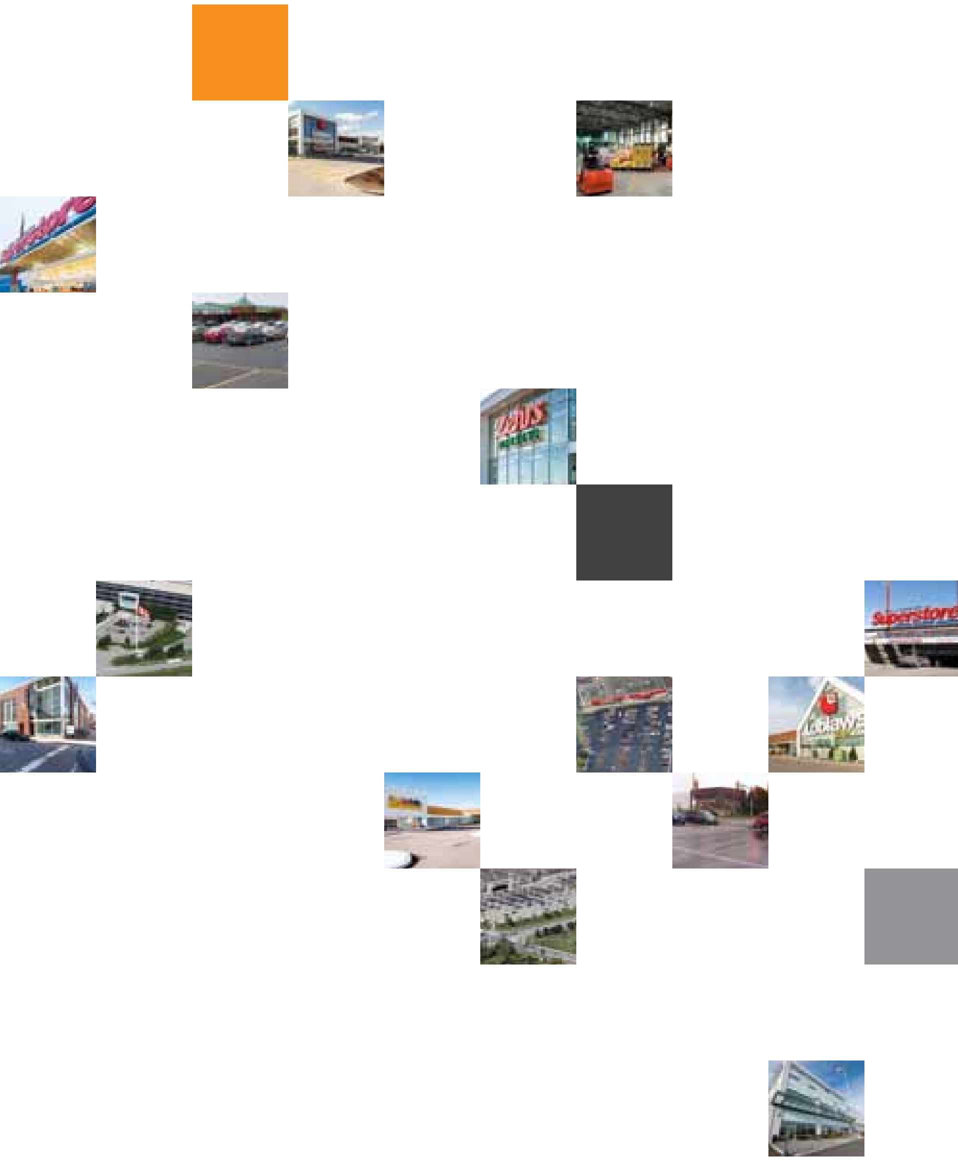
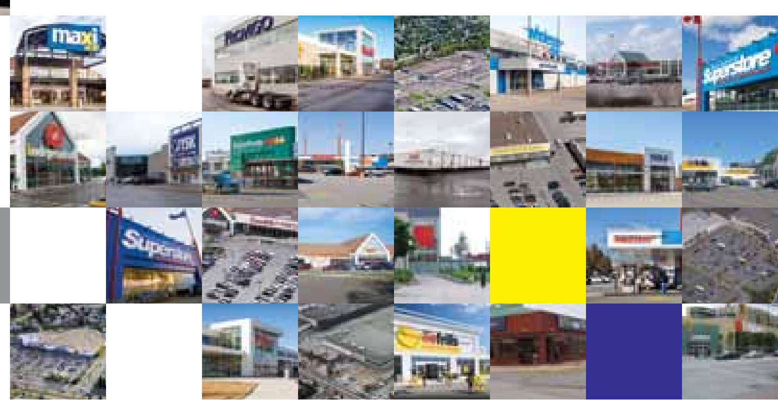


BUILDING

ANNUAL REPORT 2014



Choice Properties REIT™

In 2014, we focused on building: building scale with acquisitions and development, and building capacity by implementing an enterprise resource management system and internalizing our leasing, property accounting and property management functions. By successfully executing on our strategy, Choice Properties built value – for all of our stakeholders.

475[1]

PROPERTIES

39.9M[1]

SQUARE FEET (of GLA)

$7.9B[2]

FAIR VALUE

98.1%[2]

OCCUPANCY

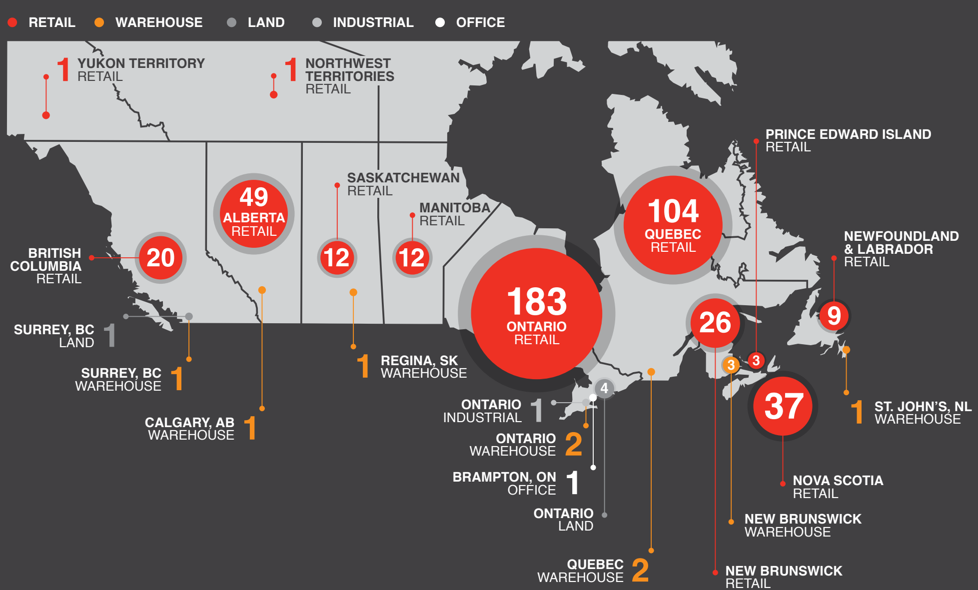
(1) Includes acquisitions subsequent to year-end 2014.
(2) As of December 31, 2014.

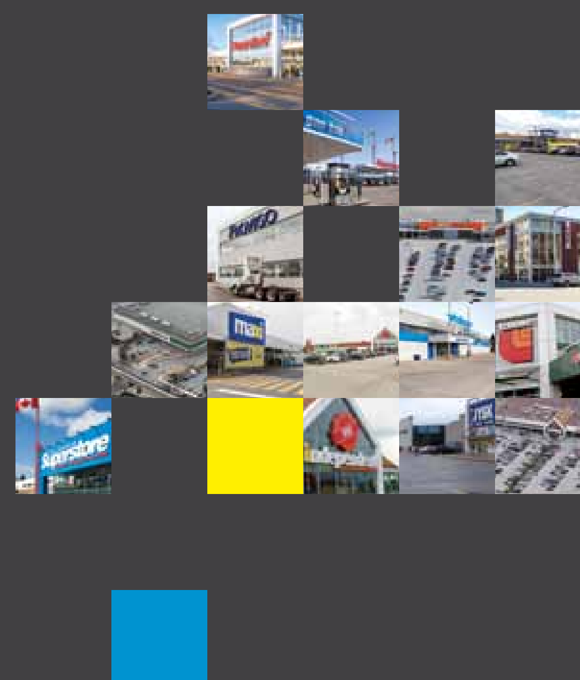
ABOUT US

Choice Properties Real Estate Investment Trust is an owner, manager and developer of well-located retail and commercial real estate across Canada. Its portfolio spans approximately 39.9 million square feet of gross leasable area and consists of 475 properties primarily focused on supermarket-anchored shopping centres and stand-alone supermarkets. Choice Properties' strategy is to create value by enhancing and optimizing its portfolio through accretive acquisitions, strategic development and active management. Choice Properties' principal tenant and largest Unitholder is Loblaw Companies Limited, Canada's largest retailer. Choice Properties' strong alliance with Loblaw positions it well for future growth.

UNENCUMBERED ASSETS BASE

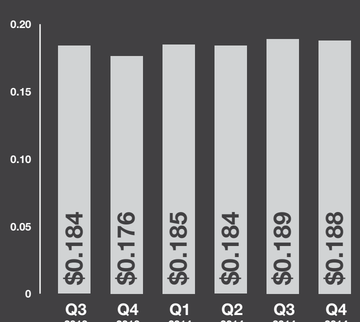
GEOGRAPHIC DISTRIBUTION





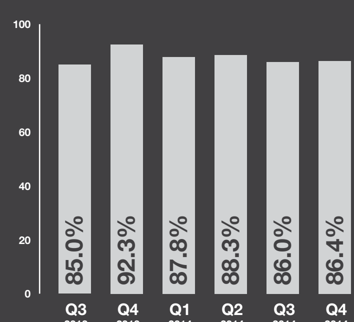
ADJUSTED FUNDS FROM OPERATIONS

(AFFO) (per unit)



AFFO PAYOUT RATIO

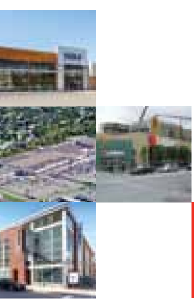
(per unit)



LETTER TO UNITHOLDERS

It has been less than two years since Choice Properties REIT was created to maximize the value of an unrivalled portfolio of geographically diverse, retail-focused real estate properties. Over that short time, we have grown our portfolio from approximately 35.3 million to 39.9 million square feet of gross leasable area, including a warehouse property and a shopping centre we acquired early in 2015. As at December 31, 2014, our fair value was $7.9 billion, an 8.5% increase over the prior year. We accomplished this while maintaining a conservative debt to total assets ratio and growing our funds from operations to the current $0.912 per unit on a fully diluted basis. In 2014, our first full year of operation, we continued building a real estate entity that offers investors stable income generation, predictable distributions and growth potential.

In the following pages, we share details of the progress we made in the past year. In 2014, we acquired approximately 2.6 million square feet of gross leasable area and completed two development projects, one in Toronto, Ontario and the other in Stoney Creek, Ontario. Both were on budget and on schedule. We also invested approximately $29.0 million in our properties, maintained our strong occupancy rates and continued to move our development program forward, with ongoing construction at our Surrey, British Columbia site and pre-development work for projects targeted to start in 2015. In order to expand our growth pipeline, we established new strategic relationships that will open doors to additional investment opportunities.



"In 2014, our first full year of operation, we continued building a real estate entity that offers investors stable income generation, predictable distributions and growth potential."

Since its inception, Choice Properties has been focused on achieving incremental growth, while generating stable and predictable income. An important part of our long-term growth strategy is to be fully engaged in all aspects of managing our portfolio. Over the course of the year, we built an efficient infrastructure to enable us to transition to a fully internalized real estate organization. Today, we have an expanded team of real estate professionals focused entirely on supporting and driving value from our portfolio of 475 properties across Canada. Managing all aspects of our business will give us greater control over our future and provide us with the opportunity to further develop our talent base. It will also enable us to use the skills and relationships of our team to attract strong tenants, to lease space while it is still in the concept and development phase and to retain our tenants for the long term.

In addition to deepening and broadening our bench strength, we successfully implemented a state-of-the-art enterprise resource planning system to deliver timely, real estate–focused information and reporting. Together, our new talent and systems will help Choice Properties deliver best-in-class management, leasing and development of our properties.

In 2015, we remain focused on delivering solid operating and financial results as well as predictable and growing distributions for our Unitholders. With the financial flexibility afforded to us by our strong balance sheet and investment-grade credit rating, we expect to invest more than $100 million in development projects in 2015. We will continue to pursue accretive growth opportunities in desirable, well-located properties that are strategically aligned with our existing portfolio. This year we will apply the capabilities of our newly internalized team to manage renewal rates and enhance the speed and efficiency of our new leasing transactions.

The Choice Properties management team is excited about the future. The talent, systems and infrastructure that will take our REIT to the next level are now in place. Together, we will continue building the long-term growth potential of our portfolio, while remaining a stable and secure investment for our valued Unitholders.

John R. Morrison
President and Chief Executive Officer

EXECUTIVE TEAM

John R. Morrison
President and Chief Executive Officer

Bart Munn
Executive Vice President,
Chief Financial Officer

Pina Alberelli
Vice President, Finance, Controller

Kim Lee
Vice President, Investor Relations and
Planning & Analysis

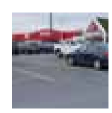
Jacquie Varkony
Vice President, Human Resources

Adam Walsh
Vice President, General Counsel and Secretary

Dallas Wingerak
Vice President, Real Estate and Operations
Western Canada

Evan Williams
Vice President, Real Estate and Operations
Eastern Canada

Robert Yamamoto
Vice President, Development



FINANCIAL AND OPERATIONAL HIGHLIGHTS

Choice Properties has identified specific key financial and operational performance indicators to monitor its objectives. Selected information is set out below:

As at or for the years ended December 31 (in thousands of Canadian dollars except where otherwise indicated) (unaudited)		**2014**		2013[6]
Total assets	**$**	**8,192,438**	$	7,447,742
Long-term debt and Class C LP Units	**$**	**3,436,621**	$	3,376,167
Debt to total assets[1]		**44.0%**		47.0%
Debt service coverage[1]		**3.5x**		3.4x
Debt to EBITDA[1] [2]		**7.3x**		7.4x
Indebtedness[3] – weighted average term to maturity		**5.3 years**		5.0 years
Indebtedness[3] – weighted average coupon rate		**3.58%**		3.40%
Number of properties		**472**		435
Gross leasable area (in millions of square feet)		**38.9**		36.3
Remaining weighted average lease term		**11.7 years**		12.7 years
Average base rent (per occupied square foot)	**$**	**13.86**	$	14.32
Occupancy		**98.1%**		97.7%
Rental revenue	**$**	**682,923**	$	318,507
Cash flows from operating activities[4]	**$**	**476,368**	$	288,181
Net Operating Income[2]	**$**	**475,739**	$	222,267
Funds from Operations[2] per unit diluted (excluding other charges)[5]	**$**	**0.912**	$	0.444
Funds from Operations[2] payout ratio (excluding other charges)[5]		**71.3%**		71.8%
Adjusted Funds from Operations[2] per unit diluted	**$**	**0.745**	$	0.360
Adjusted Funds from Operations[2] payout ratio		**87.2%**		88.6%
Distributions per unit	**$**	**0.650004**	$	0.318917
Weighted average Units outstanding – diluted		**382,636,320**		363,767,339

(1) Debt ratios include Class C LP Units, but exclude Exchangeable Units. The ratios are non-GAAP financial measures calculated based on the trust indentures as supplemented.
(2) See Section 18, "Non-GAAP Financial Measures", of the Management's Discussion and Analysis of the 2014 Annual Report.
(3) Indebtedness reflects senior unsecured debentures only.
(4) Cash flows from operating activities are presented before deducting interest paid.
(5) See Section 7, "Other Measures of Performance", of the Management's Discussion and Analysis of the 2014 Annual Report for the breakdown of the other charges.
(6) Based on operations for the period from July 5, 2013 to December 31, 2013.

FORWARD-LOOKING STATEMENTS

This Annual Report for Choice Properties REIT ("Choice Properties" or the "Trust") contains forward-looking statements about the Trust's objectives, plans, goals, aspirations, strategies, financial condition, results of operations, cash flows, performance, prospects and opportunities. Forward-looking statements are typically identified by words such as "expect", "anticipate", "believe", "foresee", "could", "estimate", "goal", "intend", "plan", "seek", "strive", "will", "may", "should" and similar expressions, as they relate to Choice Properties and its management. Forward-looking statements reflect Choice Properties' current estimates, beliefs and assumptions, which are based on management's perception of historic trends, current conditions and expected future developments, as well as other factors it believes are appropriate in the circumstances. Choice Properties' expectation of operating and financial performance is based on certain assumptions including assumptions about the Trust's future growth potential, prospects and opportunities, industry trends, future levels of indebtedness, current tax laws, current economic conditions and no new competition in the market that leads to reduced revenues and profitability. Management's estimates, beliefs and assumptions are inherently subject to significant business, economic, competitive and other uncertainties and contingencies regarding future events and as such, are subject to change. Choice Properties can give no assurance that such estimates, beliefs and assumptions will prove to be correct.

Numerous risks and uncertainties could cause Choice Properties' actual results to differ materially from those expressed, implied or projected in the forward-looking statements, including, but not limited to: those discussed in the forward-looking statements disclaimer found on pages 2 to 3 and the Enterprise Risks and Risk Management section on pages 27 to 32 of the Management's Discussion and Analysis of the 2014 Annual Report – Financial Review. Other risks and uncertainties not presently known to the Trust could also cause actual results or events to differ materially from those expressed in its forward-looking statements. Additional risks and uncertainties are discussed in Choice Properties' materials filed with the Canadian securities regulatory authorities from time to time, including the Trust's 2014 Annual Information Form. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect Choice Properties' expectations only as of the date of this Annual Report. Except as required by applicable law, Choice Properties does not undertake to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

STRATEGY

Choice Properties' goal is to create value by growing our portfolio and distributable income. Building on our competitive advantages, including our sizable asset base, our strong alliance with Loblaw and our solid balance sheet, our strategy is to buy well-located and desirable assets, to enhance our properties through development and to manage our assets to improve operations and profitability.

STRATEGY SCORECARD

These key achievements illustrate Choice Properties' success in executing its growth strategy in 2014.

Building through Acquisitions

We grow our portfolio of strong performing, grocery-anchored, retail-focused properties primarily through our dedicated pipeline of acquisition opportunities from Loblaw, but also by acquiring well-located and desirable assets available from other vendors.

2014 ACHIEVEMENTS

Acquired 39 properties or 2.6 million square feet:

~$28M in stabilized NOI

~$457M in value

>500,000 square feet of development potential

MAINTAINING A STRONG FOUNDATION THROUGH SOUND FINANCIAL MANAGEMENT

In addition to our unrivalled portfolio, Choice Properties' foundation is built upon maintaining a strong balance sheet, financial flexibility and prudent and disciplined financial management.

Building through Development

We drive incremental growth by developing on existing properties to enhance their value and through greenfield development on purchased land.

Constructed **51,000** square feet of new GLA

Achieved **1 million** square feet of new GLA in pre-development

Established strategic partnerships, expanding development pipeline by **>200,000** square feet

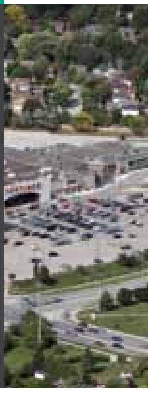
Building through Active Management

We use active management to build strong tenant relationships, to maintain high standards of quality at our sites, to create strategies for increasing cash flow and to add value to our properties.

Transitioned to an internally managed business model

Implemented real estate–focused enterprise resource planning system

Maintained high occupancy rate, closing the year at **98.1%**



2014 ACHIEVEMENTS INCLUDE:

$450M
RAISED IN SENIOR UNSECURED DEBENTURES

44.0%
DEBT TO TOTAL ASSETS

3.5x
DEBT SERVICE COVERAGE RATIO

BOARD OF TRUSTEES

Kerry D. Adams
Ms. Adams currently serves as President of K. Adams & Associates Limited. She is a member of the Bank of Nova Scotia's Master Trust and Pension Investment and Administration Committees.

Ms. Adams is a Fellow Chartered Accountant and a Fellow Chartered Professional Accountant and holds a B.A. (Honours Economics) from Queen's University. Ms. Adams is an Institute-certified Director of the Institute of Corporate Directors.

In addition to her public board experience, Ms. Adams currently serves as a member of Fidelity Investments Canada ULC's Independent Review Committee. She also served as a Commissioner and Director of the OSC (1996 to 2003), and Chair of its Investor Education Fund (2000 to 2006), and was a member of the IIROC board and governance committee from 2008 to 2011. Ms. Adams has also served as a Director of Walmart Canada Bank, President of Widcor Limited and Widcor Financial and she was a partner at KPMG Peat Marwick.

Christie J.B. Clark
Mr. Clark, a corporate director, is a former Chief Executive Officer and senior partner of PricewaterhouseCoopers LLP. Prior to being elected as Chief Executive Officer, Mr. Clark was a National Managing Partner and a member of the firm's Executive Committee from 2001 to 2006.

Mr. Clark graduated from Queen's University with a B.Comm. and the University of Toronto with an M.B.A. He is a Fellow Chartered Accountant and a Fellow Chartered Professional Accountant.

Mr. Clark is a director of Loblaw Companies Limited and Air Canada. In addition to public company board memberships, Mr. Clark is Chair of the board of the Canadian Partnership Against Cancer Corporation, Chair of the Finance Committee of Alpine Canada and a member of the Advisory Council of Queen's University School of Business.

Graeme M. Eadie
Mr. Eadie is the Senior Managing Director, Head of Real Estate Investments for Canada Pension Plan Investment Board, where he is responsible for the global real estate program which encompasses both equity and debt investments. Prior to joining the Canada Pension Plan Investment Board, Mr. Eadie held multiple positions at Cadillac Fairview, including Chief Financial Officer, Chief Operating Officer and President. Mr. Eadie graduated from the University of British Columbia with a B.Comm. and Master of Science, Business Administration. Mr. Eadie is currently a director of Aliansce Shopping Centers S.A. He also previously served as a trustee of Morguard Real Estate Investment Trust and was a director of the Ontario Realty Corporation.

Michelle Felman
Ms. Felman, a corporate director, is a former Executive Vice President, Acquisitions of Vornado Realty Trust. Prior to joining Vornado, Ms. Felman held the positions of Managing Director, Portfolio Acquisitions and Business Ventures and Managing Director, Business Development at GE Capital, Real Estate Division.

Ms. Felman graduated from the University of California, Berkeley with a B.A. (Honours), and from The Wharton School at the University of Pennsylvania with an M.B.A. where she is currently an adjunct professor.

Ms. Felman serves on the Executive Committee of The Zell-Lurie Center at the University of Pennsylvania, and formerly served on the Fisher Center Policy Advisory Board at the University of California and was formerly a trustee of Big Brothers Big Sisters of New York. Ms. Felman is also a former director of LNR Property LLC.

Michael P. Kitt
Mr. Kitt is Executive Vice President, Canada of Oxford Properties Group. Prior to joining Oxford Properties, Mr. Kitt held various senior roles at Cadillac Fairview, leading both its Investment and Development Groups. Mr. Kitt graduated from the University of Manitoba with a B.Comm. and holds a CFA designation.

Mr. Kitt is also a member of Building Owners and Managers Association of Canada's National Advisory Council.

John R. Morrison
Mr. Morrison is the President and Chief Executive Officer of Choice Properties. Prior to joining Choice Properties, Mr. Morrison was President and Chief Executive Officer of Primaris Real Estate Investment Trust. Prior to serving in that role, he was President, Real Estate Management, at Oxford Properties Group. In 2014, Mr. Morrison earned the Institute-certified Director designation. He is former Vice Chairman of the Urban Land Institute Toronto District Council. Mr. Morrison is also a past Trustee for the International Council of Shopping Centers, and served on the Executive Committee as Divisional Vice President for Canada.

Daniel F. Sullivan
Mr. Sullivan, a corporate director, held the position of Consul General for Canada in New York City from 2006 to 2011. Prior to Mr. Sullivan's appointment as Consul General for Canada, he spent a majority of his career in the financial services sector, with a focus on the real estate sector, including serving as Deputy Chairman of Scotia Capital Inc., the corporate and investment banking division of Scotiabank.

Mr. Sullivan graduated from Columbia University with a B.A. and M.B.A. and holds an M.B.A. from the University of Toronto. Mr. Sullivan is a director of Allied Properties Real Estate Investment Trust, Crius Energy Trust, the Ontario Teachers' Pension Plan and IMP Group International Inc. Mr. Sullivan is a former Chairman and director of The Toronto Stock Exchange and former Chairman of the Investment Dealers Association of Canada. Mr. Sullivan is also a former director of Allstream Inc., Cadillac Fairview Corporation, Camco Inc., Monarch Development Corporation and Schneider Corporation. Mr. Sullivan has served on advisory boards or committees of Canada Post Corporation, Canada Deposit Insurance Corporation, the Canadian Securities Administrators and the Ontario Securities Commission.

Paul R. Weiss
Mr. Weiss, a corporate director, spent his career with KPMG LLP Canada serving as a member of the Management Committee and as a member of the International Global Audit Steering Group, and is also the former Managing Partner for KPMG LLP Canada's Canadian Audit Practice. Earlier in his career, Mr. Weiss was responsible for KPMG LLP Canada's Real Estate Practice.

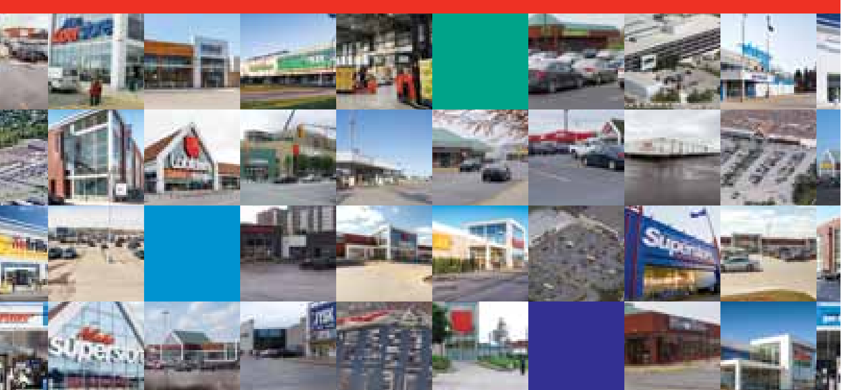
Mr. Weiss graduated from Carleton University with a B.Comm. and is a Fellow Chartered Accountant and a Fellow Chartered Professional Accountant.

Mr. Weiss is a director of Bell Canada, BCE Inc. and Torstar Corporation. In addition to public board memberships, Mr. Weiss is a former director of Bell Aliant, ING Bank of Canada and Empire Life Insurance Company. Mr. Weiss is past Chairman and director of Soulpepper Theatre Company and past Chairman of Toronto Rehab Foundation.

Galen G. Weston
Mr. Weston is Executive Chairman and President of Loblaw. He previously held several senior executive positions with Loblaw and its subsidiaries. Prior to joining Loblaw, he was an investment banking analyst for Salomon Brothers in the UK.

Mr. Weston graduated from Harvard University with a B.A. and from Columbia University with an M.B.A.

Mr. Weston is a director of Wittington Investments, Limited.



UNITHOLDER INFORMATION

Head Office
Choice Properties Real Estate Investment Trust
22 St. Clair Avenue East, Suite 500
Toronto, Ontario M4T 2S5
Tel: 416-960-6990
Toll free: 1-855-322-2122
Fax: 416-324-7845

Stock Exchange Listing and Symbol
The Trust's Units are listed
on the Toronto Stock Exchange
and trade under the symbol "CHP.UN"

Distribution Policy
Choice Properties' Board of Trustees retains discretion with respect to the timing and quantum of distributions. Declared distributions are paid to Unitholders of record at the close of business on the last business day of a month on or about the 15th day of the following month.

Independent Auditors
KPMG LLP
Chartered Accountants
Toronto, Canada

Registrar and Transfer Agent
Canadian Stock Transfer Company Inc.
P.O. Box 700, Station B
Montreal, Quebec H3B 3K3
Tel: 416-682-3860
Toll free: 1-800-387-0825 (Canada and US)
Toll free fax: 1-888-249-6189
E-mail: inquiries@canstockta.com
Website: www.canstockta.com

Investor Relations
Tel: 416-960-6990
Toll free: 1-855-322-2122
E-mail: investor@choicereit.ca
Website: www.choicereit.ca

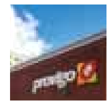
Annual General Meeting
April 29, 2015 at 11:00 a.m.
St. Andrew's Club and Conference Centre
St. Andrew's Hall
150 King Street West, 27th Floor
Toronto, Ontario, Canada

Additional financial information has been filed electronically with various securities regulators in Canada through the System for Electronic Document Analysis and Retrieval (SEDAR), www.sedar.com.

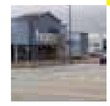
WHY INVEST IN CHOICE PROPERTIES?

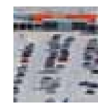
39.9M square feet of well-located retail properties across Canada

Canada's leading food retailer as principal tenant and anchor, providing regular consumer traffic and stable and secure income from long-term leases

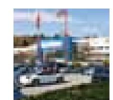


Existing development potential in current portfolio comprising excess land for intensification, redevelopment and greenfield construction



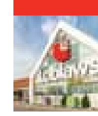


A dedicated source of acquisition opportunities from Loblaw's remaining portfolio of properties



A strong balance sheet and investment-grade credit ratings

Internal management with deep experience and passion for successfully developing and managing retail real estate



Choice Properties REIT™

www.choicereit.ca

BUILDING

ANNUAL REPORT 2014
FINANCIAL REVIEW

Choice Properties REIT™

2014 ANNUAL REPORT MANAGEMENT'S DISCUSSION AND ANALYSIS

Footnotes

(1) See Section 18, "Non-GAAP Financial Measures", of this MD&A.

(2) To be read in conjunction with Section 1, "Forward-Looking Statements", of this MD&A.

Note: Tables, charts and graphs have their own footnote legends where applicable.

The following Management's Discussion and Analysis ("MD&A") for Choice Properties Real Estate Investment Trust and its subsidiaries (collectively, "Choice Properties" or the "Trust") should be read in conjunction with the Trust's audited consolidated financial statements and the accompanying notes included in this Annual Report for the year ended December 31, 2014 and for the period ended December 31, 2013. The Trust's consolidated financial statements and the accompanying notes have been prepared in accordance with International Financial Reporting Standards ("IFRS" or "GAAP"). The consolidated financial statements include the accounts of the Trust and other entities that the Trust controls.

Choice Properties completed its initial public offering ("IPO") on July 5, 2013. As such, the comparative information presented in this MD&A covers the period from July 5, 2013 to December 31, 2013, and therefore the year end results for 2014 and 2013 are not comparable. The comparative analysis of the results of operations will primarily focus on the three month periods ended December 31, 2014 and 2013, respectively.

This MD&A is dated February 24, 2015. Disclosure contained in this document is current to that date, unless otherwise noted.

All amounts in this MD&A are in thousands of Canadian dollars, except unit and square footage amounts, or where otherwise noted. A Glossary of terms and ratios used throughout this Annual Report can be found beginning on page 77.

Certain income and expense measurements that must be recognized under GAAP are not necessarily appropriate to evaluate Choice Properties' underlying operating performance. For this reason, management uses certain non-GAAP financial measures to exclude the impact of these items when analyzing operating performance. Choice Properties uses the following non-GAAP financial measures: Funds from Operations(1) ("FFO"), Adjusted Funds from Operations(1) ("AFFO"), Net Operating Income(1) ("NOI") and Earnings Before Interest, Taxes, Depreciation, Amortization and Fair Value(1) ("EBITDAFV") which are widely used for evaluating the performance of Canadian real estate investment trusts ("REITs"). Choice Properties believes these non-GAAP financial measures provide useful information to both management and investors in measuring the financial performance and financial condition of Choice Properties.

