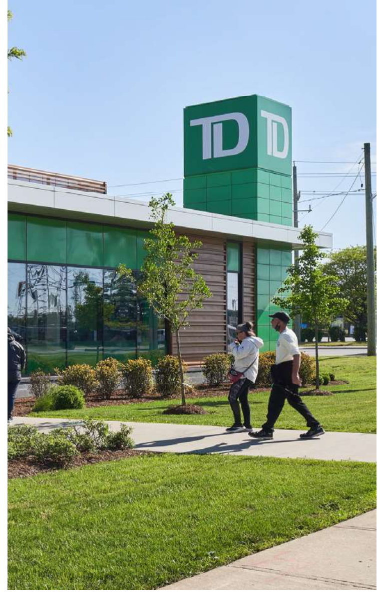


FIRST CAPITAL

2023
FOURTH QUARTER REPORT

Certain statements contained in this MD&A constitute forward-looking statements and information within the meaning of applicable securities law. 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, 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 this MD&A and the matters discussed under "Risk Factors" in First Capital's current Annual Information Form. Factors that could cause actual results or events to differ materially from those expressed, implied or projected by forward-looking statements, in addition to those factors referenced above, include, but are not limited to: general economic conditions; real property ownership; tenant financial difficulties, defaults and bankruptcies; the relative illiquidity of real property; increases in operating costs, property taxes and income taxes; First Capital's ability to maintain occupancy and to lease or re-lease space at current or anticipated rents; the availability and cost of equity and debt capital to finance the Trust's business, including the repayment of existing indebtedness as well as development, intensification and acquisition activities; changes in interest rates and credit spreads; organizational structure; changes to credit ratings; the availability of a new competitive supply of retail properties which may become available either through construction, lease or sublease; the Trust's ability to: execute on its Enhanced Capital Allocation and Portfolio Optimization Plan, 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 pandemics, epidemics or other outbreaks on First Capital.

Readers, therefore, should not place undue reliance on any such forward-looking statements. Further, a forward-looking statement speaks only as of the date on which such statement is made. First Capital undertakes no obligation to publicly update any such statement or to reflect new information or the occurrence of future events or circumstances, except as required by applicable securities law. All forward-looking statements in this MD&A are made as of February 6, 2024 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 **$9.2 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- they bring together people, retail shops and services, as well as public art, with the benefit of close proximity to public transit.

Our operations

YYZ
TORONTO HEADQUARTERS

FCR.UN
LISTED ON TSX

142
NEIGHBOURHOODS

22.3M
SQ. FT. OF GLA

>2,400
TENANTS

372
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 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

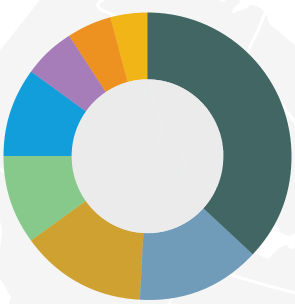
Our target markets

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

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

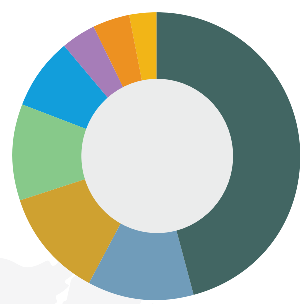
Within each of these markets, we own some of the best located properties in neighbourhoods with strong demographics that we expect will continue to get stronger over time, thereby attracting the most desirable tenants with the highest rent growth potential and the most compelling opportunities for value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

Urban Markets



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

*As at December 31, 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 urban and top-tier suburban neighbourhoods.

Strategic and Diversified Retail Tenant Mix – 3,930 locations

	# of Locations	% of AMR
Grocery Stores	123	17.1
Medical, Professional & Personal Services	1,292	15.5
QSR, Chains & Cafes	927	13.0
Other Necessity-Based Retailers	380	12.4
Pharmacies	118	9.2
Banks & Credit Unions	185	8.1
Other Tenants	466	7.9
Value-Based Retailers	87	5.7
Fitness Facilities	85	4.5
Liquor Stores	87	3.0
Other Restaurants	73	1.9
Daycare & Learning Centres	107	1.7

As at December 31, 2023

24 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.

32 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 measure an 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 maintain industry-leading metrics, 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:

Received Sector Leader Status in the 2023 GRESB Real Estate Development Benchmark with a score of 90

'AAA' rating, in the Morgan Stanley Capital International (MSCI) ESG Ratings assessment in 2023

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 2023

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 installed across our portfolio; FCR supports the expansion of EV infrastructure in Canada and we continue to annually increase our network of EV charging stations at our properties

Achieve green building certifications

- Achieve Building Owners and Managers Association's Building Environmental Standards (BOMA BEST) certification at all applicable properties; 81% of our portfolio is certified, as of December 31, 2023
- Certify all new construction projects to Leadership in Energy and Environmental Design (LEED) standards (subject to tenant acceptance); approximately 20% of our portfolio (129 projects) is certified to LEED as of December 31, 2023
- 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; 55% 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

- Recognized by the Globe and Mail as one of the Greater Toronto's Top Employers for the fourth time in five years (2020 - 2022 & 2024)
- Named one of Canada's 2022 Greenest Employers by Mediacorp Canada and the Globe and Mail
- Named one of Canada's Top Small and Medium Employers for three consecutive years (2020 – 2022)
- Selected for inclusion in "The Career Directory" for 2021 & 2022 as one of Canada's Best Employers for Recent Graduates
- 82% employee engagement score in 2023

a good corporate citizen in the communities we operate

- Launched the FCR Thriving Neighbourhoods Foundation in 2020 and have since raised over $925,000 in donations through employee-led charitable giving to fight food insecurity (Second Harvest, food banks) and mental health initiatives (Kids Help Phone)
- In September 2023, held FCR Thriving Neighbourhoods Foundation's second annual Commercial Real Estate Softball Classic tournament and raised over $220,000 for Kids Help Phone
- In 2023, 93% of FCR staff volunteered to support local charities in our communities
- Long-standing support of public arts, now with 32 installations across our portfolio

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 months and years ended December 31, 2023 and 2022. It should be read in conjunction with the Trust’s audited annual consolidated financial statements for the years ended December 31, 2023 and 2022. Additional information, including First Capital's current Annual Information Form, is available on the SEDAR+ website at www.sedarplus.ca and on the FCR website at www.fcr.ca.

All dollar amounts are in thousands of Canadian dollars, unless otherwise noted. Historical results and percentage relationships contained in First Capital’s unaudited interim and audited annual consolidated financial statements and MD&A, including trends which might appear, should not be taken as indicative of its future operations. The information contained in this MD&A is based on information available to Management and is dated as of February 6, 2024.

CURRENT BUSINESS ENVIRONMENT AND OUTLOOK

Throughout 2023, both globally and in Canada, inflation continued to be a key concern as measures of core inflation remained elevated and major central banks remain committed to restoring price stability. In the fourth quarter of 2023 inflation in Canada held steady at 3.1% for October and November before increasing to 3.4% in December. The increase in December was largely driven by the price of gasoline, air travel, passenger vehicles as well as food prices, although year-over-year increases in the latter has been in a gradually decelerating trend.

Economic growth in Canada stalled through the second and third quarters of 2023 with Gross Domestic Product “GDP” contracting at a rate of 1.1% in the third quarter as the impact of higher interest rates continues to work its way through the economy. In light of strong population growth in Canada over the past year, several estimates place the third quarter contraction at approximately 4% on a per capita basis. Higher interest rates are clearly restraining spending, with consumption growth in the last two quarters at close to zero, which should ease price pressures. Wage growth has continued at a solid 4-5% rate of growth, yet there are signs that the labour market is weakening with a lag effect amid slower job creation versus labour force growth as well as a decline in job vacancies.

Although the headline inflation rate of 3.4% continues to exceed the Bank of Canada’s target of 2%, the fourth quarter data suggests the Canadian economy is no longer in excess demand. With the return to target taking longer than anticipated, the Bank of Canada has held the overnight rate at 5.0% since July 2023. Approximately two-thirds of Canadian residential mortgages are up for renewal in 2024 through 2026. Current market interest rates (overnight rate, the Prime rate, and longer-term bond yields) are such that aggregate mortgage payments will be increasing, thus acting as a potentially sizable drag on consumption and economic growth. The Bank of Canada Governing Council is still concerned about risks to the outlook for inflation and remains prepared to raise the policy rate further if needed. The Governing Council wants to see further and sustained easing in core inflation and continues to focus on the balance between demand and supply in the economy, inflation expectations, wage growth, and corporate pricing behaviour.

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 over the longer term.

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 through the end of 2024 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 had a run rate yield of less than 2% on the expected monetization value. In addition, the Trust currently expects to complete the rezoning of approximately 6 million square feet of density on a well-staggered basis over the next three years, which it anticipates will increase their value by approximately $450 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%. Additionally, the Trust will continue to maintain a robust development pipeline which will include 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 fourth quarter of 2023, First Capital continued to execute on the Portfolio Optimization Plan with $58 million of dispositions completed, including (i) a 25% interest in the Trust's Yonge & Roselawn development site and (ii) a single tenant property located at 6455 West Boulevard, Vancouver. Additionally, First Capital has approximately $116 million of new dispositions that are subject to firm agreements entered into by the Trust which include (i) it's 50% interest in the Royal Orchard development site, located in Thornhill, ON, (ii) Circa Residences (68 residential rental suites), located in Richmond, BC, (iii) a 41.7% interest in 1071 King St. W., located in Toronto, ON reducing FCR's interest to 25% and, (iv) 71 King St. W., a small medical office building located in Mississauga, ON. To date, First Capital has completed or has under firm agreement, approximately $633 million of dispositions under the Plan, with a cumulative yield of less than 3% and an average premium to IFRS carrying value of 21%, 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 December 31, 2023, the Trust has classified $226.9 million, at First Capital's share, of its assets as held for sale.

Actively managing assets

First Capital operates a portfolio of assets located in 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, having initially targeted a net debt to EBITDA ratio of less than 10x by the end of 2024. As at December 31, 2023, First capital's net debt to EBITDA ratio was 9.9x. The Trust expects further improvement in net debt to EBITDA during 2024.

As of February 6, 2024, the Trust's liquidity position included approximately $940 million of cash and undrawn credit facilities with debt maturities for 2024 totaling approximately $490 million on a proportionate basis. As at December 31, 2023, the Trust had unencumbered properties with an IFRS value of approximately $6.0 billion and a net debt to asset ratio of 45.0% as well as a net debt to Adjusted EBITDA ratio that improved to 9.9x (9.8x excluding non-recurring costs related to Unitholder activism) from 10.2x (10.1x excluding non-recurring costs related to Unitholder activism) year over year.

Normal Course Issuer Bid ("NCIB")

Since the beginning of 2019, the REIT has completed approximately $2.0 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 December 31, 2023, the REIT has repurchased 7.9 million Trust units for approximately $120.1 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 December 31, 2023, FCR's loans and mortgages receivable totaling $131.2 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 December 31, 2023, FCR had approximately 0.7 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 the assets in which it invests.

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 has shown signs of weakening as growth in consumption has slowed as higher interest rates and increasingly restrictive monetary policy continue to work their way through to consumers and the economy more broadly. With approximately two-thirds of Canadian residential mortgages being up for renewal in 2024 through 2026 at current interest rates that will subject borrowers to payment increases, it appears there will be more “fiscal drag” ahead for consumption and economic growth. Moreover, a general 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. With Canada’s inflation rate continuing to hover in the 3.0% to 3.5% range, reaching the Bank of Canada's 2% target may prove challenging this year, as prices for certain services, food and rent remain elevated, as does wage growth.

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. In the current environment, the Trust continues to achieve strong leasing metrics with a robust new and renewal lease pipeline coupled with upward trending market rental rates. 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 (loss) 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 (loss) determined in accordance with IFRS. A reconciliation from net income (loss) 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 (loss), 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 December 31, 2023). First Capital's operating metrics and GLA excludes residential GLA totaling 204,000 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

For the years ended December 31		2023		2022		2021
Revenues, Income and Cash Flows [1]						
Revenues and other income	**$**	**712,856**	$	712,966	$	685,770
NOI [2]	**$**	**425,257**	$	425,499	$	412,538
Increase (decrease) in value of investment properties, net	**$**	**(423,598)**	$	(409,716)	$	198,617
Increase (decrease) in value of hotel property	**$**	**3,646**	$	6,908	$	(1,122)
Net income (loss) attributable to Unitholders	**$**	**(134,056)**	$	(159,997)	$	460,131
Net income (loss) per unit attributable to Unitholders (diluted)	**$**	**(0.63)**	$	(0.73)	$	2.08
Weighted average number of units - diluted (in thousands)		**214,268**		218,162		220,826
Cash provided by operating activities	**$**	**227,734**	$	251,221	$	249,613
Distributions						
Distributions declared	**$**	**183,561**	$	124,191	$	94,804
Distributions declared per unit	**$**	**0.864**	$	0.576	$	0.432
Cash distributions paid	**$**	**183,657**	$	116,721	$	102,618
Cash distributions paid per unit	**$**	**0.864**	$	0.540	$	0.432

As at December 31		2023		2022		2021
Financial Information [1]						
Investment properties [3]	**$**	**8,239,260**	$	8,627,788	$	9,126,839
Hotel property [3]	**$**	**—**	$	90,600	$	85,400
Total assets	**$**	**9,185,450**	$	9,581,938	$	10,109,074
Mortgages [3]	**$**	**1,338,041**	$	1,140,490	$	1,173,175
Credit facilities	**$**	**1,153,907**	$	1,104,614	$	899,777
Senior unsecured debentures	**$**	**1,598,941**	$	1,898,824	$	2,348,145
Exchangeable Units	**$**	**—**	$	1,009	$	1,947
Unitholders' equity	**$**	**3,933,377**	$	4,279,373	$	4,620,942
Net Asset Value per unit [2]	**$**	**21.95**	$	23.48	$	24.26
Capitalization and Leverage						
Trust Units outstanding (in thousands)		**212,184**		213,518		219,541
Exchangeable Units outstanding (in thousands)		**—**		60		103
Enterprise value [2]	**$**	**7,346,245**	$	7,786,007	$	8,568,292
Net debt to total assets [2] [4]		**45.0%**		44.0%		43.9%
Net debt to Adjusted EBITDA [2] [4]		**9.9 / 9.8** [5]		10.2 / 10.1 [5]		11.2
Weighted average term to maturity on mortgages, fixed rate unsecured term loans and senior unsecured debentures (years)		**3.3**		3.4		4.0

As at December 31	2023	2022	2021
Operational Information			
Number of neighbourhoods	**142**	145	146
GLA (square feet) - at 100%	**22,298,000**	22,216,000	22,485,000
GLA (square feet) - at ownership interest	**19,368,000**	19,325,000	19,657,000
Occupancy - Same Property - stable [2]	**96.3%**	96.1%	96.0%
Total portfolio occupancy	**96.2%**	95.8%	96.1%
Development pipeline and adjacent land (GLA) [6]			
Commercial pipeline (primarily retail)	**1,063,000**	1,742,000	1,720,000
Residential pipeline	**22,654,000**	22,388,000	21,752,000
Weighted average rate per occupied square foot	**$ 23.34**	$ 22.95	$ 22.42
Commercial GLA developed and transferred online - at ownership interest [7]	**142,000**	15,000	194,000
Residential units developed and transferred online [6]	**38**	—	399
Cost of GLA developed and brought online – at FCR's share	**$ 88,323**	$ 6,714	$ 277,077
Same Property - stable NOI - increase (decrease) over prior period [2] [8]	**1.2%**	5.2%	5.1%
Total Same Property NOI - increase (decrease) over prior period [2] [8]	**1.3%**	5.1%	5.7%

For the years ended December 31	2023	2022	2021
Funds from Operations [2] [4]			
FFO	**$ 243,977**	$ 263,155	$ 250,989
FFO per diluted unit	**$ 1.14**	$ 1.21	$ 1.14
FFO payout ratio	**75.9%**	47.8%	38.0%
Weighted average number of units - diluted (in thousands)	**214,268**	218,162	220,826
Adjusted Funds from Operations [2] [4]			
AFFO	**$ 202,654**	$ 226,217	$ 223,512
AFFO per diluted unit	**$ 0.95**	$ 1.04	$ 1.01
AFFO payout ratio	**91.3%**	55.5%	42.7%
Weighted average number of units - diluted (in thousands)	**214,268**	218,162	220,826
Adjusted Cash Flow from Operations [2] [4]			
ACFO	**$ 233,363**	$ 235,452	$ 243,816
ACFO payout ratio on a rolling four quarter basis	**78.7%**	49.6%	42.1%

(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 9.9x as at December 31, 2023 (10.2x - December 31, 2022). Excluding non-recurring costs related to Unitholder activism, the ratio was 9.8x (10.1x - December 31, 2022).

(6) At First Capital's ownership interest.

(7) During the twelve months ended December 31.

(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 December 31, 2023, First Capital had interests in 142 neighbourhoods, which were 96.2% 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 $8.6 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 128 neighbourhoods with a total GLA of 18.0 million square feet at FCR's ownership interest (20.8 million square feet at 100%) and a fair value of $7.4 billion. These properties represent 90% of FCR's neighbourhood count, 93% of its GLA at FCR's ownership interest and 86% of its fair value as at December 31, 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	December 31, 2023					December 31, 2022				
Property Type (1)	**% of Total GLA**	**GLA (000s sq. ft.)**	**Fair Value** (2)	**Occupancy**	**Weighted Average Rate per Occupied Square Foot**	% of Total GLA	GLA (000s sq. ft.)	Fair Value (2)	Occupancy	Weighted Average Rate per Occupied Square Foot
Same Property – stable	**90.6%**	**17,552**	**$ 7,296**	**96.3%**	**$ 23.53**	90.4%	17,468	$ 7,704	96.1%	$ 23.17
Same Property with redevelopment	**2.4%**	**461**	**141**	**98.7%**	**18.02**	2.4%	457	139	98.7%	17.31
Total Same Property	**93.0%**	**18,013**	**7,437**	**96.3%**	**23.38**	92.8%	17,925	7,843	96.2%	23.01
Major redevelopment	**4.8%**	**924**	**343**	**95.0%**	**21.65**	4.4%	852	280	89.6%	22.45
Properties under construction (3)	**—%**	**—**	**88**	**—%**	**—**	—%	—	88	—%	—
Acquisitions (4)	**1.0%**	**199**	**143**	**95.9%**	**26.93**	1.0%	189	64	94.8%	13.70
Density and Development land (5) (6)	**0.4%**	**72**	**378**	**97.1%**	**25.86**	0.4%	95	363	96.5%	25.73
Investment properties classified as held for sale	**0.8%**	**160**	**227**	**83.6%**	**22.30**	0.8%	157	145	89.5%	21.96
Dispositions (7)	**—%**	**—**	**—**	**—%**	**—**	0.6%	107	260	98.7%	31.09
Total	**100.0%**	**19,368**	**$ 8,616**	**96.2%**	**$ 23.34**	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 December 31, 2023 and December 31, 2022, respectively.

(3) Approximately $36 million (December 31, 2022 - $Nil) of properties under construction is included in investment properties classified as held for sale as at December 31, 2023.

(4) Includes current year and prior year acquisitions.

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

(6) Approximately $90 million (December 31, 2022 - $33 million) of density and development land is included in investment properties classified as held for sale as at December 31, 2023.

(7) Comparative information presented relates to 2023 dispositions that have been completed and no longer form part of these metrics as at December 31, 2023.

