Development in Progress

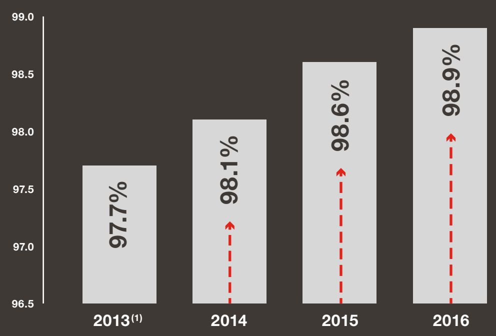
Progress in Development

2016 Annual Report

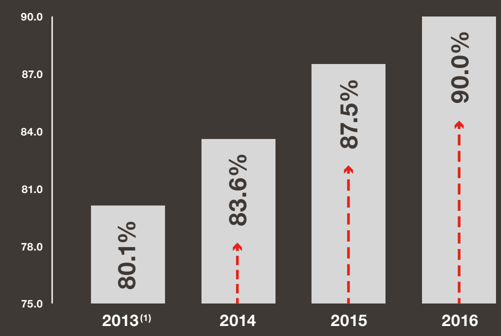
Choice Properties REIT

FINANCIAL AND OPERATIONAL HIGHLIGHTS

TOTAL OCCUPANCY

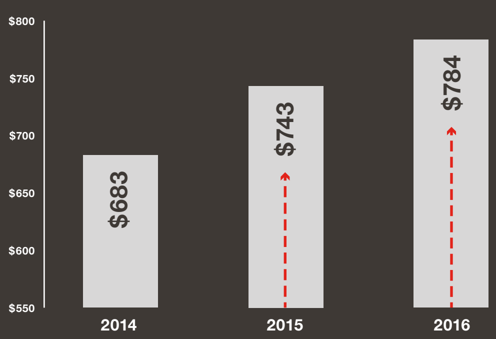


ANCILLARY OCCUPANCY



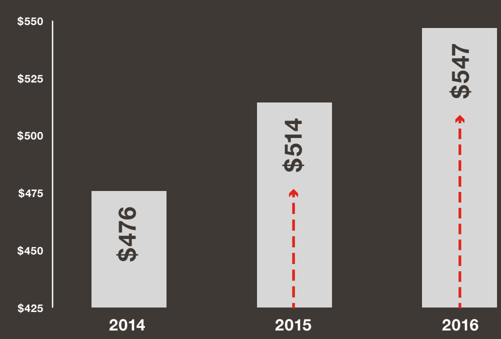
REVENUE

(in millions)



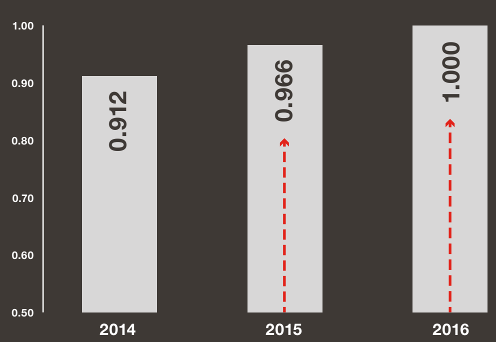
NET OPERATING INCOME

(in millions)



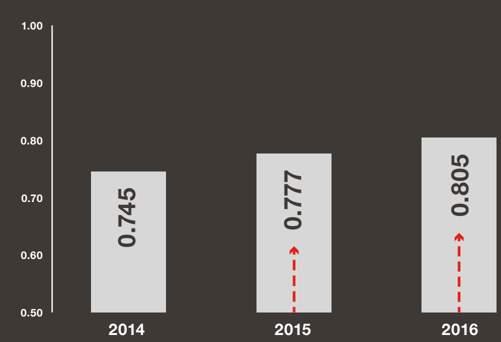
FFO(2)

(per unit)(3)



AFFO(2)

(per unit)

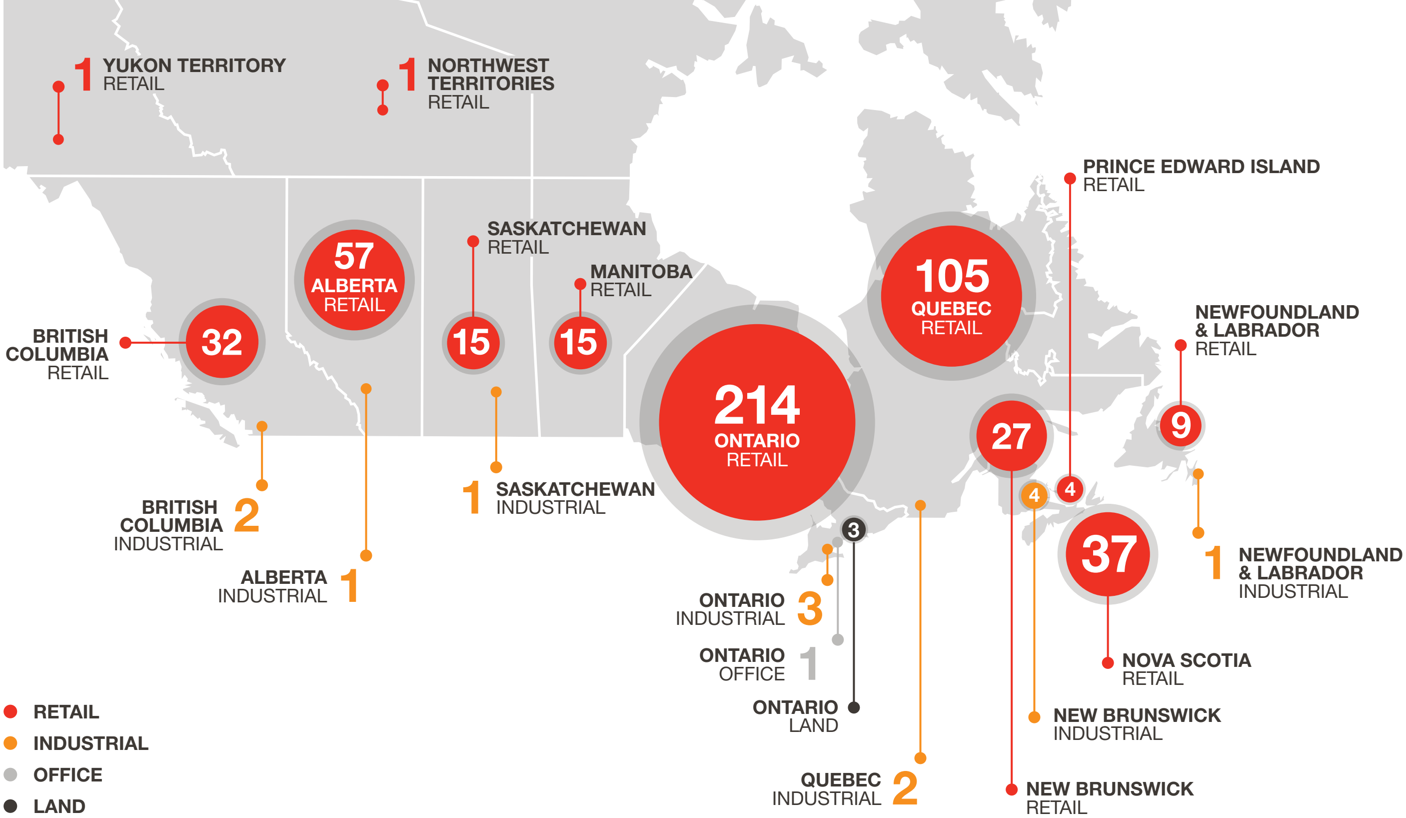


(1) Based on operations for the period from July 5, 2013 to December 31, 2013.

(2) Cash flows from operating activities excludes interest paid. Presentation of the prior years has been updated to exclude leasing capital expenditures.

(3) FFO per unit for the year ended December 31, 2014 was adjusted for internalization costs of $2,568 and non-cash finance charges of $48,911. The non-cash finance charges were the result of accelerated amortization of net debt discounts due to replacement of notes issued to Loblaw in connection with the initial public offering in 2013. Including these charges, FFO per unit diluted was $0.777.

Front cover photos (top to bottom): 4450 Rochdale Blvd., Regina, SK; 5031 44th St., Lloydminster, AB; 124 Clair Rd. E., Guelph, ON; 100 Country Village Rd. N.E., Calgary, AB; 180 Chemin du Tremblay, Boucherville, QC; 607 Cundles Rd. E., Barrie, ON; 5031 44th St., Lloydminster, AB; 180 Holiday Inn Dr., Cambridge, ON



Our portfolio of grocery and drug anchored real estate is well located from coast to coast, attracting top-quality tenants and offering stable, secure returns with a rich pipeline of opportunity for value creation. Choice Properties is driving growth and progress through acquisitions, development and active management.

OCCUPANCY RATE OF

98.9%

(AS AT DECEMBER 31, 2016)

Choice Properties Real Estate Investment Trust is an owner, manager and developer of well-located retail and commercial real estate across Canada. Choice Properties' portfolio spans approximately 43.6 million square feet of gross leasable area ("GLA") and consists of 535 properties primarily focused on supermarket anchored shopping centres and stand-alone supermarkets. Our strategy is to create value by enhancing and optimizing our portfolio through accretive acquisitions, strategic development and active management. Choice Properties' principal tenant and largest Unitholder is Loblaw Companies Limited ("Loblaw"), Canada's largest retailer. Our strong alliance with Loblaw positions us well for future growth.

2016 DEVELOPMENT HIGHLIGHTS INCLUDE:

CONSTRUCTED

807,000(1)

SQUARE FEET OF NEW GLA

21

DEVELOPMENT PROJECTS COMPLETED

Focused on execution, the Choice Properties team made significant progress in 2016. While we continued to acquire quality assets and actively manage our portfolio, it was a pivotal year for our development program, which gained considerable momentum with value created from new GLA constructed and a foundation for future growth established.

UNENCUMBERED PORTFOLIO OF INVESTMENT PROPERTIES WITH A FAIR VALUE OF

$8.6B

INCREASE IN ANNUALIZED DISTRIBUTIONS OF

9.2%

(1) Includes GLA for projects targeted for 2017 completion.

GENERATING STABILIZED NOI OF

$18.2M[2]

YIELDING A RETURN ON INVESTMENT OF

~8%[2]

(ON A WEIGHTED AVERAGE BASIS)

ACQUISITIONS

Acquired 16 properties with 1.2 million square feet of GLA for $192 million, adding $11.7 million in incremental NOI

PROPERTY LEASING

Improved leasing metrics with ancillary occupancy at 90.0% and total occupancy at 98.9%; executed leases totalling approximately 1.5 million square feet with a 7.7% increase in rental rates on renewals

FINANCIAL MANAGEMENT

Strengthened our capacity to invest in future growth and meet ongoing obligations through sound financial management and a solid balance sheet, with a debt to service coverage ratio of 3.5x and a weighted average term to maturity of 5.2 years

Photos above: (page 2) 2332 160th St., South Surrey, BC; 9711 23rd Ave., Edmonton, AB; 124 Clair Rd. E., Guelph, ON; (page 3) 450 Erb St. W., Waterloo, ON; 4410 17th St. N.W., Edmonton, AB; 165 Main St., Moncton, NB

(2) Based on 21 projects completed in 2016 representing 763,000 square feet of new GLA.

FELLOW UNITHOLDERS,

I am pleased to report on another successful year for Choice Properties REIT – a year in which we remained focused on our plan and our three key drivers of growth: accretive acquisitions of new properties; strategic development of existing properties; and active management of our portfolio of properties and tenant relationships. All three contributed to our progress and growth in 2016 and will continue as we embark on the many new and exciting projects that are currently in progress and on the horizon.

This year, we continued to acquire high-quality assets. We acquired 16 new properties totalling 1.2 million square feet of GLA and valued at $192 million, with an accretive cap rate of 6.2%[1] on a weighted average basis. We also constructed 807,000 square feet of new GLA for tenant possession, contributing to the completion of 21 projects, including intensification, redevelopment and greenfield projects. Leasing activity led to increased occupancy during the year while we continued to improve the quality of our real estate assets. At the same time, we were successful in raising $350 million in senior unsecured debentures, including $100 million at 30 years – the first for a Canadian REIT. These achievements represent true, measurable progress against our strategic growth plan.

Our 2016 financial performance also delivered results. While investing in multiple development projects during the year, we twice increased our distribution payout to Unitholders, for a total increase of 9.2%. Our year-over-year growth in funds from operations ("FFO") per unit was 3.5%, representing consistent year-over-year growth since our initial public offering in July 2013.

In the year ahead, we will continue our progress with plans to acquire quality assets accretively from Loblaw as well as strategic sites from third parties. Over the next three years, we plan to continue to capitalize on our pipeline of development opportunities to construct more than 1.3 million square feet of new space to intensify our existing properties, and create mixed-used communities by redeveloping our properties or building on greenfield land. With our solid reputation in leasing and property management, we will also work to attract new tenants that look to Choice Properties to build and manage retail space to suit their needs.

Today, Choice Properties owns and manages 535 properties, representing more than 43.6 million square feet of GLA across Canada. Our retail-focused properties are leased to some of the best-known retailers in food, drug and everyday consumer staples. We are building our brand and establishing our presence across Canada by working with neighbourhoods and communities as we improve existing properties and build new mixed-use spaces that deliver convenience for shoppers, commuters and today's urban lifestyles.

With our solid business platform, a strategic alliance with Loblaw, and a team of talented and committed people, Choice Properties is well positioned for growth and on its way to becoming one of the most recognized and successful real estate investment trusts in Canada.

I am extremely proud of the progress the team delivered in 2016 and the value that we have created for our Unitholders. On behalf of the Choice Properties management team, I want to thank our Board of Trustees for its continuing support and guidance.

The progress we have made is shaping the future of Choice Properties. And there is still much more to come.

John R. Morrison
President and Chief Executive Officer

(1) The weighted average cap rate calculation for acquisitions excludes the $3 million of land purchased in Edmonton for development.

2016 Annual Report
Financial Review

Choice Properties REIT

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Management's Discussion and Analysis

Footnotes

(1) See Section 17, "Non-GAAP Financial Measures", of this MD&A.

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

The following Management's Discussion and Analysis ("MD&A") for Choice Properties Real Estate Investment Trust ("Choice Properties" or the "Trust") should be read in conjunction with the Trust's consolidated financial statements and the accompanying notes in this Annual Report for the years ended December 31, 2016 and December 31, 2015. In addition, the MD&A should be read in conjunction with the Trust's "Forward-Looking Statements" in Section 1, of this MD&A.

Choice Properties' consolidated financial statements and the accompanying notes for the year ended December 31, 2016 have been prepared in accordance with International Financial Reporting Standards ("IFRS" or "GAAP"). These consolidated financial statements include the accounts of the Trust and other entities that the Trust controls and are reported in thousands of Canadian dollars, except where otherwise noted. A glossary of terms and ratios used throughout this Annual Report can be found beginning on page 84.

Choice Properties reports non-GAAP financial measures, including, but not limited to, Net Operating Income(1) ("NOI"), Funds from Operations(1) ("FFO"), Adjusted Funds from Operations(1) ("AFFO"), 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. The measures do not have any standardized definitions prescribed by IFRS and are, therefore, unlikely to be comparable to similar measures presented by other reporting insurers. Refer to Section 17, "Non-GAAP Financial Measures", of this MD&A, for definitions and reconciliations to GAAP financial measures.

The information in this MD&A is current to February 15, 2017, unless otherwise noted.

1. FORWARD-LOOKING STATEMENTS

This Annual Report, including this MD&A, contains forward-looking statements about Choice Properties' objectives, outlook, 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 Strategy", Section 5 "Investment Properties", Section 6 "Consolidated Results of Operations", Section 7 "Other Measures of Performance", Section 8 "Liquidity and Capital Resources", Section 9 "Quarterly Results of Operations" and Section 16 "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, outlook 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 the Trust's actual results to differ materially from those expressed, implied or projected in the forward-looking statements, including those described in Section 12, "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;
- 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 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, redevelopment, 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 2016 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.

2. OVERVIEW

Choice Properties is an owner, manager and developer of well-located retail and other commercial properties across Canada. Choice Properties is one of Canada's largest retail REITs, with a portfolio comprised of 535 properties with a total Gross Leasable Area ("GLA") of 43.6 million square feet as at December 31, 2016. Choice Properties' portfolio includes 517 retail properties, 14 industrial properties, one office complex, and three undeveloped parcels of land. The retail properties are made up of: (i) 324 properties with a stand-alone retail store operating under a Loblaw banner; (ii) 186 properties anchored by a retail store operating under a Loblaw banner that also contain one or more ancillary tenants; and (iii) seven properties containing only ancillary tenants.

The parent company of Choice Properties is Loblaw, which held an 82.7% effective interest in Choice Properties as at December 31, 2016. Loblaw's majority shareholder is George Weston Limited ("GWL"), which also held a 5.8% direct interest in Choice Properties as at December 31, 2016.

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 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 properties. 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 2016, Choice Properties:

- Reported rental revenue of $783,574, an increase of $40,474, or 5.4%, compared with $743,100 in the year ended December 31, 2015;
- Reported net loss of $223,072, a decrease of $67,796 compared with a net loss of $155,276 in 2015. The year ended 2016 included a fair value adjustment loss of $406,906 (2015 - $338,537);
- Reported FFO[(1)] per unit diluted of $1.000, an increase of $0.034, or 3.5%, compared with $0.966 in 2015;
- Added 16 properties to the portfolio, including three investment properties adjacent to existing Choice Properties owned sites with future redevelopment potential;
- Constructed 807,000 square feet of new GLA for tenants' possession that contributed to the completion of 21 projects spanning 763,000 square feet and generating a weighted average yield of approximately 8%;
- Improved ancillary occupancy and increased organic NOI[(1)] for the year by 1.8% to $507,709 from $498,836 in 2015;
- Issued $350 million of senior unsecured debentures to refinance the redemption of $300 million Series 5 Debentures, locking in attractive rates and extending Choice Properties' weighted average term to maturity of its debt instruments, and entered into an additional $250 million senior unsecured committed revolving credit facility, lowering refinancing risk and increasing financial flexibility and liquidity; and
- Increased annual distributions from $0.65 per unit to $0.67 per unit effective as of January 29, 2016 and further increased distributions to $0.71 per unit per annum effective as of July 29, 2016 for a total increase of 9.2%. Distributions per unit declared in the year ended December 31, 2016 totalled $0.69, a $0.04 or 6.2% increase over the year ended December 31, 2015.

4. KEY PERFORMANCE INDICATORS AND SELECTED FINANCIAL INFORMATION

Choice Properties has identified key financial and operating performance indicators that were derived from, and should be read in conjunction with, the Annual Reports of the Trust dated December 31, 2016 and 2015. The analysis of the indicators focuses on trends and significant events affecting the financial condition and results of operations of the Trust.

As at or for the years ended December 31 ($ thousands except where otherwise indicated) (unaudited)	**2016**	2015	2014
Number of properties	**535**	519	472
Gross leasable area ("GLA") (in millions of square feet)	**43.6**	41.6	38.9
Remaining weighted average lease term	**10.7 years**	11.6 years	11.7 years
Average base rent (per occupied square foot)	**$ 13.21**	$ 12.90	$ 13.14
Occupancy	**98.9%**	98.6%	98.1%
Rental revenue	**$ 783,574**	$ 743,100	$ 682,923
Cash flows from operating activities(i)	**$ 530,622**	$ 528,526	$ 479,153
Net operating income(1)	**$ 546,752**	$ 514,265	$ 475,739
Net income (loss)	**$ (223,072)**	$ (155,276)	$ 199,614
Net income (loss) per unit diluted	**$ (0.544)**	$ (0.386)	$ 0.522
FFO(1) per unit diluted(ii)	**$ 1.000**	$ 0.966	$ 0.912
FFO(1) payout ratio(ii)	**69.0%**	67.3%	71.3%
AFFO(1) per unit diluted	**$ 0.805**	$ 0.777	$ 0.745
AFFO(1) payout ratio	**85.7%**	83.7%	87.2%
Distribution declared per unit	**$ 0.6900**	$ 0.6500	$ 0.6500
Weighted average Units outstanding – diluted	**410,034,555**	402,582,183	382,636,320
Total assets	**$ 9,435,322**	$ 8,905,889	$ 8,192,438
Long term debt and Class C LP Units	**$ 3,928,714**	$ 3,881,390	$ 3,436,621
Debt to total assets(iii)	**44.5%**	44.5%	44.0%
Debt service coverage(iii)	**3.5x**	3.6x	3.5x
Debt to EBITDAFV(1)(iii)	**7.2x**	7.3x	7.3x
Indebtedness(iv) – weighted average term to maturity	**5.2 years**	4.7 years	5.3 years
Indebtedness(iv) – weighted average coupon rate	**3.58%**	3.50%	3.58%

(i) Cash flows from operating activities excludes interest paid. Presentation for prior years has been updated to exclude leasing capital expenditures.

(ii) FFO(1) per unit diluted and FFO(1) payout ratio for the year ended December 31, 2014 were adjusted for internalization costs of $2,568 and non-cash finance charges of $48,911. The non-cash finance charges were the result of accelerated amortization of net debt discounts due to replacement of notes issued to Loblaw in connection with the Trust's initial public offering in 2013. Including these charges FFO(1) per unit diluted for the year ended December 31, 2014 was $0.777 and the FFO(1) payout ratio was 83.7%.

(iii) Debt ratios include Class C LP Units but exclude Exchangeable Units, see Section 8, "Liquidity and Capital Resources". The ratios are non-GAAP financial measures calculated based on the trust indentures as supplemented.

(iv) Indebtedness reflects senior unsecured debentures only.

Consolidated results for the last three fiscal years were primarily impacted by growth. Accretive acquisitions added approximately 1.2 million, 2.7 million and 2.6 million square feet of GLA in the fiscal years ended 2016, 2015 and 2014, respectively. These acquisitions were key drivers of increases in rental revenue, cash flows from operating activities and NOI(1). Additionally, development activities added approximately 1.0 million square feet of GLA in the combined three year period, primarily in the year ended December 31, 2016, which will contribute to growth in the future(2).

The Trust maintained strong balance sheet indicators that were well within the covenants contained in Choice Properties' Declaration of Trust. Since December 31, 2013 the Trust has raised $1,250,000 through the issuance of senior unsecured debentures at interest rates ranging from 2.297% to 5.268% with maturity dates complementary to existing debt, including the issuance of 30-year debt. In 2016, the Trust also entered into an additional $250,000 senior unsecured committed revolving credit facility.