1. FORWARD-LOOKING STATEMENTS

This Annual Report, including this MD&A, contains forward-looking statements about Choice Properties' objectives, plans, goals, aspirations, strategies, financial condition, results of operations, cash flows, performance, prospects and opportunities. Specific statements with respect to anticipated future results can be found in various sections of this MD&A, included but not limited to Section 3 "Objectives and Strategies", Section 5 "Investment Properties", Section 6 "Results of Operations", Section 7 "Other Measures of Performance", Section 10 "Liquidity and Capital Resources" and Section 17 "Outlook". Forward-looking statements are typically identified by words such as "expect", "anticipate", "believe", "foresee", "could", "estimate", "goal", "intend", "plan", "seek", "strive", "will", "may", "should" and similar expressions, as they relate to Choice Properties and its management.

Forward-looking statements reflect Choice Properties' current estimates, beliefs and assumptions, which are based on management's perception of historic trends, current conditions and expected future developments, as well as other factors it believes are appropriate in the circumstances. Choice Properties' expectation of operating and financial performance is based on certain assumptions, including assumptions about the Trust's future growth potential, prospects and opportunities, industry trends, future levels of indebtedness, current tax laws, current economic conditions and no new competition in the market that leads to reduced revenues and profitability. Management's estimates, beliefs and assumptions are inherently subject to significant business, economic, competitive and other uncertainties and contingencies regarding future events and as such, are subject to change. Choice Properties can give no assurance that such estimates, beliefs and assumptions will prove to be correct.

Numerous risks and uncertainties could cause Choice Properties' actual results to differ materially from those expressed, implied or projected in the forward-looking statements, including, those described in Section 13 "Enterprise Risks and Risk Management" of this MD&A. Such risks and uncertainties include:

- changes in economic conditions, including changes in interest rates, and the rate of inflation or deflation;
- the inability of Choice Properties to maintain and leverage its relationship with Loblaw Companies Limited ("Loblaw"), including in respect of: (i) Loblaw's retained interest in Choice Properties; (ii) the services to be provided to Choice Properties (whether directly or indirectly) by Loblaw; (iii) expected transactions to be entered into between Loblaw and Choice Properties (including Choice Properties' acquisition of certain interests in properties held by Loblaw); and (iv) the Strategic Alliance Agreement between Choice Properties and Loblaw;
- changes in Loblaw's business, activities or circumstances which may impact Choice Properties, including Loblaw's inability to make rent payments or perform its obligations under its leases;
- failure to manage its growth effectively in accordance with its growth strategy or acquire assets on an accretive basis;
- changes in timing to obtain municipal approvals, development costs, and tenant leasing and occupancy of properties under development or intensification;

- changes in Choice Properties' capital expenditure and fixed cost requirements;
- the inability of Choice Properties Limited Partnership to make distributions or other payments or advances;
- the inability of Choice Properties to obtain financing;
- changes in Choice Properties' degree of financial leverage;
- changes in laws or regulatory regimes, which may affect Choice Properties, including changes in the tax treatment of the Trust and its distributions to Unitholders or the inability of the Trust to continue to qualify as a "mutual fund trust" and as a "real estate investment trust", as such terms are defined in the *Income Tax Act* (Canada); and
- changes in Choice Properties' competitiveness in the real estate market or the unavailability of desirable commercial real estate assets.

This is not an exhaustive list of the factors that may affect Choice Properties' forward-looking statements. Other risks and uncertainties not presently known to Choice Properties could also cause actual results or events to differ materially from those expressed in its forward-looking statements. Additional risks and uncertainties are discussed in Choice Properties' materials filed with the Canadian securities regulatory authorities from time to time, including the Trust's 2014 Annual Information Form. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect Choice Properties' expectations only as of the date of this MD&A. Except as required by applicable law, Choice Properties does not undertake to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

2. OVERVIEW

Choice Properties is an owner, manager and developer of well-located retail and commercial properties across Canada. Choice Properties is one of Canada's largest retail REITs, with a portfolio comprised of 472 properties with a total Gross Leasable Area ("GLA") of 38.9 million square feet as at December 31, 2014. Choice Properties' portfolio includes 457 retail properties, ten warehouse properties, one office complex, one industrial site and three undeveloped parcels of land (including one parcel held in a subsidiary and one parcel held in a joint venture). The retail properties are made up of: (i) 293 properties with a stand-alone retail store operating under a Loblaw banner; (ii) 159 properties anchored by a retail store operating under a Loblaw banner that also contain one or more ancillary tenants; and (iii) five properties containing only ancillary tenants. Subsequent to the end of 2014, the Trust's portfolio increased to 475 properties and 39.9 million square feet of GLA.

The parent company of Choice Properties is Loblaw, which held an 82.9% effective interest in Choice Properties as at December 31, 2014. Loblaw's controlling shareholder is George Weston Limited ("GWL"), which also held a 5.4% direct interest in Choice Properties as at December 31, 2014. As at February 24, 2015, after giving effect to the acquisition completed on January 9, 2015 and the Exchangeable Units issued to Loblaw as partial consideration, and distributions paid to GWL and the public Unitholders under the Distribution Reinvestment Plan, Loblaw's effective interest in the Trust decreased to 82.8% and GWL's direct ownership in the Trust increased to 5.5%.

3. OBJECTIVES AND STRATEGY[2]

Choice Properties' objectives are to:

- provide Unitholders with stable, predictable and growing monthly cash distributions;
- expand Choice Properties' asset base while also increasing its AFFO[1] per unit, including through accretive acquisitions and site intensification; and
- enhance the value of Choice Properties' assets in order to maximize long-term Unitholder value.

Choice Properties' strategy is to grow its portfolio and distributable income by leveraging its sizable base of assets, its relationship with Loblaw, and its solid capital structure. The Trust is focused on driving growth through acquisitions of assets that meet or exceed the Trust's investment criteria, the development and redevelopment of properties for their highest and best use, and active management of properties to maximize their occupancy and profitability. Choice Properties closely monitors market and economic conditions to ensure its strategy remains aligned with its business environment.

The Trust's strategy includes:

Acquisitions Choice Properties plans to grow its asset base through accretive acquisitions, including those from a dedicated pipeline of properties from Loblaw and desirable assets from other vendors, that offer geographic and tenant diversification and potential development opportunities.

Development Choice Properties believes that development and redevelopment of properties for their highest and best use are key drivers of incremental and accretive growth. Choice Properties development program intends to leverage the Trust's grocery anchored asset base with a focus on retail and retail mixed-use developments. The Trust's pipeline of development opportunities includes: (i) excess density within its existing portfolio that is available for at-grade intensification, (ii) redevelopment of its properties in primary markets for mixed-use, and (iii) greenfield retail or mixed-use developments.

Active Management Choice Properties is an internally managed trust that employs experienced and regionally focused staff to actively manage its assets. Choice Properties expects to increase cash flow and the value of its portfolio through initiatives to enhance operating performance, including leasing and merchandising strategies and effective capital investment in its properties.

3.1 Annual Highlights

During 2014, Choice Properties:

- Reported FFO[1] per unit diluted of $0.912 for the first full year of operations;
- Acquired 39 properties, 37 of which were purchased from Loblaw, adding approximately 2.6 million square feet of GLA to its portfolio across Canada at a cost of $457,100, excluding acquisition costs;
- Expanded its development pipeline through the acquisition of a 70% interest in a limited partnership for $17,957 in cash, excluding acquisition costs, which holds 21 acres of land in Brampton, Ontario zoned for retail development with a total value of $25,653;
- Constructed 51,050 square feet of incremental GLA, including a new retail store for each of Dollarama and the Liquor Control Board of Ontario in Toronto, Ontario, a new Fortinos grocery store in Stoney Creek, Ontario and an expansion of a Maxi grocery store in Drummondville, Quebec;
- Completed initiatives, including the implementation of a real estate focused enterprise reporting and planning system, in order to internalize the leasing and property management functions to become a fully internally managed REIT at the start of 2015;
- Maintained a high occupancy rate of 98.1% compared to 97.7% as at December 31, 2013;
- Issued senior unsecured debentures totaling $450,000 increasing the Trust's weighted average term to maturity of its outstanding debt instruments.

4. KEY PERFORMANCE INDICATORS

Choice Properties has identified specific key financial and operational performance indicators to monitor objectives. Certain key performance indicators are set out below:

As at or for the years ended December 31 (in thousands of Canadian dollars except where otherwise indicated) (unaudited)	2014	2013[v]
Total assets	**$ 8,192,438**	$ 7,447,742
Long term debt and Class C LP Units	**$ 3,436,621**	$ 3,376,167
Debt to total assets[i]	**44.0%**	47.0%
Debt service coverage[i]	**3.5x**	3.4x
Debt to EBITDAFV[(1)(i)]	**7.3x**	7.4x
Indebtedness[ii] – weighted average term to maturity	**5.3 years**	5.0 years
Indebtedness[ii] – weighted average coupon rate	**3.58%**	3.40%
Number of properties	**472**	435
Gross Leasable Area (in millions of square feet)	**38.9**	36.3
Remaining weighted average lease term	**11.7 years**	12.7 years
Average base rent (per occupied square foot)	**$ 13.86**	$ 14.32
Occupancy	**98.1%**	97.7%
Rental revenue	**$ 682,923**	$ 318,507
Cash flows from operating activities[iii]	**$ 476,368**	$ 288,181
Net Operating Income[(1)]	**$ 475,739**	$ 222,267
Funds from Operations[(1)] per unit diluted (excluding other charges)[iv]	**$ 0.912**	$ 0.444
Funds from Operations[(1)] payout ratio (excluding other charges)[iv]	**71.3%**	71.8%
Adjusted Funds from Operations[(1)] per unit diluted	**$ 0.745**	$ 0.360
Adjusted Funds from Operations[(1)] payout ratio	**87.2%**	88.6%
Distribution declared per unit	**$ 0.650004**	$ 0.318917
Weighted average units outstanding – diluted	**382,636,320**	363,767,339

(i) Debt ratios include Class C LP Units, but exclude Exchangeable Units. The ratios are non-GAAP financial measures calculated based on the trust indentures as supplemented.

(ii) Indebtedness reflects senior unsecured debentures only.

(iii) Cash flows from operating activities are presented before deducting interest paid.

(iv) See Section 7, “Other Measures of Performance”, of this MD&A for the breakdown of the other charges.

(v) Based on operations for the period from July 5, 2013 to December 31, 2013.

5. INVESTMENT PROPERTIES

As at December 31, 2014, Choice Properties owns, develops and manages 472 retail focused commercial properties totaling 38.9 million square feet of GLA throughout Canada. The Trust's portfolio consists of 457 retail locations, ten warehouse properties, one office complex, one industrial site and three undeveloped parcels of land. At December 31, 2014, the fair value of Choice Properties' investment property portfolio was $7,905,978 (December 31, 2013 - 36.3 million square feet and $7,287,759).

The Trust's properties are well located and well suited within their respective markets. Choice Properties' principal tenant, Loblaw, represents 88.4% of the Trust's GLA; the remaining GLA is designated ancillary space for leasing to third-party tenants. Choice Properties' internally managed operations team, including leasing and property management, is focused on delivering best-in-class service, attracting tenants with strong covenants that are complementary to the anchor grocery stores, improving occupancy rates, and achieving rent increases on renewals. As at December 31, 2014, Choice Properties' portfolio occupancy rate was 98.1%, higher than the 97.7% occupancy rate as at December 31, 2013.

(unaudited) (in millions of square feet)	As at December 31, 2014			As at December 31, 2013		
	GLA	**Occupied GLA**	**Occupancy**	**GLA**	**Occupied GLA**	**Occupancy**
Loblaw banners	34.3	34.3	100.0%	32.1	32.1	100.0%
Ancillary tenants	4.6	3.8	83.6%	4.2	3.4	80.1%
Total	**38.9**	**38.1**	**98.1%**	**36.3**	**35.5**	**97.7%**

5.1 Valuation Method

Investment properties were measured at fair value, which was primarily determined by using the discounted cash flow method. Under the discounted cash flow methodology, discount rates were applied to the projected annual operating cash flows, generally over a minimum term of ten years, including a terminal value based on a capitalization rate applied to the estimated NOI[(1)] in the terminal year.

Valuations are most sensitive to changes in capitalization rates. The net fair value adjustment of $81,931, over the previous year, was primarily driven by the refinement in forward-looking assumptions. Choice Properties' valuation inputs such as capitalization rates are supported by quarterly reports from independent external appraisers. Below are the key rates used in the modeling process for both internal and external appraisals:

(unaudited)	**Weighted average at December 31, 2014**	**Weighted average at December 31, 2013**
Discount rate	**7.09%**	7.08%
Terminal capitalization rate	**6.50%**	6.50%
Overall capitalization rate	**6.18%**	6.18%

Certain investment properties acquired from Loblaw may include excess land with development potential. No value was attributed to this land at the time of acquisition or in the fair value of the Trust's investment properties as at December 31, 2014 and December 31, 2013. Choice Properties will compensate Loblaw with an intensification fee, determined by the site intensification payment grid set forth in the Strategic Alliance Agreement (see Section 14, "Related Party Transactions", of this MD&A), if and to the extent that Choice Properties further develops, intensifies and/or redevelops these properties.

5.2 Acquisition of Investment Properties

In 2014, Choice Properties acquired 39 properties (2013 (post-IPO) - 12 properties), 37 of which were purchased from Loblaw, adding to its portfolio approximately 2.6 million square feet of GLA (2013 (post-IPO) - approximately 1.0 million square feet) across Canada for an aggregate purchase price of $457,100, excluding acquisition costs (2013 - $185,956).

The table below shows a summary of the acquisitions in 2014 (the "2014 Acquisitions"). For a detailed list of the acquired properties, refer to Section 19, "Additional Information", of this MD&A.

(in thousands of Canadian dollars except where otherwise indicated) (unaudited)	Number of Properties	GLA (in square feet)	Purchase Price(i)	Exchangeable Units Issued	Debt Assumed	Cash	Ownership Interest Acquired
Acquisitions from third-parties:							
Acquisition in first quarter	1	148,245	$ 15,500	$ —	$ —	$ 15,500	100%
Acquisition in fourth quarter(ii)	1	—	25,653	—	—	25,653	70%
Acquisitions from Loblaw:							
Portfolio acquisition in second quarter	20	1,181,206	198,695	119,632	—	79,063	100%
Portfolio acquisition in fourth quarter	16	1,265,927	211,022	111,260	3,603	96,159	100%
Investment Properties Acquired	38	2,595,378	$ 450,870	$ 230,892	$ 3,603	$216,375	
Acquisition from Loblaw in fourth quarter(iii)	1	—	6,230	—	—	6,230	40%
Total Acquisitions Including Equity Investment	**39**	**2,595,378**	**$ 457,100**	**$ 230,892**	**$ 3,603**	**$222,605**	

(i) Purchase price excludes acquisition costs.

(ii) Total consolidated cash consideration of $25,653 includes a $17,957 cash contribution from Choice Properties and a $7,696 cash contribution from a non-controlling interest. See Note 8, "Interests in Other Entities", of the consolidated financial statements for the year ended December 31, 2014.

(iii) The 40% investment in 500 LS Limited Partnership, of $6,230, is recognized using the equity method of accounting. See Note 8, "Interests in Other Entities", of the consolidated financial statements for the year ended December 31, 2014.

In the first quarter of 2014, the Trust acquired a 148,245 square foot industrial property in Mississauga, Ontario, at a purchase price of $15,500, excluding acquisition costs. Upon acquisition, Choice Properties entered into a lease with ACE Bakery Limited, a subsidiary of GWL, for an initial term of 15 years with multiple renewal options at this property. The acquisition was immediately accretive with an estimated stabilized NOI(1) of approximately $1,340, representing a capitalization rate of 7.34%.

In the second quarter of 2014, the Trust acquired a portfolio of 20 investment properties from Loblaw, at a purchase price of $198,695, excluding acquisition costs. The acquisition added approximately 1.2 million square feet of GLA across Canada. The acquired portfolio was immediately accretive, with an estimated stabilized NOI(1) of approximately $13,000, representing a capitalization rate of 6.50%. At acquisition, the occupancy rate of the acquired portfolio was approximately 97.9%.

In the fourth quarter of 2014, Choice Properties acquired an additional 17 investment properties from Loblaw, comprised of a portfolio of 16 income producing properties and one parcel of land. The portfolio of 16 properties added approximately 1.3 million square feet of GLA across Canada, at a purchase price of $211,022, excluding acquisition costs. The acquired portfolio was immediately accretive with an estimated stabilized NOI(1) of approximately $13,600, representing a capitalization rate of 6.57%, excluding $4,000 for acreage available for immediate development in Guelph, Ontario. At acquisition, the occupancy rate of the acquired portfolio was approximately 98.1%. The portfolio also offers potential to develop up to 280,000 square feet of additional GLA within five years, including medium to long-term, mixed-use redevelopment potential for three urban Toronto sites. In addition, Choice Properties acquired a partial interest in two limited partnerships: a 70% interest in a limited partnership for $17,957, which holds a 21-acre site in Brampton, Ontario with a total value of $25,653, and a 40% interest in a second limited partnership for $6,230 which holds land in Toronto, Ontario with a total value of $15,576. Upon 95% occupancy of the property in Brampton, Ontario, Choice Properties has the option to acquire the remaining share of the property. Refer to "Development Activities" in this section of the MD&A for further details.

Subsequent to the end of 2014, Choice Properties completed the following acquisitions:

(in thousands of Canadian dollars except where otherwise indicated) (unaudited)	Number of Properties	GLA (in square feet)	Purchase Price[i]	Exchangeable Units Issued	Liabilities Assumed	Cash
Land acquisition in Barrie, Ontario from Loblaw	1	—	$ 11,500	$ 2,808	$ 1,933	$ 6,759
50% interest in land in Kanata, Ontario from a third-party[ii]	1	—	2,025	—	—	2,025
Warehouse acquisition in Pickering, Ontario from Loblaw	1	921,256	81,200	—	—	81,200
Retail acquisition in Porter's Lake, Nova Scotia from a third-party	1	54,569	5,200	—	—	5,200
Total	4	975,825	$ 99,925	$ 2,808	$ 1,933	$ 95,184

(i) Purchase price excludes acquisition costs.

(ii) Choice Properties recognized its proportionate share of the assets held jointly in the co-ownership, which is $2,025, or 50% of the $4,050 purchase price of the parcel of land. See Note 8, "Interests in Other Entities", of the consolidated financial statements for the year ended December 31, 2014.

On January 9, 2015, Choice Properties acquired a 16-acre site in Barrie, Ontario from Loblaw at a purchase price of $11,500, excluding acquisition costs. The site is well-located with easy access to Highway 400, at a major intersection (Duckworth Street and Cundles Road) in north Barrie. Choice Properties intends to co-develop the property with PenEquity Realty Corporation ("PenEquity"), which holds an adjacent 21-acre parcel of land, to construct an integrated retail centre that spans a total of 37 acres. Upon 85% occupancy of the retail centre, Choice Properties has the option to acquire the PenEquity parcel. Refer to "Development Activities" in this section of the MD&A for further details.

On January 30, 2015, Choice Properties entered into a co-ownership agreement with PenEquity and another partner to acquire a nine-acre parcel of land in Kanata, Ontario. The purchase price for the property was $4,050 with Choice Properties' proportionate share being 50%, or $2,025. This co-ownership acquisition provides Choice Properties with the opportunity to benefit from an existing and maturing purchase option held by PenEquity and its partner to acquire this desirable parcel of land situated within a developing community in the Fernbank area of Kanata. Upon 95% occupancy of the property, Choice Properties has the option to acquire the remaining share of the property. Refer to "Development Activities" in this section of the MD&A for further details.

On January 30, 2015, Choice Properties acquired a 921,256 square foot warehouse in Pickering, Ontario from Loblaw, for a purchase price of $81,200, excluding acquisition costs. The acquisition is immediately accretive with an estimated stabilized NOI[1] of $5,300 representing a capitalization rate of 6.50%. The modern ambient temperature warehouse, which was originally constructed in 2005 and further expanded in 2012, is well-located east of Toronto and with access to major transportation routes. The warehouse is fully occupied by Loblaw as the single tenant with a 20-year initial lease term with six five-year renewal options.

On February 19, 2015, Choice Properties acquired a 54,569 square foot shopping centre in Porter's Lake, Nova Scotia from a third-party, for a purchase price of $5,200, excluding acquisition costs. The acquisition is immediately accretive with an estimated stabilized NOI[1] of approximately $494 representing a capitalization rate of 9.5%. The shopping centre is currently 85% occupied by 20 tenants, including a number of national retailers, with lease maturities ranging from 2015 to 2022. The shopping centre is anchored by the 47,000 square foot grocery store on an adjacent property that Choice Properties owns.

5.3 Development Activities

In 2014, Choice Properties constructed 51,050 square feet of incremental GLA, including a new retail store for each of Dollarama and the Liquor Control Board of Ontario in Toronto, Ontario; a new Fortinos grocery store in Stoney Creek, Ontario; and an expansion of a Maxi grocery store in Drummondville, Quebec.

As at December 31, 2014, ongoing projects included the construction of a Real Canadian Superstore in Surrey, British Columbia and pre-development work to expand the warehouse property in Boucherville, Quebec.

During 2014, Choice Properties established strategic relationships expanding the Trust's development pipeline to include greenfield development sites in Brampton, Ontario ("Brampton"), Barrie, Ontario ("Barrie"), and Kanata, Ontario ("Kanata") as well as a mixed-use redevelopment site at 500 Lake Shore Boulevard West in Toronto, Ontario ("500 Lake Shore"). Refer to "Acquisition of Investment Properties" in this section of the MD&A for further details.

- **Brampton** Choice Properties established a partnership with PenEquity to develop a 200,000 square foot Loblaw grocery anchored retail centre on 21 acres of land. Pursuant to the terms of the lease with Loblaw, construction of the retail centre in Brampton is scheduled to commence upon satisfaction of certain conditions[2].

- **Barrie** Choice Properties intends to co-develop its 16-acre parcel alongside PenEquity's 21-acre parcel to construct an integrated retail centre spanning a total of 37 acres. The total retail offering is expected to span approximately 350,000 square feet, of which Choice Properties will develop approximately 150,000 square feet, including a Loblaw grocery store of approximately 60,000 square feet. Pursuant to the lease terms, Choice Properties expects to start construction of the grocery store in mid-2015 that involves the relocation and expansion of an existing Loblaw grocery store on a nearby Choice Properties site, for which marketing and leasing activity is currently underway(2). In order to facilitate the development of the adjacent PenEquity parcel, Choice Properties has provided mezzanine and bridge financing to PenEquity in the form of a two-year mortgage of $22,500 at a rate of 8% per annum with an option to extend, under certain conditions, for an additional year and a six-month loan of $500 at a rate of 6% per annum, respectively.
- **Kanata** This site is a longer-term development project with construction of a grocery anchored retail centre on nine acres anticipated to commence in the second half of 2017(2).
- **500 Lake Shore** Choice Properties holds an interest in a limited partnership that expects to redevelop the site for mixed-use, potentially incorporating retail, office and residential components anchored by a Loblaw grocery store(2).

Choice Properties continues to refine its development pipeline based on municipal approvals, tenant leasing and occupancy and development costs. As at December 31, 2014, the Trust had approximately 1,000,000 square feet in various stages of pre-development. In 2014, Choice Properties invested $7,700 for pre-development activity and projects currently in development. Over the next 24 to 36 months, Choice Properties is expecting to invest approximately $415,000 to develop up to 1,370,000 square feet of additional GLA. Development yields are expected to be accretive upon tenant occupancy. The following table describes the anticipated square footage to be completed by year and the total cumulative expected capital cost to complete the projects, including investments made in prior years(2).

(in thousands of Canadian dollars except where otherwise indicated) (unaudited)		2015		2016		2017		Total
Potential Development GLA (in square feet)		245,000		785,000		340,000		1,370,000
Estimated Project Capital to Completion	$	67,000	$	228,000	$	120,000	$	415,000

5.4 Active Management

Choice Properties' leasing activities are focused on driving value by adding ancillary tenants in business sectors that complement the grocery anchor tenant. The following details illustrate the change in GLA during 2014:

(in thousands of square feet except where otherwise indicated) (unaudited)	Occupied Square Footage	Occupancy		Weighted Average Rent per Occupied Square Foot
Opening occupied GLA as at January 1, 2014	35,534	97.7%	$	14.32
Tenant openings	202		$	13.94
Tenant closures	(144)		$	9.87
Acquisitions	2,546		$	10.35
Dispositions	(60)		$	15.50
Developments - tenant openings coming on line	51		$	17.29
Closing occupied GLA as at December 31, 2014	**38,129**	**98.1%**	**$**	**13.86**

Loblaw is Choice Properties' largest tenant. As at December 31, 2014, Loblaw represented 88.4% (December 31, 2013 - 88.5%) of total GLA and approximately 91.4% (December 31, 2013 - 91.0%) of annual base rent. The weighted average lease term-to-maturity on the Loblaw leases was 12.7 years. The first maturity of a Loblaw lease does not occur until 2023. Loblaw leases 34.4 million square feet of GLA, with approximately 85.8%, 12.6% and 1.6% of such GLA attributed to retail, warehouse and office space, respectively.

Choice Properties has approximately 4.6 million square feet of GLA designated to lease to ancillary tenants that benefit from the consumer traffic that a food retailer attracts to a shopping centre. At December 31, 2014, 3.8 million square feet was leased to ancillary tenants with a weighted average lease term to maturity of 5.2 years.

The future financial performance of investment properties will be impacted by occupancy rates, trends in rental rates achieved on leasing or renewing space currently leased, and contractual increases in rent[(2)]. Rental activity by quarter varies based on the mix of tenants renewing.

For the years ended December 31 (in square feet except where otherwise indicated) (unaudited)		2014			2013		
		GLA		Weighted Average Rent per Square Foot	GLA		Weighted Average Rent per Square Foot
New Leasing:	Previously vacant GLA	201,685	$	13.94	101,988	$	10.22
	Newly developed GLA	51,020	$	17.29	—		N/A
Renewals		384,062	$	12.98	224,522	$	11.14
Total		636,767	$	13.64	326,510	$	10.66

In 2014, Choice Properties entered into leases or offers to lease totaling 636,767 square feet with an average lease term of 7.1 years. Of these leases, 384,062 square feet represented the renewal of expiring leases. Base rent for leases renewed in 2014 increased 6.5% on average. In the fourth quarter of 2014, Choice Properties entered into leases or offers to lease totaling 185,446 square feet with an average lease term of 5.7 years. Of these leases, 149,480 square feet represented the renewal of expiring leases. Base rent on leases renewed during the fourth quarter increased 7.9% on average.

For the years ended December 31 (in square feet except where otherwise indicated) (unaudited)		2014		2013
Square footage renewed		384,062		224,522
Average net rent per square foot	$	12.98	$	11.14
Percentage increase in average net rent per square foot		6.5%		6.6%
Renewal retention rate		84.3%		81.1%

As at December 31, 2014, 550,081 square feet, or 12.2%, of the total ancillary GLA is expiring in 2015[(2)]. The GLA expiring in 2015 includes a large industrial tenant occupying approximately 137,000 square feet with a lease termination date of December 31, 2015, and 90,000 square feet of urban space that will be held for development. Of the remaining GLA expected to expire in 2015, 75,530 square feet, or 23.4%, has renewed to date.

(in square feet except where otherwise indicated) (unaudited)	GLA	Expiring GLA as a Percentage of Ancillary GLA	Expiring GLA as a Percentage of Total GLA	Annualized Base Rent	Weighted Average Rent per Square Foot
Month-to-month	184,361	4.1%	0.5%	2,057	$11.16
2015	550,081	12.2%	1.4%	6,154	$11.19
2016	322,223	7.1%	0.8%	4,914	$15.25
2017	383,117	8.5%	1.0%	5,638	$14.72
2018	311,845	6.9%	0.8%	4,865	$15.60
2019	228,758	5.1%	0.6%	3,962	$17.32
2020 & Beyond	1,798,918	39.7%	4.6%	21,096	$11.73
Vacant	743,549	16.4%	1.9%	—	$0.00
Portfolio Ancillary Total	**4,522,852**	**100.0%**	**11.6%**	**48,686**	$10.76

5.5 Disposition of Investment Properties

On March 28, 2014, Loblaw, acquired all the outstanding shares of Shoppers Drug Mart Corporation. In relation to this acquisition, Loblaw and the Competition Bureau reached an agreement that required Loblaw to divest certain food store operations at locations owned by the Trust. Initially, four food stores, included within Choice Properties' portfolio, were identified for divestiture. During the second quarter of 2014, this number was reduced to two locations. On August 30, 2014, the two subject properties (the "2014 Dispositions"), with a combined fair value of $13,480, were sold for proceeds of $13,030. In connection with the 2014 Dispositions, Choice Properties received $450 of lease surrender revenue from Loblaw.

6. RESULTS OF OPERATIONS

Choice Properties was formed on May 21, 2013 with no operating activity from the date of formation to July 4, 2013. Choice Properties completed its IPO and commenced operations on July 5, 2013. As a result, the comparative year end reflects operating results from only July 5, 2013 to December 31, 2013. While comparative information is presented on an annual basis, the operating periods in the 2014 and 2013 fiscal years cover different time frames and, as such, are not comparable. The analysis of the results of operations will focus on the three month periods ending December 31, 2014 and 2013.

For the periods ended December 31 (in thousands of Canadian dollars)	Three Months (unaudited)			Year End (audited)		
	2014	**2013**	**Variance Favourable / (Unfavourable)**	**2014**	**2013**(i)	**Variance Favourable / (Unfavourable)**
Rental Revenue						
Base rent	**$ 132,704**	$ 124,960	$ 7,744	**$ 514,904**	$ 243,072	$ 271,832
Property tax recoveries	**33,848**	32,980	868	**135,556**	63,734	71,822
Operating cost recoveries	**8,113**	6,687	1,426	**29,419**	11,361	18,058
Other revenue	**581**	225	356	**3,044**	340	2,704
	175,246	164,852	10,394	**682,923**	318,507	364,416
Property Operating Costs						
Property taxes	**(34,699)**	(33,985)	(714)	**(139,651)**	(65,821)	(73,830)
Recoverable operating costs	**(8,014)**	(7,617)	(397)	**(30,141)**	(12,731)	(17,410)
Non-recoverable operating costs	**(575)**	(767)	192	**(2,758)**	(1,204)	(1,554)
Net Property Income	**131,958**	122,483	9,475	**510,373**	238,751	271,622
Other Expenses						
General and administrative expenses	**(6,213)**	(4,789)	(1,424)	**(23,315)**	(12,234)	(11,081)
Amortization of other assets	**(87)**	(188)	101	**(414)**	(472)	58
Net interest expense and other financing charges	**(85,030)**	(80,758)	(4,272)	**(380,654)**	(155,785)	(224,869)
Loss on disposal of investment properties	**—**	—	—	**(450)**	—	(450)
Net Income before Fair Value Adjustments	**40,628**	36,748	3,880	**105,540**	70,260	35,280
Fair value adjustment on Exchangeable Units	**(51,063)**	(111,976)	60,913	**12,143**	(147,401)	159,544
Fair value adjustment on investment properties	**97,452**	68,750	28,702	**81,931**	144,289	(62,358)
Net Income	**$ 87,017**	$ (6,478)	$ 93,495	**$ 199,614**	$ 67,148	$ 132,466

(i) Based on operations for the period from July 5, 2013 to December 31, 2013.

Rental Revenue Rental revenue for Choice Properties is comprised primarily of base rent and recoveries collected from tenants for property taxes, operating costs and qualifying capital expenditures.

