ 122	$ 8,867
Revenue enhancing	**15,073**	**121**	**15,194**	13,992	38	14,030
Expenditures recoverable from tenants	**2,913**	**—**	**2,913**	4,265	—	4,265
Development expenditures	**39,011**	**2,477**	**41,488**	25,174	3,603	28,777
Sub-total	**$ 68,587**	**$ 2,605**	**$ 71,192**	$ 52,176	$ 3,763	$ 55,939
Residential Inventory	**$ 21,851**	**$ 5,480**	**$ 27,331**	$ 17,470	$ (1,687)	$ 15,783
Total	**$ 90,438**	**$ 8,085**	**$ 98,523**	$ 69,646	$ 2,076	$ 71,722

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

Capital expenditures for the six months ended June 30, 2023 were $98.5 million, which was $26.8 million higher than the same prior year period due to increased development activities.

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 June 30, 2023 and December 31, 2022:

As at and for the three and six months ended *(millions of dollars)*						**June 30, 2023**
Property Type	**Valuation Method**	**Fair Value**	**Adjustments for Proportionate Interest**	**Proportionate Interest [1]**	**Net Operating Income [1]**	
Same Property - stable	DCF [2]	**$ 7,570**	**$ 146**	**$ 7,716**	**$ 98**	**$ 195**
Same Property with redevelopment	DCF [2]	**139**	**—**	**139**	**2**	**4**
Total Same Property		**$ 7,709**	**$ 146**	**$ 7,855**	**$ 100**	**$ 199**
Major redevelopment	DCF [2], Cost [2]	**275**	**—**	**275**	**4**	**7**
Properties under construction	DCF [2], Cost [2]	**83**	**(1)**	**82**	**—**	**—**
Acquisitions	DCF [2], Cost [2]	**134**	**—**	**134**	**1**	**2**
Density and Development Land [3] [4]	Cost [2], comparable land sales	**215**	**184**	**399**	**—**	**1**
Assets classified as held for sale	DCF [2], comparable land sales	**224**	**(1)**	**223**	**1**	**1**
Dispositions	N/A	**—**	**—**	**—**	**1**	**1**
Total investment properties		**$ 8,640**	**$ 328**	**$ 8,968**	**$ 107**	**$ 211**
NOI related to other investments					**1**	**2**
Total NOI					**$ 108**	**$ 213**

[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 $147 million ($147 million at First Capital's share) of density and development land is included in assets classified as held for sale.

[4] Approximately $47 million ($47 million at First Capital's share) of density and development land is included in acquisitions.

As at and for the twelve months ended *(millions of dollars)*					December 31, 2022
Property Type [1]	Valuation Method	Fair Value	Adjustments for Proportionate Interest	Proportionate Interest [2]	Net Operating Income [2]
Same Property - stable	DCF [3]	$ 7,685	$ 147	$ 7,832	$ 392
Same Property with redevelopment	DCF [3]	139	—	139	8
Total Same Property		$ 7,824	$ 147	$ 7,971	$ 400
Major redevelopment	DCF [3], Cost [3]	239	—	239	12
Properties under construction	DCF [3], Cost [3]	89	(1)	88	—
Acquisitions	DCF [3], Cost [3]	64	—	64	2
Density and Development Land [4][5]	Cost [3], comparable land sales	200	180	380	1
Assets classified as held for sale	DCF [3], comparable land sales	201	(2)	199	4
Dispositions [6]	N/A	11	—	11	7
Total investment properties		$ 8,628	$ 324	$ 8,952	$ 426
NOI related to other investments					4
Total NOI					$ 430

[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 $132 million ($132 million at First Capital's share) of density and development land is included in assets classified as held for sale.

[5] Approximately $33 million ($33 million at First Capital's share) of density and development land is included in acquisitions.

[6] Includes properties that were disposed of in 2023.

The majority of the Trust's portfolio is valued under the Income Approach using the discounted cash flow ("DCF") method. As at June 30, 2023, the weighted average valuation yields (stabilized overall capitalization, terminal capitalization, and discount rates) used in valuing those investment properties under the Income Approach increased from December 31, 2022.

During the second quarter of 2023, as part of its normal course internal valuations, the Trust made revisions to capitalization and discount 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 $105.6 million ($104.5 million at FCR's share) for the three months ended June 30, 2023. For the six months ended June 30, 2023, an overall decrease in the value of investment properties was recorded in the amount of $112.9 million ($111.2 million at FCR's share).

The associated stabilized capitalization rates by major market for FCR's investment properties valued under the Income Approach were as follows as at June 30, 2023 and December 31, 2022:

As at June 30, 2023	**Stabilized Capitalization Rate**		
Area	**Weighted Average**	**Median**	**Range**
Greater Toronto	**4.8%**	**4.8%**	**3.5%-7.3%**
Greater Montreal	**5.9%**	**6.0%**	**5.3%-7.3%**
Greater Calgary	**5.8%**	**5.8%**	**5.5%-6.5%**
Greater Vancouver	**4.4%**	**4.5%**	**3.5%-5.3%**
Greater Edmonton	**6.3%**	**6.0%**	**5.3%-7.0%**
Greater Ottawa	**5.9%**	**5.9%**	**5.3%-6.8%**
KW/Guelph (1)	**5.6%**	**5.5%**	**5.3%-6.0%**
Other	**5.9%**	**5.8%**	**5.0%-7.0%**
Weighted Average	**5.3%**	**5.5%**	**3.5%-7.3%**

As at December 31, 2022	Stabilized Capitalization Rate		
Area	Weighted Average	Median	Range
Greater Toronto	4.8%	4.8%	3.0%-7.3%
Greater Montreal	5.9%	5.9%	5.0%-7.3%
Greater Calgary	5.5%	5.5%	5.3%-6.3%
Greater Vancouver	4.4%	4.3%	3.5%-5.3%
Greater Edmonton	6.3%	6.0%	5.3%-7.0%
Greater Ottawa	5.9%	5.9%	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%	5.3%	3.0%-7.3%

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

Property Development Activities

As at June 30, 2023, the Trust's share of properties under construction, residential inventory and density and development land totaled approximately $868 million. These non-income producing properties represent approximately 9% 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 June 30, 2023, the invested cost of these non-income producing properties was $734 million as compared to a fair value of $868 million. Cumulative gains of approximately $134 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 June 30, 2023, First Capital's portfolio is comprised of 19.4 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 June 30, 2023, Management had identified approximately 24.8 million square feet of incremental density. This incremental density represents an opportunity that exceeds FCR's existing portfolio.

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

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

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

As at June 30, 2023	Square feet *(in thousands)*				Value recognized [1][2]
	Commercial	Residential	Total [1]	Recognized to date [2]	*(in millions)*
Properties under construction	**170**	**24**	**194**	**194**	**$ 82**
Density and development land					
Medium term	1,000	12,300	13,300		
Long term	100	4,400	4,500		
Very long term	—	6,400	6,400		
	1,100	**23,100**	**24,200**	**7,755**	**$ 593**
Residential inventory	**—**	**365**	**365**	**365**	**$ 193**
Total development pipeline	**1,270**	**23,489**	**24,759**	**8,314**	**$ 868**

(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 8.3 million or 34% of FCR's 24.8 million square feet of identified incremental density has been at least partially included as part of the fair value of investment properties and the cost of residential inventory on the proportionate balance sheet.

The value of the Trust's density and development land recognized in the Trust's proportionate balance sheet totaling $593 million, or $76 per buildable 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 June 30, 2023, the invested cost of the density and development land recognized in the Trust's proportionate balance sheet totaled $470 million representing acquisition cost and pre-development costs to date.

As at June 30, 2023 [1] *(in millions)*		Unencumbered	Encumbered	Fair Value
Development land	Unzoned	$ 58	$ 12	$ 70
	Zoned	361	—	361
	Total	**419**	**12**	**431**
IPP with density	Unzoned	73	89	162
	Zoned	—	—	—
	Total	**73**	**89**	**162**
Value of density and development land		**$ 492**	**$ 101**	**$ 593**

[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 June 30, 2023 *(in thousands of square feet)*	**Incremental Density Pipeline**	
	Total	% of Total
Greater Toronto Area	14,406	58.2%
Greater Montreal Area	5,528	22.3%
Greater Vancouver Area	2,590	10.5%
Greater Calgary Area	967	3.9%
Greater Ottawa Area	705	2.8%
Greater Edmonton Area	563	2.3%
Total development pipeline	**24,759**	**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 June 30, 2023, entitlement submissions to date total approximately 16.6 million square feet representing 67% of FCR's 24.8 million incremental density pipeline. To date, 8.3 million square feet has been zoned and the Trust expects up to 1.1 million square feet of existing entitlement submissions to be zoned during 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	5,467
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	327
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**	**9,492**
Dispositions [2]	(1,059)	(117)	(1,176)	—	(1,176)	(1,176)
Total Entitlement Applications Submitted - net	**15,668**	**1,922**	**17,590**	**1,030**	**16,560**	**8,316**

[1] As at June 30, 2023, all pre-2019 entitlement applications have been approved with final zoning as indicated above.

[2] Includes properties that have been fully or partially disposed of for which entitlements had been previously submitted and zoning received.

First Capital has 8.2 million square feet of additional incremental density which includes 7.6 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.	Appleby Square	Appleby	Burlington, ON	100%
6.	Harwood Plaza	Harwood Ave. S. / Bayly St. W.	Ajax, ON	100%
7.	1000 Wellington St.	Griffintown	Montreal, QC	100%
8.	Centre Commercial Domaine	Longue-Pointe	Montreal, QC	100%
9.	Centre Commercial Van Horne	Cote-Des-Neiges	Montreal, QC	100%
10.	Galeries Normandie	Hwy. 15/Rue de Salaberry	Montreal, QC	100%
11.	Place Provencher	Saint - Leonard	Montreal, QC	100%
12.	Le Campanile & Place du Commerce	Nun's Island	Montreal, QC	100%
13.	Place Michelet	Saint - Leonard	Montreal, QC	100%
14.	Scott 72 Shopping Centre	120 St./72 Ave.	Delta, BC	100%
15.	Semiahmoo (future phases)	South Surrey	Surrey, BC	100%
16.	Newport Village	Macleod Trail SE/Southland Dr. SE	Calgary, AB	100%
17.	Mount Royal Village East	Beltline	Calgary, AB	100%
18.	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.

2023 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 six months ended June 30, 2023, First Capital completed the transfer of 77,000 square feet of new retail space to the income-producing portfolio at a total cost of $38.3 million which includes a portion for land. The retail space transferred was located in super urban neighbourhoods and became occupied at an average rental rate of $20.59 per square foot or approximately $1.6 million in annual NOI.

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 June 30, 2023 are as follows:

As at June 30, 2023					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)	H2 2023	38	24	5	29
Brampton Corners, Brampton, ON	100%	Retail	H2 2023	—	—	4	4
Cedarbrae Mall, Toronto, ON	100%	Retail	H1 2024	—	—	63	63
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)	H2 2028	22	92	—	92
		Mixed-Use (retail)	H2 2028	—	—	21	21
Total at FCR's share [2]				**382**	**389**	**170**	**559**

(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 June 30, 2023	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]	Income-Producing Properties [1]	Residential Development Inventory [1]	Total [1]
Stanley Park Mall, Kitchener, ON	$ 20	$ 2	$ 22	$ 20	$ —	$ —	$ 20
200 West Esplanade, Vancouver, BC	21	7	28	21	—	—	21
Brampton Corners, Brampton, ON	1	3	4	1	—	—	1
Cedarbrae Mall, Toronto, ON [2][3]	45	10	55	19	36	—	55
Edenbridge Condos, Toronto, ON (residential)	45	71	116	—	—	45	45
Edenbridge Condos, Toronto, ON (retail)	1	5	6	1	—	—	1
400 King St. W., Toronto, ON (residential)	77	93	170	—	—	77	77
400 King St. W., Toronto, ON (retail)	5	12	17	7	—	—	7
138 Yorkville Ave., Toronto, ON (residential)	71	TBD	TBD	—	—	71	71
138 Yorkville Ave., Toronto, ON (retail)	13	TBD	TBD	13	—	—	13
Total at FCR's share [1]	**$ 299**	**$ 203**	**$ 502**	**$ 82**	**$ 36**	**$ 193**	**$ 311**

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

(2) First Capital completed the transfer of 74,000 square feet of new retail space at a total cost of $36.2 million.

(3) 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. The pad was successfully turned over to the tenant this Spring. 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 and interior fit-out work is well underway, on track for occupancy of the building in-late 2023. 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 includes 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 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 progressing well, with 74,000 square feet of completed space already turned over to the new tenants.

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 89% of the units have been pre-sold. The project has reached grade level, and above-grade formwork is progressing well. 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. Underground formwork is progressing well and the project is approaching grade level. 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 shopping centre. Site excavation and shoring is underway. The Trust's co-development partner in the project is Greybrook Realty Partners.

Brampton Corners

Brampton Corners, Brampton, is a new 4,150-square foot pad building which will accommodate an on-site relocation of the existing National Bank branch. This new home for National Bank secures a longer tenure for the tenant on site and will allow FCR to re-lease the existing space to a new retailer. The building is under construction and on track to be turned over to the tenant in-late 2023.

Leasing and Occupancy

As at June 30, 2023, total portfolio occupancy decreased 0.3% to 95.9%, while Same Property occupancy decreased 0.4% to 95.9% compared to March 31, 2023 occupancy rates. Total portfolio occupancy increased 0.1% to 95.9% primarily due to vacant space taken off-line for redevelopment, while Same Property occupancy decreased 0.2% to 95.9% compared to December 31, 2022.

For the six months ended June 30, 2023, the monthly average occupancy for the total portfolio was 95.9% compared to 95.6%, and the Same Property portfolio occupancy was 96.0% compared to 95.8% for the same prior year period, respectively.

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

As at	**June 30, 2023**			December 31, 2022		
(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	**17,020**	**95.8%**	**$ 23.18**	17,002	96.0%	$ 23.21
Same Property with redevelopment	**451**	**98.7%**	**17.50**	451	98.7%	17.31
Total Same Property	**17,471**	**95.9%**	**23.03**	17,453	96.1%	23.06
Major redevelopment	**794**	**95.3%**	**20.39**	685	90.1%	21.18
Assets classified as held for sale	**134**	**98.0%**	**24.93**	133	99.0%	24.69
Total portfolio before acquisitions and dispositions	**18,399**	**95.9%**	**22.93**	18,271	95.8%	23.00
Acquisitions [1]	**189**	**95.2%**	**27.25**	180	94.8%	13.70
Dispositions [2]	**—**	**—%**	**—**	28	100.0%	47.26
Density and Development land	**37**	**91.5%**	**22.12**	42	98.3%	25.49
Total [3]	**18,625**	**95.9%**	**$ 22.97**	18,521	95.8%	$ 22.95

(1) Includes current year and prior year acquisitions.

(2) Comparative information presented relates to 2023 dispositions that have been completed and no longer form part of these metrics as at June 30, 2023.

(3) At FCR's ownership interest.

During the three months ended June 30, 2023, First Capital completed 510,000 square feet of lease renewals across the portfolio. First Capital achieved a 14.0% 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 June 30, 2023, First Capital achieved a 16.0% 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 decreased 0.4% from $23.06 as at March 31, 2023 to $22.97 as at June 30, 2023 primarily due to net closures, temporary tenants and dispositions, partially offset by rent escalations and renewals lifts.

Changes in First Capital's gross leasable area and occupancy for the total portfolio for the three months ended June 30, 2023 are set out below:

Three months ended June 30, 2023	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
March 31, 2023 [2]	**17,563**	**96.3%**	**$ 23.18**	**1,108**	**94.9%**	**$ 21.19**	**—**	**—%**	**744**	**3.8%**	**19,415**	**96.2%**	**$ 23.06**
Tenant possession	136		15.48	8		22.83	—		(144)		—		15.90
Tenant closures	(222)		(29.15)	(8)		(37.24)	—		230		—		(29.41)
Tenant closures for redevelopment	(8)		(27.69)	—		—	—		8		—		(27.69)
Developments – tenants coming online [3]	—		—	74		20.12	—		—		74		20.12
Redevelopments – tenant possession	—		—	—		—	—		—		—		—
Demolitions	—		—	—		—	—		—		—		—
Reclassification	2		—	(115)		—	—		(38)		(151)		—
Total portfolio before Q2 2023 acquisitions and dispositions	17,471	95.9%	$ 23.03	1,067	95.1%	$ 21.95	—	—%	800	4.1%	19,338	95.9%	$ 22.97
Acquisitions (at date of acquisition)	—	—%	—	115	100.0%	30.09	—	—%	—		115	100.0%	30.09
Dispositions (at date of disposition)	—	—%	—	(28)	100.0%	(49.45)	—	—%	—		(28)	100.0%	(49.45)
June 30, 2023	**17,471**	**95.9%**	**$ 23.03**	**1,154**	**95.4%**	**$ 22.09**	**—**	**—%**	**800**	**4.1%**	**19,425**	**95.9%**	**$ 22.97**
Renewals	484		$ 20.88	26		$ 13.18					510		$ 20.49
Renewals – expired	(484)		$ (18.35)	(26)		$ (11.05)					(510)		$ (17.98)
Net change per square foot from renewals			$ 2.53			$ 2.13							$ 2.51
% Increase on renewal of expiring rents (first year of renewal term)			13.8%			19.3%							14.0%
% increase on renewal of expiring rents (average rate in renewal term)													16.0%

(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 – 2023 Development and Redevelopment Coming Online and Space Going Offline" section of this MD&A.