5. INVESTMENT PROPERTIES

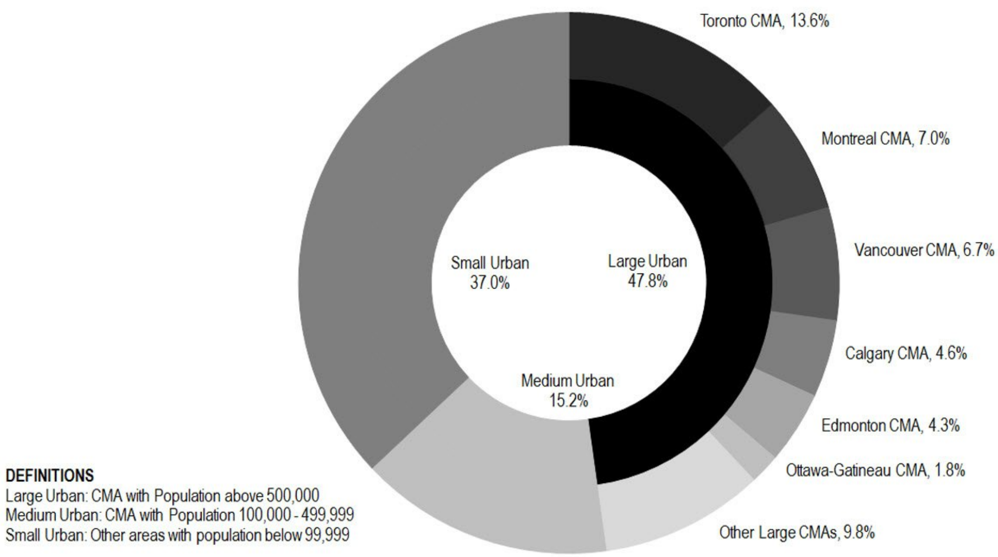
Choice Properties is the owner, manager and developer of well-located retail and other commercial properties across Canada. The following is a continuity schedule for the Trust's investment properties for the years ended as indicated:

($ thousands)	Income producing properties	Properties under development	Year ended December 31, 2016	Year ended December 31, 2015
Balance, beginning of year	**$ 8,465,700**	**$ 95,300**	**$ 8,561,000**	$ 7,905,978
Acquisitions of investment properties[i]	**192,220**	**3,056**	**195,276**	375,300
Capital expenditures[ii]	**106,711**	**42,382**	**149,093**	130,986
Operating capital expenditures	**47,576**	**—**	**47,576**	40,350
Amortization of straight-line rent and tenant improvement allowances	**36,010**	**—**	**36,010**	36,405
Adjustment to fair value of investment properties	**100,185**	**8,860**	**109,045**	71,981
Transfers from properties under development	**83,201**	**(83,201)**	**—**	—
Balance, end of year	**$ 9,031,603**	**$ 66,397**	**$ 9,098,000**	$ 8,561,000

(i) Includes acquisition costs.
(ii) Capital expenditures include capitalized interest.

The Trust's properties are well located and well suited within their respective markets. The portfolio is diversified between large, medium and small urban markets across Canada, with the majority of its base rent generated from large and medium urban markets, often in close proximity to major commercial arteries with easy highway access and high visibility. As at December 31, 2016, the Trust's property portfolio demographics by market size and within the top six markets are summarized below:

Base Rent by Urban Markets(i)(ii)



(i) Base rent for the year ended December 31, 2016, including straight-line rent.

(ii) Based on the definitions of Census Metropolitan Area (CMA) from Statistics Canada published in 2015.

Approximately 63.0% of the portfolio's base rent for the year ended December 31, 2016 was derived from large and medium urban markets. Approximately 47.8% of the portfolio's base rent was generated from large urban markets, with a particular concentration in Toronto, Montreal and Vancouver.

5.1 Valuation Method

Investment properties were measured at fair value, primarily determined using the discounted cash flow method. Under this 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. 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.

Valuations are most sensitive to changes in capitalization rates. Choice Properties’ valuation inputs, including capitalization rates, are supported by quarterly reports from independent nationally-recognized valuation firms. Below are the key rates used in the modeling process for both internal and independent appraisals:

	As at December 31, 2016		As at December 31, 2015	
	Range	**Weighted average**	Range	Weighted average
Discount rate	**5.75% - 11.25%**	**7.05%**	5.75% - 11.25%	7.08%
Terminal capitalization rate	**5.00% - 10.50%**	**6.43%**	5.25% - 10.50%	6.50%
Overall capitalization rate	**4.75% - 10.50%**	**6.12%**	5.00% - 10.50%	6.17%

For the year ended December 31, 2016, Choice Properties recorded a gross fair value increase of $537,000 on income producing properties and properties under development, comprised of acquisitions of $195,276, capital and operating expenditures of $196,669 and amortization of straight-line rent and tenant improvement allowances of $36,010, and a net upward adjustment to fair value of $109,045 due to changes in underlying cash flows and adjustments to underlying assumptions in valuation models.

Included in certain investment properties acquired from Loblaw is excess land with development potential. Choice Properties will compensate Loblaw, over time, with intensification payments determined by a site intensification payment grid as outlined in the Strategic Alliance Agreement (see Section 13, “Related Party Transactions”, of this MD&A), should Choice Properties pursue activity resulting in the intensification of such excess land. The fair value of this excess land has been recorded in the financial statements.

5.2 Acquisition of Investment Properties

The following table summarizes the investment properties acquired in the year ended December 31, 2016. For a detailed list of all properties acquired in 2016 and 2015, refer to Section 18, "Additional Information", of this MD&A.

($ thousands except where otherwise indicated) (unaudited)	Number of properties	GLA (in square feet)	Purchase price(i)	Exchangeable Units issued	Cash	Capitalization Rates
Acquisitions from Loblaw:						
Second Quarter of 2016:						
Portfolio of retail properties	9	325,851	$ 71,390	$ —	$ 71,390	6.4%
Industrial property in Pitt Meadows, British Columbia	1	355,316	45,750	—	45,750	5.3%
Fourth Quarter of 2016:						
Portfolio of retail properties(ii)	3	168,044	18,440	2,093	16,347	5.8%
Industrial property in Moncton, New Brunswick(ii)	1	225,990	19,480	9,684	9,796	7.3%
Land for development in Edmonton, Alberta(ii)	1	—	3,000	223	2,777	N/A
Total Acquisitions from Loblaw	**15**	**1,075,201**	**158,060**	**12,000**	**146,060**	**6.1%**
Acquisitions from third-parties:						
Third Quarter of 2016:						
Retail property in Edmonton, Alberta(iii)	1	67,181	20,000	—	20,000	6.4%
Fourth Quarter of 2016:						
Retail property in Courtenay, British Columbia(iv)(v)	—	32,652	12,824	—	12,824	6.5%
Retail property in Beaverton, Ontario(v)	—	3,891	788	—	788	8.4%
Total Acquisitions from third-parties	**1**	**103,724**	**33,612**	**—**	**33,612**	**6.5%**
Total Acquisitions	**16**	**1,178,925**	**$ 191,672**	**$ 12,000**	**$ 179,672**	**6.2%**

(i) Purchase price excludes acquisition costs.

(ii) Purchase price and Exchangeable Unit values both excluded adjustments totaling ($182) to reflect the decrease of the fair value of the Exchangeable Units on the closing date compared to the volume weighted average value of the units referenced in the purchase and sale agreement.

(iii) Purchase price includes a receivable of $334 related to a monthly rental guarantee negotiated in the purchase and sale agreement.

(iv) Purchase price includes a receivable of $255 related to a monthly rental guarantee negotiated in the purchase and sale agreement.

(v) The property was combined with the adjacent Choice Properties owned site.

Acquisitions in the Fourth Quarter of 2016

On October 26, 2016, Choice Properties acquired a portfolio of five properties from Loblaw. The aggregate purchase price of $40,920, excluding acquisition costs, was settled through the issuance of 878,713 Exchangeable Units and cash. The new portfolio was immediately accretive with an estimated stabilized NOI(1) of approximately $2,600, representing an implied capitalization rate of 6.5%. The acquired properties expanded the portfolio by 394,034 square feet with an occupancy rate of 99.7% when acquired. The acquisition offered opportunities to develop up to 344,000 square feet of incremental GLA, including the development of a new 29,000 square foot Loblaw food store on a parcel of land in Edmonton, Alberta, which opened in December 2016.

On December 22, 2016, Choice Properties acquired retail properties in Courtenay, British Columbia and Beaverton, Ontario, from third-party vendors, at a combined purchase price of $13,612, excluding acquisition costs. The acquisition added 36,543 square feet of ancillary GLA in sites adjacent to existing Choice Properties owned sites which are anchored by a Loblaw food store. The acquired properties in Courtenay and Beaverton were immediately accretive with capitalization rates of 6.5% and 8.4%, respectively. Upon acquisition, the properties were combined with adjacent Choice Properties owned sites and re-categorized as multi-tenant properties.

Additional Acquisitions in 2016

On August 17, 2016, Choice Properties acquired a retail property in Edmonton, Alberta, from a third-party vendor, adjacent to an existing Choice Properties owned site which is anchored by a Loblaw food store. The acquisition added 67,181 square feet at a purchase price of $20,000, excluding acquisition costs. The property was immediately accretive with an estimated stabilized NOI(1) of approximately $1,270 representing a capitalization rate of 6.4%.

On May 12, 2016, Choice Properties acquired 10 properties across Canada, from Loblaw, at a purchase price of $117,140, excluding acquisition costs. The acquisition added 681,167 square feet to the portfolio, including an industrial property and four Shoppers Drug Mart properties. The properties were immediately accretive with an estimated stabilized NOI(1) of approximately $7,000, representing an implied capitalization rate of approximately 6.0% (6.4% excluding the industrial property) with the potential to develop up to approximately 7,000 square feet across two of the properties in Ontario. At acquisition, the occupancy rate of the acquired portfolio was 96.5%.

5.3 Development Activities

During the year ended December 31, 2016, Choice Properties made progress on its development program as illustrated below:

($ thousands except where otherwise indicated) (unaudited)	Expected total development GLA to be completed (in square feet)	Development GLA constructed in 2015(ii) (in square feet)	Development GLA constructed in 2016(ii) (in square feet)	Remaining development GLA expected to be completed (in square feet)	Actual or expected range of project yields(iii)	Expected total project spend(iv)	Life-to-date project spend(iv)	Expected cost to complete
2016 projects completed or substantially completed								
Intensification	546,000	78,000	447,000	21,000	9%	$ 158,500	$ 145,500	$ 13,000
Redevelopment	15,000	3,000	12,000	—	7%	6,000	5,600	400
Greenfield	202,000	—	202,000	—	7%	62,600	62,600	—
	763,000	**81,000**	**661,000**	**21,000**	**8%**	**227,100**	**213,700**	**13,400**
Projects to be completed in 2017								
Intensification	135,000	—	53,000	82,000	6% - 9%	40,400	10,700	29,700
Greenfield	202,000	—	93,000	109,000	7% - 8%	78,600	57,700	20,900
	337,000	**—**	**146,000**	**191,000**	**6% - 9%**	**119,000**	**68,400**	**50,600**
Projects to be completed in 2018								
Intensification	304,000	—	—	304,000	6% - 9%	92,900	2,800	90,100
Redevelopment	149,000	—	—	149,000	6% - 8%	33,300	600	32,700
Greenfield	36,000	—	—	36,000	6% - 8%	11,200	4,200	7,000
	489,000	**—**	**—**	**489,000**	**6% - 9%**	**137,400**	**7,600**	**129,800**
Projects to be completed in 2019								
Development projects(i)	500,000	—	—	500,000	7% - 10%	130,800	19,200	111,600
	500,000	**—**	**—**	**500,000**	**7% - 10%**	**130,800**	**19,200**	**111,600**
Total	**2,089,000**	**81,000**	**807,000**	**1,201,000**	**6% - 10%**	**$ 614,300**	**$ 308,900**	**$ 305,400**

(i) 2019 projects are in various stages of early development. Due to the long-term nature of these projects and ongoing adjustments in expectations concerning timing, occupancy and costs, some data points are not available.

(ii) GLA is defined as constructed when it is ready for tenant's possession, which can be earlier than the project's completion date.

(iii) The yields for completed or substantially completed projects are presented on a weighted average basis.

(iv) For the purpose of calculating the expected yield, project spend includes land acquisition costs and intensification payments to be made to Loblaw.

During the fourth quarter, Choice Properties constructed 232,000 square feet of development GLA; 95,000 square feet for 2016 projects substantially completed or completed; and 137,000 square feet towards projects to be completed in 2017, which included construction of a 29,000 square foot Loblaw food store on newly acquired land in Edmonton, Alberta.

During the year ended December 31, 2016, Choice Properties constructed 807,000 square feet of development GLA including 498,000 square feet of related party construction, and 309,000 square feet of retail space for 100 new third-party tenants. Related party construction included 212,000 square feet for three new Loblaw food stores, 35,000 square feet for two new Shoppers Drug Mart stores, 201,000 square feet for a Loblaw warehouse expansion, 50,000 square foot expansion of a GWL bakery. Choice Properties' 2016 annual development capital expenditures were $140,053, including capitalized interest, intensification payments, the Edmonton land purchase and amounts spent on projects expected to be completed in future years. The Trust compensated Loblaw with intensification payments of $6,582 in respect of completed GLA for which tenants have taken possession during 2016.

2016 Projects Completed The 95,000 square feet constructed in the fourth quarter of 2016 delivered an additional 32 new retail spaces to third-party ancillary tenants in Edmonton and Lloydminster, Alberta; Regina, Saskatchewan; and across five major cities in southern Ontario, as part of ongoing intensification projects.

The projects completed, or substantially completed, in 2016 totalled 763,000 square feet of development GLA including 183,000 square feet for two new Loblaw food stores, 52,000 square feet for three new Shoppers Drug Mart stores, and 201,000 square feet for a Loblaw warehouse expansion. Additionally, 306,000 square feet of GLA, representing 101 new retail spaces were turned over to third-party ancillary tenants primarily in British Columbia, Alberta, Saskatchewan and Ontario. The remaining 21,000 square feet of development GLA is leased to four tenants in Ontario, Alberta and Saskatchewan and are expected to be open for business in 2017. Yields for projects completed, or substantially completed, in 2016 achieved a 8% return on a weighted average basis, based on a stabilized NOI(1) of approximately $18,200.

Projects to be Completed in 2017 In addition, the Trust has commenced construction for projects scheduled for completion in 2017, including the 50,000 square foot expansion of a bakery owned by GWL, a 29,000 square foot Loblaw food store and 67,000 square feet of retail units for 19 third-party tenants. Time-lines for development projects span many months, or in some cases several years, and tenants are expected to take possession when individual units are developed[(2)].

Choice Properties continues to refine its development pipeline based in part on municipal approvals, tenant leasing, and development costs. Choice Properties expects to invest a total of approximately $387,200 (including costs spent to date) to develop up to 1,326,000 square feet of GLA by the end of 2019. Development yields are expected to be accretive upon tenant occupancy[(2)].

The following table indicates the anticipated square footage to be completed in each year, and the total cumulative expected capital cost to complete the projects, including investments made in prior years[(2)].

($ thousands except where otherwise indicated) (unaudited)		2017		2018		2019		Total
Potential development GLA (in square feet)		337,000		489,000		500,000		1,326,000
Estimated total project capital	$	119,000	$	137,400	$	130,800	$	387,200
Expected NOI[(1)] yield		6% - 9%		6% - 9%		7% - 10%		6% - 10%
Estimated total capital annual spend	$	192,100	$	239,100	$	230,000	$	661,200

5.4 Active Management

Leasing Activity

Choice Properties' leasing activities are focused on driving value by adding ancillary tenants in business sectors that complement the food and drug store anchor tenants. The following table summarizes the change in occupied GLA and average base rent for the year ended December 31, 2016:

(in square feet except where otherwise indicated) (unaudited)	Occupied GLA	Occupancy		Average base rent (per square foot)
Occupied, January 1, 2016	41,094,000	98.6%	$	12.90
Tenant openings	234,000		$	15.27
Short term tenant openings in space identified for redevelopment	20,000		$	3.43
Tenant closures	(196,000)		$	11.97
Tenant expiries	(446,000)		$	14.27
Tenant renewals	446,000		$	15.43
Developments	785,000		$	20.09
GLA taken off-line	(46,000)		$	6.71
Acquisitions	1,150,000		$	10.43
Occupied, December 31, 2016	**43,041,000**	**98.9%**	**$**	**13.21**

Choice Properties' principal tenant, Loblaw, represents 88.3% of the Trust's GLA (December 31, 2015 - 89.1%). The remaining GLA is designated ancillary space for leasing to third-party tenants. As at December 31, 2016, Choice Properties' portfolio GLA, occupied GLA, and occupancy rates were as follows:

	As at December 31, 2016			As at December 31, 2015		
(in millions of square feet except where otherwise indicated) (unaudited)	**GLA**	**Occupied GLA**	**Occupancy (%)**	GLA	Occupied GLA	Occupancy (%)
Loblaw banners	**38.5**	**38.5**	**100.0%**	37.1	37.1	100.0%
Ancillary tenants	**5.1**	**4.5**	**90.0%**	4.5	4.0	87.5%
Total	**43.6**	**43.0**	**98.9%**	41.6	41.1	98.6%

As at December 31, 2016, Loblaw represented approximately 90.0% (December 31, 2015 - 91.1%) of annual base rent. The weighted average lease term-to-maturity on the Loblaw leases was 11.2 years at December 31, 2016 (December 31, 2015 - 12.3 years). The first maturity of a Loblaw lease does not occur until 2023. Loblaw leases 38.5 million square feet of GLA, with approximately 80.9%, 17.5% and 1.6% of such GLA attributed to retail, industrial and office space, respectively.

Choice Properties has approximately 5.1 million square feet of GLA designated to lease to ancillary tenants that benefit from the consumer traffic that a food and drug retailer attracts to a shopping centre. As at December 31, 2016, 4.5 million square feet was leased to ancillary tenants with a weighted average lease term to maturity of 5.8 years (December 31, 2015 - 5.7 years).

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

In the three months ended December 31, 2016, Choice Properties entered into leases totaling approximately 416,000 square feet with an average lease term of 9.3 years. The leasing activity for the portfolio is shown below:

For the three months ended December 31 (in square feet except where otherwise indicated) (unaudited)		**2016** **GLA**		**Average base rent (per square foot)**	2015 GLA		Average base rent (per square foot)
New leasing:	Previously vacant	**69,000**	**$**	**19.28**	104,000	$	13.32
	Held for redevelopment	**20,000**	**$**	**3.43**	—	$	—
	Newly developed	**215,000**	**$**	**23.40**	89,000	$	28.46
Renewals		**112,000**	**$**	**13.50**	42,000	$	19.70
Total		**416,000**	**$**	**19.09**	235,000	$	20.19

In the year ended December 31, 2016, Choice Properties entered into leases totaling approximately 1,485,000 square feet with an average lease term of 11.1 years. The leasing activity for the portfolio is shown below:

For the year ended December 31 (in square feet except where otherwise indicated) (unaudited)		**2016** **GLA**		**Average base rent (per square foot)**	2015 GLA		Average base rent (per square foot)
New leasing:	Previously vacant	**234,000**	**$**	**15.27**	314,000	$	12.76
	Held for redevelopment	**20,000**	**$**	**3.43**	90,000	$	3.00
	Newly developed	**785,000**	**$**	**20.09**	124,000	$	27.51
Renewals		**446,000**	**$**	**15.43**	459,000	$	11.48
Total		**1,485,000**	**$**	**17.71**	987,000	$	13.13

The details of renewals are as follows:

For the periods ended December 31 (in square feet except where otherwise indicated) (unaudited)	Three Months **2016**	Three Months 2015	Year End **2016**	Year End 2015
Square footage renewed (in square feet)	**112,000**	42,000	**446,000**	459,000
Average base rent per square foot	**$ 13.50**	$ 19.70	**$ 15.43**	$ 11.48
Percentage increase in average base rent per square foot	**7.0%**	11.3%	**7.7%**	12.0%
Renewal retention rate[(i)]	**65.4%**	42.8%	**69.5%**	78.0%

(i) The retention rate for the year ended December 31, 2015 excluded approximately 90,000 square feet of former ancillary retail space converted to Loblaw storage space. This site has been identified for future redevelopment. Including this space, the renewal retention rate was 67.7%.

The lease maturity profile for ancillary tenants as at December 31, 2016 was as follows:

(unaudited)	Ancillary GLA (in square feet)	Expiring ancillary GLA as a percentage of ancillary GLA	Expiring ancillary GLA as a percentage of total GLA		Annualized base rent ($ thousands)		Average base rent (per square foot)
Month-to-month	118,000	2.3%	0.3%	$	1,323	$	11.19
2017	374,000	7.4%	0.9%		4,735	$	12.66
2018	541,000	10.6%	1.2%		7,088	$	13.09
2019	345,000	6.8%	0.8%		5,612	$	16.28
2020	645,000	12.7%	1.5%		9,777	$	15.17
2021	512,000	10.1%	1.2%		6,709	$	13.09
2022 & Beyond	2,048,000	40.3%	4.7%		36,065	$	17.61
Vacant	500,000	9.8%	1.1%		—		—
Portfolio Ancillary Total	**5,083,000**	**100.0%**	**11.7%**	**$**	**71,309**	**$**	**14.03**

Operating Capital Expenditures

Property Capital Property capital expenditures incurred to sustain the investment properties' existing GLA are considered to be operational and are deducted in the calculation of AFFO(1). During the year ended December 31, 2016, Choice Properties incurred $42,192 of property capital expenditures, which are recoverable from tenants under the terms of their leases over the useful life of the improvements (2015 - recoverable capital improvements of $32,466). Recoverable capital improvements may include 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 $100,683 as at December 31, 2016 (December 31, 2015 - $63,929), the majority of which Choice Properties expects to recover from tenants over the useful life of the improvements(2).

Property capital expenditures per annum are expected to be approximately $1.00 per square foot(2).

Leasing Capital Capital expenditures for leasing activities, such as leasing commissions or tenant improvement allowances, are considered to be operational and are also deducted in the calculation of AFFO(1). Choice Properties incurred $2,307 of tenant improvement allowances and $3,077 of direct leasing costs during the year ended December 31, 2016 (2015 - tenant improvement allowances of $5,548 and direct leasing costs of $2,336).

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 endeavours to fund operating capital from cash flows from operations(2).

6. CONSOLIDATED RESULTS OF OPERATIONS

Choice Properties' financial results for the years ended December 31, 2016 and December 31, 2015 are summarized below:

For the years ended December 31 ($ thousands)		2016		2015		Variance favourable / (unfavourable)
Rental Revenue						
Base rent	**$**	**578,188**	$	551,114	$	27,074
Property tax and operating cost recoveries		**202,368**		188,936		13,432
Other revenue		**3,018**		3,050		(32)
		783,574		743,100		40,474
Property Operating Costs						
Recoverable property taxes and operating costs		**(198,865)**		(189,193)		(9,672)
Non-recoverable operating costs		**(1,375)**		(2,986)		1,611
Net Property Income	**$**	**583,334**	$	550,921	$	32,413
Other Expenses						
General and administrative expenses		**(28,117)**		(21,765)		(6,352)
Amortization of other assets		**(930)**		(844)		(86)
Net interest expense and other financing charges		**(370,533)**		(345,051)		(25,482)
Share of income from joint venture		**80**		—		80
Net Income before Adjustments to Fair Value	**$**	**183,834**	$	183,261	$	573
Adjustment to fair value of Exchangeable Units		**(529,591)**		(410,518)		(119,073)
Adjustment to fair value of investment properties		**109,045**		71,981		37,064
Adjustment to fair value of investment property held in equity accounted joint venture		**13,640**		—		13,640
Net Loss	**$**	**(223,072)**	$	(155,276)	$	(67,796)

Net Loss For the year ended December 31, 2016, net loss of $223,072, was greater by $67,796, compared to the net loss of $155,276 for the same period in 2015, primarily due to an unfavourable change of $119,073 in the adjustment to the fair value of Exchangeable Units partially offset by a favourable change of $37,064 in the adjustment to the fair value of investment properties and a favourable change of $13,640 in the adjustment to fair value of investment properties from equity accounted joint venture. Adjustments to fair value can vary widely from year to year as they are impacted by market factors such as the Trust's Unit price and market capitalization rates.