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

As at	December 31, 2023							December 31, 2022						
(millions of dollars, except other data) **Area**	**Number of Neighbour-hoods**	**GLA (000s sq. ft.)**	**Fair Value** (1)	**% of Total Fair Value**	**Occupancy**	**Weighted Average Rate per Occupied Square Foot**	**% of Annual Minimum Rent**	Number of Neighbour-hoods	GLA (000s sq. ft.)	Fair Value (1)	% of Total Fair Value	Occupancy	Weighted Average Rate per Occupied Square Foot	% of Annual Minimum Rent
Greater Toronto	**50**	**6,865**	**$ 4,101**	**48%**	**96.6%**	**$ 26.60**	**40%**	51	6,754	$ 4,366	48%	95.6%	$ 26.51	40%
Greater Montreal	**27**	**3,582**	**1,046**	**12%**	**95.3%**	**18.50**	**14%**	28	3,606	1,085	12%	94.9%	17.46	14%
Greater Calgary	**15**	**2,352**	**949**	**11%**	**94.3%**	**25.72**	**13%**	15	2,374	998	11%	93.8%	25.23	13%
Greater Vancouver	**14**	**1,583**	**994**	**12%**	**96.0%**	**28.41**	**10%**	15	1,607	1,047	12%	97.1%	28.03	10%
Greater Edmonton	**10**	**2,219**	**621**	**7%**	**96.0%**	**19.43**	**10%**	10	2,215	664	7%	97.6%	19.34	10%
Greater Ottawa	**12**	**1,021**	**340**	**4%**	**98.2%**	**20.05**	**5%**	12	1,021	329	4%	97.9%	19.46	5%
KW/Guelph (2)	**5**	**990**	**352**	**4%**	**98.7%**	**20.52**	**5%**	5	991	344	4%	99.0%	20.06	5%
Other	**9**	**756**	**213**	**2%**	**97.3%**	**18.36**	**3%**	9	757	210	2%	93.6%	18.64	3%
Total	**142**	**19,368**	**$ 8,616**	**100%**	**96.2%**	**$ 23.34**	**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 December 31, 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:

					Year ended December 31, 2023	
(millions of dollars)		**Consolidated Balance Sheet**		**Adjustments for Proportionate Interest**		**Proportionate Interest [2]**
Balance at beginning of year	**$**	**8,628**	**$**	**324**	**$**	**8,952**
Acquisitions						
Investment properties and additional adjacent spaces		**78**		**—**		**78**
Development activities and property improvements		**143**		**6**		**149**
Increase (decrease) in value of investment properties, net		**(424)**		**48**		**(376)**
Dispositions		**(186)**		**—**		**(186)**
Other changes		**—**		**(1)**		**(1)**
Balance at end of year [1]	**$**	**8,239**	**$**	**377**	**$**	**8,616**

[1] Includes assets classified as held for sale as at December 31, 2023 totaling $168 million ($227 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 and other

During the year ended December 31, 2023, First Capital acquired $78.1 million of income-producing properties including a 0.3 acre parking lot located in Liberty Village during the fourth quarter, 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
3.	Molson Building	Calgary, AB	Q3	25%	720	0.1		1.9
4	30 Hanna Avenue (parking lot)	Toronto, ON	Q4	100%	—	0.3		5.3
	Total				124,213	9.2	$	78.1

2022 Acquisitions

Income-producing properties

During the year ended December 31, 2022, as part of the Trust's strategy of expanding positions in key neighbourhoods, First Capital acquired interests in six Toronto properties and a 50% managing interest in a shopping centre located in Pickering, as summarized in the table below:

Count	Property Name	City/Province	Quarter Acquired	Interest Acquired	GLA (sq. ft.)	Acreage	Acquisition Cost (in millions)
1.	272 Lawrence Avenue West	Toronto, ON	Q1	100%	16,046	0.4	$ 21.3
2.	102 Atlantic Avenue	Toronto, ON	Q1	50%	8,734	0.1	7.6
3.	66 Montgomery Avenue	Toronto, ON	Q1	100%	—	0.1	2.5
4.	70 Montgomery Avenue	Toronto, ON	Q2	100%	—	0.1	3.6
5.	Amberlea Shopping Centre	Pickering, ON	Q3	50%	50,088	6.3	23.0
6.	64 Montgomery Avenue	Toronto, ON	Q3	100%	—	0.1	2.5
7.	328 Bloor Street West	Toronto, ON	Q4	50%	2,117	—	3.3
	Total				76,985	7.1	$ 63.8

2023 Dispositions

During the year ended December 31, 2023, First Capital completed $296.7 million of dispositions, 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	—	
5.	Yorkville Condo	Toronto, ON	Q3	100%	729	—	
6.	30, 30A Hazelton Ave.	Toronto, ON	Q3	100%	11,783	0.1	
7.	Wilderton Centre (land)	Montreal, QC	Q3	100%	—	1.5	
8.	Place Panama (land)	Brossard, QC	Q3	100%	—	3.2	
9.	5051-5061 Yonge St. (Hillcrest Plaza)	Toronto, ON	Q3	100%	37,307	0.7	
10.	Yorkville Condo	Toronto, ON	Q4	100%	813	—	
11.	Yonge & Roselawn (land)	Toronto, ON	Q4	25%	—	0.5	
12.	6455 West Boulevard	Vancouver, BC	Q4	100%	30,395	—	
	Total				179,935	6.3	$ 296.7

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

2022 Dispositions

During the year ended December 31, 2022, First Capital disposed of four income-producing properties, and four parcels of excess land for $277.4 million. These dispositions are summarized in the table below:

Count	Property Name	City/Province	Quarter Sold	Interest Sold	GLA (sq. ft.)	Acreage	Gross Sales Price (in millions)
1.	Carrefour St-Hubert (land)	St-Hubert, QC	Q1	100%	—	1.0	
2.	Staples Gateway	Edmonton, AB	Q2	100%	39,879	2.9	
3.	La Porte de Gatineau	Gatineau, QC	Q3	100%	161,496	16.4	
4.	Bayview Lane Plaza	Markham, ON	Q3	100%	43,052	3.6	
5.	Derry Heights Plaza (land)	Milton, ON	Q3	100%	—	4.1	
6.	Place Portobello (land)	Brossard, QC	Q3	100%	—	0.2	
7.	King High Line residential	Toronto, ON	Q4	50%	161,434	0.9	
8.	Yonge & Roselawn (land)	Toronto, ON	Q4	25%	—	0.5	
	Total				405,861	29.6	$ 277.4

Impact of Acquisitions and Dispositions

The annualized NOI of properties acquired and disposed, at the time of acquisition or disposition, during the years ended December 31, 2023 and 2022 is summarized in the table below:

	Acquired		Disposed	
For the year ended December 31	**2023**	2022	**2023**	2022
Greater Toronto Area	**$ 204**	$ 1,699	**$ 6,140**	$ 5,062
Greater Montreal Area	**3,634**	—	**372**	—
Greater Vancouver Area	**—**	—	**984**	—
Greater Edmonton Area	**—**	—	**—**	720
Greater Ottawa Area	**—**	—	**—**	2,824
Total	**$ 3,838**	$ 1,699	**$ 7,496**	$ 8,606

Capital Expenditures

Capital expenditures are incurred by First Capital for maintaining and/or renovating its existing properties. In addition, FCR also incurs expenditures for the purposes of expansion, redevelopment, ground-up development as well as condominium and townhome development activities.

Revenue sustaining capital expenditures are required for maintaining First Capital's property infrastructure and revenues from leasing of existing space. Revenue sustaining capital expenditures are generally not recoverable from tenants. However, certain leases provide the ability to recover from tenants, over time, a portion of capital expenditures to maintain the physical aspects of FCR's properties. Revenue sustaining capital expenditures generally include tenant improvement costs related to new and renewal leasing, and capital expenditures required to maintain the physical aspects of the properties, such as roof replacements and resurfacing of parking lots.

Revenue enhancing capital expenditures are those expenditures that increase the revenue generating ability of FCR's properties. Revenue enhancing capital expenditures are incurred in conjunction with or in contemplation of a development or redevelopment strategy, a strategic repositioning after an acquisition, or in advance of a planned disposition to maximize the potential sale price. First Capital owns and actively seeks to acquire older, well-located properties in urban locations, where expenditures tend to be higher when they are subsequently repaired or redeveloped to meet FCR's standards.

Capital expenditures incurred in development and redevelopment projects include pre-development costs, direct construction costs, leasing costs, tenant improvements, borrowing costs, overhead including applicable salaries and direct costs of internal staff directly attributable to the projects under active development. Capital expenditures on investment properties and residential inventory by type are summarized in the table below:

Year ended December 31			2023			2022
	Capital Expenditures	**Adjustments for Proportionate Interest**	**Proportionate Interest** [1]	Capital Expenditures	Adjustments for Proportionate Interest	Proportionate Interest [1]
Revenue sustaining	**$ 24,340**	**$ 17**	**$ 24,357**	$ 20,694	$ 136	$ 20,830
Revenue enhancing	**30,686**	**380**	**31,066**	28,527	43	28,570
Expenditures recoverable from tenants	**9,966**	**—**	**9,966**	10,002	—	10,002
Development expenditures	**78,031**	**5,407**	**83,438**	65,785	6,533	72,318
Sub-total	**$ 143,023**	**$ 5,804**	**$ 148,827**	$ 125,008	$ 6,712	$ 131,720
Residential Inventory	**$ 34,242**	**$ 11,854**	**$ 46,096**	$ 26,289	$ 3,914	$ 30,203
Total	**$ 177,265**	**$ 17,658**	**$ 194,923**	$ 151,297	$ 10,626	$ 161,923

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

Capital expenditures for the year ended December 31, 2023 were $194.9 million, which was $33.0 million higher than the prior year, in large part due to increased development activities related to the Trust's condo development projects primarily in Toronto.

Valuation of Investment Properties

The approach selected for valuing investment properties depends on the type of property and other factors such as stage of development. The components of First Capital's investment properties for the purposes of calculating fair values were as follows as at December 31, 2023 and December 31, 2022:

As at and for the three and twelve months ended *(millions of dollars)*					**December 31, 2023**	
Property Type	**Valuation Method**	**Fair Value**	**Adjustments for Proportionate Interest**	**Proportionate Interest** [1]	**Net Operating Income** [1]	
Same Property - stable	DCF [2]	**$ 7,146**	**$ 150**	**$ 7,296**	**$ 99**	**$ 390**
Same Property with redevelopment	DCF [2]	**141**	**—**	**141**	**3**	**8**
Total Same Property		**$ 7,287**	**$ 150**	**$ 7,437**	**$ 102**	**$ 398**
Major redevelopment	DCF [2], Cost [2]	**343**	**—**	**343**	**5**	**20**
Properties under construction [3]	DCF [2], Cost [2]	**87**	**1**	**88**	**—**	**—**
Acquisitions	DCF [2], Cost [2]	**143**	**—**	**143**	**1**	**4**
Density and Development Land [4] [5]	Cost [2], comparable land sales	**211**	**167**	**378**	**1**	**2**
Assets classified as held for sale	DCF [2], comparable land sales	**168**	**59**	**227**	**1**	**4**
Dispositions	N/A	**—**	**—**	**—**	**1**	**2**
Total investment properties		**$ 8,239**	**$ 377**	**$ 8,616**	**$ 111**	**$ 430**
NOI related to other investments					**(1)**	**2**
Total NOI					**$ 110**	**$ 432**

(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 $36 million ($36 million at First Capital's share) of properties under construction is included in assets classified as held for sale.

(4) Approximately $30 million ($90 million at First Capital's share) of density and development land is included in assets classified as held for sale.

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

As at and for the three and twelve months ended *(millions of dollars)*									December 31, 2022		
Property Type [1]	Valuation Method		Fair Value		Adjustments for Proportionate Interest		Proportionate Interest [2]	Net Operating Income [2]			
Same Property - stable	DCF [3]	$	7,557	$	147	$	7,704	$	102	$	386
Same Property with redevelopment	DCF [3]		139		—		139		2		8
Total Same Property		$	7,696	$	147	$	7,843	$	104	$	394
Major redevelopment	DCF [3], Cost [3]		280		—		280		3		15
Properties under construction	DCF [3], Cost [3]		89		(1)		88		—		—
Acquisitions	DCF [3], Cost [3]		64		—		64		1		2
Density and Development Land [4][5]	Cost [3], comparable land sales		203		160		363		1		3
Assets classified as held for sale	DCF [3], comparable land sales		127		18		145		1		3
Dispositions [6]	N/A		169		—		169		1		9
Total investment properties		$	8,628	$	324	$	8,952	$	111	$	426
NOI related to other investments									1		4
Total NOI								$	112	$	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 $13 million ($33 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 December 31, 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.

Throughout 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 $423.6 million ($376.4 million at FCR's share) for the year ended December 31, 2023.

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

As at December 31, 2023	**Stabilized Capitalization Rate**		
Area	**Weighted Average**	**Median**	**Range**
Greater Toronto	**5.1%**	**5.0%**	**3.8%-7.3%**
Greater Montreal	**6.0%**	**6.0%**	**5.3%-7.3%**
Greater Calgary	**5.9%**	**6.0%**	**5.5%-6.8%**
Greater Vancouver	**4.7%**	**4.5%**	**3.5%-5.3%**
Greater Edmonton	**6.5%**	**6.0%**	**5.5%-7.5%**
Greater Ottawa	**5.8%**	**5.9%**	**5.3%-6.3%**
KW/Guelph [1]	**5.6%**	**5.5%**	**5.3%-6.0%**
Other	**5.9%**	**5.9%**	**5.3%-6.8%**
Weighted Average	**5.5%**	**5.5%**	**3.5%-7.5%**

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

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 December 31, 2023, the Trust's share of properties under construction, residential inventory and density and development land totaled approximately $851 million. These non-income producing properties represent approximately 10% of the Trust's total portfolio value and consists of development land, adjacent land parcels, properties slated for redevelopment with limited income and properties in active development. As at December 31, 2023, the invested cost of these non-income producing properties was $685 million as compared to a fair value of $851 million. Cumulative gains of approximately $166 million have been recognized to date and are expected to grow over time as development projects are entitled, advanced and completed.

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

Development Pipeline

As at December 31, 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 December 31, 2023, Management had identified approximately 23.7 million square feet of incremental density. This incremental density represents an opportunity that exceeds FCR's existing portfolio.

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

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

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

As at December 31, 2023	Square feet *(in thousands)*				
	Commercial	Residential	Total [1]	Recognized to date [2]	Value recognized [1][2] *(in millions)*
Properties under construction	**163**	**189**	**352**	**352**	**$ 124**
Density and development land					
Medium term	900	11,200	12,100		
Long term	100	4,500	4,600		
Very long term	(100)	6,400	6,300		
	900	**22,100**	**23,000**	**7,065**	**$ 515**
Residential inventory	**—**	**365**	**365**	**365**	**$ 212**
Total development pipeline	**1,063**	**22,654**	**23,717**	**7,782**	**$ 851**

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

[2] Represents the density that has been valued and included as part of the fair value of investment properties and the cost of residential inventory on the proportionate balance sheet.

First Capital determines its course of action with respect to its potential residential density on a case by case basis given the specifics of each property. First Capital's course of action for each property may include selling the property, selling the residential density rights, entering into a joint venture with a partner to develop the property or undertaking the development of the property on its own. Approximately 7.8 million or 33% of FCR's 23.7 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 $515 million, or $73 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 December 31, 2023, the invested cost of the density and development land recognized in the Trust's proportionate balance sheet totaled $357 million representing acquisition cost and pre-development costs to date.

As at December 31, 2023 [1] *(in millions)*		**Unencumbered**	**Encumbered**	**Fair Value**
Development land	Unzoned	$ 59	$ 12	$ 71
	Zoned	221	—	221
	Total	**280**	**12**	**292**
IPP with density	Unzoned	114	69	183
	Zoned	40	—	40
	Total	**154**	**69**	**223**
Value of density and development land		**$ 434**	**$ 81**	**$ 515**

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

The remaining 15.9 million square feet of identified incremental density may be included in the value of the property in the future, based on certain factors including the expiry or removal of tenant encumbrances and zoning approvals. The majority of the incremental residential density is located above income-producing shopping centres or their parking area.

Development Pipeline by Urban Market

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

As at December 31, 2023 *(in thousands of square feet)*	Incremental Density Pipeline	
	Total	% of Total
Greater Toronto Area	14,424	60.8%
Greater Montreal Area	4,697	19.8%
Greater Vancouver Area	2,349	9.9%
Greater Calgary Area	979	4.1%
Greater Ottawa Area	705	3.0%
Greater Edmonton Area	563	2.4%
Total development pipeline	**23,717**	**100.0%**

Entitlements Program

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

As of December 31, 2023, entitlement submissions to date total approximately 17.3 million square feet representing 73% of FCR's 23.7 million incremental density pipeline. To date, 8.5 million square feet has been zoned and the Trust expects up to 2 million square feet of existing entitlement submissions to be zoned in 2024.

Entitlement Applications [1]	000's of square feet submitted for (at FCR's share):					
	Residential	Commercial	Total	Existing	Incremental	Zoned
1. Pre-2019 Entitlement Applications [2]	2,986	707	3,693	175	3,518	3,583
2. 2019 Entitlement Applications	8,310	1,020	9,330	317	9,013	5,851
3. 2020 Entitlement Applications	2,903	219	3,122	143	2,979	963
4. 2021 Entitlement Applications	1,431	18	1,449	103	1,346	494
5. 2022 Entitlement Applications	1,646	35	1,681	78	1,603	—
6. 2023 Entitlement Applications	1,563	69	1,632	106	1,526	—
Total Entitlement Applications Submitted	**18,839**	**2,068**	**20,907**	**922**	**19,985**	**10,891**
Dispositions [3]	(2,215)	(570)	(2,785)	(79)	(2,706)	(2,410)
Total Entitlement Applications Submitted - net	**16,624**	**1,498**	**18,122**	**843**	**17,279**	**8,481**

(1) Certain prior period entitlement application data has been updated to reflect subsequent resubmissions.

(2) As at December 31, 2023, all pre-2019 entitlement applications have been approved with final zoning as indicated above.

(3) Includes properties that have been fully or partially disposed of for which entitlements had been previously submitted and zoning received.

First Capital has approximately 6.4 million square feet of additional incremental density which includes 5.7 million square feet primarily related to the properties listed below, where entitlements have yet to be submitted, and 0.7 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.	Galeries Normandie	Hwy. 15/Rue de Salaberry	Montreal, QC	100%
10.	Place Provencher	Saint - Leonard	Montreal, QC	100%
11.	Le Campanile & Place du Commerce	Nun's Island	Montreal, QC	100%
12.	Place Michelet	Saint - Leonard	Montreal, QC	100%
13.	Scott 72 Shopping Centre	120 St./72 Ave.	Delta, BC	100%
14.	Semiahmoo (future phases)	South Surrey	Surrey, BC	100%
15.	Newport Village	Macleod Trail SE/Southland Dr. SE	Calgary, AB	100%
16.	Mount Royal Village East	Beltline	Calgary, AB	100%
17.	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 year ended December 31, 2023, First Capital completed the transfer of 142,000 square feet of new retail space in addition to 38 residential rental units (24,000 square feet at FCR's share) to the income-producing portfolio at a total value of $88.3 million which includes an allocation for land. The retail space transferred became occupied at an average rental rate of $18.37 per square foot or approximately $2.6 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 December 31, 2023 are as follows:

As at December 31, 2023					Estimated GLA/GFA 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	H1 2024	—	—	62	62
Cedarbrae Mall, Toronto, ON	100%	Retail	H1 2024	—	—	7	7
Humbertown Shopping Centre - Phase I, Toronto, ON	100%	Retail	H2 2024	—	—	24	24
Edenbridge Condos, Toronto, ON	50%	Mixed-Use (condo)	H1 2026	105	122	—	122
		Mixed-Use (retail)	H1 2026	—	—	4	4
400 King St. W., Toronto, ON	35%	Mixed-Use (condo)	H2 2026	217	151	—	151
		Mixed-Use (retail)	H2 2026	—	—	12	12
Yonge & Roselawn, Toronto, ON	50% [3]	Mixed-Use (rental)	H1 2027	276	189	33	222
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]				**620**	**554**	**163**	**717**

[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.

[3] As at December 31, 2023, 25% of this project is classified as held for sale.

As at December 31, 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	$ 1	$ 21	$ 20	$ —	$ —	$ 20
Cedarbrae Mall, Toronto, ON [2][3]	2	1	3	5	33	—	38
Humbertown Shopping Centre - Phase I, Toronto, ON	8	10	18	8	—	—	8
Edenbridge Condos, Toronto, ON (residential)	54	63	117	—	—	54	54
Edenbridge Condos, Toronto, ON (retail)	2	1	3	2	—	—	2
400 King St. W., Toronto, ON (residential)	64	107	171	—	—	82	82
400 King St. W., Toronto, ON (retail)	6	7	13	3	—	—	3
Yonge & Roselawn, Toronto, ON	82	215	297	72	—	—	72
138 Yorkville Ave., Toronto, ON (residential)	76	TBD	TBD	—	—	76	76
138 Yorkville Ave., Toronto, ON (retail)	14	TBD	TBD	14	—	—	14
Total at FCR's share [1]	**$ 328**	**$ 405**	**$ 733**	**$ 124**	**$ 33**	**$ 212**	**$ 369**

[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 129,000 square feet of new retail space at a total cost of approximately $55 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 62,000 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.

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 nearing completion, with 129,000 square feet of completed space already turned over to the new tenants.

Humbertown Shopping Centre - Phase I

Humbertown Shopping Centre, Toronto, is the first phase of a transformational retail redevelopment which will include the expansion of several key tenants into their desired size and formats within this established neighbourhood shopping centre. Phase One consists of a full-scale renovation of the south wing of the centre, including removal of the enclosed interior areas, creation of 9 new exterior-facing retail units, a new pedestrian breezeway and complete façade upgrade. Two additional phases are contemplated to follow. When the multi-phase redevelopment is completed, Humbertown Shopping Centre will be modernized and repositioned to serve the ongoing needs of this community.

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. Structural forming of the 6th floor has begun. 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. Structural forming of the 4th floor is underway. As of quarter end, 98% of the units have been pre-sold. The Trust's co-development partners in the project are Plazacorp and Main & Main.

Yonge & Roselawn

Yonge and Roselawn, Toronto, is a two-tower mixed-use development project located just north of the Yonge & Eglinton intersection. The project includes 552 purpose-built rental residential units between the two buildings, reaching 21 and 27 storeys, respectively. A substantial 2-storey retail podium is included at grade, incorporating two existing heritage facades along the Yonge streetfront. In addition to the inclusion of a new public park on the site, the project includes an extensive geothermal heating and cooling system and is targeting Net Zero Carbon and LEED Gold certifications.

Geothermal drilling is complete and shoring work is underway on-site. The Trust's co-development partner in the project is Woodbourne.

138 Yorkville

138 Yorkville Avenue, Toronto, is a 31-storey ultra-luxury condominium tower that includes approximately 69 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.

Leasing and Occupancy

Total portfolio occupancy increased to 96.2% at December 31, 2023 from 95.8% at December 31, 2022 primarily due to vacant space taken off-line for redevelopment. Total portfolio occupancy increased 0.3% in the fourth quarter of 2023 from 95.9% at September 30, 2023 primarily due to tenant openings, net of closures.

For the year ended December 31, 2023, the monthly average occupancy for the total portfolio was 95.9% compared to 95.6%, and the Same Property portfolio occupancy was 96.1% compared to 95.9% for the prior year, respectively.

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

As at	**December 31, 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	**16,898**	**96.3%**	**$ 23.53**	16,790	96.1%	$ 23.17
Same Property with redevelopment	**454**	**98.7%**	**18.02**	451	98.7%	17.31
Total Same Property	**17,352**	**96.3%**	**23.38**	17,241	96.2%	23.02
Major redevelopment	**878**	**95.0%**	**21.65**	764	89.6%	22.45
Assets classified as held for sale	**134**	**83.6%**	**22.30**	140	89.5%	21.96
Total portfolio before acquisitions and dispositions	**18,364**	**96.2%**	**23.29**	18,145	95.8%	22.98
Acquisitions (1)	**191**	**95.9%**	**26.93**	180	94.8%	13.70
Dispositions (2)	**—**	**—%**	**—**	106	98.7%	31.09
Density and Development land	**71**	**97.1%**	**25.86**	90	96.5%	25.73
Total (3)	**18,626**	**96.2%**	**$ 23.34**	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 December 31, 2023.

(3) At FCR's ownership interest.

During the three months ended December 31, 2023, First Capital completed 672,000 square feet of lease renewals across the portfolio. First Capital achieved a 13.5% lease renewal rate increase when comparing the per square foot net rental rate in the first year of the renewal term to the per square foot net rental rate of the last year of the expiring term. For the three months ended December 31, 2023, First Capital achieved a 15.9% lease renewal rate increase when comparing the average net rental rate over the renewal term to the net rental rate in the last year of the expiring term.

The average rental rate per occupied square foot for the total portfolio increased 1.1% from $23.08 as at September 30, 2023 to $23.34 as at December 31, 2023 primarily due to tenant openings, net of closures, rent escalations and renewals lifts.