During the six months ended June 30, 2023, First Capital completed 1,160,000 square feet of lease renewals across the portfolio. First Capital achieved an 11.2% 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 six months ended June 30, 2023, First Capital achieved a 13.0% lease renewal rate increase when comparing the average net rental rate over the renewal term to the net rental rate in the last year of the expiring term.

The average rental rate per occupied square foot for the total portfolio increased 0.1% from $22.95 as at December 31, 2022 to $22.97 as at June 30, 2023 primarily due to rent escalations and renewal lifts, largely offset by net closures, temporary tenants and dispositions.

Changes in First Capital's gross leasable area and occupancy for the total portfolio for the six months ended June 30, 2023 are set out below:

Six months ended June 30, 2023	Total Same Property			Major redevelopment, ground-up, acquisitions, dispositions, density & development land			Vacancy				Total Portfolio [1]		
	Occupied Square Feet (thousands)	%	Weighted Average Rate per Occupied Square Foot	Occupied Square Feet (thousands)	%	Weighted Average Rate per Occupied Square Foot	Under Redevelop-ment Square Feet (thousands)	%	Vacant Square Feet (thousands)	%	Total Square Feet (thousands)	Occupied Square Feet %	Weighted Average Rate per Occupied Square Foot
December 31, 2022 [2]	**17,453**	**96.1%**	**$ 23.06**	**1,068**	**92.4%**	**$ 21.21**	**—**	**— %**	**804**	**4.2%**	**19,325**	**95.8%**	**$ 22.95**
Tenant possession	234		23.04	66		14.79	—		(300)		—		21.23
Tenant closures	(309)		(26.68)	(34)		(21.23)	—		343		—		(26.14)
Tenant closures for redevelopment	(8)		(27.69)	—		—	—		8		—		(27.69)
Developments – tenants coming online [3]	3		31.77	74		20.12	—		—		77		20.59
Redevelopments – tenant possession	—		—	—		—	—		—		—		—
Demolitions	—		—	—		—	—		—		—		—
Reclassification	98		—	(114)		—	—		(56)		(72)		—
Total portfolio before 2023 acquisitions and dispositions	17,471	95.9%	$ 23.03	1,060	95.1%	$ 21.72	—	—%	799	4.1%	19,330	95.9%	$ 22.96
Acquisitions (at date of acquisition)	—	—%	—	122	99.2%	31.56	—	—%	1		123	99.1%	31.56
Dispositions (at date of disposition)	—	—%	—	(28)	100.0%	(49.45)	—	—%	—		(28)	100.0%	(49.45)
June 30, 2023	**17,471**	**95.9%**	**$ 23.03**	**1,154**	**95.4%**	**$ 22.09**	**—**	**—%**	**800**	**4.1%**	**19,425**	**95.9%**	**$ 22.97**
Renewals	1,118		$ 21.56	42		$ 17.41					1,160		$ 21.41
Renewals – expired	(1,118)		$ (19.40)	(42)		$ (15.28)					(1,160)		$ (19.25)
Net change per square foot from renewals			$ 2.16			$ 2.13							$ 2.16
% Increase on renewal of expiring rents (first year of renewal term)			11.1%			13.9%							11.2%
% increase on renewal of expiring rents (average rate in renewal term)													13.0%

[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 – 2023 Development and Redevelopment Coming Online and Space Going Offline" section of this MD&A.

Top Forty Tenants

As at June 30, 2023, 54.8% of First Capital's annualized minimum rent came from its top 40 tenants (December 31, 2022 – 55.1%). Of these rents, 72.9% (December 31, 2022 – 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 June 30, 2023, 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	1,916	10.3%	10.5%	BBB (high)	BBB	
2.	Sobeys	50	1,389	7.4%	5.5%	BBB	BBB-	
3.	Metro	35	885	4.7%	3.2%	BBB	BBB	
4.	Canadian Tire	20	651	3.5%	3.0%	BBB	BBB	
5.	Walmart	10	1,018	5.5%	2.1%	AA	AA	Aa2
6.	TD Canada Trust	43	194	1.0%	2.0%	AA (high)	AA-	Aa1
7.	Save-On-Foods	9	324	1.7%	1.9%			
8.	Dollarama	50	458	2.5%	1.9%	BBB	BBB	Baa2
9.	GoodLife Fitness	26	479	2.6%	1.8%			B2
10.	RBC Royal Bank	35	186	1.0%	1.6%	AA (high)	AA-	Aa1
Top 10 Tenants Total		**373**	**7,500**	**40.2%**	**33.5%**			
11.	RONA	4	361	1.9%	1.4%			
12.	CIBC	33	167	0.9%	1.4%	AA	A+	Aa2
13.	LCBO	22	192	1.0%	1.3%	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.	Scotiabank	26	123	0.7%	1.1%	AA	A+	Aa2
17.	Longo's [3]	5	196	1.1%	1.1%			
18.	Restaurant Brands International	53	118	0.6%	1.1%		BB	Ba3
19.	BMO	25	102	0.5%	1.0%	AA	A+	Aa2
20.	London Drugs	7	174	0.9%	0.9%			
21.	Recipe Unlimited	29	111	0.6%	0.8%			
22.	Petsmart	7	118	0.6%	0.7%		B+	B1
23.	Staples	7	140	0.8%	0.7%		B	B3
24.	Whole Foods Market	2	90	0.5%	0.6%		AA-	A1
25.	Toys "R" Us	4	141	0.8%	0.6%			
26.	Starbucks	32	45	0.2%	0.6%		BBB+	Baa1
27.	Pusateri's	1	35	0.2%	0.5%			
28.	McDonald's	20	72	0.4%	0.5%		BBB+	Baa1
29.	Subway	59	58	0.3%	0.5%			
30.	The Beer Store	10	59	0.3%	0.5%	AA (low)	A+	Aa3
31.	The Home Depot	2	153	0.8%	0.4%	A	A	A2
32.	Williams-Sonoma	2	38	0.2%	0.4%			
33.	Alcanna Inc.	14	43	0.2%	0.4%			
34.	Pet Valu	19	51	0.3%	0.4%			
35.	Michaels	3	54	0.3%	0.3%		B-	B3
36.	Goodwill	5	57	0.3%	0.3%			
37.	Indigo	3	54	0.3%	0.3%			
38.	Bulk Barn	10	46	0.2%	0.3%			
39.	Home Hardware	5	67	0.4%	0.3%			
40.	Yum! Brands	20	31	0.2%	0.3%		BB+	Ba2
Top 40 Tenants Total		**839**	**10,880**	**58.3%**	**54.8%**			

[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 June 30, 2023, 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]	173	354	1.8%	$ 7,985	1.7%	$ 22.56
2023	238	817	4.2%	17,244	3.7%	21.12
2024	579	2,211	11.4%	49,505	10.7%	22.39
2025	585	2,455	12.6%	59,506	12.9%	24.23
2026	505	1,887	9.7%	49,648	10.7%	26.30
2027	567	2,651	13.6%	67,332	14.5%	25.40
2028	466	2,584	13.3%	61,343	13.2%	23.74
2029	200	1,118	5.8%	28,583	6.2%	25.56
2030	149	789	4.1%	21,032	4.5%	26.64
2031	143	831	4.3%	22,267	4.8%	26.80
2032	147	858	4.4%	21,943	4.7%	25.57
2033	114	630	3.2%	16,459	3.6%	26.11
Thereafter	74	1,440	7.5%	40,575	8.8%	28.20
Total or Weighted Average	3,940	18,625	95.9%	$ 463,422	100.0%	$ 24.88

[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 June 30, 2023, excluding contractual renewal options, but including month-to-month and other short-term leases.

Investment in Joint Ventures

As at June 30, 2023, First Capital had interests in eight 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 June 30, 2023	Effective Ownership December 31, 2022
Aukland and Main Developments LP	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 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 [1]	116 Yorkville Ave. (ONE restaurant)	Toronto, ON	**—%**	50.0%
Stackt Properties LP	Shipping Container marketplace	Toronto, ON	**94.0%**	94.0%

[1] During the second quarter of 2023, the Trust disposed of its 50% interest of the partnership units in the ONE Restaurant located in the Hazelton Hotel.

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 six months ended June 30, 2023 and year ended December 31, 2022:

		June 30, 2023		December 31, 2022
Balance at beginning of year	**$**	**357,122**	$	349,488
Contributions to equity accounted joint ventures		**1,552**		12,491
Distributions from equity accounted joint ventures		**(2,166)**		(4,658)
Disposition of equity accounted joint venture		**(3,074)**		—
Share of income (loss) from equity accounted joint ventures		**2,140**		(199)
Balance at end of period	**$**	**355,574**	$	357,122

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) during the first quarter of 2022.

On June 9, 2023, the Trust sold its 50% interest of the partnership units in the ONE Restaurant for $5.0 million. The sale was subject to working capital and closing adjustments of $0.9 million with the Trust receiving net proceeds of $4.1 million. The total gain on investment of $1.0 million was recognized in other gains (losses) and (expenses) during the second quarter of 2023.

Hotel Property

First Capital owned 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 six months ended June 30, 2023 and year ended December 31, 2022.

		June 30, 2023		December 31, 2022
Balance at beginning of year	**$**	**90,600**	$	85,400
Amortization		**(821)**		(1,910)
Additions		**906**		202
Revaluation of hotel property [1]		**14,315**		6,908
Disposition		**(105,000)**		—
		—		90,600
Reclassification to assets classified as held for sale		**—**		(45,300)
Balance at end of period	**$**	**—**	$	45,300

[1] The revaluation gain of $14.3 million was recognized primarily through other comprehensive income (loss) of $10.7 million in accordance with the revaluation model accounting for the hotel. The remaining $3.6 million revaluation gain was recognized in the consolidated statements of income (loss) to recover cumulative losses historically recorded to the consolidated statements of income (loss).

On June 9, 2023, First Capital sold it's 100% interest in the hotel property. The total sale price before closing costs was $105.0 million. First Capital recognized a cumulative gain on the sale of the hotel property of $8.9 million that was recognized in retained earnings in accordance with the Trust's accounting policy for the hotel. The Trust also incurred closing costs of $1.2 million, which were expensed in 'Other gains (losses) and (expenses)' in the consolidated statements of income (loss) for the six months ended June 30, 2023.

The following table summarizes the invested cost of the assets sold and net gain recognized in retained earnings as at the disposition date.

Sale price	$	105,000
Closing adjustments [1]		(1,023)
Sale price, net	$	103,977
Hotel Property, invested cost		(94,331)
Working capital, net [1]		(741)
Net gain on disposal of hotel property [2]	**$**	**8,905**

Sale price, net	$	103,977
Property selling costs		(1,202)
Net proceeds received	$	102,775

[1] Excludes cash.

[2] In accordance with the revaluation model accounting for the hotel, the gain of $8.9 million was transferred directly to retained earnings upon sale.

Loans, Mortgages and Other Assets

As at		**June 30, 2023**		December 31, 2022
Non-current				
Loans and mortgages receivable classified as amortized cost (a)(b)	**$**	**81,350**	$	136,352
Other investments		**10,450**		9,595
Due from co-owners (c)		**35,862**		22,703
Total non-current		**127,662**		168,650
Current				
Loans and mortgages receivable classified as FVTPL (a)		**1,521**		1,506
Loans and mortgages receivable classified as amortized cost (a)(b)		**36,868**		38,641
FVTPL investments in securities (d)		**3,076**		3,334
Total current		**41,465**		43,481
Total	**$**	**169,127**	$	212,131

(a) Loans and mortgages receivable are secured by interests in investment properties or shares of entities owning investment properties. As at June 30, 2023, these receivables bear interest at weighted average effective interest rates of 8.0% (December 31, 2022 – 6.9%) 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 was repaid on January 16, 2023. The loan was not subject to interest until December 31, 2022 and thereafter was subject to 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) The Trust has 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 $34.2 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 June 30			Six months ended June 30		
	% change	**2023**	2022	**% change**	**2023**	2022
Property rental revenue						
Base rent [1]		**$ 106,813**	$ 107,941		**$ 213,681**	$ 214,217
Operating cost recoveries		**26,948**	25,042		**56,726**	53,898
Realty tax recoveries		**28,737**	29,729		**59,256**	60,857
Lease termination fees		**75**	55		**210**	119
Percentage rent		**968**	645		**1,611**	1,202
Straight-line rent adjustment		**(1,142)**	361		**(851)**	601
Prior year operating cost and tax recovery adjustments		**1,354**	1,154		**1,478**	1,054
Temporary tenants, storage, parking and other [2]		**8,151**	7,679		**15,803**	13,134
Total Property rental revenue	**(0.4%)**	**171,904**	172,606	**0.8%**	**347,914**	345,082
Property operating costs						
Recoverable operating expenses		**29,954**	28,146		**63,683**	60,315
Recoverable realty tax expense		**32,399**	33,453		**67,051**	68,518
Prior year realty tax expense (recovery)		**(133)**	63		**(140)**	(101)
Other operating costs and adjustments [3]		**3,174**	4,803		**7,757**	9,229
Total Property operating costs		**65,394**	66,465		**138,351**	137,961
NOI [4]	**0.3%**	**$ 106,510**	$ 106,141	**1.2%**	**$ 209,563**	$ 207,121
NOI margin		**62.0%**	61.5%		**60.2%**	60.0%

(1) Includes residential revenue.

(2) Includes hotel property revenue.

(3) Includes residential operating costs, hotel property operating costs and bad debt expense. For the three and six months ended June 30, 2023, bad debt expense (recovery) totaled $Nil, respectively (three months ended June 30, 2022 - $0.5 million and $0.9 million, respectively).

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

For the three and six months ended June 30, 2023, total NOI increased $0.4 million and $2.4 million, respectively, compared to the same prior year periods. For the three months ended June 30, 2023, the increase was primarily due to higher residential NOI, variable revenues, and rent escalations, partially offset by the impact of dispositions. For the six months ended June 30, 2023, the increase was primarily due to rent escalations and higher variable revenues, partially offset by the impact of dispositions.

For the three and six months ended June 30, 2023, the NOI margin increased 0.5% and 0.2% to 62.0% and 60.2%, respectively, compared to the same prior year periods primarily due to rent escalations and higher variable revenues.

For the three and six months ended June 30, 2023, property operating costs include $6.3 million and $12.7 million, respectively, (three and six months ended June 30, 2022 –$5.7 million and $11.6 million, respectively) related to employee compensation.

Same Property NOI Growth

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

	Three months ended June 30			Six months ended June 30		
	% change	**2023**	2022	**% change**	**2023**	2022
Property rental revenue						
Base rent [1]		**$ 102,855**	$ 101,110		**$ 205,988**	$ 200,557
Operating cost recoveries		**25,603**	23,654		**53,942**	50,955
Realty tax recoveries		**27,302**	28,022		**56,465**	57,539
Lease termination fees		**20**	55		**155**	119
Percentage rent		**729**	604		**1,252**	1,116
Prior year operating cost and tax recovery adjustments		**1,111**	1,062		**1,203**	992
Temporary tenants, storage, parking and other [2]		**4,617**	4,283		**9,201**	8,158
Total Same Property rental revenue		**162,237**	158,790		**328,206**	319,436
Property operating costs						
Recoverable operating expenses		**28,175**	26,274		**59,966**	56,375
Recoverable realty tax expense		**30,504**	31,261		**63,215**	64,226
Prior year realty tax expense		**22**	83		**15**	(82)
Other operating costs and adjustments [3]		**2,123**	1,930		**4,392**	4,226
Total Same Property operating costs		**60,824**	59,548		**127,588**	124,745
Total Same Property NOI [4]	**2.2%**	**$ 101,413**	$ 99,242	**3.0%**	**$ 200,618**	$ 194,691
Major redevelopment		**3,772**	2,913		**6,911**	6,039
Acquisitions – 2023		**773**	330		**1,178**	638
Acquisitions – 2022		**311**	(9)		**676**	33
Assets classified as held for sale		**696**	1,105		**1,430**	2,117
Dispositions – 2023		**1,558**	1,255		**1,925**	795
Dispositions – 2022		**406**	2,026		**243**	3,818
Straight-line rent adjustment		**(1,135)**	369		**(834)**	620
Development land		**51**	(32)		**542**	(48)
NOI at First Capital's proportionate interest [4]	**0.6%**	**$ 107,845**	$ 107,199	**1.9%**	**$ 212,689**	$ 208,703
NOI related to equity accounted joint ventures & NCI		**(1,335)**	(1,058)		**(3,126)**	(1,582)
NOI per consolidated statements of income (loss)		**$ 106,510**	$ 106,141		**$ 209,563**	$ 207,121
NOI margin		**62.0%**	61.5%		**60.2%**	60.0%

(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 June 30		Six months ended June 30	
	2023	2022 [1]	**2023**	2022 [1]
Same Property – Stable	**2.2%**	5.6%	**3.1%**	3.9%
Same Property with redevelopment	**(0.1%)**	22.2%	**1.9%**	10.4%
Total Same Property NOI Growth [2]	**2.2%**	6.0%	**3.0%**	4.0%

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

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

For the three and six months ended June 30, 2023, SP NOI increased by $2.2 million and $5.9 million, or 2.2% and 3.0%, respectively, primarily due to rent escalations and higher variable revenues over the same prior year periods.