Excluding the adjustments to fair value, net income for the year ended December 31, 2016 was $573 higher than the same period in 2015 due to a $32,413 increase in net property income, partially offset by a $25,482 increase in net interest and other financing charges and a $6,352 increase to general and administrative expenses (which includes an unfavourable change of $3,421 in the adjustment to the fair value of unit-based compensation).

Rental Revenue Rental revenue is comprised primarily of base rent and recoveries from tenants for property taxes, operating costs and qualifying capital expenditures. Growth in rental revenue is materially impacted by newly acquired assets. To better measure certain key performance factors, management further analyzes rental revenue for income producing properties owned by the Trust throughout the current and comparative reporting periods, ("Same Properties"), to remove the impact of recently acquired properties ("Acquisitions").

For the years ended December 31 ($ thousands) (unaudited)		**2016**		2015		Variance favourable / (unfavourable)
Same Properties[(i)]	**$**	**738,407**	$	720,645	$	17,762
Acquisitions[(ii)]		**45,167**		22,455		22,712
Total Revenue	**$**	**783,574**	$	743,100	$	40,474

(i) There were 470 income producing properties that were owned throughout both the years ended December 31, 2016 and December 31, 2015 ("Same Properties").

(ii) Acquisitions includes properties purchased subsequent to December 31, 2014.

During the year ended December 31, 2016, rental revenue increased by $40,474, or 5.4% compared to the same period in 2015, attributable to an increase of $17,762 in revenue from Same Properties and additional rental revenue of $22,712 attributable to the properties acquired in 2015 and 2016. The increase in revenue from Same Properties is attributable to an increase of $6,266 in base rent and net recoveries, which was driven by an improvement in ancillary occupancy, and higher average rents per square foot on new ancillary leases. The annual increase also included higher revenue generated from the recovery of capital expenditures of $4,043 and base rent on newly developed GLA of $7,491, partially offset by a $38 decline in other revenues.

In addition, total revenue for the year ended December 31, 2016 included $721 (2015 - nil) of lease surrender revenue.

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 year ended December 31, 2016, the net amount of these items positively impacted rental revenue by $36,010 (2015 - $36,405).

Property Operating Costs Property operating costs are comprised primarily of expenses to manage and maintain the properties for the benefit of the tenants, including realty taxes, that are recoverable under the leases of most tenants. Non-recoverable operating costs include expenses that do not directly benefit the tenants.

For the years ended December 31 ($ thousands) (unaudited)		**2016**		2015		Variance Favourable / (Unfavourable)
Same Properties	**$**	**188,723**	$	186,362	$	(2,361)
Acquisitions		**11,517**		5,817		(5,700)
Total Property Operating Costs	**$**	**200,240**	$	192,179	$	(8,061)

During the year ended December 31, 2016, property operating costs increased by $8,061 or 4.2% compared to the same period in 2015, attributable to an increase of $2,361 from Same Properties, and $5,700 from the properties acquired in 2015 and 2016. The increase in total property operating costs from Same Properties is attributable to an increase of $4,032 in recoverable operating costs, partially offset by a decrease of $1,671 of non-recoverable operating costs. Non-recoverable operating costs can include non-recurring expenditures and vary by year.

General and Administrative Expenses

For the years ended December 31 ($ thousands) (unaudited)		2016		2015		Variance favourable / (unfavourable)
Internal expenses of the Trust	**$**	**31,256**	$	23,142	$	(8,114)
Investor relations and other public entity costs		**2,185**		2,058		(127)
Professional fees		**2,310**		1,900		(410)
Services Agreement expense charged by related party(i)		**2,932**		3,141		334
		38,683		30,241		(8,317)
Less:						
Property and asset management fee charged to related party(i)		**(740)**		(600)		140
Capitalized to investment properties		**(2,635)**		(2,157)		353
Allocated to recoverable operating expenses		**(7,191)**		(5,719)		1,472
General and administrative expenses	**$**	**28,117**	$	21,765	$	(6,352)
Less:						
Adjustment to fair value of unit-based compensation(ii)		**(4,309)**		(888)		3,421
Internal expenses for leasing(iii)		**(2,135)**		(1,771)		364
General and administrative expenses excluding internal expenses for leasing and adjustment to fair value of unit-based compensation (for use in calculation of general and administrative expense as a percent of revenue)	**$**	**21,673**	$	19,106	$	(2,567)
As a percentage of revenue		**2.8%**		2.6%		(0.2)%

(i) The Services Agreement and Property Management Agreement are described in Section 13, "Related Party Transactions", of this MD&A.

(ii) General and administrative expenses includes the cost of unit-based compensation which was recorded at the fair value of the underlying Trust Units. The adjustment to the fair value of unit-based compensation was eligible to be added back to FFO(1), in accordance with the Real Property Association of Canada White Paper on Funds from Operations for IFRS issued in April 2014.

(iii) Internal expenses for leasing, primarily compensation, were eligible to be added back to FFO(1), based on the definition of FFO(1) in the Real Property Association of Canada White Paper published in April 2014 that provided for an adjustment to incremental leasing expenses for the cost of salaried staff. This adjustment to FFO(1) makes results more comparable between real estate entities that expensed their internal leasing departments and those that capitalized the expenses.

General and administrative expenses, excluding adjustment to fair value of unit-based compensation and internal expenses for leasing, for the year ended December 31, 2016, increased $2,567, or 0.2% when expressed as a percentage of revenue, over the same period in 2015. The increase was driven by employee costs.

Net Interest Expense and Other Financing Charges

For the years ended December 31 ($ thousands) (unaudited)	2016	2015	Variance favourable / (unfavourable)
Interest on senior unsecured debentures	$ 108,788	$ 97,189	$ (11,599)
Distributions on Class C LP Units(i)	46,250	46,250	—
Interest on mortgage	181	217	36
Interest on credit facilities	3,776	3,405	(371)
Subtotal (for use in Debt Service Coverage calculation)	$ 158,995	$ 147,061	$ (11,934)
Distributions on Exchangeable Units(i)	218,961	202,804	(16,157)
Subtotal (for use in EBITDAFV(1) calculation)	$ 377,956	$ 349,865	$ (28,091)
Effective interest rate amortization of debt discounts and premiums	(522)	(2,632)	(2,110)
Effective interest rate amortization of debt placement costs	1,639	1,405	(234)
Capitalized interest	(3,549)	(1,465)	2,084
Interest income	(2,309)	(2,122)	187
Gain on settlement of bond forward contracts	(2,682)	—	2,682
Net interest expense and other financing charges	$ 370,533	$ 345,051	$ (25,482)

(i) Represents interest on indebtedness due to Loblaw.

For the year ended December 31, 2016, net interest expense and other financing charges increased by $25,482 or 7.4% compared to the same period in 2015. The increase was due to distributions on the Exchangeable Units as a result of a higher distribution rate and additional Exchangeable Units issued as partial consideration for properties acquired from Loblaw in 2015 and 2016, and interest incurred on senior unsecured debentures as a result of net issuances in 2015 and 2016 at higher weighted average interest rates, partially offset by the gain on the settlement of bond forward contracts and capitalized interest.

7. OTHER MEASURES OF PERFORMANCE

In addition to the GAAP measures already described, Choice Properties' management utilizes non-GAAP measures to analyze performance. See Section 17, "Non-GAAP Financial Measures", of this MD&A, for details on how these measures are defined, calculated and reconciled to GAAP financial measures and why management analyzes these measures. NOI(1), FFO(1) and AFFO(1) for the years ended December 31, 2016 and December 31, 2015 are summarized below:

For the years ended December 31 ($ thousands except where otherwise indicated) (unaudited)		2016		2015		Variance Favourable / (Unfavourable)
Net Operating Income(1)	**$**	**546,752**	$	514,265	$	32,487
NOI(1) for Same Properties, with the same GLA	**$**	**507,709**	$	498,836	$	8,873
Funds from Operations(1)	**$**	**410,135**	$	388,975	$	21,160
FFO(1) per unit basic	**$**	**1.003**	$	0.967	$	0.036
FFO(1) per unit diluted	**$**	**1.000**	$	0.966	$	0.034
FFO(1) payout ratio - diluted		**69.0%**		67.3%		(1.7)%
Adjusted Funds from Operations(1)	**$**	**330,246**	$	312,881	$	17,365
AFFO(1) per unit basic	**$**	**0.807**	$	0.778	$	0.029
AFFO(1) per unit diluted	**$**	**0.805**	$	0.777	$	0.028
AFFO(1) payout ratio - diluted		**85.7%**		83.7%		(2.0)%
Distribution declared per unit	**$**	**0.6900**	$	0.6500	$	0.0400
Weighted average Units outstanding - basic		**409,023,586**		402,090,617		6,932,969
Weighted average Units outstanding - diluted		**410,034,555**		402,582,183		7,452,372
Number of Units outstanding, end of year		**410,557,333**		408,063,609		2,493,724

Net Operating Income(1)

There is no industry-defined definition of NOI(1). Refer to Section 17, "Non-GAAP Financial Measures", of this MD&A, for a definition of NOI (1) and a reconciliation to net income (loss).

Net Operating Income(1) For the year ended December 31, 2016, NOI(1) increased $32,487, or 6.3%, compared to the same period in 2015, driven by an increase of $16,364 from Same Properties, and $16,123 from the properties acquired in 2015 and 2016.

Net Operating Income(1) for Same Properties, with the same GLA To better measure certain key performance factors, management further analyzes NOI(1) for the income producing properties owned by the Trust throughout the current and comparative reporting periods, Same Properties, to remove the impact from recently acquired properties. Management further refines the analysis to exclude any NOI(1) from developments which increased GLA in the comparative periods.

For the year ended December 31, 2016, NOI(1) for Same Properties, measured with the same GLA, increased by $8,873, or 1.8%, compared to the same period in 2015, primarily due to an increase of $3,197 in base rent and net recoveries, which was driven by an improvement in ancillary occupancy, higher average rents per square foot on new ancillary leases and rent steps in Loblaw leases. The increase was also due to higher revenue generated from the recovery of capital expenditures of $4,043 and a decrease of $1,671 in non-recoverable operating expenses, partially offset by a decrease of $38 in other revenues.

Funds from Operations[1]

Choice Properties calculates its FFO[1] in accordance with the Real Property Association of Canada White Paper on Funds from Operations[1] for IFRS issued in April 2014. Refer to Section 17,"Non-GAAP Financial Measures", of this MD&A, for a reconciliation of FFO[1] to net income (loss) determined in accordance with GAAP.

For the year ended December 31, 2016, FFO[1] increased by $21,160 or 5.4% compared to the same period in 2015. The year-over-year growth was due to an increase in net property income of $32,734 and $80 from the share of income from joint venture, partially offset by a $9,001 increase in interest and other financing charges, a $2,567 increase in general and administrative expenses, and a $86 increase in amortization of other assets. The increase to interest and other financing charges of $9,001 is net of a gain from the settlement of bond forward contracts of $2,682.

For the year ended December 31, 2016, FFO[1] per unit on a diluted basis increased by $0.034 or 3.5% compared to the same period in 2015. FFO[1] for the year ended December 31, 2016 includes a gain from the settlement of bond forward contracts of $2,682 or $0.006 per diluted unit.

Adjusted Funds from Operations[1]

There is currently no standard industry-defined measure of AFFO[1]. Refer to Section 17, "Non-GAAP Financial Measures", of this MD&A, for a reconciliation of AFFO[1] to cash flows from operating activities determined in accordance with GAAP.

For the year ended December 31, 2016, AFFO[1] increased by $17,365 or 5.6% compared to the same period in 2015. The year-over-year growth was due to an increase in net property income of $32,808 and $80 from the share of income from joint venture, partially offset by a $7,226 increase in capital expenditures required to maintain the rental revenue stream of the growing portfolio, a $6,657 increase in interest and other financing charges, a $1,554 increase in general and administrative expenses and a $86 increase in amortization of other assets. The increase to interest and other financing charges of $6,657 is net of a gain from the settlement of bond forward contracts of $2,682.

For the year ended December 31, 2016, AFFO[1] per unit on a diluted basis increased by $0.028 or 3.6% compared to the same period in 2015. AFFO[1] for the year ended December 31, 2016 includes a gain from the settlement of bond forward contracts of $2,682 or $0.006 per diluted unit.

8. LIQUIDITY AND CAPITAL RESOURCES

8.1 Major Cash Flow Components

	Three Months (unaudited)			Year End (audited)		
For the periods ended December 31 ($ thousands)	**2016**	2015	Source/ (Use)	**2016**	2015	Source/ (Use)
Cash and cash equivalents, beginning of period	**$ 1,784**	$ 7,614	$ (5,830)	**$ 44,354**	$ 1,332	$ 43,022
Cash flows from operating activities	**233,900**	176,178	57,722	**530,622**	528,526	2,096
Cash flows used in investing activities	**(106,441)**	(117,691)	11,250	**(373,192)**	(422,440)	49,248
Cash flows used in financing activities	**(124,130)**	(21,747)	(102,383)	**(196,671)**	(63,064)	(133,607)
Cash and cash equivalents, end of period	**$ 5,113**	$ 44,354	$ (39,241)	**$ 5,113**	$ 44,354	$ (39,241)

Cash Flows from Operating Activities

The year-over-year increase in cash flows from operating activities for the three months ended December 31, 2016 of $57,722 was primarily due to a higher contribution from working capital and an increase in NOI.

The increase in cash flows from operating activities for the year ended December 31, 2016 of $2,096 was primarily due to an increase in NOI, partially offset by the decline in working capital.

Cash flows from operating activities are used to fund ongoing operations, and expenditures for leasing capital and property capital[(2)].

Cash Flows used in Investing Activities

The year-over-year decrease in cash flows used in investing activities for the three months ended December 31, 2016 of $11,250 was primarily due to decreased capital expenditures to sustain or improve investment properties compared to the same period in 2015, partially offset by an increase in investment property acquisition activity.

The decrease in cash flows used in investing activities for the year ended December 31, 2016 of $49,248 was primarily due to decreased investment property acquisition activity compared to 2015, partially offset by increased capital expenditures to improve investment properties.

Cash Flows used in Financing Activities

The year-over-year increase in cash flows used in financing activities for the three months ended December 31, 2016 of $102,383 was primarily due to the issuance of Series F senior unsecured debentures in 2015, partially offset by higher credit facility repayments in the fourth quarter of 2015.

The increase in cash flows used in financing activities for the year ended December 31, 2016 of $133,607 was primarily due to the redemption of Series 5 debentures in the current year, partially offset by a larger draw on the credit facilities.

8.2 Liquidity and Capital Structure

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 facilities; and (iv) the issuance of unsecured debentures and equity (including Exchangeable 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].

($ thousands)		**As at December 31, 2016**		As at December 31, 2015		Variance favourable / (unfavourable)
Cash and cash equivalents	**$**	**5,113**	$	44,354	$	(39,241)
Unused portion of the credit facilities		**578,000**		500,000		78,000
Liquidity	**$**	**583,113**	$	544,354	$	38,759

Credit Facilities

Choice Properties has a $500,000 senior unsecured committed revolving credit facility provided by a syndicate of lenders maturing July 5, 2021. The credit facility bears interest at variable rates of either: Prime plus 0.45% or Bankers' Acceptance rate plus 1.45%. Certain conditions of the credit facility are contingent on Choice Properties' credit rating remaining at "BBB".

On December 23, 2016, Choice Properties entered into a new bi-lateral $250,000 senior unsecured committed revolving credit facility with a major Canadian financial institution maturing December 21, 2018. The credit facility bears interest at variable rates of either: Prime plus 0.25% or Bankers' Acceptance rate plus 1.25%. Certain conditions of the credit facility are contingent on Choice Properties' credit rating remaining at "BBB". Should certain conditions not be met, the credit facility would become secured against select properties.

As at December 31, 2016, $172,000 was drawn under the syndicated credit facility (December 31, 2015 - nil) and no amount was drawn under the new bi-lateral credit facility.

Base Shelf Prospectus

On October 14, 2015, Choice Properties filed a new base shelf 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 $2,000,000. The new prospectus is effective for a 25-month period from the date of issuance. On November 24, 2015 and March 7, 2016, Choice Properties issued $200,000 and $350,000, respectively, of senior unsecured debentures under this base shelf prospectus.

Long Term Debt and Class C LP Units

The following outlines the changes to Choice Properties' outstanding long term debt and Class C LP Units in the year ended December 31, 2016:

For the year ended December 31, 2016 ($ thousands)		**Senior unsecured debentures**		**Mortgages**		**Class C LP Units**		**Total long term debt and Class C LP Units**	**Weighted average coupon rate**
Principal balance outstanding, beginning of year	$	3,000,000	$	4,139	$	925,000	$	3,929,139	3.86%
Issuance:									
Series G		250,000		—		—		250,000	3.20%
Series H		100,000		—		—		100,000	5.27%
Repayment:									
Series 5		(300,000)		—		—		(300,000)	3.00%
Mortgages		—		(1,212)		—		(1,212)	6.91%
Principal balance outstanding, end of year	**$**	**3,050,000**	**$**	**2,927**	**$**	**925,000**	**$**	**3,977,927**	**3.91%**

Senior Unsecured Debentures

On March 7, 2016, Choice Properties redeemed, at par, $300,000 Series 5 senior unsecured debentures with an original maturity date of April 20, 2016.

Also, on March 7, 2016, Choice Properties issued $250,000 and $100,000 of Series G and H senior unsecured debentures due March 7, 2023 and March 7, 2046, respectively, under the base shelf prospectus. The Series G senior unsecured debentures bear interest at a rate of 3.196% per annum and the Series H senior unsecured debentures bear interest rate at 5.268%.

At December 31, 2016 the weighted average coupon rate and the weighted average term to maturity on Choice Properties' senior unsecured debentures was 3.58% (December 31, 2015 - 3.50%) and 5.2 years (December 31, 2015 - 4.7 years), respectively.

On January 23, 2017, Choice Properties redeemed, at par, $200,000 Series 6 senior unsecured debentures with an original maturity date of April 20, 2017.

Financial Derivative Instruments

The Trust may use derivative instruments from time to time to offset certain of its financial risks. On January 20, 2016, Choice Properties entered into certain bond forward contracts with a notional value of $300,000. The contracts were settled on March 4, 2016, resulting in a gain of $2,682. The Trust has not entered into any other derivative instruments during the years ended December 31, 2016 or 2015.

Class C LP Units (authorized - unlimited)

As at December 31, 2016, Loblaw holds all of the 92,500,000 outstanding Class C LP Units (December 31, 2015 - 92,500,000 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.

Maturities of Long Term Debt and Class C LP Units

As at December 31, 2016 ($ thousands)	Senior unsecured debentures	Mortgages	Class C LP Units	Total
2017	$ 200,000	$ 1,192	$ —	**$ 201,192**
2018	400,000	152	—	**400,152**
2019	200,000	1,583	—	**201,583**
2020	550,000	—	—	**550,000**
2021	450,000	—	—	**450,000**
Thereafter	1,250,000	—	925,000	**2,175,000**
Total principal balance outstanding	**$ 3,050,000**	**$ 2,927**	**$ 925,000**	**$ 3,977,927**

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.

Financial Covenants

Choice Properties is subject to certain financial and non-financial covenants in its senior unsecured debentures and its credit facilities that include maintaining certain leverage and debt service ratios. These ratios are monitored by management on an ongoing basis to ensure compliance. Choice Properties was in compliance with all of these covenants as at December 31, 2016 and December 31, 2015.

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

(unaudited)		**As at December 31, 2016**	As at December 31, 2015
Debt to Total Assets Ratio[(i)]	Limit: Maximum including Class C LP Units and convertible debt is 65.0%	**44.5%**	44.5%
Debt Service Coverage Ratio[(i)]	Limit: Minimum 1.5x	**3.5x**	3.6x

(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.

8.3 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 relationship between the Trust and Loblaw.

Choice Properties has maintained its BBB credit rating with both S&P and DBRS. On March 11, 2016, DBRS confirmed the rating at BBB and changed the trend from stable to positive. On May 12, 2016, S&P confirmed the rating at BBB with a stable outlook.

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	Positive	BBB	Stable
Senior unsecured debentures	BBB	Positive	BBB	N/A

8.4 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. The following is a continuity of Choice Properties' outstanding equity from Units and Exchangeable Units:

	Year ended December 31, 2016	Year ended December 31, 2015
Number of Units and Exchangeable Units, beginning of year	**408,063,609**	395,287,115
Units issued in connection with the Distribution Reinvestment Plan	**1,549,693**	1,668,346
Units issued under unit-based compensation arrangement	**65,318**	30,461
Exchangeable Units issued in connection with investment properties acquired from Loblaw	**878,713**	11,077,687
Number of Units and Exchangeable Units, end of year	**410,557,333**	408,063,609

Distribution Reinvestment Plan

Choice Properties has a Distribution Reinvestment Plan ("DRIP") which enables eligible Unitholders to elect to automatically reinvest their regular monthly cash distributions in additional Units and to receive a bonus distribution in Units equivalent to 3% of each distribution. In the year ended December 31, 2016, Choice Properties issued 1,549,693 Units under the DRIP (year ended December 31, 2015 - 1,668,346 Units) including 1,265,160 Units to GWL (year ended December 31, 2015 - 1,317,405 Units). On average, 11.2% of Unitholders other than Loblaw and GWL participated in the DRIP in the year ended December 31, 2016 (December 31, 2015 - 12.6%).

Distributions

In the year ended December 31, 2016, Choice Properties declared $282,320 in distributions (2015 - $261,424), including distributions to holders of Exchangeable Units, which are reported as interest expense, and non-cash distributions provided under the DRIP. Non-cash distributions have the effect of increasing the number of units outstanding and therefore increase the aggregate dollar amount of distributions over time, assuming a stable cash component of distributions on a per unit basis.

Choice Properties increased annual distributions from $0.65 per unit to $0.67 per unit effective as of January 29, 2016 and further increased distribution to $0.71 per unit per annum effective as of July 29, 2016 for a total increase of 9.2%. Distribution declared in the year ended December 31, 2016 totalled $0.69 a $0.04 or 6.2% increase over the year ended December 31, 2015.

For the periods ended December 31 ($ thousands) (unaudited)	Three Months 2016	2015	Variance favourable / (unfavourable)	Year End 2016	2015	Variance favourable / (unfavourable)
Total distributions declared	**$ 72,848**	$ 66,221	$ 6,627	**$ 282,320**	$ 261,424	$ 20,896
Less: Distributions reinvested through the DRIP	**(5,532)**	(4,319)	(1,213)	**(19,587)**	(18,118)	(1,469)
Net distributions declared	**$ 67,316**	$ 61,902	$ 5,414	**$ 262,733**	$ 243,306	$ 19,427

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 assess the stability of cash and non-cash distributions.