Changes in First Capital's gross leasable area and occupancy for the total portfolio for the three months ended December 31, 2023 are set out below:

Three months ended December 31, 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
September 30, 2023 [2]	**17,266**	**96.0%**	**$ 23.12**	**1,333**	**94.8%**	**$ 22.59**	**—**	**—%**	**801**	**4.1%**	**19,400**	**95.9%**	**$ 23.08**
Tenant possession	146		40.68	9		15.53	—		(155)		—		39.20
Tenant closures	(64)		(22.37)	(39)		(17.50)	—		103		—		(20.53)
Tenant closures for redevelopment	—		—	—		—	—		—		—		—
Developments – tenants coming online [3]	4		52.00	12		17.87	—		4		20		26.86
Redevelopments – tenant possession	—		—	—		—	—		—		—		—
Demolitions	—		—	—		—	—		—		—		—
Reclassification	—		—	(11)		—	—		(11)		(22)		—
Total portfolio before Q4 2023 acquisitions and dispositions	17,352	96.3%	$ 23.38	1,304	94.1%	$ 22.97	—	—%	742	3.8%	19,398	96.2%	$ 23.35
Acquisitions (at date of acquisition)	—	—%	—	—	—%	—	—	—%	—		—	—%	—
Dispositions (at date of disposition)	—	—%	—	(30)	100.0%	(32.58)	—	—%	—		(30)	100.0%	(32.58)
December 31, 2023	**17,352**	**96.3%**	**$ 23.38**	**1,274**	**93.9%**	**$ 22.74**	**—**	**—%**	**742**	**3.8%**	**19,368**	**96.2%**	**$ 23.34**
Renewals	663		$ 20.17	9		$ 27.89					672		$ 20.26
Renewals – expired	(663)		$ (17.77)	(9)		$ (24.76)					(672)		$ (17.85)
Net change per square foot from renewals			$ 2.40			$ 3.13							$ 2.41
% Increase on renewal of expiring rents (first year of renewal term)			13.5%			12.6%							13.5%
% increase on renewal of expiring rents (average rate in renewal term)													15.9%

(1) At FCR's ownership interest.

(2) Opening balances have been adjusted to reflect the current period presentation.

(3) For further discussion of development and redevelopment coming online and under development vacancy, refer to the "Property Development Activities – 2023 Development and Redevelopment Coming Online and Space Going Offline" section of this MD&A.

During the year ended December 31, 2023, First Capital completed 2,308,000 square feet of lease renewals across the portfolio. First Capital achieved a 12.1% lease renewal rate increase when comparing the per square foot net rental rate in the first year of the renewal term to the per square foot net rental rate of the last year in the expiring term. For the year ended December 31, 2023, First Capital achieved a 13.9% lease renewal rate increase when comparing the average net rental rate over the renewal term to the net rental rate in the last year of the expiring term.

The average rental rate per occupied square foot for the total portfolio increased 1.7% from $22.95 as at December 31, 2022 to $23.34 as at December 31, 2023 primarily due to rent escalations and renewal lifts.

Changes in First Capital's gross leasable area and occupancy for the total portfolio for the year ended December 31, 2023 are set out below:

Year ended December 31, 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]	**17,241**	**96.2%**	**$ 23.01**	**1,280**	**91.5%**	**$ 22.11**	**—**	**— %**	**804**	**4.2%**	**19,325**	**95.8%**	**$ 22.95**
Tenant possession	447		29.54	91		15.16	—		(538)		—		27.10
Tenant closures	(441)		(24.49)	(91)		(18.70)	—		532		—		(23.49)
Tenant closures for redevelopment	—		—	(31)		(21.83)	20		11		—		(21.83)
Developments – tenants coming online [3]	7		43.29	130		16.97	—		5		142		18.37
Redevelopments – tenant possession	—		—	—		—	—		—		—		—
Demolitions	—		—	—		—	—		—		—		—
Reclassification	97		—	(121)		—	(20)		(72)		(116)		—
Total portfolio before 2023 acquisitions and dispositions	17,351	96.3%	$ 23.38	1,258	93.9%	$ 22.66	—	—%	742	3.8%	19,351	96.2%	$ 23.33
Acquisitions (at date of acquisition)	1	100.0%	9.16	122	99.2%	31.56	—	—%	1		124	99.2%	31.43
Dispositions (at date of disposition)	—	—%	—	(106)	98.7%	(31.97)	—	—%	(1)		(107)	98.7%	(31.97)
December 31, 2023	**17,352**	**96.3%**	**$ 23.38**	**1,274**	**93.9%**	**$ 22.74**	**—**	**—%**	**742**	**3.8%**	**19,368**	**96.2%**	**$ 23.34**
Renewals	2,230		$ 20.82	78		$ 16.38					2,308		$ 20.67
Renewals – expired	(2,230)		$ (18.59)	(78)		$ (14.31)					(2,308)		$ (18.44)
Net change per square foot from renewals			$ 2.23			$ 2.07							$ 2.23
% Increase on renewal of expiring rents (first year of renewal term)			12.0%			14.5%							12.1%
% increase on renewal of expiring rents (average rate in renewal term)													13.9%

(1) At FCR's ownership interest.

(2) Opening balances have been adjusted to reflect the current period presentation.

(3) For further discussion of development and redevelopment coming online and under development vacancy, refer to the "Property Development Activities – 2023 Development and Redevelopment Coming Online and Space Going Offline" section of this MD&A.

Top Forty Tenants

As at December 31, 2023, 54.9% of First Capital's annualized minimum rent came from its top 40 tenants (December 31, 2022 – 55.1%). Of these rents, 73.0% (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 December 31, 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")	94	1,917	10.3%	10.5%	BBB (high)	BBB	
2.	Sobeys	50	1,389	7.5%	5.5%	BBB	BBB-	
3.	Metro	35	885	4.8%	3.2%	BBB (high)	BBB	
4.	Canadian Tire	19	639	3.4%	2.9%	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.	Dollarama	51	455	2.4%	1.9%	BBB	BBB	Baa2
8.	GoodLife Fitness	26	479	2.6%	1.8%			B2
9.	Save-On-Foods	8	293	1.6%	1.7%			
10.	RBC Royal Bank	35	186	1.0%	1.6%	AA (high)	AA-	Aa1
Top 10 Tenants Total		**371**	**7,455**	**40.1%**	**33.2%**			
11.	RONA	4	361	1.9%	1.4%			
12.	CIBC	33	166	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	306	1.6%	1.3%		A	A2
16.	Scotiabank	27	124	0.7%	1.1%	AA	A+	Aa2
17.	Longo's	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	28	106	0.6%	0.8%			
22.	Petsmart	7	118	0.6%	0.7%		B+	B1
23.	Altea Active	1	31	0.2%	0.7%			
24.	Staples	7	140	0.8%	0.7%		B-	B3
25.	Toys "R" Us	4	141	0.8%	0.6%			
26.	Whole Foods Market	2	90	0.5%	0.6%		AA-	A1
27.	Starbucks	32	45	0.2%	0.6%		BBB+	Baa1
28.	McDonald's	20	72	0.4%	0.5%		BBB+	Baa1
29.	Pusateri's	1	35	0.2%	0.5%			
30.	Subway	59	58	0.3%	0.5%			
31.	The Beer Store	10	59	0.3%	0.5%	AA (low)	A+	Aa3
32.	The Home Depot	2	153	0.8%	0.4%	A	A	A2
33.	Williams-Sonoma	2	38	0.2%	0.4%			
34.	Alcanna Inc.	14	43	0.2%	0.4%			
35.	Pet Valu	19	51	0.3%	0.4%			
36.	Bulk Barn	13	57	0.3%	0.3%			
37.	CLSC [3]	1	73	0.4%	0.3%	AA (low)	AA-	Aa2
38.	Michaels	3	54	0.3%	0.3%		CCC+	B3
39.	Goodwill	5	57	0.3%	0.3%			
40.	Indigo	3	54	0.3%	0.3%			
Top 40 Tenants Total		**817**	**10,844**	**58.2%**	**54.9%**			

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

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

(3) Centre local de services communautaires.

Lease Maturity Profile

First Capital's lease maturity profile for its portfolio as at December 31, 2023, excluding any contractual renewal options, is as follows:

Maturity Date	Number of Locations	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]	140	236	1.2%	$ 4,753	1.0%	$ 20.15
2024	489	1,604	8.3%	40,131	8.5%	25.02
2025	598	2,484	12.8%	59,791	12.6%	24.07
2026	524	1,885	9.7%	50,058	10.6%	26.56
2027	578	2,676	13.8%	67,686	14.3%	25.29
2028	578	3,067	15.8%	72,821	15.4%	23.74
2029	330	1,819	9.4%	40,585	8.6%	22.32
2030	155	811	4.2%	21,793	4.6%	26.85
2031	147	845	4.4%	22,663	4.8%	26.83
2032	146	879	4.5%	22,249	4.7%	25.30
2033	141	668	3.5%	18,681	4.0%	27.98
2034	70	441	2.3%	13,921	2.9%	31.57
Thereafter	60	1,211	6.3%	38,025	8.0%	31.40
Total or Weighted Average	3,956	18,626	96.2%	$ 473,157	100.0%	$ 25.40

(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 5.0 years as at December 31, 2023, excluding contractual renewal options, but including month-to-month and other short-term leases.

Investment in Joint Ventures

As at December 31, 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 December 31, 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 years ended December 31, 2023 and 2022:

		December 31, 2023		December 31, 2022
Balance at beginning of year	$	357,122	$	349,488
Contributions to equity accounted joint ventures		6,554		12,491
Distributions from equity accounted joint ventures		(4,599)		(4,658)
Disposition of equity accounted joint venture		(3,074)		—
Share of profit (loss) from equity accounted joint ventures		48,501		(199)
Balance at end of year	$	404,504	$	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 years ended December 31, 2023 and 2022:

		December 31, 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 year	$	—	$	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 year ended December 31, 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 property, the gain of $8.9 million was transferred directly to retained earnings upon sale.

Loans, Mortgages and Other Assets

As at	**December 31, 2023**	December 31, 2022
Non-current		
Loans and mortgages receivable classified as amortized cost (a)(b)	**$ 57,509**	$ 136,352
Other investments	**11,393**	9,595
Due from co-owners (c)	**41,944**	22,703
Total non-current	**110,846**	168,650
Current		
Loans and mortgages receivable classified as FVTPL (a)	**—**	1,506
Loans and mortgages receivable classified as amortized cost (a)(b)	**73,718**	38,641
FVTPL investments in securities (d)	**2,801**	3,334
Total current	**76,519**	43,481
Total	**$ 187,365**	$ 212,131

(a) Loans and mortgages receivable are secured by interests in investment properties or shares of entities owning investment properties. As at December 31, 2023, these receivables bear interest at weighted average effective interest rates of 8.6% (December 31, 2022 – 6.9%) and mature between 2024 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 was 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 $38.9 million equals the Trust's proportionate share of the co-ownership's credit facility draws. As there is no right of offset for these two financial instruments, they are presented on a gross basis on the consolidated balance sheets.

(d) From time to time, First Capital invests in publicly traded real estate and related securities. These securities are recorded at market value. Realized and unrealized gains and losses on FVTPL securities are recorded in other gains (losses) and (expenses).

RESULTS OF OPERATIONS

Net Operating Income

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

	Three months ended December 31			Year ended December 31		
	% change	**2023**	2022	**% change**	**2023**	2022
Property rental revenue						
Base rent [1]		**$ 107,872**	$ 108,172		**$ 429,050**	$ 430,429
Operating cost recoveries		**27,867**	26,700		**110,891**	106,162
Realty tax recoveries		**29,342**	28,871		**117,634**	117,061
Lease termination fees		**525**	3,586		**878**	4,113
Percentage rent		**670**	928		**3,079**	2,633
Straight-line rent adjustment		**13**	(748)		**(414)**	(567)
Prior year operating cost and tax recovery adjustments		**(333)**	(1,035)		**1,050**	376
Temporary tenants, storage, parking and other [2]		**5,228**	9,626		**25,813**	32,889
Total Property rental revenue	**(2.8%)**	**171,184**	176,100	**(0.7%)**	**687,981**	693,096
Property operating costs						
Recoverable operating expenses		**30,736**	29,877		**123,606**	118,296
Recoverable realty tax expense		**32,882**	32,953		**133,208**	132,422
Prior year realty tax expense (recovery)		**(1,256)**	(316)		**(1,408)**	(361)
Other operating costs and adjustments [3]		**66**	2,427		**7,318**	17,240
Total Property operating costs		**62,428**	64,941		**262,724**	267,597
NOI [4]	**(2.2%)**	**$ 108,756**	$ 111,159	**(0.1%)**	**$ 425,257**	$ 425,499
NOI margin		**63.5%**	63.1%		**61.8%**	61.4%

(1) Includes residential revenue.

(2) Includes hotel property revenue.

(3) Includes residential operating costs, hotel property operating costs and bad debt expense. For the three months and year ended December 31, 2023, bad debt expense (recovery) totaled ($0.4) million and ($1.6) million, respectively (three months and year ended December 31, 2022 - ($2.1) million and ($0.7) million, respectively).

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

For the three months and year ended December 31, 2023, total NOI decreased $2.4 million and $0.2 million, respectively, compared to the same prior year periods. The decrease for the three months and year ended December 31, 2023 related primarily to significantly lower contributions from lease termination fees and lower bad debt recoveries in the fourth quarter of 2023 relative to the fourth quarter of 2022. Excluding bad debt expense (recovery) and lease termination fees, total NOI increased $2.4 million and $2.1 million, respectively, compared to the same prior year periods.

For the three months and year ended December 31, 2023, the NOI margin increased 0.4% to 63.5% and 61.8%, respectively, compared to the same prior year periods primarily due to the disposition of the Hazelton Hotel and the ONE Restaurant which operated at lower margins and the positive impact of portfolio leasing activity.

For the three months and year ended December 31, 2023, property operating costs include $5.9 million and $24.5 million, respectively, (three months and year ended December 31, 2022 – $5.7 million and $23.4 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 December 31			Year ended December 31		
	% change	**2023**	2022	**% change**	**2023**	2022
Property rental revenue						
Base rent [1]		**$ 101,973**	$ 100,476		**$ 405,842**	$ 397,384
Operating cost recoveries		**25,777**	25,042		**103,083**	98,522
Realty tax recoveries		**27,592**	27,380		**110,799**	109,781
Lease termination fees		**525**	3,586		**823**	4,113
Percentage rent		**638**	798		**2,406**	2,218
Prior year operating cost and tax recovery adjustments		**(25)**	(900)		**1,090**	329
Temporary tenants, storage, parking and other [2]		**4,716**	4,568		**18,382**	17,232
Total Same Property rental revenue		**161,196**	160,950		**642,425**	629,579
Property operating costs						
Recoverable operating expenses		**28,376**	27,600		**113,733**	108,296
Recoverable realty tax expense		**30,709**	30,783		**124,009**	122,686
Prior year realty tax expense		**(510)**	(18)		**(507)**	(43)
Other operating costs and adjustments [3]		**497**	(1,409)		**5,189**	3,851
Total Same Property operating costs		**59,072**	56,956		**242,424**	234,790
Total Same Property NOI [4]	**(1.8%)**	**$ 102,124**	$ 103,994	**1.3%**	**$ 400,001**	$ 394,789
Major redevelopment		**4,814**	3,726		**18,096**	14,556
Acquisitions – 2023		**887**	305		**2,990**	1,282
Acquisitions – 2022		**330**	264		**1,343**	499
Assets classified as held for sale		**974**	941		**3,804**	3,353
Dispositions – 2023		**128**	2,523		**3,161**	8,327
Dispositions – 2022		**667**	1,100		**892**	6,611
Straight-line rent adjustment		**28**	(732)		**(366)**	(520)
Development land		**(168)**	5		**1,815**	1,446
NOI at First Capital's proportionate interest [4]	**(2.1%)**	**$ 109,784**	$ 112,126	**0.3%**	**$ 431,736**	$ 430,343
NOI related to equity accounted joint ventures & NCI		**(1,028)**	(967)		**(6,479)**	(4,844)
NOI per consolidated statements of income (loss)		**$ 108,756**	$ 111,159		**$ 425,257**	$ 425,499
NOI margin		**63.5%**	63.1%		**61.8%**	61.4%

(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 Same Property ("SP") NOI growth and comparisons to the same prior year period are as follows:

	Three months ended December 31		Year ended December 31	
	2023	2022 [1]	**2023**	2022 [1]
Same Property – Stable	**(2.4%)**	8.5%	**1.2%**	5.2%
Same Property with redevelopment	**34.6%**	3.5%	**6.9%**	3.1%
Total Same Property NOI Growth [2]	**(1.8%)**	8.3%	**1.3%**	5.1%

(1) Prior periods as reported; not restated to reflect current period property categories.
(2) Refer to the "Non-IFRS Financial Measures" section of this MD&A.

For the three months ended December 31, 2023, SP NOI decreased by $1.9 million, or 1.8%, over the prior year period, while SP NOI growth excluding bad debt expense (recovery) and lease termination fees increased 3.3%. The decline in total SP NOI related primarily to significantly lower contributions from lease termination fees and lower bad debt recoveries in the fourth quarter of 2023 relative to the fourth quarter of 2022. SP NOI growth excluding bad debt expense (recovery) and lease termination fees benefited from higher current and prior year operating cost and realty tax recoveries and the positive impact of portfolio leasing activity, offset partially by ongoing vacancy related to the former Nordstrom Rack space at One Bloor East, which adversely impacted growth in the fourth quarter by 140 basis points.

For the year ended December 31, 2023, SP NOI increased by $5.2 million, or 1.3% over prior year, driven primarily by higher base rent, partially offset by lower lease termination fees. Excluding bad debt expense (recovery) and lease termination fees, SP NOI growth increased 2.5%. Vacancy related to the former Nordstrom Rack space at One Bloor East impacted 2023 annual SP NOI growth by approximately 70 basis points.

Interest and Other Income

	Three months ended December 31		Year ended December 31	
	2023	2022	**2023**	2022
Interest, dividend and distribution income from marketable securities and other investments	**$ 2,509**	$ 207	**$ 5,491**	$ 565
Interest income from loans and mortgages receivable classified as FVTPL	**—**	19	**79**	76
Interest income from loans and mortgages receivable at amortized cost	**2,744**	3,824	**10,543**	13,889
Fees and other income	**1,165**	1,425	**8,762**	5,340
Total	**$ 6,418**	$ 5,475	**$ 24,875**	$ 19,870

For the three months and year ended December 31, 2023, interest and other income increased $0.9 million and $5.0 million, respectively, compared to the same prior year periods primarily due to higher bank interest income earned as a result of interest rate increases and higher cash balances outstanding year-over-year, and higher distribution income from other investments, partially offset by lower interest income as a result of lower loans and mortgage receivable balances outstanding year-over-year. Additionally, other income of $3.8 million was recognized in the third quarter of 2023 as part of a legal settlement.

Interest Expense

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

	Three months ended December 31		Year ended December 31	
	2023	2022	**2023**	2022
Mortgages	**$ 14,094**	$ 11,817	**$ 55,613**	$ 46,557
Credit facilities	**13,263**	11,073	**45,988**	34,638
Senior unsecured debentures	**16,847**	20,785	**72,988**	85,446
Distributions on Exchangeable Units (1)	**9**	13	**48**	42
Interest capitalized	**(5,214)**	(5,055)	**(20,541)**	(16,641)
Interest expense	**$ 38,999**	$ 38,633	**$ 154,096**	$ 150,042

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

For the three months and year ended December 31, 2023, interest expense increased $0.4 million and $4.1 million, respectively, compared to the same prior year periods primarily due to new mortgage borrowings, higher outstanding credit facilities (term loans), and higher interest rates year-over-year, partially offset by the repayment of senior unsecured debentures (Series O, Series P & Series Q).

During the years ended December 31, 2023 and 2022, approximately 11.8% or $20.5 million, and 10.0% or $16.6 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 December 31		Year ended December 31	
	2023	2022	**2023**	2022
Salaries, wages and benefits	**$ 7,154**	$ 6,782	**$ 32,060**	$ 29,542
Unit-based compensation	**2,416**	2,063	**9,363**	7,393
Other corporate costs	**3,202**	4,774	**20,310**	15,496
Total corporate expenses	**12,772**	13,619	**61,733**	52,431
Amounts capitalized to investment properties under development	**(1,818)**	(1,787)	**(7,831)**	(7,196)
Corporate expenses	**$ 10,954**	$ 11,832	**$ 53,902**	$ 45,235

For the three months ended December 31, 2023, gross corporate expenses, before capitalization, decreased by $0.8 million, over the same prior year period. The decrease in corporate expenses is primarily due to lower legal and advisory costs related to the Unitholder activism over prior year, partially offset by higher compensation expense.

For the year ended December 31, 2023, gross corporate expenses, before capitalization, increased by $9.3 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 $5 million in higher legal, advisory and settlement costs related to the Unitholder activism year-over-year.

First Capital manages substantially all acquisitions, development and redevelopment and leasing activities internally. Certain internal costs directly related to development, including salaries and related costs for planning, zoning, construction and so forth, are capitalized in accordance with IFRS to development projects as incurred. During the years ended December 31, 2023 and 2022, approximately $7.8 million and $7.2 million, respectively, of compensation-related and other corporate expenses were capitalized to real estate investments for properties undergoing development or redevelopment projects. Amounts capitalized are based on development and pre-development projects underway. Changes in capitalized corporate expenses are primarily the result of timing of completion of development and redevelopment projects and First Capital's current level of pre-development and early redevelopment activity.

Other Gains (Losses) and (Expenses)

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

Three months ended December 31	**2023**		2022	
	Consolidated Statements of Income (Loss)	**Included in FFO**	Consolidated Statements of Income (Loss)	Included in FFO
Unrealized gain (loss) on marketable securities	**$ (275)**	**$ (275)**	$ (64)	$ (64)
Net gain (loss) on early settlement of debt	**—**	**—**	12,845	12,845
Pre-selling costs of residential inventory	**(9)**	**(9)**	(8)	(8)
Investment property selling costs	**(663)**	**—**	(75)	—
Gain (loss) on foreign currency translation	**10,919**	**10,919**	7,067	7,067
Gain (loss) on mark-to-market of derivatives [(1)]	**(20,270)**	**(20,270)**	(7,071)	(7,071)
Total per consolidated statements of income (loss)	**$ (10,298)**	**$ (9,635)**	$ 12,694	$ 12,769
Other gains (losses) and (expenses) applicable to NCI	**3**	**3**	2	2
Other gains (losses) and (expenses) under equity accounted joint ventures [(2)]	**(23)**	**(24)**	(38)	(38)
Total at First Capital's proportionate interest [(3)]	**$ (10,318)**	**$ (9,656)**	$ 12,658	$ 12,733

(1) The Trust enters into cross-currency swap derivatives to manage interest rate risk and foreign currency risk on its US denominated variable rate debt instruments.