For the periods ended December 31 (unaudited) (in thousands of Canadian dollars)	Three Months			Year End		
	2014	**2013**	**Variance Favourable / (Unfavourable)**	**2014**	**2013(ii)**	**Variance Favourable / (Unfavourable)**
Same Properties(i)	**$ 161,438**	$ 161,639	$ (201)	**$ 647,089**	$ 314,987	$ 332,102
Acquisitions	**13,814**	2,893	10,921	**34,535**	2,893	$ 31,642
Dispositions	**(6)**	320	(326)	**1,299**	627	$ 672
Total Revenue	**$ 175,246**	$ 164,852	$ 10,394	**$ 682,923**	$ 318,507	364,416

(i) Properties that were owned throughout both the current and comparative periods ("Same Properties").

(ii) Based on operations for the period from July 5, 2013 to December 31, 2013.

For the year ended December 31, 2014, rental revenue was $682,923 (December 31, 2013 - $318,507). Rental revenue included $647,089 for a full calendar year of operations for the Same Properties, and $16,606 for the post-IPO properties acquired in 2013 (the "2013 Acquisitions") (see Section 19, "Additional Information", of this MD&A for a list of the post-IPO properties acquired in 2013), plus partial year rental revenue of $17,929 for the 2014 Acquisitions and $1,299 for the 2014 Dispositions. The rental revenue for all properties owned during the 2013 year end represents a partial calendar year and is, therefore, not comparable to the rental revenue for the 2014 year end, even for the Same Properties.

2014 annual rental revenue included $1,545 of lease surrender revenue and $1,622 of revenue from the recovery of capital expenditures and interest from tenants which were nil and $21 for the year ended December 31, 2013.

During the fourth quarter of 2014, rental revenue increased $10,394 or 6.3%, compared to the fourth quarter of 2013 primarily due additional rental revenue of $10,921 attributable to the properties acquired in both 2013 and 2014 since the IPO (the "Acquisitions"), partially offset by a $326 decrease of revenue from the 2014 Dispositions, and a $201 decrease in same property revenue.

In addition, total rental revenue in the fourth quarter of 2014 included $150 from lease surrender revenue and $735 from recovery of capital expenditures and interest which were nil and $21 in the fourth quarter of 2013, respectively.

Rental revenue includes certain non-cash amounts. Rental revenue is recorded on a straight-line basis over the full term of a lease which results in a difference between cash rent received and revenue recognized for accounting purposes. The amortization of tenant improvement allowances is also included in rental revenue. During the fourth quarter and year ended December 31, 2014, the net amount of these items positively impacted rental revenue by $8,781 and $34,178, respectively (December 31, 2013 - $8,367 and $16,476, respectively).

Net Operating Income(1) All Properties

For the periods ended December 31 (unaudited) (in thousands of Canadian dollars)	Three Months 2014	2013	Variance Favourable / (Unfavourable)	Year End 2014	2013(i)	Variance Favourable / (Unfavourable)
Rental revenue	**$ 175,246**	$ 164,852	$ 10,394	**$ 682,923**	$ 318,507	$ 364,416
Reverse - Straight-line rental revenue	**(8,783)**	(8,375)	(408)	**(34,634)**	(16,484)	(18,150)
	166,463	156,477	9,986	**648,289**	302,023	346,266
Property operating costs	**(43,288)**	(42,369)	(919)	**(172,550)**	(79,756)	(92,794)
Net Operating Income(1) All Properties	**$ 123,175**	$ 114,108	$ 9,067	**$ 475,739**	$ 222,267	$ 253,472

(i) Based on operations for the period from July 5, 2013 to December 31, 2013.

For the year ended December 31, 2014, NOI(1) was $475,739, and included $450,856 for a full calendar year of operations for the Same Properties and $11,185 for the 2013 Acquisitions, plus partial year NOI(1) of $12,593 attributable to the 2014 Acquisitions and $1,105 for the 2014 Dispositions. The NOI(1) for all properties owned during 2013 represents a partial calendar year and is, therefore, not comparable to the NOI(1) for the 2014 year end, even for the Same Properties.

2014 annual NOI(1) included $1,545 of lease surrender revenue and $1,622 of revenue from the recovery of capital expenditures and interest from tenants which were nil and $21 for the year ended December 31, 2013.

During the fourth quarter of 2014, NOI(1) increased $9,067 or 7.9% compared to the fourth quarter of 2013, primarily driven by an increase of $7,747 from the Acquisitions, partially offset by a $309 decline of NOI(1) as a result of the 2014 Dispositions. The Same Properties NOI(1) increased $1,629 compared to the fourth quarter of 2013, primarily due to $735 of capital expenditures and interest recoveries which was $21 for the fourth quarter of 2013.

Net Operating Income(1) Same Properties

For the periods ended December 31 (unaudited) (in thousands of Canadian dollars)	Three Months 2014	2013	Variance Favourable / (Unfavourable)	Year End 2014	2013(i)	Variance Favourable / (Unfavourable)
Rental revenue - same GLA	**$ 161,080**	$ 161,639	$ (559)	**$ 646,731**	$ 314,987	$ 331,744
Rental revenue - developed GLA	**358**	—	358	**358**	—	358
Reverse - Straight-line rental revenue	**(8,008)**	(8,221)	213	**(32,731)**	(16,316)	(16,415)
	153,430	153,418	12	**614,358**	298,671	315,687
Property operating costs	**(40,151)**	(41,768)	1,617	**(163,502)**	(79,038)	(84,464)
Net Operating Income(1) Same Properties	**$ 113,279**	$ 111,650	$ 1,629	**$ 450,856**	$ 219,633	$ 231,223

(i) Based on operations for the period from July 5, 2013 to December 31, 2013.

NOI(1), for the year end December 31, 2014, for properties owned throughout both the current and comparative periods, was $450,856, which included $1,545 of lease surrender revenue and $1,604 of revenue from the recovery of capital expenditures and interest from tenants which were nil and $21 for the year ended December 31, 2013. The NOI(1) for all properties owned during 2013 represents a partial calendar year and is, therefore, not comparable to the NOI(1) for 2014, even for the NOI(1) Same Properties measurement.

During the fourth quarter of 2014, Same Properties NOI(1) increased $1,629 or 1.5% compared to the fourth quarter of 2013, primarily due to a $714 increase in revenue from the recovery of capital expenditures and interest, a $368 increase in net recoveries, $358 of rental revenue contributed from the development of new GLA, and $150 from lease surrender revenue.

General and Administrative Expenses

For the periods ended December 31 (unaudited) (in thousands of Canadian dollars)	Three Months 2014	Three Months 2013	Three Months Variance Favourable / (Unfavourable)	Year End 2014	Year End 2013(iii)	Year End Variance Favourable / (Unfavourable)
Internal expenses of the Trust	**$ 4,424**	$ 3,031	$ (1,393)	**$ 15,877**	$ 5,415	$ (10,462)
Investor relations and other public entity costs	**605**	295	(310)	**2,162**	892	(1,270)
Professional fees	**691**	38	(653)	**1,713**	3,077	1,364
Net services agreements(i)	**786**	1,425	639	**4,421**	2,850	(1,571)
General and administrative expenses	**6,506**	4,789	(1,717)	**24,173**	12,234	(11,939)
Less: Capitalized salary costs	**(193)**	—	193	**(658)**	—	658
Less: Legal costs capitalized to acquisitions	**(100)**	—	100	**(200)**	—	200
Net general and administrative expenses(ii)	**$ 6,213**	$ 4,789	$ (1,424)	**$ 23,315**	$ 12,234	$ (11,081)
Other charges:						
Less: Internalization or start-up costs	**(196)**	450	646	**(2,568)**	(2,524)	44
Less: Direct leasing costs eligible to be added back to FFO(1)	**(366)**	—	366	**(366)**	—	366
General and administrative expenses (excluding other charges)	**$ 5,651**	$ 5,239	$ (412)	**$ 20,381**	$ 9,710	$ (10,671)
As a percent of revenue	**3.2%**	3.2%	—%	**3.0%**	3.0%	—%

(i) The services agreement is described in Section 14, "Related Party Transactions", of this MD&A.

(ii) General and Administrative expenses in 2013 included start-up costs and 2014 expenses included costs to internalize property and asset management functions.

(iii) Based on operations for the period from July 5, 2013 to December 31, 2013.

Active management is a component of Choice Properties' strategy. Choice Properties became a fully internally managed REIT at the beginning of 2015 allowing for a stronger focus on improving, repositioning, and strengthening the current tenant mix and merchandising of its existing properties. In order to internalize, the Trust built its business platform which includes systems, processes and people. Experienced property managers joined the Choice Properties team effective January 2015.

General and administrative expenses, for the year ended December 31, 2014, were $23,315, including the costs to internalize active management. During the third and fourth quarters of 2014, Choice Properties incurred costs to internalize active management including the leasing and property management functions. The total costs of $2,568 included charges for restructuring and implementation of a real-estate focused enterprise resource planning system ("ERP"). As a step towards becoming an internally managed trust, Choice Properties internalized the leasing function at the beginning of the fourth quarter of 2014. Direct leasing costs, primarily salaries, of $366 were incurred in the fourth quarter of 2014 and are eligible to be added back to FFO(1) based on the revision to the definition of FFO(1), from the Real Property Association of Canada White Paper published in April 2014, to include an adjustment on incremental leasing costs of full-time or salaried staff. This adjustment to FFO(1) makes results more comparable between real estate entities that expense their internal leasing departments and those that capitalize the costs incurred with third-party leasing. General and administrative expenses, excluding costs to internalize and direct leasing costs that are eligible to be added back to FFO(1), for the year ended December 31, 2014, were $20,381.

General and administrative expenses, for the year ended December 31, 2013, of $12,234, included start-up costs of the Trust of $2,524, primarily related to professional fees. The 2013 expenses were for a partial calendar year and are, therefore, not comparable to the 2014 year end expenses.

For the fourth quarter of 2014, net general and administrative expenses increased $1,424 compared to the same period in 2013. Excluding adjustments for internalization costs, start-up costs and direct leasing costs, the general and administrative expenses in the fourth quarter of 2014 increased $412 or 7.9% compared to the fourth quarter of 2013. This increase was primarily driven by increased internal expenses, investor relations and public entity costs and professional fees, partially offset by a decrease in services agreement expense. The decrease in service agreement expense resulted in a corresponding increase in internal costs of the Trust to reflect the functions that the Trust assumed directly.

Net Interest Expense and Other Financing Charges

For the periods ended December 31 (unaudited) (in thousands of Canadian dollars)	Three Months 2014	Three Months 2013	Three Months Variance Favourable / (Unfavourable)	Year End 2014	Year End 2013[iii]	Year End Variance Favourable / (Unfavourable)
Interest on Transferor Notes[i]	**$ —**	$ 16,085	$ 16,085	**$ 18,271**	$ 31,128	$ 12,857
Distributions on Class C LP Units[i]	**11,562**	11,541	(21)	**46,250**	22,692	(23,558)
Interest on Senior Unsecured Debentures	**22,976**	6,054	(16,922)	**72,433**	11,846	(60,587)
Interest on Mortgage	**49**	—	(49)	**49**	—	(49)
Interest on Credit Facility	**1,188**	387	(801)	**2,965**	741	(2,224)
Subtotal (for use in Debt Service Coverage calculation)	**35,775**	34,067	(1,708)	**139,968**	66,407	(73,561)
Distributions on Exchangeable Units[i]	**49,730**	45,984	(3,746)	**191,267**	88,607	(102,660)
Subtotal (for use in EBITDAFV[1] calculation)	**85,505**	80,051	(5,454)	**331,235**	155,014	(176,221)
Effective interest rate amortization of debt discounts and premiums[ii]	**(673)**	640	1,313	**48,891**	678	(48,213)
Effective interest rate amortization of debt placement costs	**298**	211	(87)	**1,127**	417	(710)
Capitalized borrowing costs	**(28)**	—	28	**(166)**	—	166
Interest income	**(72)**	(144)	(72)	**(433)**	(324)	109
Net interest expense and other financing charges	**$ 85,030**	$ 80,758	$ (4,272)	**$ 380,654**	$ 155,785	$ (224,869)

(i) Related party amounts.
(ii) Includes finance charge for Transferor Note transactions of $48,911 for the year ended December 31, 2014, as described in Section 9, "Long Term Debt and Class C LP Units", of this MD&A.
(iii) Based on operations for the period from July 5, 2013 to December 31, 2013.

Net interest expense and other financing charges, for the year ended December 31, 2014, of $380,654 included a non-cash finance charge of $48,911 related to Transferor Note transactions (see Section 9, "Long Term Debt and Class C LP Units", of this MD&A). Annual expenses for 2014 were impacted by the issuance of additional Exchangeable Units in connections with the Acquisitions, the issuance of Series C and D senior unsecured debentures, the replacement of Series 5 to 10 Transferor Notes and the repayment of Series 3 and 4 Transferor Notes (see Section 9, "Long Term Debt and Class C LP Units", of this MD&A).

The 2013 expenses were for a partial calendar year and are, therefore, not comparable to the 2014 year end expenses.

During the fourth quarter of 2014, net interest expense and other financing charges increased $4,272 or 5.3% compared to the fourth quarter of 2013. The increase was primarily due to $3,746 of distributions on the additional Exchangeable Units issued as partial consideration for properties acquired from Loblaw in 2014 and higher interest expense on the Credit Facility due to larger drawn balances in 2014. In addition, the interest rates on the Series C and D senior unsecured debentures issued in the first quarter of 2014 were higher than the interest rates on the Series 3 and 4 Transferor Notes that they replaced.

7. OTHER MEASURES OF PERFORMANCE

Funds from Operations[(1)] Except as otherwise noted, Choice Properties calculates its FFO[(1)] in accordance with the Real Property Association of Canada White Paper on Funds from Operations for IFRS issued in April, 2014 (see Section 18,"Non-GAAP Financial Measures", of this MD&A).

For the periods ended December 31 (unaudited) (in thousands of Canadian dollars)	Three Months 2014	Three Months 2013	Three Months Variance Favourable / (Unfavourable)	Year End 2014	Year End 2013[(iii)]	Year End Variance Favourable / (Unfavourable)
Net income	**$ 87,017**	$ (6,478)	$ 93,495	**$ 199,614**	$ 67,148	$ 132,466
Fair value adjustment on Exchangeable Units	**51,063**	111,976	(60,913)	**(12,143)**	147,401	(159,544)
Fair value adjustment on investment properties	**(97,452)**	(68,750)	(28,702)	**(81,931)**	(144,289)	62,358
Fair value adjustment on unit-based compensation	**(41)**	24	(65)	**(591)**	17	(608)
Loss on disposal of investment properties	**—**	—	—	**450**	—	450
Exchangeable Units distributions	**49,730**	45,984	3,746	**191,267**	88,607	102,660
Amortization of tenant improvement allowances	**2**	8	(6)	**456**	8	448
Direct leasing costs	**366**	—	366	**366**	—	366
Funds from Operations[(1)(i)]	**$ 90,685**	$ 82,764	$ 7,921	**$ 297,488**	$ 158,892	$ 138,596
Other charges:						
Reverse: Finance charge[(ii)]	**—**	—	—	**48,911**	—	48,911
Reverse: Internalization costs	**196**	—	196	**2,568**	—	2,568
Reverse: Start-up costs	**—**	(450)	450	**—**	2,524	(2,524)
Funds from Operations[(1)] (excluding other charges)	**90,881**	$ 82,314	$ 8,567	**348,967**	$ 161,416	$ 187,551
FFO[(1)] per unit - basic (excluding other charges)[(ii)]	**$ 0.231**	$ 0.224	$ 0.007	**$ 0.913**	$ 0.444	$ 0.469
FFO[(1)] per unit - diluted (excluding other charges)[(ii)]	**$ 0.230**	$ 0.224	$ 0.006	**$ 0.912**	$ 0.444	$ 0.468
FFO[(1)] payout ratio (excluding other charges)[(ii)]	**70.7%**	72.5%	1.8%	**71.3%**	71.8%	0.5%
Distribution declared per unit	**$ 0.162501**	$ 0.162501	$ —	**$ 0.650004**	$ 0.318917	$ 0.331087
Weighted average units outstanding - basic	**394,237,610**	367,911,089	26,326,521	**382,344,615**	363,642,405	18,702,210
Weighted average units outstanding - diluted	**394,578,356**	368,059,697	26,518,659	**382,636,320**	363,767,339	18,868,981
Number of units outstanding, end of period	**395,287,115**	371,688,983	23,598,132	**395,287,115**	371,688,983	23,598,132

(i) FFO[(1)] per unit on a diluted basis, before adjusting for other charges, was $0.230 and $0.225 for the three months ended December 31, 2014 and 2013, respectively. FFO[(1)] per unit on a diluted basis, before adjusting for other charges, was $0.777 and $0.437 for the year end periods ended December 31, 2014 and 2013, respectively.
(ii) Described in Section 9, "Long Term Debt and Class C LP Units", of this MD&A.
(iii) Based on operations for the period from July 5, 2013 to December 31, 2013.

For the year ended December 31, 2014, FFO[(1)] of $297,488 included net property income of $510,829 which was driven by a full calendar year of operations for the Same Properties and 2013 Acquisitions, plus partial year of operations for the 2014 Acquisitions and the 2014 Dispositions. The net property income is partially offset by other expenses of $213,341 from general and administrative expenses, amortization of other assets, and interest expense and other charges. FFO[(1)] (excluding other charges), for the year ended December 31, 2014, was $0.912 per unit on a diluted basis.

The FFO[(1)] for the 2013 year end represents a partial calendar year and is, therefore, not comparable to the FFO[(1)] for the 2014 year end.

For the fourth quarter of 2014, FFO[1] increased $7,921 or 9.6% compared to the fourth quarter of 2013, due to an increase in net property income of $9,469, and a reduction of amortization of other assets of $101, partially offset by general and administrative expenses of $1,123, and interest and other financing charges of $526.

For the fourth quarter of 2014, FFO[1] (excluding other charges) per unit on a diluted basis of $0.230 increased $0.006 compared to the fourth quarter of 2013.

Adjusted Funds from Operations[1] There is currently no standard industry-defined measure of AFFO[1]. Please refer to Section 18, "Non-GAAP Financial Measures", of this MD&A, for a reconciliation of AFFO[1] to cash flows from operating activities, a GAAP measure.

For the periods ended December 31 (unaudited) (in thousands of Canadian dollars)	Three Months			Year End		
	2014	**2013**	**Variance Favourable / (Unfavourable)**	**2014**	**2013[ii]**	**Variance Favourable / (Unfavourable)**
Funds from Operations[1]	**$ 90,685**	$ 82,764	$ 7,921	**$ 297,488**	$ 158,892	$ 138,596
Internalization costs	**196**	—	196	**2,568**	—	2,568
Start-up costs	**—**	(450)	450	**—**	2,524	(2,524)
Straight-line rental revenue	**(8,783)**	(8,375)	(408)	**(34,634)**	(16,484)	(18,150)
Effective interest rate amortization of finance charges	**(375)**	851	(1,226)	**50,018**	1,095	48,923
Unit-based compensation expense	**439**	438	1	**2,104**	808	1,296
Property capital expenditures - incurred	**(11,247)**	(7,769)	(3,478)	**(29,523)**	(8,934)	(20,589)
Property and leasing capital expenditures - normalized[i]	**3,670**	(1,877)	5,547	**—**	(5,712)	5,712
Leasing capital expenditures - incurred	**(489)**	(902)	413	**(2,785)**	(1,250)	(1,535)
Adjusted Funds from Operations[1]	**$ 74,096**	$ 64,680	$ 9,416	**$ 285,236**	$ 130,939	$ 154,297
AFFO[1] per unit - basic	**$ 0.188**	$ 0.176	$ 0.012	**$ 0.746**	$ 0.360	$ 0.386
AFFO[1] per unit - diluted	**$ 0.188**	$ 0.176	$ 0.012	**$ 0.745**	$ 0.360	$ 0.385
AFFO[1] payout ratio	**86.4%**	92.3%	5.9%	**87.2%**	88.6%	1.4%
Distribution declared per unit	**$ 0.162501**	$ 0.162501	$ —	**$ 0.650004**	$ 0.318917	$ 0.331087
Weighted average units outstanding - basic	**394,237,610**	367,911,089	26,326,521	**382,344,615**	363,642,405	18,702,210
Weighted average units outstanding - diluted	**394,578,356**	368,059,697	26,518,659	**382,636,320**	363,767,339	18,868,981
Number of units outstanding, end of period	**395,287,115**	371,688,983	23,598,132	**395,287,115**	371,688,983	23,598,132

(i) Seasonality impacts the timing of capital expenditures. The AFFO[1] calculation was adjusted for this factor to make the quarters more comparable.
(ii) Based on operations for the period from July 5, 2013 to December 31, 2013.

For the year ended December 31, 2014, AFFO[1] was impacted by $32,308 of capital activity. The capital activity in 2014 was more representative of future expenditures[2] than the 2013 year end. Although most capital projects are executed in the summer and fall, the capital activity in 2013 was lower due to late project starts in the Trust's first year of operations. AFFO[1], for the year ended December 31, 2014, was $0.745 per unit on a diluted basis and the annual AFFO[1] payout ratio was 87.2%.

AFFO[1] for 2013 represents a partial calendar year and is, therefore, not comparable to AFFO[1] for 2014.

For the fourth quarter of 2014, AFFO[1] increased $9,416 or 14.6% compared to the fourth quarter of 2013. The largest adjustment to FFO[1] required to calculate AFFO[1] is the deduction of capital expenditures. The normalized expenditures of $8,067 deducted for the fourth quarter of 2014 were $2,482 lower than the expenditures deducted in the comparative period of 2013. The capital activity in 2014 was more representative of future expenditures[2] given later project starts in 2013, the first year of operations.

AFFO[1] per unit, for the quarter ended December 31, 2014, of $0.188 had a favourable variance of $0.012 per unit on a diluted basis compared to the comparative quarter (December 31, 2013 - $0.176).

The results for AFFO[1] reflect property capital expenditures occurring evenly over the year. If AFFO[1] were to be calculated deducting the incurred capital expenditures of $11,736, AFFO[1] would have been $70,426 or $0.178 per unit on a diluted basis (December 31, 2013 - $66,557 or $0.181).

Property Capital and Leasing Capital Expenditures

Property Capital Choice Properties differentiates between those capital expenditures incurred to sustain its properties and capital incurred to achieve a long-term improvement in the Trust's ability to generate incremental cash flow. The following is a summary of the treatment of these two types of capital expenditures:

- Property capital expenditures incurred on existing space, which are treated as costs to sustain productive capacity, are recovered from tenants over the life of the improvement.
- Acquisitions and the development of existing assets are treated as capital expenditures increasing the productive capacity of the enterprise.

Property capital expenditures are expected to be approximately $0.87 per square foot or approximately $0.11 of AFFO[1] per unit diluted, per annum[2].

In the year ended December 31, 2014, Choice Properties incurred $29,523 of property capital expenditures (December 31, 2013 - $8,934) comprised of non-recoverable structural improvements of $2,718 and recoverable capital improvements of $26,805, which are recoverable from tenants under the terms of their leases over the useful life of the improvements. Recoverable capital improvements may include, but are not limited to, items such as parking lot resurfacing and roof replacement. These items are recorded as part of investment properties and the recoveries from tenants are recorded as revenue. The balance yet to be recovered was $34,254 as at December 31, 2014 (December 31, 2013 - $8,430), the majority of which Choice Properties expects to recover from tenants over the useful lives of the improvements[2].

Leasing Capital Leasing capital varies with tenant demand and the balance between new and renewal leasing, as capital expenditures relating to securing new tenants are generally higher than the costs relating to renewing existing tenants. Choice Properties incurred $2,785 of leasing costs in 2014 (December 31, 2013 - $1,250), comprised of $1,541 in tenant improvement allowances and $1,244 in direct leasing costs.

Choice Properties endeavours to fund property capital and leasing capital from cash flow from operations[2].

8. QUARTERLY RESULTS OF OPERATIONS

The following is a summary of selected consolidated information for the six most recently completed quarters.

(unaudited) (in thousands of Canadian dollars except where otherwise indicated)	**Fourth Quarter 2014**	Third Quarter 2014	Second Quarter 2014	First Quarter 2014	Fourth Quarter 2013	Third Quarter 2013[i]
Number of Properties	**472**	454	456	436	435	425
Gross Leasable Area (in millions of square feet)	**38.9**	37.6	37.6	36.4	36.3	35.3
Occupancy	**98.1%**	97.9%	97.7%	97.7%	97.7%	97.6%
Rental revenue	**$ 175,246**	$ 170,293	$ 170,339	$ 167,045	$ 164,852	$ 153,655
Net Operating Income[1]	**$ 123,175**	$ 118,551	$ 118,681	$ 115,332	$ 114,108	$ 108,159
Net Income	**$ 87,017**	$ 122,306	$ (1,538)	$ (8,171)	$ (6,478)	$ 73,626
Cash flows from operating activities[ii]	**$ 200,656**	$ 119,994	$ 86,692	$ 69,026	$ 170,915	$ 152,608
Funds from Operations[1] per unit - diluted	**$ 0.230**	$ 0.223	$ 0.091	$ 0.233	$ 0.225	$ 0.212
Funds from Operations[1] per unit - diluted (excluding other charges)[iii]	**$ 0.230**	$ 0.229	$ 0.228	$ 0.224	$ 0.224	$ 0.220
Adjusted Funds from Operation[1] per unit diluted	**$ 0.188**	$ 0.189	$ 0.184	$ 0.185	$ 0.176	$ 0.184
Adjusted Funds from Operations[1] payout ratio	**86.4%**	86.0%	88.3%	87.8%	92.3%	85.0%
Distribution declared per unit	**$ 0.162501**	$ 0.162501	$ 0.162501	$ 0.162501	$ 0.162501	$ 0.156416
Number of units outstanding	**395,287,115**	384,073,936	383,670,554	372,029,705	371,688,983	359,997,871
Total Assets (in millions)	**$ 8,192**	$ 7,774	$ 7,719	$ 7,407	$ 7,448	$ 7,174
Debt to total assets[iv]	**44.0%**	45.7%	46.3%	46.9%	47.0%	49.4%
Debt service coverage[iv]	**3.5x**	3.4x	3.4x	3.5x	3.4x	3.3x

(i) Based on operations for the period from July 5, 2013 to September 30, 2013.

(ii) Cash flows from operating activities are presented before deducting interest paid. 2013 amounts have been adjusted to conform with the current year presentation.

(iii) The first two quarters of 2014 FFO calculations were adjusted for the finance charge related to the Transferor Note transactions as described in Section 9 "Long Term Debt and Class C LP Units", of this MD&A. The third quarters of 2013 and 2014 were adjusted for start-up and internalization costs of $2,974 and $2,372, respectively. The fourth quarters of 2013 and 2014 were adjusted for start-up and internalization costs of ($450) and $196, respectively.

(iv) Debt ratios include Class C LP Units but exclude Exchangeable Units. The ratios are non-GAAP financial measures calculated based on the trust indentures as supplemented.

Acquisitions, since Choice Properties' IPO in the third and fourth quarters of 2013 and the first, second, third and fourth quarters of 2014 have positively impacted quarterly results. The second quarter of 2014 was also positively impacted by $945 of lease surrender revenue.

In addition to the above, net income is impacted by fluctuations in fair value adjustments on Exchangeable Units and investment properties and therefore is often not comparable from quarter to quarter.

9. LONG TERM DEBT AND CLASS C LP UNITS

The following are the changes in Choice Properties' outstanding long term debt and Class C LP Units for the year ended December 31, 2014:

For the period ended December 31, 2014 (in thousands of Canadian dollars)	Senior Unsecured Debentures	Mortgage	Class C LP Units	Transferor Notes	Total Long Term Debt and Class C LP Units	Weighted Average Coupon Rate
Principal balance outstanding as at December 31, 2013	$ 600,000	$ —	$ 925,000	$ 1,940,000	**$ 3,465,000**	3.85%
Issuance:						
Series C	250,000	—	—	—	**250,000**	3.50%
Series D	200,000	—	—	—	**200,000**	4.29%
Repayment:						
Series 3	—	—	—	(90,000)	**(90,000)**	3.00%
Series 4	—	—	—	(350,000)	**(350,000)**	3.00%
Replacement:						
Series 5	300,000	—	—	(300,000)	**—**	3.00%
Series 6	200,000	—	—	(200,000)	**—**	3.00%
Series 7	200,000	—	—	(200,000)	**—**	3.00%
Series 8	300,000	—	—	(300,000)	**—**	3.60%
Series 9	200,000	—	—	(200,000)	**—**	3.60%
Series 10	300,000	—	—	(300,000)	**—**	3.60%
Mortgage	—	3,107	—	—	**3,107**	7.42%
Principal balance outstanding as at December 31, 2014	**$ 2,550,000**	**$ 3,107**	**$ 925,000**	**$ —**	**$ 3,478,107**	**3.96%**

Senior Unsecured Debentures In 2014, Choice Properties issued $250,000 principal amount of Series C senior unsecured debentures with a seven-year term and bear interest at a rate of 3.498% per annum and $200,000 principal amount of Series D senior unsecured debentures with a 10-year term and bear interest at a rate of 4.293% per annum. These senior unsecured debentures were used by the Trust to repay existing indebtedness and for general business purposes.

On April 21, 2014 and May 12, 2014, Loblaw sold Replacement Debentures Series 5 through Series 6, and Series 7 through Series 10 (collectively "Replacement Debentures"), respectively, to third-parties. The Replacement Debentures have a face value of $1,500,000, mature between 2016 and 2022, and have a weighted average interest rate of 3.32%.

As at December 31, 2014, the senior unsecured debentures totaled $2,550,000 (December 31, 2013 - $600,000) with a weighted average maturity of 5.3 years (December 31, 2013 - 6.2 years) and weighted average effective interest rate of 3.38% (December 31, 2013 - 4.00%). Senior unsecured debentures Series A through Series D were issued by the Trust and Series 5 through Series 10 were issued by a subsidiary of the Trust.

As described in Section 10.2, "Sources of Liquidity", of this MD&A, Choice Properties filed a Short Form Base Shelf Prospectus ("Prospectus") allowing for the issuance, from time to time, of units and debt securities, or any combination thereof, having an aggregate offering price of up to $2 billion. This document is valid for a 25-month period from September 3, 2013.

Subsequent to the end of 2014, Choice Properties issued $250,000 principal amount of Series E senior unsecured debentures under the Prospectus, as supplemented, with a 5.6-year term and a coupon rate of 2.297% per annum.

Mortgage In connection with the portfolio acquired from Loblaw on October 8, 2014, Choice Properties assumed a mortgage of $3,603 that is secured by one of the properties acquired in the portfolio. The mortgage bears interest at a fixed rate of 7.42% per annum, matures in 2017 and has an effective interest rate of 2.80% per annum.

Class C LP Units (authorized - unlimited) As at December 31, 2014, Loblaw holds all of the 92,500,000 (December 31, 2013 - 92,500,000) outstanding Class C LP Units, which are redeemable at Loblaw's option, beginning in 2027. Choice Properties has the option to settle the redemption payment with cash, Exchangeable Units, or any combination thereof.

Transferor Notes In connection with the acquisition of the IPO portfolio of 425 properties (the "Initial Properties"), Choice Properties issued a series of notes to Loblaw (the "Transferor Notes"). In 2014, Choice Properties repaid the outstanding balances of the Series 3 and Series 4 Transferor Notes totaling $440,000. No penalty charges were incurred as a result of the early repayment. In connection with the transaction, Choice Properties recorded a non-cash finance gain of $3,342 from the accelerated amortization of the associated debt premiums.

In the second quarter of 2014, Choice Properties entered into a Master Trust Indenture with Computershare Trust Company of Canada and created separate supplemental indentures to facilitate the replacement of the Series 5 through Series 10 Transferor Notes held by Loblaw, which had a total principal amount of $1,500,000. The new Series 5 through Series 10 senior unsecured Replacement Debentures issued to Loblaw contain the same principal amounts, interest rates and maturity dates as the original Transferor Notes. Choice Properties incurred a non-cash finance charge of $52,253 as a result of the accelerated amortization of the net debt discounts associated with the replacement of the Transferor Notes. In the second quarter of 2014, Loblaw sold the Replacement Debentures to third-parties in two separate offerings, as described above.