The tables below summarize the excess or shortfall of certain GAAP and non-GAAP measures over total distributions declared:

For the periods ended December 31 ($ thousands) (unaudited)	Three Months 2016	2015	Variance favourable / (unfavourable)	Year End 2016	2015	Variance favourable / (unfavourable)
Cash flows from operating activities	**$ 233,900**	$ 176,178	$ 57,722	**$ 530,622**	$ 528,526	$ 2,096
Less: Interest paid on financing activities	**(13,893)**	(13,713)	(180)	**(156,297)**	(144,528)	(11,769)
Cash flows from operating activities less interest paid	**$ 220,007**	$ 162,465	$ 57,542	**$ 374,325**	$ 383,998	$ (9,673)
Less: Total distributions declared	**(72,848)**	(66,221)	(6,627)	**(282,320)**	(261,424)	(20,896)
Excess of cash flows provided by operating activities less interest paid over total distributions declared	**$ 147,159**	$ 96,244	$ 50,915	**$ 92,005**	$ 122,574	$ (30,569)

For the periods ended December 31 ($ thousands) (unaudited)	Three Months 2016	2015	Variance favourable / (unfavourable)	Year End 2016	2015	Variance favourable / (unfavourable)
Adjusted Funds from Operations(1)	**$ 81,816**	$ 81,987	$ (171)	**$ 330,246**	$ 312,881	$ 17,365
Less: Total distributions declared	**(72,848)**	(66,221)	(6,627)	**(282,320)**	(261,424)	(20,896)
Excess of cash provided by AFFO(1) over total distributions declared	**$ 8,968**	$ 15,766	$ (6,798)	**$ 47,926**	$ 51,457	$ (3,531)

For the periods ended December 31 ($ thousands) (unaudited)	Three Months 2016	2015	Variance favourable / (unfavourable)	Year End 2016	2015	Variance favourable / (unfavourable)
Net income (loss)	**$ 255,574**	$ 40,401	$ 215,173	**$ (223,072)**	$ (155,276)	$ (67,796)
Add: Distributions on Exchangeable Units included in net interest expense and other financing charges	**56,444**	51,461	4,983	**218,961**	202,804	16,157
Net income (loss) adjusted for distributions on Exchangeable Units	**$ 312,018**	$ 91,862	$ 220,156	**$ (4,111)**	$ 47,528	$ (51,639)
Less: Total distributions declared	**(72,848)**	(66,221)	(6,627)	**(282,320)**	(261,424)	(20,896)
Excess (shortfall) of adjusted net income (loss) over total distributions declared	**$ 239,170**	$ 25,641	$ 213,529	**$ (286,431)**	$ (213,896)	$ (72,535)

The excess of cash flows provided by operating activities less interest paid over total distributions declared for the three months ended December 31, 2016 includes seasonal fluctuations in non-cash working capital, timing of semi-annual debenture installments. While cash flows from operating activities are generally sufficient to cover distribution requirements, timing of cash outflows may result in shortfalls during particular quarters of the Trust's fiscal year. These seasonal or short-term fluctuations could be funded from other sources, such as the credit facilities. The cash flows provided by operating activities for the year ended December 31, 2016, were in excess of total distributions declared.

AFFO[(1)] excludes the impact of short-term fluctuations in non-cash working capital, such as property tax installments, and the timing of semi-annual debenture installments. AFFO[(1)] also considers the cash flow required for capital expenditures to maintain productive capacity of the investment properties. As such, management includes this non-GAAP measure in its assessment of cash flow available for distributions. A reconciliation of AFFO[(1)] to cash flows from operating activities is in Section 17, "Non-GAAP Financial Measures", of this MD&A.

Management anticipates that distributions declared will, in the foreseeable future, continue to vary from net income (loss) as this GAAP measure includes adjustments to fair value and other non-cash items[(2)]. If net income before adjustments to fair value were to be used in the calculation, there would have been an excess of adjusted net income over total distributions declared for the years ended December 31, 2016 and 2015.

At its most recent meeting on February 15, 2017, the Board of Trustees reviewed and approved the current rate of distributions of $0.71 per unit per annum. Based on current facts and assumptions, management does not anticipate cash distributions will be reduced or suspended in the foreseeable future[(2)].

Tax Treatment The carrying value of the Trust's investment properties exceeds their tax base. Choice Properties' historic tax treatment of distributions has been as follows:

For the years ended December 31 (unaudited)	**2016**	2015	2014	2013
Return of Capital	**3.1%**	9.4%	17.1%	22.7%
Income	**92.9%**	90.5%	81.8%	77.3%
Capital Gain	**4.0%**	0.1%	1.1%	—%
	100.0%	100.0%	100.0%	100.0%

8.5 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, 2016 were as follows:

($ thousands) (unaudited)	**2017**	**2018**	**2019**	**2020**	**2021**	**Thereafter**	**Total**
Senior unsecured debentures	$ 304,821	$ 503,263	$ 289,047	$ 627,648	$ 512,133	$ 1,475,368	**$ 3,712,280**
Mortgages	1,294	204	1,628	—	—	—	**3,126**
Credit facilities[(i)]	—	—	—	—	172,000	—	**172,000**
Class C LP Units	46,250	46,250	46,250	46,250	46,250	1,227,308	**1,458,558**
Other[(ii)]	35,950	875	890	891	899	4,035	**43,540**
Total	**$ 388,315**	**$ 550,592**	**$ 337,815**	**$ 674,789**	**$ 731,282**	**$ 2,706,711**	**$ 5,389,504**

(i) Excludes interest on the revolving credit facilities.
(ii) As at December 31, 2016, Choice Properties had commitments of approximately $43,540 for future capital expenditures related to ongoing development and sustainable capital projects, and other contractual obligations such as operating rents.

9. QUARTERLY RESULTS OF OPERATIONS

9.1 Results by Quarter

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

Selected Quarterly Information

($ thousands except where otherwise indicated) (unaudited)	**Fourth Quarter 2016**	Third Quarter 2016	Second Quarter 2016	First Quarter 2016	Fourth Quarter 2015	Third Quarter 2015	Second Quarter 2015	First Quarter 2015
Number of properties	**535**	530	529	519	519	515	513	475
Gross Leasable Area (in millions of square feet)	**43.6**	42.9	42.5	41.6	41.6	41.4	41.3	39.9
Occupancy	**98.9%**	98.8%	98.8%	98.7%	98.6%	98.5%	98.5%	98.3%
Rental revenue	**$ 197,713**	$ 196,275	$ 197,348	$ 192,238	$ 191,057	$ 187,285	$ 183,084	$ 181,674
Net Operating Income[1]	**$ 139,745**	$ 137,835	$ 136,727	$ 132,445	$ 132,133	$ 129,986	$ 126,861	$ 125,285
Net income (loss)	**$ 255,574**	$ 213,718	$ (559,709)	$ (132,655)	$ 40,401	$ (173,362)	$ 188,735	$ (211,050)
Net income (loss) per unit	**$ 0.623**	$ 0.522	$ (1.369)	$ (0.325)	$ 0.099	$ (0.427)	$ 0.465	$ (0.533)
Net income (loss) per unit diluted	**$ 0.621**	$ 0.521	$ (1.366)	$ (0.324)	$ 0.099	$ (0.426)	$ 0.472	$ (0.533)
Cash flows from operating activities[i]	**$ 233,900**	$ 156,782	$ 108,527	$ 30,053	$ 176,178	$ 145,895	$ 106,484	$ 99,969
FFO[1] per unit - diluted	**$ 0.251**	$ 0.248	$ 0.249	$ 0.251	$ 0.247	$ 0.241	$ 0.240	$ 0.238
AFFO[1] per unit diluted	**$ 0.199**	$ 0.200	$ 0.204	$ 0.203	$ 0.201	$ 0.194	$ 0.191	$ 0.191
AFFO[1] payout ratio	**89.2%**	88.8%	82.3%	82.7%	80.8%	83.8%	85.1%	85.1%
Distribution declared per unit	**$ 0.1775**	$ 0.1775	$ 0.1675	$ 0.1675	$ 0.1625	$ 0.1625	$ 0.1625	$ 0.1625
Market price per Unit - closing	**$ 13.47**	$ 13.81	$ 14.20	$ 12.37	$ 11.80	$ 11.50	$ 10.80	$ 11.31
Number of Units outstanding	**410,557,333**	409,244,667	408,860,283	408,459,152	408,063,609	406,379,516	405,659,341	395,976,907
Total assets (in millions)	**$ 9,435**	$ 9,156	$ 8,950	$ 8,730	$ 8,906	$ 8,603	$ 8,465	$ 8,159
Long term debt and Class C LP Units	**$ 3,928,714**	$ 3,928,649	$ 3,928,664	$ 3,929,021	$ 3,881,390	$ 3,683,372	$ 3,682,198	$ 3,683,129
Debt to total assets[ii]	**44.5%**	45.9%	46.5%	45.9%	44.5%	44.9%	45.1%	45.8%
Debt service coverage[1][ii]	**3.5x**	3.6x	3.6x	3.6x	3.6x	3.6x	3.5x	3.5x

(i) Cash flows from operating activities are presented before deducting interest paid. Presentation has been updated to exclude leasing capital expenditures.

(ii) 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.

Choice Properties' quarterly results were positively impacted by regular acquisition activity and development of additional GLA. In addition, net income (or net loss) is impacted by fluctuations in adjustments to fair value of Exchangeable Units, investment properties, and unit-based compensation and therefore is often not comparable from quarter to quarter.

9.2. Fourth Quarter Results

Choice Properties' financial results for the three months ended December 31, 2016 and December 31, 2015 are summarized below:

For the three months ended December 31, ($ thousands) (unaudited)	2016	2015	Variance favourable / (unfavourable)
Rental Revenue			
Base rent	**$ 148,343**	$ 140,319	$ 8,024
Property tax and operating cost recoveries	**48,819**	50,149	(1,330)
Other revenue	**551**	589	(38)
	197,713	191,057	6,656
Property Operating Costs			
Recoverable property taxes and operating costs	**(48,121)**	(49,072)	951
Non-recoverable operating costs	**(688)**	(731)	43
Net Property Income	**$ 148,904**	$ 141,254	$ 7,650
Other Expenses			
General and administrative expenses	**(6,196)**	(5,148)	(1,048)
Amortization of other assets	**(233)**	(279)	46
Net interest expense and other financing charges	**(96,442)**	(87,910)	(8,532)
Share of profit from joint venture	**80**	—	80
Net Income before Adjustments to Fair Value	**$ 46,113**	$ 47,917	$ (1,804)
Adjustment to fair value of Exchangeable Units	**107,800**	(95,418)	203,218
Adjustment to fair value of investment properties	**101,661**	87,902	13,759
Adjustment to fair value of investment property held in equity accounted joint venture	**—**	—	—
Net Income	**$ 255,574**	$ 40,401	$ 215,173

Net Income For the three months ended December 31, 2016, net income was $255,574, an increase of $215,173 compared to the net income of $40,401 for the same period in 2015, primarily due to favourable changes of $203,218 and $13,759 in the adjustment to the fair value of Exchangeable Units and the adjustment to the fair value of investment properties, respectively. Adjustments to fair value can vary widely from quarter to quarter as they are impacted by market factors such as the Trust's Unit price and market capitalization rates.

Excluding the adjustments to fair value, net income for the three months ended December 31, 2016 was $1,804 lower than the same period in 2015 primarily because the increase in net interest expense and other financing charges of $8,532 was greater than the $7,650 increase in net property income. Net interest expense and other financing charges was impacted by the increase to the Trust's distribution rate as distributions to Exchangeable Units are treated as expense to the Trust.

Rental Revenue Rental revenue is comprised primarily of base rent and recoveries from tenants for property taxes, operating costs and qualifying capital expenditures. Growth in rental revenue is materially impacted by newly acquired assets. To better measure certain key performance factors, management further analyzes rental revenue for income producing properties owned by the Trust throughout the current and comparative reporting periods ("Same Properties"), to remove the impact of recently acquired properties ("Acquisitions").

For the three months ended December 31, ($ thousands) (unaudited)		**2016**		2015		Variance favourable / (unfavourable)
Same Properties(i)	**$**	**192,640**	$	190,462	$	2,178
Acquisitions(ii)		**5,073**		595		4,478
Total Revenue	**$**	**197,713**	$	191,057	$	6,656

(i) There were 512 income producing properties that were owned throughout the three months ended December 31, 2016 and December 31, 2015 ("Same Properties").

(ii) Acquisitions includes properties purchased subsequent to September 30, 2015.

During the three months ended December 31, 2016, rental revenue increased by $6,656, or 3.5% compared to the same period in 2015, attributable to an increase of $2,178 in revenue from Same Properties and additional rental revenue of $4,478 attributable to properties acquired subsequent to September 30, 2015. The increase in revenue from Same Properties is attributable to higher revenue generated from the recovery of capital expenditures of $1,257 and base rent on newly developed GLA of $3,489, partially offset by a decrease of $2,525 in base rent and net recoveries, which was driven primarily by a decline in property tax recovery revenues due to lower expenses, and a $43 decline in other revenues.

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 three months ended December 31, 2016, the net amount of these items positively impacted rental revenue by $8,952 (2015 - $9,020).

Property Operating Costs Property operating costs are comprised primarily of expenses to manage and maintain the properties for the benefit of the tenants, including realty taxes, that are recoverable under the leases of most tenants. Non-recoverable operating costs include expenses that do not directly benefit the tenants.

For the three months ended December 31, ($ thousands) (unaudited)		**2016**		2015		Variance Favourable / (Unfavourable)
Same Properties	**$**	**47,070**	$	49,739	$	2,669
Acquisitions		**1,739**		64		(1,675)
Total Property Operating Costs	**$**	**48,809**	$	49,803	$	994

For the three months ended December 31, 2016, property operating costs decreased by $994 or 2.0% compared to the same period in 2015, attributable to a decrease of $2,669 from Same Properties, and an increase $1,675 from the properties acquired subsequent to September 30, 2015. The decrease in total property operating costs from Same Properties is attributable to a decrease of $2,619 in recoverable operating costs and a decrease of $50 of non-recoverable operating costs. The decrease of recoverable operating costs was driven by favourable property tax assessments received in the quarter and timing of other expenses such as repairs and snow removal.

General and Administrative Expenses

For the three months ended December 31, ($ thousands) (unaudited)		2016		2015		Variance favourable / (unfavourable)
Internal expenses of the Trust	**$**	**7,595**	$	6,235	$	(1,360)
Investor relations and other public entity costs		**346**		277		(69)
Professional fees		**643**		687		44
Services Agreement expense charged by related party(i)		**733**		785		52
		9,317		7,984		(1,333)
Less:						
Property and asset management fee charged to related party(i)		**(191)**		(150)		41
Capitalized to investment properties		**(719)**		(703)		16
Allocated to recoverable operating expenses		**(2,211)**		(1,983)		228
General and administrative expenses	**$**	**6,196**	$	5,148	$	(1,048)
Less:						
Adjustment to fair value of unit-based compensation(ii)		**225**		(379)		(604)
Internal expenses for leasing(ii)		**(518)**		(666)		(148)
General and administrative expenses excluding internal expenses for leasing and adjustment to fair value of unit-based compensation (for use in calculation of general and administrative expense as a percent of revenue)	**$**	**5,903**	$	4,103	$	(1,800)
As a percentage of revenue		**3.0%**		2.1%		(0.9)%

(i) The Services Agreement and Property Management Agreement are described in Section 13, "Related Party Transactions", of this MD&A.

(ii) General and administrative expenses includes the cost of unit-based compensation which was recorded at the fair value of the underlying Trust Units. The adjustment to the fair value of unit-based compensation was eligible to be added back to FFO(1), in accordance with the Real Property Association of Canada White Paper on Funds from Operations for IFRS issued in April 2014.

(iii) Internal expenses for leasing, primarily salaries, were eligible to be added back to FFO(1), based on the definition of FFO(1) in the Real Property Association of Canada White Paper published in April 2014 that provided for an adjustment to incremental leasing expenses for the cost of salaried staff. This adjustment to FFO(1) made results more comparable between real estate entities that expensed their internal leasing departments and those that capitalized the expenses.

General and administrative expenses, excluding adjustment to fair value of unit-based compensation and internal expenses for leasing, for the three months ended December 31, 2016, increased $1,800, or 0.9% when expressed as a percentage of revenue, over the same period in 2015. The increase was driven by employee costs.

Net Interest Expense and Other Financing Charges

For the three months ended December 31, ($ thousands) (unaudited)		2016		2015		Variance favourable / (unfavourable)
Interest on senior unsecured debentures	**$**	**27,540**	$	25,267	$	(2,273)
Distributions on Class C LP Units(i)		**11,562**		11,562		—
Interest on mortgage		**36**		59		23
Interest on credit facilities		**1,405**		888		(517)
Subtotal (for use in Debt Service Coverage calculation)	**$**	**40,543**	$	37,776	$	(2,767)
Distributions on Exchangeable Units(i)		**56,444**		51,461		(4,983)
Subtotal (for use in EBITDAFV(1) calculation)	**$**	**96,987**	$	89,237	$	(7,750)
Effective interest rate amortization of debt discounts and premiums		**97**		(667)		(764)
Effective interest rate amortization of debt placement costs		**424**		353		(71)
Capitalized interest		**(480)**		(465)		15
Interest income		**(586)**		(548)		38
Net interest expense and other financing charges	**$**	**96,442**	$	87,910	$	(8,532)

(i) Represents interest on indebtedness due to Loblaw.

For the three months ended December 31, 2016, net interest expense and other financing charges increased by $8,532 or 9.7% compared to the same period in 2015. The increase was due to distributions on the Exchangeable Units as a result of a higher distribution rate and additional Exchangeable Units issued as partial consideration for properties acquired from Loblaw in 2015 and 2016, and interest incurred on senior unsecured debentures as a result of net issuances in 2015 and 2016 at higher weighted average interest rates.

9.3 Other Measures of Fourth Quarter Performance

Choice Properties' FFO[1] and AFFO[1] for the three months ended December 31, 2016 and December 31, 2015 are summarized below:

For the three months ended December 31 ($ thousands except where otherwise indicated) (unaudited)		**2016**		2015		Variance favourable / (unfavourable)
Net Operating Income[1]	**$**	**139,745**	$	132,133	$	7,612
NOI[1] for Same Properties, with the same GLA	**$**	**132,959**	$	131,599	$	1,360
Funds from Operations[1]	**$**	**103,141**	$	100,524	$	2,617
FFO[1] per unit basic	**$**	**0.251**	$	0.247	$	0.004
FFO[1] per unit diluted	**$**	**0.251**	$	0.247	$	0.004
FFO[1] payout ratio - diluted		**70.8%**		65.8%		(5.0)%
Adjusted Funds from Operations[1]	**$**	**81,816**	$	81,987	$	(171)
AFFO[1] per unit basic	**$**	**0.200**	$	0.202	$	(0.002)
AFFO[1] per unit diluted	**$**	**0.199**	$	0.201	$	(0.002)
AFFO[1] payout ratio- diluted		**89.2%**		80.8%		(8.4)%
Distribution declared per unit	**$**	**0.1775**	$	0.1625	$	0.0150
Weighted average Units outstanding - basic		**410,104,744**		407,210,616		2,894,128
Weighted average Units outstanding - diluted		**411,272,728**		407,774,742		3,497,986
Number of Units outstanding, end of period		**410,557,333**		408,063,609		2,493,724

Net Operating Income[1]

There is no industry-defined measure of NOI[1]. Refer to Section 17, "Non-GAAP Financial Measures", of this MD&A, for a definition of NOI [1] and a reconciliation to net income (loss).

Net Operating Income[1] For the three months ended December 31, 2016, NOI[1] increased $7,612, or 5.8%, compared to the same period in 2015, driven by an increase of $4,849 from Same Properties, and $2,763 from the properties acquired subsequent to September 30, 2015.

Net Operating Income[1] for Same Properties, with the same GLA To better measure certain key performance factors, management further analyzes NOI[1] for the income producing properties owned by the Trust throughout the current and comparative reporting periods, Same Properties, to remove the impact from recently acquired properties. Management further refines the analysis to exclude any NOI[1] from developments which increased GLA in the comparative periods.

For the three months ended December 31, 2016, NOI[1] for Same Properties, measured with the same GLA, increased $1,360,or 1.0%, compared to the same period in 2015, primarily due to higher revenue generated from capital recoveries of $1,257,and a decrease of $50 in non-recoverable operating expenses, partially offset by a decrease of $43 in additional other revenue. The quarter-to-date increase was also due to an increase of $96 in base rent and net recoveries, which was driven by an improvement in ancillary occupancy, higher average rents per square foot on new ancillary leases and rent steps in Loblaw leases.

Funds from Operations[1]

Choice Properties calculates its FFO[1] in accordance with the Real Property Association of Canada White Paper on Funds from Operations[1] for IFRS issued in April 2014. Refer to Section 17,"Non-GAAP Financial Measures", of this MD&A, for a reconciliation of FFO[1] to net income (loss) determined in accordance with GAAP.

For the three months ended December 31, 2016, FFO[1] increased by $2,617 or 2.6% compared to the same period in 2015. The year-over-year growth was due to a $7,756 increase in net property income, $80 from the share of income from joint venture and a $46 decrease in amortization of other assets, partially offset by a $3,465 increase in interest and other financing charges, and a $1,800 increase in general and administrative expenses.

For the three months ended December 31, 2016, FFO[1] per unit on a diluted basis increased by $0.004 or 1.6% compared to the same period in 2015.

Adjusted Funds from Operations[1]

There is currently no standard industry-defined measure of AFFO[1]. Refer to Section 17, "Non-GAAP Financial Measures", of this MD&A, for a reconciliation of AFFO[1] to cash flows from operating activities determined in accordance with GAAP.

For the three months ended December 31, 2016, AFFO[1] decreased by $171 or 0.2% compared to the same period in 2015. The year-over-year decrease was due to a $3,801 increase in capital expenditures required to maintain the rental revenue stream of the growing portfolio, a $2,630 increase in interest and other financing charges,and a $1,584 increase in general and administrative expenses, partially offset by a $7,718 increase in net property income, $80 from the share of income from joint venture and a $46 decrease in amortization of other assets.

For the three months ended December 31, 2016, AFFO[1] per unit on a diluted basis decreased by $0.002 or 1.0% compared to the same period in 2015. The results for AFFO[1] reflect property capital expenditures occurring evenly over the year. If AFFO[1] were to be calculated deducting only the incurred capital expenditures of $17,697 AFFO[1] would have been $77,665 or $0.189 per unit on a diluted basis (2015 - $63,295 or $0.155).

10. 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" ("NI 52-109"), 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, 2016.

11. 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 NI 52-109, the President and 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 (COSO Framework)' (2013) published by The Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on that evaluation, they have concluded that the design and operation of the Trust's internal controls over financial reporting were effective as at December 31, 2016.

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. Additionally, management is required to use judgment in evaluating controls and procedures.