(2) Other gains (losses) and (expenses) under equity accounted joint ventures, included in FFO, is comprised of pre-selling costs of residential inventory of $24.0 thousand (December 31, 2022 - $38.0 thousand).

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

Year ended December 31		**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	**(533)**	**(533)**	(15,167)	(15,167)
Net gain (loss) on early settlement of debt [(1)]	**—**	**—**	12,845	12,845
Transaction costs	**—**	**—**	(572)	—
Gain on Investment [(2)]	**1,007**	**1,007**	—	—
Gain (loss) on loan receivable modification	**—**	**—**	(566)	(566)
Pre-selling costs of residential inventory	**(36)**	**(36)**	(31)	(31)
Investment property selling costs	**(3,336)**	**—**	(4,440)	—
Gain (loss) on foreign currency translation	**8,659**	**8,659**	4,251	4,251
Gain (loss) on mark-to-market of derivatives [(3)]	**(18,008)**	**(18,008)**	(4,228)	(4,228)
Total per consolidated statements of income (loss)	**$ (12,247)**	**$ (8,911)**	$ (2,317)	$ 2,695
Other gains (losses) and (expenses) applicable to NCI	**11**	**11**	9	9
Other gains (losses) and (expenses) under equity accounted joint ventures [(4)]	**(410)**	**(409)**	(282)	(282)
Total at First Capital's proportionate interest [(5)]	**$ (12,646)**	**$ (9,309)**	$ (2,590)	$ 2,422

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

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

(3) The Trust enters into cross-currency swap derivatives to manage interest rate risk and foreign currency risk on its US denominated variable rate debt instruments.

(4) Other gains (losses) and (expenses) under equity accounted joint ventures, included in FFO, is comprised of pre-selling costs of residential inventory of $0.4 million (December 31, 2022 - $0.3 million).

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

For the three months ended December 31, 2023, First Capital recognized $10.3 million in other losses in its consolidated statements of income (loss) compared to $12.7 million in other gains for the same prior year period. The $23.0 million net change over prior year is primarily due to the non-recurring $12.8 million net gain related to the hedging of the King High Line residential property that was disposed of in the fourth quarter of 2022, $13.2 million increase in unrealized losses on the mark to market of derivatives, partially offset by a $3.9 million gain on foreign currency translation.

For the year ended December 31, 2023, First Capital recognized $12.2 million in other losses in its consolidated statements of income (loss) compared to $2.3 million in other losses for the prior year. The $9.9 million net change over prior year is primarily due to the non-recurring $12.8 million net gain related to the hedging of the King High Line residential property that was disposed of in the fourth quarter of 2022, a $13.8 million increase in unrealized losses on the mark to market of derivatives, partially offset by a $9.0 million lower net loss related to marketable securities and a $4.4 million increase in gains on foreign currency translation. Additionally, the Trust incurred $1.1 million of non-recurring losses and expenses in 2022, and a $1.0 million gain on the sale of ONE Restaurant recognized in the second quarter of 2023.

Income Taxes

For the three months and years ended December 31, 2023 and 2022, deferred income tax expense (recovery) totaled $46.3 million and ($4.8) million, respectively, compared to $5.8 million and $7.2 million, respectively, over the same prior year periods. The decrease of $12.0 million for the year ended December 31, 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 December 31, 2023, net income (loss) attributable to Unitholders was $173.8 million or $0.81 per diluted unit compared to $42.4 million or $0.20 per diluted unit for the same prior year period. The $131.4 million increase in net income over prior year was primarily due to an increase in the fair value of investment properties of $167.6 million recognized in the fourth quarter of 2023 versus a $31.2 million fair value decrease in the fourth quarter of 2022, partially offset by a $40.5 million increase in deferred income tax expense and a $23.0 million decrease in other gains (losses) and (expenses) on a proportionate basis.

For the year ended December 31, 2023, net income (loss) attributable to Unitholders was ($134.1) million or ($0.63) per diluted unit compared to ($160.0) million or ($0.73) per diluted unit for the prior year. The $25.9 million decrease in net loss was primarily due to lower fair value decreases on investment property of $34.1 million year over year partially offset by higher corporate expenses of $8.7 million.

CAPITAL STRUCTURE AND LIQUIDITY

Total Capital Employed

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

As at	**December 31, 2023**	December 31, 2022
Liabilities (principal amounts outstanding)		
Bank indebtedness	**$ —**	$ 1,594
Mortgages [(1)]	**1,432,611**	1,235,767
Credit facilities [(1)]	**1,151,226**	1,098,235
Senior unsecured debentures	**1,600,000**	1,900,000
Total Debt [(1)]	**$ 4,183,837**	$ 4,235,596
Cash and cash equivalents [(1)]	**(92,499)**	(39,827)
Net Debt [(1) (2)]	**$ 4,091,338**	$ 4,195,769
Exchangeable Units	**—**	1,009
Equity market capitalization [(3)]	**3,254,907**	3,589,229
Enterprise value [(1)]	**$ 7,346,245**	$ 7,786,007
Trust Units outstanding (000's)	**212,184**	213,518
Closing market price	**$ 15.34**	$ 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 (loss), adding back income tax expense, interest expense and amortization and excluding the increase or decrease in the fair value of investment properties, fair value gains or losses on Exchangeable Units, fair value gains or losses on unit-based compensation and other non-cash or non-recurring items on a proportionate basis. First Capital also adjusts for incremental leasing costs, which is a recognized adjustment to FFO, in accordance with the recommendations of REALPAC.

The following table reconciles First Capital's net income (loss) to Adjusted EBITDA for the three months and years ended December 31, 2023 and 2022:

	Three months ended December 31		Year ended December 31	
	2023	2022	**2023**	2022
Net income (loss) attributable to Unitholders	**$ 173,801**	$ 42,372	**$ (134,056)**	$ (159,997)
Add (deduct) [1]:				
Deferred income tax expense (recovery)	**46,328**	5,849	**(4,779)**	7,287
Interest Expense	**40,005**	39,637	**158,195**	152,930
Amortization expense	**660**	2,100	**5,754**	8,364
(Increase) decrease in value of investment properties	**(167,606)**	31,184	**376,403**	410,474
(Increase) decrease in value of hotel property	**—**	(6,908)	**(3,646)**	(6,908)
Increase (decrease) in value of Exchangeable Units	**123**	102	**(88)**	(321)
Increase (decrease) in value of unit-based compensation	**1,920**	4,386	**(6,237)**	(5,250)
Incremental leasing costs	**1,800**	1,764	**7,366**	6,626
Abandoned transaction (costs) recovery	**6**	122	**24**	(2,770)
Other non-cash and/or non-recurring items	**10,318**	(12,658)	**12,646**	2,590
Adjusted EBITDA [1]	**$ 107,355**	$ 107,950	**$ 411,582**	$ 413,025

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

Key Metrics

The ratios below include measures not specifically defined in IFRS.

As at	**December 31, 2023**	December 31, 2022
Weighted average effective interest rate on mortgages, fixed rate unsecured term loans and senior unsecured debentures	**3.9%**	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]	**45.0%**	44.0%
Net debt to Adjusted EBITDA [1]	**9.9**	10.2
Unencumbered aggregate assets [1]	**$ 6,009,993**	$ 6,569,548
Unencumbered aggregate assets to unsecured debt, based on fair value [1]	**2.3**	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 decreased by 0.3 to 9.9, as of December 31, 2023, primarily due to a $104.4 million decrease in net debt.

Measures used in these ratios are defined below:

- Debt consists of principal amounts outstanding on credit facilities and mortgages, and the par value of senior unsecured debentures;
- Net debt is calculated as Debt, as defined above, reduced by cash balances at the end of the period;

- Adjusted EBITDA, is calculated as net income (loss), adding back income tax expense; interest expense; and amortization and excluding the increase or decrease in the value of investment properties, hotel property, Exchangeable units and unit-based compensation; other gains (losses) and (expenses); and other non-cash or non-recurring items on a proportionate basis. The Trust also adjusts for incremental leasing costs, which is a recognized adjustment to Funds from Operations, in accordance with the recommendations of the REALPAC;
- Unencumbered assets include the value of assets that have not been pledged as security under any credit agreement or mortgage. The unencumbered asset value ratio is calculated as unencumbered assets divided by the principal amount of the unsecured debt, which consists of the bank indebtedness, unsecured bank term loans, unsecured credit facilities and senior unsecured debentures.

Credit Ratings

On June 23, 2023, DBRS confirmed FCR's Issuer Rating and Senior Unsecured Debentures rating at BBB with a stable trend.

On November 9, 2023, S&P withdrew its BBB- issuer credit rating on First Capital and its BBB- issue-level ratings on its unsecured debentures at the issuer's request. At the time of the withdrawal, S&P's outlook was stable.

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.

Outstanding Debt and Principal Maturity Profile

The maturity profile including scheduled amortization of First Capital's mortgages and credit facilities as well as its senior unsecured debentures as at December 31, 2023 is summarized in the table below:

As at December 31, 2023	Mortgages [1]	Credit Facilities/Bank Indebtedness [2]	Senior Unsecured Debentures	Total	% Due
2024	$ 144,019	$ 28,051	$ 300,000	$ 472,070	11.5%
2025	100,393	466,310	300,000	866,703	21.2%
2026	124,220	420,602	300,000	844,822	20.6%
2027	108,121	38,944	500,000	647,065	15.8%
2028	171,366	—	200,000	371,366	9.1%
2029	255,876	200,000	—	455,876	11.1%
2030	181,337	—	—	181,337	4.4%
2031	60,433	—	—	60,433	1.5%
2032	5,369	—	—	5,369	0.1%
2033	190,683	—	—	190,683	4.7%
	$ 1,341,817	$ 1,153,907	$ 1,600,000	$ 4,095,724	100.0%
Add (deduct): unamortized deferred financing costs, premiums and discounts, net	(3,776)	—	(1,059)	(4,835)	
Total	**$ 1,338,041**	**$ 1,153,907**	**$ 1,598,941**	**$ 4,090,889**	

(1) Principal amount outstanding for mortgages on a proportionate basis is $1,432,611.

(2) Principal amount outstanding for credit facilities and bank indebtedness on a proportionate basis is $1,151,226 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 year ended December 31, 2023 are set out below:

Year ended December 31, 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	(35,739)	—%
Amortization of financing costs and net premium	(410)	—%
Balance at end of year	**$ 1,338,041**	**3.8%**

As at December 31, 2023, 100% (December 31, 2022 – 100%) of the outstanding mortgages bore interest at fixed interest rates. The average remaining term on mortgages outstanding was 4.8 years as at December 31, 2023 on $1.3 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 December 31, 2023 is summarized in the table below:

As at December 31, 2023	Scheduled Amortization	Payments on Maturity	Total	Weighted Average Effective Interest Rate
2024	$ 35,541	$ 108,478	$ 144,019	3.7%
2025	33,423	66,970	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	5,477	54,956	60,433	3.5%
2032	5,369	—	5,369	N/A
2033	460	190,223	190,683	5.1%
	$ 194,989	**$ 1,146,828**	**$ 1,341,817**	**3.8%**
Add: unamortized deferred financing costs and premiums and discounts, net			(3,776)	
Total			**$ 1,338,041**	

Credit Facilities

First Capital's credit facilities as at December 31, 2023 are summarized in the table below:

As at December 31, 2023	Borrowing Capacity	Amounts Drawn	Bank Indebtedness and Outstanding Letters of Credit	Available to be Drawn	Interest Rates	Maturity Date
Unsecured Operating Facilities						
Revolving unsecured operating facility	$ 100,000	$ —	$ —	$ 100,000	BA + 1.25% or Prime + 0.25% or SOFR + 1.35%	April 20, 2025
Revolving unsecured operating facility	150,000	—	—	150,000	BA + 1.25% or Prime + 0.25% or SOFR + 1.35%	August 31, 2025
Revolving unsecured operating facility	450,000	—	(2,230)	447,770	BA + 1.45% or Prime + 0.45% or SOFR + 1.55%	June 30, 2028
Fixed rate unsecured term loan (1)(2)	100,000	(100,000)	—	—	5.00%	January 9, 2025
Floating rate unsecured term loan	100,000	(100,000)	—	—	CORRA + 1.80% or Prime + 0.50%	April 15, 2025
Floating rate unsecured term loan (3)	150,000	(146,306)	—	3,694	CORRA + 1.75% or Prime + 0.45% or SOFR + 1.55%	November 29, 2025
Fixed rate unsecured term loans (2)(4)	250,000	(250,000)	—	—	3.39%	April 14, 2025 -April 14, 2026
Fixed rate unsecured term loan (2)	100,000	(100,000)	—	—	3.27%	April 15, 2026
Fixed rate unsecured term loan (2)(5)(8)	150,000	(145,602)	—	4,398	5.985%	October 20, 2026
Fixed rate unsecured term loan (2)	200,000	(200,000)	—	—	3.17%	January 31, 2029
Secured Construction Facilities						
Secured construction facility	19,321	(16,983)	—	2,338	Prime - 0.25%	June 1, 2024
Secured construction facility	62,665	(45,004)	(537)	17,124	BA + 2.50% or Prime + 1.00%	October 1, 2025
Secured construction facility (6)	171,750	(38,944)	(295)	104,143	BA + 2.30%	February 1, 2027
Secured Facilities						
Secured facility	4,313	(4,313)	—	—	BA + 1.45% or Prime + 0.45%	September 27, 2024
Secured facility	6,755	(6,755)	—	—	CORRA + 1.75% or Prime + 0.45%	December 19, 2024
Sub-Total	**$ 2,014,804**	**$ (1,153,907)**	**$ (3,062)**	**$ 829,467**		
Proportionate Adjustments - Secured Construction Facilities						
Secured construction facility (7)	71,450	(8,659)	—	62,791	BA + 2.65% or Prime + 1.00%	November 28, 2025
Secured construction facility applicable to NCI	(50,014)	11,340	86	(30,326)		
Total	**$ 2,036,240**	**$ (1,151,226)**	**$ (2,976)**	**$ 861,932**		

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

(2) These unsecured term loans are variable rate debt instruments. The Trust has entered into swaps which fix the rate of interest 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$146.3 million as at December 31, 2023.

(4) As at December 31, 2023, $75.0 million of the unsecured term loans is due April 14, 2025. The remaining $175.0 million is due April 14, 2026.

(5) 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 December 31, 2023.

(6) 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.

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

(8) The Trust has the option to extend the unsecured term loan for an additional two years, to October 20, 2028.

First Capital has the ability under its unsecured credit facilities to draw funds based on Canadian bank prime rates, Canadian bankers' acceptances ("BA rates") and Canadian Overnight Repo Rate Average ("CORRA rates") for Canadian dollar-denominated borrowings, and secured overnight financing rates ("SOFR 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 December 31, 2023			Interest Rate		Remaining Term to Maturity	Principal Outstanding
Series	Maturity Date	Interest Payment Dates	Coupon	Effective	(years)	
R	August 30, 2024	February 28, August 30	4.79%	4.72%	0.7	300,000
S	July 31, 2025	January 31, July 31	4.32%	4.24%	1.6	300,000
T	May 6, 2026	May 6, November 6	3.60%	3.57%	2.4	300,000
V	January 22, 2027	January 22, July 22	3.46%	3.54%	3.1	200,000
U	July 12, 2027	January 12, July 12	3.75%	3.82%	3.5	300,000
A	March 1, 2028	March 1, September 1	3.45%	3.54%	4.2	200,000
Weighted Average or Total			**3.95%**	**3.95%**	**2.4**	**$ 1,600,000**

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

On October 30, 2023, upon maturity, First Capital repaid its 3.90% Series Q Senior Unsecured Debentures in the amount of $300.0 million.

Unitholders' Equity

Unitholders' equity amounted to $3.9 billion as at December 31, 2023, compared to Unitholders' equity of $4.3 billion as at December 31, 2022. The decrease is primarily attributed to higher other comprehensive losses, the repurchase of Trust Units, and higher distributions, partially offset by lower net losses for the year ended December 31, 2023.

As at February 5, 2024, there were 212.2 million Trust Units outstanding.

Normal Course Issuer Bid ("NCIB")

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 year ended December 31, 2023, the Trust acquired and cancelled 1.7 million Units (December 31, 2022 - 6.2 million) at a weighted average purchase price of $15.19 per unit (December 31, 2022 - $15.14), for a total cost of $25.7 million (December 31, 2022 - $94.5 million). The excess of the purchase price over the carrying amount of the Units purchased, representing the unit price increase over the weighted average historical issuance price, was recorded as a reduction to retained earnings of $3.4 million (December 31, 2022 - $12.1 million). On a cumulative basis, as of December 31, 2023, the Trust has acquired and cancelled 7.9 million Units at a weighted average purchase price of $15.15 per unit, for a total cost of $120.1 million.

Unit Options

As at December 31, 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 $111.3 million.

Liquidity

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

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

The following table summarizes First Capital's liquidity position:

As at (millions of dollars)	**December 31, 2023**	December 31, 2022
Total available under credit facilities	**$ 829**	$ 846
Cash and cash equivalents	**$ 87**	$ 33
Unencumbered aggregate assets	**$ 6,010**	$ 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 December 31, 2023, and availability on existing credit facilities, address substantially all of the contractual 2024 debt maturities and contractually committed costs to complete current development projects.

Cash Flows

Cash flow from operating activities represents First Capital's primary source of liquidity for servicing debt and funding planned revenue sustaining expenditures, corporate expenses and distributions to Unitholders. Interest and other income and cash on hand are other sources of liquidity.

	Three months ended December 31		Year ended December 31	
	2023	2022	**2023**	2022
Cash provided by (used in) operating activities	**$ 90,083**	$ 76,808	**$ 227,734**	$ 251,221
Cash provided by (used in) financing activities	**(196,065)**	(208,862)	**(256,700)**	(387,209)
Cash provided by (used in) investing activities	**(85)**	135,772	**83,693**	133,983
Net change in cash and cash equivalents	**$ (106,067)**	$ 3,718	**$ 54,727**	$ (2,005)

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

	Three months ended December 31		Year ended December 31	
	2023	2022	**2023**	2022
Cash provided by operating activities	**$ 90,083**	$ 76,808	**$ 227,734**	$ 251,221
Distributions declared	**(45,823)**	(46,120)	**(183,561)**	(124,191)
Excess (shortfall) of cash provided by operating activities over distributions declared	**$ 44,260**	$ 30,688	**$ 44,173**	$ 127,030

For the three months and years ended December 31, 2023 and 2022, cash provided by operating activities exceeded distributions declared.

Contractual Obligations

An analysis of First Capital's contractual maturities of its material financial liabilities and other contractual commitments, as at December 31, 2023 is set out below:

As at December 31, 2023	Payments due by period				
	2024	2025 to 2026	2027 to 2028	Thereafter	Total
Scheduled mortgage principal amortization	$ 35,541	$ 63,283	$ 53,901	$ 42,264	$ 194,989
Mortgage principal repayments on maturity	108,478	161,330	225,586	651,434	1,146,828
Credit facilities and bank indebtedness	28,051	886,912	38,944	200,000	1,153,907
Senior unsecured debentures	300,000	600,000	700,000	0	1,600,000
Interest obligations (1)	161,411	211,023	92,093	59,894	524,421
Land leases (expiring between 2027 and 2061)	679	1,284	1,279	15,723	18,965
Contractually committed costs to complete current development projects (2)	42,761	58,101	—	—	100,862
Other committed costs	33,450	—	—	—	33,450
Total contractual obligations	**$ 710,371**	**$ 1,981,933**	**$ 1,111,803**	**$ 969,315**	**$ 4,773,422**

(1) Interest obligations include expected interest payments on mortgages and credit facilities as at December 31, 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 $28.6 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 December 31, 2023, contractually committed costs related to the Trust's development projects is $100.9 million ($88.0 million at First Capital's interest). These contractual and potential obligations primarily consist of construction contracts and additional planned development expenditures and are expected to be funded in the normal course as the work is completed.

Contingencies

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

(b) First Capital is contingently liable, jointly and severally or as guarantor, for approximately $168.1 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 $28.6 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 $19.0 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 audited annual consolidated financial statements, to its proportionate interest.

As at	**December 31, 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	**$ 8,070,985**	**$ 318,570**	**$ 8,389,555**	$ 8,485,361	$ 326,152	$ 8,811,513
Residential development inventory	**192,125**	**20,017**	**212,142**	157,883	8,163	166,046
Hotel property	**—**	**—**	**—**	45,300	—	45,300
Loans, mortgages and other assets	**187,365**	**(12,107)**	**175,258**	212,131	(6,503)	205,628
Cash and cash equivalents	**87,421**	**5,078**	**92,499**	32,694	7,133	39,827
Amounts receivable	**20,393**	**1,899**	**22,292**	25,970	2,065	28,035
Other assets	**54,382**	**1,814**	**56,196**	77,750	16,547	94,297
Investment in joint ventures	**404,504**	**(404,504)**	**—**	357,122	(357,122)	—
Assets classified as held for sale	**168,275**	**58,602**	**226,877**	187,727	(2,027)	185,700
Total assets	**$ 9,185,450**	**$ (10,631)**	**$ 9,174,819**	$ 9,581,938	$ (5,592)	$ 9,576,346
LIABILITIES						
Mortgages	**$ 1,329,043**	**$ 90,682**	**$ 1,419,725**	$ 1,127,361	$ 91,665	$ 1,219,026
Credit facilities	**1,153,907**	**(2,681)**	**1,151,226**	1,104,614	(6,379)	1,098,235
Bank indebtedness	**—**	**—**	**—**	1,594	—	1,594
Senior unsecured debentures	**1,598,941**	**—**	**1,598,941**	1,898,824	—	1,898,824
Exchangeable Units	**—**	**—**	**—**	1,009	—	1,009
Deferred tax liabilities	**753,020**	**(1,231)**	**751,789**	769,388	(1,230)	768,158
Mortgages classified as held for sale	**8,998**	**—**	**8,998**	13,129	—	13,129
Accounts payable and other liabilities	**345,384**	**(34,621)**	**310,763**	330,724	(33,726)	296,998
Total liabilities	**5,189,293**	**52,149**	**5,241,442**	5,246,643	50,330	5,296,973
EQUITY						
Unitholders' equity	**3,933,377**	**—**	**3,933,377**	4,279,373	—	4,279,373
Non-controlling interest	**62,780**	**(62,780)**	**—**	55,922	(55,922)	—
Total equity	**3,996,157**	**(62,780)**	**3,933,377**	4,335,295	(55,922)	4,279,373
Total liabilities and equity	**$ 9,185,450**	**$ (10,631)**	**$ 9,174,819**	$ 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 December 31, 2023 and 2022, to its proportionate interest.