The net non-cash finance charge related to the Transferor Note transactions was $48,911, for the year ended December 31, 2014.

Maturities of Long Term Debt and Class C LP Units

As of December 31, 2014 (in thousands of Canadian dollars)	Senior Unsecured Debentures	Mortgage	Class C LP Units	Total
2015	$ —	$ 993	$ —	**$ 993**
2016	300,000	1,069	—	**301,069**
2017	200,000	1,045	—	**201,045**
2018	400,000	—	—	**400,000**
2019	200,000	—	—	**200,000**
Thereafter	1,450,000	—	925,000	**2,375,000**
Total	**$ 2,550,000**	**$ 3,107**	**$ 925,000**	**$ 3,478,107**

In order to reduce refinancing risk, Choice Properties attempts to stagger debt maturities and future financing obligations to ensure no large maturities or financing needs occur in any one year. The issuance of senior unsecured debentures to replace the Series 3 and Series 4 Transferor Notes in 2014 enabled the Trust to extend the weighted average term-to-maturity of its long term debt.

Credit Facility Choice Properties has a $500,000 senior unsecured committed revolving credit facility (the "Credit Facility") provided by a syndicate of lenders that contains certain financial and other covenants consistent with a credit facility of this nature. This Credit Facility is available for general business purposes, including property acquisitions and development activities, and the refinancing of indebtedness. The credit facility bears interest at variable rates: prime plus 0.45% or bankers' acceptance rate plus 1.45%. The current pricing is contingent on Choice Properties' credit ratings from DBRS Limited ("DBRS") and Standard & Poor's ("S&P") remaining at "BBB".

As at December 31, 2014, $122,000 was drawn under the Credit Facility (December 31, 2013 - nil).

9.1 Financial Covenants

Choice Properties is subject to certain financial and non-financial covenants in its senior unsecured debentures and Credit Facility that include maintaining certain leverage and debt service ratios. These ratios are monitored by the Trust on an ongoing basis to ensure compliance. Choice Properties was in compliance with all of these covenants throughout the year and as at December 31, 2014.

For the purposes of calculating the debt to total assets ratio (the leverage covenant) under the trust indentures, as supplemented, Choice Properties determines the fair value of its investment properties using a capitalization factor equal to the simple average of the rolling eight quarter weighted average capitalization rates used by the Trust to calculate the fair value of its investment properties for financial statement reporting purposes. For the first seven fiscal quarters following the IPO, the average will be calculated on a rolling-up basis until eight fiscal quarters have been completed. For the purposes of these calculations, the Trust is deemed to have completed four fiscal quarters prior to the IPO, with the weighted average capitalization rates for each of these four quarters equal to 6.16%.

The Trust's compliance with leverage and coverage ratios, as they relate to its debentures, are shown below:

		As at December 31, 2014	**As at December 31, 2013**
Debt to Total Assets Ratio(i)	Limit: Maximum including Class C LP Units and convertible debt (of nil) is 65.0%	**44.0%**	47.0%
Debt Service Coverage Ratio(i)	Limit: Minimum 1.5x	**3.5x**	3.4x

(i) Debt ratios include Class C LP Units but exclude Exchangeable Units. The ratios are non-GAAP financial measures calculated based on the trust indentures as supplemented.

After giving effect to the debt issuance and property acquisitions subsequent to the end of 2014, the Trust's leverage ratio is not materially changed.

10. LIQUIDITY AND CAPITAL RESOURCES

10.1 Major Cash Flow Components

For the periods ended December 31 (in thousands of Canadian dollars)	Three Months (unaudited) 2014	Three Months (unaudited) 2013	Year End (audited) 2014	Year End (audited) 2013(i)
Cash flows from operating activities(ii)	**200,656**	135,573	**$ 476,368**	$ 288,181
Cash flows used in investing activities	**(174,947)**	(83,356)	**(296,685)**	(111,882)
Cash flows used in financing activities(ii)	**(32,639)**	(83,350)	**(229,756)**	(124,894)
Decrease in cash and cash equivalents	**$ (6,930)**	$ (31,133)	**$ (50,073)**	$ 51,405

(i) Based on operations for the period from July 5, 2013 to December 31, 2013.
(ii) 2013 amounts have been adjusted to conform with the current year presentation.

Cash Flows from Operating Activities During the three months and annual periods ended December 31, 2014, the positive cash flows from operating activities, of $200,656 and $476,368, respectively, were primarily driven by cash from property operating results. The cash flows for operating activities in the three months ended December 31, 2014 were higher than those for the comparative period due to a higher contribution from non-cash working capital and NOI(1) from Acquisitions. Cash flows from operating activities will be used to fund on-going operations, and expenditures for leasing capital and property capital(2).

Cash Flows used in Investing Activities During the year ended December 31, 2014, cash flows used in investing activities included $220,526 for acquisitions, $59,959 of capital expenditures, $23,000 of notes receivable issued to a third-party, and $6,230 related to an investment in a joint venture, less the proceeds of dispositions of $13,030 from the sale of two properties. During the fourth quarter of 2014, investing activities included $123,971 of outflows associated with the acquisition of 16 investment properties from Loblaw in October 2014 and a parcel of land in November 2014, $23,000 of notes receivable issued to a third-party, $21,746 of capital expenditures, and $6,230 related to an investment in a joint venture in December 2014. For the fourth quarter of 2014, the cash flows used in investing activities increased $91,591 compared to the fourth quarter of 2013. The primary driver of the increase was the relative size of the acquisition in the fourth quarter of 2014 compared to a smaller acquisition in the fourth quarter of 2013.

Cash Flows used in Financing Activities Financing activities for the year ended December 31, 2014 included
cash inflows from:

- issuance of senior unsecured debentures for net proceeds of $447,540;
- net advances from the Credit Facility of $121,685;
- collection of Loblaw notes receivable of $92,057; and

cash outflows used for the:

- repayment of Transferor Notes held by Loblaw of $440,000;
- issuance of notes receivable from Loblaw of $236,328;
- payment of interest of $108,413;
- payment of distributions on Exchangeable Units to Loblaw of $73,219; and
- payment of distributions to Unitholders of $41,716.

During the the fourth quarter of 2014, cash flows used for financing activities decreased $50,711 compared to the fourth quarter of 2013 primarily due to a drawn down of the Credit Facility in the fourth quarter of 2014.

10.2 Sources of Liquidity

Choice Properties expects to fund its ongoing operations and finance future growth primarily through the use of: (i) existing cash; (ii) cash flows from operations; (iii) short term financing through the Credit Facility; and (iv) the issuance of unsecured debentures and equity (including LP Units), subject to market conditions. Given reasonable access to capital markets, Choice Properties does not foresee any impediments in obtaining financing to satisfy its short and long term financial obligations, including its capital investment commitments[2].

(in thousands of Canadian dollars) (audited)	**As at December 31, 2014**	As at December 31, 2013
Cash and cash equivalents	**$ 1,332**	$ 51,405
Unused portion of the Credit Facility	**378,000**	500,000
Liquidity	**$ 379,332**	$ 551,405

Base Shelf Prospectus On September 3, 2013, Choice Properties filed the Prospectus allowing for the issuance, from time to time, of units and debt securities, or any combination thereof, having an aggregate offering price of up to $2 billion. This document is valid for a 25-month period from September 3, 2013. On February 6, 2014, Choice Properties issued $450,000 of debt securities under the Prospectus, as supplemented. Subsequent to the end of 2014, Choice Properties issued a further $250,000 of debt securities under the Prospectus, as supplemented.

10.3 Credit Ratings

Choice Properties' debt securities are rated by two independent credit rating agencies: DBRS and S&P. Choice Properties' ratings are linked to and equivalent to those of Loblaw, largely because of Loblaw's significant ownership position in the Trust, Loblaw's position as Choice Properties' most significant tenant for the foreseeable future, and the strategic integration between the Trust and Loblaw. The following table sets out the current credit ratings of Choice Properties:

	DBRS		**S&P**	
Credit Ratings (Canadian Standards)	Credit Rating	Trend	Credit Rating	Outlook
Issuer Rating	BBB	Stable	BBB	Stable
Senior Unsecured Debentures	BBB	Stable	BBB	N/A

10.4 Unit Equity

Equity, for the purposes of this MD&A, includes both units and Exchangeable Units, which are economically equivalent to units and receive equal distributions.

(in thousands of Canadian dollars) (audited)	**As at December 31, 2014**	**As at December 31, 2013**
Number of units, beginning of year	**371,688,983**	—
Units issued	**—**	87,500,000
Units issued in connection with the Distribution Reinvestment Plan	**1,522,472**	114,229
Units issued under unit-based compensation arrangement	**118,309**	—
Exchangeable Units issued in connection with investment properties acquired from Loblaw	**21,957,351**	284,074,754
Number of Units, end of year	**395,287,115**	**371,688,983**

Distribution Reinvestment Plan Choice Properties has a Distribution Reinvestment Plan ("DRIP") which enables eligible Unitholders to elect to have their cash distributions used to purchase units and receive a bonus distribution of units equal in value to 3% of each distribution. During 2014, Choice Properties issued 1,522,472 units under the DRIP (December 31, 2013 - 114,229). During the fourth quarter of 2014, Unitholders other than Loblaw and GWL, representing approximately 8.2% of units outstanding, elected to participate in the DRIP, with 10.3% electing to participate for the month of December 2014.

Distributions

For the periods ended December 31 (in thousands of Canadian dollars) (unaudited)	Three Months 2014	2013	Year End 2014	2013[i]
Distributions (including distributions on Exchangeable Units)	**$ 64,211**	$ 60,209	**$ 248,754**	$ 116,518
Distributions reinvested through the DRIP	**(4,063)**	—	**(15,682)**	(1,148)
Net distributions	**$ 60,148**	$ 60,209	**$ 233,072**	$ 115,370
Net Income (loss)	**$ 87,017**	$ (6,478)	**$ 199,614**	$ 67,148
Add back: Distributions on Exchangeable Units included in net interest expense and other financing charges	**49,730**	45,984	**191,267**	88,607
Net income adjusted for distributions on Exchangeable Units	**$ 136,747**	$ 39,506	**$ 390,881**	$ 155,755
Cash flows provided by operating activities	**200,656**	135,573	**$ 476,368**	$ 288,181
Less: Interest paid on financing activities	**(14,809)**	(12,154)	**(108,413)**	(17,141)
Cash flows provided by operating activities adjusted for interest paid	**$ 185,847**	$ 123,419	**$ 367,955**	$ 271,040
AFFO[1]	**$ 74,096**	$ 64,680	**$ 285,236**	$ 130,939
Excess (shortfall) of adjusted net income over net distributions declared	**$ 76,599**	$ (20,703)	**$ 157,809**	$ 40,385
Excess of adjusted cash flows provided by operating activities over net distributions declared	**$ 125,699**	$ 63,210	**$ 134,883**	$ 155,670
Excess of cash provided by AFFO[1] over net distributions declared	**$ 13,948**	$ 4,471	**$ 52,164**	$ 15,569

(i) Based on operations for the period from July 5, 2013 to December 31, 2013.

During 2014, Choice Properties declared $248,754 in distributions (December 31, 2013 - $116,518), including distributions to holders of Exchangeable Units, which are reported as interest expense, and non-cash distributions of $15,682 provided under the DRIP (December 31, 2013 - $1,148).

In determining the amount of distributions to be made to Unitholders, Choice Properties' Board of Trustees consider many factors, including provisions in its Declaration of Trust, macro-economic and industry specific environments, the overall financial condition of the Trust, future capital requirements, debt covenants, and taxable income. In accordance with Choice Properties' Distribution Policy, Management and the Board of Trustees regularly review Choice Properties' rate of distributions to ensure an appropriate level of cash and non-cash distributions.

Management anticipates that distributions declared will, in the foreseeable future[2], continue to vary from net income as net income includes fair value adjustments and other non-cash items.

While cash flows from operating activities are generally sufficient to cover distribution requirements, timing of expenses and seasonal fluctuations in non-cash working capital may result in a shortfall. These seasonal or short-term fluctuations shall be funded, if necessary, by the Credit Facility. As such, the cash distributions are not an economic return of capital, but a distribution of sustainable cash flow from operations. Based on current facts and assumptions, management does not anticipate cash distributions will be reduced or suspended in the foreseeable future[2].

Subsequent to the end of 2014, at its most recent meeting on February 24, 2015, the Board of Trustees reviewed and approved the current rate of distributions of $0.65 per unit per annum.

The carrying value of the Trust's investment properties exceeds their tax base. Choice Properties' tax treatment of distributions (based on 2014 distributions) was: 17.1% return of capital, 81.8% income and 1.1% capital gain (based on 2013 distributions, was 22.7% return of capital, 77.3% income and 0% capital gain). That composition may change over time, thus affecting the after-tax return to Unitholders.

10.5 Contractual Obligations

The undiscounted future principal and interest payments on Choice Properties' debt instruments, distribution and redemption payments on Class C LP Units, and other contractual obligations as at December 31, 2014 were as follows:

(in thousands of Canadian dollars)	2015	2016	2017	2018	2019	Thereafter	Total
Senior unsecured debentures	$ 91,153	$ 386,653	$ 279,153	476,153	$ 261,937	$ 1,593,179	**$ 3,088,228**
Mortgage	1,189	1,189	1,090	—	—	—	**3,468**
Credit Facility(i)	—	—	—	—	122,000	—	**122,000**
Class C LP Units	46,250	46,250	46,250	46,250	46,250	1,319,808	**1,551,058**
Other(ii)	7,570	266	266	266	295	1,676	**10,339**
Total	**$ 146,162**	**$ 434,358**	**$ 326,759**	**$ 522,669**	**$ 430,482**	**$ 2,914,663**	**$ 4,775,093**

(i) Excludes interest on the revolving Credit Facility at a floating interest rate.
(ii) As at December 31, 2014, Choice Properties had commitments of $7,304 for future capital expenditures related to on-going development projects.

11. DISCLOSURE CONTROLS AND PROCEDURES

Management is responsible for establishing and maintaining a system of disclosure controls and procedures to provide reasonable assurance that all material information relating to Choice Properties is gathered and reported to senior management on a timely basis so that appropriate decisions can be made regarding public disclosure.

As required by National Instrument 52-109 (Certification of Disclosure in Issuers' Annual and Interim Filings), the Chief Executive Officer and the Chief Financial Officer have caused the effectiveness of the disclosure controls and procedures to be evaluated. Based on that evaluation, they have concluded that the design and operation of the system of disclosure controls and procedures were effective as at December 31, 2014.

12. INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is also responsible for establishing and maintaining adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial reports for external purposes in accordance with IFRS.

As required by National Instrument 52-109 - Certification of Disclosure in Issuers' Annual and Interim Filings, the Chief Executive Officer and the Chief Financial Officer have caused the effectiveness of the internal controls over financial reporting to be evaluated using the framework established in "Internal Control - Integrated Framework" (2013) published by The Committee of Sponsoring Organizations of the Treadway Commission (COSO Framework). Based on that evaluation, they have concluded that the design and operation of the Company's internal controls over financial reporting were effective as at December 31, 2014.

In designing such controls, it should be recognized that due to inherent limitations, any controls, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives and may not prevent or detect misstatements. Projections of any evaluations of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Additionally, management is required to use judgment in evaluating controls and procedures.

Changes in Internal Controls over Financial Reporting There were no changes in Choice Properties' internal control over financial reporting during the fourth quarter of 2014 that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

13. ENTERPRISE RISKS AND RISK MANAGEMENT

Choice Properties is committed to establishing a framework that ensures risk management is an integral part of its activities. To ensure its continued growth and success, risks are identified and managed through Choice Properties' Enterprise Risk Management ("ERM") program. The Choice Properties Board of Trustees has approved an ERM policy and will oversee the ERM program through approval of the Trust's risks and risk prioritization. The ERM program assists all areas of the business in managing appropriate levels of risk tolerance by bringing a systematic approach, methodology and tools for evaluating, measuring and monitoring key risks. The results of the ERM program and other business planning processes are used to identify emerging risks to the Trust, prioritize risk management activities and develop a risk-based internal audit plan.

Risks are not eliminated through the ERM program. Risks are identified and managed within understood risk tolerances. The ERM program is designed to:

- promote a culture of awareness of risk management and compliance within Choice Properties;
- facilitate corporate governance by providing a consolidated view of risks across Choice Properties and insight into the methodologies for identification, assessment, measurement and monitoring of the risks;
- assist in developing consistent risk management methodologies and tools across the organization; and
- enable Choice Properties to focus on its key risks in the business planning process and reduce harm to financial performance through responsible risk management.

Risk identification and assessments are important elements of the Trust's ERM framework. An annual ERM assessment will be completed to assist in the update and identification of internal and external risks, which are both strategic and operational in nature. Key risks affecting the Trust are prioritized under four categories: financial; operational; reputational and compliance risks. The annual ERM assessment will be carried out through interviews, surveys and/or facilitated workshops with management and the Choice Properties Board of Trustees. Risks are assessed and evaluated based on the Trust's vulnerability to the risk and the potential impact that the underlying risks would have on the Trust's ability to execute its strategies and achieve its objectives. Risk owners are assigned relevant risks and key risk indicators are developed. At least semi-annually, management will provide an update to the Audit Committee on the status of the top risks based on significant changes from the prior update, anticipated impacts in future quarters and significant changes in key risk indicators. In addition, the long term risk level will be assessed to monitor potential long term risk impacts, which may assist in risk mitigation planning activities.

Accountability for oversight of the management of each risk is allocated by the Choice Properties Board of Trustees either to the full Board of Trustees or to Committees of the Board of Trustees.

The operating and financial risks and risk management strategies are discussed below. Any of these risks has the potential to negatively affect Choice Properties and its financial performance. The Trust has risk management strategies, including insurance programs, controls and contractual arrangements that are intended to mitigate the potential impact of these risks. However, these strategies do not guarantee that the associated risks will be mitigated or will not materialize or that events or circumstances will not occur that could negatively affect the reputation, operations or financial condition or performance of the Trust. Choice Properties faces a variety of significant and diverse risks, many of which are inherent in the business conducted by Choice Properties and the tenants of the properties. Described below are certain risks that could materially adversely affect Choice Properties. Other risks and uncertainties that Choice Properties does not presently consider to be material, or of which Choice Properties is not presently aware, may become important factors that affect Choice Properties' future financial condition and results of operations. The occurrence of any of the risks discussed below could materially and adversely affect the business, prospects, financial condition, results of operations or cash flows of Choice Properties. Prospective purchasers of securities of Choice Properties should carefully consider these risks before investing in any such securities.

A detailed description of the operating and financial risks is included in the Risk Factor Section of the Trust's 2014 Annual Information Form, which section is hereby incorporated by reference. The following descriptions detail risks that could potentially impact financial results.

13.1 Operating Risks and Risk Management

Choice Properties is exposed to a number of business risks, which have the potential to affect its operating and financial performance. The following is a summary of Choice Properties' industry and business related risks:

Tenant Concentration	Acquisitions and Associated Undisclosed Defects and Obligations
Property Development, Redevelopment and Renovation Risks	Vendor Management and Third-Party Service Providers
IT Systems Implementation	Top Talent Attraction, Retention & Succession Planning
Information Integrity and Reliability	Competition
Security of Information Technology	Environmental Matters
Strategic Execution and Capabilities	Property Valuations
Property Management	Regulatory

Tenant Concentration Investment properties generate income through rent payments made by tenants, and particularly rent payments made by Loblaw as Choice Properties' largest tenant. Upon the expiry of any lease, there can be no assurance that the lease will be renewed or the tenant replaced for a number of reasons. Furthermore, the terms of any subsequent lease may be less favourable than the existing lease, including the addition of restrictive covenants. In addition, historical occupancy rates and rents are not necessarily an accurate prediction of future occupancy rates. Choice Properties' cash flows and financial position would be adversely affected if its tenants (and especially Loblaw) were to become unable to meet their obligations under their leases or if a significant amount of available space in the properties was not able to be leased on economically favourable lease terms. In the event of default by a tenant, Choice Properties may experience delays or limitations in enforcing its rights as lessor and incur substantial costs in protecting its investment. In addition, restrictive covenants and the terms of the Strategic Alliance Agreement may narrow the field of potential tenants at a property and could contribute to difficulties in leasing space to new tenants. Furthermore, at any time, a tenant may seek the protection of bankruptcy, insolvency or similar laws which could result in the rejection and termination of the lease of the tenant and thereby cause a reduction in Choice Properties' cash flows, financial condition or results of operations and its ability to make distributions to Unitholders.

Choice Properties' net income could also be adversely affected in the event of a downturn in the business, or the bankruptcy or insolvency, of Loblaw, as the largest tenant. Choice Properties derives the large majority of its annual base minimum rent from Loblaw. Consequently, revenues are dependent on the ability of Loblaw to meet its rent obligations and Choice Properties' ability to collect rent from Loblaw. If Loblaw were to terminate its tenancies, default on or cease to satisfy its payment obligations, it would have a material adverse effect on Choice Properties' financial condition or results of operations and its ability to make distributions to Unitholders.

The closing of an anchor store at a property could also have a material adverse effect on the value of that property. Vacated anchor tenant space also tends to adversely affect the entire property because of the loss of the departed anchor tenant's power to draw customers to the property, which in turn may cause other tenants' operations to suffer and adversely affect such other tenants' ability to pay rent or perform any other obligations under their leases. No assurance can be given that Choice Properties will be able to quickly re-lease space vacated by an anchor tenant on favourable terms, if at all. In addition, certain leases contain a provision requiring tenants to maintain continuous occupancy of leased premises, and there can be no assurance that such tenants will continue to occupy such premises. The loss of an anchor tenant at any leasable area could cause a reduction in Choice Properties' cash flows, financial condition or results of operations and its ability to make distributions to Unitholders.

Property Development, Redevelopment and Renovation Risks Choice Properties may engage in development, redevelopment or major renovation activities with respect to certain properties. If it does so, it will be subject to certain risks, including: (a) the availability and pricing of financing on satisfactory terms or at all; (b) the availability and timely receipt of zoning and other regulatory approvals; (c) the ability to achieve an acceptable level of occupancy upon completion; (d) the potential that Choice Properties may fail to recover expenses already incurred if it abandons redevelopment opportunities after commencing to explore them; (e) the potential that Choice Properties may expend funds on and devote management time to projects which it does not complete; (f) construction or redevelopment costs of a project, including certain fees payable to Loblaw under the Strategic Alliance Agreement, may exceed original estimates, possibly making the project less profitable than originally estimated, or unprofitable; (g) the time required to complete the construction or redevelopment of a project or to lease-up the completed project may be greater than originally anticipated, thereby adversely affecting Choice Properties' cash flow and liquidity; (h) the cost and timely completion of construction (including risks beyond Choice Properties' control, such as weather, labour conditions or material shortages); (i) contractor and subcontractor disputes, strikes, labour disputes or supply disruptions; (j) delays with respect to obtaining, or the inability to obtain, necessary zoning, occupancy, land use and other governmental permits, and changes in zoning and land use laws; (k) occupancy rates and rents of a completed project may not be sufficient to make the project profitable; (l) Choice Properties' ability to dispose of properties redeveloped with the intent to sell could be impacted by the ability of prospective buyers to obtain financing given the current state of the credit markets; and (m) the availability and pricing of financing to fund Choice Properties' development activities on favourable terms or at all.

The above risks could result in substantial unanticipated delays or expenses and, under certain circumstances, could prevent the initiation of redevelopment activities or the completion of redevelopment activities once undertaken. In addition, redevelopment projects entail risks that investments may not perform in accordance with expectations and can carry an increased risk of litigation (and its attendant risks) with contractors, subcontractors, suppliers, partners and others.

IT Systems Implementation Failure to successfully migrate from legacy systems to the new IT system could negatively affect Choice Properties' ability to operate effectively. Failure to adopt the new IT system or disruption during the post-implementation period could result in a lack of relevant and reliable information to enable management to effectively achieve its strategic plan or manage the day to day operations of the Trust. In addition, failure to implement appropriate processes and training to support the new IT system could result in inefficiencies and duplication in current processes. Any migration failure, disruption or duplication of processes could have an adverse effect on the operations of Choice Properties and could negatively affect the reputation, operations and financial performance of Choice Properties.

Information Integrity and Reliability Management depends on relevant and reliable information for decision making purposes, including key performance indicators and financial reporting. A lack of relevant and reliable information that enables management to effectively manage the business could preclude the Trust from optimizing its overall performance. Any significant loss of data or failure to maintain reliable data could adversely affect the reputation, operations and financial performance of the Trust.

Security of Information Technology Choice Properties requires segregation and protection of company information, including security over tenant lease details, colleague information, financial records and operational data. Any failure in data security or any system vulnerability (internal or external) could result in harm to the reputation or competitive position of the Trust.

Strategic Execution and Capabilities Choice Properties is a newly formed Trust with limited operating history. There is a risk that key operational capabilities, including resources, processes and technology, may not be adequately suited or developed for the needs of Choice Properties' current state or for its growth strategy. Furthermore, Choice Properties' growth strategy must be understood and appropriately executed to deliver long term growth for the Trust. If Choice Properties is not successful in implementing operational capabilities required for current state and future growth, as well as executing on its growth strategy, the reputation and financial performance of the Trust may be negatively impacted.

Property Management Certain significant expenditures, including property taxes, maintenance costs, debt service payments, insurance costs and related charges, must be made throughout the period of ownership of real property, regardless of whether the property is producing sufficient income to pay such expenses. In order to retain desirable rentable space and to generate adequate revenue over the long-term, Choice Properties must maintain or, in some cases, improve each property's condition to meet market demand. Choice Properties is currently internalizing the property management function. Property management services, including lease processing and facility repairs and maintenance must be executed in a timely and cost effective manner. Maintaining a rental property in accordance with market standards can entail significant costs, which Choice Properties may not be able to recover from its tenants. All of the Loblaw leases contain exclusions on certain operating costs and/or tax recoveries. In addition, property tax reassessments based on updated appraised values may occur, which Choice Properties may not be able to recover from its tenants. As a result, Choice Properties may bear the economic cost of such operating costs and/or taxes which may adversely impact financial condition and results of operations and decrease the amount of cash available for distribution to Unitholders. Numerous factors, including the age of the relevant building, the materials used at the time of construction or currently unknown building code violations could result in substantial unbudgeted costs for refurbishment or modernization. In addition, the timing and amount of capital expenditures may indirectly affect the amount of cash available for distribution to Unitholders. Distributions may be reduced, or even eliminated, at times when Choice Properties deems it necessary to make significant capital or other expenditures.

If the actual costs of maintaining or upgrading a property exceed Choice Properties' estimates, or if hidden defects are discovered during maintenance or upgrading which are not covered by insurance or contractual warranties, additional and unexpected costs will be incurred. If similar properties located in the vicinity of one of Choice Properties' properties are substantially refurbished and Choice Properties' properties are not, the net operating income derived from, and the value of, Choice Properties' property could be reduced. Any failure by Choice Properties to undertake appropriate maintenance and refurbishment work in response to the factors described above could adversely affect the rental income that is earned from such properties. Any such event could have a material adverse effect on Choice Properties' cash flows, financial condition or results of operations and its ability to make distributions to Unitholders.

Acquisitions and Associated Undisclosed Defects and Obligations Choice Properties intends to make acquisitions and dispositions of properties in accordance with its growth strategy. If Choice Properties is unable to manage its growth effectively, it could adversely impact Choice Properties' financial position and results of operations and decrease or eliminate the amount of cash available for distribution to Unitholders. There can be no assurance as to the pace of growth through property acquisitions or that Choice Properties will be able to acquire assets on an accretive basis and, as such, there can be no assurance that distributions to Unitholders will be maintained or increased in the future.

Acquired properties may be subject to unknown, unexpected or undisclosed liabilities which could have a material adverse impact on the operations and financial results of Choice Properties. Representations and warranties given by third-parties to Choice Properties may not adequately protect against these liabilities and any recourse against third-parties may be limited by the financial capacity of such third-parties. Furthermore, it is not always possible to obtain from the seller the records and documents that are required in order to fully verify that the buildings to be acquired are constructed in accordance, and that their use complies, with planning laws and building code requirements. Accordingly, in the course of acquiring a property, specific risks might not be or might not have been recognized or correctly evaluated. These circumstances could lead to additional costs and could have a material adverse effect on rental income of the relevant properties or the sale prices of such properties upon a disposition of such properties.

Choice Properties' ability to acquire properties on satisfactory terms and successfully integrate and operate them is subject to the following additional risks: (a) Choice Properties may be unable to acquire desired properties because of (i) constraints imposed by the terms of the Strategic Alliance Agreement, or (ii) competition from other real estate investors with more capital, including other real estate operating companies, REITs and investment funds; (b) Choice Properties may acquire properties that are not accretive to results upon acquisition, and Choice Properties may not successfully manage and lease those properties to meet its expectations; (c) competition from other potential acquirers may significantly increase the purchase price of a desired property; (d) Choice Properties may be unable to generate sufficient cash from operations, or obtain the necessary debt or equity financing to consummate an acquisition or, if obtainable, financing may not be on satisfactory terms; (e) Choice Properties may need to spend more than budgeted amounts to make necessary improvements or renovations to acquired properties; (f) agreements for the acquisition of properties are typically subject to customary conditions to closing, including satisfactory completion of due diligence investigations, and Choice Properties may spend significant time and money on potential acquisitions that Choice Properties does not consummate; (g) the process of acquiring or pursuing the acquisition of a new property may divert the attention of Choice Properties' senior management team from existing business operations; (h) Choice Properties may be unable to quickly and efficiently integrate new acquisitions, particularly acquisitions of portfolios of properties, into existing operations; (i) market conditions may result in higher than expected vacancy rates and lower than expected rental rates; and (j) Choice Properties may acquire properties without any recourse, or with only limited recourse, for liabilities, whether known or unknown, such as clean-up of environmental contamination, claims by tenants, vendors or other persons against the former owners of the properties and claims for indemnification by general partners, directors, officers and others indemnified by the former owners of the properties.

In addition, after the acquisition of a property, the market in which the acquired property is located may experience unexpected changes that adversely affect the property's value. The occupancy of properties that are acquired may decline during Choice Properties' ownership, and rents that are in effect at the time a property is acquired may decline thereafter.

If Choice Properties cannot complete property acquisitions on favourable terms, or operate acquired properties to meet Choice Properties' goals or expectations, Choice Properties' business, financial condition, results of operations and cash flow, the per unit trading price and its ability to satisfy debt service obligations and to make distributions to Unitholders could be materially and adversely affected.

Vendor Management and Third-Party Service Providers Choice Properties currently relies on third-party vendors, developers, co-owners and strategic partners to provide the Trust with various services or to complete projects. The lack of an effective process for developing partnership agreements or for contract tendering, drafting, review and approval may pose a risk for the Trust. Contracts must be negotiated according to policy with terms, services levels and rates that are optimal for Choice Properties. Inefficient, ineffective or incomplete vendor management / partnership / co-ownership strategies, policies and procedures could impact the Trust's reputation, operations and/or financial performance.

Top Talent Attraction, Retention & Succession Planning Effective succession planning for senior management and the ability to attract and retain key personnel are essential to sustaining the growth and success of Choice Properties. The degree to which Choice Properties is not effective in attracting talented, experienced colleagues, developing its colleagues, and managing performance could lead to a lack of requisite knowledge, skills and experience. In addition, failure to retain senior management can be a significant risk to the Trust's business strategy. If Choice Properties is not effective in establishing appropriate succession planning processes and retention strategies, it could lead to a lack of requisite knowledge, skills and experience on the part of management. This, in turn, could adversely affect the Trust's ability to execute its strategies, and could adversely affect its reputation, operations and financial performance.