Changes in Internal Control over Financial Reporting There were no changes in the Trust's internal controls over financial reporting in the fourth quarter of 2016 that materially affected, or are reasonably likely to materially affect, the Trust's internal control over financial reporting.

12. ENTERPRISE RISKS AND RISK MANAGEMENT

Choice Properties is committed to maintaining a framework that ensures risk management is an integral part of its activities. To ensure the continued growth and success of the Trust, risks are identified and managed through the Trust's Enterprise Risk Management ("ERM") program.

The ERM program assists all areas of the business in managing risks within appropriate levels of tolerance by bringing a systematic approach and methodology 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 mitigation activities and develop a risk-based internal audit plan.

Risks are not eliminated through the ERM program, but rather, are identified and managed in line with the Trust's risk appetite and within understood risk tolerances. The ERM program is designed to:

- facilitate effective corporate governance by providing a consolidated view of risks across the Trust;
- enable the Trust to focus on key risks that could impact its strategic objectives in order to reduce harm to financial performance through responsible risk management;
- ensure that the Trust's risk appetite and tolerances are defined and understood;
- promote a culture of awareness of risk management and compliance within Choice Properties;
- assist in developing consistent risk management methodologies and tools across the Trust including methodologies for the identification, assessment, measurement and monitoring of risks; and
- anticipate and provide early warnings of risks through key risk indicators.

The Board of Trustees oversee the ERM program, including a review of the Trust's risks and risk prioritization, annual approval of the ERM policy and risk appetite framework. The risk appetite framework articulates key aspects of the Trust, values, and brands and provides directional guidance on risk taking. Key risk indicators are used to monitor and report on risk performance and whether Choice Properties is operating within its risk appetite. Risk owners are assigned relevant risks by the Board and are responsible for managing risk and implementing risk mitigation strategies.

Risk identification and assessments are important elements of the Trust's ERM process and framework. An annual ERM assessment is completed to assist in the update and identification of internal and external risks. This assessment is carried out in parallel with strategic planning through interviews, surveys and facilitated workshops with management and the Board of Trustees to align stakeholder views. 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 on its strategies and achieve its objectives.

At least semi-annually, management provides an update to the Board of Trustees (or a Committee of the Board) on the status of the key 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 (three year) risk level is assessed to monitor potential long term risk impacts, which may assist in risk mitigation planning activities.

Any of these risks has the potential to negatively affect the Trust and its financial performance. Choice Properties has risk management strategies in place for key risks. However, there can be no assurance that the risks will be mitigated or will not materialize or that events or circumstances will not occur that could adversely affect the reputation, operations or financial condition or performance of the Trust.

The following risks are a subset of the key risks identified through the ERM program. They should be read in conjunction with the full set of risks inherent in the Trust's business, as included in the Trust's Annual Information Form for the year ended December 31, 2016, which is hereby incorporated by reference.

12.1 Operating Risks and Risk Management

The following discussion of risks identifies significant factors that may adversely affect the Trust's business, operations and financial condition or future performance. This information should be read in conjunction with the MD&A and the Trust's consolidated financial statements and related notes. The following discussion of risks is not all inclusive but is designed to highlight the key risks inherent in the Trust's business:

Property Development, Redevelopment and Renovation Risks
Vendor Management, Partnerships and Third-Party Service Providers
Current Economic Environment

Property Development, Redevelopment and Renovation Risks Choice Properties engages in development, redevelopment and major renovation activities with respect to certain properties. It is subject to certain risks, including: (a) the availability and pricing of financing on satisfactory terms or availability at all; (b) the availability and timely receipt of zoning, occupancy, land use and other regulatory and government 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 are not completed; (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 flows 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) occupancy rates and rents of a completed project may not be sufficient to make the project profitable; (k) 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 (l) the availability and pricing of financing to fund Choice Properties' development activities on favourable terms or availability at all.

The above risks could result in substantial unanticipated delays or expenses and, under certain circumstances, could prevent the initiation of development activities or the completion of development activities once undertaken. In addition, development projects entail risks that investments may not perform in accordance with expectations and can carry an increased risk of litigation (and its accompanying risks) with contractors, subcontractors, suppliers, partners and others. Any failure by Choice Properties to effectively manage all development, redevelopment and major renovation initiatives may negatively impact the reputation and financial performance of the Trust.

Vendor Management, Partnerships 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 joint venture arrangements or for contract tendering, drafting, review, approval and monitoring may pose a risk for the Trust. Choice Properties may not be able to negotiate contract terms, services' levels and rates that are optimal for Choice Properties. In addition, co-owners or joint venture partners may fail to fund their share of capital, may not comply with the terms of any governing agreements or may incur reputational damage which could negatively impact the Trust. Inefficient, ineffective or incomplete vendor management / partnership strategies, policies and procedures could impact the Trust's reputation, operations and/or financial performance.

Current Economic Environment Continued concerns about the uncertainty over whether the economy will be adversely affected by inflation and the systemic impact of unemployment, volatile energy costs, geopolitical issues and the availability and cost of credit have contributed to increased market volatility and weakened business and consumer confidence. This difficult operating environment could adversely affect Choice Properties' ability to generate revenues, thereby reducing its operating income and earnings. It could also have a material adverse effect on the ability of Choice Properties' operators to maintain occupancy rates in the properties, which could harm Choice Properties' financial condition. If these economic conditions continue, Choice Properties' tenants may be unable to meet their rental payments and other obligations owing to Choice Properties, which could have a material adverse effect on Choice Properties.

12.2 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
Interest Rate Risk	Credit Risk
Liquidity of Real Property	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 flows generated by the properties is devoted to servicing such outstanding debt, there can be no assurance that Choice Properties will continue to generate sufficient cash flows from operations to meet interest and principal payment obligations upon an applicable maturity date. If Choice Properties is unable to meet interest or principal payment 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 existing credit facilities, 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.

Interest Rate Risk Choice Properties requires extensive financial resources to complete the implementation of its investment and growth strategy. Successful implementation of Choice Properties' long-term strategy will require cost effective access to additional funding. There is a risk that interest rates may increase which could impact long-term borrowing costs and negatively impact financial performance.

The majority of Choice Properties' debt is financed at fixed rates with maturities staggered over 30 years, thereby mitigating the exposure to near term changes in interest rates. To the extent that Choice Properties incurs variable rate indebtedness (such as borrowings under the credit facilities), 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 the amount of cash available for distribution to Unitholders would be decreased.

Choice Properties' credit facilities 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.

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.

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.

Unit Price Risk Choice Properties is exposed to Unit price risk as a result of the issuance of the Class B LP Units, which are economically equivalent to and exchangeable for Units, as well as the issuance of unit-based compensation. The Class B LP Units and unit-based compensation liabilities are recorded at their fair value based on market trading prices. The Class B LP 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, derivatives 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, derivatives 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 flows 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 flows, the trading price of the Units, distributions to Unitholders and its ability to satisfy principal and interest obligations on its outstanding debt.

13. RELATED PARTY TRANSACTIONS

Choice Properties' parent corporation is Loblaw, which held an 82.7% effective interest in the Trust through ownership of 21,500,000 Units and all of the Exchangeable Units as at December 31, 2016 (December 31, 2015 - 83.0% and 21,500,000 Units respectively). Loblaw's majority shareholder, GWL, held approximately 47% ownership of Loblaw's outstanding common shares and a 5.8% direct interest in Choice Properties, through ownership of 23,997,222 Units as at December 31, 2016 (December 31, 2015 - 5.6% and 22,732,062 Units respectively).

Loblaw is also Choice Properties' largest tenant, representing approximately 90.0% of Choice Properties' annual base rent and 88.3% of its GLA as at December 31, 2016 (December 31, 2015 - 91.1% and 89.1% respectively).

In 2016, the Trust acquired 15 investment properties from Loblaw. The acquisition added approximately 1.1 million square feet of GLA across Canada at a purchase price of $158,060, excluding acquisition costs and other adjustments. The acquisitions from Loblaw are disclosed in Section 5.2, "Acquisition of Investment Properties", of this MD&A.

In December 2014, Choice Properties and its joint venture partner, Wittington, completed the acquisition of 500 Lake Shore in Toronto, Ontario for $15,576 from Loblaw through 500 LS Limited Partnership. Wittington's parent company is Wittington Investments, Limited, which holds a majority interest in GWL. Choice Properties did not make any contributions to the joint venture during the year ended December 31, 2016, but did receive a distribution from the joint venture of $4,000 (year ended December 31, 2015 - contributions $3,120 and distributions nil). Operating activities have not begun at the property, however the joint venture did earn interest income in the year ended December 31, 2016 (December 31, 2015 - nil).

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 initial public offering, and will continue until the earlier of 20 years from the initial public offering 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.

Included in certain investment properties acquired from Loblaw is excess land with development potential. In accordance with the Strategic Alliance Agreement, Choice Properties will compensate Loblaw, over time, with intensification payments, as Choice Properties pursues development, intensification or redevelopment of such excess land. The payments to Loblaw will be calculated in accordance with a payment grid 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 expiring agreement was for an one-year term expiring December 31, 2016 and the parties have agreed to extend the agreement until December 31, 2017.

Property Management Agreement
Choice Properties provides Loblaw with property and asset management services for Loblaw's properties with third-party tenancies on a fee for service basis, in accordance with the Property Management Agreement, subject to automatic one-year renewals.

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 21 to the consolidated financial statements for the years ended December 31, 2016 and 2015.

14. 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.

15. ACCOUNTING STANDARDS

Accounting Standards Implemented in 2016

In 2014, the IASB issued amendments to IAS 1, "Presentation of Financial Statements". The Trust implemented these amendments prospectively in the first quarter of 2016. There was no impact on the Trust's consolidated financial statements as a result of the implementation of this amendment.

Future Accounting Standards

IFRS 15 In 2014, the IASB issued IFRS 15, "Revenue from Contracts with Customers" ("IFRS 15"), replacing IAS 18, "Revenue", IAS 11, "Construction Contracts", and related interpretations. 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, 2018, and is to be applied retrospectively.

The Trust intends to adopt IFRS 15 and the clarifications in its financial statements for the annual period beginning on January 1, 2018. The Trust does not expect the standard to have a material impact on the financial statements.

IFRS 9 In 2014, the IASB issued IFRS 9, "Financial Instruments" ("IFRS 9"), replacing IAS 39, "Financial Instruments: Recognition and Measurement" ("IAS 39"). 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.

<u>Classification and Measurement</u> IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities.

<u>Impairment</u> IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' model. The new impairment model will apply to financial assets measured at amortized cost or those measured at fair value through other comprehensive income, except for investments in equity instruments and contract assets.

<u>General Hedging</u> IFRS 9 will require the Trust to ensure that hedge accounting relationships are aligned with the Trust's risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness.

The Trust intends to adopt IFRS 9 in its financial statements for the annual period beginning on January 1, 2018. The Trust does not expect the standard to have a material impact on the financial statements.

IFRS 16 In January 2016, the IASB issued IFRS 16, "Leases ("IFRS 16"), replacing IAS 17, "Leases" and related interpretations. The standard introduces a single on-balance sheet recognition and measurement model for lessees, eliminating the distinction between operating and finance leases. Lessors continue to classify leases as finance and operating leases. IFRS 16 becomes effective for annual periods beginning on or after January 1, 2019, and is to be applied retrospectively. For leases where the Trust is the lessee, the option exists of adopting a full retrospective approach or a modified retrospective approach on transition to IFRS 16. While early adoption is permitted, if IFRS 15 has already been adopted, the Trust will not early adopt IFRS 16.

The Trust intends to adopt IFRS 16 in its financial statements for the annual period beginning on January 1, 2019. It is expected that IFRS 16 will affect the Trust in its capacity as lessee of office space. The Trust will recognize a liability for the present value of future lease liabilities and record a corresponding asset on the balance sheet. The nature and timing of the related expenses will change as IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. The Trust is currently assessing the impact of the standard on the financial statements.

16. OUTLOOK [(2)]

Choice Properties continues to drive value creation through accretive acquisitions, strategic development and active management of its portfolio of properties. This strategy supports the Trust's goal to expand its asset base and increase monthly distributions to unitholders.

Choice Properties is well positioned to meet its current obligations and to invest for future growth. The Trust's competitive advantages include: a sizable asset base that is geographically diverse across Canada; long-term leases and a strategic alliance with Loblaw; and an existing development pipeline, supported by sound financial management focused on maintaining a solid balance sheet and its investment grade credit ratings.

In 2017, Choice Properties expects to:

- Acquire additional properties from Loblaw and third-party vendors on an accretive basis when opportunities arise;
- Invest approximately $192,100 in development projects expected to be completed in 2017 and future ongoing projects;
- Complete the development of approximately 337,000 square feet of GLA with an expected yield ranging from 6% to 9%;
- Maintain a total occupancy rate of approximately 98%, with the occupancy rate for ancillary GLA in the 90% range; and
- Continue to align growth in distributions with stable, growing cash flows.

17. NON-GAAP FINANCIAL MEASURES

Choice Properties reports non-GAAP financial measures, including, but not limited to, Net Operating Income ("NOI"), Funds from Operations ("FFO"), Adjusted Funds from Operations ("AFFO"), and Earnings before Interest, Taxes, Depreciation, Amortization and Fair Value ("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.

Management uses these and other non-GAAP financial measures to exclude the impact of certain expenses and income that must be recognized under IFRS when analyzing 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.

These measures do not have a standardized meaning prescribed by IFRS 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 IFRS.

17.1 Net Operating Income

NOI is defined as rental revenue, excluding straight-line rent, from investment properties less property operating costs. NOI is a key performance indicator, as it evaluates the results of the portfolio and represents a measure over which management has control. It is also a key input in determining the fair value of the portfolio. 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 7, "Other Measures of Performance" and Section 9.3 "Other Measures of Fourth Quarter Performance" of this MD&A, for a discussion on this non-GAAP measure. The following table reconciles net income (loss) to NOI for the periods ended as indicated:

	Three Months			Year End		
For the periods ended December 31, ($ thousands) (unaudited)	**2016**	2015	Variance Favourable / (Unfavourable)	**2016**	2015	Variance Favourable / (Unfavourable)
Net income (loss)	**$ 255,574**	$ 40,401	$ 215,173	**$ (223,072)**	$ (155,276)	$ (67,796)
Add (deduct) impact of the following:						
Straight-line rental revenue	**(9,159)**	(9,121)	(38)	**(36,582)**	(36,656)	74
General and administrative expenses	**6,196**	5,148	1,048	**28,117**	21,765	6,352
Amortization of other assets	**233**	279	(46)	**930**	844	86
Net interest expense and other financing charges	**96,442**	87,910	8,532	**370,533**	345,051	25,482
Share of income from joint venture	**(80)**	—	(80)	**(80)**	—	(80)
Adjustment to fair value of Exchangeable Units	**(107,800)**	95,418	(203,218)	**529,591**	410,518	119,073
Adjustment to fair value of investment properties	**(101,661)**	(87,902)	(13,759)	**(109,045)**	(71,981)	(37,064)
Adjustment to fair value of investment property held in equity accounted joint venture	**—**	—	—	**(13,640)**	—	(13,640)
Net Operating Income	**$ 139,745**	$ 132,133	$ 7,612	**$ 546,752**	$ 514,265	$ 32,487

To better measure certain key performance factors, management further analyzes NOI for the income producing properties owned by the Trust throughout the current and comparative reporting periods, Same Properties, to remove the impact of recently acquired properties, Acquisitions. Management further refines the analysis to exclude any NOI from developments, which increased GLA in the comparative periods. The number of Same Properties was 512 and 470 for the three months and years ended December 31, 2016 and December 31, 2015, respectively. The following table analyzes the components of NOI:

	2016			2015		
For the three months ended December 31 ($ thousands) (unaudited)	**Same Properties**	Acquisitions[(i)]	All Properties	**Same Properties**	Acquisitions[(i)]	All Properties
Rental revenue	**$ 192,640**	**$ 5,073**	**$ 197,713**	$ 190,462	$ 595	$ 191,057
Less: Straight-line rental revenue	**(8,897)**	**(262)**	**(9,159)**	(8,899)	(222)	(9,121)
	183,743	**4,811**	**188,554**	181,563	373	181,936
Property operating costs	**(47,070)**	**(1,739)**	**(48,809)**	(49,739)	(64)	(49,803)
Net Operating Income	**$ 136,673**	**$ 3,072**	**$ 139,745**	$ 131,824	$ 309	$ 132,133
Less: NOI from developed GLA	**(3,714)**	**(64)**	**(3,778)**	(225)	—	(225)
NOI for Same Properties, with the same GLA	**$ 132,959**	**$ 3,008**	**$ 135,967**	$ 131,599	$ 309	$ 131,908

(i) Properties acquired subsequent to September 30, 2015 (see Section 18 Additional Information).

	2016			2015		
For the years ended December 31 ($ thousands) (unaudited)	**Same Properties**	Acquisitions[(i)]	All Properties	**Same Properties**	Acquisitions[(i)]	All Properties
Rental revenue	**$ 738,407**	**$ 45,167**	**$ 783,574**	$ 720,645	$ 22,455	$ 743,100
Less: Straight-line rental revenue	**(34,078)**	**(2,504)**	**(36,582)**	(35,041)	(1,615)	(36,656)
	704,329	**42,663**	**746,992**	685,604	20,840	706,444
Property operating costs	**(188,723)**	**(11,517)**	**(200,240)**	(186,362)	(5,817)	(192,179)
Net Operating Income	**$ 515,606**	**$ 31,146**	**$ 546,752**	$ 499,242	$ 15,023	$ 514,265
Less: NOI from developed GLA	**(7,897)**	**(851)**	**(8,748)**	(406)	—	(406)
NOI for Same Properties, with the same GLA	**$ 507,709**	**$ 30,295**	**$ 538,004**	$ 498,836	$ 15,023	$ 513,859

(i) Properties acquired subsequent to December 31, 2014 (see Section 18 Additional Information).

17.2 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. 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 real estate investment trusts.

Choice Properties considers FFO to be a useful measure of operating performance as it adjusts for items included in net income (or net loss) that do not arise from operating activities or do not necessarily provide an accurate depiction of the Trust's past or recurring performance, such as adjustments to fair value of Exchangeable Units, investment properties and unit-based compensation.

See Section 7, "Other Measures of Performance", and Section 9.3, "Other Measures of Fourth Quarter Performance", of this MD&A, for a discussion on this non-GAAP measure. The following table reconciles net income (loss) to FFO for the periods ended as indicated:

For the periods ended December 31, ($ thousands) (unaudited)	Three Months 2016	Three Months 2015	Three Months Variance Favourable / (Unfavourable)	Year End 2016	Year End 2015	Year End Variance Favourable / (Unfavourable)
Net income (loss)	**$ 255,574**	$ 40,401	$ 215,173	**$ (223,072)**	$ (155,276)	$ (67,796)
Add (deduct) impact of the following:						
Adjustment to fair value of Exchangeable Units	**(107,800)**	95,418	(203,218)	**529,591**	410,518	119,073
Adjustment to fair value of investment properties	**(101,661)**	(87,902)	(13,759)	**(109,045)**	(71,981)	(37,064)
Adjustment to fair value of unit-based compensation	**(225)**	379	(604)	**4,309**	888	3,421
Adjustment to fair value of investment property held in equity accounted joint venture	**—**	—	—	**(13,640)**	—	(13,640)
Interest otherwise capitalized for development in equity accounted joint venture(i)	**84**	—	84	**324**	—	324
Exchangeable Units distributions	**56,444**	51,461	4,983	**218,961**	202,804	16,157
Amortization of tenant improvement allowances	**207**	101	106	**572**	251	321
Internal expenses for leasing	**518**	666	(148)	**2,135**	1,771	364
Funds from Operations	**$ 103,141**	$ 100,524	$ 2,617	**$ 410,135**	$ 388,975	$ 21,160
FFO per unit - diluted	**$ 0.251**	$ 0.247	$ 0.004	**$ 1.000**	$ 0.966	$ 0.034
FFO payout ratio - diluted(ii)	**70.8%**	65.8%	(5.0)%	**69.0%**	67.3%	(1.7)%
Distribution declared per unit	**$ 0.1775**	$ 0.1625	$ 0.0150	**$ 0.6900**	$ 0.6500	$ 0.0400
Weighted average Units outstanding - diluted	**411,272,728**	407,774,742	3,497,986	**410,034,555**	402,582,183	7,452,372

(i) Interest expensed in the Trust, relating to qualifying development projects underway in the equity accounted joint venture, was eligible to be added back to FFO in accordance with the Real Property Association of Canada White Paper on Funds from Operations for IFRS issued in April 2014.

(ii) Funds from Operations Payout Ratio is calculated as the distribution declared per unit divided by the FFO per unit diluted.

17.3 Adjusted Funds from Operations

AFFO is a supplemental measure of operating performance widely used in the real estate industry. Choice Properties views AFFO as an alternative measure of cash generated from operations and considers AFFO generated as one of its inputs in determining the appropriate level of distribution to Unitholders.

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 also includes a reduction for property capital expenditures, required for sustaining productive capacity 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.

See Section 7, "Other Measures of Performance", and Section 9.3, "Other Measures of Fourth Quarter Performance", of this MD&A, for a discussion on this non-GAAP measure. The following table calculates AFFO from FFO, as previously presented, for the periods ended as indicated:

For the periods ended December 31, ($ thousands) (unaudited)	Three Months 2016	Three Months 2015	Three Months Variance Favourable / (Unfavourable)	Year End 2016	Year End 2015	Year End Variance Favourable / (Unfavourable)
Funds from Operations	**$ 103,141**	$ 100,524	$ 2,617	**$ 410,135**	$ 388,975	$ 21,160
Add (deduct) impact of the following:						
Straight-line rental revenue	**(9,159)**	(9,121)	(38)	**(36,582)**	(36,656)	74
Effective interest rate amortization of finance charges	**521**	(314)	835	**1,117**	(1,227)	2,344
Unit-based compensation expense	**859**	643	216	**3,152**	2,139	1,013
Property capital expenditures - incurred	**(16,343)**	(24,653)	8,310	**(42,192)**	(32,466)	(9,726)
Property and leasing capital expenditures - normalized(i)	**4,151**	18,692	(14,541)	**—**	—	—
Leasing capital expenditures - incurred	**(1,354)**	(3,784)	2,430	**(5,384)**	(7,884)	2,500
Adjusted Funds from Operations	**$ 81,816**	$ 81,987	$ (171)	**$ 330,246**	$ 312,881	$ 17,365
AFFO per unit - diluted	**$ 0.199**	$ 0.201	$ (0.002)	**$ 0.805**	$ 0.777	$ 0.028
AFFO payout ratio - diluted(ii)	**89.2%**	80.8%	(8.4)%	**85.7%**	83.7%	(2.0)%
Distribution declared per unit	**$ 0.1775**	$ 0.1625	$ 0.0150	**$ 0.6900**	$ 0.6500	$ 0.0400
Weighted average Units outstanding - diluted	**411,272,728**	407,774,742	3,497,986	**410,034,555**	402,582,183	7,452,372

(i) Seasonality impacts the timing of capital expenditures. The AFFO calculations for the three months ended December 31, 2016 and December 31, 2015 were adjusted for this factor to make the quarters more comparable(2).