Three months ended December 31			**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	**$ 171,184**	**$ 3,716**	**$ 174,900**	$ 176,100	$ 5,788	$ 181,888
Property operating costs	**62,428**	**2,688**	**65,116**	64,941	4,821	69,762
Net operating income	**108,756**	**1,028**	**109,784**	111,159	967	112,126
Other income and expenses						
Interest and other income	**6,418**	**245**	**6,663**	5,475	373	5,848
Interest expense	**(38,999)**	**(1,006)**	**(40,005)**	(38,633)	(1,004)	(39,637)
Corporate expenses	**(10,954)**	**62**	**(10,892)**	(11,832)	44	(11,788)
Abandoned transaction (costs) recovery	**(6)**	**—**	**(6)**	(122)	—	(122)
Amortization expense	**(587)**	**(73)**	**(660)**	(1,322)	(778)	(2,100)
Share of profit from joint ventures	**45,406**	**(45,406)**	**—**	(387)	387	—
Other gains (losses) and (expenses)	**(10,298)**	**(20)**	**(10,318)**	12,694	(36)	12,658
(Increase) decrease in value of unit-based compensation	**(1,920)**	**—**	**(1,920)**	(4,386)	—	(4,386)
(Increase) decrease in value of Exchangeable Units	**(123)**	**—**	**(123)**	(102)	—	(102)
Increase (decrease) in value of hotel property	**—**	**—**	**—**	6,908	—	6,908
Increase (decrease) in value of investment properties, net	**123,384**	**44,222**	**167,606**	(31,071)	(113)	(31,184)
	112,321	**(1,976)**	**110,345**	(62,778)	(1,127)	(63,905)
Income (loss) before income taxes	**221,077**	**(948)**	**220,129**	48,381	(160)	48,221
Deferred income tax expense (recovery)	**46,328**	**—**	**46,328**	5,849	—	5,849
Net income (loss)	**$ 174,749**	**$ (948)**	**$ 173,801**	$ 42,532	$ (160)	$ 42,372
Net income (loss) attributable to:						
Unitholders	**$ 173,801**	**$ —**	**$ 173,801**	$ 42,372	$ —	$ 42,372
Non-controlling interest	**948**	**(948)**	**—**	160	(160)	—
	$ 174,749	**$ (948)**	**$ 173,801**	$ 42,532	$ (160)	$ 42,372
Net income (loss) per unit attributable to Unitholders:						
Basic	**$ 0.82**			$ 0.20		
Diluted	**$ 0.81**			$ 0.20		

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

The following table provides a reconciliation of First Capital's consolidated statements of income (loss) for the years ended December 31, 2023 and 2022, as presented in its audited annual consolidated financial statements, to its proportionate interest.

Year ended December 31			**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	**$ 687,981**	**$ 19,730**	**$ 707,711**	$ 693,096	$ 20,744	$ 713,840
Property operating costs	**262,724**	**13,251**	**275,975**	267,597	15,900	283,497
Net operating income	**425,257**	**6,479**	**431,736**	425,499	4,844	430,343
Other income and expenses						
Interest and other income	**24,875**	**1,275**	**26,150**	19,870	1,161	21,031
Interest expense	**(154,096)**	**(4,099)**	**(158,195)**	(150,042)	(2,888)	(152,930)
Corporate expenses	**(53,902)**	**232**	**(53,670)**	(45,235)	260	(44,975)
Abandoned transaction (costs) recovery	**(24)**	**—**	**(24)**	2,770	—	2,770
Amortization expense	**(3,897)**	**(1,857)**	**(5,754)**	(5,673)	(2,691)	(8,364)
Share of profit from joint ventures	**48,501**	**(48,501)**	**—**	(199)	199	—
Other gains (losses) and (expenses)	**(12,247)**	**(399)**	**(12,646)**	(2,317)	(273)	(2,590)
(Increase) decrease in value of unit-based compensation	**6,237**	**—**	**6,237**	5,250	—	5,250
(Increase) decrease in value of Exchangeable Units	**88**	**—**	**88**	321	—	321
Increase (decrease) in value of hotel property	**3,646**	**—**	**3,646**	6,908	—	6,908
Increase (decrease) in value of investment properties, net	**(423,598)**	**47,195**	**(376,403)**	(409,716)	(758)	(410,474)
	(564,417)	**(6,154)**	**(570,571)**	(578,063)	(4,990)	(583,053)
Income (loss) before income taxes	**(139,160)**	**325**	**(138,835)**	(152,564)	(146)	(152,710)
Deferred income tax expense (recovery)	**(4,796)**	**17**	**(4,779)**	7,197	90	7,287
Net income (loss)	**$ (134,364)**	**$ 308**	**$ (134,056)**	$ (159,761)	$ (236)	$ (159,997)
Net income (loss) attributable to:						
Unitholders	**$ (134,056)**	**$ —**	**$ (134,056)**	$ (159,997)	$ —	$ (159,997)
Non-controlling interest	**(308)**	**308**	**—**	236	(236)	—
	$ (134,364)	**$ 308**	**$ (134,056)**	$ (159,761)	$ (236)	$ (159,997)
Net income (loss) per unit attributable to Unitholders:						
Basic	**$ (0.63)**			$ (0.74)		
Diluted	**$ (0.63)**			$ (0.73)		

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

FFO, AFFO and ACFO

Funds from Operations

A reconciliation from net income (loss) attributable to Unitholders to FFO can be found in the table below:

	Three months ended December 31		Year ended December 31	
	2023	2022	**2023**	2022
Net income (loss) attributable to Unitholders	**$ 173,801**	$ 42,372	**$ (134,056)**	$ (159,997)
Add (deduct):				
(Increase) decrease in value of investment properties [1]	**(167,606)**	31,184	**376,403**	410,474
(Increase) decrease in value of hotel property [1]	**—**	(6,908)	**(3,646)**	(6,908)
Adjustment for equity accounted joint ventures [2]	**73**	778	**1,857**	2,691
Adjustment for capitalized interest related to equity accounted joint ventures [2]	**933**	817	**3,582**	3,010
Incremental leasing costs [3]	**1,800**	1,764	**7,366**	6,626
Amortization expense [4]	**—**	113	**190**	489
Transaction costs [5]	**—**	—	**—**	572
Distributions on Exchangeable Units [6]	**9**	13	**48**	42
Increase (decrease) in value of Exchangeable Units [6]	**123**	102	**(88)**	(321)
Increase (decrease) in value of unit-based compensation [7]	**1,920**	4,386	**(6,237)**	(5,250)
Investment property selling costs [1]	**662**	75	**3,337**	4,440
Deferred income taxes (recovery) [1]	**46,328**	5,849	**(4,779)**	7,287
FFO [8]	**$ 58,043**	$ 80,545	**$ 243,977**	$ 263,155

(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 December 31			Year ended December 31		
	% change	**2023**	2022	% change	**2023**	2022
Net operating income		**$ 109,784**	$ 112,126		**$ 431,736**	$ 430,343
Interest and other income		**6,663**	5,848		**26,150**	21,031
Interest expense [1][2]		**(39,063)**	(38,807)		**(154,565)**	(149,878)
Corporate expenses [3]		**(9,092)**	(10,024)		**(46,304)**	(38,349)
Abandoned transaction (costs) recovery		**(6)**	(122)		**(24)**	2,770
Amortization expense [4]		**(587)**	(1,209)		**(3,707)**	(5,184)
Other gains (losses) and (expenses) [5]		**(9,656)**	12,733		**(9,309)**	2,422
FFO [6]	(27.9%)	**$ 58,043**	$ 80,545	(7.3%)	**$ 243,977**	$ 263,155
FFO per diluted unit	(27.5%)	**$ 0.27**	$ 0.37	(5.6%)	**$ 1.14**	$ 1.21
Weighted average number of units – diluted (in thousands)	(0.6%)	**213,855**	215,098	(1.8%)	**214,268**	218,162

(1) Includes an adjustment to capitalize interest related to FCR's equity accounted joint ventures in accordance with the recommendations of REALPAC.

(2) Adjustment to exclude distributions on Exchangeable Units in accordance with the recommendations of REALPAC.

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

(4) Excludes certain amortization expense in accordance with the recommendations of REALPAC.

(5) At FCR's proportionate interest, adjusted to exclude investment property selling costs in accordance with the recommendations of REALPAC.

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

For the three months and year ended December 31, 2023, FFO decreased $22.5 million and $19.2 million, or $0.10 and $0.07 per diluted unit, respectively, over the same prior year periods. The decrease for the three months ended December 31, 2023 was driven by a year-over-year decrease in other gains (losses) and (expenses), totaling $22.4 million ($0.10 per unit) which included a $13.2 million increase in unrealized losses on the mark to market of derivatives in the fourth quarter of 2023 and the recognition of a net hedging gain of $12.8 million in the fourth quarter of 2022. FFO per unit excluding other gains (losses) and (expenses) was consistent with the prior year period.

The decrease for the year ended December 31, 2023 was primarily due to a year-over-year decrease in other gains (losses) and (expenses), totaling $11.7 million ($0.05 per unit), and a year-over-year increase in corporate expenses totaling $8.0 million ($0.04 per unit), which included approximately $7 million in legal, advisory and settlement costs related to the Unitholder activism. In addition, unit repurchases through First Capital's NCIB resulted in a lower weighted average unit count, thus driving an increase of $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 December 31			Year ended December 31		
	% change	**2023**	2022	% change	**2023**	2022
FFO [1]		**$ 58,043**	$ 80,545		**$ 243,977**	$ 263,155
Add (deduct):						
Revenue sustaining capital expenditures		**(8,232)**	(4,414)		**(24,357)**	(20,830)
Recoverable capital expenditures		**(4,105)**	(2,645)		**(9,966)**	(10,002)
Incremental leasing costs		**(1,800)**	(1,764)		**(7,366)**	(6,626)
Straight-line rent adjustment		**(28)**	732		**366**	520
AFFO [1]	(39.4%)	**$ 43,878**	$ 72,454	(10.4%)	**$ 202,654**	$ 226,217
AFFO per diluted unit	(39.1%)	**$ 0.21**	$ 0.34	(8.8%)	**$ 0.95**	$ 1.04
Weighted average number of units – diluted (in thousands)	(0.6%)	**213,855**	215,098	(1.8%)	**214,268**	218,162

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

For the three months and year ended December 31, 2023, AFFO decreased $28.6 million and $23.6 million, or $0.13 and $0.09 per diluted unit, respectively, primarily due to lower FFO and higher capital expenditures year-over-year.

Adjusted Cash Flow from Operations

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

	Three months ended December 31		Year ended December 31	
	2023	2022	**2023**	2022
Cash provided by operating activities	**$ 90,083**	$ 76,808	**$ 227,734**	$ 251,221
Add (deduct):				
Working capital adjustments [1]	**(12,488)**	(11,619)	**35,900**	4,867
Adjustment for equity accounted joint ventures	**512**	601	**2,506**	2,370
Revenue sustaining capital expenditures	**(8,232)**	(4,414)	**(24,357)**	(20,830)
Recoverable capital expenditures	**(4,105)**	(2,645)	**(9,966)**	(10,002)
Leasing costs on properties under development	**450**	441	**1,842**	1,656
Realized gain (loss) on sale of marketable securities	**—**	—	**—**	5,591
Non-controlling interest	**126**	92	**(296)**	579
ACFO [2]	**$ 66,346**	$ 59,264	**$ 233,363**	$ 235,452

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

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

For the three months and year ended December 31, 2023, ACFO totaled $66.3 million and $233.4 million compared to $59.3 million and $235.5 million for the prior years, respectively. The $2.1 million decrease in ACFO for the year ended December 31, 2023 was primarily due to a non-recurring $5.6 million realized gain on sale of marketable securities during the second quarter of 2022, partially offset by changes in working capital year-over-year.

ACFO Payout Ratio

First Capital's ACFO payout ratio for the four quarters ended December 31, 2023 is calculated as follows:

	Year ended December 31, 2023	**Q4 2023**	**Q3 2023**	**Q2 2023**	**Q1 2023**
ACFO [(1)]	**$ 233,363**	$ 66,346	$ 55,458	$ 72,787	$ 38,772
Cash distributions paid	**183,657**	45,819	45,845	45,868	46,125
ACFO payout ratio [(1)]	**78.7%**				

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

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

	Year ended December 31, 2022	Q4 2022	Q3 2022	Q2 2022	Q1 2022
ACFO [(1)]	$ 235,452	$ 59,264	$ 56,935	$ 76,244	$ 43,009
Cash distributions paid	116,721	46,134	23,169	23,707	23,711
ACFO payout ratio [(1)]	49.6%				

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

First Capital considers a rolling four quarter payout ratio (cash distributions / ACFO) to be more relevant than a payout ratio in any given quarter due to seasonal fluctuations in ACFO. For the four quarters ended December 31, 2023, the ACFO payout was 78.7% (December 31, 2022 - 49.6%).

Net Asset Value

The following table provides FCR's calculation of NAV for the years ended December 31, 2023 and 2022:

As at	**December 31, 2023**	December 31, 2022
Unitholders' equity	**$ 3,933,377**	$ 4,279,373
Exchangeable Units	**—**	1,009
Deferred tax liabilities	**751,789**	768,158
Net Asset Value (NAV) [(1)]	**$ 4,685,166**	$ 5,048,540
Units outstanding [(2)]	**212,184**	213,578
NAV per unit - diluted [(3)]	**$ 21.95**	$ 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 $111.3 million) and the exclusion of the unit-based compensation plan liability.

The decrease in NAV per diluted unit from $23.48 to $21.95 is primarily driven by a decrease in the fair value of investment property largely due to the increase in capitalization and discount rates to reflect current market conditions and rising interest rates, and other comprehensive losses, partially offset by retained FFO for the year.

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 (loss), as calculated in accordance with IFRS, as the basis to determine the annual distribution rate. Net income (loss) 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 December 31		Year ended December 31	
(in dollars)	**2023**	2022	**2023**	2022
Distributions declared per unit	**$ 0.216**	$ 0.216	**$ 0.864**	$ 0.576

SUMMARY OF FINANCIAL RESULTS OF LONG-TERM DEBT GUARANTORS

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

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

(millions of dollars)									Three months ended December 31	
	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	**$ 72**	$ 74	**$ 100**	$ 103	**$ —**	$ —	**$ (1)**	$ (1)	**$ 171**	$ 176
NOI [5]	**$ 46**	$ 50	**$ 63**	$ 61	**$ —**	$ —	**$ —**	$ —	**$ 109**	$ 111
Net income (loss) attributable to Unitholders	**$ 174**	$ 42	**$ 235**	$ 102	**$ 2**	$ —	**$ (237)**	$ (102)	**$ 174**	$ 42

(millions of dollars)									Year ended December 31	
	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	**$ 288**	$ 286	**$ 404**	$ 411	**$ 1**	$ —	**$ (5)**	$ (4)	**$ 688**	$ 693
NOI [5]	**$ 179**	$ 190	**$ 248**	$ 237	**$ 1**	$ —	**$ (3)**	$ (2)	**$ 425**	$ 425
Net income (loss) attributable to Unitholders	**$ (134)**	$ (160)	**$ 364**	$ 172	**$ —**	$ —	**$ (364)**	$ (172)	**$ (134)**	$ (160)

(millions of dollars)					As at December 31, 2023
	FCR [1]	Guarantors [2]	Non-Guarantors [3]	Consolidation Adjustments [4]	Total Consolidated
Current assets	**$ 619**	**$ (51)**	**$ 121**	**$ (122)**	**$ 567**
Non-current assets	**$ 4,162**	**$ 5,574**	**$ 173**	**$ (1,291)**	**$ 8,618**
Current liabilities	**$ 644**	**$ 55**	**$ 1**	**$ (2)**	**$ 698**
Non-current liabilities	**$ 6,694**	**$ (2,198)**	**$ 75**	**$ (80)**	**$ 4,491**

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

QUARTERLY FINANCIAL INFORMATION

	2023				2022			
(unit counts in thousands)	**Q4**	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Property rental revenue	**$ 171,184**	$ 168,883	$ 171,904	$ 176,010	$ 176,100	$ 171,914	$ 172,606	$ 172,476
Net operating income [1]	**$ 108,756**	$ 106,938	$ 106,510	$ 103,053	$ 111,159	$ 107,219	$ 106,141	$ 100,980
Net income (loss) attributable to Unitholders	**$ 173,801**	$ (327,546)	$ (29,049)	$ 48,738	$ 42,372	$ (204,722)	$ (42,102)	$ 44,455
Net income (loss) per unit attributable to Unitholders:								
Basic	**$ 0.82**	$ (1.54)	$ (0.14)	$ 0.23	$ 0.20	$ (0.95)	$ (0.19)	$ 0.20
Diluted	**$ 0.81**	$ (1.53)	$ (0.14)	$ 0.23	$ 0.20	$ (0.95)	$ (0.19)	$ 0.20
FFO [1]	**$ 58,043**	$ 68,615	$ 63,784	$ 53,535	$ 80,545	$ 66,575	$ 61,241	$ 54,794
FFO per diluted unit [1]	**$ 0.27**	$ 0.32	$ 0.30	$ 0.25	$ 0.37	$ 0.31	$ 0.28	$ 0.25
Weighted average number of diluted units outstanding	**213,855**	213,952	214,056	215,262	215,098	216,008	220,812	220,906
Cash provided by operating activities	**$ 90,083**	$ 41,910	$ 67,022	$ 28,719	$ 76,808	$ 52,810	$ 62,305	$ 59,298
AFFO [1]	**$ 43,878**	$ 58,961	$ 55,897	$ 43,918	$ 72,454	$ 54,489	$ 51,719	$ 47,554

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

	2023				2022			
(unit counts in thousands)	**Q4**	Q3	Q2	Q1	Q4	Q3	Q2	Q1
AFFO per diluted unit [1]	**$ 0.21**	$ 0.28	$ 0.26	$ 0.20	$ 0.34	$ 0.25	$ 0.23	$ 0.22
ACFO [1]	**$ 66,346**	$ 55,458	$ 72,787	$ 38,772	$ 59,264	$ 56,935	$ 76,244	$ 43,009
Distribution declared per unit	**$ 0.216**	$ 0.216	$ 0.216	$ 0.216	$ 0.216	$ 0.144	$ 0.108	$ 0.108
Total assets	**$ 9,185,450**	$ 9,163,855	$ 9,596,650	$ 9,641,604	$ 9,581,938	$ 9,829,570	$10,057,358	$10,194,026
Total mortgages and credit facilities	**$ 2,491,948**	$ 2,353,650	$ 2,349,517	$ 2,343,579	$ 2,245,104	$ 2,225,576	$ 2,212,870	$ 2,280,587
Unitholders' equity	**$ 3,933,377**	$ 3,820,718	$ 4,194,618	$ 4,268,128	$ 4,279,373	$ 4,291,030	$ 4,542,689	$ 4,665,001
Other								
Number of neighbourhoods	**142**	143	144	145	145	145	147	148
GLA - at 100% (in thousands)	**22,298**	22,307	22,334	22,322	22,216	22,213	22,339	22,456
GLA - at ownership interest (in thousands)	**19,368**	19,400	19,425	19,415	19,325	19,326	19,501	19,619
Monthly average occupancy %	**95.9%**	95.8%	96.0%	95.8%	95.6%	95.5%	95.4%	95.7%
Total portfolio occupancy %	**96.2%**	95.9%	95.9%	96.2%	95.8%	95.7%	95.6%	95.5%

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

CRITICAL ACCOUNTING ESTIMATES

First Capital makes estimates and assumptions that affect the carrying amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amount of earnings for the reporting periods. Actual results could differ from those estimates. Management believes that the policies that are most subject to estimation and Management's judgment are those outlined below.

Judgments

Investment properties

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

Hedge accounting

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

Income taxes

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

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

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

Estimates and Assumptions

Valuation of Investment properties

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

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

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

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

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

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

Refer to Note 2(h) of the audited consolidated financial statements for the year ended December 31, 2023 for further information on the estimates and assumptions made by Management in connection with the fair values of investment properties.

Valuation of Financial Instruments

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

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

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

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

Performance Units: Fair value is calculated using a Monte-Carlo simulation model;

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

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

Material Accounting Policy Changes

Refer to Note 2(s) of the audited annual consolidated financial statements for the years ended December 31, 2023 and 2022 for details on the impact of material accounting policy changes.

CONTROLS AND PROCEDURES

As at December 31, 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.

The Chief Executive Officer and the Chief Financial Officer of First Capital have evaluated, or caused the evaluation of, under their supervision, the effectiveness of FCR's disclosure controls and procedures and its internal controls over financial reporting (each as defined in National Instrument 52-109-Certification of Disclosure in Issuers' Annual and Interim Filings) as at December 31, 2023, and have concluded that such disclosure controls and procedures and internal controls over financial reporting were operating effectively.

First Capital did not make any changes in its internal controls over financial reporting during the quarter ended December 31, 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 outlined below. First Capital's most current Annual Information Form, which provides a detailed description of these and other risks that may affect FCR, can be found on the SEDAR+ website at www.sedarplus.ca and on FCR’s website at www.fcr.ca.

Economic Conditions and Ownership of Real Estate

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

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

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

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

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

Unpredictability and Volatility of Trust Unit Price

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

Lease Renewals and Rental Increases

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

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

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

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

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

Interest rates have a significant effect on the profitability of commercial properties as interest represents a significant cost in the ownership of real property where debt financing is used as a source of capital. FCR has a total of $1.9 billion principal amount of fixed rate interest-bearing instruments outstanding including mortgages, senior unsecured debentures and secured credit facilities maturing between January 1, 2024 and December 31, 2026 at a weighted average coupon interest rate of 4.1%. If these amounts were refinanced at an average interest rate that was 100 basis points higher or lower than the existing rate, FCR's annual interest cost would increase or decrease, respectively, by $18.6 million. In addition, as at December 31, 2023, First Capital had $322.6 million at FCR's share, principal amount of debt (or 8% of FCR's aggregate debt as of such date) at floating interest rates.