Competition Choice Properties will compete with other investors, managers, and owners of properties in seeking tenants for the purchase and development of desirable real estate properties. Competitors may have newer or better located properties, greater financial or other resources, or greater operating flexibility than Choice Properties. An increase in the availability of funds for investment or an increase in interest in real estate property investments may increase the competition for real estate property investments, thereby increasing purchase prices and reducing the yield on the investment. Increased competition to lease properties could adversely impact Choice Properties' ability to find suitable tenants at the appropriate rent and may negatively impact the financial performance of the Trust.

Environmental Matters Choice Properties is responsible to comply with various environmental standards and regulations. Choice Properties could be held liable for environmental damages resulting from the existence or release of hazardous, toxic or other harmful substances into the environment, and could be responsible for costs to remove or cleanse the harmful materials and contamination. The existence or suspicion of ground contamination, hazardous materials or other residual pollution could also cause reputational damage and adversely affect the value of property and the Trust's ability to lease or sell such property.

Property Valuation Choice Properties retained an independent professional appraiser to provide estimates of the fair market value range in respect of each of the investment properties. Caution should be exercised in the evaluation and use of appraisal results, which are estimates of market value at a specific point in time. In general, appraisals represent only the analysis and opinion of qualified experts as of the effective date of such appraisals and are not guarantees of present or future value. There is no assurance that the assumptions employed in determining the appraised values of the investment properties are correct as of this date.

A publicly traded real estate investment trust will not necessarily trade at values determined solely by reference to the underlying value of its real estate assets. Accordingly, the units may trade at a premium or a discount to values implied by the above-mentioned Appraisals.

Regulatory Choice Properties is subject to laws and regulations governing the ownership and leasing of real property, securities, employment standards and other matters. Also, to retain its tax status as a real estate investment trust, Choice Properties must comply with the Specified Investment Flow-Through (SIFT) requirements under the Tax Act at all times. Choice Properties failing to comply with the SIFT rules would result in income earned by the Trust being taxable as the Trust would no longer be considered a flow-through entity and consequently, the tax advantages for both Choice Properties and its unit holders would no longer available. Any non-compliance under the Tax Act or non-compliance with other laws or regulations could negatively impact Choice Properties' operations and financial position.

13.2 Financial Risks and Risk Management

Choice Properties is exposed to a number of financial risks, which have the potential to affect its operating and financial performance. The following is a summary of Choice Properties' financial risks:

Liquidity and Capital Availability Risk	Unit Price Risk
Liquidity of Real Property	Credit Risk
Interest Rate Risk	Degree of Leverage

Liquidity and Capital Availability Risk Liquidity risk is the risk that Choice Properties cannot meet a demand for cash or fund its obligations as they come due. Although a portion of the cash flow generated by the investment properties is devoted to servicing such outstanding debt, there can be no assurance that Choice Properties will continue to generate sufficient cash flow from operations to meet interest payments and principal repayment obligations upon an applicable maturity date. If Choice Properties is unable to meet interest or principal repayment obligations, it could be required to renegotiate such payments or issue additional equity or debt or obtain other financing. The failure of Choice Properties to make or renegotiate interest or principal payments or issue additional equity or debt or obtain other financing could materially adversely affect Choice Properties' financial condition and results of operations and decrease or eliminate the amount of cash available for distribution to Unitholders.

The real estate industry is highly capital intensive. Choice Properties requires access to capital to fund operating expenses, to maintain its properties, to fund its growth strategy and certain other capital expenditures from time to time, and to refinance indebtedness. Although Choice Properties expects to have access to the Credit Facility, there can be no assurance that it will otherwise have access to sufficient capital or access to capital on favourable terms. Further, in certain circumstances, Choice Properties may not be able to borrow funds due to limitations set forth in the Declaration of Trust and the trust indentures, as supplemented. Failure by Choice Properties to access required capital could have a material adverse effect on its financial condition or results of operations and its ability to make distributions to Unitholders.

Liquidity and capital availability risks are mitigated by maintaining appropriate levels of liquidity, by diversifying the Trust's sources of funding, by maintaining a well-diversified debt maturity profile and actively monitoring market conditions.

Liquidity of Real Property An investment in real estate is relatively illiquid. Such illiquidity will tend to limit Choice Properties' ability to vary its portfolio promptly in response to changing economic or investment conditions. In recessionary times, it may be difficult to dispose of certain types of real estate. The costs of holding real estate are considerable and during an economic recession Choice Properties may be faced with ongoing expenditures with a declining prospect of incoming receipts. In such circumstances, it may be necessary for Choice Properties to dispose of properties at lower prices in order to generate sufficient cash for operations and for making distributions to Unitholders.

Interest Rate Risk The majority of Choice Properties' debt is financed at fixed rates with maturities staggered over 10 years, thereby mitigating the exposure to near term changes in interest rates. To the extent that Choice Properties incurs variable rate indebtedness (such as under the Credit Facility), this will result in fluctuations in Choice Properties' cost of borrowing as interest rates change. If interest rates rise, Choice

Properties' operating results and financial condition could be materially adversely affected and decrease the amount of cash available for distribution to Unitholders.

Choice Properties analyzes its interest rate risk and the impact of rising and falling interest rates on operating results and financial condition on a regular basis.

Borrowings under the Credit Facility are at variable rates which may result in fluctuations in Choice Properties' cost of borrowing as interest rates change. To the extent that interest rates rise, Choice Properties' operating results and financial condition could be materially adversely affected and decrease the amount of cash available for distribution to Unitholders. Choice Properties' Credit Facility and the Debentures also contain covenants that require it to maintain certain financial ratios on a consolidated basis. If Choice Properties does not maintain such ratios, its ability to make distributions to Unitholders may be limited or suspended.

Unit Price Risk Choice Properties is exposed to unit price risk as a result of the issuance of Exchangeable Units, which are economically equivalent to and exchangeable for units, as well as the issuance of unit-based compensation. Exchangeable Units and unit-based compensation liabilities are recorded at their fair value based on market trading prices. Exchangeable Units and unit-based compensation negatively impact operating income when the unit price rises and positively impact operating income when the unit price declines.

Credit Risk Choice Properties is exposed to credit risk resulting from the possibility that counterparties could default on their financial obligations to Choice Properties. Exposure to credit risk relates to rent receivables, cash and cash equivalents, short term investments, security deposits and notes receivable.

Choice Properties mitigates the risk of credit loss related to rent receivables by evaluating the creditworthiness of new tenants, obtaining security deposits wherever permitted by legislation, ensuring its tenant mix is diversified and by limiting its exposure to any one tenant (except Loblaw). Choice Properties establishes an allowance for doubtful accounts that represents the estimated losses with respect to rent receivables. The allowance is determined on a tenant-by-tenant basis based on the specific factors related to the tenant.

The risk related to cash and cash equivalents, short term investments, security deposits and notes receivable is reduced by policies and guidelines that require Choice Properties to enter into transactions only with Canadian financial and government institutions that have a minimum short term rating of "A-2" and a long term credit rating of "A-" from S&P or an equivalent credit rating from another recognized credit rating agency and by placing minimum and maximum limits for exposures to specific counterparties and instruments.

Despite such mitigation efforts, if Choice Properties' counterparties default, it could have a material adverse impact on Choice Properties' financial condition or results of operations and its ability to make distributions to Unitholders.

Degree of Leverage Choice Properties' degree of leverage could have important consequences to Unitholders, including: (i) Choice Properties' ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions, development or other general business purposes, (ii) a larger portion of Choice Properties' cash flow being dedicated to the payment of the principal of and interest on, its indebtedness, thereby reducing the amount of funds available for distributions to Unitholders, and (iii) making Choice Properties more vulnerable to a downturn in business or the economy in general. Under the Declaration of Trust, the maximum amount that Choice Properties can leverage is (i) 60% excluding any convertible Indebtedness and (ii) 65% including any convertible Indebtedness plus Class C LP Units.

To reduce this risk, Choice Properties actively monitors its degree of leverage to ensure it is within acceptable levels.

Any of these risks could have an adverse effect on Choice Properties' financial condition, results of operations, cash flow, the trading price of the units, distributions to Unitholders and its ability to satisfy principal and interest obligations on its outstanding debt.

14. RELATED PARTY TRANSACTIONS

Choice Properties' parent corporation is Loblaw, which held an 82.9% effective interest in the Trust through ownership of 21,500,000 units and all of the Exchangeable Units as at December 31, 2014 (December 31, 2013 - 82.2% and 21,500,000 units respectively). Loblaw's controlling shareholder, GWL, held an approximate 46% ownership of Loblaw's outstanding common shares and a 5.4% direct interest in Choice Properties, through ownership of 21,414,657 units as at December 31, 2014 (December 31, 2013 - 5.4% and 20,107,810 Units respectively).

Loblaw is also Choice Properties' largest tenant, representing approximately 91.4% of Choice Properties' annual base rent and 88.4% of its GLA as at December 31, 2014 (December 31, 2013 - 91.0% and 88.5% respectively).

In 2014, the Trust acquired 36 investment properties from Loblaw. The acquisition added approximately 2.5 million square feet of GLA across Canada at a purchase price of $409,717, excluding acquisition costs. Also, on December 9, 2014, Choice Properties and its joint venture partner, Wittington Properties Limited ("Wittington"), an affiliate of GWL, completed the acquisition of a parcel of land (500 Lake Shore) in Toronto for $15,576 from Loblaw through 500 LS Limited Partnership. Wittington's parent company is Wittington Investments, Limited, which holds a 63% interest in GWL.

Choice Properties acquired two properties from Loblaw subsequent to the end of 2014. On January 9, 2015, Choice Properties acquired a 16-acre site in Barrie, Ontario from Loblaw for a purchase price of approximately $11,500, excluding acquisition costs. The acquisition was funded through the issuance of 265,665 Exchangeable Units, which had a value of approximately $2,808 as at January 9, 2015, an assumption of a $1,933 obligation, and paid the balance in cash. The Exchangeable Units issued to Loblaw did not materially impact Loblaw's effective ownership percentage. On January 30, 2015, Choice Properties completed the acquisition of a warehouse from Loblaw for a purchase price of approximately $81,200, excluding acquisition costs. This acquisition was entirely funded with cash. The warehouse is fully occupied by Loblaw as the single tenant.

In addition to leases and purchase agreements, other agreements between Choice Properties and Loblaw include:

Strategic Alliance Agreement
The Strategic Alliance Agreement creates a series of rights and obligations between Choice Properties and Loblaw intended to establish a preferential and mutually beneficial business and operating relationship. Its initial term is for ten-years from the IPO, and will continue until the earlier of 20 years from the IPO and the date, if any, on which Loblaw ceases to own a majority interest, on a fully-diluted basis in the Trust. The Strategic Alliance Agreement provides Choice Properties with important rights that are expected to meaningfully contribute to the Trust's growth. Subject to certain exceptions, rights include:

- Choice Properties will have the right of first offer to purchase any property in Canada that Loblaw seeks to sell;
- Loblaw will be generally required to present shopping centre property acquisitions in Canada to Choice Properties to allow the Trust a right of first opportunity to acquire the property itself; and
- Choice Properties has the right to participate in future shopping centre developments involving Loblaw.

Certain investment properties acquired from Loblaw include excess land with development potential. No value was attributed to this land at the time of acquisition such that Choice Properties did not pay Loblaw for this excess land. Choice Properties will compensate Loblaw with intensification fees, should Choice Properties pursue development, intensification or redevelopment of these properties. The payments to Loblaw will be calculated in accordance with a payment grid set out in the agreement that takes into account the region, market ranking and type of use for the property.

Services Agreement
Loblaw provides Choice Properties with administrative and other support services, such as internal audit, tax, legal and other services as may be reasonably required from time to time. The current agreement is for an 18-month term from July 5, 2014 to December 31, 2015. The scope of the services provided in the current agreement decreased from the initial one-year agreement as Choice Properties now performs more services internally. The decrease in the Services Agreement fees resulted in a corresponding increase in internal costs of the Trust.

Property Management Agreement
Subsequent to the end of 2014, on January 1, 2015, Choice Properties agreed to manage Loblaw's third-party properties on a fee for service basis.

Choice Properties' policy is to conduct all transactions and settle all balances with related parties on market terms and conditions. The related party transactions are disclosed in Note 23 to the consolidated financial statements for the year ended December 31, 2014, and the period from May 21, 2013 to December 31, 2013.

15. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the consolidated financial statements requires management to make judgments and estimates in applying Choice Properties' accounting policies that affect the reported amounts and disclosures made in the consolidated financial statements and accompanying notes.

Within the context of these consolidated financial statements, a judgment is a decision made by management in respect of the application of an accounting policy, a recognized or unrecognized financial statement amount and/or note disclosure, following an analysis of relevant information that may include estimates and assumptions. Estimates and assumptions are used mainly in determining the measurement of balances recognized or disclosed in the consolidated financial statements and are based on a set of underlying data that may include management's historical experience, knowledge of current events and conditions and other factors that are believed to be reasonable under the circumstances. Management continually evaluates the estimates and judgments it uses.

The following are the accounting policies subject to judgments and key sources of estimation uncertainty that Choice Properties believes could have the most significant impact on the amounts recognized in the consolidated financial statements.

Investment Properties

Judgments Made in Relation to Accounting Policies Applied Judgment is applied in determining whether certain costs are additions to the carrying value of investment properties, identifying the point at which substantial completion of the property occurs, and identifying the directly attributable borrowing costs to be included in the carrying value of the development property.

Choice Properties also applies judgment in determining whether the properties it acquires are considered to be asset acquisitions or business combinations. Choice Properties considers all the properties it has acquired to date to be asset acquisitions.

Key Sources of Estimation The fair value of investment properties is dependent on available comparable transactions, future cash flows over the holding period and discount rates and capitalization rates applicable to those assets. The review of anticipated cash flows involves assumptions relating to occupancy, rental rates and residual value. In addition to reviewing anticipated cash flows, management assesses changes in the business climate and other factors, which may affect the ultimate value of the property. These assumptions may not ultimately be achieved.

Joint Arrangements

Judgments Made in Relation to Accounting Policies Applied Judgment is applied in determining whether the Trust has joint control and whether the arrangements are joint operations or joint ventures. In assessing whether the joint arrangements are joint operations or joint ventures, management applies judgment to determine the Trust's rights and obligations in the arrangement based on factors such as the structure, legal form and contractual terms of the arrangement.

Leases

Judgments Made in Relation to Accounting Policies Applied Choice Properties is required to make judgments in determining whether certain leases are operating or finance leases, in particular long-term leases. All tenant leases where Choice Properties is the lessor have been determined to be operating leases.

Income Taxes

Judgments Made in Relation to Accounting Policies Applied Choice Properties is a mutual fund trust and a REIT as defined in the Income Tax Act (Canada). Choice Properties is not liable to pay Canadian income taxes provided that its taxable income is fully distributed to Unitholders each year. Choice Properties is a REIT if it meets the prescribed conditions under the Income Tax Act (Canada) relating to the REIT Conditions. Choice Properties uses judgment in reviewing the REIT Conditions and assessing its interpretation and application to the REIT's assets and revenue, and it has determined that it qualifies as a REIT for the current period.

Choice Properties expects to continue to qualify as a REIT under the Income Tax Act (Canada), however, should it no longer qualify, it would not be able to flow through its taxable income to Unitholders and would therefore be subject to tax.

16. ACCOUNTING STANDARDS IMPLEMENTED IN 2014 AND FUTURE ACCOUNTING STANDARDS

Accounting Standards Implemented in 2014

In 2011, amendments were issued to IAS 32, "Financial Instruments: Presentation". These amendments are required to be applied for periods beginning on or after January 1, 2014. Choice Properties implemented these amendments prospectively in the first quarter of 2014.

In 2013, the IASB issued International Financial Reporting Interpretations Committee ("IFRIC" 21), "Levies". The IFRIC addresses accounting for a liability to pay a levy within the scope of IAS 37, "Provisions, Contingent Liabilities and Contingent Assets". A levy is an outflow of resources embodying economic benefits that is imposed by governments on entities in accordance with legislation, other than income taxes within the scope of IAS 12, "Income Taxes" and fines or other penalties imposed for breaches of the legislation. This interpretation became effective for annual periods beginning on or after January 1, 2014, and is to be applied retrospectively. Choice Properties implemented IFRIC 21 retrospectively in the first quarter of 2014.

The Trust has assessed the impact of the above and concluded there were no significant impacts on the Trust's consolidated financial statements.

Future Accounting Standards

In May 2014, the IASB issued IFRS 15, "Revenue from Contracts with Customers" ("IFRS 15"). The new standard provides a comprehensive framework for recognition, measurement and disclosure of revenue from contracts with customers, excluding contracts within the scope of the standard on leases, insurance contracts and financial instruments. IFRS 15 becomes effective for annual periods beginning on or after January 1, 2017, and is to be applied retrospectively. Early adoption is permitted. The Trust is currently assessing the impact of the new standard on its consolidated financial statements.

In July 2014, the IASB issued IFRS 9, "Financial Instruments" ("IFRS 9") replacing IAS 39, "Financial Instruments: Recognition and Measurement." The project had three main phases: classification and measurement, impairment, and general hedging. The standard becomes effective for annual periods beginning on or after January 1, 2018 and is to be applied retrospectively. Early adoption is permitted. The Trust is currently assessing the impact of the new standard on its consolidated financial statements.

In December 2014, the IASB issued amendments to IAS 1, "Presentation of Financial Statements". The amendments are effective for annual periods beginning on or after January 1, 2016 with early adoption permitted. The Trust intends to adopt these amendments in its financial statements for the annual period beginning January 1, 2016, but does not expect the amendments to have a material impact on its consolidated financial statements.

17. OUTLOOK

While the Canadian economy presents uncertainty given volatility in commodity pricing, in particular, oil and gas prices, the Canadian dollar exchange rate and interest rates, Choice Properties believes that the fundamentals of the retail real estate market remain stable. Even though the Canadian retail landscape continues to be ever evolving, underscored by recent notable exits and anticipated new entrants, Choice Properties' grocery anchored real estate focus and its stable and reliable cash flows from long-term leases position it well to execute on potential opportunities to drive growth. With consistent cash flow from operations and a strong balance sheet, Choice Properties expects to meet its ongoing obligations, including providing its Unitholders with monthly distributions and to invest in growth. In 2015, Choice Properties intends to focus on:

- Acquiring accretive assets that meet its investment criteria and that are strategically aligned with its current portfolio;
- Leveraging the excess density within its portfolio for at-grade intensification;
- Accelerating greenfield and mixed-used development programs; and
- Enhancing internally managed operations to strengthen relationships with tenants and to optimize cash flows and profitability within its portfolio.

18. NON-GAAP FINANCIAL MEASURES

Choice Properties uses the following non-GAAP financial measures: FFO, AFFO, NOI and EBITDAFV. The Trust believes these non-GAAP financial measures provide useful information to both management and investors in measuring the financial performance and financial condition of the Trust for the reasons outlined below.

Management uses these and other non-GAAP financial measures to exclude the impact of certain expenses and income that must be recognized under GAAP when analyzing underlying operating performance, as the excluded items are not necessarily reflective of Choice Properties' underlying operating performance or impact the comparability of financial performance between periods. From time to time, the Trust may exclude additional items if it believes doing so would result in a more effective analysis of underlying operating performance. The exclusion of certain items does not imply that they are non-recurring.

These measures do not have a standardized meaning prescribed by GAAP and therefore they may not be comparable to similarly titled measures presented by other publicly traded REITs, and should not be construed as an alternative to other financial measures determined in accordance with GAAP.

Same Properties Properties that were owned throughout both the current and comparative periods are grouped as Same Properties for comparative calculations.

Net Operating Income NOI is defined as cash rental revenue from investment properties less property operating costs. NOI is used as a key indicator of performance as it represents a measure over which management has control. The Trust evaluates performance of management by comparing the performance of the portfolio adjusted for the effects of certain items and current year acquisitions. The Trust's method of calculating NOI may differ from other issuers' methods and, accordingly, may not be comparable to NOI reported by other issuers.

See Section 6, "Results of Operations", of this MD&A, for a reconciliation of NOI to property revenue and expenses, which are GAAP measures.

Funds from Operations FFO is not a term defined under IFRS and may not be comparable to similar measures used by other real estate entities. Except as otherwise noted, Choice Properties calculates its FFO in accordance with the Real Property Association of Canada White Paper on Funds from Operations for IFRS issued in April 2014. The purpose of the White Paper was to provide reporting issuers and investors with greater guidance on the definition of FFO and to help promote more consistent disclosure from reporting issuers.

An advantage of the FFO measure is improved comparability between Canadian and foreign REITs. FFO adds back to net income items that do not arise from operating activities, such as fair value adjustments. FFO, however, still includes non-cash revenues related to accounting for straight-line rent and makes no deduction for the recurring capital expenditures necessary to sustain the existing earnings stream.

See Section 7, "Other Measures of Performance", of this MD&A, for a reconciliation of FFO to net income, which is a GAAP measure.

Funds from Operations Payout Ratio FFO payout ratio is calculated as the distribution declared per unit divided by the FFO per unit diluted.

Adjusted Funds from Operations AFFO is a supplemental measure of operating performance widely used in the real estate industry. Choice Properties calculates AFFO by adjusting FFO for non-cash income and expense items such as amortization of straight-line rents and finance charges. AFFO includes a reduction for capital expenditures for maintaining productive capacity required for sustaining property infrastructure and revenue from real estate properties and direct leasing costs. Property capital expenditures do not occur evenly over the fiscal year. The property capital expenditures in the AFFO calculation are adjusted to reflect an average annual spending level.

There is currently no standard industry-defined measure of AFFO. As such, Choice Properties' method of calculating AFFO may differ from that of other real estate entities and, accordingly, may not be comparable to such amounts reported by other issuers.

For the periods ended December 31, 2014 and 2013, the reconciliations of AFFO to cash flows from operating activities are as follows:

For the periods ended December 31 (unaudited) (in thousands of Canadian dollars)	Three Months 2014	Three Months 2013	Year End 2014	Year End 2013[ii]
Cash Flows from Operating Activities	**200,656**	135,573	**$ 476,368**	$ 288,181
Interest paid	**(14,809)**	(12,154)	**(108,413)**	(17,141)
Adjusted cash flows provided by operating activities	**185,847**	123,419	**367,955**	271,040
Net change in non-cash working capital	**(83,751)**	(26,746)	**(24,367)**	(78,445)
Amortization of other assets	**(87)**	(188)	**(414)**	(472)
Property capital expenditures - incurred	**(11,247)**	(7,769)	**(29,523)**	(8,934)
Property and leasing capital expenditures - normalized[i]	**3,670**	(1,877)	**—**	(5,712)
Internalization costs	**196**	—	**2,568**	—
Start-up costs	**—**	(450)	**—**	2,524
Direct leasing costs	**366**	—	**366**	—
Excess of interest accrued over interest paid	**(20,898)**	(21,709)	**(31,349)**	(49,062)
AFFO	**$ 74,096**	$ 64,680	**$ 285,236**	$ 130,939

(i) Seasonality impacts the timing of capital expenditures. AFFO was adjusted for this factor to make the quarters more comparable.
(ii) Based on operations for the period from July 5, 2013 to December 31, 2013.

Adjusted Funds from Operations Payout Ratio As an alternate measure of cash flows from operations, AFFO is indicative of the Trust's ability to pay distributions to Unitholders. AFFO payout ratio is calculated as the distribution declared per unit divided by AFFO per unit diluted.

Earnings Before Interest, Taxes, Depreciation, Amortization and Fair Value EBITDAFV is calculated as net income plus, where applicable, income taxes, interest expense, amortization expense, depreciation expense, and fair value adjustments. This metric is calculated below and used in some of the Trust's debt metrics in place of net income because it excludes fair value adjustments with respect to investment property and financial instruments, and interest expense. For the periods ended December 31, 2014 and 2013, EBITDAFV is as follows:

For the periods ended December 31 (unaudited) (in thousands of Canadian dollars)	Three Months 2014	Three Months 2013	Year End 2014	Year End 2013[iii]
Net Income	**$ 87,017**	$ (6,478)	**$ 199,614**	$ 67,148
Fair value adjustment on Exchangeable Units	**51,063**	111,976	**(12,143)**	147,401
Fair value adjustment on investment properties	**(97,452)**	(68,750)	**(81,931)**	(144,289)
Fair value adjustment on unit-based compensation	**(41)**	24	**(591)**	17
Interest expense[i]	**85,505**	80,051	**331,235**	155,014
Amortization of other assets	**87**	188	**414**	472
Earnings Before Interest, Taxes, Depreciation, Amortization and Fair Value	**$ 126,179**	$ 117,011	**$ 436,598**	$ 225,763
Non-cash finance charge[ii]	**—**	—	**48,911**	—
Adjusted Earnings Before Interest, Taxes, Depreciation, Amortization and Fair Value	**$ 126,179**	$ 117,011	**$ 485,509**	$ 225,763

(i) As calculated in Section 7, "Results of Operations", of this MD&A.
(ii) Described in Section 9, "Long Term Debt and Class C LP Units", of this MD&A.
(iii) Based on operations for the period from July 5, 2013 to December 31, 2013.

19. ADDITIONAL INFORMATION

Additional information about Choice Properties, including the Trust's Annual Information Form, has been filed electronically with the Canadian securities regulatory authorities through the System for Electronic Document Analysis and Retrieval (SEDAR) and is available online at www.sedar.com. The Trust is listed on the Toronto Stock Exchange ("TSX") under the symbol CHP.UN.

The following details the acquisitions in 2014 as discussed in Section 5, "Investment Properties", of this MD&A:

Location	Acquisition Date	Banner	Property Type	GLA (in square feet)	Occupancy
Acquisition from Third-Parties:					
Secretariat Court, Mississauga, ON	February 28, 2014	N/A	Industrial	148,245	100%
Mayfield/Chinguacousy, Brampton, ON	November 7, 2014	N/A	Land	N/A	N/A
Acquisitions from Loblaw:					
Chemin du Tremblay, Boucherville, QC	October 8, 2014	Loblaw	Warehouse	315,961	100%
Boul Louis-XIV, Charlesbourg, QC	May 6, 2014	Maxi	Stand-alone retail	36,422	100%
Boul. Saint - Laurent, Montreal, QC	May 6, 2014	Provigo	Stand-alone retail	17,841	100%
Lower Jarvis St. Toronto, ON	May 6, 2014	Loblaws	Stand-alone retail	78,425	100%
Highway 11, Hearst, ON	May 6, 2014	Your Independent Grocer	Stand-alone retail	50,369	100%
George Street N. Peterborough, ON	May 6, 2014	no frills	Stand-alone retail	35,325	100%
Highway #108 N., Elliot Lake, ON	May 6, 2014	no frills	Stand-alone retail	32,644	100%
Queen Street E., St. Mary's, ON	May 6, 2014	Your Independent Grocer	Stand-alone retail	38,759	100%
Hamilton Road, London, ON	May 6, 2014	no frills	Stand-alone retail	20,260	100%
Main Street, Delhi, ON	May 6, 2014	Your Independent Grocer	Stand-alone retail	18,344	100%
Main Street S. Hagersville, ON	May 6, 2014	no frills	Stand-alone retail	12,213	100%
Regent Avenue, W. Winnipeg, MB	May 6, 2014	Real Canadian Superstore	Stand-alone retail	139,695	100%
55th Street, Cold Lake, AB	May 6, 2014	no frills	Stand-alone retail	28,561	100%
104th Avenue, Surrey, BC	May 6, 2014	Real Canadian Superstore	Stand-alone retail	147,420	100%
Ferry Avenue, Prince George, BC	May 6, 2014	Real Canadian Superstore	Stand-alone retail	139,265	100%
Main St., Sackville, NB	October 8, 2014	Save Easy	Stand-alone retail	14,512	100%
Jacques-Cartier Sud, Sherbrooke, QC	October 8, 2014	Provigo	Stand-alone retail	43,000	100%
Boul. Sainte-Anne, Ste-Anne-Des-Plaines, QC	October 8, 2014	Provigo	Stand-alone retail	27,516	100%
King St. South, Alliston, ON	October 8, 2014	Zehrs	Stand-alone retail	72,247	100%
Clair Rd. East, Guelph, ON	October 8, 2014	Zehrs	Stand-alone retail	39,956	100%
Wanuskewin Rd., Saskatoon, SK	October 8, 2014	Extra Foods	Stand-alone retail	48,754	100%
Superior St., Devon, AB	October 8, 2014	Extra Foods	Stand-alone retail	30,918	100%
100th Ave., Peace River, AB	October 8, 2014	no frills	Stand-alone retail	58,225	100%
Gladwin Rd., Abbotsford, BC	October 8, 2014	Real Canadian Superstore	Stand-alone retail	141,487	100%
Old Airport Rd., Yellowknife, NT	October 8, 2014	Extra Foods	Stand-alone retail	60,970	100%
2nd Ave., Whitehorse, YT	October 8, 2014	Real Canadian Superstore	Stand-alone retail	90,211	100%
Bathurst/Lake Shore, Toronto, ON	December 9, 2014	N/A	Land	N/A	N/A

Continued...

Location	Acquisition Date	Banner	Property Type	GLA (in square feet)	Occupancy
Acquisitions from Loblaw (continued):					
Prince Rupert Street, Stephenville, NL	May 6, 2014	Dominion	Multi-tenant retail	45,673	100%
Scott Street, New Liskeard, ON	May 6, 2014	Your Independent Grocer	Multi-tenant retail	56,642	100%
Ellice Avenue, Winnipeg, MB	May 6, 2014	Real Canadian Wholesale Club	Multi-tenant retail	74,011	100%
99 Street NW, Edmonton, AB	May 6, 2014	Real Canadian Wholesale Club	Multi-tenant retail	112,378	100%
Columbia Avenue, Castlegar, BC	May 6, 2014	no frills	Multi-tenant retail	57,036	75%
Alaska Avenue, Dawson Creek, BC	May 6, 2014	no frills	Multi-tenant retail	39,923	74%
Carlaw Ave., Toronto, ON	October 8, 2014	no frills	Multi-tenant retail	125,771	98%
Bloor St. W, Toronto, ON	October 8, 2014	no frills	Multi-tenant retail	15,778	100%
Broadview Ave., Toronto, ON	October 8, 2014	Loblaws	Multi-tenant retail	33,163	100%
Portage Ave., Winnipeg, MB	October 8, 2014	Real Canadian Superstore	Multi-tenant retail	147,458	85%
				2,595,378	**98%**

The following details the acquisitions in 2013:

Location	Acquisition Date	Banner	Property Type	GLA (in square feet)	Occupancy
Acquisitions from Loblaw					
160th Street, Surrey, BC	December 19, 2013	N/A	Land	N/A	N/A
SE Marine Drive, Vancouver, BC	October 22, 2013	Real Canadian Superstore	Stand-alone retail and warehouse	621,177	100%
Hurontario Street, Collingwood, ON	October 22, 2013	Loblaws	Stand-alone retail	57,795	100%
Yonge Street, Toronto, ON	October 22, 2013	Loblaws	Stand-alone retail	33,700	100%
Avenue Road, Toronto, ON	October 22, 2013	no frills	Stand-alone retail	13,299	100%
Lakeshore Boulevard, Toronto, ON	October 22, 2013	no frills	Stand-alone retail	32,011	100%
Highway 7, Porter's Lake, NS	October 22, 2013	Atlantic Superstore	Multi-tenant retail	54,300	100%
Main Street, Salisbury, NB	October 22, 2013	Save Easy	Multi-tenant retail	17,291	97%
Bullock Drive, Markham, ON	October 22, 2013	N/A	Multi-tenant retail	12,102	100%
Highway 8, Stoney Creek, ON	October 22, 2013	Fortinos	Multi-tenant retail	92,546	100%
Wilson Avenue, Toronto, ON	December 19, 2013	no frills	Multi-tenant retail	47,344	100%
Acquisition from Third-Party					
Oxford Street, London, ON	October 28, 2013	N/A	Multi-tenant retail	5,538	100%
				987,103	100%

Financial Results

Management's Statement of Responsibility for Financial Reporting

The management of Choice Properties Real Estate Investment Trust (the "Trust") is responsible for the preparation, presentation and integrity of the accompanying consolidated financial statements, Management's Discussion and Analysis and all other information in the Annual Report - Financial Results ("Annual Report"). This responsibility includes the selection and consistent application of appropriate accounting principles and methods in addition to making the judgments and estimates necessary to prepare the consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). It also includes ensuring that the financial information presented elsewhere in the Annual Report is consistent with that in the consolidated financial statements.