(i) Adjusted Funds from Operations Payout Ratio is calculated as the distribution declared per unit divided by the AFFO per unit diluted.

The following table reconciles AFFO to cash flows from operating activities for the periods ended as indicated:

For the periods ended December 31, ($ thousands) (unaudited)	Three Months 2016	Three Months 2015	Three Months Variance Favourable / (Unfavourable)	Year End 2016	Year End 2015	Year End Variance Favourable / (Unfavourable)
Cash Flows from operating activities	**$ 233,900**	$ 176,178	$ 57,722	**$ 530,622**	$ 528,526	$ 2,096
Interest paid	**(13,893)**	(13,713)	(180)	**(156,297)**	(144,528)	(11,769)
Adjusted cash flows from operating activities	**$ 220,007**	$ 162,465	$ 57,542	**$ 374,325**	$ 383,998	$ (9,673)
Add (deduct) impact of the following:						
Net change in non-cash operating working capital	**(99,497)**	(48,050)	(51,447)	**(3,852)**	(32,649)	28,797
Amortization of other assets	**(233)**	(279)	46	**(930)**	(844)	(86)
Property capital expenditures - incurred	**(16,343)**	(24,653)	8,310	**(42,192)**	(32,466)	(9,726)
Property and leasing capital expenditures - normalized(i)	**4,151**	18,692	(14,541)	**—**	—	—
Leasing capital expenditures - incurred	**(1,354)**	(3,784)	2,430	**(5,384)**	(7,884)	2,500
Internal expenses for leasing	**518**	666	(148)	**2,135**	1,771	364
Interest otherwise capitalized for development in equity accounted joint venture(ii)	**84**	—	84	**324**	—	324
Gain on settlement of bond forward contracts	**—**	—	—	**2,682**	—	2,682
Share of income from joint venture	**80**	—	80	**80**	—	80
Excess of interest paid over interest accrued	**(25,597)**	(23,070)	(2,527)	**3,058**	955	2,103
Adjusted Funds from Operations	**$ 81,816**	$ 81,987	$ (171)	**$ 330,246**	$ 312,881	$ 17,365

(i) Seasonality impacts the timing of capital expenditures. The AFFO calculations for the three months ended December 31, 2016 and December 31, 2015 were adjusted for this factor to make the quarters more comparable[(2)].

(ii) Interest expensed in the Trust, relating to qualifying development projects underway in the equity accounted joint venture, was eligible to be added back to FFO in accordance with the Real Property Association of Canada White Paper on Funds from Operations for IFRS issued in April 2014.

17.4 Earnings Before Interest, Taxes, Depreciation, Amortization and Fair Value

Choice Properties believes EBITDAFV is useful in assessing the Trust's ability to service its debt, finance capital expenditures and provide for distributions to its Unitholders. In addition, EBITDAFV removes the non-cash impact of the adjustments to fair value. The following table reconciles net income (loss) to EBITDAFV for the periods ended as indicated:

	Three Months			Year End		
For the periods ended December 31, ($ thousands) (unaudited)	**2016**	2015	Variance Favourable / (Unfavourable)	**2016**	2015	Variance Favourable / (Unfavourable)
Net income (loss)	**$ 255,574**	$ 40,401	$ 215,173	**$ (223,072)**	$ (155,276)	$ (67,796)
Add (deduct) impact of the following:						
Adjustment to fair value of Exchangeable Units	**(107,800)**	95,418	(203,218)	**529,591**	410,518	119,073
Adjustment to fair value of investment properties	**(101,661)**	(87,902)	(13,759)	**(109,045)**	(71,981)	(37,064)
Adjustment to fair value of unit-based compensation	**(225)**	379	(604)	**4,309**	888	3,421
Adjustment to fair value of investment property held in equity accounted joint venture	**—**	—	—	**(13,640)**	—	(13,640)
Interest expense(i)	**96,987**	89,237	7,750	**377,956**	349,865	28,091
Amortization of other assets	**233**	279	(46)	**930**	844	86
Earnings Before Interest, Taxes, Depreciation, Amortization and Fair Value	**$ 143,108**	$ 137,812	$ 5,296	**$ 567,029**	$ 534,858	$ 32,171

(i) As calculated in Section 6, "Results of Operations" and Section 9.2 "Fourth Quarter Results" of this MD&A.

18. ADDITIONAL INFORMATION

Additional information about Choice Properties 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 during the year ended December 31, 2016 as discussed in Section 5.2, "Acquisition of Investment Properties", of this MD&A:

Location	Acquisition Date	Property Type	GLA (in square feet)	Occupancy
Acquisitions from Loblaw				
69 King St., Harrow, ON	May 12, 2016	Stand-alone retail	10,671	100%
971 Carrick St., Thunder Bay, ON	May 12, 2016	Stand-alone retail	140,181	100%
18765 Fraser Hwy., Surrey, BC	May 12, 2016	Stand-alone retail	41,029	100%
1460 East Hastings St., Vancouver, BC	May 12, 2016	Stand-alone retail	21,060	100%
8121 - 118 Avenue NW, Edmonton, AB	May 12, 2016	Stand-alone retail	10,482	100%
100 Westpark Blvd., Fort Saskatchewan, AB	May 12, 2016	Stand-alone retail	17,237	100%
600 Notre Dame Ave., Winnipeg, MB	May 12, 2016	Stand-alone retail	25,346	100%
3 Philip Place, Kincardine, ON	May 12, 2016	Multi-tenant retail	46,221	56%
9970 Main St., Lake Country, BC	May 12, 2016	Multi-tenant retail	13,624	75%
18800 Lougheed Hwy., Pitt Meadows, BC	May 12, 2016	Industrial	355,316	100%
1400 Neilson Rd., Toronto, ON	October 26, 2016	Stand-alone retail	17,065	100%
3-12 Huron Walk, Manitouwadge, ON	October 26, 2016	Multi-tenant retail	21,598	95%
1250 South Service Rd., Mississauga, ON	October 26, 2016	Multi-tenant retail	129,381	100%
10 DeWare Dr., Moncton, NB	October 26, 2016	Industrial	225,990	100%
167 Ave & McConachie Way, Edmonton, AB	October 26, 2016	Land	N/A	N/A
Acquistions from Third-Parties				
4211 - 139 Avenue NW, Edmonton, AB	August 17, 2016	Multi-tenant retail	67,181	93%
789 - 795 Ryan Road, Courtenay, BC	December 22, 2016	Multi-tenant retail	32,652	88%
20 Beaver Avenue, Beaverton, ON	December 22, 2016	Multi-tenant retail	3,891	100%
			1,178,925	97%

The following details the acquisitions for the year ended December 31, 2015:

Location	Acquisition Date	Property Type	GLA (in square feet)	Occupancy
Acquisitions from Loblaw				
Duckworth/Cundles, Barrie, ON	January 9, 2015	Land	N/A	N/A
1400 Church St. S., Pickering, ON	January 30, 2015	Industrial	921,256	100%
419 Main St., Doaktown, NB	June 1, 2015	Stand-alone retail	10,500	100%
7000 Route 125, Chertsey, QC	June 1, 2015	Stand-alone retail	24,661	100%
11 Redway Rd., Toronto, ON	June 1, 2015	Stand-alone retail	60,950	100%
449 Parliament St., Toronto, ON	June 1, 2015	Stand-alone retail	14,414	100%
66 Fourth Ave., Englehart, ON	June 1, 2015	Stand-alone retail	7,968	100%
519 Main St., Powassan, ON	June 1, 2015	Stand-alone retail	14,222	100%
1120 Second Ave. E, Owen Sound, ON	June 1, 2015	Stand-alone retail	14,900	100%
24 - 65 Regional Road, Lively, ON	June 1, 2015	Stand-alone retail	30,768	100%
31-1 Hwy. #11 W, Cochrane, ON	June 1, 2015	Stand-alone retail	19,953	100%
15 McChesney Ave., Kirkland Lake, ON	June 1, 2015	Stand-alone retail	45,157	100%
55 Brunetville Rd., Kapuskasing, ON	June 1, 2015	Stand-alone retail	41,585	100%
40 Meredith St. E, Little Current, ON	June 1, 2015	Stand-alone retail	10,726	100%
726 Principale St., Casselman, ON	June 1, 2015	Stand-alone retail	17,954	100%
512 St. Phillippe St., Alfred, ON	June 1, 2015	Stand-alone retail	17,507	100%
1012 Main St., Geraldton, ON	June 1, 2015	Stand-alone retail	25,744	100%
127 Hastings St. N, Bancroft, ON	June 1, 2015	Stand-alone retail	25,338	100%
654 Algonquin Blvd. E, Timmins, ON	June 1, 2015	Stand-alone retail	50,020	100%
186 Mission Rd., Wawa, ON	June 1, 2015	Stand-alone retail	15,224	100%
40 Meredith St., Gore Bay, ON	June 1, 2015	Stand-alone retail	9,486	100%
175 Cargill Rd., Winkler, MB	June 1, 2015	Stand-alone retail	110,253	100%
1200 Main St. E, Swan River, MB	June 1, 2015	Stand-alone retail	38,056	100%
206 Broadway St. E, Yorkton, SK	June 1, 2015	Stand-alone retail	101,733	100%
30 Kenderdine Rd., Saskatoon, SK	June 1, 2015	Stand-alone retail	38,966	100%
315 Herold Rd., Saskatoon, SK	June 1, 2015	Stand-alone retail	42,568	100%
10851 - 100th St., Westlock, AB	June 1, 2015	Stand-alone retail	39,922	100%
10527 - 101st Ave., Lac La Biche, AB	June 1, 2015	Stand-alone retail	39,922	100%
5007 - 52nd St., Athabasca, AB	June 1, 2015	Stand-alone retail	40,136	100%
5701 - 47th Ave., Stettler, AB	June 1, 2015	Stand-alone retail	37,562	100%
4524 Feeney Ave., Terrace, BC	June 1, 2015	Stand-alone retail	53,904	100%
221 Highway 16, Burns Lake, BC	June 1, 2015	Stand-alone retail	51,241	100%
1501 Cook St., Creston, BC	June 1, 2015	Stand-alone retail	38,798	100%
2110 Ryley Ave., Vanderhoof, BC	June 1, 2015	Stand-alone retail	38,049	100%
1792 - 9th Ave., Fernie, BC	June 1, 2015	Stand-alone retail	39,922	100%
7000 - 27th St., Grand Forks, BC	June 1, 2015	Stand-alone retail	40,374	100%
2335 Maple Dr. E, Quesnel, BC	June 1, 2015	Stand-alone retail	58,224	100%
5001 Anderson Way, Vernon, BC	June 1, 2015	Stand-alone retail	154,717	100%
31 - 35 Broadway St., Kensington, PE	June 1, 2015	Multi-tenant retail	18,918	82%
75-85 - 105 Causley St., Blind River, ON	June 1, 2015	Multi-tenant retail	26,543	95%
9186 Highway 93 South, Midland, ON	August 20, 2015	Stand-alone retail	18,329	100%
1428 Highway 2 West, Courtice, ON	August 20, 2015	Stand-alone retail	30,309	100%
296 Bank St., Ottawa, ON	November 17, 2015	Stand-alone retail	43,286	100%
671 River Rd., Ottawa, ON	November 17, 2015	Stand-alone retail	69,761	100%
15900 Bayview Ave., Aurora, ON	November 17, 2015	Multi-tenant retail	19,199	100%
985 Woodbine Ave., Toronto, ON	November 17, 2015	Multi-tenant retail	28,772	99%
Acquisitions from Third-Party				
Near Fernbank community, Kanata, ON	January 30, 2015	Land	N/A	N/A
5228 Highway 7, Porter's Lake, NS	February 19, 2015	Multi-tenant retail	54,569	86%
3020 Elm Creek Rd., Mississauga, ON	August 11, 2015	Multi-tenant retail	12,023	100%
			2,664,389	93%

Consolidated Financial Statements

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 Review ("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 as issued by the International Accounting Standards Board. 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 15, 2017

[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
333 Bay Street, Suite 4600
Toronto ON M5H 2S5
Canada
Tel 416-777-8500
Fax 416-777-8818

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, 2016 and December 31, 2015, the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, 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, 2016 and December 31, 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

February 15, 2017
Toronto, Canada

Choice Properties Real Estate Investment Trust
Consolidated Balance Sheets

(in thousands of Canadian dollars)	**As at December 31, 2016**	As at December 31, 2015
Assets		
Non-current Assets		
Investment properties (note 6)	**$ 9,098,000**	$ 8,561,000
Equity accounted joint venture (note 7)	**19,070**	9,350
Accounts receivable and other assets (note 8)	**5,888**	9,874
Notes receivable (note 9)	**2,360**	2,179
	9,125,318	8,582,403
Current Assets		
Accounts receivable and other assets (note 8)	**14,882**	6,240
Notes receivable (note 9)	**290,009**	272,892
Cash and cash equivalents	**5,113**	44,354
	310,004	323,486
Total Assets	**$ 9,435,322**	$ 8,905,889
Liabilities and Equity		
Non-current Liabilities		
Long term debt and Class C LP Units (note 10)	**$ 3,726,991**	$ 3,579,202
Credit facilities (note 10)	**172,000**	—
Exchangeable Units (note 11)	**4,283,304**	3,741,895
Trade payables and other liabilities (note 12)	**1,397**	1,354
	8,183,692	7,322,451
Current Liabilities		
Long term debt and Class C LP Units (note 10)	**201,723**	302,188
Trade payables and other liabilities (note 12)	**472,762**	438,177
	674,485	740,365
Total Liabilities	**8,858,177**	8,062,816
Equity		
Unitholders' equity	**569,374**	835,317
Non-controlling interests (note 7)	**7,771**	7,756
Total Equity	**577,145**	843,073
Total Liabilities and Equity	**$ 9,435,322**	$ 8,905,889

Contingent Liabilities and Financial Guarantees (note 20).
Subsequent Events (notes 9,10 and 17).

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 Loss and Comprehensive Loss

(in thousands of Canadian dollars)	**Year ended December 31, 2016**	Year ended December 31, 2015
Net Property Income		
Rental revenue from investment properties (note 14)	**$ 783,574**	$ 743,100
Property operating costs (note 22)	**(200,240)**	(192,179)
	583,334	550,921
Other Expenses		
General and administrative expenses (note 22)	**(28,117)**	(21,765)
Amortization of other assets	**(930)**	(844)
Net interest expense and other financing charges (note 15)	**(370,533)**	(345,051)
Share of income from joint venture (note 7)	**13,720**	—
Adjustment to fair value of Exchangeable Units (note 11)	**(529,591)**	(410,518)
Adjustment to fair value of investment properties (note 6)	**109,045**	71,981
Net Loss and Comprehensive Loss	**$ (223,072)**	$ (155,276)
Net Loss and Comprehensive Loss attributable to:		
Choice Properties' Unitholders	**$ (223,072)**	$ (155,276)
Non-controlling interests (note 7)	**—**	—
	$ (223,072)	$ (155,276)

See accompanying notes to the consolidated financial statements.

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

For the year end ended December 31, 2016 (in thousands of Canadian dollars)	**Attributable to Choice Properties Unitholders** Trust Units	Cumulative net income (loss)	Cumulative distributions to Unitholders	Total Unitholders' equity	Non-controlling interests	Total equity
Equity, December 31, 2015	$ 867,849	$ 111,486	$ (144,018)	$ 835,317	$ 7,756	**$ 843,073**
Net loss	—	(223,072)	—	(223,072)	—	**(223,072)**
Distributions	—	—	(63,359)	(63,359)	—	**(63,359)**
Issuance of Units under the Distribution Reinvestment Plan (note 11)	19,587	—	—	19,587	—	**19,587**
Issuance of Units under unit-based compensation arrangement (note 11)	901	—	—	901	—	**901**
Contribution from non-controlling interest (note 7)	—	—	—	—	15	**15**
Equity, December 31, 2016	**$ 888,337**	**$ (111,586)**	**$ (207,377)**	**$ 569,374**	**$ 7,771**	**$ 577,145**

For the year end ended December 31, 2015 (in thousands of Canadian dollars)	Attributable to Choice Properties Unitholders Trust Units	Cumulative net income (loss)	Cumulative distributions to Unitholders	Total Unitholders' equity	Non-controlling interests	Total equity
Equity, December 31, 2014	$ 849,337	$ 266,762	$ (85,398)	$ 1,030,701	$ 7,696	$ 1,038,397
Net loss	—	(155,276)	—	(155,276)	—	(155,276)
Distributions	—	—	(58,620)	(58,620)	—	(58,620)
Issuance of Units, under the Distribution Reinvestment Plan (note 11)	18,118	—	—	18,118	—	18,118
Issuance of Units, under unit-based compensation arrangement (note 11)	394	—	—	394	—	394
Contribution from non-controlling interests	—	—	—	—	60	60
Equity, December 31, 2015	$ 867,849	$ 111,486	$ (144,018)	$ 835,317	$ 7,756	$ 843,073

See accompanying notes to the consolidated financial statements.

Choice Properties Real Estate Investment Trust
Consolidated Statements of Cash Flows

(in thousands of Canadian dollars)	**Year ended December 31, 2016**	Year ended December 31, 2015
Operating Activities		
Net loss	**$ (223,072)**	$ (155,276)
Straight-line rental revenue	**(36,582)**	(36,656)
Amortization of tenant improvement allowances	**572**	251
Amortization of other assets	**930**	844
Net interest expense and other financing charges (note 15)	**370,533**	345,051
Unit-based compensation expense (note 13)	**7,461**	3,027
Share of income from joint venture (note 7)	**(13,720)**	—
Adjustment to fair value of Exchangeable Units (note 11)	**529,591**	410,518
Adjustment to fair value of investment properties (note 6)	**(109,045)**	(71,981)
Interest received	**102**	99
Net change in non-cash operating working capital (note 22)	**3,852**	32,649
Cash Flows from Operating Activities	**530,622**	528,526
Investing Activities		
Acquisitions of investment properties (note 5)	**(183,688)**	(247,404)
Additions to investment properties (note 6)	**(193,120)**	(169,871)
Additions to fixtures and equipment	**(384)**	(480)
Notes receivable issued to third-party (note 9)	**—**	(1,565)
Equity investment distribution (contribution) (note 7)	**4,000**	(3,120)
Cash Flows used in Investing Activities	**(373,192)**	(422,440)
Financing Activities		
Long term debt		
Issued - Senior unsecured debentures, net of debt placement costs (note 10)	**347,714**	447,038
Principal repayments - Senior unsecured debentures (note 10)	**(300,000)**	—
Principal repayments - Mortgage (note 10)	**(1,212)**	(1,040)
Gain on settlement of bond forward contracts (note 15)	**2,682**	—
Credit facilities		
Net advancements (repayments) (note 10)	**172,000**	(122,000)
Debt placement costs (note 10)	**(275)**	(292)
Notes receivable		
Issued to related party (note 9)	**(263,574)**	(248,463)
Repaid by related party (note 9)	**248,463**	236,328
Cash received on exercise of options	**732**	321
Cash paid on vesting of restricted units	**(1,493)**	—
Interest paid	**(156,297)**	(144,528)
Distributions paid on Exchangeable Units	**(202,204)**	(190,078)
Distributions paid to Unitholders	**(43,222)**	(40,410)
Contribution from non-controlling interest (note 7)	**15**	60
Cash Flows used in Financing Activities	**(196,671)**	(63,064)
Change in cash and cash equivalents	**(39,241)**	43,022
Cash and cash equivalents, beginning of year	**44,354**	1,332
Cash and Cash Equivalents, end of year	**$ 5,113**	$ 44,354

Supplemental disclosure of non-cash operating, investing and financing activities (note 22).
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 is an owner, manager and developer of well-located retail and other commercial real estate across 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' trust units ("Trust Units" or "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 (the "IPO") and completed the acquisition of 425 properties from Loblaw Companies Limited and its subsidiaries ("Loblaw").

The parent of Choice Properties is Loblaw, which held an 82.7% effective interest in Choice Properties as at December 31, 2016. Loblaw's majority shareholder is George Weston Limited ("GWL"), which owns approximately 47% of Loblaw's outstanding common shares and a 5.8% direct interest in Choice Properties as at December 31, 2016.

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

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" or "GAAP") 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 15, 2017.

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

- investment properties as described in note 6;
- Class B LP Units (the "Exchangeable Units") which are exchangeable for Trust Units at the option of the holder as described in note 11; and
- liabilities for unit-based compensation arrangements as described in note 13.

The consolidated financial statements are presented in 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 the Trust to earn rental income or for capital appreciation or both.

Acquired investment properties are initially measured at cost, including directly attributable acquisition costs, when the transactions are deemed to be asset acquisitions.

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 discounted cash flow projections or recent transaction prices in less active markets. 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.

Properties under development are transferred to income producing properties, at their fair value, upon practical completion of a development. The Trust considers practical completion to have occurred when the property is capable of operating in the manner intended by management. Generally this occurs upon completion of construction and receipt of all necessary occupancy and other material permits. Where the Trust has pre-leased space under development and the lease requires the Trust to construct tenant improvements which enhance the value of the property, practical completion is considered to occur on completion of such improvements.

Investment properties that are expected to be recovered primarily through sale rather than through continued use are classified as held for sale. For this purpose, a sale is highly probable if management is committed to a plan to achieve the sale; there is an active program to find a buyer; the investment property is being actively marketed at a reasonable price; the sale is anticipated to be completed within one year from the date of classification; and it is unlikely there will be changes to the plan.

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.

Subsequent 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.

Capital Expenditures Capital expenditures include development capital and building improvements.

Development capital includes costs from expansion or redevelopment projects on existing income producing properties and development projects on properties under development. These projects result in additional gross leasable area and improved productive capacity. Costs capitalized in development capital include:

- Permits, architect fees, hard construction costs;
- Payments to tenants under lease obligations when the payment is reimbursement for construction which Choice Properties will receive benefit after the tenant vacates; and
- Site intensification payments, project management fees, professional fees, and property taxes.

Building improvements include costs capitalized due to structural changes to income producing properties, not directly associated with expansion, redevelopment or development projects, such as permit fees, architect fees and hard construction costs.

Capitalized Interest 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.

Operating Capital Expenditures Operating capital expenditures incurred to sustain the income producing properties' productive capacity include:

- property capital expenditures, such as parking lot resurfacing and roof replacement, which are recoverable from tenants under the terms of their leases over the useful life of the improvements;
- initial direct leasing costs incurred by Choice Properties with third-parties in negotiating and arranging tenant leases; and
- payments to tenants under lease obligations.

Payments to tenants based on lease obligations are characterized either as tenant improvements, or tenant inducements. 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.

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:		
Senior unsecured debentures	Other financial liabilities	Amortized cost
Class C LP Units	Other financial liabilities	Amortized cost
Mortgages	Other financial liabilities	Amortized cost
Credit facilities	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 the Trust's subsidiary, the Partnership, 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, Performance 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 portfolio 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 defined contribution pension plans sponsored by Loblaw. 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"), Performance Units ("PUs"), 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 a 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.