Interest and Other Income

	Three months ended June 30		Six months ended June 30	
	2023	2022	**2023**	2022
Interest, dividend and distribution income from marketable securities and other investments	**$ 752**	$ 102	**$ 1,414**	$ 201
Interest income from loans and mortgages receivable classified as FVTPL	**33**	19	**52**	38
Interest income from loans and mortgages receivable at amortized cost	**2,600**	2,875	**5,245**	6,863
Fees and other income	**1,393**	1,045	**2,658**	2,608
Total	**$ 4,778**	$ 4,041	**$ 9,369**	$ 9,710

For the three months ended June 30, 2023, interest and other income increased $0.7 million compared to prior year primarily due to higher bank interest income as a result of interest rate increases year-over-year.

For the six months ended June 30, 2023, interest and other income decreased $0.3 million compared to prior year primarily due to lower interest income as a result of lower loans and mortgage receivable balances outstanding year-over-year, partially offset by higher bank interest income as a result of interest rate increases year-over-year.

Interest Expense

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

	Three months ended June 30		Six months ended June 30	
	2023	2022	**2023**	2022
Mortgages	**$ 13,906**	$ 11,520	**$ 27,379**	$ 22,750
Credit facilities	**10,893**	7,939	**21,018**	15,523
Senior unsecured debentures	**18,713**	21,309	**37,222**	43,117
Distributions on Exchangeable Units [1]	**13**	10	**26**	21
Interest capitalized	**(4,899)**	(3,283)	**(9,751)**	(7,542)
Interest expense	**$ 38,626**	$ 37,495	**$ 75,894**	$ 73,869

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

For the three and six months ended June 30, 2023, interest expense increased $1.1 million and $2.0 million, respectively, compared to the same prior year periods primarily due to new mortgage borrowings, higher outstanding credit facilities, and higher interest rates year-over-year, partially offset by the repayment of senior unsecured debentures (Series O & Series P).

During the six months ended June 30, 2023 and 2022, approximately 11.4% or $9.8 million, and 9.3% or $7.5 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.

Corporate Expenses

First Capital's corporate expenses are as follows:

	Three months ended June 30		Six months ended June 30	
	2023	2022	**2023**	2022
Salaries, wages and benefits	**$ 7,779**	$ 6,987	**$ 16,319**	$ 14,314
Unit-based compensation	**2,242**	1,591	**4,596**	3,169
Other corporate costs	**3,561**	3,303	**14,538**	6,726
Total corporate expenses	**13,582**	11,881	**35,453**	24,209
Amounts capitalized to investment properties under development	**(1,877)**	(1,639)	**(4,219)**	(3,635)
Corporate expenses	**$ 11,705**	$ 10,242	**$ 31,234**	$ 20,574

For the three months ended June 30, 2023, gross corporate expenses, before capitalization, increased by $1.7 million, over the same prior year period. The increase in corporate expenses is primarily due to higher compensation expense as a result of annual merit increases and higher employee vacancy in 2022.

For the six months ended June 30, 2023, gross corporate expenses, before capitalization, increased by $11.2 million, over the same prior year period. The increase in corporate expenses is primarily due to higher compensation expense as a result of annual merit increases, higher employee vacancy in 2022 as well as approximately $7 million in legal, advisory and settlement costs related to the Unitholder activism incurred during the first quarter of 2023.

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 six months ended June 30, 2023 and 2022, approximately $4.2 million and $3.6 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 June 30	**2023**		2022	
	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	**$ (205)**	**$ (205)**	$ (8,700)	$ (8,700)
Gain on Investment [(1)]	**1,007**	**1,007**	—	—
Pre-selling costs of residential inventory	**(62)**	**(62)**	(9)	(9)
Investment property selling costs	**(1,394)**	**—**	(284)	—
Other	**10**	**10**	30	30
Total per consolidated statements of income (loss)	**$ (644)**	**$ 750**	$ (3,372)	$ (3,088)
Other gains (losses) and (expenses) applicable to NCI	**2**	**2**	3	3
Other gains (losses) and (expenses) under equity accounted joint ventures [(2)]	**(9)**	**(9)**	(38)	(38)
Total at First Capital's proportionate interest [(3)]	**$ (651)**	**$ 743**	$ (3,407)	$ (3,123)

(1) On June 9, 2023, the Trust sold its 50% interest of the partnership units in the ONE Restaurant.

(2) Other gains (losses) and (expenses) under equity accounted joint ventures, included in FFO, is comprised of pre-selling costs of residential inventory of $9.0 thousand (June 30, 2022 - $38.0 thousand).

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

Six months ended June 30		**2023**		2022
	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	**(258)**	**(258)**	(14,728)	(14,728)
Transaction costs	**—**	**—**	(572)	—
Gain on Investment [1]	**1,007**	**1,007**	—	—
Gain (loss) on loan receivable modification	**—**	**—**	(566)	(566)
Pre-selling costs of residential inventory	**(137)**	**(137)**	(16)	(16)
Investment property selling costs	**(1,504)**	**—**	(994)	—
Other	**6**	**6**	23	23
Total per consolidated statements of income (loss)	**$ (886)**	**$ 618**	$ (11,262)	$ (9,696)
Other gains (losses) and (expenses) applicable to NCI	**3**	**3**	5	5
Other gains (losses) and (expenses) under equity accounted joint ventures [2]	**(57)**	**(57)**	(208)	(208)
Total at First Capital's proportionate interest [3]	**$ (940)**	**$ 564**	$ (11,465)	$ (9,899)

(1) On June 9, 2023, the Trust sold its 50% interest of the partnership units in the ONE Restaurant.

(2) Other gains (losses) and (expenses) under equity accounted joint ventures, included in FFO, is comprised of pre-selling costs of residential inventory of $0.1 million (June 30, 2022 - $0.2 million).

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

For the three months ended June 30, 2023, First Capital recognized $0.6 million in other losses in its consolidated statement of income (loss) compared to $3.4 million for the same prior year period. The $2.7 million net change over prior year is primarily due to a $2.3 million net loss incurred in the second quarter of 2022 related to the sale of marketable securities.

For the six months ended June 30, 2023, First Capital recognized $0.9 million in other losses in its consolidated statement of income (loss) compared to $11.3 million for the same prior year period. The $10.4 million net change over prior year is primarily due to a $8.2 million net loss incurred in the prior year related to the sale of marketable securities, a $1.0 million gain on the sale of ONE Restaurant recognized in the second quarter of 2023, and $0.6 million of transaction costs incurred in the first quarter of 2022.

Income Taxes

For the three and six months ended June 30, 2023 and 2022, deferred income tax expense (recovery) totaled ($12.7) million and ($12.8) million, respectively, compared to $0.1 million and $8.0 million, respectively, over the same prior year periods. The decrease of $12.8 million and $20.8 million, respectively, for the three and six months ended June 30, 2023, in deferred income tax expense was primarily due to a decrease in taxable temporary differences applicable to the Trust's corporate subsidiaries.

Net Income (Loss) Attributable to Unitholders

For the three months ended June 30, 2023, net income (loss) attributable to Unitholders was ($29.0) million or ($0.14) per diluted unit compared to ($42.1) million or ($0.19) per diluted unit for the same prior year period. The $13.1 million increase over prior year was primarily due to a $12.8 million decrease in deferred income tax expense.

For the six months ended June 30, 2023, net income (loss) attributable to Unitholders was $19.7 million or $0.09 per diluted unit compared to $2.4 million or $0.01 per diluted unit for the same prior year period. The $17.3 million increase was primarily due to a $20.8 million decrease in deferred income tax expense.

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		**June 30, 2023**		December 31, 2022
Liabilities (principal amounts outstanding)				
Bank indebtedness	**$**	**—**	$	1,594
Mortgages [1]		**1,451,345**		1,235,767
Credit facilities [1]		**985,753**		1,098,235
Senior unsecured debentures		**1,900,000**		1,900,000
Total Debt [1]	**$**	**4,337,098**	$	4,235,596
Cash and cash equivalents [1]		**(141,605)**		(39,827)
Net Debt [1] [2]	**$**	**4,195,493**	$	4,195,769
Exchangeable Units		**878**		1,009
Equity market capitalization [3]		**3,102,313**		3,589,229
Enterprise value [1]	**$**	**7,298,684**	$	7,786,007
Trust Units outstanding (000's)		**212,197**		213,518
Closing market price	**$**	**14.62**	$	16.81

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

(2) Net Debt is a non-IFRS measure that is calculated as the sum of total debt including principal amounts outstanding on credit facilities and mortgages, bank indebtedness and the par value of senior unsecured debentures reduced by the cash balances at the end of the period on a proportionate basis.

(3) Equity market capitalization is the market value of FCR's units outstanding at a point in time. The measure is not defined by IFRS, does not have a standard definition and, as such, may not be comparable to similar measures disclosed by other issuers.

Adjusted EBITDA

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

The following table reconciles First Capital's net income (loss) to Adjusted EBITDA for the three and six months ended June 30, 2023 and 2022:

	Three months ended June 30				Six months ended June 30			
		2023		2022		**2023**		2022
Net income (loss) attributable to Unitholders	**$**	**(29,049)**	$	(42,102)	**$**	**19,689**	$	2,353
Add (deduct) [1]:								
Deferred income tax expense (recovery)		**(12,689)**		62		**(12,843)**		7,954
Interest Expense		**39,710**		37,806		**77,979**		74,511
Amortization expense		**1,598**		2,249		**4,291**		4,361
(Increase) decrease in value of investment properties		**104,541**		109,156		**111,185**		107,604
(Increase) decrease in value of hotel property		**—**		—		**(3,646)**		—
Increase (decrease) in value of Exchangeable Units		**(66)**		(337)		**(131)**		(431)
Increase (decrease) in value of unit-based compensation		**(3,453)**		(8,921)		**(5,910)**		(9,342)
Incremental leasing costs		**1,780**		1,423		**3,828**		3,010
Abandoned transaction (costs) recovery		**2**		43		**6**		53
Other non-cash and/or non-recurring items		**651**		3,407		**940**		11,465
Adjusted EBITDA [1]	**$**	**103,025**	$	102,786	**$**	**195,388**	$	201,538

(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	June 30, 2023	December 31, 2022
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)	**3.3**	3.4
Net debt to total assets [1]	**44.5%**	44.0%
Net debt to Adjusted EBITDA [1]	**10.3**	10.2
Unencumbered aggregate assets [1]	**$ 6,263,951**	$ 6,569,548
Unencumbered aggregate assets to unsecured debt, based on fair value [1]	**2.2**	2.2
Adjusted EBITDA interest coverage [1]	**2.3**	2.4

[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 increased by 0.1 to 10.3, as of June 30, 2023, primarily due to a $6 million decrease 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 May 23, 2023, S&P affirmed FCR's Issuer Rating and issue level debt rating at BBB- with a stable outlook.

On June 23, 2023, 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 June 30, 2023 is summarized in the table below:

As at June 30, 2023	Mortgages (1)	Credit Facilities/Bank Indebtedness (2)	Senior Unsecured Debentures	Total	% Due
2023 (remainder of the year)	$ 18,172	$ 11,331	$ 300,000	$ 329,503	7.8%
2024	144,018	212,212	300,000	656,230	15.4%
2025	100,393	460,948	300,000	861,341	20.3%
2026	124,220	275,000	300,000	699,220	16.5%
2027	108,121	34,188	500,000	642,309	15.1%
2028	171,366	—	200,000	371,366	8.6%
2029	255,876	—	—	255,876	6.0%
2030	181,337	—	—	181,337	4.3%
2031	60,433	—	—	60,433	1.4%
2032	5,369	—	—	5,369	0.1%
2033	190,683	—	—	190,683	4.5%
	$ 1,359,988	$ 993,679	$ 1,900,000	$ 4,253,667	100.0%
Add (deduct): unamortized deferred financing costs, premiums and discounts, net	(4,150)	—	(1,102)	(5,252)	
Total	**$ 1,355,838**	**$ 993,679**	**$ 1,898,898**	**$ 4,248,415**	

(1) Principal amount outstanding for mortgages on a proportionate basis is $1,451,345.

(2) Principal amount outstanding for credit facilities and bank indebtedness on a proportionate basis is $985,753 and $Nil, 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 six months ended June 30, 2023 are set out below:

Six months ended June 30, 2023	Amount	Weighted Average Effective Interest Rate
Balance at beginning of year	$ 1,140,490	3.5%
Mortgage borrowings	233,700	5.1%
Scheduled amortization on mortgages	(17,567)	—%
Amortization of financing costs and net premium	(785)	—%
Balance at end of period	**$ 1,355,838**	**3.8%**

As at June 30, 2023, 100% (December 31, 2022 – 100%) of the outstanding mortgages bore interest at fixed interest rates. The average remaining term on mortgages outstanding was 5.2 years as at June 30, 2023 on $1.4 billion of mortgages (5.0 years as at December 31, 2022 on $1.1 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 June 30, 2023 is summarized in the table below:

As at June 30, 2023	Scheduled Amortization	Payments on Maturity	Total	Weighted Average Effective Interest Rate
2023 (remainder of the year)	$ 18,172	$ —	$ 18,172	N/A
2024	35,540	108,478	144,018	3.7%
2025	33,422	66,971	100,393	3.8%
2026	29,860	94,360	124,220	3.2%
2027	28,258	79,863	108,121	3.6%
2028	25,643	145,723	171,366	3.8%
2029	18,996	236,880	255,876	3.5%
2030	11,962	169,375	181,337	3.3%
2031	5,478	54,955	60,433	3.5%
2032	5,369	—	5,369	N/A
2033	460	190,223	190,683	5.1%
	$ 213,160	**$ 1,146,828**	**$ 1,359,988**	**3.8%**
Add: unamortized deferred financing costs and premiums and discounts, net			(4,150)	
Total			**$ 1,355,838**	

Credit Facilities

First Capital's credit facilities as at June 30, 2023 are summarized in the table below:

As at June 30, 2023	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 2023	$ 250,000	$ —	$ —	$ 250,000	BA + 1.15% or Prime + 0.30% or SOFR + 1.15%	October 31, 2023
Revolving facility maturing 2024	100,000	—	—	100,000	BA + 1.15% or Prime + 0.30% or US$ LIBOR + 1.15%	August 31, 2024
Revolving facility maturing 2028	450,000	—	(3,975)	446,025	BA + 1.45% or Prime + 0.45% or SOFR + 1.45%	June 30, 2028
Fixed rate unsecured term loan maturing 2025 [(1)(2)]	100,000	(100,000)	—	—	5.00%	January 9, 2025
Floating rate unsecured term loan maturing 2025	100,000	(100,000)	—	—	BA + 1.50% or Prime + 0.50%	April 15, 2025
Floating rate unsecured term loan maturing 2025 [(3)]	150,000	(145,640)	—	4,360	BA + 1.45% or Prime + 0.45% or SOFR + 1.45%	November 29, 2025
Fixed rate unsecured term loans maturing 2024 - 2026 [(2)]	550,000	(550,000)	—	—	3.29%	March 28, 2024 - April 15, 2026
Secured Construction Facilities						
Maturing 2024	19,321	(12,212)	—	7,109	Prime - 0.25%	June 1, 2024
Maturing 2025	62,665	(40,571)	—	22,094	BA + 2.50% or Prime + 1.00%	October 1, 2025
Maturing 2027 [(4)(5)]	171,750	(34,188)	(295)	112,324	BA + 2.30%	January 20, 2027
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
Sub-Total	**$ 1,964,804**	**$ (993,679)**	**$ (4,270)**	**$ 941,912**		
Proportionate Adjustments - Secured Construction Facilities						
Maturing 2025 [(6)]	71,450	(2,029)	—	69,421	BA + 2.65% or Prime + 1.00%	November 28, 2025
Secured Construction Facility applicable to NCI	(50,014)	9,955	86	(32,709)		
Total	**$ 1,986,240**	**$ (985,753)**	**$ (4,184)**	**$ 978,624**		

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

(2) 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.

(3) The Trust has drawn in U.S. dollars the equivalent of CAD$150.0 million which was revalued at CAD$145.6 million as at June 30, 2023.

(4) The available to be drawn amount is reduced by the Trust's equity injections into the project where it has chosen not to draw on the facility and other adjustments in accordance with the facility agreement.

(5) This secured construction facility, maturing 2027, is subject to a 29.12% non-controlling interest, see proportionate adjustment below. Refer to the "Non-IFRS Financial Measures" section of this MD&A.

(6) This secured construction facility relates to one of the Trust's joint ventures that is equity accounted.

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.