Management is also responsible to provide reasonable assurance that assets are safeguarded and that relevant and reliable financial information is produced. Management is required to design a system of internal controls and certify as to the design and operating effectiveness of internal controls over financial reporting. A dedicated control compliance team reviews and evaluates internal controls, the results of which are shared with management on a quarterly basis. KPMG LLP, whose report follows, are the independent auditors engaged to audit the consolidated financial statements of the Trust.

The Board of Trustees, acting through an Audit Committee comprised solely of directors who are independent, is responsible for determining that management fulfills its responsibilities in the preparation of the consolidated financial statements and the financial control of operations. The Audit Committee recommends the independent auditors for appointment by the Unitholders. The Audit Committee meets regularly with senior and financial management and the independent auditors to discuss internal controls, auditing activities and financial reporting matters. The independent auditors and internal auditors have unrestricted access to the Audit Committee. These consolidated financial statements and Management's Discussion and Analysis have been approved by the Board of Trustees for inclusion in the Annual Report based on the review and recommendation of the Audit Committee.

Toronto, Canada
February 24, 2015

[signed]
John R. Morrison
President and Chief Executive Officer

[signed]
Bart Munn, CPA, CA
Executive Vice President, Chief Financial Officer

KPMG LLP
Bay Adelaide Centre
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INDEPENDENT AUDITORS' REPORT

To the Unitholders of Choice Properties Real Estate Investment Trust

We have audited the accompanying consolidated financial statements of Choice Properties Real Estate Investment Trust, which comprise the consolidated balance sheets as at December 31, 2014 and December 31, 2013, the consolidated statements of income and comprehensive income, changes in equity and cash flows for the year ended December 31, 2014 and for the period from May 21, 2013 to December 31, 2013, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Choice Properties Real Estate Investment Trust as at December 31, 2014 and December 31, 2013, and its consolidated financial performance and its consolidated cash flows for the year ended December 31, 2014 and for the period from May 21, 2013 to December 31, 2013 in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

February 24, 2015
Toronto, Canada

Choice Properties Real Estate Investment Trust
Consolidated Balance Sheets

(in thousands of Canadian dollars)	As at December 31, 2014	As at December 31, 2013
Assets		
Non-current Assets		
Investment properties (note 7)	$ 7,905,978	$ 7,287,759
Equity accounted investments (note 8)	6,230	—
Accounts receivable and other assets (note 9)	10,057	7,693
Notes receivable (note 10)	22,539	—
	7,944,804	7,295,452
Current Assets		
Accounts receivable and other assets (note 9)	9,473	8,828
Notes receivable (note 10)	236,829	92,057
Cash and cash equivalents	1,332	51,405
	247,634	152,290
Total Assets	$ 8,192,438	$ 7,447,742
Liabilities and Equity		
Non-current Liabilities		
Long term debt and Class C LP Units (note 11)	$ 3,435,628	$ 3,286,442
Credit facility (note 12)	120,187	—
Exchangeable Units (note 14)	3,207,216	2,988,466
Trade payables and other liabilities (note 13)	1,020	379
	6,764,051	6,275,287
Current Liabilities		
Long term debt due within one year (note 11)	993	89,725
Trade payables and other liabilities (note 13)	388,997	211,078
	389,990	300,803
Total Liabilities	7,154,041	6,576,090
Equity		
Unitholders' equity	1,030,701	871,652
Non-controlling interests (note 8)	7,696	—
Total Equity	1,038,397	$ 871,652
Total Liabilities and Equity	$ 8,192,438	$ 7,447,742

Contingent Liabilities and Financial Guarantees (note 22)
Subsequent Events (notes 23 and 24)

See accompanying notes to the consolidated financial statements.

Approved on behalf of the Board of Trustees

[signed]
Galen G. Weston
Board of Trustees Chairman

[signed]
Paul R. Weiss
Audit Committee Chairman

Choice Properties Real Estate Investment Trust
Consolidated Statements of Income and Comprehensive Income

For the year ended December 31, 2014, and the period from May 21, 2013 to December 31, 2013 (in thousands of Canadian dollars)		2014		2013
Net Property Income				
Rental revenue from investment properties (note 16)	**$**	**682,923**	$	318,507
Property operating costs (note 25)		**(172,550)**		(79,756)
Net Property Income		**510,373**		238,751
Other Expenses				
General and administrative expenses (note 25)		**(23,315)**		(12,234)
Amortization of other assets		**(414)**		(472)
Net interest expense and other financing charges (note 17)		**(380,654)**		(155,785)
Fair value adjustment on Exchangeable Units (note 14)		**12,143**		(147,401)
Fair value adjustment on investment properties (note 7)		**81,931**		144,289
Loss on disposal of investment properties (note 7)		**(450)**		—
Net Income and Comprehensive Income	**$**	**199,614**	$	67,148
Net Income and Comprehensive Income attributable to:				
Choice Properties Unitholders	**$**	**199,614**	$	67,148
Non-controlling interests (note 8)		—		—
	$	**199,614**	$	67,148

See accompanying notes to the consolidated financial statements.

Choice Properties Real Estate Investment Trust
Consolidated Statements of Changes in Equity

For the year ended December 31, 2014 (in thousands of Canadian dollars)	Attributable to Choice Properties Unitholders: Trust Units	Cumulative Net Income	Cumulative Distributions to Unitholders	Total Unitholders' Equity	Non-controlling interests	Total Equity
Equity, December 31, 2013	$ 832,415	$ 67,148	$ (27,911)	$ 871,652	$ —	**$ 871,652**
Net Income	—	199,614	—	199,614	—	**199,614**
Distributions	—	—	(57,487)	(57,487)	—	**(57,487)**
Issuance of Units under the Distribution Reinvestment Plan (note 14)	15,682	—	—	15,682	—	**15,682**
Issuance of Units under unit-based compensation arrangement (note 14)	1,240	—	—	1,240	—	**1,240**
Contribution from non-controlling interest (note 8)	—	—	—	—	7,696	**7,696**
Equity, December 31, 2014	**$ 849,337**	**$ 266,762**	**$ (85,398)**	**$ 1,030,701**	**$ 7,696**	**$ 1,038,397**

For the period from May 21, 2013 to December 31, 2013 (in thousands of Canadian dollars)	Attributable to Choice Properties Unitholders: Trust Units	Cumulative Net Income	Cumulative Distributions to Unitholders	Total Unitholders' Equity	Non-Controlling Interests	Total Equity
Equity, May 21, 2013	$ —	$ —	$ —	$ —	$ —	$ —
Net Income	—	67,148	—	67,148	—	67,148
Distributions	—	—	(27,911)	(27,911)	—	(27,911)
Issuance of Units, under the Distribution Reinvestment Plan (note 14)	1,148	—	—	1,148	—	1,148
Issuance of Units, net of costs (note 14)	831,267	—	—	831,267	—	831,267
Equity, December 31, 2013	$ 832,415	$ 67,148	$ (27,911)	$ 871,652	$ —	$ 871,652

See accompanying notes to the consolidated financial statements.

Choice Properties Real Estate Investment Trust
Consolidated Statements of Cash Flows

For the year ended December 31, 2014, and the period from May 21, 2013 to December 31, 2013 (in thousands of Canadian dollars)	2014	2013
Operating Activities		
Net Income	**$ 199,614**	$ 67,148
Amortization of straight-line rent	**(34,634)**	(16,484)
Amortization of tenant improvement allowances	**456**	8
Amortization of other assets	**414**	472
Net interest expense and other financing charges (note 17)	**380,654**	155,785
Value of unit-based compensation granted (note 15)	**1,513**	825
Fair value adjustment on Exchangeable Units	**(12,143)**	147,401
Fair value adjustment on investment properties	**(81,931)**	(144,289)
Loss on disposal of investment property	**450**	—
Leasing capital expenditures (note 7)	**(2,785)**	(1,250)
Interest received	**393**	324
Net change in non-cash working capital (note 25)	**24,367**	78,241
Cash Flows from Operating Activities	**476,368**	288,181
Investing Activities		
Acquisition of initial properties (note 6)	**—**	(23,910)
Acquisitions of investment properties (note 6)	**(220,526)**	(73,316)
Additions to investment properties (note 7)	**(55,636)**	(11,785)
Additions to fixtures and equipment	**(4,323)**	(2,871)
Notes receivable issued to third-party (note 10)	**(23,000)**	—
Equity investment (note 8)	**(6,230)**	—
Proceeds of disposition (note 7)	**13,030**	—
Cash Flows used in Investing Activities	**(296,685)**	(111,882)
Financing Activities		
Long term debt		
Issued - Senior unsecured debentures, net of debt placement costs (note 11)	**447,540**	597,050
Retired - Transferor Notes (note 11)	**(440,000)**	(660,000)
Retired - Class A LP Notes (note 5)	**—**	(544,821)
Principal repayments - Mortgage	**(246)**	—
Credit facility, net of debt placement costs (note 12)	**121,685**	(2,175)
Notes receivable		
Issued to related party (note 10)	**(236,328)**	(92,057)
Repaid by related party (note 10)	**92,057**	—
Issuance of Trust Units	**—**	660,000
Trust Unit issue costs	**—**	(43,733)
Cash received on exercise of options	**1,188**	—
Interest paid	**(108,413)**	(17,141)
Distributions paid on Exchangeable Units	**(73,219)**	—
Distributions paid to Unitholders	**(41,716)**	(22,017)
Contribution from non-controlling interest (note 8)	**7,696**	—
Cash Flows used in Financing Activities	**(229,756)**	(124,894)
Change in cash and cash equivalents	**(50,073)**	51,405
Cash and cash equivalents, beginning of year	**51,405**	—
Cash and Cash Equivalents, end of year	**$ 1,332**	$ 51,405

Supplemental disclosure of non-cash operating, investing and financing activities (note 25). See accompanying notes to the consolidated financial statements.

Note 1. Nature and Description of the Trust

Choice Properties Real Estate Investment Trust ("Choice Properties" or the "Trust") is an unincorporated, open-ended mutual fund trust governed by the laws of the Province of Ontario and established pursuant to a declaration of trust (the "Declaration of Trust") dated May 21, 2013. Choice Properties owns income-producing commercial properties located in Canada. The principal, registered, and head office of Choice Properties is located at 22 St. Clair Avenue East, Suite 500, Toronto, Ontario, M4T 2S5. Choice Properties' Units are listed on the Toronto Stock Exchange and are traded under the symbol "CHP.UN".

Choice Properties commenced operations on July 5, 2013 when it issued units and debt for cash pursuant to an initial public offering and completed the acquisition of 425 properties from Loblaw Companies Limited and its subsidiaries ("Loblaw"). From May 21, 2013 to July 5, 2013, Choice Properties had no operations or activity other than holding ten dollars in cash and an equivalent amount of equity, and as such, the disclosure for the period ended December 31, 2013 only includes operations from July 5, 2013 to December 31 2013.

The parent of Choice Properties is Loblaw, which held an 82.9% effective interest in Choice Properties as at December 31, 2014. Loblaw's controlling shareholder is George Weston Limited ("GWL"), which held an approximate 46% ownership of Loblaw's outstanding common shares and a 5.4% direct interest in Choice Properties as at December 31, 2014.

The active subsidiaries of the Trust included in Choice Properties' consolidated financial statements are Choice Properties Limited Partnership (the "Partnership") and Choice Properties GP Inc.

Note 2. Significant Accounting Policies

Statement of Compliance The consolidated financial statements of Choice Properties are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and using the accounting policies described herein.

These consolidated financial statements were authorized for issuance by Choice Properties' Board of Trustees ("Board") on February 24, 2015.

Basis of Preparation The consolidated financial statements were prepared on a historical cost basis except for the following items that were measured at fair value:

- investment properties as described in note 7;
- liabilities for unit-based compensation arrangements as described in note 15; and
- Class B LP Units (the "Exchangeable Units") which are exchangeable for Trust Units ("Units") at the option of the holder as described in note 14.

The consolidated financial statements are presented in thousands of Canadian dollars, which is the Trust's functional currency.

Basis of Consolidation The consolidated financial statements include the accounts of Choice Properties and other entities that the Trust controls. Subsidiaries are entities over which the Trust has control. Choice Properties controls an entity when the Trust has power over the entity, has exposure, or rights, to variable returns from its involvement with the entity, and has the ability to use its power to affect its returns. Choice Properties reassesses control on an ongoing basis.

When Choice Properties does not own all of the equity in a subsidiary, the non-controlling equity interest is disclosed in the consolidated balance sheet as a separate component of total equity. Transactions with non-controlling interests are treated as transactions with equity owners of the Trust. Changes in the Trust's ownership interest in its subsidiaries are accounted for as equity transactions. Transactions and balances between the Trust and its subsidiaries have been eliminated on consolidation.

Joint Arrangements Joint arrangements are arrangements of which two or more parties have joint control. Joint control is the contractual sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. Joint arrangements are classified as either joint operations or joint ventures depending on the Trust's rights and obligations in the arrangement based on factors such as the structure, legal form and contractual terms of the arrangement.

Joint Ventures A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement.

The Trust's investment in a joint venture is recorded using the equity method and is initially recognized in the consolidated balance sheet at cost and adjusted thereafter to recognize the Trust's share of the profit or loss and other comprehensive income of the joint venture. The Trust's share of the joint venture's profit or loss is recognized in the Trust's consolidated statements of income and comprehensive income.

The financial statements of the equity-accounted investment are prepared for the same reporting period as the Trust. Where necessary, adjustments are made to bring the accounting policies in line with those of the Trust.

A joint venture is considered to be impaired if there is objective evidence of impairment, as a result of one or more events that occurred after initial recognition of the joint venture, and that event has a negative impact on the future cash flows of the joint venture that can be reliably estimated.

Joint Operations A joint operation is a joint arrangement whereby the parties that have joint control have rights to the assets and obligations for the liabilities relating to the arrangement.

The financial statements of the joint operations are prepared for the same reporting period as the Trust. Where necessary, adjustments are made to bring the accounting policies in line with those of the Trust.

The Trust recognizes its proportionate share of assets, liabilities, revenues and expenses of joint operations.

Investment Properties Investment properties include income producing properties and properties under development that are held by Choice Properties to earn rental income or for capital appreciation or both.

Acquired investment properties are initially measured at cost, including directly attributable acquisition costs, if the transaction is deemed to be an asset acquisition.

Subsequent capital expenditures are recorded to investment properties only when it is probable that future economic benefits of the expenditure will flow to Choice Properties and the cost can be measured reliably. All other repair and maintenance costs are expensed when incurred. Costs capitalized to income properties include:
- Costs capitalized, due to construction or development, include site intensification fees, project management fees, borrowing costs, professional fees and property taxes;
- Initial direct leasing costs, incurred by Choice Properties in negotiating and arranging tenant leases; and
- Payments to tenants under lease obligations which are characterized either as tenant improvements, tenant inducements or building cost. The obligation is determined to be a building cost, and not a leasing cost, when the payment is for construction from which Choice Properties will receive benefit after the tenant vacates. The obligation is determined to be a tenant improvement when the payment to the tenant was spent on leasehold improvements. Otherwise, the obligations under the lease are treated as tenant inducements. Both tenant improvements and tenant inducements are amortized on a straight-line basis over the term of the lease as a reduction of revenue.

Costs capitalized to properties under development include:
- Costs capitalized, due to construction or development, include site intensification fees, project management fees, borrowing costs, professional fees and property taxes.

Directly attributable borrowing costs associated with acquiring or constructing a qualifying investment property are capitalized. Capitalization of borrowing costs commences when the activities necessary to prepare an asset for development or redevelopment begin, and ceases once the asset is substantially complete, or suspended if the development of the asset is suspended. 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.

Subsequent to initial recognition, investment properties are measured at fair value, determined based on available market evidence. If market evidence is not available, Choice Properties uses alternative valuation methods such as recent transaction prices in less active markets or discounted cash flow projections. The portfolio is internally appraised and external valuations are also performed each quarter for a portion of the portfolio. Substantially all properties will be subject to an external valuation at least once over a 5-year period. The fair value of investment properties reflects, among other things, rental income from current leases and assumptions about rental income from future leases in light of current market conditions. Related fair value gains and losses are recognized in net income in the year in which they arise.

Related fair value gains and losses are recorded in net income in the period in which they arise.

Gains or losses from the disposal of investment properties are determined as the difference between the net disposal proceeds and the carrying amount and are recognized in net income in the year of disposal.

Cash and Cash Equivalents Cash and cash equivalents consists of unrestricted cash on hand and marketable investments with an original maturity date of 90 days or less from the date of acquisition.

Financial Instruments Financial assets and liabilities are recognized when Choice Properties becomes a party to the contractual provision of the financial instrument. Financial instruments, upon initial recognition, are measured at fair value and classified as either financial assets or financial liabilities at fair value through profit or loss, held-to-maturity investments, loans and receivables, or other financial liabilities. Financial instruments are included on the consolidated balance sheet and measured after initial recognition at fair value, except for loans and receivables, held-to-maturity financial assets, and other financial liabilities, which are measured at amortized cost.

Classification The following summarizes the classification and measurement of financial assets and liabilities:

	Classification	Measurement
Financial assets		
Accounts receivable	Loans and receivables	Amortized cost
Notes receivable	Loans and receivables	Amortized cost
Cash and cash equivalents	Fair value through profit or loss	Fair value
Financial liabilities		
Long term debt and Class C LP Units:		
Transferor Notes	Other financial liabilities	Amortized cost
Senior Unsecured Debentures	Other financial liabilities	Amortized cost
Class C LP Units	Other financial liabilities	Amortized cost
Credit Facility	Other financial liabilities	Amortized cost
Trade payable and other liabilities	Other financial liabilities	Amortized cost
Exchangeable Units	Fair value through profit or loss	Fair value

The Trust has not classified any assets as held to maturity.

Exchangeable Units The Class B LP Units of Choice Properties' subsidiary are exchangeable into Trust Units at the option of the holder. Loblaw holds all of the Exchangeable Units. These Exchangeable Units are considered puttable instruments and are required to be classified as financial liabilities at fair value through profit or loss. The distributions paid on the Exchangeable Units are accounted for as interest expense.

Class C LP Units The Class C LP Units held by Loblaw provide for fixed cumulative monthly distributions from the Partnership to the holder of the Class C LP Units to be paid in priority, subject to certain restrictions. These Class C LP Units are redeemable at Loblaw's option and the Trust has the option to settle the redemption payment in cash, Exchangeable Units, or any combination thereof. The Class C LP Units have been classified as financial liabilities and are carried at amortized cost. Distributions on the Class C LP Units are accounted for as interest expense.

Fair Value Choice Properties measures financial assets and financial liabilities under the following fair value hierarchy. The different levels have been defined as follows:

- Fair Value Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Fair Value Level 2: 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); and
- Fair Value Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Determination of fair value and the resulting hierarchy requires the use of observable market data whenever available. The classification of a financial instrument in the hierarchy is based upon the lowest level of input that is significant to the measurement of fair value.

Acquisition costs, other than those related to financial instruments classified as fair value through profit or loss which are expensed as incurred, are capitalized to the carrying amount of the instrument and amortized using the effective interest method.

Gains and losses on fair value through profit or loss financial assets and financial liabilities are recognized in net income.

Valuation process The determination of the fair value of financial instruments is performed by Choice Properties' treasury and financial reporting departments on a quarterly basis. The following table describes the valuation techniques used in the determination of the fair values of financial instruments:

Type	Valuation approach
Accounts receivable, notes receivable, cash and cash equivalents, and accounts payable	The carrying amount approximates fair value due to the short term maturity of these instruments.
Unit Options	Fair value of each tranche is valued separately using a Black-Scholes option pricing model.
Restricted Units and Trustee Deferred Units	Fair value is based on the closing market trading prices of Choice Properties' Units.
Exchangeable Units	Fair value is based on the closing market trading prices of Choice Properties' Units.
Long term debt and Class C LP Units	Fair value is based on the present value of contractual cash flows, discounted at Choice Properties' current incremental borrowing rate for similar types of borrowing arrangements or, where applicable, quoted market prices.

De-recognition of Financial Instruments Financial assets are derecognized when the contractual rights to receive cash flows and benefits from the financial asset expire, or if Choice Properties transfers the control or substantially all the risks and rewards of ownership of the financial asset to another party. The difference between the assets carrying amount and the sum of the consideration received and receivable is recognized in net income.

Financial liabilities are derecognized when obligations under the contract expire, are discharged or cancelled. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in net income.

Impairment of Financial Assets An assessment of whether there is objective evidence that the Trust's assets or a group of financial assets is impaired is performed at each balance sheet date. A financial asset or group of financial assets is considered to be impaired if one or more loss events that have an impact on the estimated future cash flows occur after their initial recognition and the loss can be reliably measured. If such objective evidence has occurred, the loss is based on the difference between the carrying amount of the financial asset, or portfolio of financial assets, and the respective estimated future cash flows discounted at the financial assets' original effective interest rate. Impairment losses are recorded in net income with the carrying amount of the financial assets or group of financial assets reduced through the use of impairment allowance accounts.

In periods subsequent to the impairment where the impairment loss has decreased, and such decrease can be related objectively to an event occurring after the impairment was initially recognized, the previously recognized impairment loss is reversed through net income. The impairment reversal is limited to the lesser of the decrease in impairment or the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized, after the reversal.

Trust Units With certain restrictions, Choice Properties' 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 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.

Revenue Recognition Choice Properties has retained substantially all of the risks and benefits of ownership of its investment properties and, therefore, accounts for its leases with tenants as operating leases.

Rental revenue includes base rents earned from tenants under lease agreements, realty tax and operating cost recoveries and other incidental income. Base rent revenue, including predetermined rent adjustments in lease agreements, is recognized as revenue on a straight-line basis over the term of the underlying leases. Other revenue is recognized as the service is provided and when collection is reasonably assured.

Property tax and operating cost recoveries are recognized in the period that recoverable costs are chargeable to tenants. Percentage participation rents are recognized when tenants' specified sales targets have been met as set out in the lease agreements.

Short Term Employee Benefits Short term employee benefits include wages, salaries, compensated absences, profit-sharing and bonuses. Short term employee benefit obligations are measured on an undiscounted basis and are recognized in net income as the related service is provided. A liability is recognized for the amount expected to be paid under short term cash bonus or profit-sharing plans if Choice Properties has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Post Employment Benefits Choice Properties participates in certain Loblaw defined contribution pension plans. Choice Properties' obligation to Loblaw is limited to the annual contributions to the plan. Accordingly, the contributions are accounted for based on Choice Properties' proportionate share of contributions due.

Cash-Settled Unit-Based Compensation Unit Options, Restricted Units ("RUs") and Trustee Deferred Units ("DUs") issued by Choice Properties are accounted for as cash-settled awards.

Choice Properties' Unit Options have a five to ten year term, vest 25% cumulatively on each anniversary date of the grant and are exercisable at the designated Unit price, which is based on the greater of the volume weighted average trading price of a Unit for the five trading days prior to the date of grant or the trading day immediately preceding the grant date. The fair value of each tranche is valued separately using a Black-Scholes option pricing model, and includes the following assumptions:

- The expected distribution yield is estimated based on the expected annual distribution prior to the balance sheet date and the closing share price as at the balance sheet date;
- The expected Unit price volatility is estimated based on the average volatility of investment grade entities in the Standard & Poor's/ TSX REIT Index over a period consistent with the expected life of the options;
- The risk-free interest rate is estimated based on the Government of Canada bond yield in effect at the balance sheet date for a term to maturity equal to the expected life of the options; and
- The effect of expected exercise of options prior to expiry is incorporated into the weighted average expected life of the options, which is based on expectations of option holder behaviour.

RUs entitle certain employees to receive the value of the RU award in cash or Units at the end of the applicable vesting period, which is usually three years in length. The RU plan provides for the crediting of additional RUs in respect of distributions paid on Units for the period when an RU is outstanding. The fair value of each RU granted is measured based on the market value of a Unit at the balance sheet date.

Members of the Choice Properties' Board of Trustees, who are not management of Choice Properties, are required to receive a portion of their annual retainer in the form of DUs and may also elect to receive up to 100% of their remaining fees in DUs. Distributions paid earn fractional DUs, which are treated as additional awards. DUs vest upon grant. The fair value of each DU granted is measured based on the market value of a Unit at the balance sheet date.

The fair value of the amount payable to employees in respect of these cash settled awards plan is re-measured at each balance sheet date, and a compensation expense is recognized in general and administrative expenses over the vesting period for each tranche with a corresponding change in the liability.

Income Taxes Choice Properties qualifies as a "mutual fund trust" under the Income Tax Act (Canada). The Trustees intend to annually distribute all taxable income directly earned by the Trust to Unitholders and to deduct such distributions for income tax purposes.

Legislation relating to the federal income taxation of Specified Investment Flow Through trusts or partnerships ("SIFT") provide that certain distributions from a SIFT will not be deductible in computing the SIFT's taxable income and that the SIFT will be subject to tax on such distributions at a rate that is substantially equivalent to the general tax rate applicable to Canadian corporations. However, distributions paid by a SIFT as return of capital should generally not be subject to tax.

Under the SIFT rules, the taxation regime will not apply to a real estate investment trust ("REIT") that meets prescribed conditions relating to the nature of its assets and revenue (the "REIT Conditions"). Choice Properties has reviewed the SIFT rules and has assessed its interpretation and application to the REIT's assets and revenue. While there are uncertainties in the interpretation and application of the SIFT rules, Choice Properties has determined that it meets the REIT Conditions and accordingly, no net current income tax expense or deferred income tax assets or liabilities have been recorded in the consolidated financial statements.

Accounting Standards Implemented in 2014

In 2011, amendments were issued to IAS 32, "Financial Instruments: Presentation". These amendments are required to be applied for periods beginning on or after January 1, 2014. Choice Properties implemented these amendments prospectively in the first quarter of 2014.

In 2013, the IASB issued International Financial Reporting Interpretations Committee ("IFRIC" 21), "Levies". The IFRIC addresses accounting for a liability to pay a levy within the scope of IAS 37, "Provisions, Contingent Liabilities and Contingent Assets". A levy is an outflow of resources embodying economic benefits that is imposed by governments on entities in accordance with legislation, other than income taxes within the scope of IAS 12, "Income Taxes" and fines or other penalties imposed for breaches of the legislation. This interpretation became effective for annual periods beginning on or after January 1, 2014, and is to be applied retrospectively. Choice Properties implemented IFRIC 21 retrospectively in the first quarter of 2014.

The Trust has assessed the impact of the above and concluded there were no significant impacts on the Trust's consolidated financial statements.

Note 3. Critical Accounting Judgments and Estimates

The preparation of the consolidated financial statements requires management to make judgments and estimates in applying Choice Properties' accounting policies that affect the reported amounts and disclosures made in the consolidated financial statements and accompanying notes.

Within the context of these consolidated financial statements, a judgment is a decision made by management in respect of the application of an accounting policy, a recognized or unrecognized financial statement amount and/or note disclosure, following an analysis of relevant information that may include estimates and assumptions. Estimates and assumptions are used mainly in determining the measurement of balances recognized or disclosed in the consolidated financial statements and are based on a set of underlying data that may include management's historical experience, knowledge of current events and conditions and other factors that are believed to be reasonable under the circumstances. Management continually evaluates the estimates and judgments it uses.

The following are the accounting policies subject to judgments and key sources of estimation uncertainty that Choice Properties believes could have the most significant impact on the amounts recognized in the consolidated financial statements. Choice Properties' significant accounting policies are disclosed in note 2.

Investment Properties

Judgments Made in Relation to Accounting Policies Applied Judgment is applied in determining whether certain costs are additions to the carrying value of investment properties, identifying the point at which substantial completion of the property occurs, and identifying the directly attributable borrowing costs to be included in the carrying value of the development property.

Choice Properties also applies judgment in determining whether the properties it acquires are considered to be asset acquisitions or business combinations. Choice Properties considers all the properties it has acquired to date to be asset acquisitions.

Key Sources of Estimation The fair value of investment properties is dependent on available comparable transactions, future cash flows over the holding period and discount rates and capitalization rates applicable to those assets. The review of anticipated cash flows involves assumptions relating to occupancy, rental rates and residual value. In addition to reviewing anticipated cash flows, management assesses changes in the business climate and other factors, which may affect the ultimate value of the property. These assumptions may not ultimately be achieved.

Joint Arrangements

Judgments Made in Relation to Accounting Policies Applied Judgment is applied in determining whether the Trust has joint control and whether the arrangements are joint operations or joint ventures. In assessing whether the joint arrangements are joint operations or joint ventures, management applies judgment to determine the Trust's rights and obligations in the arrangement based on factors such as the structure, legal form and contractual terms of the arrangement.

Leases

Judgments Made in Relation to Accounting Policies Applied Choice Properties is required to make judgments in determining whether certain leases are operating or finance leases, in particular long-term leases. All tenant leases where Choice Properties is the lessor have been determined to be operating leases.

Income Taxes

Judgments Made in Relation to Accounting Policies Applied Choice Properties is a mutual fund trust and a REIT as defined in the Income Tax Act (Canada). Choice Properties is not liable to pay Canadian income taxes provided that its taxable income is fully distributed to Unitholders each year. Choice Properties is a REIT if it meets the prescribed conditions under the Income Tax Act (Canada) relating to the REIT Conditions. Choice Properties uses judgment in reviewing the REIT Conditions and assessing its interpretation and application to the REIT's assets and revenue, and it has determined that it qualifies as a REIT for the current period.

Choice Properties expects to continue to qualify as a REIT under the Income Tax Act (Canada), however, should it no longer qualify, it would not be able to flow through its taxable income to Unitholders and would therefore be subject to tax.

Note 4. Future Accounting Standards

In May 2014, the IASB issued IFRS 15, "Revenue from Contracts with Customers" ("IFRS 15"). The new standard provides a comprehensive framework for recognition, measurement and disclosure of revenue from contracts with customers, excluding contracts within the scope of the standard on leases, insurance contracts and financial instruments. IFRS 15 becomes effective for annual periods beginning on or after January 1, 2017, and is to be applied retrospectively. Early adoption is permitted. The Trust is currently assessing the impact of the new standard on its consolidated financial statements.

In July 2014, the IASB issued IFRS 9, "Financial Instruments" ("IFRS 9") replacing IAS 39, "Financial Instruments: Recognition and Measurement." The project had three main phases: classification and measurement, impairment, and general hedging. The standard becomes effective for annual periods beginning on or after January 1, 2018 and is to be applied retrospectively. Early adoption is permitted. The Trust is currently assessing the impact of the new standard on its consolidated financial statements.

In December 2014, the IASB issued amendments to IAS 1, "Presentation of Financial Statements". The amendments are effective for annual periods beginning on or after January 1, 2016 with early adoption permitted. The Trust intends to adopt these amendments in its financial statements for the annual period beginning January 1, 2016, but does not expect the amendments to have a material impact on its consolidated financial statements.

Note 5. Public Offerings and Acquisition of Initial Properties

On July 5, 2013 (the "Closing Date"), Choice Properties completed public offerings of equity and debt. Choice Properties also acquired a portfolio of investment properties on the Closing Date.

Initial Public Offering

Choice Properties completed an initial public offering (the "IPO") of Units, which closed July 5, 2013. Choice Properties raised gross proceeds of $400,000 through the issuance of 40,000,000 Units at a price of $10.00 per Trust Unit (the "IPO Price"). Costs relating to the IPO were approximately $40,661 and were applied against the gross proceeds of the IPO and charged against Unitholders' Equity.

Concurrently with the IPO, subsidiaries of GWL (other than Loblaw and its subsidiaries) purchased 20,000,000 Units from Choice Properties at the IPO Price for a total subscription price of $200,000.