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

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

Credit Ratings

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

Acquisitions, Expansions, Development, Redevelopment and Strategic Dispositions

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

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

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

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

Competition

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

Unitholder Activism

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

Residential Development Sales and Leasing

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

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

Environmental Matters

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

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

Partnerships

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

Investments Subject to Credit and Market Risk

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

Climate Change and Carbon Reduction Initiatives

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

As the Trust continues to work towards achieving its science-based targets and net-zero commitment and to meet its 2030 carbon emissions reduction goals, its progress may be deterred by challenges such as the availability of the necessary technology or the cost of adopting carbon reduction initiatives. This could result in the Trust being unable to meet its decarbonization goals. The failure or perceived failure by the Trust to execute its carbon reduction initiatives, maintain its environmental and sustainability practices or comply with emerging and evolving regulatory requirements or stakeholder expectations could result in fines or adversely affect the Trust's reputation, operations or financial performance.

Cybersecurity

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

Cash Distributions Are Not Guaranteed; Non-Cash Distributions

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

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

Taxation Matters

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

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

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

Certain proposed amendments to the Tax Act would have the effect of denying the deductibility of net interest and financing expenses in certain circumstances, including the computation of taxable income by a trust. If these proposed amendments are enacted as proposed, the Trust or its subsidiaries would not be subject to these deduction limitations as it currently meets the exemption conditions. However, there is no assurance that this legislation will not change such that the amount of interest and financing expenses deducted by the Trust may be reduced and/or the Trust may be required to include in its income its share of denied net interest and financing expenses.

Pandemics, Epidemics or Other Outbreaks

A pandemic, epidemic or other outbreak (collectively, a "public health crisis") could have a materially adverse impact on the Trust's financial position and results of operations. A substantial portion of First Capital's tenants could be forced to close in accordance with government regulations or operate at a reduced capacity, which may negatively impact their ability to pay rent in accordance with the terms of their lease. Additionally, First Capital may be required to take further action that negatively impacts its financial results and operations in response to directives of government and public health authorities or that are in the best interests of the health and safety of its employees, tenants, partners and other stakeholders, as necessary.

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

A public health crisis may cause economic uncertainty and increased volatility in financial markets, which may negatively impact the market price for FCR's securities and could adversely impact FCR's operations and financial performance.

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CONSOLIDATED FINANCIAL STATEMENTS

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Management's Responsibility

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

The preparation of consolidated financial statements and the MD&A necessarily involves the use of estimates based on Management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. In addition, in preparing this financial information, Management must make determinations as to the relevancy of information to be included, and estimates and assumptions that affect the reported information. The MD&A also includes information regarding the impact of current transactions and events, sources of liquidity and capital resources, operating trends, risks and uncertainties. Actual results in the future may differ materially from the present assessment of this information because future events and circumstances may not occur as expected. The consolidated financial statements have been properly prepared within reasonable limits of materiality and in light of information available up to February 6, 2024.

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

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

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

Adam E. Paul
President and Chief Executive Officer

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

Toronto, Ontario
February 6, 2024

Independent Auditor's Report

To the Unitholders of
First Capital Real Estate Investment Trust

Opinion

We have audited the consolidated financial statements of First Capital Real Estate Investment Trust (the "Trust"), which comprise the consolidated balance sheets as at December 31, 2023 and 2022, and the consolidated statements of income (loss), consolidated statements of comprehensive income (loss), consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Trust as at December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for opinion

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

Key audit matters

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

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

Key Audit Matter	How our audit addressed the key audit matter
Valuation of Investment Properties	
The Trust's investment property portfolio has a fair value of $8.2 billion, which represents 89.7% of total assets as at December 31, 2023.	With the assistance of our real estate valuation specialists, we evaluated the appropriateness of the underlying valuation methodology, and performed the following audit procedures, among others:
The Trust employs certified staff appraisers to value the investment property portfolio. The valuation methodology for these investment properties is primarily based on an income approach, utilizing the direct capitalization method and/or the discounted cash flow method.	We assessed the competence and objectivity of Management's valuation department, including two certified staff appraisers, by reviewing the qualifications and expertise of the individuals involved in the preparation and review of the valuations.

Independent Auditor's Report

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

Other information

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

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

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

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

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

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

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

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

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

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

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

Independent Auditor's Report

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

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

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

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

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

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

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

Ernst + Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
February 6, 2024

Consolidated Balance Sheets

As at *(thousands of dollars)*	Note	December 31, 2023	December 31, 2022
ASSETS			
Non-current Assets			
Real Estate Investments			
Investment properties	3	**$ 8,070,985**	$ 8,485,361
Investment in joint ventures	4	**404,504**	357,122
Hotel property	5	**—**	45,300
Loans, mortgages and other assets	6	**110,846**	168,650
Total real estate investments		**8,586,335**	9,056,433
Other non-current assets	8	**31,711**	52,132
Total non-current assets		**8,618,046**	9,108,565
Current Assets			
Cash and cash equivalents	27(d)	**87,421**	32,694
Loans, mortgages and other assets	6	**76,519**	43,481
Residential development inventory		**192,125**	157,883
Amounts receivable	7	**20,393**	25,970
Other assets	8	**22,671**	25,618
		399,129	285,646
Assets classified as held for sale	3(d)	**168,275**	187,727
Total current assets		**567,404**	473,373
Total assets		**$ 9,185,450**	$ 9,581,938
LIABILITIES			
Non-current Liabilities			
Mortgages	10	**$ 1,185,872**	$ 1,095,724
Credit facilities	10	**1,125,856**	880,213
Senior unsecured debentures	11	**1,298,810**	1,598,989
Other liabilities	12	**127,376**	104,798
Deferred tax liabilities	21	**753,020**	769,388
Total non-current liabilities		**4,490,934**	4,449,112
Current Liabilities			
Bank indebtedness	10	**—**	1,594
Mortgages	10	**143,171**	31,637
Credit facilities	10	**28,051**	224,401
Senior unsecured debentures	11	**300,131**	299,835
Exchangeable Units	13	**—**	1,009
Accounts payable and other liabilities	12	**218,008**	225,926
		689,361	784,402
Mortgages classified as held for sale	3(d), 10	**8,998**	13,129
Total current liabilities		**698,359**	797,531
Total liabilities		**5,189,293**	5,246,643
EQUITY			
Unitholders' equity	14	**3,933,377**	4,279,373
Non-controlling interest	24	**62,780**	55,922
Total equity		**3,996,157**	4,335,295
Total liabilities and equity		**$ 9,185,450**	$ 9,581,938

Refer to accompanying notes to the consolidated financial statements.

Approved by the Board of Trustees:

Ian Clarke,
Trustee

Adam E. Paul,
Trustee

Consolidated Statements of Income (Loss)

		Year ended December 31	
(thousands of dollars)	**Note**	**2023**	2022
Property rental revenue		**$ 687,981**	$ 693,096
Property operating costs		**262,724**	267,597
Net operating income	16	**425,257**	425,499
Other income and expenses			
Interest and other income	17	**24,875**	19,870
Interest expense	18	**(154,096)**	(150,042)
Corporate expenses	19	**(53,902)**	(45,235)
Abandoned transaction (costs) recovery		**(24)**	2,770
Amortization expense		**(3,897)**	(5,673)
Share of profit (loss) from joint ventures	4	**48,501**	(199)
Other gains (losses) and (expenses)	20	**(12,247)**	(2,317)
(Increase) decrease in value of unit-based compensation	15	**6,237**	5,250
(Increase) decrease in value of Exchangeable Units	13	**88**	321
Increase (decrease) in value of hotel property	5	**3,646**	6,908
Increase (decrease) in value of investment properties, net	3	**(423,598)**	(409,716)
		(564,417)	(578,063)
Income (loss) before income taxes		**(139,160)**	(152,564)
Deferred income tax expense (recovery)	21	**(4,796)**	7,197
Net income (loss)		**$ (134,364)**	$ (159,761)
Net income (loss) attributable to:			
Unitholders	14	**$ (134,056)**	$ (159,997)
Non-controlling interest	24	**(308)**	236
		$ (134,364)	$ (159,761)

Refer to accompanying notes to the consolidated financial statements.

Consolidated Statements of Comprehensive Income (Loss)

		Year ended December 31	
(thousands of dollars)	**Note**	**2023**	2022
Net income (loss)		**$ (134,364)**	$ (159,761)
Other comprehensive income (loss)			
Unrealized gain (loss) on revaluation of hotel property [1]	5	**10,669**	—
Reclassification of net (gain) loss on revaluation of hotel property to retained earnings	5	**(10,669)**	—
Unrealized gain (loss) on cash flow hedges [2]		**(32,727)**	64,686
Reclassification of net (gain) loss on cash flow hedges to net income (loss)		**3,845**	(10,072)
		(28,882)	54,614
Deferred tax expense (recovery)	21	**(11,264)**	21,300
Other comprehensive income (loss)		**(17,618)**	33,314
Comprehensive income (loss)		**$ (151,982)**	$ (126,447)
Comprehensive income (loss) attributable to:			
Unitholders	14	**$ (151,674)**	$ (126,683)
Non-controlling interest	24	**(308)**	236
		$ (151,982)	$ (126,447)

[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 consolidated financial statements.

Consolidated Statements of Changes in Equity

(thousands of dollars)	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Trust Units	Total Unitholders' Equity	Non-Controlling Interest	Total Equity
			(Note 14(a))			
December 31, 2022	**$ 1,445,238**	**$ 14,496**	**$ 2,819,639**	**$ 4,279,373**	**$ 55,922**	**$ 4,335,295**
Changes during the year:						
Net income (loss)	(134,056)	—	—	(134,056)	(308)	(134,364)
Conversion of Exchangeable Units *(Note 13)*	—	—	921	921	—	921
Repurchase of Trust Units *(Note 14(a))*	(3,354)	—	(22,339)	(25,693)	—	(25,693)
Options, deferred units, restricted units and performance units, net	—	—	5,106	5,106	—	5,106
Other comprehensive income (loss)	—	(6,949)	—	(6,949)	—	(6,949)
Contributions from (distributions to) non-controlling interest, net	—	—	—	—	7,166	7,166
Disposal of Hotel Property *(Note 5)*	8,905	(10,669)	—	(1,764)	—	(1,764)
Distributions *(Note 14(b))*	(183,561)	—	—	(183,561)	—	(183,561)
December 31, 2023	**$ 1,133,172**	**$ (3,122)**	**$ 2,803,327**	**$ 3,933,377**	**$ 62,780**	**$ 3,996,157**

(thousands of dollars)	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Trust Units	Total Unitholders' Equity	Non-Controlling Interest	Total Equity
			(Note 14(a))			
December 31, 2021	$ 1,741,489	$ (18,818)	$ 2,898,271	$ 4,620,942	$ 48,140	$ 4,669,082
Changes during the year:						
Net income (loss)	(159,997)	—	—	(159,997)	236	(159,761)
Conversion of Exchangeable Units *(Note 13)*	—	—	617	617	—	617
Repurchase of Trust Units *(Note 14(a))*	(12,063)	—	(82,393)	(94,456)	—	(94,456)
Options, deferred units, restricted units and performance units, net	—	—	3,144	3,144	—	3,144
Other comprehensive income (loss)	—	33,314	—	33,314	—	33,314
Contributions from (distributions to) non-controlling interest, net	—	—	—	—	7,546	7,546
Distributions *(Note 14(b))*	(124,191)	—	—	(124,191)	—	(124,191)
December 31, 2022	$ 1,445,238	$ 14,496	$ 2,819,639	$ 4,279,373	$ 55,922	$ 4,335,295

Refer to accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

		Year ended December 31	
(thousands of dollars)	**Note**	**2023**	2022
OPERATING ACTIVITIES			
Net income (loss)		**$ (134,364)**	$ (159,761)
Adjustments for:			
(Increase) decrease in value of investment properties, net	3	**423,598**	409,716
(Increase) decrease in value of hotel property	5	**(3,646)**	(6,908)
Interest expense	18	**154,096**	150,042
Amortization expense		**3,897**	5,673
Share of (profit) loss from joint ventures	4	**(48,501)**	199
Cash interest paid associated with operating activities	18	**(150,112)**	(149,241)
Items not affecting cash and other items	27(a)	**11,087**	11,679
Net changes in other working capital items	27(b)	**(28,321)**	(10,178)
Cash provided by (used in) operating activities		**227,734**	251,221
FINANCING ACTIVITIES			
Mortgage borrowings, net of financing costs	10	**232,542**	90,766
Mortgage principal instalment payments	10	**(35,739)**	(30,946)
Mortgage repayments	10	**—**	(13,338)
Credit facilities, net advances (repayments)	10	**53,671**	206,373
Repayment of senior unsecured debentures	11	**(300,000)**	(450,000)
Settlement of hedges		**(4,990)**	13,451
Repurchase of Trust Units	14(a)	**(25,693)**	(94,456)
Issuance of Trust Units, net of issue costs		**—**	116
Payment of distributions		**(183,657)**	(116,721)
Net contributions from (distributions to) non-controlling interest	24	**7,166**	7,546
Cash provided by (used in) financing activities		**(256,700)**	(387,209)
INVESTING ACTIVITIES			
Acquisition of investment properties	3(c)	**(76,490)**	(63,798)
Disposition of Hotel property, net of selling costs	5	**102,775**	—
Net proceeds from property dispositions	3(d)	**176,113**	187,963
Net proceeds from sale of joint ventures	4	**4,081**	—
Distributions from joint ventures	4	**4,599**	4,658
Contributions to joint ventures	4	**(6,554)**	(12,491)
Capital expenditures on investment properties	3(a)	**(143,023)**	(125,008)
Changes in investing-related prepaid expenses and other liabilities		**(31,598)**	60,618
Changes in loans, mortgages and other assets	27(c)	**53,790**	82,041
Cash provided by (used in) investing activities		**83,693**	133,983
Net increase (decrease) in cash and cash equivalents		**54,727**	(2,005)
Cash and cash equivalents, beginning of year		**32,694**	34,699
Cash and cash equivalents, end of year	27(d)	**$ 87,421**	$ 32,694

Refer to accompanying notes to the consolidated financial statements.

Notes to the Consolidated Financial Statements

1. DESCRIPTION OF THE TRUST

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

2. MATERIAL ACCOUNTING POLICY INFORMATION

(a) Statement of compliance

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

(b) Basis of presentation

The audited annual consolidated financial statements are prepared on a going concern basis and have been presented in Canadian dollars rounded to the nearest thousand, unless otherwise indicated. The accounting policies set out below have been applied consistently in all material respects to all years presented, unless otherwise noted.

In measuring performance or allocating resources, the Trust does not distinguish or group its operations on a geographical or any other basis and, accordingly, has a single reportable segment for disclosure purposes. Individual segments have been aggregated based on Management's judgement, which considered the nature of operations, type of tenants and that the aggregated segments would have similar long-term economic characteristics. The Trust has one reportable segment for financial reporting purposes, which comprises the ownership, management and development of investment properties located across Canada.

These audited annual consolidated financial statements were approved by the Board of Trustees and authorized for issue on February 6, 2024.

(c) Basis of Consolidation

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

(d) Trust Units

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

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

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

Earnings per Unit

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

(e) Exchangeable Units

The Class B Limited Partnership Units of First Capital REIT Limited Partnership, a subsidiary of the Trust, are exchangeable, at the option of the holder, into Trust Units up until December 29, 2023. The Exchangeable Units are considered a financial liability as there is a contractual obligation for First Capital to deliver Trust Units (which, as noted in Note 2(d), are puttable instruments) upon exchange. Exchangeable Units are required to be classified as financial liabilities at fair value through profit or loss ("FVTPL"). The distributions declared on the Exchangeable Units are accounted for as interest expense.

(f) Business combinations

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

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

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

(g) Investments in joint arrangements

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

(h) Investment properties

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

(i) Investment properties

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

(ii) Assets classified as held for sale

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

Valuation method

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

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

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

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

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

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

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

Valuation Inputs

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

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

used for the direct capitalization method and discount and terminal capitalization rates are used in the discounted cash flow method described below.

- Costs to complete for properties under development.

(i) Investment properties

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

(ii) Properties under development

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

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

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

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

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

(i) Hotel property

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

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

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

(j) Residential development inventory

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

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

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

(k) Taxation

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

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

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

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

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

(l) Provisions

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

(m) Unit-based Compensation Plans

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

(n) Revenue recognition

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

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

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

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

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

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

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

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

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

(o) Financial instruments and derivatives

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

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

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

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

The following summarizes the Trust's classification and measurement of financial assets and liabilities for the years ended December 31, 2023 and 2022:

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

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

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

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

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

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

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

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

(p) Cash and cash equivalents

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

(q) Critical judgments in applying accounting policies

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

(i) Investment properties

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

(ii) Hedge accounting

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

(iii) Income taxes

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

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

(r) Critical accounting estimates and assumptions

First Capital makes estimates and assumptions that affect the carrying amounts of assets and liabilities, disclosure of contingent assets and liabilities, and the reported amount of earnings for the reporting periods. Actual results could differ from those estimates. The estimates and assumptions that the Trust considers critical include those underlying the valuation of investment properties, as set out above, which describes the process by which investment properties are valued, and the determination of which properties are externally and internally appraised and how often.

Additional critical accounting estimates and assumptions include those used for determining the values of financial instruments for disclosure purposes (Note 23), estimating deferred taxes (Note 21) and estimating the fair value of unit-based compensation arrangements (Note 15).

(s) Adoption of Amended IFRS Pronouncements

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

Effective January 1, 2023, the Trust early adopted the amendments to IAS 1, issued in January 2020, which 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. On October 31, 2022, the IASB issued Non-Current Liabilities with Covenants (further amendments to IAS 1). These amendments specify that covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current as of the reporting date. These amendments are effective in the same period the entity adopts the January 2020 amendments which for the Trust is January 1, 2023.

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 Trust adopted the amendments to IAS 8 which 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 Trust adopted the 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.

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; and

(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.

The amendments had no material impact on the consolidated financial statements of First Capital. First Capital intends to use the practical expedients in future periods if they become applicable.

3. INVESTMENT PROPERTIES

(a) Activity

The following tables summarize the changes in First Capital's investment properties for the years ended December 31, 2023 and 2022:

								Year ended December 31, 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		**62,324**		**—**		**15,740**		**78,064**
Capital expenditures		**67,043**		**48,854**		**27,126**		**143,023**
Developments transferred offline / online, net		**(2,628)**		**(9,234)**		**11,862**		**—**
Increase (decrease) in value of investment properties, net		**(462,839)**		**(5,307)**		**44,548**		**(423,598)**
Straight-line rent and other changes		**30**		**—**		**—**		**30**
Dispositions		**(49,611)**		**—**		**(136,436)**		**(186,047)**
Balance at end of year	$	**7,827,543**	$	**123,342**	$	**288,375**	$	**8,239,260**
Investment properties	$	**7,725,176**	$	**87,492**	$	**258,317**	$	**8,070,985**
Assets classified as held for sale		**102,367**		**35,850**		**30,058**		**168,275**
Total	$	**7,827,543**	$	**123,342**	$	**288,375**	$	**8,239,260**

								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 $2.9 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	**December 31, 2023**	December 31, 2022
Weighted Average Total		
Overall Capitalization Rate	**5.5%**	5.2%
Terminal Capitalization Rate	**5.6%**	5.4%
Discount Rate	**6.3%**	5.9%

The majority of the Trust's portfolio is valued under the Income Approach using the discounted cash flow ("DCF") method. As at December 31, 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.

Throughout 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 $423.6 million ($376.4 million at FCR's share) for the year ended December 31, 2023.

The sensitivity of the fair values of investment properties to stabilized overall capitalization rates as at December 31, 2023 is set out in the table below:

As at December 31, 2023		*(millions of dollars)*
(Decrease) Increase in stabilized overall capitalization rate		Resulting increase (decrease) in fair value of investment properties
(1.00%)	$	1,820
(0.75%)	$	1,293
(0.50%)	$	818
(0.25%)	$	390
0.25%	$	(355)
0.50%	$	(681)
0.75%	$	(981)
1.00%	$	(1,257)

Additionally, a 1% increase or decrease in stabilized net operating income ("SNOI") would result in a $81 million increase or a $81 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 $475 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 $433 million.

(c) Investment properties – Acquisitions

For the years ended December 31, 2023 and 2022, First Capital acquired investment properties as follows:

Year ended December 31		**2023**		2022
Total purchase price, including acquisition costs	**$**	**78,064**	$	63,798
Settlement of loans receivable on acquisition		**(1,574)**		—
Total cash paid	**$**	**76,490**	$	63,798

(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		**December 31, 2023**		December 31, 2022
Aggregate fair value [1]	**$**	**168,275**	$	142,427
Mortgages secured by assets classified as held for sale	**$**	**8,998**	$	13,129
Weighted average effective interest rate of mortgages secured by assets classified as held for sale		**3.2%**		2.8%

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

The increase of $25.8 million in assets classified as held for sale from December 31, 2022 primarily arose from the addition of new investment properties classified as held for sale, largely offset by dispositions, in line with First Capital's Enhanced Capital Allocation and Portfolio Optimization Plan.

For the years ended December 31, 2023 and 2022, First Capital sold investment properties as follows:

Year ended December 31		**2023**		2022
Total selling price	**$**	**186,047**	$	277,403
Mortgages assumed by purchaser on sale of investment properties		**—**		(80,000)
Vendor take-back mortgage on sale		**(7,800)**		(5,000)
Property selling costs		**(2,134)**		(4,440)
Net cash proceeds	**$**	**176,113**	$	187,963

4. INVESTMENT IN JOINT VENTURES

As at December 31, 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	**December 31, 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 Road	Toronto, ON	**20.0%**	20.0%
Green Capital Limited Partnership	Royal Orchard	Markham, ON	**50.0%**	50.0%
Lakeshore Development LP	2150 Lake Shore Blvd. W.	Toronto, ON	**50.0%**	50.0%
Hazelton Food Services Partnership [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 years ended December 31, 2023 and 2022:

	December 31, 2023	December 31, 2022
Balance at beginning of year	**$ 357,122**	$ 349,488
Contributions to equity accounted joint ventures	**6,554**	12,491
Distributions from equity accounted joint ventures	**(4,599)**	(4,658)
Disposition of equity accounted joint venture	**(3,074)**	—
Share of profit (loss) from equity accounted joint ventures	**48,501**	(199)
Balance at end of year	**$ 404,504**	$ 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.