Senior Unsecured Debentures

As at June 30, 2023			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%	0.3	300,000
R	August 30, 2024	February 28, August 30	4.79%	4.72%	1.2	300,000
S	July 31, 2025	January 31, July 31	4.32%	4.24%	2.1	300,000
T	May 6, 2026	May 6, November 6	3.60%	3.57%	2.9	300,000
V	January 22, 2027	January 22, July 22	3.46%	3.54%	3.6	200,000
U	July 12, 2027	January 12, July 12	3.75%	3.82%	4.0	300,000
A	March 1, 2028	March 1, September 1	3.45%	3.54%	4.7	200,000
Weighted Average or Total			**3.94%**	**3.95%**	**2.5**	**$ 1,900,000**

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

Unitholders' Equity

Unitholders’ equity amounted to $4.2 billion as at June 30, 2023, compared to Unitholders' equity of $4.3 billion as at December 31, 2022. The decrease is primarily attributed to the repurchase of Trust Units and higher distributions, partially offset by higher net income and other comprehensive income for the six months ended June 30, 2023.

As at July 31, 2023, there were 212.2 million Trust Units and 0.1 million Exchangeable Units outstanding.

Normal Course Issuer Bid (“NCIB”)

On May 16, 2023, First Capital received TSX approval for the renewal of its NCIB pursuant to which it may repurchase and cancel up to 21,148,491 of its outstanding Units until May 17, 2024.

For the six months ended June 30, 2023, the Trust acquired and cancelled 1.5 million Units (June 30, 2022 - 4.6 million) at a weighted average purchase price of $15.36 per unit (June 30, 2022 - $15.24), for a total cost of $23.7 million (June 30, 2022 - $70.8 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 $3.3 million (June 30, 2022 - $9.4 million). On a cumulative basis, as of June 30, 2023, the Trust has acquired and cancelled 7.8 million Units at a weighted average purchase price of $15.18 per unit, for a total cost of $118.1 million.

Unit Options

As at June 30, 2023, First Capital had 5.6 million unit options outstanding, with an average exercise price of $19.79, which, if exercised, would result in First Capital receiving proceeds of $111.5 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)		**June 30, 2023**		December 31, 2022
Total available under credit facilities	**$**	**942**	$	846
Cash and cash equivalents	**$**	**139**	$	33
Unencumbered aggregate assets	**$**	**6,264**	$	6,570

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 June 30, 2023, 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 June 30				Six months ended June 30			
		2023		2022		**2023**		2022
Cash provided by (used in) operating activities	**$**	**67,022**	$	62,305	**$**	**95,741**	$	121,603
Cash provided by (used in) financing activities		**(35,889)**		(166,471)		**(9,584)**		(148,619)
Cash provided by (used in) investing activities		**27,912**		91,852		**19,845**		26,226
Net change in cash and cash equivalents	**$**	**59,045**	$	(12,314)	**$**	**106,002**	$	(790)

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

	Three months ended June 30				Six months ended June 30			
		2023		2022		**2023**		2022
Cash provided by operating activities	**$**	**67,022**	$	62,305	**$**	**95,741**	$	121,603
Distributions declared		**(45,849)**		(23,544)		**(91,897)**		(47,260)
Excess (shortfall) of cash provided by operating activities over distributions declared	**$**	**21,173**	$	38,761	**$**	**3,844**	$	74,343

Cash provided by operating activities exceeded distributions declared for the three and six months ended June 30, 2023 and 2022.

Contractual Obligations

An analysis of First Capital's contractual maturities of its material financial liabilities and other contractual commitments, as at June 30, 2023 is set out below:

As at June 30, 2023	Payments due by period				
	Remainder of 2023	2024 to 2025	2026 to 2027	Thereafter	Total
Scheduled mortgage principal amortization	$ 18,172	$ 68,962	$ 58,118	$ 67,908	$ 213,160
Mortgage principal repayments on maturity	—	175,449	174,223	797,156	1,146,828
Credit facilities and bank indebtedness	11,331	673,160	309,188	—	993,679
Senior unsecured debentures	300,000	600,000	800,000	200,000	1,900,000
Interest obligations [1]	84,369	255,836	119,274	90,102	549,581
Land leases (expiring between 2023 and 2061)	355	1,347	1,325	16,285	19,312
Contractually committed costs to complete current development projects [2]	27,021	81,414	—	—	108,435
Total contractual obligations	**$ 441,248**	**$ 1,856,168**	**$ 1,462,128**	**$ 1,171,451**	**$ 4,930,995**

(1) Interest obligations include expected interest payments on mortgages and credit facilities as at June 30, 2023 (assuming balances remain outstanding through to maturity) and senior unsecured debentures, as well as standby credit facility fees.

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

First Capital had $29.1 million of outstanding letters of credit issued by financial institutions to support certain of FCR's contractual obligations and $Nil of bank overdrafts.

As of June 30, 2023, contractually committed costs related to the Trust's development projects is $108.4 million ($95.4 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 $160.0 million (December 31, 2022 – $149.9 million) to various lenders in connection with certain third-party obligations, including, without limitation, loans advanced to its joint arrangement partners secured by the partners' interest in the joint arrangements and underlying assets.

(c) First Capital is contingently liable by way of letters of credit in the amount of $29.1 million (December 31, 2022 – $27.6 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 $0.7 million (December 31, 2022 – $0.9 million) with a total obligation of $19.3 million (December 31, 2022 – $18.2 million).

NON-IFRS RECONCILIATIONS AND FINANCIAL MEASURES

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

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

As at			**June 30, 2023**			December 31, 2022
	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	**$ 8,415,469**	**$ 329,965**	**$ 8,745,434**	$ 8,485,361	$ 326,152	$ 8,811,513
Residential development inventory	**179,734**	**13,643**	**193,377**	157,883	8,163	166,046
Hotel property	**—**	**—**	**—**	45,300	—	45,300
Loans, mortgages and other assets	**169,127**	**(10,336)**	**158,791**	212,131	(6,503)	205,628
Cash and cash equivalents	**138,696**	**2,909**	**141,605**	32,694	7,133	39,827
Amounts receivable	**26,395**	**2,425**	**28,820**	25,970	2,065	28,035
Other assets	**87,405**	**2,122**	**89,527**	77,750	16,547	94,297
Investment in joint ventures	**355,574**	**(355,574)**	**—**	357,122	(357,122)	—
Assets classified as held for sale	**224,250**	**(1,572)**	**222,678**	187,727	(2,027)	185,700
Total assets	**$ 9,596,650**	**$ (16,418)**	**$ 9,580,232**	$ 9,581,938	$ (5,592)	$ 9,576,346
LIABILITIES						
Mortgages	**$ 1,342,866**	**$ 91,173**	**$ 1,434,039**	$ 1,127,361	$ 91,665	$ 1,219,026
Credit facilities	**993,679**	**(7,926)**	**985,753**	1,104,614	(6,379)	1,098,235
Bank indebtedness	**—**	**—**	**—**	1,594	—	1,594
Senior unsecured debentures	**1,898,898**	**—**	**1,898,898**	1,898,824	—	1,898,824
Exchangeable Units	**878**	**—**	**878**	1,009	—	1,009
Deferred tax liabilities	**755,443**	**(1,231)**	**754,212**	769,388	(1,230)	768,158
Mortgages classified as held for sale	**12,972**	**—**	**12,972**	13,129	—	13,129
Accounts payable and other liabilities	**336,371**	**(37,509)**	**298,862**	330,724	(33,726)	296,998
Total liabilities	**5,341,107**	**44,507**	**5,385,614**	5,246,643	50,330	5,296,973
EQUITY						
Unitholders' equity	**4,194,618**	**—**	**4,194,618**	4,279,373	—	4,279,373
Non-controlling interest	**60,925**	**(60,925)**	**—**	55,922	(55,922)	—
Total equity	**4,255,543**	**(60,925)**	**4,194,618**	4,335,295	(55,922)	4,279,373
Total liabilities and equity	**$ 9,596,650**	**$ (16,418)**	**$ 9,580,232**	$ 9,581,938	$ (5,592)	$ 9,576,346

(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 June 30, 2023 and 2022, as presented in its unaudited interim condensed consolidated financial statements, to its proportionate interest.

Three months ended June 30			**2023**			2022
	Consolidated Statements of Income (Loss)	**Adjustment to proportionate interest**	**Proportionate interest [1]**	Consolidated Statements of Income (Loss)	Adjustment to proportionate interest	Proportionate interest [1]
Property rental revenue	**$ 171,904**	**$ 5,255**	**$ 177,159**	$ 172,606	$ 5,214	$ 177,820
Property operating costs	**65,394**	**3,920**	**69,314**	66,465	4,156	70,621
Net operating income	**106,510**	**1,335**	**107,845**	106,141	1,058	107,199
Other income and expenses						
Interest and other income	**4,778**	**271**	**5,049**	4,041	283	4,324
Interest expense	**(38,626)**	**(1,084)**	**(39,710)**	(37,495)	(311)	(37,806)
Corporate expenses	**(11,705)**	**56**	**(11,649)**	(10,242)	82	(10,160)
Abandoned transaction (costs) recovery	**(2)**	**—**	**(2)**	(43)	—	(43)
Amortization expense	**(1,237)**	**(361)**	**(1,598)**	(1,373)	(876)	(2,249)
Share of profit from joint ventures	**1,158**	**(1,158)**	**—**	(412)	412	—
Other gains (losses) and (expenses)	**(644)**	**(7)**	**(651)**	(3,372)	(35)	(3,407)
(Increase) decrease in value of unit-based compensation	**3,453**	**—**	**3,453**	8,921	—	8,921
(Increase) decrease in value of Exchangeable Units	**66**	**—**	**66**	337	—	337
Increase (decrease) in value of investment properties, net	**(105,553)**	**1,012**	**(104,541)**	(108,636)	(520)	(109,156)
	(148,312)	**(1,271)**	**(149,583)**	(148,274)	(965)	(149,239)
Income (loss) before income taxes	**(41,802)**	**64**	**(41,738)**	(42,133)	93	(42,040)
Deferred income tax expense (recovery)	**(12,689)**	**—**	**(12,689)**	62	—	62
Net income (loss)	**$ (29,113)**	**$ 64**	**$ (29,049)**	$ (42,195)	$ 93	$ (42,102)
Net income (loss) attributable to:						
Unitholders	**$ (29,049)**	**$ —**	**$ (29,049)**	$ (42,102)	$ —	$ (42,102)
Non-controlling interest	**(64)**	**64**	**—**	(93)	93	—
	$ (29,113)	**$ 64**	**$ (29,049)**	$ (42,195)	$ 93	$ (42,102)
Net income (loss) per unit attributable to Unitholders:						
Basic	**$ (0.14)**			$ (0.19)		
Diluted	**$ (0.14)**			$ (0.19)		

(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 six months ended June 30, 2023 and 2022, as presented in its unaudited interim condensed consolidated financial statements, to its proportionate interest.

Six months ended June 30			2023			2022
	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	**$ 347,914**	**$ 10,652**	**$ 358,566**	$ 345,082	$ 8,422	$ 353,504
Property operating costs	**138,351**	**7,526**	**145,877**	137,961	6,840	144,801
Net operating income	**209,563**	**3,126**	**212,689**	207,121	1,582	208,703
Other income and expenses						
Interest and other income	**9,369**	**620**	**9,989**	9,710	547	10,257
Interest expense	**(75,894)**	**(2,085)**	**(77,979)**	(73,869)	(642)	(74,511)
Corporate expenses	**(31,234)**	**116**	**(31,118)**	(20,574)	142	(20,432)
Abandoned transaction (costs) recovery	**(6)**	**—**	**(6)**	(53)	—	(53)
Amortization expense	**(2,580)**	**(1,711)**	**(4,291)**	(2,741)	(1,620)	(4,361)
Share of profit from joint ventures	**2,140**	**(2,140)**	**—**	(415)	415	—
Other gains (losses) and (expenses)	**(886)**	**(54)**	**(940)**	(11,262)	(203)	(11,465)
(Increase) decrease in value of unit-based compensation	**5,910**	**—**	**5,910**	9,342	—	9,342
(Increase) decrease in value of Exchangeable Units	**131**	**—**	**131**	431	—	431
Increase (decrease) in value of hotel property	**3,646**	**—**	**3,646**	—	—	—
Increase (decrease) in value of investment properties, net	**(112,925)**	**1,740**	**(111,185)**	(107,597)	(7)	(107,604)
	(202,329)	**(3,514)**	**(205,843)**	(197,028)	(1,368)	(198,396)
Income (loss) before income taxes	**7,234**	**(388)**	**6,846**	10,093	214	10,307
Deferred income tax expense (recovery)	**(12,843)**	**—**	**(12,843)**	7,954	—	7,954
Net income (loss)	**$ 20,077**	**$ (388)**	**$ 19,689**	$ 2,139	$ 214	$ 2,353
Net income (loss) attributable to:						
Unitholders	**$ 19,689**	**$ —**	**$ 19,689**	$ 2,353	$ —	$ 2,353
Non-controlling interest	**388**	**(388)**	**—**	(214)	214	—
	$ 20,077	**$ (388)**	**$ 19,689**	$ 2,139	$ 214	$ 2,353
Net income (loss) per unit attributable to Unitholders:						
Basic	**$ 0.09**			$ 0.01		
Diluted	**$ 0.09**			$ 0.01		

[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 June 30		Six months ended June 30	
	2023	2022	**2023**	2022
Net income (loss) attributable to Unitholders	**$ (29,049)**	$ (42,102)	**$ 19,689**	$ 2,353
Add (deduct):				
(Increase) decrease in value of investment properties [1]	**104,541**	109,156	**111,185**	107,604
(Increase) decrease in value of hotel property [1]	**—**	—	**(3,646)**	—
Adjustment for equity accounted joint ventures [2]	**361**	876	**1,711**	1,620
Adjustment for capitalized interest related to equity accounted joint ventures [2]	**882**	711	**1,718**	1,425
Incremental leasing costs [3]	**1,780**	1,423	**3,828**	3,010
Amortization expense [4]	**70**	79	**188**	255
Transaction costs [5]	**—**	—	**—**	572
Distributions on Exchangeable Units [6]	**13**	10	**26**	21
Increase (decrease) in value of Exchangeable Units [6]	**(66)**	(337)	**(131)**	(431)
Increase (decrease) in value of unit-based compensation [7]	**(3,453)**	(8,921)	**(5,910)**	(9,342)
Investment property selling costs [1]	**1,394**	284	**1,504**	994
Deferred income taxes (recovery) [1]	**(12,689)**	62	**(12,843)**	7,954
FFO [8]	**$ 63,784**	$ 61,241	**$ 117,319**	$ 116,035

(1) At FCR's proportionate interest.

(2) Adjustment related to FCR's equity accounted joint ventures in accordance with the recommendations of REALPAC.

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

(4) Adjustment to exclude hotel property amortization in accordance with the recommendations of REALPAC.

(5) Adjustment to exclude transaction costs incurred as part of a business combination in accordance with the recommendations of REALPAC.

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

(7) Adjustment to exclude fair value adjustments on unit-based compensation plans in accordance with the recommendations of REALPAC.

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

The components of FFO at proportionate interest are as follows:

	Three months ended June 30			Six months ended June 30		
	% change	**2023**	2022	% change	**2023**	2022
Net operating income		**$ 107,845**	$ 107,199		**$ 212,689**	$ 208,703
Interest and other income		**5,049**	4,324		**9,989**	10,257
Interest expense [1][2]		**(38,815)**	(37,085)		**(76,235)**	(73,065)
Corporate expenses [3]		**(9,869)**	(8,737)		**(27,290)**	(17,422)
Abandoned transaction (costs) recovery		**(2)**	(43)		**(6)**	(53)
Amortization expense [4]		**(1,167)**	(1,294)		**(2,392)**	(2,486)
Other gains (losses) and (expenses) [5]		**743**	(3,123)		**564**	(9,899)
FFO [6]	4.2%	**$ 63,784**	$ 61,241	1.1%	**$ 117,319**	$ 116,035
FFO per diluted unit	7.6%	**$ 0.30**	$ 0.28	4.2%	**$ 0.55**	$ 0.53
Weighted average number of units – diluted (in thousands)	(3.1%)	**214,056**	220,812	(2.8%)	**214,648**	220,829

(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 and six months ended June 30, 2023, FFO increased $2.5 million and $1.3 million, or $0.02 per diluted unit, respectively, over the same prior year periods. The increase for the three months ended June 30, 2023 was primarily driven by a year-over-year increase in other gains (losses) and (expenses), totaling $3.9 million ($0.02 per unit). This was largely offset by a year-over-year increase in interest expense and corporate G&A, collectively totaling $2.9 million ($0.01 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 approximately $0.01 in FFO per unit.

The increase for the six months ended June 30, 2023 was primarily driven by a year-over-year increase in other gains (losses) and (expenses), totaling $10.5 million ($0.05 per unit). This was largely offset by a year-over-year increase in corporate G&A, totaling $9.9 million ($0.05 per unit), which included approximately $7 million in legal, advisory and settlement costs related to the Unitholder activism incurred during the first quarter of 2023. In addition, unit repurchases through First Capital's NCIB resulted in a lower weighted average unit count, thus driving a further increase of approximately $0.02 in FFO per unit.