On July 17, 2013, pursuant to the exercise of the over-allotment option granted to the underwriters in connection with the IPO, Choice Properties issued a further 6,000,000 Units, resulting in net proceeds, after payment of the underwriters' fees, of $57,000.

Issuance of Senior Unsecured Debentures

Choice Properties issued $600,000 in public debentures by way of $400,000 five-year Series A senior unsecured debentures (the "Series A Debentures") with a coupon rate of 3.554% and 10-year $200,000 Series B senior unsecured debentures (the "Series B Debentures") with a coupon rate of 4.903% (collectively the "IPO Debentures").The IPO Debentures had a weighted average maturity of 6.7 years and a weighted average interest rate of 4.0%. Costs relating to the issuance of the IPO Debentures were $2,950 and were applied against the gross proceeds thereof.

Acquisition of Initial Properties

In connection with the IPO, Choice Properties acquired from subsidiaries of Loblaw (collectively, the "Transferors"), through an investment in the newly created Partnership, a portfolio of 425 properties (the "Initial Properties"), comprising of 415 retail properties, one office complex and nine warehouse properties. The retail properties are made up of: (i) 267 properties with a stand-alone retail store operating under a Loblaw-owned banner; (ii) 143 properties anchored by a retail store operating under a Loblaw-owned banner that also contain one or more ancillary tenants; and (iii) five properties containing only ancillary tenants. The office complex consists of two office buildings and the warehouse properties include two properties that host two and three warehouses respectively.

In connection with the closing of the IPO, the Partnership acquired from a trust established for the benefit of the Transferors (the "Transferor Trust"), $2.6 billion aggregate principal amount of interest bearing notes issued by the Transferors to the Transferor Trust (the "Transferor Trust Notes") in exchange for the issuance of $2.6 billion aggregate principal amount of interest bearing notes payable to the Transferor Trust (the "Transferor Notes").

In exchange for the Initial Properties, Choice Properties issued, or assigned, as the case may be: (i) Exchangeable Units of the Partnership (accompanied by an equivalent number of Special Voting Units); (ii) Class C LP Units of the Partnership; (iii) Class A LP Notes of the Partnership; (iv) Class B LP Notes of the Partnership; and (v) the Transferor Notes. The purchase price allocated to the Initial Properties was $6,923,039 before acquisition costs of $1,600. The purchase of the Initial Properties has been accounted for as an asset acquisition.

The fair value of the initial consideration has been allocated, to the identifiable assets acquired and liabilities assumed based on their fair values, at the date of acquisition, as follows:

(in thousands of Canadian dollars)		
Investment properties (including acquisition costs of $1,600)	$	6,924,639
Accounts receivable and other assets		63,093
Other liabilities		(40,783)
Net assets acquired	**$**	**6,946,949**

Consideration provided for the acquisition and related acquisition costs was as follows:

(in thousands of Canadian dollars)		
Class A LP Notes(i)	$	544,821
Transferor Notes(ii)		2,561,976
Class C LP Units(iii)		876,263
Exchangeable Units		2,724,979
Class B LP Notes(iv)		215,000
Non-cash consideration		6,923,039
Cash consideration		23,910
Total cost of the acquisitions	**$**	**6,946,949**

(i) On the Closing Date, Choice Properties redeemed all of the outstanding Class A LP Notes for $544,821 of cash from the net proceeds of the issuance of 60,000,000 Units.

(ii) On closing, the Transferor Notes of $2,600,000 were recorded net of a fair value adjustment of $38,024. Also on the Closing Date, Choice Properties used the proceeds of the issuance of the IPO Debentures (see note 11) to repay $600,000 of the Transferor Notes, reducing the aggregate principal amount of Transferor Notes outstanding from $2,600,000 to $2,000,000.

(iii) On closing, the Trust's subsidiary issued 92,500,000 Class C LP Units, which were recorded as $925,000 less a fair value adjustment of $48,737.

(iv) On the Closing Date, Loblaw exchanged all of the Class B LP Notes for 21,500,000 Units.

The Initial Properties also includes excess land as described in note 7. Accordingly, no value for the excess land is included in the purchase price above.

Debt and Equity Transactions

On July 5, 2013, Choice Properties used cash proceeds of the IPO Debentures and the Units issued upon completion of the IPO to repay $600,000 of Transferor Notes and $544,821 of Class A LP Notes, and acquired and immediately canceled $215,000 of Class B LP Notes in consideration for the issuance of 21,500,000 Units to certain Transferors.

On July 17, 2013, proceeds of the issuance of Trust Units upon exercise of the over-allotment option, and cash, were used to repay $60,000 of the Transferor Notes.

Note 6. Acquisitions

During the year ended December, 2014, Choice Properties completed the following acquisitions from Loblaw (unless otherwise noted):

(in thousands of Canadian dollars)							Consideration			
Location	**Date of Acquisition**	**Property Type**	**Investment Properties**	**Other Assets**	**Other Liabilities**	**Net Assets Acquired**	**Exchangeable Units Issued**	**Debt Assumed**	**Cash**	Acquisition Costs included in Investment Properties
Mississauga, ON(i)	February 28	Industrial	$ 15,739	$ —	$ —	$ 15,739	$ —	$ —	$ 15,739	$ 239
Various	May 6	Retail	201,630	7	(1,189)	200,448	119,632	—	80,816	2,935
Boucherville, QC	October 8	Warehouse	39,432	—	(187)	39,245	18,198	3,603	17,444	183
Various	October 8	Retail	174,549	204	(817)	173,936	93,062	—	80,874	2,776
Brampton, ON(i)	November 7	Land	25,653	—	—	25,653	—	—	25,653	—
Total Acquisitions			**$ 457,003**	**$ 211**	**$ (2,193)**	**$ 455,021**	**$ 230,892**	**$ 3,603**	**$ 220,526**	$ 6,133

(i) Acquired from a third-party vendor.

The table below summarizes the acquisitions made in 2013 beginning with the IPO:

(in thousands of Canadian dollars)							Consideration		
	Date of Acquisition	**Property Type**	**Investment Properties**	**Other Assets**	**Other Liabilities**	**Net Assets Acquired**	**Non-cash(i)**	**Cash**	Acquisition Costs included in Investment Properties
Initial Properties	July 5	Various	$ 6,924,639	$ 63,093	$ (40,783)	$ 6,946,949	$ 6,923,039	$ 23,910	$ 1,600
Subsequent acquisitions	4th quarter 2013	Various	$ 189,320	$ 487	$ (405)	$ 189,402	$ 116,086	$ 73,316	$ 3,364

(i) Non-cash consideration on the 425 Initial Properties consisted of Exchangeable Units valued at $2,724,979, plus certain other instruments (note 5). Non-cash consideration on the subsequent acquisitions consisted of Exchangeable Units.

Note 7. Investment Properties

(in thousands of Canadian dollars)	Income Properties	Properties Under Development	As at December 31, 2014	As at December 31, 2013
Balance, beginning of year	$ 7,262,049	$ 25,710	$ 7,287,759	$ —
Acquisition of Initial Properties - including acquisition costs of nil (2013 - $1,600) (note 6)	—	—	—	6,924,639
Acquisitions of investment properties - including acquisition costs of $6,133 (2013 - $3,364) (note 6)	431,350	25,653	457,003	189,320
Capital expenditures:				
Building improvements	4,814	—	4,814	—
Property capital - including recoverable capital(i)	29,523	—	29,523	8,934
Development capital(ii)	16,311	4,988	21,299	2,851
Leasing capital expenditures:				
Tenant improvement allowances	1,541	—	1,541	834
Direct leasing costs	1,244	—	1,244	416
Dispositions	(13,480)	—	(13,480)	—
Capitalized interest (note 17)	—	166	166	—
Fair value adjustment on investment properties	81,931	—	81,931	144,289
Amortization of straight-line rent and tenant improvement allowances - included in revenue	34,178	—	34,178	16,476
Balance, end of year	$ 7,849,461	$ 56,517	$ 7,905,978	$ 7,287,759

(i) Property capital expenditures include $26,805 of recoverable capital (note 25) and $2,718 of non-recoverable capital.
(ii) Development capital includes $993 of site intensification fees paid to Loblaw (note 23).

On August 30, 2014, Choice Properties disposed of two investment properties with a fair value of $13,480 for cash proceeds of $13,030. These properties were previously identified for divestiture by the Competition Bureau in relation to Loblaw's acquisition of all the outstanding shares of Shoppers Drug Mart Corporation. In connection with the dispositions, Choice Properties received $450 of lease surrender revenue from Loblaw.

Included in certain investment properties acquired from Loblaw is excess land with development potential. No value was attributed to this land at the time of acquisition or in the fair value of the Trust's investment properties as at December 31, 2014. As a result, Choice Properties has not paid Loblaw for this excess land. Choice Properties will compensate Loblaw, over time, with intensification fees determined by a site intensification payment grid as outlined in the Strategic Alliance Agreement, should Choice Properties pursue activity resulting in the intensification of such excess land.

External Appraisals

As part of the IPO, all 425 acquired properties were externally valued by independent nationally-recognized appraisers. In addition to the table below, all the properties acquired since the IPO were also externally valued. A breakdown of the aggregate fair value of properties externally appraised each quarter, in accordance with the Trust's policy, is as follows:

	2014		2013	
(in thousands of Canadian dollars)	**Number of properties**	**Fair value**	Number of properties	Fair value
March 31	21	$ 397,110	N/A	$ —
June 30	21	403,870	N/A	—
September 30	22	546,970	17	336,703
December 31	21	397,780	19	450,860
Total	85	$ 1,745,730	36	$ 787,563

Choice Properties has engaged independent nationally-recognized valuation firms to appraise the investment properties such that substantially all of the portfolio will be externally appraised at least once over a five-year period.

Internal Appraisals

Investment properties were measured at fair value, which was primarily determined by using the discounted cash flow method. Under the discounted cash flow methodology, discount rates were applied to the projected annual operating cash flows, generally over a minimum term of ten years, including a terminal value of the properties based on a capitalization rate applied to the estimated net operating income, a non-GAAP measure, in the terminal year.

Valuations are most sensitive to changes in capitalization rates. Choice Properties' valuation inputs such as capitalization rates are supported by quarterly reports from independent external appraisers. Below are the key rates used in the valuation models for both internal and external appraisals.

	Weighted average	
	As at December 31, 2014	As at December 31, 2013
Discount rate	**7.09%**	7.08%
Terminal capitalization rate	**6.50%**	6.50%
Overall capitalization rate	**6.18%**	6.18%

Fair Value Sensitivity

The following table summarizes capitalization rate sensitivity:

Capitalization rate sensitivity increase/(decrease) (in thousands of Canadian dollars)	**Weighted average overall capitalization**	**Fair value of investment properties**	**Fair value variance**	**% change**
(0.75)%	5.43%	$ 8,997,255	$ 1,091,277	14 %
(0.50)%	5.68%	$ 8,601,501	$ 695,523	9 %
(0.25)%	5.93%	$ 8,239,095	$ 333,117	4 %
December 31, 2014	6.18%	$ 7,905,978	$ —	— %
0.25%	6.43%	$ 7,598,779	$ (307,199)	(4)%
0.50%	6.68%	$ 7,314,547	$ (591,431)	(7)%
0.75%	6.93%	$ 7,050,812	$ (855,166)	(11)%

The key assumptions and inputs used in the valuation techniques to estimate the fair value of investment properties are classified as Level 3 in the fair value hierarchy as certain inputs for the valuation are not based on observable market data points.

Note 8. Interests in Other Entities

Joint Venture

On December 9, 2014, Choice Properties and its joint venture partner, Wittington Properties Limited (”Wittington”), an affiliate of GWL, completed the acquisition of 500 Lake Shore Boulevard West (“500 Lake Shore”) in Toronto, Ontario for $15,576 from Loblaw via 500 LS Limited Partnership. The joint venture partners intend to develop 500 Lake Shore into a mixed-used property.

Limited Partnership	Country of Incorporation	Location	Ownership as at December 31, 2014
500 LS Limited Partnership	Canada	500 Lake Shore Blvd. West, Toronto, ON	40%

There was no operating activity during 2014. Summarized financial information for Choice Properties’ share of equity accounted investment is set out below:

(in thousands of Canadian dollars)	As at December 31, 2014
Current assets	$ 26
Non-current assets	15,550
Current liabilities	—
Non-current liabilities	—
Net assets at 100%	$ 15,576
Choice Properties’ investment in equity accounted joint venture at 40%	$ 6,230

Subsidiary

On November 7, 2014, Choice Properties entered into a 70% controlling interest in Choice Properties PRC Brampton Limited Partnership, a subsidiary which holds land intended for future retail development. As a result, Choice Properties consolidated this subsidiary as at December 31, 2014 and recognized a 30% non-controlling interest for the interests of PL Ventures Ltd., a subsidiary of PenEquity Realty Corporation (“PenEquity”).

Limited Partnership	Country of Incorporation	Location	Ownership Interest as at December 31, 2014
Choice Properties PRC Brampton Limited Partnership	Canada	Mayfield/Chinguacousy, Brampton, ON	70%

There was no operating activity during 2014. The following is included in the Choice Properties’ consolidated financial statements relating to the subsidiary:

(in thousands of Canadian dollars)	As at December 31, 2014
Current assets	$ —
Non-current assets	25,653
Current liabilities	—
Non-current liabilities	—
Net assets at 100%	$ 25,653
Non-controlling interests	$ 7,696

Note 9. Accounts Receivable and Other Assets

(in thousands of Canadian dollars)		As at December 31, 2014		As at December 31, 2013
Net rent receivable - net of allowance for doubtful accounts of $453 (2013 - $117)	**$**	**3,419**	$	2,383
Due from related party[(i)]		**—**		1,334
Fixtures and equipment - net of accumulated amortization of $886 (2013 - $472)		**6,308**		2,399
Prepaid property taxes		**2,791**		563
Credit facility finance fees - net of accumulated amortization of nil (2013 - $217)[(ii)]		**—**		1,958
Prepaid other		**7,012**		7,884
Accounts receivable and other assets	**$**	**19,530**	$	16,521

Classified as:				
Non-current	**$**	**10,057**	$	7,693
Current		**9,473**		8,828
	$	**19,530**	$	16,521

(i) Net rent receivable from Loblaw.

(ii) The finance fees have been offset with the outstanding balance of the credit facility (note 12).

Note 10. Notes Receivable

(in thousands of Canadian dollars)		As at December 31, 2014		As at December 31, 2013
Notes receivable from related party		**236,328**		92,057
Notes receivable from third-party		**23,040**		—
Notes receivable	**$**	**259,368**	$	92,057

Classified as:				
Non-current	**$**	**22,539**	$	—
Current		**236,829**		92,057
	$	**259,368**	$	92,057

Notes receivable from related party Non-interest bearing short term notes totaling $92,057 were repaid by Loblaw in January 2014. During 2014, non-interest bearing short term notes totaling $236,328 were issued to Loblaw and repaid in January 2015 (note 23).

Notes receivable from third-party Choice Properties provided mezzanine and bridge financing to Penady (Barrie) Ltd., a subsidiary of PenEquity and its partner, which consists of a non-current and current portion. Non-current portion represents a two-year mortgage of $22,500 at an interest rate of 8% per annum, with an option to extend, plus accrued interest of $39 payable on maturity (December 31, 2013 - nil). Current portion represents a six-month loan of $500 at an interest rate of 6% per annum, plus accrued interest of $1 payable on maturity (December 31, 2013 - nil).

Note 11. Long Term Debt and Class C LP Units

(in thousands of Canadian dollars)		**As at December 31, 2014**		As at December 31, 2013
Transferor Notes [(i)] (interest semi-annually)				
Series 3 3.00%, due 2014, effective interest 1.92%	**$**	**—**	$	90,000
Series 4 3.00%, due 2015, effective interest 2.27%		**—**		350,000
Series 5 3.00%, due 2016, effective interest 2.57%		**—**		300,000
Series 6 3.00%, due 2017, effective interest 2.99%		**—**		200,000
Series 7 3.00%, due 2019, effective interest 3.79%		**—**		200,000
Series 8 3.60%, due 2020, effective interest 3.94%		**—**		300,000
Series 9 3.60%, due 2021, effective interest 4.33%		**—**		200,000
Series 10 3.60%, due 2022, effective interest 4.61%		**—**		300,000
Senior Unsecured Debentures (interest semi-annually)				
Series A 3.554%, due 2018, effective interest 3.554%		**400,000**		400,000
Series B 4.903%, due 2023, effective interest 4.903%		**200,000**		200,000
Series C 3.498%, due 2021, effective interest 3.498%		**250,000**		—
Series D 4.293%, due 2024, effective interest 4.293%		**200,000**		—
Series 5 3.00%, due 2016, effective interest 2.00%		**300,000**		—
Series 6 3.00%, due 2017, effective interest 2.23%		**200,000**		—
Series 7 3.00%, due 2019, effective interest 3.04%		**200,000**		—
Series 8 3.60%, due 2020, effective interest 3.20%		**300,000**		—
Series 9 3.60%, due 2021, effective interest 3.57%		**200,000**		—
Series 10 3.60%, due 2022, effective interest 3.84%		**300,000**		—
Mortgage (interest monthly)				
7.42%, due 2017, effective interest 2.80%		**3,107**		—
Class C LP Units[(1)] (distributions monthly)				
Tranche 1 5.00%, redemption rights beginning 2027, effective interest 5.46%		**300,000**		300,000
Tranche 2 5.00%, redemption rights beginning 2028, effective interest 5.51%		**300,000**		300,000
Tranche 3 5.00%, redemption rights beginning 2029, effective interest 5.57%		**325,000**		325,000
		3,478,107		3,465,000
Debt discounts and premiums				
Transferor Notes - net of accumulated amortization of nil (2013 - ($361))		**—**		(38,384)
Senior Unsecured Debentures - net of accumulated amortization of ($3,312) (2013 - nil)		**8,344**		—
Mortgage - net of accumulated amortization of ($18) (2013 - nil)		**232**		—
Class C LP Units - net of accumulated amortization of $3,219 (2013 - $1,039)		**(45,519)**		(47,699)
Debt placement costs - net of accumulated amortization of $867 (2013 - $200)		**(4,543)**		(2,750)
Long term debt and Class C LP Units	**$**	**3,436,621**	$	3,376,167

Classified as:				
Non-current	**$**	**3,435,628**	$	3,286,442
Current		**993**		89,725
	$	**3,436,621**	$	3,376,167

(i) Due to Loblaw.

As at December 31, 2014, the weighted average effective interest rate for the long term debt is 3.38% (December 31, 2013 - 3.51%).

Senior Unsecured Debentures Under the Short Form Base Shelf Prospectus ("Prospectus" as described in note 19), on February 6, 2014, Choice Properties issued $250,000 of 3.498% Series C senior unsecured debentures due February 8, 2021 and $200,000 of 4.293% Series D senior unsecured debentures due February 8, 2024 with semi-annual installments due on February 8 and August 8 in each year commencing on August 8, 2014. Debt placement costs of $2,460 were incurred and recorded against the principal owing. These costs are amortized using the effective interest method and recorded to net interest expense and other financing charges (note 17).

On April 21, 2014 and May 12, 2014, Loblaw sold Replacement Debentures Series 5 through Series 6, and Series 7 through Series 10, respectively, to third-parties. The Replacement Debentures have a face value of $1,500,000, mature between 2016 and 2022, and have an effective weighted average interest rate of 2.99%. Interest is paid in semi-annual installments. Debt premiums and discounts on the Replacement Debentures are amortized using the effective interest method and recorded to net interest expense and other financing charges (note 17).

At December 31, 2014, the senior unsecured debentures have a weighted average effective interest rate of 3.38% (December 31, 2013 - 4.00%). Senior unsecured debentures Series A through Series D were issued by the Trust and Series 5 through Series 10 were issued by the Partnership.

Mortgage In connection with the portfolio acquired from Loblaw on October 8, 2014, Choice Properties assumed a mortgage which is secured by one of the properties acquired in the portfolio. The mortgage bears interest at a fixed rate of 7.42% per annum, matures in 2017 and has an effective interest rate of 2.80% per annum. The debt premium on the mortgage is amortized using the effective interest method and is recorded to net interest expense and other financing charges (note 17).

Class C LP Units (authorized - unlimited) Loblaw holds all of the outstanding Class C LP Units, which are redeemable, at Loblaw's option, based on the following schedule:

Class C LP Unit redemption periods	**Numbers of Class C LP Units eligible for redemption**
July 5, 2027 and thereafter	30,000,000
July 5, 2028 and thereafter	30,000,000
July 5, 2029 and thereafter	32,500,000

The Trust has the option to settle the redemption payment with cash, Exchangeable Units, or any combination thereof.

Schedule of Repayments The schedule of repayment of long term debt and Class C LP Units, based on maturity and redemption rights is as follows:

(in thousands of Canadian dollars)	**2015**	**2016**	**2017**	**2018**	**2019**	**Thereafter**	**Total**
Senior unsecured debentures	$ —	$ 300,000	$ 200,000	$ 400,000	$ 200,000	$ 1,450,000	**$ 2,550,000**
Mortgage	993	1,069	1,045	—	—	—	**3,107**
Class C LP Units	—	—	—	—	—	925,000	**925,000**
Total	**$ 993**	**$ 301,069**	**$ 201,045**	**$ 400,000**	**$ 200,000**	**$ 2,375,000**	**$ 3,478,107**

Transferor Notes On February 6, 2014, Choice Properties repaid the outstanding balances of the Series 3 and 4 Notes totaling $440,000. This early repayment triggered the accelerated amortization of the associated debt premiums resulting in a gain of $3,342 (note 17).

On April 21, 2014, Choice Properties entered into a Master Trust Indenture agreement with Computershare Trust Company of Canada. Supplemental indentures were created in order to facilitate the replacement of the Series 5 through Series 10 Transferor Notes, held by Loblaw. The new Series 5 through Series 10 senior unsecured debentures ("Replacement Debentures") contain the same principal amounts, interest rates, and maturity dates as the original Transferor Notes that they replaced. The remaining terms and conditions are substantially similar to the original notes.

During the second quarter of 2014, Loblaw sold the Replacement Debentures to third-parties in two separate offerings. Choice Properties incurred a finance charge of $52,253 from the accelerated amortization of the associated net debt discounts (note 17).

The net finance charge from the Transferor Note transactions, for the year ended December 31, 2014, was $48,911 (note 17).

During 2013, Choice Properties repaid all of Series 1 and 2 Transferor Notes totaling $600,000, plus $60,000 of Series 3 Transferor Note.

Note 12. Credit Facility

Choice Properties has a $500,000 senior unsecured committed revolving credit facility provided by a syndicate of lenders, which matures July 5, 2019. The credit facility bears interest at variable rates: Prime plus 0.45% or Bankers' Acceptance rate plus 1.45%. Pricing is contingent on Choice Properties' credit rating remaining at "BBB".

The credit facility contains certain financial covenants. As at December 31, 2014, the Trust was in compliance with all of its financial covenants (note 19).

(in thousands of Canadian dollars)		**As at December 31, 2014**		As at December 31, 2013
Credit facility	**$**	**122,000**	$	—
Debt placement costs - net of accumulated amortization of $677 (2013 - $nil)(i)		**(1,813)**		—
Credit facility	**$**	**120,187**	$	—

(i) During 2014, the Trust incurred debt placement costs of $315 to extend the term of the credit facility (2013 - incurred costs of $2,175 before amortization of $217). Debt placement costs were included in accounts receivable and other assets (note 9) in 2013 when nil was drawn on the credit facility.

Note 13. Trade Payables and Other Liabilities

(in thousands of Canadian dollars)		**As at December 31, 2014**		As at December 31, 2013
Trade accounts payable	**$**	**2,735**	$	2,934
Accrued liabilities		**37,989**		19,005
Accrued interest expense		**30,717**		12,231
Due to related party(i)		**259,473**		126,717
Unit-based compensation (note 15)		**2,286**		825
Distributions payable(ii)		**4,835**		4,746
Tenant deposits		**1,622**		1,590
Deferred revenue(iii)		**50,360**		43,409
Trade payables and other liabilities	**$**	**390,017**	$	211,457
Classified as:				
Non-current	**$**	**1,020**	$	379
Current		**388,997**		211,078
	$	**390,017**	$	211,457

(i) Includes distributions accruing on Exchangeable Units of $206,655 (2013 - $88,607) and Class C LP Units of $50,104 (2013 - $22,692) (note 23), interest payable on Transferor Notes of nil (2013 - $14,343), and other liabilities due to Loblaw of $2,714 (2013 - $1,075).

(ii) Includes $1,165 payable to Loblaw and $1,160 payable to GWL (December 31, 2013 - $1,165 and $1,089 respectively).

(iii) Includes $49,407 of rent from Loblaw received in advance (December 31, 2013 - $42,951).

Note 14. Unit Equity

Trust Units (authorized - unlimited) Each Unit represents a single vote at any meeting of Unitholders and entitles the Unitholder to receive a pro-rata share of all distributions. With certain restrictions, the Unitholders have the right to require Choice Properties to redeem its Units on demand. Upon receipt of the redemption notice by Choice Properties, all rights to and under the 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.

Exchangeable Units (authorized - unlimited) Exchangeable Units are economically equivalent to Units, receive distributions equal to the distributions paid on the Units and are exchangeable at the holder's option to Units.

Special Voting Units Each Exchangeable Unit is accompanied by one Special Voting Unit which provides the holder thereof with a right to vote on matters respecting the Trust equal to the number of Units that may be obtained upon the exchange of the Exchangeable Units for which each Special Voting Unit is attached.

Units Outstanding

	As at December 31, 2014		As December 31, 2013	
(in thousands of Canadian dollars)	**Units**	**Amount**	Units	Amount
Units, beginning of year	**87,614,229**	**$ 832,415**	—	$ —
Issuance of Units under the Distribution Reinvestment Plan	**1,522,472**	**15,682**	114,229	1,148
Units issued under unit-based compensation arrangement	**118,309**	**1,240**	—	—
Units issued, net of costs				
July 5, 2013	—	—	81,500,000	774,267
July 17, 2013	—	—	6,000,000	57,000
Units, end of year	**89,255,010**	**$ 849,337**	87,614,229	$ 832,415
Exchangeable Units, beginning of year	**284,074,754**	**$ 2,988,466**	—	$ —
Exchangeable Units issued				
July 5, 2013	**—**	**—**	272,497,871	2,724,979
October 22, 2013	**—**	**—**	9,925,671	98,909
December 19, 2013	**—**	**—**	1,651,212	17,177
May 6, 2014	**11,259,208**	**119,632**	—	—
October 8, 2014	**10,698,143**	**111,260**	—	—
Fair value adjustment	**—**	**(12,142)**	—	147,401
Exchangeable Units, end of year	**306,032,105**	**$ 3,207,216**	284,074,754	$ 2,988,466
Total Units and Exchangeable Units, end of year	**395,287,115**		371,688,983	

Distributions Choice Properties' Board of Trustees retains full discretion with respect to the timing and quantum of distributions, however the total income distributed will not be less than the amount necessary to ensure the Trust will not be liable to pay income taxes under Part I of the Income Tax Act for the year ended December 31, 2014. The Trust declared distributions of $0.65 per unit per annum (December 31, 2013 - $0.65). During 2014, Choice Properties declared $248,754 in distributions, including non-cash distributions provided under the Distribution Reinvestment Plan ("DRIP") and distributions to holders of Exchangeable Units, which are reported as interest expense (December 31, 2013 - $116,518). Distributions declared to Unitholders of record at the close of business on the last business day of a month are paid on or about the 15th day of the following month.

The holders of Exchangeable Units and Class C LP Units may elect to defer receipt of all or a portion of distributions declared by the Partnership until the first date following the end of the fiscal year. If the holder elects to defer, the Partnership will loan the holder the amount equal to the deferred distribution without interest, and the loan will be due and payable in full on the first business day following the end of the fiscal year the loan was advanced. Loblaw has elected to defer the distributions in full on both the Exchangeable Units and Class C LP Units.

Distribution Reinvestment Plan Choice Properties has a DRIP that allows Unitholders to use the monthly cash distributions paid on their existing units to purchase additional units directly from the Trust. Unitholders who elect to participate in the DRIP receive a further distribution, payable in Units, equal in value to 3% of each cash distribution. During the year ended December 31, 2014, Choice Properties issued 1,522,472 Units under the DRIP (December 31, 2013 - 114,229).

Note 15. Unit-Based Compensation

Choice Properties' unit-based compensation expense recognized in general and administrative expenses was:

(in thousands of Canadian dollars)		2014		2013
Unit Option plan	**$**	**208**	$	295
Restricted Unit plan		**600**		195
Deferred Unit plan		**705**		335
Unit-based compensation expense	**$**	**1,513**	$	825
Fair value adjustments included in the above	**$**	**(591)**	$	17

As at December 31, 2014, the carrying value of total unit-based compensation was $2,286 (December 31, 2013 - $825) (note 13).

Unit Option Plan Choice Properties maintains a Unit Option plan for certain employees. Under this plan, Choice Properties may grant Options totaling up to 4,075,000 Units. The Unit Options vest in tranches over a period of four years. The following is a summary of Choice Properties' Unit Option plan activity:

			2014			2013
	Number of awards		**Weighted average exercise price/unit**	Number of awards		Weighted average exercise price/unit
Outstanding Unit Options, beginning of year	**1,196,866**	**$**	**10.04**	—	$	—
Granted	**1,247,247**	**$**	**10.80**	1,196,866	$	10.04
Cancelled	**(643,294)**	**$**	**10.35**	—	$	—
Exercised	**(118,309)**	**$**	**10.05**	—	$	—
Outstanding Unit Options, end of year	**1,682,510**	**$**	**10.48**	1,196,866	$	10.04
Unit Options exercisable, end of year	—	$	—	—	$	—

The assumptions used to measure the fair value of the Unit Options under the Black-Scholes model (level 2) were as follows:

	As at December 31, 2014	As at December 31, 2013
Expected average distribution yield	**6.20%**	6.18%
Expected average Unit price volatility	**14.22% - 18.87%**	19.05% - 30.18%
Average risk-free interest rate	**1.04% - 1.35%**	1.63% - 1.99%
Expected average life of options	**2.5 to 5.4 Years**	4.0 to 5.5 Years

Estimated forfeiture rates are incorporated into the measurement of the Unit Option expense. The forfeiture rate applied as at December 31, 2014 was nil (December 31, 2013 - nil).

Restricted Unit Plan RUs entitle certain employees to receive the value of the RU award in cash or Units at the end of the applicable vesting period, which is usually three years in length. The RU plan provides for the crediting of additional RUs in respect of distributions paid on Units for the period when an RU is outstanding. The fair value of each RU granted is measured based on the market value of a Unit at the balance sheet date.

The following is a summary of Choice Properties' Restricted Unit ("RU") plan activity:

(Number of awards)	**2014**	2013
Outstanding Restricted Units, beginning of year	**108,746**	—
Granted	**100,523**	105,948
Reinvested	**10,804**	2,798
Cancelled	**(35,919)**	—
Outstanding Restricted Units, end of year	**184,154**	108,746

RUs vest over a period of three years. There were no RUs vested as at December 31, 2014 (December 31, 2013 - nil).

Trustee Deferred Unit Plan Members of the Choice Properties' Board of Trustees, who are not management of Choice Properties, are required to receive a portion of their annual retainer in the form of DUs and may also elect to receive up to 100% of their remaining fees in DUs. Distributions paid earn fractional DUs, which are treated as additional awards. DUs vest upon grant. The fair value of each DU granted is measured based on the market value of a Unit at the balance sheet date. A summary of the Deferred Unit plan activity is as follows:

(Number of awards)	**2014**	2013
Outstanding Trustee Deferred Units, beginning of year	**31,936**	—
Granted	**64,150**	31,758
Reinvested	**3,144**	178
Outstanding Trustee Deferred Units, end of year	**99,230**	31,936

All the Deferred Units vest when issued, however, they cannot be exercised while Trustees are members of the Board.