PUs entitle certain employees to receive the value of the PU award in cash or Units at the end of the applicable performance period, which is usually three years in length, based on the Trust achieving certain performance conditions. The PU plan provides for the crediting of additional PUs in respect of distributions paid on Units for the period when a PU is outstanding. The fair value of each PU 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 and Trustees 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. Any income retained in the Trust would be taxed at the highest marginal tax rate applicable to individuals in the calendar year.

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 2016

In 2014, the IASB issued amendments to IAS 1, "Presentation of Financial Statements". The Trust implemented these amendments prospectively in the first quarter of 2016. There was no impact on the Trust's consolidated financial statements as a result of the implementation of this amendment.

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

IFRS 15 In 2014, the IASB issued IFRS 15, "Revenue from Contracts with Customers" ("IFRS 15"), replacing IAS 18, "Revenue", IAS 11, "Construction Contracts", and related interpretations. 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, 2018, and is to be applied retrospectively.

The Trust intends to adopt IFRS 15 and the clarifications in its financial statements for the annual period beginning on January 1, 2018. The Trust does not expect the standard to have a material impact on the financial statements.

IFRS 9 In 2014, the IASB issued IFRS 9, "Financial Instruments" ("IFRS 9"), replacing IAS 39, "Financial Instruments: Recognition and Measurement" ("IAS 39"). 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.

<u>Classification and Measurement</u> IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities.

<u>Impairment</u> IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' model. The new impairment model will apply to financial assets measured at amortized cost or those measured at fair value through other comprehensive income, except for investments in equity instruments and contract assets.

<u>General Hedging</u> IFRS 9 will require the Trust to ensure that hedge accounting relationships are aligned with the Trust's risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness.

The Trust intends to adopt IFRS 9 in its financial statements for the annual period beginning on January 1, 2018. The Trust does not expect the standard to have a material impact on the financial statements.

IFRS 16 In January 2016, the IASB issued IFRS 16, "Leases ("IFRS 16"), replacing IAS 17, "Leases" and related interpretations. The standard introduces a single on-balance sheet recognition and measurement model for lessees, eliminating the distinction between operating and finance leases. Lessors continue to classify leases as finance and operating leases. IFRS 16 becomes effective for annual periods beginning on or after January 1, 2019, and is to be applied retrospectively. For leases where the Trust is the lessee, the option exists of adopting a full retrospective approach or a modified retrospective approach on transition to IFRS 16. While early adoption is permitted, if IFRS 15 has already been adopted, the Trust will not early adopt IFRS 16.

The Trust intends to adopt IFRS 16 in its financial statements for the annual period beginning on January 1, 2019. It is expected that IFRS 16 will affect the Trust in its capacity as lessee of office space. The Trust will recognize a liability for the present value of future lease liabilities and record a corresponding asset on the balance sheet. The nature and timing of the related expenses will change as IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. The Trust is currently assessing the impact of the standard on the financial statements.

Note 5. Acquisitions

During the year ended December 31, 2016, Choice Properties completed the following acquisitions from Loblaw (unless otherwise noted):

($ thousands)								Consideration		
Location	Date of acquisition	Property type	Investment properties	Other assets	Other liabilities	Net assets acquired	Debt assumed	Exchangeable Units issued	Cash	Acquisition costs included in investment properties
Various (9 properties)	May 12	Retail	$ 72,836	$ 83	$ (257)	$ 72,662	$ —	$ —	$ 72,662	$ 1,446
Pitt Meadows, BC	May 12	Industrial	47,369	—	(136)	47,233	—	—	47,233	1,619
Edmonton, AB(i)	August 17	Retail	19,686	343	(109)	19,920	—	—	19,920	20
Various(ii) (3 properties)	October 26	Retail	18,834	60	(94)	18,800	—	2,062	16,738	426
Moncton, New Brunswick(ii)	October 26	Industrial	19,715	—	(24)	19,691	—	9,537	10,154	382
Edmonton, AB(ii)	October 26	Land	3,056	—	—	3,056	—	219	2,837	59
Courtenay, BC(i)	December 22	Retail	12,957	397	(26)	13,328	—	—	13,328	388
Beaverton, ON(i)	December 22	Retail	823	2	(9)	816	—	—	816	35
Total Acquisitions			**$ 195,276**	**$ 885**	**$ (655)**	**$ 195,506**	**$ —**	**$ 11,818**	**$ 183,688**	$ 4,375

(i) Acquired from a third-party vendor.

(ii) Investment properties and Exchangeable Units values both included adjustments totaling ($182) to reflect the decrease of the fair value of the Exchangeable Units on the closing date compared to the volume weighted average value of the units referenced in the purchase and sale agreement.

During the year ended December 31, 2015, Choice Properties completed the following acquisitions from Loblaw (unless otherwise noted):

($ thousands)								Consideration		
Location	Date of acquisition	Property type	Investment properties	Other assets	Other liabilities	Net assets acquired	Debt assumed	Exchangeable Units issued	Cash	Acquisition costs included in investment properties
Barrie, ON	January 9	Land	$ 9,758	$ —	$ —	$ 9,758	$ —	$ 2,808	$ 6,950	$ 191
Kanata, ON(i)(ii)	January 30	Land	2,025	—	—	2,025	—	—	2,025	87
Pickering, ON	January 30	Industrial	81,450	—	—	81,450	—	—	81,450	250
Porter's Lake, NS(i)	February 19	Retail	5,304	19	(28)	5,295	—	—	5,295	104
Various(iii) (38 properties)	June 1	Retail	206,690	2	(1,325)	205,367	—	103,549	101,818	3,995
Mississauga, ON(i)	August 11	Retail	5,782	—	(31)	5,751	2,123	—	3,628	182
Midland & Courtice, ON	August 20	Retail	18,415	29	(9)	18,435	—	3,200	15,235	265
Various(iv) (4 properties)	November 17	Retail	45,876	9	(278)	45,607	—	14,604	31,003	796
Total Acquisitions			$ 375,300	$ 59	$ (1,671)	$373,688	$ 2,123	$ 124,161	$ 247,404	$ 5,870

(i) Acquired from a third-party vendor.

(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 (note 7).

(iii) Investment properties and Exchangeable Units values both included an adjustment of $1,349 to reflect the increase of the fair value of the Exchangeable Units on the closing date compared to the volume weighted average value of the units referenced in the purchase and sale agreement.

(iv) Investment properties and Exchangeable Units values both included an adjustment of ($555) to reflect the decrease of the fair value of the Exchangeable Units on the closing date compared to the volume weighted average value of the units referenced in the purchase and sale agreement.

Note 6. Investment Properties

($ thousands)	Income producing properties	Properties under development	Year ended December 31, 2016	Year ended December 31, 2015
Balance, beginning of year	$ 8,465,700	$ 95,300	$ 8,561,000	$ 7,905,978
Acquisitions of investment properties - including acquisition costs of $4,375 (2015 - $5,870) (note 5)	192,220	3,056	195,276	375,300
Capital expenditures:				
Development capital(i)	93,022	40,426	133,448	117,267
Building improvements	12,096	—	12,096	12,254
Capitalized interest(ii) (note 15)	1,593	1,956	3,549	1,465
Operating capital expenditures:				
Property capital (note 22)	42,192	—	42,192	32,466
Direct leasing costs	3,077	—	3,077	2,336
Tenant improvement allowances	2,307	—	2,307	5,548
Amortization of straight-line rent and tenant improvement allowances - included in revenue	36,010	—	36,010	36,405
Adjustment to fair value of investment properties	100,185	8,860	109,045	71,981
Transfers from properties under development	83,201	(83,201)	—	—
Balance, end of year	$ 9,031,603	$ 66,397	$ 9,098,000	$ 8,561,000

(i) Development capital includes $6,582 of site intensification payments (note 21) paid to Loblaw (December 31, 2015 - $2,334) and nil construction fees (note 21) paid to Loblaw (December 31, 2015 - $102).

(ii) Interest was capitalized to qualifying development projects based on a weighted average interest rate of 3.45% (December 31, 2015 - 3.27%).

Included in certain investment properties acquired from Loblaw is excess land with development potential. Choice Properties will compensate Loblaw, over time, with intensification payments determined by a site intensification payment grid as outlined in the Strategic Alliance Agreement (note 21), should Choice Properties pursue activity resulting in the intensification of such excess land.

Independent Appraisals

All properties were independently appraised at the time of acquisition. In addition, Choice Properties has engaged independent nationally-recognized valuation firms to appraise the investment properties such that substantially all of the portfolio will be independently appraised at least once over a five-year period.

The properties independently appraised each year represent a subset of the property types and geographic distribution of the overall portfolio. A breakdown of the aggregate fair value of investment properties independently appraised each quarter, in accordance with the Trust's policy, is as follows:

	2016		2015	
($ thousands except where otherwise indicated)	Number of properties	Fair value	Number of properties	Fair value
March 31	24	$ 477,272	20	$ 588,510
June 30	22	624,030	22	511,100
September 30	19	401,435	21	477,620
December 31	31	704,580	26	687,610
Total	96	$ 2,207,317	89	$ 2,264,840

Internal Appraisals

The 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 investment properties based on a capitalization rate applied to the estimated net operating income, a non-GAAP measure, in the terminal year.

The Trust has an internal valuation team. On a quarterly basis, for properties that are not independently appraised that quarter, the valuation team reviews and updates, as deemed necessary, the valuation models to reflect current market data. Updates may be made to capitalization rates, discount rates, market rents, as well as current leasing and/or development activity, renewal probability, downtime on lease expiry, vacancy allowances, and expected maintenance costs.

The capitalization rates and discount rates, used by the internal valuation team, are based on location, size and quality of the properties and are obtained through quarterly reports from independent nationally-recognized appraisers.

Below are the key rates used in the valuation models for both internal and independent appraisals.

	Weighted average	
	As at December 31, 2016	As at December 31, 2015
Discount rate	**7.05%**	7.08%
Terminal capitalization rate	**6.43%**	6.50%
Overall capitalization rate	**6.12%**	6.17%

Fair Value Sensitivity

The following table summarizes fair value sensitivity for the portion of the Trust's investment properties which is most sensitive to changes in capitalization rates:

Capitalization rate sensitivity increase/(decrease) ($ thousands)	**Weighted average overall capitalization rate**	**Fair value of investment properties**	**Fair value variance**	**% change**
(0.75)%	5.37%	$ 10,293,123	$ 1,261,520	14 %
(0.50)%	5.62%	$ 9,835,205	$ 803,602	9 %
(0.25)%	5.87%	$ 9,416,292	$ 384,689	4 %
December 31, 2016	6.12%	$ 9,031,603	$ —	— %
0.25%	6.37%	$ 8,677,109	$ (354,494)	(4)%
0.50%	6.62%	$ 8,349,389	$ (682,214)	(8)%
0.75%	6.87%	$ 8,045,521	$ (986,082)	(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 7. Interests in Other Entities

Joint Venture

On December 9, 2014, Choice Properties and its joint venture partner, Wittington Properties Limited (”Wittington”), the parent company of GWL, completed the acquisition of the West Block project at Lake Shore Boulevard and Bathurst Street (“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 Formation	Location	Ownership Interest as at December 31, 2016 and December 31, 2015
500 LS Limited Partnership	Canada	500 Lake Shore Blvd. West, Toronto, ON	40%

Choice Properties did not make any contributions to the joint venture during the year ended December 31, 2016, but did receive a distribution from the joint venture of $4,000 (year ended December 31, 2015 - contributions $3,120 and distributions nil). Operating activities have not begun at the property, however the joint venture did earn interest income in the year ended December 31, 2016 (December 31, 2015 - nil). In the first quarter of 2016, the fair value of property increased as certain zoning approvals were obtained related to achieving additional developmental density at the site.

Summarized financial information for Choice Properties’ share of the equity accounted investment is set out below:

($ thousands)		**As at December 31, 2016**		As at December 31, 2015
Current assets	**$**	**24,439**	$	3,130
Non-current assets		**64,244**		20,603
Current liabilities		**(41,007)**		(358)
Net assets at 100%	**$**	**47,676**	$	23,375
Choice Properties’ investment in equity accounted joint venture at 40%	**$**	**19,070**	$	9,350

($ thousands)		**Year ended December 31, 2016**		Year ended December 31, 2015
Interest income	**$**	**200**	$	—
Adjustment to fair value of investment property		**34,100**		—
Net income and comprehensive income at 100%	**$**	**34,300**	$	—
Choice Properties’ share of income in equity accounted joint venture at 40%	**$**	**13,720**	$	—

Subsidiary

On November 7, 2014, Choice Properties acquired 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 the results of this subsidiary 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 Formation	Location	Ownership Interest as at December 31, 2016 and December 31, 2015
Choice Properties PRC Brampton Limited Partnership	Canada	Mayfield/Chinguacousy, Brampton, ON	70%

There was no operating activity during the years ended December 31, 2016 or 2015. The following is included in Choice Properties' consolidated financial statements relating to the subsidiary:

($ thousands)	**As at December 31, 2016**	As at December 31, 2015
Current assets	**$ 98**	$ 111
Non-current assets	**25,844**	25,767
Current liabilities	**(16)**	(12)
Non-current liabilities	**(23)**	(13)
Net assets at 100%	**$ 25,903**	$ 25,853
Non-controlling interests at 30%	**$ 7,771**	$ 7,756

Joint Operation

On January 30, 2015, Choice Properties entered into a co-ownership agreement with PFC Fernbank Corp. ("Fernbank"), a subsidiary of PenEquity and Phoenix Fernbank Inc., to acquire a parcel of land in Kanata, Ontario. This is a longer-term development project with the construction of a food store anchored retail centre anticipated to commence in the future.

Choice Properties recognized its 50% proportionate share of the assets held jointly in the co-ownership, of the parcel of land, and funded its partners' collective 50% interest of the purchase price through a mezzanine loan (note 9).

There was no operating activity during the years ended December 31, 2016 or 2015. Summarized financial information for Choice Properties' proportionate share of the property is set out below:

($ thousands)	**As at December 31, 2016**	As at December 31, 2015
Current assets	**$ —**	$ 16
Non-current assets	**4,176**	4,075
Current liabilities	**(126)**	(41)
Net assets at 100%	**$ 4,050**	$ 4,050
Choice Properties' proportionate share at 50%	**$ 2,025**	$ 2,025

Note 8. Accounts Receivable and Other Assets

($ thousands)	As at December 31, 2016	As at December 31, 2015
Net rent receivable - net of allowance for doubtful accounts of $1,312 (2015 - $852)	**$ 5,304**	$ 888
Construction inventory	**2,856**	—
Fixtures and equipment - net of accumulated amortization of $2,660 (2015 - $1,730)	**5,398**	5,944
Prepaid property taxes	**4,040**	2,133
Prepaid other	**3,172**	7,149
Accounts receivable and other assets	**$ 20,770**	$ 16,114

Classified as:		
Non-current	**$ 5,888**	$ 9,874
Current	**14,882**	6,240
	$ 20,770	$ 16,114

Note 9. Notes Receivable

($ thousands)	As at December 31, 2016	As at December 31, 2015
Notes receivable from related party	**$ 263,574**	$ 248,463
Notes receivable from third-party	**28,795**	26,608
Notes receivable	**$ 292,369**	$ 275,071

Classified as:		
Non-current	**$ 2,360**	$ 2,179
Current	**290,009**	272,892
	$ 292,369	$ 275,071

Notes receivable from related party Non-interest bearing short term notes totaling $248,463 were repaid by Loblaw in January 2016. During 2016, non-interest bearing short term notes totaling $263,574 were issued to Loblaw and repaid in January 2017 (note 21).

Notes receivable from third-party On December 24, 2014, Choice Properties provided mezzanine financing to Penady (Barrie) Ltd., a subsidiary of PenEquity and its partner, in the form of a two-year mortgage of $22,500 at an interest rate of 8% per annum, with an option to extend. On October 20, 2016, Choice Properties issued an extension to September 29, 2017 at an interest rate of 9% per annum. The balance as at December 31, 2016 includes accrued interest of $3,935, payable on maturity, and unamortized financing costs of nil (December 31, 2015 - $1,909 and $20).

On January 30, 2015, Choice Properties also provided a five-year mezzanine loan of $2,025 at an interest rate of 8% per annum to Fernbank with respect to the co-ownership in Kanata, Ontario (note 7). The balance as at December 31, 2016 includes accrued interest of $335 payable on maturity (December 31, 2015 - $154).

On December 24, 2014, Choice Properties provided short-term bridge financing of $500 to Penady (Barrie) Ltd. which was repaid with interest calculated at 6% per annum on July 10, 2015.

Note 10. Long Term Debt and Class C LP Units

($ thousands)	As at December 31, 2016	As at December 31, 2015
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**	250,000
Series D 4.293%, due 2024, effective interest 4.293%	**200,000**	200,000
Series E 2.297%, due 2020, effective interest 2.297%	**250,000**	250,000
Series F 4.055%, due 2025, effective interest 4.055%	**200,000**	200,000
Series G 3.196%, due 2023, effective interest 3.196%	**250,000**	—
Series H 5.268%, due 2046, effective interest 5.268%	**100,000**	—
Series 5 3.00%, due 2016, effective interest 2.00%	**—**	300,000
Series 6 3.00%, due 2017, effective interest 2.23%	**200,000**	200,000
Series 7 3.00%, due 2019, effective interest 3.04%	**200,000**	200,000
Series 8 3.60%, due 2020, effective interest 3.20%	**300,000**	300,000
Series 9 3.60%, due 2021, effective interest 3.57%	**200,000**	200,000
Series 10 3.60%, due 2022, effective interest 3.84%	**300,000**	300,000
Debt discounts and premiums - net of accumulated amortization of ($11,058) (2015 - ($8,175))	**598**	3,481
Debt placement costs - net of accumulated amortization of $3,032 (2015 - $1,807)	**(7,626)**	(6,565)
Mortgages (interest monthly)		
7.42%, due 2017, effective interest 2.80%	**1,044**	2,113
3.15%, due 2019, effective interest 2.45%	**1,883**	2,026
Debt discount - net of accumulated amortization of ($185) (2015 - ($101))	**116**	200
Class C LP Units(i) (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
Debt premium - net of accumulated amortization of $7,978 (2015 - $5,533)	**(40,760)**	(43,205)
Other		
Credit facilities' debt placement costs - net of accumulated amortization of $1,516 (2015 - $1,122)	**(1,541)**	(1,660)
Long term debt and Class C LP Units	**$ 3,928,714**	$ 3,881,390

Classified as:		
Non-current	**$ 3,726,991**	$ 3,579,202
Current	**201,723**	302,188
	$ 3,928,714	$ 3,881,390

(i) Represents amounts due to Loblaw.

Senior Unsecured Debentures On January 23, 2017, Choice Properties redeemed, at par, $200,000 Series 6 senior unsecured debentures with an original maturity date of April 20, 2017.

As at December 31, 2016, the senior unsecured debentures had a weighted average effective interest rate of 3.52% (December 31, 2015 - 3.33%). Senior unsecured debentures Series A through Series H were issued by the Trust and Series 6 through Series 10 were issued by the Partnership.

On March 7, 2016, Choice Properties redeemed, at par, $300,000 Series 5 senior unsecured debentures with an original maturity date of April 20, 2016.

On March 7, 2016, Choice Properties issued $250,000 and $100,000 aggregate principal amount of Series G and H senior unsecured debentures due March 7, 2023 and March 7, 2046, respectively. The Series G senior unsecured debentures bear interest at a rate of 3.196% per annum and the Series H senior unsecured debentures bear interest at a rate of 5.268% per annum, with semi-annual installments of interest due on March 7 and September 7 in each year, commencing in September 2016. Debt placement costs of $2,286 are amortized using the effective interest method and recorded to net interest expense and other financing charges (note 15).

On January 20, 2016, Choice Properties entered into certain bond forward contracts with a notional value of $300,000. The contracts were settled on March 4, 2016, resulting in a gain of $2,682 (note 15).

On November 24, 2015, Choice Properties issued $200,000 aggregate principal amount of Series F senior unsecured debentures due November 24, 2025. These debentures bear interest at a rate of 4.055% per annum, with semi-annual installments of interest due on May 24 and November 24 in each year, commencing on May 24, 2016. Debt placement costs of $1,448 are amortized using the effective interest method and recorded to net interest expense and other financing charges (note 15).

On February 5, 2015, Choice Properties issued $250,000 aggregate principal amount of Series E senior unsecured debentures due September 14, 2020. These debentures bear interest at a rate of 2.297% per annum, with semi-annual installments of interest due on March 14 and September 14 in each year, commencing on March 14, 2015. Debt placement costs of $1,514 are amortized using the effective interest method and recorded to net interest expense and other financing charges (note 15).

The offering in February 2015 was made under Choice Properties' Short Form Base Shelf Prospectus dated September 3, 2013, and the offerings in November 2015 and March 2016 were made under the Short Form Base Shelf Prospectus dated October 14, 2015 (note 17). Debt placement costs incurred were recorded against the principal owing and are amortized using the effective interest method and recorded to net interest expense and other financing charges (note 15).

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.

Credit Facilities Choice Properties has a $500,000 senior unsecured committed revolving credit facility provided by a syndicate of lenders maturing July 5, 2021. The credit facility bears interest at variable rates of either: Prime plus 0.45% or Bankers' Acceptance rate plus 1.45%. Certain conditions of the credit facility are contingent on Choice Properties' credit rating remaining at "BBB".

On December 23, 2016, Choice Properties entered into a new bi-lateral $250,000 senior unsecured committed revolving credit facility with a major Canadian financial institution maturing December 21, 2018. The credit facility bears interest at variable rates of either: Prime plus 0.25% or Bankers' Acceptance rate plus 1.25%. Certain conditions of the credit facility are contingent on Choice Properties' credit rating remaining at "BBB". Should certain conditions not be met, the credit facility would become secured against select properties.

As at December 31, 2016, $172,000 was drawn on the syndicated credit facility (December 31, 2015 - nil) and no amount was drawn under the new bi-lateral credit facility. As at December 31, 2016, the balance of the unamortized debt placement costs was $1,541 (December 31, 2015 - $1,660).

The credit facilities contain certain financial covenants. As at December 31, 2016, the Trust was in compliance with all of its financial covenants (note 17).