Adjusted Funds from Operations

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

	Three months ended June 30			Six months ended June 30		
	% change	**2023**	2022	% change	**2023**	2022
FFO [1]		**$ 63,784**	$ 61,241		**$ 117,319**	$ 116,035
Add (deduct):						
Revenue sustaining capital expenditures		**(6,163)**	(5,201)		**(11,597)**	(8,867)
Recoverable capital expenditures		**(1,079)**	(2,529)		**(2,913)**	(4,265)
Incremental leasing costs		**(1,780)**	(1,423)		**(3,828)**	(3,010)
Straight-line rent adjustment		**1,135**	(369)		**834**	(620)
AFFO [1]	8.1%	**$ 55,897**	$ 51,719	0.5%	**$ 99,815**	$ 99,273
AFFO per diluted unit	11.5%	**$ 0.26**	$ 0.23	3.4%	**$ 0.47**	$ 0.45
Weighted average number of units – diluted (in thousands)	(3.1%)	**214,056**	220,812	(2.8%)	**214,648**	220,829

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

For the three and six months ended June 30, 2023, AFFO increased $4.2 million and $0.5 million, or $0.03 and $0.02 per diluted unit, respectively, primarily due to higher FFO adjusted for the straight-line rent adjustment year-over-year.

Adjusted Cash Flow from Operations

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

	Three months ended June 30		Six months ended June 30	
	2023	2022	**2023**	2022
Cash provided by operating activities	**$ 67,022**	$ 62,305	**$ 95,741**	$ 121,603
Add (deduct):				
Working capital adjustments [1]	**13,396**	14,596	**29,767**	3,043
Adjustment for equity accounted joint ventures	**1,031**	549	**1,480**	974
Revenue sustaining capital expenditures	**(6,161)**	(5,171)	**(11,590)**	(8,745)
Recoverable capital expenditures	**(1,079)**	(2,529)	**(2,913)**	(4,265)
Leasing costs on properties under development	**445**	356	**957**	753
Realized gain (loss) on sale of marketable securities	**—**	5,591	**—**	5,591
Non-controlling interest	**(1,865)**	577	**(1,876)**	421
ACFO [2]	**$ 72,789**	$ 76,274	**$ 111,566**	$ 119,375

(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 and six months ended June 30, 2023, ACFO totaled $72.8 million and $111.6 million compared to $76.3 million and $119.4 million for the same prior year periods, respectively. The $7.8 million decrease in ACFO for the six months ended June 30, 2023 was primarily due to a non-recurring $5.6 million realized gain on sale of marketable securities during the second quarter of 2022, and higher capital expenditures year-over-year.

ACFO Payout Ratio

First Capital's ACFO payout ratio for the four quarters ended June 30, 2023 is calculated as follows:

		Twelve months ended June 30, 2023		**Q2 2023**		**Q1 2023**		**Q4 2022**		**Q3 2022**
ACFO [(1)]	**$**	**227,779**	$	72,789	$	38,777	$	59,264	$	56,949
Cash distributions paid		**161,296**		45,868		46,125		46,134		23,169
ACFO payout ratio [(1)]		**70.8%**								

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

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

		Twelve months ended June 30, 2022		Q2 2022		Q1 2022		Q4 2021		Q3 2021
ACFO [(1)]	$	251,181	$	76,274	$	43,101	$	61,096	$	70,710
Cash distributions paid		94,832		23,707		23,711		23,710		23,704
ACFO payout ratio [(1)]		37.8%								

[(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 June 30, 2023, the ACFO payout was 70.8% (June 30, 2022 - 37.8%).

Net Asset Value

The following table provides FCR's calculation of NAV for the six months ended June 30, 2023 and year ended December 31, 2022:

As at		**June 30, 2023**		December 31, 2022
Unitholders' equity	**$**	**4,194,618**	$	4,279,373
Exchangeable Units		**878**		1,009
Deferred tax liabilities		**754,212**		768,158
Net Asset Value (NAV) [(1)]	**$**	**4,949,708**	$	5,048,540
Units outstanding [(2)]		**212,257**		213,578
NAV per unit - diluted [(3)]	**$**	**23.13**	$	23.48

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

[(2)] Includes Trust Units and Exchangeable Units.

[(3)] Adjusted for 1.7 million Deferred Units, Restricted Units and Performance Units and 5.6 million unit options outstanding with an average exercise price of $19.79 (implied option proceeds of $111.5 million) and the exclusion of the unit-based compensation plan liability.

The decrease in NAV per diluted unit from $23.48 to $23.13 is primarily driven by a decrease in the fair value of investment property, partially offset by retained FFO for the six months ended June 30, 2023, an increase in the fair value of hotel property, and the impact of the NCIB.

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 doubling 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 June 30		Six months ended June 30	
(in dollars)	**2023**	2022	**2023**	2022
Distributions declared per unit	**$ 0.215**	$ 0.108	**$ 0.430**	$ 0.216

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 June 30
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022
	FCR (1)		Guarantors (2)		Non-Guarantors (3)		Consolidation Adjustments (4)		Total Consolidated	
Property rental revenue	**$ 68**	$ 71	**$ 104**	$ 102	**$ —**	$ —	**$ —**	$ —	**$ 172**	$ 173
NOI (5)	**$ 46**	$ 47	**$ 61**	$ 59	**$ —**	$ —	**$ —**	$ —	**$ 107**	$ 106
Net income (loss) attributable to Unitholders	**$ (29)**	$ (42)	**$ 101**	$ 17	**$ —**	$ —	**$ (101)**	$ (17)	**$ (29)**	$ (42)

(millions of dollars)										Six months ended June 30
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022
	FCR (1)		Guarantors (2)		Non-Guarantors (3)		Consolidation Adjustments (4)		Total Consolidated	
Property rental revenue	**$ 140**	$ 143	**$ 208**	$ 204	**$ —**	$ —	**$ —**	$ (2)	**$ 348**	$ 345
NOI (5)	**$ 92**	$ 93	**$ 118**	$ 115	**$ —**	$ —	**$ —**	$ (1)	**$ 210**	$ 207
Net income (loss) attributable to Unitholders	**$ 20**	$ 2	**$ 224**	$ 109	**$ —**	$ —	**$ (224)**	$ (109)	**$ 20**	$ 2

(millions of dollars)					As at June 30, 2023
	FCR [1]	Guarantors [2]	Non-Guarantors [3]	Consolidation Adjustments [4]	Total Consolidated
Current assets	**$ 866**	**$ (208)**	**$ 120**	**$ (125)**	**$ 653**
Non-current assets	**$ (1,651)**	**$ 11,445**	**$ 170**	**$ (1,020)**	**$ 8,944**
Current liabilities	**$ 747**	**$ 105**	**$ 6**	**$ (6)**	**$ 852**
Non-current liabilities	**$ 3,509**	**$ 984**	**$ 70**	**$ (73)**	**$ 4,490**

(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

(1) This column represents FCR and all of its subsidiaries; FCR's subsidiaries are presented under the equity method.

(2) This column represents the aggregate of all Guarantor subsidiaries.

(3) This column represents the aggregate of all Non-Guarantor subsidiaries.

(4) This column includes the necessary amounts to eliminate the inter-company balances between FCR, the Guarantors, and Non-Guarantors to arrive at the information for FCR on a consolidated basis.

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

RELATED PARTY TRANSACTIONS

Subsidiaries of the Trust

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

QUARTERLY FINANCIAL INFORMATION

	2023		2022				2021	
(unit counts in thousands)	**Q2**	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Property rental revenue	**$ 171,904**	$ 176,010	$ 176,100	$ 171,914	$ 172,606	$ 172,476	$ 170,197	$ 165,613
Net operating income [1]	**$ 106,510**	$ 103,053	$ 111,159	$ 107,219	$ 106,141	$ 100,980	$ 105,918	$ 103,078
Net income (loss) attributable to Unitholders	**$ (29,049)**	$ 48,738	$ 42,372	$ (204,722)	$ (42,102)	$ 44,455	$ 28,629	$ 181,526
Net income (loss) per unit attributable to Unitholders:								
Basic	**$ (0.14)**	$ 0.23	$ 0.20	$ (0.95)	$ (0.19)	$ 0.20	$ 0.13	$ 0.83
Diluted	**$ (0.14)**	$ 0.23	$ 0.20	$ (0.95)	$ (0.19)	$ 0.20	$ 0.13	$ 0.82
FFO [1]	**$ 63,784**	$ 53,535	$ 80,545	$ 66,575	$ 61,241	$ 54,794	$ 60,829	$ 59,047
FFO per diluted unit [1]	**$ 0.30**	$ 0.25	$ 0.37	$ 0.31	$ 0.28	$ 0.25	$ 0.28	$ 0.27
Weighted average number of diluted units outstanding	**214,056**	215,262	215,098	216,008	220,812	220,906	220,929	220,899
Cash provided by operating activities	**$ 67,022**	$ 28,719	$ 76,808	$ 52,810	$ 62,305	$ 59,298	$ 83,575	$ 50,590

(unit counts in thousands)	2023 Q2	2023 Q1	2022 Q4	2022 Q3	2022 Q2	2022 Q1	2021 Q4	2021 Q3
AFFO [1]	**$ 55,897**	$ 43,918	$ 72,454	$ 54,489	$ 51,719	$ 47,554	$ 52,867	$ 53,319
AFFO per diluted unit [1]	**$ 0.26**	$ 0.20	$ 0.34	$ 0.25	$ 0.23	$ 0.22	$ 0.24	$ 0.24
ACFO [1]	**$ 72,789**	$ 38,777	$ 59,264	$ 56,949	$ 76,274	$ 43,101	$ 61,096	$ 70,710
Distribution declared per unit	**$ 0.215**	$ 0.215	$ 0.215	$ 0.144	$ 0.108	$ 0.108	$ 0.108	$ 0.108
Total assets	**$ 9,596,650**	$ 9,641,604	$ 9,581,938	$ 9,829,570	$10,057,358	$10,194,026	$10,109,074	$10,186,252
Total mortgages and credit facilities	**$ 2,349,517**	$ 2,343,579	$ 2,245,104	$ 2,225,576	$ 2,212,870	$ 2,280,587	$ 2,072,952	$ 2,211,920
Unitholders' equity	**$ 4,194,618**	$ 4,268,128	$ 4,279,373	$ 4,291,030	$ 4,542,689	$ 4,665,001	$ 4,620,942	$ 4,608,489
Other								
Number of neighbourhoods	**144**	145	145	145	147	148	146	148
GLA - at 100% (in thousands)	**22,334**	22,322	22,216	22,213	22,339	22,456	22,485	22,736
GLA - at ownership interest (in thousands)	**19,425**	19,415	19,325	19,326	19,501	19,619	19,657	19,853
Monthly average occupancy %	**96.0%**	95.8%	95.6%	95.5%	95.4%	95.7%	96.0%	95.9%
Total portfolio occupancy %	**95.9%**	96.2%	95.8%	95.7%	95.6%	95.5%	96.1%	95.9%

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

CRITICAL ACCOUNTING ESTIMATES

First Capital's unaudited interim condensed consolidated financial statements for the three and six months ended June 30, 2023 and 2022 have been prepared in accordance with IAS 34, “Interim Financial Reporting” as issued by the International Accounting Standards Board. The unaudited interim condensed consolidated financial statements have been prepared by applying the same accounting policies and methods of computation as compared with the most recent audited annual consolidated financial statements except as noted in Note 2(b) of the interim condensed consolidated financial statements.

First Capital's 2022 Annual Report contains a discussion of the significant accounting policies most affected by estimates and judgments used in the preparation of the consolidated financial statements, being the accounting policies relating to estimates of fair values of investment properties, valuation of financial instruments both for disclosure and measurement purposes, and estimating deferred tax assets and liabilities. Management determined that as at June 30, 2023, there is no change to the assessment of the significant accounting policies most affected by estimates and judgments as detailed in FCR's 2022 Annual Report.

Accounting Policy Changes

Refer to Note 2(b) of the unaudited interim condensed consolidated financial statements for the three and six months ended June 30, 2023 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:

Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The International Accounting Standards Board ("IASB") has provided relief in two phases to address accounting issues that may arise from market-wide reform of an interest rate benchmark. Entities should be aware of the potential financial reporting implications of the Canadian Dollar Offered Rate ("CDOR") transition, including but not limited to:

(i) Accounting for modifications of CDOR based contracts, and applying, when possible, the "economically equivalent" practical expedient

(ii) Assessing at inception of a hedge if the Canadian Overnight Repo Rate Average ("CORRA") is an eligible risk component, when it is not contractually specified in the hedged item

(iii) Demonstrating whether CORRA is an eligible risk component of the prime rate when designating CORRA as the hedged risk in a prime-rate instrument

(iv) Evaluating whether instruments indexed to CORRA should be disclosed as being at level 2 or level 3 in the fair value hierarchy disclosure

(v) Providing additional disclosures, including: the nature and extent of CDOR exposures, how financial performance risks are managed, and the progress of the entity in completing the transition

Management is assessing the impact on the consolidated financial statements of First Capital. First Capital intends to use the practical expedients in future periods as they become applicable.

CONTROLS AND PROCEDURES

As at June 30, 2023, the Chief Executive Officer and the Chief Financial Officer of First Capital, with the assistance of other staff and Management of FCR to the extent deemed necessary, have designed FCR's disclosure controls and procedures to provide reasonable assurance that information required to be disclosed in the various reports filed or submitted by FCR under securities legislation is recorded, processed, summarized and reported accurately and have designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

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

First Capital did not make any changes in its internal controls over financial reporting during the quarter ended June 30, 2023 that have had, or are reasonably likely to have, a material effect on FCR's internal controls over financial reporting. On an ongoing basis, FCR will continue to analyze its controls and procedures for potential areas of improvement.

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

RISKS AND UNCERTAINTIES

First Capital, as an owner of income-producing properties and development properties, is exposed to numerous business risks in the normal course of its business that can impact both short- and long-term performance. Income-producing and development properties are affected by general economic conditions and local market conditions such as oversupply of similar properties or a reduction in tenant demand. It is the responsibility of Management, under the supervision of the Board of Trustees, to identify and, to the extent possible, mitigate or minimize the impact of all such business risks. The major categories of risk First Capital encounters in conducting its business and some of the actions it takes to mitigate these risks are included in its MD&A for the year ended December 31, 2022, as well as its most current Annual Information Form, which provides a detailed description of these and other risks that may affect FCR. These documents are available on SEDAR at www.sedar.com and on FCR's website at www.fcr.ca.

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INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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Interim Condensed Consolidated Balance Sheets

As at *(thousands of dollars)*	Note	**June 30, 2023** **(unaudited)**	December 31, 2022 (audited)
ASSETS			
Non-current Assets			
Real Estate Investments			
Investment properties	3	**$ 8,415,469**	$ 8,485,361
Investment in joint ventures	4	**355,574**	357,122
Hotel property	5	**—**	45,300
Loans, mortgages and other assets	6	**127,662**	168,650
Total real estate investments		**8,898,705**	9,056,433
Other non-current assets	8	**45,187**	52,132
Total non-current assets		**8,943,892**	9,108,565
Current Assets			
Cash and cash equivalents	25(d)	**138,696**	32,694
Loans, mortgages and other assets	6	**41,465**	43,481
Residential development inventory		**179,734**	157,883
Amounts receivable	7	**26,395**	25,970
Other assets	8	**42,218**	25,618
		428,508	285,646
Assets classified as held for sale	3(d)	**224,250**	187,727
Total current assets		**652,758**	473,373
Total assets		**$ 9,596,650**	$ 9,581,938
LIABILITIES			
Non-current Liabilities			
Mortgages	10	**$ 1,260,129**	$ 1,095,724
Credit facilities	10	**770,136**	880,213
Senior unsecured debentures	11	**1,598,964**	1,598,989
Other liabilities	12	**104,918**	104,798
Deferred tax liabilities		**755,443**	769,388
Total non-current liabilities		**4,489,590**	4,449,112
Current Liabilities			
Bank indebtedness	10	**—**	1,594
Mortgages	10	**82,737**	31,637
Credit facilities	10	**223,543**	224,401
Senior unsecured debentures	11	**299,934**	299,835
Exchangeable Units	13	**878**	1,009
Accounts payable and other liabilities	12	**231,453**	225,926
		838,545	784,402
Mortgages classified as held for sale	3(d), 10	**12,972**	13,129
Total current liabilities		**851,517**	797,531
Total liabilities		**5,341,107**	5,246,643
EQUITY			
Unitholders' equity	14	**4,194,618**	4,279,373
Non-controlling interest	24	**60,925**	55,922
Total equity		**4,255,543**	4,335,295
Total liabilities and equity		**$ 9,596,650**	$ 9,581,938

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

Approved by the Board of Trustees:

Al Mawani,
Trustee

Adam E. Paul,
Trustee

Interim Condensed Consolidated Statements of Income (Loss)