Note 16. Rental Revenue

Rental revenue is comprised of the following:

(in thousands of Canadian dollars)	Loblaw	Ancillary(i)	2014
Base rent	$ 470,895	$ 44,009	$ 514,904
Property tax recoveries	122,530	13,026	135,556
Operating cost recoveries	19,101	10,318	29,419
Other revenue	1,152	1,892	3,044
Rental revenue	**$ 613,678**	**$ 69,245**	**$ 682,923**

(i) Ancillary income includes $1,484 received from leases to a subsidiary of GWL for the year ended December 31, 2014.

(in thousands of Canadian dollars)	Loblaw	Ancillary(i)	2013
Base rent	$ 221,263	21,809	$ 243,072
Property tax recoveries	57,765	5,969	63,734
Operating cost recoveries	7,474	3,887	11,361
Other revenue	151	189	340
Rental revenue	$ 286,653	31,854	$ 318,507

(i) Ancillary income includes $46 received from leases to subsidiaries of GWL for the period ended December 31, 2013.

Choice Properties enters into long-term lease contracts with tenants for space in its properties. Initial lease terms are generally between three and ten years for commercial units and longer terms for grocery anchor stores. Leases generally provide for the tenant to pay Choice Properties base rent, with provisions for contractual increases in base rent over the term of the lease, plus operating cost and property tax recoveries. Many of the leases with Loblaw are for stand-alone retail sites. Loblaw is directly responsible for the operating costs on such sites.

Future base rent revenue for the years ended December 31 is as follows:

(in thousands of Canadian dollars)	
2015	$ 496,153
2016	494,017
2017	493,382
2018	493,380
2019	498,162
Thereafter	4,069,972
Total	**$ 6,545,066**

Note 17. Net Interest Expense and Other Financing Charges

(in thousands of Canadian dollars)		2014		2013
Transferor Notes[(i)]	$	18,271	$	31,128
Distributions on Class C LP Units[(i)]		46,250		22,692
Senior Unsecured Debentures		72,433		11,846
Interest on mortgage		49		—
Interest on credit facility		2,965		741
Effective interest rate amortization of debt discounts and premiums[(ii)]		48,891		678
Effective interest rate amortization of debt placement costs		1,127		417
Distributions on Exchangeable Units[(i)]		191,267		88,607
	$	381,253	$	156,109
Interest income		(433)		(324)
	$	380,820	$	155,785
Capitalized interest		(166)		—
Net interest expense and other financing charges	$	380,654	$	155,785

(i) Related party amounts.
(ii) Includes a finance charge of $48,911 for the year ended December 31, 2014, related to the accelerated amortization of net debt discounts on Transferor Note transactions (note 11).

Note 18. Employee Costs

The following amounts were expensed in relation to Choice Properties' employees:

(in thousands of Canadian dollars)		2014		2013
Salaries, wages and benefits, net	$	9,969	$	3,684
Post-employment benefits		238		64
Unit-based compensation		808		490
Employee costs	$	11,015	$	4,238

Note 19. Capital Management

In order to maintain or adjust its capital structure, Choice Properties may increase or decrease the amount of distributions paid to Unitholders, issue new Units and debt, or repay debt. Choice Properties manages its capital structure with the objective of:

- complying with the guidelines set out in its Declaration of Trust;
- complying with debt covenants;
- maintaining credit rating metrics consistent with those of investment grade REITs;
- ensuring sufficient liquidity is available to support its financial obligations and to execute its operating and strategic plans;
- maintaining financial capacity and flexibility through access to capital to support future development; and
- minimizing its cost of capital while taking into consideration current and future industry, market and economic risks and conditions.

On September 3, 2013, Choice Properties filed a Prospectus allowing for the issuance, from time to time, of Units and debt securities, or any combination thereof, having an aggregate offering price of up to $2 billion. This document is valid for a 25-month period. On February 6, 2014, Choice Properties issued $450,000 of debt securities under the Prospectus.

Choice Properties has certain key covenants in its debentures, and committed credit facility. The key financial covenants include debt service ratios and leverage ratios, as defined in the respective agreements. These ratios are measured by the Trust on an ongoing basis to ensure compliance with the agreements. Choice Properties was in compliance with each of the key financial covenants under these agreements as at December 31, 2014 and December 31, 2013.

Note 20. Fair Value Measurements

The following table provides a comparison of the carrying and fair values for each classification of assets and liabilities, measured at their fair value:

(in thousands of Canadian dollars)	**As at December 31, 2014 Total carrying amount**	**As at December 31, 2014 Total fair value**	As at December 31, 2013 Total carrying amount	As at December 31, 2013 Total fair value
Assets designated as fair value through profit or loss:				
Cash and cash equivalents	**$ 1,332**	**$ 1,332**	$ 51,405	$ 51,405
Loans and receivables (amortized cost):				
Accounts receivable (note 9)	**3,419**	**3,419**	3,717	3,717
Notes receivable (note 10)	**259,368**	**259,368**	92,057	92,057
Assets elected to be classified as fair value through profit or loss:				
Investment properties (note 7)	**7,905,978**	**7,905,978**	7,287,759	7,287,759
Total measured assets	**$ 8,170,097**	**$ 8,170,097**	$ 7,434,938	$ 7,434,938

(in thousands of Canadian dollars)	**As at December 31, 2014 Total carrying amount**	**As at December 31, 2014 Total fair value**	As at December 31, 2013 Total carrying amount	As at December 31, 2013 Total fair value
Liabilities required to be classified as fair value through profit or loss:				
Exchangeable Units (note 14)	**$ 3,207,216**	**$ 3,207,216**	$ 2,988,466	$ 2,988,466
Unit-based compensation (note 13)	**2,286**	**2,286**	825	825
Other liabilities (amortized cost):				
Trade payables and other liabilities(i) (note 13)	**387,731**	**387,731**	210,632	210,632
Credit facility (note 12)	**120,187**	**122,000**	—	—
Long term debt and Class C LP Units (note 11)	**3,436,621**	**3,582,560**	3,376,167	3,358,935
Total measured liabilities	**$ 7,154,041**	**$ 7,301,793**	$ 6,576,090	$ 6,558,858

(i) Excluding unit-based compensation liabilities.

The following table presents the fair value hierarchy of the assets and liabilities measured above:

(in thousands of Canadian dollars)	**As at December 31, 2014**	As at December 31, 2013
Level 1		
Assets		
Designated as fair value through profit or loss	**$ 1,332**	$ 4,424
Liabilities		
Classified as fair value through profit or loss	**3,207,216**	2,988,466
Level 2		
Assets		
Designated as fair value through profit or loss	**$ —**	$ 46,981
Loans and receivables (amortized cost)	**262,787**	95,774
Liabilities		
Classified as fair value through profit or loss	**2,286**	825
Other financial liabilities (amortized cost)	**4,092,291**	3,569,567
Level 3		
Assets		
Classified as fair value through profit or loss	**$ 7,905,978**	$ 7,287,759

There were no transfers between levels of the fair value hierarchy during the periods.

Note 21. Financial Risk Management

As a result of holding and issuing financial instruments, Choice Properties is exposed to credit risk, market risk and financial risk. The following is a description of those risks and how the exposures are managed:

Credit Risk Choice Properties is exposed to credit risk resulting from the possibility that counterparties could default on their financial obligations to Choice Properties. Exposure to credit risk relates to rent receivables, cash and cash equivalents, short term investments, security deposits and notes receivable.

Choice Properties mitigates the risk of credit loss related to rent receivables by evaluating the creditworthiness of new tenants, obtaining security deposits wherever permitted by legislation, ensuring its tenant mix is diversified and by limiting its exposure to any one tenant (except Loblaw). Choice Properties establishes an allowance for doubtful accounts that represents the estimated losses with respect to rent receivables. The allowance is determined on a tenant-by-tenant basis based on the specific factors related to the tenant.

The risk related to cash and cash equivalents, short term investments, security deposits and notes receivable is reduced by policies and guidelines that require Choice Properties to enter into transactions only with Canadian financial and government institutions that have a minimum short term rating of "A-2" and a long term credit rating of "A-" from S&P or an equivalent credit rating from another recognized credit rating agency and by placing minimum and maximum limits for exposures to specific counterparties and instruments.

Despite such mitigation efforts, if Choice Properties' counterparties default, it could have a material adverse impact on Choice Properties' financial condition or results of operations and its ability to make distributions to Unitholders.

Market Risk Choice Properties is exposed to market risk as a result of changes in factors such as interest rates and the market price of the Trust's Units.

Interest Rate Risk The majority of Choice Properties' debt is financed at fixed rates with maturities staggered over 10 years, thereby mitigating the exposure to near term changes in interest rates. To the extent that Choice Properties incurs variable rate indebtedness (such as under the credit facility), this will result in fluctuations in Choice Properties' cost of borrowing as interest rates change. If interest rates rise, Choice Properties' operating results and financial condition could be materially adversely affected and decrease the amount of cash available for distribution to Unitholders.

Choice Properties analyzes its interest rate risk and the impact of rising and falling interest rates on operating results and financial condition on a regular basis.

Borrowings under the credit facility are at variable rates which may result in fluctuations in Choice Properties' cost of borrowing as interest rates change. To the extent that interest rates rise, Choice Properties' operating results and financial condition could be materially adversely affected and decrease the amount of cash available for distribution to Unitholders. Choice Properties' credit facility and the Debentures also contain covenants that require it to maintain certain financial ratios on a consolidated basis. If Choice Properties does not maintain such ratios, its ability to make distributions to Unitholders may be limited or suspended. An increase of 1.0% per annum in the variable component of the credit facility interest rate would result in an increase to liabilities and a decrease in net income of $1,220.

Unit Price Risk Choice Properties is exposed to unit price risk as a result of the issuance of Exchangeable Units, which are economically equivalent to and exchangeable for units, as well as the issuance of unit-based compensation. Exchangeable Units and unit-based compensation liabilities are recorded at their fair value based on market trading prices. Exchangeable Units and unit-based compensation negatively impact operating income when the unit price rises and positively impact operating income when the unit price declines. An increase of $1.00 in the underlying price of Choice Properties' Units would result in an increase to liabilities, and decrease in net income as follows:

- Exchangeable Units $306,032 (2013 - $284,075); and
- Unit-based compensation liabilities $566 (2013 - $173).

Liquidity Risk and Capital Availability Risk Liquidity risk is the risk that Choice Properties cannot meet a demand for cash or fund its obligations as they come due. Although a portion of the cash flow generated by the investment properties is devoted to servicing such outstanding debt, there can be no assurance that Choice Properties will continue to generate sufficient cash flow from operations to meet interest payments and principal repayment obligations upon an applicable maturity date. If Choice Properties is unable to meet interest or principal repayment obligations, it could be required to renegotiate such payments or issue additional equity or debt or obtain other financing. The failure of Choice Properties to make or renegotiate interest or principal payments or issue additional equity or debt or obtain other financing could materially adversely affect Choice Properties' financial condition and results of operations and decrease or eliminate the amount of cash available for distribution to Unitholders.

The real estate industry is highly capital intensive. Choice Properties requires access to capital to fund operating expenses, to maintain its properties, to fund its growth strategy and certain other capital expenditures from time to time, and to refinance indebtedness. Although Choice Properties expects to have access to the credit facility, there can be no assurance that it will otherwise have access to sufficient capital or access to capital on favourable terms. Further, in certain circumstances, Choice Properties may not be able to borrow funds due to limitations set forth in the Declaration of Trust and the trust indentures, as supplemented. Failure by Choice Properties to access required capital could have a material adverse effect on its financial condition or results of operations and its ability to make distributions to Unitholders.

Liquidity and capital availability risks are mitigated by maintaining appropriate levels of liquidity, by diversifying the Trust's sources of funding, by maintaining a well-diversified debt maturity profile and actively monitoring market conditions.

Maturity Analysis The undiscounted future principal and interest payments on Choice Properties' debt instruments, and distribution and redemption payments on Class C LP Units are as follows:

(in thousands of Canadian dollars)	2015	2016	2017	2018	2019	Thereafter	Total
Senior unsecured debentures	$ 91,153	$ 386,653	$ 279,153	$ 476,153	$ 261,937	$ 1,593,179	**$ 3,088,228**
Mortgage	1,189	1,189	1,090	—	—	—	**3,468**
Credit facility(i)	—	—	—	—	122,000	—	**122,000**
Class C LP Units	46,250	46,250	46,250	46,250	46,250	1,319,808	**1,551,058**
Total	**$ 138,592**	**$ 434,092**	**$ 326,493**	**$ 522,403**	**$ 430,187**	**$ 2,912,987**	**$ 4,764,754**

(i) Excludes interest on the revolving credit facility at a floating interest rate.

Note 22. Contingent Liabilities and Financial Guarantees

Choice Properties is involved in and potentially subject to various claims by third-parties arising from the normal course of conduct of its business including regulatory, property and environmental claims. In addition, Choice Properties is potentially subject to regular audits from federal and provincial tax authorities, and as a result of these audits may receive assessments and reassessments. Although such matters cannot be predicted with certainty, management currently considers Choice Properties' exposure to such claims and litigation, to the extent not covered by Choice Properties' insurance policies or otherwise provided for, not to be material to the consolidated financial statements, but they may have a material impact in future periods.

Legal Proceedings Choice Properties is potentially the subject of various legal proceedings and claims that arise in the ordinary course of business. The outcome of all these proceedings and claims is uncertain. Based on information currently available, any proceedings and claims, individually and in the aggregate, are not expected to have a material impact on Choice Properties.

Guarantees Choice Properties issues letters of credit to support performance guarantees related to its investment properties including maintenance and development obligations to municipal authorities. As at December 31, 2014, the aggregate gross potential liability related to these letters of credit totaled $23,226 (December 31, 2013 - $20,029).

Choice Properties' credit facility and debentures are guaranteed by each of the General Partner, the Partnership and any other person that becomes a subsidiary of Choice Properties (with certain exceptions). In the case of default by the Trust, the Indenture Trustee will be entitled to seek redress from the Guarantors for the guaranteed obligations in the same manner and upon the same terms that it may seek to enforce the obligations of the Trust. These guarantees are intended to eliminate structural subordination, which would otherwise arise as a consequence of Choice Properties' assets being primarily held in various subsidiaries of the Trust.

Commitments Choice Properties has entered into contracts for development projects and has obligations for $7,304 of future payments ($7,673 - December 31, 2013).

Note 23. Related Party Transactions

Choice Properties' parent corporation is Loblaw, which held an 82.9% effective interest in the Trust through ownership of 21,500,000 Units and all of the Exchangeable Units as at December 31, 2014 (December 31, 2013 - 82.2% and 21,500,000 Units respectively). Loblaw's controlling shareholder, GWL, held an approximate 46% ownership of Loblaw's outstanding common shares and a 5.4% direct interest in Choice Properties, through ownership of 21,414,657 Units as at December 31, 2014 (December 31, 2013 - 5.4% and 20,107,810 Units respectively).

Choice Properties' policy is to conduct all transactions and settle all balances with related parties on market terms and conditions.

Transactions and Agreements with Loblaw

Acquisitions In 2014, Choice Properties acquired investment properties from Loblaw with a fair value of $409,717, excluding acquisition costs (note 6) and a 40% interest in land purchased from Loblaw through 500 LS Limited Partnership (note 8).

Subsequent to the end of 2014, Choice Properties acquired two properties from Loblaw as described in note 24. On January 9, 2015, Choice Properties acquired a 16-acre site in Barrie, Ontario from Loblaw for a purchase price of approximately $11,500, excluding acquisition costs. The acquisition was funded through the issuance of 265,665 Exchangeable Units, which had a value of approximately $2,808 as at January 9, 2015, an assumption of a $1,933 obligation, and paid the balance in cash. The Exchangeable Units issued to Loblaw did not materially impact Loblaw's effective ownership percentage. On January 30, 2015, Choice Properties acquired a 921,256 square foot warehouse in Pickering, Ontario from Loblaw for a purchase price of approximately $81,200, excluding acquisition costs. This acquisition was funded entirely with cash.

Dispositions Total proceeds from disposition were $13,030 of which Choice Properties received $290 from Loblaw for the internal conveyance of gas bar assets related to the investment properties disposed in accordance with the agreement with the Competition Bureau (note 7).

Site Intensification Fee Certain investment properties acquired from Loblaw include excess land with development potential. No value was attributed to this land at the time of acquisition such that Choice Properties did not pay Loblaw for this excess land. Choice Properties will compensate Loblaw with intensification fees, should Choice Properties pursue development, intensification or redevelopment of these properties. The payments to Loblaw will be calculated in accordance with a payment grid, set out in the strategic alliance agreement, that takes into account the region, market ranking and type of use for the property.

Choice Properties compensated Loblaw with intensification fees of $993 in connection with a retail development completed during 2014.

Construction Fees During 2014, Choice Properties paid $3,067 in construction fees to Loblaw for the development of specific properties.

Strategic Alliance Agreement The Strategic Alliance Agreement creates a series of rights and obligations between Choice Properties and Loblaw intended to establish a preferential and mutually beneficial business and operating relationship. Its initial term is for ten-years from the IPO, and will continue until the earlier of 20 years from the IPO and the date, if any, on which Loblaw ceases to own a majority interest, on a fully-diluted basis in the Trust. The Strategic Alliance Agreement provides Choice Properties with important rights that are expected to meaningfully contribute to the Trust's growth.

Services Agreement Loblaw provides Choice Properties with administrative and other support services. The fee for these services was $6,400 for the period from July 2013 to June 2014. The Service Agreement was renewed until December 31, 2015 at a revised annual rate of $3,141. The service agreement expense decreased to reflect the functions that the Trust assumed directly as a result of internalization of the leasing and property management functions.

On July 5, 2013, Choice Properties and Loblaw entered into a second services agreement with a one year term. This agreement provided Loblaw with administration and support services, such as leasing, analysis, valuation and development, on an as needed basis for a fee of $700.

Property Management Agreement Subsequent to the end of 2014, on January 1, 2015, Choice Properties agreed to manage Loblaw's third-party properties on a fee for service basis.

Distributions on LP Units and Notes Receivable Loblaw holds all of the Exchangeable Units and Class C LP Units Issued by the Partnership. Loblaw has elected to defer receipt of all distributions from the Partnership until the first day following the end of the fiscal year. Distributions declared and accrued on the last business day of a month become payable on or about the 15th day of the following month. On this day in lieu of paying distributions, the Partnership loans the holder an amount equal to the deferred distribution without interest, and the loan is due and payable in full on the first business day following the end of the fiscal year the loan was advanced. As at December 31, 2014, distributions totaling $237,517 were declared and accrued, and a note receivable of $236,328 was outstanding from Loblaw (December 31, 2013 - $111,299 and $92,057 respectively). On the first business day of 2015, distributions payable for Exchangeable Units of $190,078 and Class C LP Units of $46,250 were paid and the notes receivable from Loblaw were cancelled (January 2014 - paid $73,219 and $18,838, respectively, and the notes receivable from Loblaw were cancelled).

Trust Unit Distributions During the year, Choice Properties declared distributions of $13,975 on the Units held by Loblaw (2013 - $6,857).

Transaction Summary as Reflected in the Consolidated Financial Statements Loblaw is also Choice Properties' largest tenant, representing approximately 91.4% of Choice Properties' annual base rent and 88.4% of its GLA as at December 31, 2014 (December 31, 2013 - 91.0% and 88.5% respectively). Transactions with Loblaw recorded in the statements of net income were comprised as follows:

(in thousands of Canadian dollars)		**2014**		2013
Rental revenue[(i)] (note 16)	**$**	**613,678**	$	286,653
Net services agreements expense (note 25)	**$**	**4,421**	$	2,850
Office rent expense	**$**	**107**	$	54
Interest expense and other financing charges (note 17)	**$**	**255,788**	$	142,427

(i) Includes $450 lease surrender revenue from the dispositions (note 7).

The net balance due to Loblaw was as follows:

(in thousands of Canadian dollars)		**As at December 31, 2014**		As at December 31, 2013
Accounts receivable and other assets (note 9)	**$**	**—**	$	1,334
Notes receivable (note 10)		**236,328**		92,057
Long term debt and Class C LP Units (note 11) [(i)]		**(925,000)**		(2,865,000)
Accounts payable and other liabilities (note 13)		**(310,045)**		(170,833)
Net due to Loblaw	**$**	**(998,717)**	$	(2,942,442)

(i) As outlined in note 11, Choice Properties repaid $440,000 of related party debt on February 6, 2014. Also, on April 21, 2014 and May 12, 2014, Loblaw sold related party debt totaling $500,000 and $1,000,000, respectively. As at December 31, 2014, only Class C LP Units remained outstanding with Loblaw.

Transactions with GWL and Other Related Parties

Joint Venture On December 9, 2014, Choice Properties and its joint venture partner, Wittington, completed the acquisition of 500 Lake Shore in Toronto, Ontario for $15,576 from Loblaw (note 8). Wittington is the development and construction manager for the commercial space. Wittington's parent company is Wittington Investments, Limited, which holds a 63% interest in GWL.

Operating Lease Choice Properties also entered into a ten-year lease at market rates for office space with GWL's parent company that commenced in 2014. Lease payments will total $2,664 over the life of the lease. Although the lease payments to the related party in 2014 were nil, as a result of the free rent periods included in the lease, net income was reduced by straight-line rent expense.

Trust Unit Distributions During the year, Choice Properties declared distributions of $13,526 on the Units held by GWL (2013 - $6,384). GWL participates in the DRIP. During the year, the Trust issued 1,306,847 Units to GWL under the DRIP (December 31, 2013 - 107,810 beginning with the first issuance of Units on December 16, 2013) (note 14).

Transaction Summary as Reflected in the Consolidated Financial Statements Transactions with GWL recorded in the statements of income were comprised as follows:

(in thousands of Canadian dollars)		**2014**		2013
Rental revenue[(i)] (note 16)	**$**	**1,484**	$	46
Office rent expense	**$**	**109**	$	—

The balance due to GWL was as follows:

(in thousands of Canadian dollars)		**As at December 31, 2014**		As at December 31, 2013
Accounts payable and other liabilities (note 13)		**(1,160)**		(1,089)
Due to GWL	**$**	**(1,160)**	$	(1,089)

Transactions with Key Personnel

Choice Properties' key personnel are comprised of Trustees and certain members of the executive team of Choice Properties. Compensation of key personnel was as follows:

(in thousands of Canadian dollars)		**2014**		2013
Salaries, trustee fees, incentives and short-term employee benefits	**$**	**4,157**	$	2,009
Unit-based compensation		**1,359**		766
Compensation of key personnel	**$**	**5,516**	$	2,775

Note 24. Subsequent Events

On January 1, 2015, Choice Properties agreed to manage Loblaw's third-party properties on a fee for service basis (note 23).

On January 9, 2015, Choice Properties acquired a 16-acre site in Barrie, Ontario from Loblaw for a purchase price of approximately $11,500, excluding acquisition costs. The acquisition was funded through the issuance of 265,665 Exchangeable Units, which had a value of approximately $2,808 as at January 9, 2015, an assumption of a $1,933 obligation, and paid the balance in cash. The Exchangeable Units issued to Loblaw did not materially impact Loblaw's effective ownership percentage. Choice Properties intends to co-develop the property with PenEquity, which holds an adjacent 21-acre parcel of land, to construct an integrated retail centre that spans a total of 37 acres. PenEquity and its subsidiaries are the development, construction and property managers of this development project.

On January 30, 2015, Choice Properties entered into a co-ownership agreement, with PFC Fernbank Corp., a subsidiary of PenEquity and Phoenix Fernbank Inc. to acquire a nine-acre parcel of land in Kanata, Ontario for retail development. Choice Properties recognized its proportionate share of the assets held jointly in the co-ownership, which is $2,025, or 50% of the $4,050 purchase price of the parcel of land. Choice Properties funded its partners' collective 50% interest through a 5-year mezzanine loan of $2,025 at a rate of 8% per annum. PenEquity is the development, construction and property manager of this development project.

On January 30, 2015, Choice Properties completed the acquisition of a warehouse from Loblaw for a purchase price of approximately $81,200, excluding acquisition costs. This acquisition was entirely funded with cash. The warehouse is fully occupied by Loblaw as the single tenant.

On February 5, 2015, Choice Properties issued $250,000 aggregate principal amount of Series E senior unsecured debentures. These debentures bear interest at a rate of 2.297% per annum and mature on September 14, 2020. The net proceeds were used by the Trust to repay existing indebtedness and for general business purposes. The offering was made under Choice Properties' Prospectus dated September 3, 2013 (note 19).

On February 19, 2015, Choice Properties acquired a 54,569 square foot shopping centre in Porter's Lake, Nova Scotia from a third-party, for a purchase price of $5,200, excluding acquisition costs. The shopping centre is currently 85% occupied by 20 tenants, including a number of national retailers, with lease maturities ranging from 2015 to 2022. The shopping centre is anchored by the 47,000 square foot grocery store on an adjacent property that Choice Properties owns.

Note 25. Supplementary Information

Property Operating Costs

(in thousands of Canadian dollars)		2014		2013
Property taxes	**$**	**139,651**	$	65,821
Recoverable operating costs		**30,141**		12,731
Non-recoverable operating costs		**2,758**		1,204
Property operating costs	**$**	**172,550**	$	79,756

General and Administrative Expenses

(in thousands of Canadian dollars)		2014		2013
Salaries, benefits and employee costs	**$**	**12,567**	$	4,766
Investor relations and other public entity costs		**2,162**		892
Professional fees		**1,713**		3,077
Other		**3,310**		649
Services Agreement with related party(i)		**4,771**		3,200
Total general and administrative expenses		**24,523**		12,584
Less: Salaries capitalized		**(658)**		—
Less: Legal costs capitalized to acquisitions		**(200)**		—
Less: Services Agreement charged to related parties(i)		**(350)**		(350)
General and administrative expenses	**$**	**23,315**	$	12,234

(i) Net services agreement with related party is $4,421 (2013 - $2,850).

Change in Non-Cash Operating Working Capital

(in thousands of Canadian dollars)		2014		2013
Net change in Accounts receivable and other assets	**$**	**(3,009)**	$	(16,521)
Less: Fixtures and equipment		**3,909**		2,399
Less: Credit facility finance fees		**(1,958)**		1,958
Add back: Amounts from acquired properties (note 6)		**211**		63,580
Net change in Trades payable and other liabilities		**178,560**		211,457
Less: Distributions payable		**(89)**		(4,746)
Less: Unit-based compensation		**(1,461)**		(825)
Less: Net change to accrued interest		**(149,603)**		(137,873)
Less: Amounts from acquired properties (note 6)		**(2,193)**		(41,188)
Change in non-cash working capital	**$**	**24,367**	$	78,241

Supplemental Disclosure of Non-cash Operating, Investing and Financing Activities

(in thousands of Canadian dollars)		2014		2013
Value of Units issued under distribution reinvestment plan (note 14)	**$**	**15,682**	$	1,148
Value of Units issued under unit-based compensation plan		**52**		—
De-recognition of Transferor Notes (note 11)		**(1,500,000)**		—
Recognition of senior unsecured debentures (note 11)		**1,500,000**		—
Debt assumed on acquisition of investment properties (note 6)		**3,603**		—
Issuance of Class A LP Notes (note 5)		**—**		544,821
Transferor Notes, net of fair value adjustment (note 5)		**—**		2,561,976
Issuance of Exchangeable Units (note 14)		**230,892**		2,841,065
Class C LP Units, net of fair value adjustment (note 5)		**—**		876,263
Issuance of Trust Units (note 5)		**—**		215,000

Recoverable Capital Improvements

(in thousands of Canadian dollars)		2014		2013
Balance yet to be recovered, beginning of the year	**$**	**8,430**	$	—
Add: Recoverable expenditures during the year (note 7)		**26,805**		8,451
Less: Recoverable during the year		**(981)**		(21)
Balance yet to be recovered, end of the year	**$**	**34,254**	$	8,430

Glossary of Terms

Term	Definition
Adjusted Funds from Operations	Funds from Operations adjusted for non-cash income and expense items such as amortization of straight-line rents, unit-based compensation expenses, and finance charges. Also, includes a reduction for normalized productive capacity maintenance expenditures and leasing capital expenditures (see Section 18, "Non-GAAP Financial Measures", of Management's Discussion and Analysis).
Adjusted Funds from Operations Payout Ratio	Distribution declared per unit, divided by Adjusted Funds from Operations per unit diluted (see Section 19, "Non-GAAP Financial Measures", of Management's Discussion and Analysis).
Debt to Total Assets	Debt divided by total assets. Debt includes Class C LP Units but excludes Exchangeable Units. This ratio is a non-GAAP financial measure calculated based on the trust indentures, as supplemented.
Debt Service Coverage	Earnings Before Interest, Taxes, Depreciation, Amortization, and Fair Value adjustments divided by interest expense on long-term debt and distributions on Class C LP Units and all regularly scheduled principal payments made with respect to indebtedness during such period (other than any balloon, bullet or similar principal payable at maturity or which repays such indebtedness in full). This ratio is a non-GAAP financial measure calculated based on the trust indentures, as supplemented.
Debt to EBITDAFV	Debt divided by Earnings Before Interest, Taxes, Depreciation, Amortization, and Fair Value adjustments. Debt includes Class C LP Units but excludes Exchangeable Units.
Earnings Before Interest, Taxes, Depreciation, Amortization and Fair Value	Net income plus, where applicable, income taxes, interest expense, amortization expense, depreciation expense, and fair value adjustments (see Section 18, "Non-GAAP Financial Measures", of Management's Discussion and Analysis).
Funds From Operations	Net income adjusted for items that do not arise from operating activities, such as fair value adjustments, depreciation and amortization, and adjustments for non-controlling interests, as defined by the Real Property Association of Canada White Paper on Funds from Operations for IFRS issued in April 2014 (see Section 19, "Non-GAAP Financial Measures", of Management's Discussion and Analysis).
Funds From Operations Payout Ratio	Distribution declared per unit divided by the Funds from Operations per unit diluted (see Section 18, "Non-GAAP Financial Measures", of the Management's Discussion and Analysis).
Net Operating Income	Rental revenue less straight-line rental revenue and property operating costs (see Section 18, "Non-GAAP Financial Measures", of Management's Discussion and Analysis).
Same Properties	The same properties owned by Choice Properties during the current period and the comparative period, including any re-development of the same properties.

Corporate Information

Corporate Profile

Choice Properties Real Estate Investment Trust is an owner, manager and developer of well-located commercial real estate across Canada. Choice Properties' portfolio spans approximately 39.9 million square feet of gross leasable area and consists of 475 properties primarily focused on supermarket-anchored shopping centres, stand-alone supermarkets and other retail properties. Choice Properties' strategy is to create value by enhancing and optimizing its property portfolio, which was built over thirty years by Loblaw, the Trust's principal tenant, and largest Unitholder. Choice Properties' strong alliance with Loblaw positions it well for future growth.

Conference Call and Webcast

Senior management will host a conference call to discuss the results on February 25, 2015 at 10:00AM (ET). To access via teleconference, please dial (647) 427-7450. A playback will be made available two hours after the event at (416) 849-0833, access code: 61460503. To access the conference call via webcast, a link is available at www.choicereit.ca in the "Events and Webcast" section under "News and Events".

Head Office

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Stock Exchange Listing and Symbol

The Trust's Units are listed on the Toronto Stock Exchange and trade under the symbol "CHP.UN"

Distribution Policy

Choice Properties' Board retains full discretion with respect to the timing and quantum of distributions. Declared distributions are paid to Unitholders of record at the close of business on the last business day of a month on or about the 15th day of the following month.

Independent Auditors

KPMG LLP
Chartered Professional Accountants
Toronto, Canada

Registrar and Transfer Agent

Canadian Stock Transfer Company Inc.
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Investor Relations

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Additional financial information has been filed electronically with various securities regulators in Canada through the System for Electronic Document Analysis and Retrieval (SEDAR), www.sedar.com. Choice Properties holds a conference call shortly following the release of its quarterly results. These calls are archived in the Investor Relations section of the Trust's website, www.choicereit.ca

Trustees

Ce rapport est disponible en français.

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