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

As at	**December 31, 2023**	December 31, 2022
Total assets	**$ 1,113,381**	$ 1,056,773
Total liabilities	**(281,891)**	(319,317)
Net assets at 100%	**831,490**	737,456
First Capital's investment in equity accounted joint ventures	**$ 404,504**	$ 357,122

For the year ended	**December 31, 2023**	December 31, 2022
Property revenue	**$ 38,291**	$ 40,772
Property expenses	**(21,923)**	(28,985)
Increase (decrease) in value of investment properties, net	**89,377**	(1,603)
Other income and (expenses)	**(3,466)**	(7,458)
Net income (loss) and total comprehensive income (loss) at 100%	**$ 102,279**	$ 2,726
First Capital's share of profit (loss) from equity accounted joint ventures	**$ 48,501**	$ (199)

During 2023, First Capital received distributions from its joint ventures of $4.6 million (2022 – $4.7 million) and made contributions to its joint ventures of $6.6 million (2022 – $12.5 million).

As at December 31, 2023, there were approximately $32.8 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 years ended December 31, 2023 and 2022:

	December 31, 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 year	**$ —**	$ 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 year ended December 31, 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 property, the gain of $8.9 million was transferred directly to retained earnings upon sale.

6. LOANS, MORTGAGES AND OTHER ASSETS

As at		**December 31, 2023**		December 31, 2022
Non-current				
Loans and mortgages receivable classified as amortized cost (a)(b)	**$**	**57,509**	$	136,352
Other investments		**11,393**		9,595
Due from co-owners (c)		**41,944**		22,703
Total non-current		**110,846**		168,650
Current				
Loans and mortgages receivable classified as FVTPL (a)		**—**		1,506
Loans and mortgages receivable classified as amortized cost (a)(b)		**73,718**		38,641
FVTPL investments in securities (d)		**2,801**		3,334
Total current		**76,519**		43,481
Total	**$**	**187,365**	$	212,131

(a) Loans and mortgages receivable are secured by interests in investment properties or shares of entities owning investment properties. As at December 31, 2023, these receivables bear interest at weighted average effective interest rates of 8.6% (December 31, 2022 – 6.9%) and mature between 2024 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 was 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 $38.9 million equals the Trust's proportionate share of the co-ownership's credit facility draws. As there is no right of offset for these two financial instruments, they are presented on a gross basis on the consolidated balance sheets.

(d) From time to time, First Capital invests in publicly traded real estate and related securities. These securities are recorded at market value. Realized and unrealized gains and losses on FVTPL securities are recorded in other gains (losses) and (expenses).

Scheduled principal receipts of loans and mortgages receivable and the weighted average effective floating or fixed interest rates as at December 31, 2023 are as follows:

		Scheduled Receipts	Weighted Average Effective Interest Rate
2024	$	70,657	6.5%
2025		42,461	11.5%
2026		7,800	12.9%
2027		5,000	5.8%
Sub-Total	$	125,918	8.6%
Unamortized deferred financing fees and accrued interest		5,309	
Total scheduled principal receipts of loans and mortgages receivable	$	131,227	
Current	$	73,718	6.5%
Non-current		57,509	11.2%
Total	$	131,227	8.6%

7. AMOUNTS RECEIVABLE

As at	December 31, 2023		December 31, 2022	
Tenant receivables (net of allowance for expected credit losses of $6.2 million; December 31, 2022 – $9.5 million)	**$**	**20,063**	$	25,760
Corporate and other amounts receivable		**330**		210
Total	**$**	**20,393**	$	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	December 31, 2023		December 31, 2022	
Allowance for expected credit losses, beginning of year	**$**	**9,499**	$	17,213
Receivables written off during the year		**(2,236)**		(7,858)
Additional provision (recovery) and other adjustments recorded during the year		**(1,060)**		144
Allowance for expected credit losses, end of year	**$**	**6,203**	$	9,499

8. OTHER ASSETS

As at	Note	December 31, 2023		December 31, 2022	
Non-current					
Fixtures, equipment and computer hardware and software (net of accumulated amortization of $24.8 million; December 31, 2022 – $21.6 million)		**$**	**7,182**	$	6,615
Deferred financing costs on credit facilities (net of accumulated amortization of $9.8 million; December 31, 2022 – $8.6 million)			**4,628**		3,460
Environmental indemnity and insurance proceeds receivable	12(a)		**525**		663
Derivatives at fair value	23		**18,608**		41,394
Other non-current assets			**768**		—
Total non-current			**31,711**		52,132
Current					
Deposits and costs on investment properties under option			**3,746**		5,595
Prepaid expenses			**10,723**		14,590
Other deposits			**250**		250
Restricted cash			**2,858**		2,716
Derivatives at fair value	23		**5,094**		2,467
Total current			**22,671**		25,618
Total		**$**	**54,382**	$	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		**December 31, 2023**		December 31, 2022
Liabilities (principal amounts outstanding)				
Bank indebtedness	**$**	**—**	$	1,594
Mortgages		**1,341,817**		1,143,856
Credit facilities		**1,153,907**		1,104,614
Mortgages under equity accounted joint ventures (at the Trust's interest)		**90,794**		91,911
Credit facility under equity accounted joint venture (at the Trust's interest)		**8,659**		—
Senior unsecured debentures		**1,600,000**		1,900,000
		4,195,177		4,241,975
Exchangeable Units		**—**		1,009
Equity market capitalization [1]		**3,254,907**		3,589,229
Total capital employed	**$**	**7,450,084**	$	7,832,213
Trust Units outstanding (000's)		**212,184**		213,518
Closing market price	**$**	**15.34**	$	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 December 31, 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		**December 31, 2023**		December 31, 2022
Net debt to total assets [1]	≤65%		**45.0%**		44.0%
Unencumbered aggregate assets to unsecured debt, using 10 quarter average capitalization rate [1][2]	>1.3		**2.4**		2.3
Unitholders' equity, using four quarter average (billions) [2]	>$2.0	**$**	**4.1**	$	4.4
Secured indebtedness to total assets [2]	≤35%		**16.8%**		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 (loss), adding back income tax expense; interest expense; and amortization and excluding the increase or decrease in the fair value of investment properties, Exchangeable Units and unit-based compensation; other gains (losses) and (expenses); and other non-cash or non-recurring items. The Trust

also adjusts for incremental leasing costs, which is a recognized adjustment to Funds from Operations, in accordance with the recommendations of the Real Property Association of Canada;

- Fixed charges include regular principal and interest payments and capitalized interest in the calculation of interest expense; and
- Unencumbered assets include the value of assets that have not been pledged as security under any credit agreement or mortgage. The unencumbered asset value ratio is calculated as unencumbered assets divided by the principal amount of the unsecured debt, which consists of the bank indebtedness, unsecured bank term loans, unsecured credit facilities and senior unsecured debentures.

10. MORTGAGES AND CREDIT FACILITIES

As at	**December 31, 2023**	December 31, 2022
Fixed rate mortgages	**$ 1,338,041**	$ 1,140,490
Unsecured facilities	**1,041,908**	1,030,564
Secured facilities	**111,999**	74,050
Mortgages and credit facilities	**$ 2,491,948**	$ 2,245,104
Current	**$ 171,222**	$ 256,038
Mortgages classified as held for sale	**8,998**	13,129
Non-current	**2,311,728**	1,975,937
Total	**$ 2,491,948**	$ 2,245,104

Mortgages and secured facilities are secured by First Capital's investment properties. As at December 31, 2023, approximately $2.9 billion (December 31, 2022 – $2.3 billion) of investment properties out of $8.2 billion (December 31, 2022 – $8.6 billion) (Note 3(a)) had been pledged as security under the mortgages and the secured facilities.

As at December 31, 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 December 31, 2023 is 3.8% (December 31, 2022 – 3.5%).

Principal repayments of mortgages outstanding as at December 31, 2023 are as follows:

	Scheduled Amortization	Payments on Maturity	Total	Weighted Average Effective Interest Rate
2024	$ 35,541	$ 108,478	$ 144,019	3.7%
2025	33,423	66,970	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 to 2033	42,264	651,434	693,698	3.9%
	$ 194,989	**$ 1,146,828**	**$ 1,341,817**	**3.8%**
Unamortized deferred financing costs and premiums, net			(3,776)	
Total			**$ 1,338,041**	

First Capital's credit facilities as at December 31, 2023 are summarized in the table below:

As at December 31, 2023	Borrowing Capacity	Amounts Drawn	Bank Indebtedness and Outstanding Letters of Credit	Available to be Drawn	Interest Rates	Maturity Date
Unsecured Operating Facilities						
Revolving unsecured operating facility	$ 100,000	$ —	$ —	$ 100,000	BA + 1.25% or Prime + 0.25% or SOFR + 1.35%	April 20, 2025
Revolving unsecured operating facility	150,000	—	—	150,000	BA + 1.25% or Prime + 0.25% or SOFR + 1.35%	August 31, 2025
Revolving unsecured operating facility	450,000	—	(2,230)	447,770	BA + 1.45% or Prime + 0.45% or SOFR + 1.55%	June 30, 2028
Fixed rate unsecured term loan (1)(2)	100,000	(100,000)	—	—	5.00%	January 9, 2025
Floating rate unsecured term loan	100,000	(100,000)	—	—	CORRA + 1.80% or Prime + 0.50%	April 15, 2025
Floating rate unsecured term loan (3)	150,000	(146,306)	—	3,694	CORRA + 1.75% or Prime + 0.45% or SOFR + 1.55%	November 29, 2025
Fixed rate unsecured term loans (2)(4)	250,000	(250,000)	—	—	3.39%	April 14, 2025 -April 14, 2026
Fixed rate unsecured term loan (2)	100,000	(100,000)	—	—	3.27%	April 15, 2026
Fixed rate unsecured term loan (2)(5)(8)	150,000	(145,602)	—	4,398	5.985%	October 20, 2026
Fixed rate unsecured term loan (2)	200,000	(200,000)	—	—	3.17%	January 31, 2029
Secured Construction Facilities						
Secured construction facility	19,321	(16,983)	—	2,338	Prime - 0.25%	June 1, 2024
Secured construction facility	62,665	(45,004)	(537)	17,124	BA + 2.50% or Prime + 1.00%	October 1, 2025
Secured construction facility (6)	171,750	(38,944)	(295)	104,143	BA + 2.30%	February 1, 2027
Secured Facilities						
Secured facility	4,313	(4,313)	—	—	BA + 1.45% or Prime + 0.45%	September 27, 2024
Secured facility	6,755	(6,755)	—	—	CORRA + 1.75% or Prime + 0.45%	December 19, 2024
Sub-Total	**$ 2,014,804**	**$(1,153,907)**	**$ (3,062)**	**$ 829,467**		
Secured Construction Facility						
Secured construction facility (7)	71,450	(8,659)	—	62,791	BA + 2.65% or Prime + 1.00%	November 28, 2025
Total	**$ 2,086,254**	**$(1,162,566)**	**$ (3,062)**	**$ 892,258**		

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

(2) These unsecured term loans are variable rate debt instruments. The Trust has entered into swaps which fix the rate of interest 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$146.3 million as at December 31, 2023.

(4) As at December 31, 2023, $75.0 million of the unsecured term loans is due April 14, 2025. The remaining $175.0 million is due April 14, 2026.

(5) 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 December 31, 2023.

(6) 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.

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

(8) The Trust has the option to extend the unsecured term loan for an additional two years, to October 20, 2028.

First Capital has the ability under its unsecured credit facilities to draw funds based on Canadian bank prime rates, Canadian bankers' acceptances ("BA rates") and Canadian Overnight Repo Rate Average ("CORRA rates") for Canadian dollar-denominated borrowings, and secured overnight financing rates ("SOFR 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						**December 31, 2023**	December 31, 2022
		Interest Rate					
Series	Maturity Date	Coupon	Effective		**Principal Outstanding**	**Liability**	Liability
Q	October 30, 2023	3.90%	3.97%		**—**	**—**	299,835
R	August 30, 2024	4.79%	4.72%		**300,000**	**300,131**	300,323
S	July 31, 2025	4.32%	4.24%		**300,000**	**300,366**	300,588
T	May 6, 2026	3.60%	3.57%		**300,000**	**300,282**	300,386
V	January 22, 2027	3.46%	3.54%		**200,000**	**199,537**	199,397
U	July 12, 2027	3.75%	3.82%		**300,000**	**299,305**	299,124
A	March 1, 2028	3.45%	3.54%		**200,000**	**199,320**	199,171
Weighted Average or Total		3.95%	3.95%	**$**	**1,600,000**	**$ 1,598,941**	$ 1,898,824
Current				**$**	**300,000**	**$ 300,131**	$ 299,835
Non-current					**1,300,000**	**1,298,810**	1,598,989
Total				**$**	**1,600,000**	**$ 1,598,941**	$ 1,898,824

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

On October 30, 2023, upon maturity, First Capital repaid its 3.90% Series Q Senior Unsecured Debentures in the amount of $300.0 million.

12. ACCOUNTS PAYABLE AND OTHER LIABILITIES

As at	**Note**	**December 31, 2023**	December 31, 2022
Non-current			
Asset retirement obligations (a)		**$ 1,365**	$ 1,152
Ground leases payable		**8,438**	8,136
Derivatives at fair value	23	**21,891**	—
Unit-based compensation plans	15(c)	**6,586**	6,758
Deferred purchase price of investment property		**—**	1,425
Other liabilities (b)		**89,096**	87,327
Total non-current		**127,376**	104,798
Current			
Trade payables and accruals		**67,727**	76,291
Construction and development payables		**47,878**	49,117
Unit-based compensation plans	15(c)	**15,422**	16,964
Distributions payable	14(b)	**15,277**	15,373
Interest payable		**27,061**	28,736
Tenant deposits		**40,948**	39,436
Derivatives at fair value	23	**3,695**	—
Other liabilities		**—**	9
Total current		**218,008**	225,926
Total		**$ 345,384**	$ 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	**December 31, 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 [1]	**(60)**	**(921)**	(43)	(617)
Fair value adjustment	**—**	**(88)**	—	(321)
Balance at end of year	**—**	**$ —**	60	$ 1,009

[1] Effective December 29, 2023, all remaining Exchangeable Units were exchanged for Trust Units, on a one-for-one basis (refer to Note 14(a) below).

14. UNITHOLDERS' EQUITY

The Declaration of Trust authorizes the issuance of an unlimited number of Trust Units and special voting units:

Trust Units: Each Trust Unit is transferable and represents an equal, undivided beneficial interest in the Trust and any distributions from the Trust and entitles the holder to one vote at a meeting of Unitholders. With certain restrictions, a Unitholder has the right to require First Capital to redeem its Trust Units on demand. Upon receipt of a redemption notice by First Capital, all rights to and under the Trust Units tendered for redemption shall be surrendered and the holder thereof shall be entitled to receive a price per unit as determined by a market formula and shall be paid in accordance with the conditions provided for in the Declaration of Trust.

Special Voting Units: Each Exchangeable Unit (Note 13) is accompanied by one special voting unit which provides the holder thereof with a right to vote on matters respecting the Trust.

(a) Trust Units

The following table sets forth the particulars of First Capital's Trust Units outstanding:

As at	**December 31, 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	**(1,692)**	**(22,339)**	(6,238)	(82,393)
Exercise of options and settlement of any restricted, performance and deferred trust units	**298**	**5,106**	172	3,144
Conversion of Exchangeable Units	**60**	**921**	43	617
Balance at end of year	**212,184**	**$ 2,803,327**	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 year ended December 31, 2023, the Trust acquired and cancelled 1.7 million Units (December 31, 2022 - 6.2 million) at a weighted average purchase price of $15.19 per unit (December 31, 2022 - $15.14), for a total cost of $25.7 million (December 31, 2022 - $94.5 million). The excess of the purchase price over the carrying amount of the Units purchased, representing the unit price increase over the weighted average historical issuance price, was recorded as a reduction to retained earnings of $3.4 million (December 31, 2022 - $12.1 million). On a cumulative basis, as of December 31, 2023, the Trust has acquired and cancelled 7.9 million Units at a weighted average purchase price of $15.15 per unit, for a total cost of $120.1 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 $0.864 per Trust Unit for the year ended December 31, 2023 (year ended December 31, 2022 - $0.576 per Trust Unit).

15. UNIT-BASED COMPENSATION PLANS

(a) Unit Option Plan

First Capital's unit option plan was terminated in 2021 following the final grants issued on March 1, 2021. Any options granted prior to termination of the plan expire 10 years from the date of grant and vest over five years. As at December 31, 2023, 5.6 million unit options were outstanding (December 31, 2022 - 6.3 million).

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

As at	**December 31, 2023**					December 31, 2022				
	Outstanding Options			**Vested Options**		Outstanding Options			Vested Options	
Exercise Price Range ($)	**Number of Trust Units Issuable (in thousands)**	**Weighted Average Exercise Price per Trust Unit**	**Weighted Average Remaining Life (years)**	**Number of Trust Units Issuable (in thousands)**	**Weighted Average Exercise Price per Trust Unit**	Number of Trust Units Issuable (in thousands)	Weighted Average Exercise Price per Trust Unit	Weighted Average Remaining Life (years)	Number of Trust Units Issuable (in thousands)	Weighted Average Exercise Price per Trust Unit
15.53 - 19.29	**1,243**	**$ 16.95**	**4.0**	**880**	**$ 17.54**	1,553	$ 17.24	4.1	1,067	$ 18.01
19.30 - 20.05	**1,366**	**$ 19.87**	**3.3**	**1,366**	**$ 19.87**	1,509	$ 19.86	3.9	1,349	$ 19.84
20.06 - 21.19	**1,632**	**$ 20.68**	**4.2**	**1,451**	**$ 20.62**	1,749	$ 20.67	4.9	1,388	$ 20.55
21.20 - 21.24	**1,380**	**$ 21.24**	**6.2**	**828**	**$ 21.24**	1,464	$ 21.24	6.8	636	$ 21.24
15.53 - 21.24	**5,621**	**$ 19.79**	**4.4**	**4,525**	**$ 19.91**	6,275	$ 19.76	4.9	4,440	$ 19.82

During the year ended December 31, 2023, $0.4 million (year ended December 31, 2022 – $0.7 million) was recorded as an expense related to stock options.

Year ended December 31	**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	**(3)**		**19.15**	(15)		19.34
Expired	**(651)**		**19.46**	(40)		17.90
Outstanding at end of year	**5,621**	**$**	**19.79**	6,275	$	19.76

(a) The weighted average market price at which options were exercised for the year ended December 31, 2023 was $Nil (year ended December 31, 2022 – $18.17).

The assumptions used to measure the fair value of the unit options under the Black-Scholes model (level 2) as at December 31, 2023 and 2022 were as follows:

As at December 31	**2023**	2022
Expected Trust Unit price volatility	**17.15% - 30.07%**	20.50% - 32.62%
Expected life of options	**0.0 - 5.5 years**	0.2 - 6.0 years
Expected distribution yield	**5.61%**	5.12%
Risk free interest rate	**3.12% - 4.88%**	3.32% - 4.57%

(b) Trust Unit arrangements

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

Year ended December 31	**2023**		2022	
(in thousands)	**DUs**	**RUs / PUs**	DUs	RUs / PUs
Outstanding at beginning of year	**402**	**1,083**	320	897
Granted (a) (b)	**102**	**427**	77	460
Distributions reinvested	**24**	**71**	12	35
Exercised	**(78)**	**(287)**	(7)	(284)
Forfeited	**—**	**(33)**	—	(25)
Outstanding at end of year	**450**	**1,261**	402	1,083
Expense recorded for the year	**$1,847**	**$7,362**	$1,416	$5,693

(a) The fair value of the DUs granted during the year ended December 31, 2023 was $1.5 million (year ended December 31, 2022 – $1.2 million), measured based on First Capital’s prevailing Trust Unit price on the date of grant. The fair value of the RUs granted during the year ended December 31, 2023 was $4.9 million (year ended December 31, 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 year ended December 31, 2023 was $3.0 million (year ended December 31, 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.

Year ended December 31	**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 December 31, 2023, the carrying value of the unit-based compensation liability was $22.0 million (December 31, 2022 – $23.7 million)(Note 12). For the year ended December 31, 2023, FCR recognized a decrease in the value of the unit-based compensation plans which resulted in a revaluation gain of $6.2 million in the consolidated statements of income (loss) due to a decrease in the Trust Unit's price year-over-year.

16. NET OPERATING INCOME

Net Operating Income by Component

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

		Year ended December 31	
	% change	**2023**	2022
Property rental revenue			
Base rent [1]		**$ 429,050**	$ 430,429
Operating cost recoveries		**110,891**	106,162
Realty tax recoveries		**117,634**	117,061
Lease termination fees		**878**	4,113
Percentage rent		**3,079**	2,633
Straight-line rent adjustment		**(414)**	(567)
Prior year operating cost and tax recovery adjustments		**1,050**	376
Temporary tenants, storage, parking and other [2]		**25,813**	32,889
Total Property rental revenue	**(0.7%)**	**687,981**	693,096
Property operating costs			
Recoverable operating expenses		**123,606**	118,296
Recoverable realty tax expense		**133,208**	132,422
Prior year realty tax expense (recovery)		**(1,408)**	(361)
Other operating costs and adjustments [3]		**7,318**	17,240
Total Property operating costs		**262,724**	267,597
Total NOI	**(0.1%)**	**$ 425,257**	$ 425,499
NOI margin		**61.8%**	61.4%

[1] Includes residential revenue.

[2] Includes hotel property revenue.

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

Included in other operating costs and adjustments is bad debt expense (recovery) for the year ended December 31, 2023 of ($1.6) million (year ended December 31, 2022 – ($0.7) million).

For the year ended December 31, 2023, property operating costs include $24.5 million (year ended December 31, 2022 – $23.4 million) related to employee compensation.