(unaudited)		Three months ended June 30		Six months ended June 30	
(thousands of dollars)	**Note**	**2023**	2022	**2023**	2022
Property rental revenue		**$ 171,904**	$ 172,606	**$ 347,914**	$ 345,082
Property operating costs		**65,394**	66,465	**138,351**	137,961
Net operating income	16	**106,510**	106,141	**209,563**	207,121
Other income and expenses					
Interest and other income	17	**4,778**	4,041	**9,369**	9,710
Interest expense	18	**(38,626)**	(37,495)	**(75,894)**	(73,869)
Corporate expenses	19	**(11,705)**	(10,242)	**(31,234)**	(20,574)
Abandoned transaction (costs) recovery		**(2)**	(43)	**(6)**	(53)
Amortization expense		**(1,237)**	(1,373)	**(2,580)**	(2,741)
Share of profit (loss) from joint ventures	4	**1,158**	(412)	**2,140**	(415)
Other gains (losses) and (expenses)	20	**(644)**	(3,372)	**(886)**	(11,262)
(Increase) decrease in value of unit-based compensation	15	**3,453**	8,921	**5,910**	9,342
(Increase) decrease in value of Exchangeable Units	13	**66**	337	**131**	431
Increase (decrease) in value of hotel property	5	**—**	—	**3,646**	—
Increase (decrease) in value of investment properties, net	3	**(105,553)**	(108,636)	**(112,925)**	(107,597)
		(148,312)	(148,274)	**(202,329)**	(197,028)
Income (loss) before income taxes		**(41,802)**	(42,133)	**7,234**	10,093
Deferred income tax expense (recovery)	21	**(12,689)**	62	**(12,843)**	7,954
Net income (loss)		**$ (29,113)**	$ (42,195)	**$ 20,077**	$ 2,139
Net income (loss) attributable to:					
Unitholders	14	**$ (29,049)**	$ (42,102)	**$ 19,689**	$ 2,353
Non-controlling interest	24	**(64)**	(93)	**388**	(214)
		$ (29,113)	$ (42,195)	**$ 20,077**	$ 2,139

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

Interim Condensed Consolidated Statements of Comprehensive Income (Loss)

(unaudited)			Three months ended June 30				Six months ended June 30	
(thousands of dollars)	**Note**		**2023**		2022		**2023**		2022
Net income (loss)		**$**	**(29,113)**	$	(42,195)	**$**	**20,077**	$	2,139
Other comprehensive income (loss)									
Unrealized gain (loss) on revaluation of hotel property [1]	5		**(446)**		—		**10,669**		—
Reclassification of net (gain) loss on revaluation of hotel property to retained earnings	5		**(10,669)**		—		**(10,669)**		—
Unrealized gain (loss) on cash flow hedges [2]			**11,369**		21,142		**(4,718)**		53,552
Reclassification of net (gains) losses on cash flow hedges to net income			**968**		839		**1,891**		1,670
			1,222		21,981		**(2,827)**		55,222
Deferred tax expense (recovery)	21		**4,811**		8,573		**(1,103)**		21,537
Other comprehensive income (loss)			**(3,589)**		13,408		**(1,724)**		33,685
Comprehensive income (loss)		**$**	**(32,702)**	$	(28,787)	**$**	**18,353**	$	35,824
Comprehensive income (loss) attributable to:									
Unitholders	14	**$**	**(32,638)**	$	(28,694)	**$**	**17,965**	$	36,038
Non-controlling interest	24		**(64)**		(93)		**388**		(214)
		$	**(32,702)**	$	(28,787)	**$**	**18,353**	$	35,824

[1] Item that will not be reclassified to net income (loss).

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

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

Interim Condensed Consolidated Statements of Changes in Equity

(unaudited) *(thousands of dollars)*	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Trust Units	Total Unitholders' Equity	Non-Controlling Interest	Total Equity
			(Note 14(a))			
December 31, 2022	**$ 1,445,238**	**$ 14,496**	**$ 2,819,639**	**$ 4,279,373**	**$ 55,922**	**$ 4,335,295**
Changes during the period:						
Net income (loss)	19,689	—	—	19,689	388	20,077
Repurchase of Trust Units *(Note 14(a))*	(3,323)	—	(20,357)	(23,680)	—	(23,680)
Options, deferred units, restricted units, and performance units, net	—	—	3,952	3,952	—	3,952
Other comprehensive income (loss)	—	8,945	—	8,945	—	8,945
Contributions from (distributions to) non-controlling interest, net	—	—	—	—	4,615	4,615
Disposal of Hotel Property *(Note 5)*	8,905	(10,669)	—	(1,764)	—	(1,764)
Distributions *(Note 14(b))*	(91,897)	—	—	(91,897)	—	(91,897)
June 30, 2023	**$ 1,378,612**	**$ 12,772**	**$ 2,803,234**	**$ 4,194,618**	**$ 60,925**	**$ 4,255,543**

(unaudited) *(thousands of dollars)*	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Trust Units	Total Unitholders' Equity	Non-Controlling Interest	Total Equity
			(Note 14(a))			
December 31, 2021	$ 1,741,489	$ (18,818)	$ 2,898,271	$ 4,620,942	$ 48,140	$ 4,669,082
Changes during the period:						
Net income (loss)	2,353	—	—	2,353	(214)	2,139
Conversion of Exchangeable Units *(Note 13)*	—	—	617	617	—	617
Repurchase of Trust Units *(Note 14(a))*	(9,444)	—	(61,339)	(70,783)	—	(70,783)
Options, deferred units, restricted units, and performance units, net	—	—	3,135	3,135	—	3,135
Other comprehensive income (loss)	—	33,685	—	33,685	—	33,685
Contributions from (distributions to) non-controlling interest, net	—	—	—	—	7,291	7,291
Distributions *(Note 14(b))*	(47,260)	—	—	(47,260)	—	(47,260)
June 30, 2022	$ 1,687,138	$ 14,867	$ 2,840,684	$ 4,542,689	$ 55,217	$ 4,597,906

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

Interim Condensed Consolidated Statements of Cash Flows

(unaudited)		Three months ended June 30		Six months ended June 30	
(thousands of dollars)	**Note**	**2023**	2022	**2023**	2022
OPERATING ACTIVITIES					
Net income (loss)		**$ (29,113)**	$ (42,195)	**$ 20,077**	$ 2,139
Adjustments for:					
(Increase) decrease in value of investment properties, net	3	**105,553**	108,636	**112,925**	107,597
(Increase) decrease in value of hotel property	5	**—**	—	**(3,646)**	—
Interest expense	18	**38,626**	37,495	**75,894**	73,869
Amortization expense		**1,237**	1,373	**2,580**	2,741
Share of (profit) loss of joint ventures	4	**(1,158)**	412	**(2,140)**	415
Cash interest paid associated with operating activities	18	**(28,132)**	(30,774)	**(72,300)**	(74,767)
Items not affecting cash and other items	25(a)	**(12,149)**	(4,471)	**(12,528)**	11,667
Net changes in other working capital items	25(b)	**(7,842)**	(8,171)	**(25,121)**	(2,058)
Cash provided by (used in) operating activities		**67,022**	62,305	**95,741**	121,603
FINANCING ACTIVITIES					
Mortgage borrowings, net of financing costs	10	**51**	79,776	**232,595**	79,776
Mortgage principal instalment payments	10	**(8,963)**	(7,836)	**(17,567)**	(15,067)
Mortgage repayments	10	**—**	—	**—**	(13,338)
Credit facilities, net advances (repayments)	10	**18,637**	(157,518)	**(108,564)**	97,353
Repayment of senior unsecured debentures	11	**—**	—	**—**	(200,000)
Settlement of hedges		**—**	13,451	**(4,990)**	13,451
Repurchase of Trust Units	14(a)	**(3,937)**	(70,783)	**(23,680)**	(70,783)
Issuance of Trust Units, net of issue costs		**—**	89	**—**	116
Payment of distributions		**(45,868)**	(23,707)	**(91,993)**	(47,418)
Net contributions from (distributions to) non-controlling interest	24	**4,191**	57	**4,615**	7,291
Cash provided by (used in) financing activities		**(35,889)**	(166,471)	**(9,584)**	(148,619)
INVESTING ACTIVITIES					
Acquisition of investment properties	3(c)	**(55,143)**	(3,588)	**(70,883)**	(34,954)
Disposition of Hotel property, net of selling costs	5	**102,775**	—	**102,775**	—
Net proceeds from property dispositions	3(d)	**12,237**	9,966	**13,727**	13,756
Net proceeds from sale of joint ventures	4	**4,081**	—	**4,081**	—
Distributions from joint ventures	4	**1,191**	1,043	**2,166**	1,994
Contributions to joint ventures	4	**(801)**	(913)	**(1,552)**	(8,589)
Capital expenditures on investment properties	3(a)	**(46,734)**	(24,137)	**(68,587)**	(52,176)
Changes in investing-related prepaid expenses and other liabilities		**(2,039)**	52,586	**(18,639)**	46,355
Changes in loans, mortgages and other assets	25(c)	**12,345**	56,895	**56,757**	59,840
Cash provided by (used in) investing activities		**27,912**	91,852	**19,845**	26,226
Net increase (decrease) in cash and cash equivalents		**59,045**	(12,314)	**106,002**	(790)
Cash and cash equivalents, beginning of period		**79,651**	46,223	**32,694**	34,699
Cash and cash equivalents, end of period	25(d)	**$ 138,696**	$ 33,909	**$ 138,696**	$ 33,909

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

Notes to the Interim Condensed Consolidated Financial Statements

1. DESCRIPTION OF THE TRUST

First Capital Real Estate Investment Trust ("First Capital", "FCR", or the "Trust") is an unincorporated, open-ended mutual fund trust governed by the laws of Ontario, Canada, and established pursuant to a declaration of trust dated October 16, 2019, as may be amended from time to time (the "Declaration of Trust"). First Capital owns, operates and develops grocery-anchored, open-air centres in neighbourhoods with the strongest demographics in Canada. The Trust is listed on the Toronto Stock Exchange ("TSX") under the symbol "FCR.UN", and its head office is located at 85 Hanna Avenue, Suite 400, Toronto, Ontario, M6K 3S3.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These unaudited interim condensed consolidated financial statements have been prepared in accordance with IAS 34, “Interim Financial Reporting” as issued by the International Accounting Standards Board (“IASB”), and as such, do not include all of the disclosures that would be included in audited annual consolidated financial statements. These unaudited interim condensed consolidated financial statements should be read in conjunction with First Capital’s audited annual consolidated financial statements for the years ended December 31, 2022 and 2021.

(b) Basis of presentation

These unaudited interim condensed consolidated financial statements are prepared on a going concern basis and have been presented in Canadian dollars rounded to the nearest thousand, unless otherwise indicated. These unaudited interim condensed consolidated financial statements have been prepared by applying the same accounting policies, assessments of estimates and judgments, and methods of computation as compared with the most recent audited annual consolidated financial statements except as indicated below.

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

Effective January 1, 2023, 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 had no material impact on the consolidated financial statements of First Capital.

Amendments to IAS 8, Definition of Accounting Estimates

Effective January 1, 2023, 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 had no material impact on the consolidated financial statements of First Capital.

Amendments to IAS 1 and IFRS Practice Statement 2

Effective January 1, 2023, 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 had no material impact on the consolidated financial statements of First Capital.

(c) Future Changes in Accounting Policies

Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The International Accounting Standards Board ("IASB") has provided relief in two phases to address accounting issues that may arise from market-wide reform of an interest rate benchmark. Entities should be aware of the potential financial reporting implications of the Canadian Dollar Offered Rate ("CDOR") transition, including but not limited to:

(i) Accounting for modifications of CDOR based contracts, and applying, when possible, the "economically equivalent" practical expedient

(ii) Assessing at inception of a hedge if the Canadian Overnight Repo Rate Average ("CORRA") is an eligible risk component, when it is not contractually specified in the hedged item

(iii) Demonstrating whether CORRA is an eligible risk component of the prime rate when designating CORRA as the hedged risk in a prime-rate instrument

(iv) Evaluating whether instruments indexed to CORRA should be disclosed as being at level 2 or level 3 in the fair value hierarchy disclosure

(v) Providing additional disclosures, including: the nature and extent of CDOR exposures, how financial performance risks are managed, and the progress of the entity in completing the transition

Management is assessing the impact on the consolidated financial statements of First Capital. First Capital intends to use the practical expedients in future periods as they become applicable.

(d) Approval of unaudited interim condensed consolidated financial statements

These unaudited interim condensed consolidated financial statements were approved by the Board of Trustees and authorized for issue on August 1, 2023.

3. INVESTMENT PROPERTIES

(a) Activity

The following tables summarize the changes in First Capital's investment properties for the six months ended June 30, 2023 and year ended December 31, 2022:

				Six months ended June 30, 2023
	Income-Producing Properties	**Properties under Construction**	**Density & Development Land**	**Total**
Balance at beginning of year	$ **8,213,224**	$ **89,029**	$ **325,535**	$ **8,627,788**
Acquisitions	**55,143**	**—**	**15,740**	**70,883**
Capital expenditures	**27,341**	**29,870**	**11,376**	**68,587**
Developments transferred offline / online, net	**(2,213)**	**(35,834)**	**38,047**	**—**
Increase (decrease) in value of investment properties, net	**(131,456)**	**54**	**18,477**	**(112,925)**
Straight-line rent and other changes	**(585)**	**—**	**—**	**(585)**
Dispositions	**(14,029)**	**—**	**—**	**(14,029)**
Balance at end of period	$ **8,147,425**	$ **83,119**	$ **409,175**	$ **8,639,719**
Investment properties	$ **8,070,092**	$ **83,119**	$ **262,258**	$ **8,415,469**
Assets classified as held for sale [1]	**77,333**	**—**	**146,917**	**224,250**
Total	$ **8,147,425**	$ **83,119**	$ **409,175**	$ **8,639,719**

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

				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
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 assets classified as held for sale.

Investment properties with a fair value of $3.0 billion (December 31, 2022 – $2.3 billion) are pledged as security for $1.5 billion (December 31, 2022 – $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	**June 30, 2023**	December 31, 2022
Weighted Average Total		
Overall Capitalization Rate	**5.3%**	5.2%
Terminal Capitalization Rate	**5.5%**	5.4%
Discount Rate	**6.1%**	5.9%

The majority of the Trust's portfolio is valued under the Income Approach using the discounted cash flow ("DCF") method. As at June 30, 2023, the weighted average valuation yields (stabilized overall capitalization, terminal capitalization, and discount rates) used in valuing those investment properties under the Income Approach increased from December 31, 2022.

During the second quarter of 2023, as part of its normal course internal valuations, the Trust made revisions to capitalization and discount 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 $105.6 million ($104.5 million at FCR's share) for the three months ended June 30, 2023. For the six months ended June 30, 2023, an overall decrease in the value of investment properties was recorded in the amount of $112.9 million ($111.2 million at FCR's share).

The sensitivity of the fair values of investment properties to stabilized overall capitalization rates as at June 30, 2023 is set out in the table below:

As at June 30, 2023		*(millions of dollars)*
(Decrease) Increase in stabilized overall capitalization rate		Resulting increase (decrease) in fair value of investment properties
(1.00%)	$	1,963
(0.75%)	$	1,391
(0.50%)	$	879
(0.25%)	$	418
0.25%	$	(380)
0.50%	$	(727)
0.75%	$	(1,045)
1.00%	$	(1,337)

Additionally, a 1% increase or decrease in stabilized net operating income ("SNOI") would result in a $84 million increase or a $84 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 $506 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 $460 million.

(c) Investment properties – Acquisitions

For the three and six months ended June 30, 2023 and 2022, First Capital acquired investment properties as follows:

	Three months ended June 30				Six months ended June 30			
		2023		2022		**2023**		2022
Total purchase price, including acquisition costs	**$**	**55,143**	$	3,588	**$**	**70,883**	$	34,954
Total cash paid	**$**	**55,143**	$	3,588	**$**	**70,883**	$	34,954

(d) Assets classified as held for sale and dispositions

First Capital has certain assets classified as held for sale. These assets typically include a mix of properties where FCR's value-enhancing objectives have been achieved or those that are considered to be non-core to the business, and are as follows:

As at		**June 30, 2023**		December 31, 2022
Aggregate fair value [(1)]	**$**	**224,250**	$	142,427
Mortgages secured by assets classified as held for sale	**$**	**12,972**	$	13,129
Weighted average effective interest rate of mortgages secured by assets classified as held for sale		**2.8%**		2.8%

(1) See Note 5 Hotel Property for additional assets classified as held for sale.

The increase of $80.1 million in assets classified as held for sale from December 31, 2022, primarily arose from 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 three and six months ended June 30, 2023 and 2022, First Capital sold investment properties as follows:

	Three months ended June 30		Six months ended June 30	
	2023	2022	**2023**	2022
Total selling price	**$ 12,429**	$ 10,250	**$ 14,029**	$ 14,750
Property selling costs	**(192)**	(284)	**(302)**	(994)
Net cash proceeds (payments)	**$ 12,237**	$ 9,966	**$ 13,727**	$ 13,756

4. INVESTMENT IN JOINT VENTURES

As at June 30, 2023, First Capital had interests in eight 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	**June 30, 2023**	December 31, 2022
Aukland and Main Developments LP	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 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 (1)	116 Yorkville Ave. (ONE restaurant)	Toronto, ON	**—%**	50.0%
Stackt Properties LP	Shipping Container marketplace	Toronto, ON	**94.0%**	94.0%

(1) During the second quarter of 2023, the Trust disposed of its 50% interest of the partnership units in the ONE Restaurant located in the Hazelton Hotel.

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 six months ended June 30, 2023 and year ended December 31, 2022:

	June 30, 2023	December 31, 2022
Balance at beginning of year	**$ 357,122**	$ 349,488
Contributions to equity accounted joint ventures	**1,552**	12,491
Distributions from equity accounted joint ventures	**(2,166)**	(4,658)
Disposition of equity accounted joint venture	**(3,074)**	—
Share of income (loss) from equity accounted joint ventures	**2,140**	(199)
Balance at end of period	**$ 355,574**	$ 357,122

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) during the first quarter of 2022.

On June 9, 2023, the Trust sold its 50% interest of the partnership units in the ONE Restaurant for $5.0 million. The sale was subject to working capital and closing adjustments of $0.9 million with the Trust receiving net proceeds of $4.1 million. The total gain on investment of $1.0 million was recognized in other gains (losses) and (expenses) during the second quarter of 2023.

As at June 30, 2023, there were approximately $37.0 million of outstanding commitments and no contingent liabilities for the eight equity accounted joint ventures.

5. HOTEL PROPERTY

First Capital owned 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 six months ended June 30, 2023 and year ended December 31, 2022.

		June 30, 2023		December 31, 2022
Balance at beginning of year	**$**	**90,600**	$	85,400
Amortization		**(821)**		(1,910)
Additions		**906**		202
Revaluation of hotel property [1]		**14,315**		6,908
Disposition		**(105,000)**		—
		—		90,600
Reclassification to assets classified as held for sale		**—**		(45,300)
Balance at end of period	**$**	**—**	$	45,300

[1] The revaluation gain of $14.3 million was recognized primarily through other comprehensive income (loss) of $10.7 million in accordance with the revaluation model accounting for the hotel. The remaining $3.6 million revaluation gain was recognized in the consolidated statements of income (loss) to recover cumulative losses historically recorded to the consolidated statements of income (loss).

On June 9, 2023, First Capital sold it's 100% interest in the hotel property. The total sale price before closing costs was $105.0 million. First Capital recognized a cumulative gain on the sale of the hotel property of $8.9 million that was recognized in retained earnings in accordance with the Trust's accounting policy for the hotel. The Trust also incurred closing costs of $1.2 million, which were expensed in 'Other gains (losses) and (expenses)' in the consolidated statements of income (loss) for the six months ended June 30, 2023.

The following table summarizes the invested cost of the assets sold and net gain recognized in retained earnings as at the disposition date.

Sale price	$	105,000
Closing adjustments [1]		(1,023)
Sale price, net	$	103,977
Hotel Property, invested cost		(94,331)
Working capital, net [1]		(741)
Net gain on disposal of hotel property [2]	**$**	**8,905**
Sale price, net	$	103,977
Property selling costs		(1,202)
Net proceeds received	$	102,775

[1] Excludes cash.

[2] In accordance with the revaluation model accounting for the hotel, the gain of $8.9 million was transferred directly to retained earnings upon sale.

6. LOANS, MORTGAGES AND OTHER ASSETS

As at		June 30, 2023		December 31, 2022
Non-current				
Loans and mortgages receivable classified as amortized cost (a)(b)	**$**	**81,350**	$	136,352
Other investments		**10,450**		9,595
Due from co-owners (c)		**35,862**		22,703
Total non-current		**127,662**		168,650
Current				
Loans and mortgages receivable classified as FVTPL (a)		**1,521**		1,506
Loans and mortgages receivable classified as amortized cost (a)(b)		**36,868**		38,641
FVTPL investments in securities (d)		**3,076**		3,334
Total current		**41,465**		43,481
Total	**$**	**169,127**	$	212,131

(a) Loans and mortgages receivable are secured by interests in investment properties or shares of entities owning investment properties. As at June 30, 2023, these receivables bear interest at weighted average effective interest rates of 8.0% (December 31, 2022 – 6.9%) 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 was repaid on January 16, 2023. The loan was not subject to interest until December 31, 2022 and thereafter was subject to 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) The Trust has 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 $34.2 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).

7. AMOUNTS RECEIVABLE

As at		June 30, 2023		December 31, 2022
Tenant receivables (net of allowance for expected credit losses of $8.8 million; December 31, 2022 – $9.5 million)	**$**	**26,090**	$	25,760
Corporate and other amounts receivable		**305**		210
Total	**$**	**26,395**	$	25,970

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, among other factors.

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

As at		June 30, 2023		December 31, 2022
Allowance for expected credit losses, beginning of year	**$**	**9,499**	$	17,213
Receivables written off during the period		**(1,204)**		(7,858)
Additional provision and other adjustments recorded during the period		**547**		144
Allowance for expected credit losses, end of period	**$**	**8,842**	$	9,499

8. OTHER ASSETS

As at	Note		June 30, 2023		December 31, 2022
Non-current					
Fixtures, equipment and computer hardware and software (net of accumulated amortization of $23.4 million; December 31, 2022 – $21.6 million)		**$**	**6,686**	$	6,615
Deferred financing costs on credit facilities (net of accumulated amortization of $9.2 million; December 31, 2022 – $8.6 million)			**3,704**		3,460
Environmental indemnity and insurance proceeds receivable	12(a)		**537**		663
Derivatives at fair value	23		**34,260**		41,394
Total non-current			**45,187**		52,132
Current					
Deposits and costs on investment properties under option			**2,677**		5,595
Prepaid expenses			**25,272**		14,590
Other deposits			**250**		250
Restricted cash			**4,709**		2,716
Derivatives at fair value	23		**9,310**		2,467
Total current			**42,218**		25,618
Total		**$**	**87,405**	$	77,750

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	**June 30, 2023**	December 31, 2022
Liabilities (principal amounts outstanding)		
Bank indebtedness	**$ —**	$ 1,594
Mortgages	**1,359,988**	1,143,856
Credit facilities	**993,679**	1,104,614
Mortgages under equity accounted joint ventures (at the Trust's interest)	**91,357**	91,911
Credit facilities under equity accounted joint venture (at the Trust's interest)	**2,029**	—
Senior unsecured debentures	**1,900,000**	1,900,000
	4,347,053	4,241,975
Exchangeable Units	**878**	1,009
Equity market capitalization [1]	**3,102,313**	3,589,229
Total capital employed	**$ 7,450,244**	$ 7,832,213
Trust Units outstanding (000's)	**212,197**	213,518
Closing market price	**$ 14.62**	$ 16.81

(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 June 30, 2023, 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	**June 30, 2023**	December 31, 2022
Net debt to total assets [1]	≤65%	**44.5%**	44.0%
Unencumbered aggregate assets to unsecured debt, using 10 quarter average capitalization rate [1]	>1.3	**2.3**	2.3
Unitholders' equity, using four quarter average (billions) [2]	>$2.0B	**$ 4.3**	$ 4.4
Secured indebtedness to total assets [2]	≤35%	**16.1%**	13.6%
For the rolling four quarters ended			
Interest coverage (Adjusted EBITDA to interest expense) [2]	>1.65	**2.3**	2.4
Fixed charge coverage (Adjusted EBITDA to debt service) [2]	>1.50	**1.9**	2.1

(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	**June 30, 2023**	December 31, 2022
Fixed rate mortgages	**$ 1,355,838**	$ 1,140,490
Unsecured facilities	**895,640**	1,030,564
Secured facilities	**98,039**	74,050
Mortgages and credit facilities	**$ 2,349,517**	$ 2,245,104
Current	**$ 306,280**	$ 256,038
Mortgages classified as held for sale	**12,972**	13,129
Non-current	**2,030,265**	1,975,937
Total	**$ 2,349,517**	$ 2,245,104

Mortgages and secured facilities are secured by First Capital's investment properties. As at June 30, 2023, approximately $3.0 billion (December 31, 2022 – $2.3 billion) of investment properties out of $8.6 billion (December 31, 2022 – $8.6 billion) (Note 3(a)) had been pledged as security under the mortgages and the secured facilities.

As at June 30, 2023, mortgages bear coupon interest at a weighted average coupon rate of 3.7% (December 31, 2022 – 3.4%) and mature in the years ranging from 2024 to 2033. The weighted average effective interest rate on all mortgages as at June 30, 2023 is 3.8% (December 31, 2022 – 3.5%).

Principal repayments of mortgages outstanding as at June 30, 2023 are as follows:

	Scheduled Amortization	Payments on Maturity	Total	Weighted Average Effective Interest Rate
2023 (remainder of the year)	$ 18,172	$ —	$ 18,172	N/A
2024	35,540	108,478	144,018	3.7%
2025	33,422	66,971	100,393	3.8%
2026	29,860	94,360	124,220	3.2%
2027	28,258	79,863	108,121	3.6%
2028 to 2033	67,908	797,156	865,064	3.9%
	$ 213,160	**$ 1,146,828**	**$ 1,359,988**	**3.8%**
Unamortized deferred financing costs and premiums, net			(4,150)	
Total			**$ 1,355,838**	

First Capital's credit facilities as at June 30, 2023 are summarized in the table below:

As at June 30, 2023	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 2023	$ 250,000	$ —	$ —	$ 250,000	BA + 1.15% or Prime + 0.30% or SOFR + 1.15%	October 31, 2023
Revolving facility maturing 2024	100,000	—	—	100,000	BA + 1.15% or Prime + 0.30% or US$ LIBOR + 1.15%	August 31, 2024
Revolving facility maturing 2028	450,000	—	(3,975)	446,025	BA + 1.45% or Prime + 0.45% or SOFR + 1.45%	June 30, 2028
Fixed rate unsecured term loan maturing 2025 (1)(2)	100,000	(100,000)	—	—	5.00%	January 9, 2025
Floating rate unsecured term loan maturing 2025	100,000	(100,000)	—	—	BA + 1.50% or Prime + 0.50%	April 15, 2025
Floating rate unsecured term loan maturing 2025 (3)	150,000	(145,640)	—	4,360	BA + 1.45% or Prime + 0.45% or SOFR + 1.45%	November 29, 2025
Fixed rate unsecured term loans maturing 2024 - 2026 (2)	550,000	(550,000)	—	—	3.29%	March 28, 2024 - April 15, 2026
Secured Construction Facilities						
Maturing 2024	19,321	(12,212)	—	7,109	Prime - 0.25%	June 1, 2024
Maturing 2025	62,665	(40,571)	—	22,094	BA + 2.50% or Prime + 1.00%	October 1, 2025
Maturing 2027 (4)	171,750	(34,188)	(295)	112,324	BA + 2.30%	January 20, 2027
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
Sub-Total	**$ 1,964,804**	**$ (993,679)**	**$ (4,270)**	**$ 941,912**		
Secured Construction Facility						
Maturing 2025 (5)	71,450	(2,029)	—	69,421	BA + 2.65% or Prime + 1.00%	November 28, 2025
Total	**$ 2,036,254**	**$ (995,708)**	**$ (4,270)**	**$ 1,011,333**		

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

(2) 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.

(3) The Trust has drawn in U.S. dollars the equivalent of CAD$150.0 million which was revalued at CAD$145.6 million as at June 30, 2023.

(4) The available to be drawn amount is reduced by the Trust's equity injections into the project where it has chosen not to draw on the facility and other adjustments in accordance with the facility agreement.

(5) This secured construction facility relates to one of the Trust's joint ventures that is equity accounted.

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.

11. SENIOR UNSECURED DEBENTURES

As at					**June 30, 2023**	December 31, 2022
		Interest Rate				
Series	Maturity Date	Coupon	Effective	**Principal Outstanding**	**Liability**	Liability
Q	October 30, 2023	3.90%	3.97%	**300,000**	**299,934**	299,835
R	August 30, 2024	4.79%	4.72%	**300,000**	**300,228**	300,323
S	July 31, 2025	4.32%	4.24%	**300,000**	**300,479**	300,588
T	May 6, 2026	3.60%	3.57%	**300,000**	**300,334**	300,386
V	January 22, 2027	3.46%	3.54%	**200,000**	**199,466**	199,397
U	July 12, 2027	3.75%	3.82%	**300,000**	**299,213**	299,124
A	March 1, 2028	3.45%	3.54%	**200,000**	**199,244**	199,171
Weighted Average or Total		3.94%	3.95%	**$ 1,900,000**	**$ 1,898,898**	$ 1,898,824
Current				**$ 300,000**	**$ 299,934**	$ 299,835
Non-current				**1,600,000**	**1,598,964**	1,598,989
Total				**$ 1,900,000**	**$ 1,898,898**	$ 1,898,824

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

12. ACCOUNTS PAYABLE AND OTHER LIABILITIES

As at	**Note**	**June 30, 2023**	December 31, 2022
Non-current			
Asset retirement obligations (a)		**$ 1,992**	$ 1,152
Ground leases payable		**8,484**	8,136
Unit-based compensation plans	15(c)	**4,129**	6,758
Deferred purchase price of investment property		**1,425**	1,425
Other liabilities (b)		**88,888**	87,327
Total non-current		**104,918**	104,798
Current			
Trade payables and accruals		**80,719**	76,291
Construction and development payables		**47,918**	49,117
Unit-based compensation plans	15(c)	**14,520**	16,964
Distributions payable	14(b)	**15,278**	15,373
Interest payable		**29,758**	28,736
Tenant deposits		**38,883**	39,436
Other liabilities		**17**	9
Total current		**231,453**	225,926
Total		**$ 336,371**	$ 330,724

(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 $0.5 million (December 31, 2022 - $0.7 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	**June 30, 2023**		December 31, 2022	
	Number of Exchangeable Units	**Value**	Number of Exchangeable Units	Value
Balance at beginning of year	**60**	**$ 1,009**	103	$ 1,947
Converted to Trust Units	**—**	**—**	(43)	(617)
Fair value adjustment	**—**	**(131)**	—	(321)
Balance at end of period	**60**	**$ 878**	60	$ 1,009

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	**June 30, 2023**		December 31, 2022	
	Number of Trust Units	**Value of Trust Units**	Number of Trust Units	Value of Trust Units
Balance at beginning of year	**213,518**	**$ 2,819,639**	219,541	$ 2,898,271
Trust Units repurchased	**(1,541)**	**(20,357)**	(6,238)	(82,393)
Exercise of options, and settlement of any restricted, performance and deferred trust units	**220**	**3,952**	172	3,144
Conversion of Exchangeable Units	**—**	**—**	43	617
Balance at end of period	**212,197**	**$ 2,803,234**	213,518	$ 2,819,639

On May 16, 2023, First Capital received TSX approval for the renewal of its Normal Course Issuer Bid ("NCIB") pursuant to which it may repurchase and cancel up to 21,148,491 of its outstanding Units until May 17, 2024.

For the six months ended June 30, 2023, the Trust acquired and cancelled 1.5 million Units (June 30, 2022 - 4.6 million) at a weighted average purchase price of $15.36 per unit (June 30, 2022 - $15.24), for a total cost of $23.7 million (June 30, 2022 - $70.8 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 $3.3 million (June 30, 2022 - $9.4 million). On a cumulative basis, as of June 30, 2023, the Trust has acquired and cancelled 7.8 million Units at a weighted average purchase price of $15.18 per unit, for a total cost of $118.1 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 doubling of the Trust's regular monthly distribution to $0.072 per unit commencing with the September 2022 distribution.

First Capital declared monthly distributions totaling $0.430 per Trust Unit for the six months ended June 30, 2023 (six months ended June 30, 2022 - $0.216 per Trust Unit).

15. UNIT-BASED COMPENSATION PLANS

(a) Unit Option Plan

The Trust previously offered a Unit Option Plan to employees and officers. Options granted under the Plan expire 10 years from the date of grant and vest over five years. Effective January 1, 2022, no further options were granted under the Unit Option Plan. As at June 30, 2023, 5.6 million unit options were outstanding (December 31, 2022 - 6.3 million).

The outstanding options as at June 30, 2023 have exercise prices ranging from $15.53 - $21.24 (December 31, 2022 – $15.53 - $21.24).

During the six months ended June 30, 2023, $0.2 million (six months ended June 30, 2022 – $0.4 million) was recorded as an expense related to stock options.

Six months ended June 30	**2023**		2022	
	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	**6,275**	**$ 19.76**	6,337	$ 19.75
Exercised (a)	**—**	**—**	(7)	17.90
Forfeited	**—**	**—**	(5)	19.96
Expired	**(643)**	**19.47**	(15)	17.90
Outstanding at end of period	**5,632**	**$ 19.79**	6,310	$ 19.75

(a) The weighted average market price at which options were exercised for the six months ended June 30, 2023 was $Nil (six months ended June 30, 2022 – $18.17).

The assumptions used to measure the fair value of the unit options under the Black-Scholes model (level 2) as at June 30, 2023 and 2022 were as follows:

As at June 30	**2023**	2022
Expected Trust Unit price volatility	**18.28% - 29.18%**	19.58% - 32.36%
Expected life of options	**0.2 - 6.0 years**	0.3 - 6.8 years
Expected distribution yield	**5.88%**	5.56%
Risk free interest rate	**3.45% - 4.93%**	2.22% - 3.14%

(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.