17. INTEREST AND OTHER INCOME

		Year ended December 31	
	Note	**2023**	2022
Interest, dividend and distribution income from marketable securities and other investments	6	**$ 5,491**	$ 565
Interest income from loans and mortgages receivable classified as FVTPL	6	**79**	76
Interest income from loans and mortgages receivable at amortized cost	6	**10,543**	13,889
Fees and other income		**8,762**	5,340
Total		**$ 24,875**	$ 19,870

18. INTEREST EXPENSE

		Year ended December 31	
	Note	**2023**	2022
Mortgages	10	**$ 55,613**	$ 46,557
Credit facilities	10	**45,988**	34,638
Senior unsecured debentures	11	**72,988**	85,446
Distributions on Exchangeable Units [1]	13	**48**	42
Total interest expense		**174,637**	166,683
Interest capitalized to investment properties under development		**(20,541)**	(16,641)
Interest expense		**$ 154,096**	$ 150,042
Change in accrued interest		**1,852**	4,863
Coupon interest rate in excess of effective interest rate on senior unsecured debentures		**1,570**	1,284
Coupon interest rate in excess of effective interest rate on assumed mortgages		**13**	17
Amortization of deferred financing costs		**(7,419)**	(6,965)
Cash interest paid associated with operating activities		**$ 150,112**	$ 149,241

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

19. CORPORATE EXPENSES

	Year ended December 31	
	2023	2022
Salaries, wages and benefits	**$ 32,060**	$ 29,542
Unit-based compensation	**9,363**	7,393
Other corporate costs [1]	**20,310**	15,496
Total corporate expenses	**61,733**	52,431
Amounts capitalized to investment properties under development	**(7,831)**	(7,196)
Corporate expenses	**$ 53,902**	$ 45,235

[1] Includes approximately $7 million in legal, advisory and settlement costs related to the Unitholder activism for the year ended December 31, 2023 (year ended December 31, 2022 - approximately $2 million).

20. OTHER GAINS (LOSSES) AND (EXPENSES)

	Year ended December 31	
	2023	2022
Realized gain (loss) on sale of marketable securities	**$ —**	$ 5,591
Unrealized gain (loss) on marketable securities	**(533)**	(15,167)
Net gain (loss) on early settlement of debt [(1)]	**—**	12,845
Transaction costs	**—**	(572)
Gain on Investment [(2)]	**1,007**	—
Gain (loss) on loan receivable modification	**—**	(566)
Pre-selling costs of residential inventory	**(36)**	(31)
Investment property selling costs	**(3,336)**	(4,440)
Gain (loss) on foreign currency translation	**8,659**	4,251
Gain (loss) on mark-to-market of derivatives [(3)]	**(18,008)**	(4,228)
Total	**$ (12,247)**	$ (2,317)

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

(2) On June 9, 2023, the Trust sold its 50% interest of the partnership units in the ONE Restaurant and recognized a $1.0 million gain on investment.

(3) The Trust enters into cross-currency swap derivatives to manage interest rate risk and foreign currency risk on its US denominated variable rate debt instruments.

21. INCOME TAXES

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

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

	December 31, 2022	Net income (loss)	Recognized in OCI	Equity and other	**December 31, 2023**
Deferred taxes related to non-capital losses	$ (11,356)	$ (65,024)	$ —	$ (565)	**$ (76,945)**
Deferred tax liabilities related to difference in tax and book basis primarily related to real estate, net	780,744	60,228	(11,264)	257	**829,965**
Net deferred taxes	$ 769,388	$ (4,796)	$ (11,264)	$ (308)	**$ 753,020**

As at December 31, 2023, the corporate subsidiaries of the Trust had approximately $204.4 million of non-capital losses, which expire between 2028 and 2043.

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

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

The following reconciles the expected tax expense computed at the statutory tax rate to the actual tax expense for the years ended December 31, 2023 and 2022.

	Year ended December 31	
	2023	2022
Income tax computed at the Canadian statutory rate of Nil applicable to the Trust at December 31, 2023 and 2022	**$ —**	$ —
Increase (decrease) in income taxes due to:		
Deferred income taxes (recoveries) applicable to corporate subsidiaries	**56,654**	58,134
Deferred income tax recovery related to temporary differences associated with investment property applicable to corporate subsidiaries	**(61,495)**	(38,237)
Release of reserves	**—**	(12,177)
Other	**45**	(523)
Deferred income taxes expense (recovery)	**$ (4,796)**	$ 7,197

22. RISK MANAGEMENT

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

(a) Interest rate risk

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

Interest represents a significant cost in financing the ownership of real property. As at December 31, 2023, First Capital has a total of $358.3 million of outstanding debt bearing interest at variable rates on a consolidated basis. If the average variable interest rate was 100 basis points higher or lower than the existing rate, FCR's annual interest cost would increase or decrease, respectively, by $3.6 million.

First Capital has a total of $1.9 billion principal amount of fixed rate interest-bearing instruments outstanding including mortgages, senior unsecured debentures and secured credit facilities maturing between January 1, 2024 and December 31, 2026 at a weighted average coupon interest rate of 4.1%. If these amounts were refinanced at an average interest rate that was 100 basis points higher or lower than the existing rate, FCR's annual interest cost would increase or decrease, respectively, by $18.6 million.

As at December 31, 2023, First Capital's loans and mortgages receivable that earn interest at variable rates total $77.3 million. If the average variable interest rate was 100 basis points higher or lower than the existing rate, FCR's annual interest income would increase or decrease, respectively, by $0.8 million.

First Capital's loans and mortgages receivable that earn interest at fixed rates total $48.6 million. If the loans were refinanced at 100 basis points higher than the existing rate, FCR's annual interest income would increase by approximately $0.5 million. If the loans were refinanced at 100 basis points lower than the existing rate, FCR's annual interest income would decrease by approximately $0.3 million.

(b) Credit risk

Credit risk arises from the possibility that tenants and/or debtors may experience financial difficulty and be unable or unwilling to fulfill their lease commitments or loan obligations. First Capital mitigates the risk of credit loss from tenants by investing in well-located properties in urban markets that attract high quality tenants, ensuring that its tenant mix is diversified, and by limiting its exposure to any one tenant. As at December 31, 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.

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

(thousands of dollars)	**2023**
Within 1 year	**$ 403,733**
After 1 year, but not more than 5 years	**1,037,585**
More than 5 years	**592,567**
	$ 2,033,885

(c) Liquidity risk

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

An analysis of First Capital's contractual maturities of its material financial liabilities and other contractual commitments as at December 31, 2023 is set out below:

As at December 31, 2023	Payments due by period				
	2024	2025 to 2026	2027 to 2028	Thereafter	Total
Scheduled mortgage principal amortization	$ 35,541	$ 63,283	$ 53,901	$ 42,264	$ 194,989
Mortgage principal repayments on maturity	108,478	161,330	225,586	651,434	1,146,828
Credit facilities and bank indebtedness	28,051	886,912	38,944	200,000	1,153,907
Senior unsecured debentures	300,000	600,000	700,000	—	1,600,000
Interest obligations [(1)]	161,411	211,023	92,093	59,894	524,421
Land leases (expiring between 2027 and 2061)	679	1,284	1,279	15,723	18,965
Contractually committed costs to complete current development projects	42,761	58,101	—	—	100,862
Other committed costs	33,450	—	—	—	33,450
Total contractual obligations	**$ 710,371**	**$ 1,981,933**	**$ 1,111,803**	**$ 969,315**	**$ 4,773,422**

(1) Interest obligations include expected interest payments on mortgages and credit facilities as at December 31, 2023 (assuming balances remain outstanding through to maturity), and senior unsecured debentures, as well as standby credit facility fees.

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

In addition, as at December 31, 2023, First Capital had $28.6 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 was exposed to Trust Unit price risk as a result of the issuance of Exchangeable Units up until December 29, 2023, 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 net income when the Trust Unit price rises and positively impact net income when the Trust Unit price declines. An increase of $1 dollar in the underlying price of First Capital's Trust Units would result in an increase to liabilities and a decrease to net income as follows:

(i) Exchangeable Units: N/A (December 31, 2022 – $0.1 million); and
(ii) Unit-based compensation liabilities: $2.7 million (December 31, 2022 – $3.3 million)

23. FAIR VALUE MEASUREMENT

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

		Carrying Amount		Fair Value	
	Note	**2023**	2022	**2023**	2022
Financial assets					
FVTPL investments in securities	6	**$ 2,801**	$ 3,334	**$ 2,801**	$ 3,334
Loans and mortgages receivable classified as FVTPL	6	**—**	1,506	**—**	1,506
Loans and mortgages receivable classified as amortized cost	6	**131,227**	174,993	**124,683**	178,178
Other investments	6	**11,393**	9,595	**11,393**	9,595
Derivatives at fair value	8	**23,702**	43,861	**23,702**	43,861
Financial liabilities					
Mortgages	10	**$ 1,338,041**	$ 1,140,490	**$ 1,272,874**	$ 1,046,429
Credit facilities	10	**1,153,907**	1,104,614	**1,153,907**	1,104,614
Senior unsecured debentures	11	**1,598,941**	1,898,824	**1,535,423**	1,775,836
Exchangeable Units	13	**—**	1,009	**—**	1,009
Unit-based compensation plans	15	**22,008**	23,722	**22,008**	23,722
Derivatives at fair value	12	**25,586**	—	**25,586**	—

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

The fair value of First Capital's loans and mortgages receivable classified as Level 3 are calculated based on current market rates plus borrower level risk-adjusted spreads on discounted cash flows, adjusted for allowances for non-payment and collateral related risk. As at December 31, 2023, the risk-adjusted interest rates ranged from 6.7% to 14.0% (December 31, 2022 – 3.0% to 13.8%).

The fair value of First Capital's mortgages and credit facilities payable are calculated based on current market rates plus risk-adjusted spreads on discounted cash flows. As at December 31, 2023, these rates ranged from 5.0% to 6.9% (December 31, 2022 – 5.4% to 6.4%).

The fair value of the senior unsecured debentures are based on closing bid risk-adjusted spreads and current underlying Government of Canada bond yields on discounted cash flows. For the purpose of this calculation, the Trust uses, among others, interest rate quotations provided by financial institutions. As at December 31, 2023, these rates ranged from 5.4% to 6.1% (December 31, 2022 – 6.2% to 6.5%).

The fair value of the Exchangeable Units are based on the Trust's closing price on the last business day of each reporting period. As at December 31, 2023, the closing price was $15.34 (December 31, 2022 - $16.81).

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

- *Unit Option Plan:* Fair value of each tranche is valued separately using a Black-Scholes option pricing model.
- *Deferred Units/Restricted Units:* Fair value is based on the Trust's closing price as of December 31, 2023.
- *Performance Units*: Fair Value is calculated using a Monte-Carlo simulation model.

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

As at	**December 31, 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	**$ 2,801**	**$ —**	**$ —**	$ 3,334	$ —	$ —
Loans and mortgages receivable	**—**	**—**	**—**	—	—	1,506
Other investments	**—**	**—**	**11,393**	—	—	9,595
Derivatives at fair value – assets	**—**	**23,702**	**—**	—	43,861	—
Financial Liabilities						
Exchangeable Units	**—**	**—**	**—**	—	1,009	—
Unit-based compensation plans	**—**	**22,008**	**—**	—	23,722	—
Derivatives at fair value – liabilities	**—**	**25,586**	**—**	—	—	—
Fair value of financial instruments measured at amortized cost						
Financial Assets						
Loans and mortgages receivable	**$ —**	**$ —**	**$ 124,683**	$ —	$ —	$ 178,178
Financial Liabilities						
Mortgages	**—**	**1,272,874**	**—**	—	1,046,429	—
Credit facilities	**—**	**1,153,907**	**—**	—	1,104,614	—
Senior unsecured debentures	**—**	**1,535,423**	**—**	—	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 December 31, 2023, the interest rates ranged from 5.2% to 7.0% (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 December 31, 2023	**December 31, 2023**	December 31, 2022
Derivative assets				
Bond forward contracts	Yes	N/A	**$ —**	$ 1,903
Interest rate swaps	Yes	April 2024 - March 2027	**23,702**	41,394
Cross-currency swaps	No	N/A	**—**	564
Total			**$ 23,702**	$ 43,861
Derivative liabilities				
Interest rate swaps	Yes	April 2026 - January 2029	**$ 8,143**	$ —
Cross-currency swaps	No	March 2024 - October 2028	**17,443**	—
Total			**$ 25,586**	$ —

As at December 31, 2023, the $20.2 million decrease in the fair value of outstanding derivative assets year-over-year is primarily due to significant fluctuations in market rates (BA rate, CORRA rate and Government of Canada bond rate) relative to the market rates locked-in at inception of outstanding interest rate swaps.

24. SUBSIDIARIES WITH NON-CONTROLLING INTEREST

As at December 31, 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	**December 31, 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.

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

As at	**December 31, 2023**	December 31, 2022
Non-current assets	**$ 206,595**	$ 184,375
Current assets	**1,040**	1,029
Total assets	**207,635**	185,404
Non-current liabilities	**3,938**	4,148
Current liabilities	**14**	34
Total liabilities	**3,952**	4,182
Net assets	**$ 203,683**	$ 181,222
Non-controlling interest	**$ 62,780**	$ 55,922

	Year ended December 31	
	2023	2022
Revenue	**$ 6**	$ 4
Share of profit (loss) from joint ventures	**(320)**	1,290
Expenses	**(841)**	(465)
Net income (loss)	**$ (1,155)**	$ 829
Non-controlling interest	**$ (308)**	$ 236

	Year ended December 31	
	2023	2022
Cash provided by (used in) operating activities	**$ (646)**	$ (1,215)
Cash provided by (used in) financing activities	**10,607**	12,745
Cash provided by (used in) investing activities	**(9,951)**	(11,470)
Net increase (decrease) in cash and cash equivalents	**$ 10**	$ 60

25. CO-OWNERSHIP INTERESTS

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

		Ownership Interest	
Property	**Location**	**December 31, 2023**	December 31, 2022
101 Yorkville Avenue	Toronto, ON	**50%**	50%
102 Atlantic Avenue	Toronto, ON	**50%**	50%
328 Bloor Street West	Toronto, ON	**50%**	50%
897-901 Eglinton Avenue West	Toronto, ON	**50%**	50%
Yonge & Roselawn	Toronto, ON	**50%**	75%
Amberlea Shopping Centre	Pickering, ON	**50%**	50%
Gloucester City Centre	Ottawa, ON	**50%**	50%
Carrefour du Plateau	Gatineau, QC	**50%**	50%
Merivale Mall	Ottawa, ON	**50%**	50%
Galeries de Repentigny	Repentigny, QC	**50%**	50%
Galeries Brien Ouest/Est	Repentigny, QC	**50%**	50%
Gateway Village	St. Albert, AB	**50%**	50%
320-326 Bloor Street West	Toronto, ON	**50%**	—%
261 Queens Quay East (Bayside Village)	Toronto, ON	**50%**	50%
Midland (land)	Midland, ON	**50%**	50%
Hunt Club – Petrocan	Ottawa, ON	**50%**	50%
Gatineau Portfolio (1)	Gatineau, QC	**50%**	50%
Hunt Club Marketplace	Ottawa, ON	**66.6%**	66.6%
Lachenaie Properties	Lachenaie, QC	**50%**	50%
South Oakville Properties (2)	Oakville, ON	**50%**	50%
Whitby Mall	Whitby, ON	**50%**	50%
Thickson Mall	Whitby, ON	**50%**	50%
St. Hubert Portfolio (3)	St. Hubert, QC	**50%**	50%
Ottawa Portfolio (3)	Ottawa, ON	**50%**	50%
West Island Portfolio (4)	Beaconsfield, QC / Kirkland, QC	**50%**	50%
Burlington Portfolio (5)	Burlington, ON	**50%**	50%
Seton Gateway	Calgary, AB	**50%**	50%
Sherwood Park (6)	Sherwood Park, AB	**50%**	50%
The Edmonton Brewery District	Edmonton, AB	**50%**	50%
138 Yorkville Avenue	Toronto, ON	**33.3%**	33.3%
Meadowbrook Centre	Edmonton, AB	**50%**	50%
Lakeview Plaza	Calgary, AB	**50%**	50%
West Springs Village	Calgary, AB	**50%**	50%
216 Elgin Street	Ottawa, ON	**50%**	50%
221 - 227 Sterling	Toronto, ON	**35%**	35%

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

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

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

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

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

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

		Ownership Interest	
Property	**Location**	**December 31, 2023**	December 31, 2022
London Portfolio [1]	London, ON	**49.5%**	49.5%
906-1st Avenue North East (Molson Building)	Calgary, AB	**100%**	75%
1071 King Street West	Toronto, ON	**66.6%**	66.6%
200 West Esplanade (Empire Theatres)	North Vancouver, BC	**50%**	50%
400 King Street West [2]	Toronto, ON	**50%**	50%
1120 Kingston Road [2]	Toronto, ON	**60%**	60%

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

[2] Co-ownership interests held by MMUR.

26. SUPPLEMENTAL OTHER COMPREHENSIVE INCOME (LOSS) INFORMATION

(a) Accumulated other comprehensive income (loss)

Year ended December 31			**2023**			2022
	Opening Balance January 1	**Net Change During the Year**	**Closing Balance December 31**	Opening Balance January 1	Net Change During the Year	Closing Balance December 31
Unrealized gain (loss) on cash flow hedges	**14,496**	**(17,618)**	**(3,122)**	(18,818)	33,314	14,496
Accumulated other comprehensive income (loss)	**$ 14,496**	**$ (17,618)**	**$ (3,122)**	$ (18,818)	$ 33,314	$ 14,496

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

Year ended December 31			**2023**			2022
	Before-Tax Amount	**Tax (Expense) Recovery**	**Net of Tax Amount**	Before-Tax Amount	Tax (Expense) Recovery	Net of Tax Amount
Unrealized gain (loss) on cash flow hedges	**$ (32,727)**	**$ 12,764**	**$ (19,963)**	$ 64,686	$ (25,228)	$ 39,458
Reclassification of net (gain) loss on cash flow hedges to net income (loss)	**3,845**	**(1,500)**	**2,345**	(10,072)	3,928	(6,144)
Other comprehensive income (loss)	**$ (28,882)**	**$ 11,264**	**$ (17,618)**	$ 54,614	$ (21,300)	$ 33,314

27. SUPPLEMENTAL CASH FLOW INFORMATION

(a) Items not affecting cash and other items

		Year ended December 31	
	Note	**2023**	2022
Straight-line rent adjustment	16	**$ 414**	$ 567
Investment property selling costs	20	**3,336**	4,440
Realized (gain) loss on sale of marketable securities	20	**—**	(5,591)
Unrealized (gain) loss on marketable securities classified as FVTPL	20	**533**	15,167
(Gain) loss on loan receivable modification	20	**—**	566
Net (gain) loss on early settlement of debt	20	**—**	(12,845)
(Gain) loss on Investment	20	**(1,007)**	—
Unit-based compensation expense	15	**9,583**	7,772
(Gain) loss on foreign currency translation	20	**(8,659)**	(4,251)
Increase (decrease) in value of Exchangeable Units	13	**(88)**	(321)
Increase (decrease) in value of unit-based compensation	15	**(6,237)**	(5,250)
Deferred income taxes expense (recovery)	21	**(4,796)**	7,197
(Gain) loss on mark-to-market of derivatives	20	**18,008**	4,228
Total		**$ 11,087**	$ 11,679

(b) Net changes in other working capital items

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

	Year ended December 31	
	2023	2022
Amounts receivable	**$ 4,522**	$ 1,814
Prepaid expenses	**2,788**	(3,225)
Trade payables and accruals	**396**	3,254
Tenant security and other deposits	**2,261**	(800)
Residential development inventory	**(34,242)**	(1,845)
Other working capital changes	**(4,046)**	(9,376)
Total	**$ (28,321)**	$ (10,178)

(c) Changes in loans, mortgages and other assets

	Year ended December 31	
	2023	2022
Advances of loans and mortgages receivable	**$ (10,558)**	$ (65,018)
Repayments of loans and mortgages receivable	**66,146**	137,787
Other investments, net	**(1,798)**	(3,794)
Proceeds from disposition of marketable securities	**—**	13,066
Total	**$ 53,790**	$ 82,041

(d) Cash and cash equivalents

As at		**December 31, 2023**		December 31, 2022
Cash and cash equivalents	**$**	**87,421**	$	32,694

28. COMMITMENTS AND CONTINGENCIES

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

(b) First Capital is contingently liable, jointly and severally or as guarantor, for approximately $168.1 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 $28.6 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 $19.0 million (December 31, 2022 – $18.2 million).

29. RELATED PARTY TRANSACTIONS

(a) Subsidiaries of the Trust

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

(b) Compensation of Key Management Personnel

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

		Year ended December 31		
		2023		2022
Salaries and short-term employee benefits	**$**	**4,483**	$	4,626
Unit-based compensation (non-cash compensation expense)		**6,822**		5,457
	$	**11,305**	$	10,083

Unitholder Information

HEAD OFFICE

Shops at King Liberty
85 Hanna Avenue, Suite 400
Toronto, Ontario M6K 3S3
Tel: 416 504 4114
Fax: 416 941 1655

MONTREAL OFFICE

Place Viau
7600 Boulevard Viau, Suite 113
Montréal, Québec H1S 2P3
Tel: 514 332 0031
Fax: 514 332 5135

CALGARY OFFICE

815 – 17th Avenue SW, Suite 200
Calgary, Alberta T2T 0A1
Tel: 403 257 6888
Fax: 403 257 6899

EDMONTON OFFICE

Edmonton Brewery District
12068 – 104 Avenue, Suite 301
Edmonton, Alberta T5K 0K2
Tel: 780 475 3695

VANCOUVER OFFICE

Shops at New West
800 Carnarvon Street, Suite 320
New Westminster, BC V3M 0G3
Tel: 604 278 0056
Fax: 604 242 0266

TRANSFER AGENT

Computershare Trust Company of Canada
100 University Avenue, 11th Floor
Toronto, Ontario M5J 2Y1
Toll-free: 1 800 564 6253

EXECUTIVE LEADERSHIP TEAM

Adam Paul
President and Chief Executive Officer

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

Jordan Robins
Executive Vice President and
Chief Operating Officer

Carmine Francella
Senior Vice President,
Real Estate Services

Alison Harnick
Senior Vice President, General Counsel
and Corporate Secretary

Michele Walkau
Senior Vice President, Brand & Culture

AUDITOR

Ernst & Young LLP
Toronto, Ontario

TRUSTEES

FIRST
CAPITAL

85 HANNA AVENUE, SUITE 400, TORONTO, ONTARIO M6K 3S3