Six months ended June 30		**2023**		2022
(in thousands)	**DUs**	**RUs / PUs**	DUs	RUs / PUs
Outstanding at beginning of year	**402**	**1,083**	320	897
Granted (a) (b)	**49**	**417**	37	460
Distributions reinvested	**12**	**33**	4	12
Exercised	**—**	**(287)**	(7)	(240)
Forfeited	**—**	**(12)**	—	(20)
Outstanding at end of period	**463**	**1,234**	354	1,109
Expense recorded for the period	**$904**	**$3,640**	$679	$2,356

(a) The fair value of the DUs granted during the six months ended June 30, 2023 was $0.7 million (six months ended June 30, 2022 – $0.6 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 six months ended June 30, 2023 was $4.7 million (six months ended June 30, 2022 – $4.7 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 six months ended June 30, 2023 was $3.0 million (six months ended June 30, 2022 – $2.5 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.

Six months ended June 30	**2023**	2022
Grant date	**February 16, 2023**	May 9, 2022
PUs granted (thousands)	**154**	177
Term to expiry	**3 years**	3 years
Weighted average volatility rate	**32.5%**	31.1%
Weighted average correlation	**76.5%**	75.3%
Weighted average total Unitholder return	**6.6%**	(15.6%)
Weighted average risk free interest rate	**3.87%**	2.66%
Fair value (thousands)	**$3,038**	$2,479

(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 June 30, 2023, the carrying value of the unit-based compensation liability was $18.6 million (December 31, 2022 – $23.7 million)(Note 12). For the six months ended June 30, 2023, FCR recognized a decrease in the value of the unit-based compensation plans which resulted in a revaluation gain of $5.9 million in the consolidated statements of income (loss) due to a decrease in the Trust Unit's price since December 31, 2022.

16. NET OPERATING INCOME

Net Operating Income by Component

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

	Three months ended June 30			Six months ended June 30		
	% change	**2023**	2022	**% change**	**2023**	2022
Property rental revenue						
Base rent [1]		**$ 106,813**	$ 107,941		**$ 213,681**	$ 214,217
Operating cost recoveries		**26,948**	25,042		**56,726**	53,898
Realty tax recoveries		**28,737**	29,729		**59,256**	60,857
Lease termination fees		**75**	55		**210**	119
Percentage rent		**968**	645		**1,611**	1,202
Straight-line rent adjustment		**(1,142)**	361		**(851)**	601
Prior year operating cost and tax recovery adjustments		**1,354**	1,154		**1,478**	1,054
Temporary tenants, storage, parking and other [2]		**8,151**	7,679		**15,803**	13,134
Total Property rental revenue	**(0.4%)**	**171,904**	172,606	**0.8%**	**347,914**	345,082
Property operating costs						
Recoverable operating expenses		**29,954**	28,146		**63,683**	60,315
Recoverable realty tax expense		**32,399**	33,453		**67,051**	68,518
Prior year realty tax expense (recovery)		**(133)**	63		**(140)**	(101)
Other operating costs and adjustments [3]		**3,174**	4,803		**7,757**	9,229
Total Property operating costs		**65,394**	66,465		**138,351**	137,961
Total NOI	**0.3%**	**$ 106,510**	$ 106,141	**1.2%**	**$ 209,563**	$ 207,121
NOI margin		**62.0%**	61.5%		**60.2%**	60.0%

[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 three and six months ended June 30, 2023 of $Nil (three and six months ended June 30, 2022 – $0.5 million and $0.9 million, respectively).

For the three and six months ended June 30, 2023, property operating costs include $6.3 million and $12.7 million, respectively, (three and six months ended June 30, 2022 –$5.7 million and $11.6 million, respectively) related to employee compensation.

17. INTEREST AND OTHER INCOME

		Three months ended June 30		Six months ended June 30	
	Note	**2023**	2022	**2023**	2022
Interest, dividend and distribution income from marketable securities and other investments	6	**$ 752**	$ 102	**$ 1,414**	$ 201
Interest income from loans and mortgages receivable classified as FVTPL	6	**33**	19	**52**	38
Interest income from loans and mortgages receivable at amortized cost	6	**2,600**	2,875	**5,245**	6,863
Fees and other income		**1,393**	1,045	**2,658**	2,608
Total		**$ 4,778**	$ 4,041	**$ 9,369**	$ 9,710

18. INTEREST EXPENSE

		Three months ended June 30		Six months ended June 30	
	Note	**2023**	2022	**2023**	2022
Mortgages	10	**$ 13,906**	$ 11,520	**$ 27,379**	$ 22,750
Credit facilities	10	**10,893**	7,939	**21,018**	15,523
Senior unsecured debentures	11	**18,713**	21,309	**37,222**	43,117
Distributions on Exchangeable Units [1]	13	**13**	10	**26**	21
Total interest expense		**43,525**	40,778	**85,645**	81,411
Interest capitalized to investment properties under development		**(4,899)**	(3,283)	**(9,751)**	(7,542)
Interest expense		**$ 38,626**	$ 37,495	**$ 75,894**	$ 73,869
Change in accrued interest		**(9,237)**	(5,167)	**(820)**	3,905
Coupon interest rate in excess of effective interest rate on senior unsecured debentures		**396**	315	**783**	619
Coupon interest rate in excess of effective interest rate on assumed mortgages		**3**	4	**7**	8
Amortization of deferred financing costs		**(1,656)**	(1,873)	**(3,564)**	(3,634)
Cash interest paid associated with operating activities		**$ 28,132**	$ 30,774	**$ 72,300**	$ 74,767

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

19. CORPORATE EXPENSES

	Three months ended June 30		Six months ended June 30	
	2023	2022	**2023**	2022
Salaries, wages and benefits	**$ 7,779**	$ 6,987	**$ 16,319**	$ 14,314
Unit-based compensation	**2,242**	1,591	**4,596**	3,169
Other corporate costs [1]	**3,561**	3,303	**14,538**	6,726
Total corporate expenses	**13,582**	11,881	**35,453**	24,209
Amounts capitalized to investment properties under development	**(1,877)**	(1,639)	**(4,219)**	(3,635)
Corporate expenses	**$ 11,705**	$ 10,242	**$ 31,234**	$ 20,574

[1] Includes approximately $7 million in legal, advisory and settlement costs related to the Unitholder activism for the six months ended June 30, 2023 (six months ended June 30, 2022 - $Nil).

20. OTHER GAINS (LOSSES) AND (EXPENSES)

	Three months ended June 30		Six months ended June 30	
	2023	2022	**2023**	2022
Realized gain (loss) on sale of marketable securities	**$ —**	$ 5,591	**$ —**	$ 5,591
Unrealized gain (loss) on marketable securities	**(205)**	(8,700)	**(258)**	(14,728)
Transaction costs	**—**	—	**—**	(572)
Gain on Investment [1]	**1,007**	—	**1,007**	—
Gain (loss) on loan receivable modification	**—**	—	**—**	(566)
Pre-selling costs of residential inventory	**(62)**	(9)	**(137)**	(16)
Investment property selling costs	**(1,394)**	(284)	**(1,504)**	(994)
Other	**10**	30	**6**	23
Total	**$ (644)**	$ (3,372)	**$ (886)**	$ (11,262)

[1] On June 9, 2023, the Trust sold its 50% interest of the partnership units in the ONE Restaurant.

21. INCOME TAXES

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

The following reconciles the expected tax expense (recovery) computed at the statutory tax rate to the actual tax expense for the three and six months ended June 30, 2023 and 2022.

	Three months ended June 30		Six months ended June 30	
	2023	2022	**2023**	2022
Income tax computed at the Canadian statutory rate of Nil applicable to the Trust at June 30, 2023 and 2022	**$ —**	$ —	**$ —**	$ —
Increase (decrease) in income taxes due to:				
Deferred income taxes (recoveries) applicable to corporate subsidiaries	**(12,689)**	(149)	**(12,843)**	7,822
Other	**—**	211	**—**	132
Deferred income taxes expense (recovery)	**$ (12,689)**	$ 62	**$ (12,843)**	$ 7,954

22. RISK MANAGEMENT

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

(a) Interest rate risk

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

(b) Credit risk

Credit risk arises from the possibility that tenants and/or debtors may experience financial difficulty and be unable or unwilling to fulfill their lease commitments or loan obligations. First Capital mitigates the risk of credit loss from tenants by investing in well-located properties in urban markets that attract high quality tenants, ensuring that its tenant mix is diversified, and by limiting its exposure to any one tenant. As at June 30, 2023, Loblaw Companies Limited ("Loblaw") is FCR's largest tenant and accounts for 10.5% of FCR's annualized minimum rent and has an investment grade credit rating. Other than Loblaw, no other tenant accounts for more than 10% of the annualized minimum rent. A tenant's success over the term of its lease and its ability to fulfill its lease obligations is subject to many factors. There can be no assurance that a tenant will be able to fulfill all of its existing commitments and leases up to the expiry date. First Capital mitigates the risk of credit loss from debtors by undertaking a number of activities typical in lending arrangements including obtaining registered mortgages on the real estate properties.

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

(c) Liquidity risk

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

An analysis of First Capital's contractual maturities of its material financial liabilities and other contractual commitments as at June 30, 2023 is set out below:

As at June 30, 2023	Payments due by period				
	Remainder of 2023	2024 to 2025	2026 to 2027	Thereafter	Total
Scheduled mortgage principal amortization	$ 18,172	$ 68,962	$ 58,118	$ 67,908	$ 213,160
Mortgage principal repayments on maturity	—	175,449	174,223	797,156	1,146,828
Credit facilities and bank indebtedness	11,331	673,160	309,188	—	993,679
Senior unsecured debentures	300,000	600,000	800,000	200,000	1,900,000
Interest obligations [(1)]	84,369	255,836	119,274	90,102	549,581
Land leases (expiring between 2023 and 2061)	355	1,347	1,325	16,285	19,312
Contractually committed costs to complete current development projects [(2)]	27,021	81,414	—	—	108,435
Total contractual obligations	**$ 441,248**	**$ 1,856,168**	**$ 1,462,128**	**$ 1,171,451**	**$ 4,930,995**

(1) Interest obligations include expected interest payments on mortgages and credit facilities as at June 30, 2023 (assuming balances remain outstanding through to maturity), and senior unsecured debentures, as well as standby credit facility fees.

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

First Capital manages its liquidity risk by staggering debt maturities; renegotiating expiring credit arrangements proactively; using secured and unsecured credit facilities, mortgages and unsecured debentures; and issuing equity when considered appropriate. As at June 30, 2023, there was $0.9 billion (December 31, 2022 – $1.0 billion) of cash advances drawn against First Capital's unsecured credit facilities.

In addition, as at June 30, 2023, First Capital had $29.1 million (December 31, 2022 – $27.6 million) of outstanding letters of credit issued by financial institutions primarily to support certain of FCR's contractual obligations and $Nil (December 31, 2022 – $1.6 million) of bank overdrafts.

(d) Unit price risk

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

Units and unit-based compensation negatively impact operating income when the Trust Unit price rises and positively impact operating income when the Trust Unit price declines.

23. FAIR VALUE MEASUREMENT

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

As at	**June 30, 2023**			December 31, 2022		
	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	**$ 3,076**	**$ —**	**$ —**	$ 3,334	$ —	$ —
Loans and mortgages receivable	**—**	**—**	**1,521**	—	—	1,506
Other investments	**—**	**—**	**10,450**	—	—	9,595
Derivatives at fair value – assets	**—**	**43,570**	**—**	—	43,861	—
Financial Liabilities						
Exchangeable Units	**—**	**878**	**—**	—	1,009	—
Unit-based compensation plans	**—**	**18,649**	**—**	—	23,722	—
Derivatives at fair value – liabilities	**—**	**4,360**	**—**	—	—	—
Fair value of financial instruments measured at amortized cost						
Financial Assets						
Loans and mortgages receivable	**$ —**	**$ —**	**$ 115,482**	$ —	$ —	$ 178,178
Financial Liabilities						
Mortgages	**—**	**1,258,976**	**—**	—	1,046,429	—
Credit facilities	**—**	**993,679**	**—**	—	1,104,614	—
Senior unsecured debentures	**—**	**1,796,144**	**—**	—	1,775,836	—

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 June 30, 2023, the interest rates ranged from 5.9% to 6.7% (December 31, 2022 – 3.3% to 6.2%). The fair values of First Capital's asset (liability) hedging instruments are as follows:

	Designated as Hedging Instrument	Maturity as at June 30, 2023	**June 30, 2023**	December 31, 2022
Derivative assets				
Bond forward contracts	Yes	N/A	**$ —**	$ 1,903
Interest rate swaps	Yes	April 2024 - March 2027	**43,570**	41,394
Cross currency swaps	No	N/A	**—**	564
Total			**$ 43,570**	$ 43,861
Derivative liabilities				
Cross currency swaps	No	July 2023	**4,360**	—
Total			**$ 4,360**	$ —
Total			**$ 39,210**	$ 43,861

As at June 30, 2023, the $0.3 million decrease in the fair value of outstanding derivative assets compared to December 31, 2022 is primarily due to fluctuations in market rates (Canadian Bankers' Acceptance rate and Government of Canada bond rate) relative to the market rates locked-in at inception of outstanding interest rate swaps.

24. SUBSIDIARIES WITH NON-CONTROLLING INTEREST

As at June 30, 2023, 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	**June 30, 2023**	December 31, 2022
Main and Main Developments LP ("MMLP")	46.875% Interest in MMUR [1]	**67.0%**	67.0%
Maincore Equities Inc.	46.875% Interest in MMUR [1]	**70.9%**	70.9%

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

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

25. SUPPLEMENTAL CASH FLOW INFORMATION

(a) Items not affecting cash and other items

		Three months ended June 30		Six months ended June 30	
	Note	**2023**	2022	**2023**	2022
Straight-line rent adjustment	16	**$ 1,142**	$ (361)	**$ 851**	$ (601)
Investment property selling costs	20	**1,394**	284	**1,504**	994
Realized (gain) loss on sale of marketable securities	20	**—**	(5,591)	**—**	(5,591)
Unrealized (gain) loss on marketable securities classified as FVTPL	20	**205**	8,700	**258**	14,728
(Gain) loss on loan receivable modification	20	**—**	—	**—**	566
Gain on Investment	20	**(1,007)**	—	**(1,007)**	—
Unit-based compensation expense	15	**2,325**	1,693	**4,750**	3,390
Increase (decrease) in value of Exchangeable Units	13	**(66)**	(337)	**(131)**	(431)
Increase (decrease) in value of unit-based compensation	15	**(3,453)**	(8,921)	**(5,910)**	(9,342)
Deferred income taxes expense (recovery)	21	**(12,689)**	62	**(12,843)**	7,954
Total		**$ (12,149)**	$ (4,471)	**$ (12,528)**	$ 11,667

(b) Net changes in other working capital items

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

	Three months ended June 30		Six months ended June 30	
	2023	2022	**2023**	2022
Amounts receivable	**$ 1,057**	$ 2,786	**$ (1,480)**	$ (2,622)
Prepaid expenses	**(5,703)**	(7,048)	**(11,761)**	(14,730)
Trade payables and accruals	**13,117**	7,502	**10,587**	8,149
Tenant security and other deposits	**(1,206)**	3,455	**196**	1,366
Residential development inventory	**(15,025)**	(13,573)	**(21,851)**	6,975
Other working capital changes	**(82)**	(1,293)	**(812)**	(1,196)
Total	**$ (7,842)**	$ (8,171)	**$ (25,121)**	$ (2,058)

(c) Changes in loans, mortgages and other assets

	Three months ended June 30		Six months ended June 30	
	2023	2022	**2023**	2022
Advances of loans and mortgages receivable	**$ (3,400)**	$ (5,457)	**$ (8,533)**	$ (12,331)
Repayments of loans and mortgages receivable	**16,138**	52,536	**66,146**	62,775
Other investments, net	**(393)**	(3,250)	**(856)**	(3,670)
Proceeds from disposition of marketable securities	**—**	13,066	**—**	13,066
Total	**$ 12,345**	$ 56,895	**$ 56,757**	$ 59,840

(d) Cash and cash equivalents

As at	**June 30, 2023**	December 31, 2022
Cash and cash equivalents	**$ 138,696**	$ 32,694

26. COMMITMENTS AND CONTINGENCIES

(a) First Capital is involved in litigation and claims which arise from time to time in the normal course of business. None of these contingencies, individually or in aggregate, would result in a liability that would have a significant adverse effect on the financial position of FCR.

(b) First Capital is contingently liable, jointly and severally or as guarantor, for approximately $160.0 million (December 31, 2022 – $149.9 million) to various lenders in connection with certain third-party obligations, including, without limitation, loans advanced to its joint arrangement partners secured by the partners' interest in the joint arrangements and underlying assets.

(c) First Capital is contingently liable by way of letters of credit in the amount of $29.1 million (December 31, 2022 – $27.6 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 $0.7 million (December 31, 2022 – $0.9 million) with a total obligation of $19.3 million (December 31, 2022 – $18.2 million).

27. RELATED PARTY TRANSACTIONS

Subsidiaries of the Trust

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

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