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

($ thousands)	2017	2018	2019	2020	2021	Thereafter	Total
Senior unsecured debentures	$ 200,000	$ 400,000	$ 200,000	$ 550,000	$ 450,000	$ 1,250,000	**$ 3,050,000**
Mortgages	1,192	152	1,583	—	—	—	**2,927**
Class C LP Units	—	—	—	—	—	925,000	**925,000**
Total	**$ 201,192**	**$ 400,152**	**$ 201,583**	**$ 550,000**	**$ 450,000**	**$ 2,175,000**	**$ 3,977,927**

Note 11. 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, a Unitholder has the right to require Choice Properties to redeem its Units on demand. Upon receipt of a 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 issuable by the Partnership 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, 2016		As at December 31, 2015	
($ thousands except where otherwise indicated)	**Units**	**Amount**	Units	Amount
Units, beginning of year	**90,953,817**	**$ 867,849**	89,255,010	$ 849,337
Issuance of Units under the Distribution Reinvestment Plan	**1,549,693**	**19,587**	1,668,346	18,118
Units issued under unit-based compensation arrangement	**65,318**	**901**	30,461	394
Units, end of year	**92,568,828**	**$ 888,337**	90,953,817	$ 867,849
Exchangeable Units, beginning of year	**317,109,792**	**$ 3,741,895**	306,032,105	$ 3,207,216
Exchangeable Units issued				
January 9, 2015	**—**	**—**	265,665	2,808
June 1, 2015	**—**	**—**	9,237,166	103,549
August 20, 2015	**—**	**—**	280,155	3,200
November 17, 2015	**—**	**—**	1,294,701	14,604
October 26, 2016	**878,713**	**11,818**	—	—
Adjustment to fair value of Exchangeable Units	**—**	**529,591**	—	410,518
Exchangeable Units, end of year	**317,988,505**	**$ 4,283,304**	317,109,792	$ 3,741,895
Total Units and Exchangeable Units, end of year	**410,557,333**		408,063,609	

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 (Canada)* for the year ended December 31, 2016. In the year ended December 31, 2016, Choice Properties declared distributions of $0.69 per unit (year ended December 31, 2015 - $0.65), or $282,320 in aggregate, including non-cash distributions provided under the Distribution Reinvestment Plan ("DRIP") and distributions to holders of Exchangeable Units, which are reported as interest expense (year ended December 31, 2015 - $261,424). 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. In the year ended December 31, 2016, Choice Properties issued 1,549,693 Units under the DRIP (year ended December 31, 2015 - 1,668,346 Units).

Note 12. Trade Payables and Other Liabilities

($ thousands)	**As at December 31, 2016**	As at December 31, 2015
Trade accounts payable	**$ 9,159**	$ 14,554
Accrued liabilities	**50,801**	46,767
Accrued interest expense	**35,948**	33,250
Due to related party(i)	**301,072**	277,169
Unit-based compensation	**11,039**	5,240
Distributions payable(ii)	**5,477**	4,927
Tenant deposits	**532**	2,014
Deferred revenue(iii)	**60,131**	55,610
Trade payables and other liabilities	**$ 474,159**	$ 439,531

Classified as:		
Non-current	**$ 1,397**	$ 1,354
Current	**472,762**	438,177
	$ 474,159	$ 439,531

(i) Includes distributions accruing on Exchangeable Units of $236,138 (December 31, 2015 - $219,381) and Class C LP Units of $50,104 (December 31, 2015 - $50,104), and other liabilities due to Loblaw of $14,830 (December 31, 2015 - $7,684).

(ii) Includes $1,272 payable to Loblaw and $1,420 payable to GWL (December 31, 2015 - $1,165 and $1,231, respectively).

(iii) Includes $57,135 rent from Loblaw and nil from GWL received in advance (December 31, 2015 - $54,061 and $122, respectively).

Note 13. Unit-Based Compensation

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

($ thousands)	Year ended December 31, 2016	Year ended December 31, 2015
Unit Option plan	**$ 4,173**	$ 1,236
Restricted Unit plan	**1,773**	957
Performance Unit plan	**346**	—
Deferred Unit plan	**1,169**	834
Unit-based compensation expense	**$ 7,461**	$ 3,027
Adjustment to fair value included in the above	**$ 4,309**	$ 888

As at December 31, 2016, the carrying value of total unit-based compensation was $11,039 (December 31, 2015 - $5,240) (note 12).

Unit Option Plan Choice Properties maintains a Unit Option plan for certain employees. Under this plan, Choice Properties may grant Unit Options totaling up to 19,744,697 Units, as approved at the annual and special meeting of Unitholders on April 29, 2015. The Unit Options vest in tranches over a period of four years. The following is a summary of Choice Properties' Unit Option plan activity:

	Year ended December 31, 2016		Year ended December 31, 2015	
	Number of awards	**Weighted average exercise price/unit**	Number of awards	Weighted average exercise price/unit
Outstanding Unit Options, beginning of year	**3,499,656**	**$ 11.05**	1,682,510	$ 10.48
Granted	**655,266**	**$ 12.38**	2,127,532	$ 11.49
Exercised	**(65,318)**	**$ 11.21**	(30,461)	$ 10.54
Cancelled	**(99,373)**	**$ 11.76**	(279,925)	$ 11.00
Outstanding Unit Options, end of year	**3,990,231**	**$ 11.25**	3,499,656	$ 11.05
Unit Options exercisable, end of year	**1,764,241**	**$ 10.95**	533,796	$ 10.36

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, 2016	As at December 31, 2015
Expected average distribution yield	**5.27%**	5.51%
Expected average Unit price volatility	**16.30% - 19.16%**	15.41% - 17.38%
Average risk-free interest rate	**0.49% - 1.06%**	0.48% - 0.77%
Expected average life of options	**0.5 to 4.7 Years**	1.5 to 5.4 Years

The following table details the Unit Options outstanding as at December 31, 2016:

Exercise Price	Number of Unit Options outstanding as at December 31, 2016	Remaining weighted average life (in years)
$10.04	**628,671**	**3.5**
$10.81	**810,286**	**4.2**
$10.61	**21,759**	**4.3**
$10.72	**24,038**	**4.9**
$11.51	**1,663,393**	**5.2**
$11.28	**215,518**	**5.9**
$12.38	**621,669**	**6.2**
$12.79	**4,897**	**6.9**
$10.04 to $12.79	**3,990,231**	**4.9**

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 Trust Unit at the balance sheet date. There were no RUs vested as at December 31, 2016 (December 31, 2015 - nil).

The following is a summary of Choice Properties' RU plan activity:

(Number of awards)	Year ended December 31, 2016	Year ended December 31, 2015
Outstanding Restricted Units, beginning of year	**267,721**	184,154
Granted	**93,561**	90,813
Reinvested	**15,927**	14,140
Settled	**(106,370)**	(5,433)
Cancelled	**(6,148)**	(15,953)
Outstanding Restricted Units, end of year	**264,691**	267,721

Performance Unit Plan PUs entitle certain employees to receive the value of the PU award in cash or Units at the end of the applicable performance period, which is usually three years in length, based on the Trust achieving certain performance conditions. The PU plan provides for the crediting of additional PUs in respect of distributions paid on Units for the period when an PU is outstanding. The fair value of each PU granted is measured based on the market value of a Trust Unit at the balance sheet date. There were no PUs vested as at December 31, 2016.

The following is a summary of Choice Properties' PU plan activity:

(Number of awards)	Year ended December 31, 2016
Outstanding Performance Units, beginning of year	**—**
Granted	**39,772**
Reinvested	**1,678**
Cancelled	**(1,754)**
Outstanding Performance Units, end of year	**39,696**

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. The fair value of each DU granted is measured based on the market value of a Unit at the balance sheet date. All DUs vest when granted, however, they cannot be exercised while Trustees are members of the Board.

A summary of the DU plan activity is as follows:

(Number of awards)	**Year ended December 31, 2016**	Year ended December 31, 2015
Outstanding Trustee Deferred Units, beginning of year	**158,778**	99,230
Granted	**50,844**	52,736
Reinvested	**9,370**	6,812
Outstanding Trustee Deferred Units, end of year	**218,992**	158,778

Note 14. Rental Revenue

Rental revenue is comprised of the following:

($ thousands)	**Loblaw**	**Ancillary(i)**	**Year ended December 31, 2016**	Loblaw	Ancillary(ii)	Year ended December 31, 2015
Base rent	**$ 520,180**	**$ 58,008**	**$ 578,188**	$ 502,323	$ 48,791	$ 551,114
Property tax recoveries	**141,943**	**16,489**	**158,432**	140,616	13,966	154,582
Operating cost recoveries	**31,736**	**12,200**	**43,936**	24,427	9,927	34,354
Other revenue	**723**	**2,295**	**3,018**	291	2,759	3,050
Rental revenue	**$ 694,582**	**$ 88,992**	**$ 783,574**	$ 667,657	$ 75,443	$ 743,100

(i) Ancillary income includes $1,799 received from leases to subsidiaries of GWL for the year ended December 31, 2016.

(ii) Ancillary income includes $1,681 received from leases to subsidiaries of GWL for the year ended December 31, 2015.

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 food store anchors. 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:

($ thousands)	
2017	$ 566,479
2018	567,000
2019	569,931
2020	571,009
2021	571,148
Thereafter	3,680,441
Total	**$ 6,526,008**

Note 15. Net Interest Expense and Other Financing Charges

($ thousands)	**Year ended December 31, 2016**	Year ended December 31, 2015
Interest on senior unsecured debentures	**$ 108,788**	$ 97,189
Distributions on Class C LP Units[(i)]	**46,250**	46,250
Interest on mortgage	**181**	217
Interest on credit facilities	**3,776**	3,405
Effective interest rate amortization of debt discounts and premiums	**(522)**	(2,632)
Effective interest rate amortization of debt placement costs	**1,639**	1,405
Distributions on Exchangeable Units[(i)]	**218,961**	202,804
	379,073	348,638
Interest income	**(2,309)**	(2,122)
Gain on settlement of bond forward contracts (note 10)	**(2,682)**	—
	374,082	346,516
Capitalized interest[(ii)]	**(3,549)**	(1,465)
Net interest expense and other financing charges	**$ 370,533**	$ 345,051

(i) Represents interest on indebtedness due to Loblaw.

(ii) Interest was capitalized to qualifying development projects based on an annual weighted average interest rate of 3.45% (December 31, 2015 – 3.27%).

Note 16. Employee Costs

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

($ thousands)	**Year ended December 31, 2016**	Year ended December 31, 2015
Salaries, wages and benefits	**$ 19,103**	$ 15,360
Post-employment benefits	**407**	403
Unit-based compensation	**6,292**	2,193
Employee costs[(i)]	**$ 25,802**	$ 17,956

(i) Before considering amounts capitalized to investment properties.

Note 17. 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 growth and development; and
- minimizing its cost of capital while taking into consideration current and future industry, market and economic risks and conditions.

On October 14, 2015, Choice Properties filed a new base shelf 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 $2,000,000. This prospectus is effective for a 25-month period from the date of issuance. On November 24, 2015 and March 7, 2016, Choice Properties issued $200,000 and $350,000, respectively, of senior unsecured debentures under this base shelf prospectus (note 10).

On December 23, 2016, Choice Properties entered into a new bi-lateral $250,000 senior unsecured committed revolving credit facility with a lender maturing December 21, 2018 (note 10).

On January 23, 2017, Choice Properties redeemed, at par, $200,000 Series 6 senior unsecured debentures with an original maturity date of April 20, 2017.

Choice Properties has certain key covenants in its debentures and its committed credit facilities. 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, 2016 and December 31, 2015.

The following schedule details the capitalization of Choice Properties:

($ thousands)	**As at December 31, 2016**	As at December 31, 2015
Liabilities		
Senior unsecured debentures (note 10)	**$ 3,050,000**	$ 3,000,000
Mortgages (note 10)	**2,927**	4,139
Class C LP Units (note 10)	**925,000**	925,000
Credit facilities (note 10)	**172,000**	—
Equity		
Unitholders' equity	**569,374**	835,317
Non-controlling interests (note 7)	**7,771**	7,756
Total	**$ 4,727,072**	$ 4,772,212

Note 18. Fair Value Measurements

The following table presents the fair value hierarchy of assets and liabilities measured at fair value in the statement of financial position after initial recognition and assets and liabilite not measured at fair value in the statement of financial position but for which the fair vlaue is disclosed in the notes to the financial statements:

				As at December 31, 2016				As at December 31, 2015
($ thousands)	**Level 1**	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
Assets:								
Investment properties (note 6)	**$ —**	**$ —**	**$ 9,098,000**	**$ 9,098,000**	$ —	$ —	$ 8,561,000	$ 8,561,000
Cash and cash equivalents	**5,113**	**—**	**—**	**5,113**	44,354	—	—	44,354
Liabilities:								
Long term debt and Class C LP Units	**—**	**4,129,035**	**—**	**4,129,035**	—	4,036,140	—	4,036,140
Exchangeable Units (note 11)	**4,283,304**	**—**	**—**	**4,283,304**	3,741,895	—	—	3,741,895
Unit-based compensation (note 12)	**—**	**11,039**	**—**	**11,039**	—	5,240	—	5,240

The carrying value of the Trust's assets and liabilities approximated fair value except for long term debt and Class C LP Units. The fair value of Choice Properties' senior unsecured debentures was calculated using market trading prices. Whereas, the fair values for the mortgages and the Class C LP Units were calculated by discounting future cash flows using appropriate discount rates.

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

Note 19. Financial Risk Management

As a result of holding and issuing financial instruments, Choice Properties is exposed to credit risk, market risk and liquidity risk and capital availability 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 and joint venture partners, 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 (note 8).

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 30 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 facilities), 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.

Choice Properties’ credit facilities 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 facilities’ interest rates would result in an increase to liabilities and a decrease in net income of $7,500 (assuming fully drawn credit facilities).

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 $317,989 (2015 - $317,110); and
- Unit-based compensation liabilities $2,649 (2015 - $1,410).

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 credit facilities, 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:

($ thousands)	2017	2018	2019	2020	2021	Thereafter	Total
Senior unsecured debentures	$ 304,821	$ 503,263	$ 289,047	$ 627,648	$ 512,133	$ 1,475,368	**$ 3,712,280**
Mortgage	1,294	204	1,628	—	—	—	**3,126**
Credit facilities[(i)]	—	—	—	—	172,000	—	**172,000**
Class C LP Units	46,250	46,250	46,250	46,250	46,250	1,227,308	**1,458,558**
Total	**$ 352,365**	**$ 549,717**	**$ 336,925**	**$ 673,898**	**$ 730,383**	**$ 2,702,676**	**$ 5,345,964**

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

Note 20. 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 guarantees related to its investment properties including maintenance and development obligations to municipal authorities. As at December 31, 2016, the aggregate gross potential liability related to these letters of credit totalled $31,205 including $6,465 posted by Loblaw with the province of Ontario on behalf of Choice Properties related to deferral of land transfer tax on properties acquired from Loblaw subsequent to the IPO (note 21) (December 31, 2015 - $28,246 and $7,324).

Choice Properties' credit facilities and senior unsecured 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 and sustainable capital projects and has other contractual obligations such as operating rents. The Trust is committed to future payments of approximately $43,540 as at December 31, 2016 (December 31, 2015 - $24,698).

Note 21. Related Party Transactions

Choice Properties' parent corporation is Loblaw, which held an 82.7% effective interest in the Trust through ownership of 21,500,000 Units and 100% of the Exchangeable Units as at December 31, 2016 (December 31, 2015 - 83.0% effective interest, 21,500,000 Units and 100% Exchangeable Units, respectively). Loblaw's majority shareholder, GWL, owns approximately 47% of Loblaw's outstanding common shares and a 5.8% direct interest in Choice Properties, through ownership of 23,997,222 Units as at December 31, 2016 (December 31, 2015 - 5.6% and 22,732,062 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 On May 12, 2016, Choice Properties acquired 10 properties from Loblaw for a purchase price of $117,140, excluding acquisition costs. The acquisition was funded entirely with cash (note 5).

On October 26, 2016, Choice Properties acquired a portfolio of five investment properties from Loblaw for a purchase price of $40,738, excluding acquisition costs, which was settled through the issuance of 878,713 Exchangeable Units, which had a value of $11,818 as at October 26, 2016, and cash (note 5).

In 2015, Choice Properties acquired 46 investment properties from Loblaw with a fair value of $356,692, excluding acquisition costs (note 5).

Site Intensification Payments Included in certain investment properties acquired from Loblaw is excess land with development potential. Choice Properties will compensate Loblaw, over time, with intensification payments, as Choice Properties pursues development, intensification or redevelopment of such excess lands. The payments to Loblaw are 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 payments of $6,582 in connection with completed gross leasable area for which tenants have taken possession during the year ended December 31, 2016 (year ended December 31, 2015 - $2,334).

Construction Fees During the year ended December 31, 2016, Choice Properties did not pay any construction fees to Loblaw towards the development of specific properties (year ended December 31, 2015 - $102).

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. In 2016, Choice Properties paid Loblaw $2,932 for these services (2015 - $3,141) (note 22). The parties have agreed to extend the agreement until December 31, 2017.

Property Management Agreement On January 1, 2015, Choice Properties agreed to provide Loblaw with property and asset management services for Loblaw's properties with third-party tenancies on a fee for service basis for an initial two-year term with automatic one-year renewals (note 22).

Letters of Credit As at December 31, 2016, letters of credit totaling $6,465 were posted by Loblaw with the province of Ontario on behalf of Choice Properties related to deferral of land transfer tax on properties acquired from Loblaw subsequent to the IPO (December 31, 2015 - $7,324) (note 20).

Land Transfer Tax Assessment The Ontario Ministry of Finance assessed the Trust $10,421 for land transfer tax, penalties and interest on the acquisition of properties from Loblaw in the initial public offering. Choice Properties was fully indemnified by Loblaw. During the year Loblaw made a payment to the Ministry of Finance for the full amount of the assessment, pending the result of the appeal.

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 business 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 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, 2016, distributions totaling $265,211 were declared, $286,242 were payable, and a note receivable of $263,574 was outstanding from Loblaw (December 31, 2015 - $249,054, $269,485 and $248,463 respectively). On the first business day of 2017, distributions payable for Exchangeable Units of $217,324 and Class C LP Units of $46,250 were paid and the notes receivable from Loblaw were cancelled (January 2016 - paid $202,204 and $46,250, respectively, and the notes receivable from Loblaw were cancelled).

Trust Unit Distributions In the year ended December 31, 2016, Choice Properties declared distributions of $14,835 on the Units held by Loblaw (December 31, 2015 - $13,975).

Transaction Summary as Reflected in the Consolidated Financial Statements Loblaw is also Choice Properties' largest tenant, representing approximately 90.0% of Choice Properties' annual base rent and 88.3% of its gross leasable area as at December 31, 2016 (December 31, 2015 - 91.1% and 89.1% respectively). Transactions with Loblaw recorded in the statements of loss and comprehensive loss were comprised as follows:

($ thousands)	**Year ended December 31, 2016**	Year ended December 31, 2015
Rental revenue (note 14)	**$ 694,582**	$ 667,657
Property and asset management fee (note 22)	**740**	600
Services Agreement expense (note 22)	**(2,932)**	(3,141)
Interest expense and other financing charges (note 15)	**(265,211)**	(249,054)

The balances due from (to) Loblaw were as follows:

($ thousands)	**As at December 31, 2016**	As at December 31, 2015
Notes receivable (note 9)	**$ 263,574**	$ 248,463
Class C LP Units (note 10)	**(925,000)**	(925,000)
Exchangeable Units (note 11)	**(4,283,304)**	(3,741,895)
Accounts payable and other liabilities (note 12)	**(359,479)**	(332,395)
Net due to Loblaw	**$ (5,304,209)**	$ (4,750,827)

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 7). Wittington is the development and construction manager for the commercial space. Wittington's parent company is Wittington Investments, Limited, which holds a majority interest in GWL. Choice Properties did not make any contributions to the joint venture during the year ended December 31, 2016, but did receive a distribution from the joint venture of $4,000 (year ended December 31, 2015 - contributions $3,120 and distributions nil). Operating activities have not begun at the property, however the joint venture did earn interest income in the year ended December 31, 2016 (December 31, 2015 - nil).

Operating Lease Choice Properties 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 term of the lease.

Trust Unit Distributions In the year ended December 31, 2016, Choice Properties declared distributions of $16,164 on the Units held by GWL (December 31, 2015 - $14,383). GWL participates in the DRIP (note 11). In the year ended December 31, 2016, the Trust issued 1,265,160 Units to GWL under the DRIP (December 31, 2015 - 1,317,405 Units).

Transaction Summary as Reflected in the Consolidated Financial Statements Transactions with GWL and other related parties recorded in the statements of loss and comprehensive loss were comprised as follows:

($ thousands)	**Year ended December 31, 2016**	Year ended December 31, 2015
Rental revenue (note 14)	**$ 1,799**	$ 1,681
Office rent expense	**(269)**	(208)

The balance due to GWL was as follows:

($ thousands)	**As at December 31, 2016**	As at December 31, 2015
Accounts payable and other liabilities (note 12)	**$ (1,420)**	$ (1,353)

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:

($ thousands)	**Year ended December 31, 2016**	Year ended December 31, 2015
Salaries, trustee fees, incentives and short-term employee benefits	**$ 4,396**	$ 2,190
Unit-based compensation	**5,610**	2,384
Compensation of key personnel	**$ 10,006**	$ 4,574

Note 22. Supplementary Information

Property Operating Costs

($ thousands)		Year ended December 31, 2016		Year ended December 31, 2015
Property taxes	$	162,690	$	158,954
Recoverable operating costs		36,175		30,239
Non-recoverable operating costs		1,375		2,986
Property operating costs	$	200,240	$	192,179

General and Administrative Expenses

($ thousands)		Year ended December 31, 2016		Year ended December 31, 2015
Salaries, benefits and employee costs	$	27,667	$	19,414
Investor relations and other public entity costs		2,185		2,058
Professional fees		2,310		1,900
Other		3,589		3,728
Services Agreement expense charged by related party		2,932		3,141
Total general and administrative expenses		38,683		30,241
Less:				
Property and asset management fee charged to related party		(740)		(600)
Capitalized to investment properties		(2,635)		(2,157)
Allocated to recoverable operating expenses		(7,191)		(5,719)
General and administrative expenses	$	28,117	$	21,765

Change in Non-Cash Operating Working Capital

($ thousands)			Year ended December 31, 2016		Year ended December 31, 2015
Net change in accounts receivable and other assets		$	(4,656)	$	3,416
Add back (deduct):	Net change in fixtures and equipment		(546)		(364)
	Amounts from acquired properties (note 5)		885		59
Net change in trades payable and other liabilities			34,628		49,514
Add back (deduct):	Net change in distributions payable		(550)		(92)
	Net change in unit-based compensation liability		(5,799)		(2,954)
	Net change to accrued interest expense		(19,455)		(15,259)
	Amounts from acquired properties (note 5)		(655)		(1,671)
Change in non-cash operating working capital		$	3,852	$	32,649

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

($ thousands)	**Year ended December 31, 2016**	Year ended December 31, 2015
Value of Units issued under distribution reinvestment plan (note 11)	**$ 19,587**	$ 18,118
Value of options underlying Units issued under unit-based compensation plan	**169**	73
Issuance of Exchangeable Units (note 5)	**11,818**	124,161
Debt assumed on acquisition of investment properties (note 5)	**—**	2,123

Recoverable Property Capital

($ thousands)	**Year ended December 31, 2016**	Year ended December 31, 2015
Balance yet to be recovered, beginning of the year	**$ 63,929**	$ 34,254
Add: Recoverable expenditures during the year (note 6)	**42,192**	32,466
Less: Recoverable during the year	**(5,438)**	(2,791)
Balance yet to be recovered, end of the year	**$ 100,683**	$ 63,929

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 17, "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 17, "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 adjustments to Fair Value 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 adjustments to Fair Value. 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 adjustments to fair value (see Section 17, "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 adjustments to fair value, 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 17, "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 17, "Non-GAAP Financial Measures", of the Management's Discussion and Analysis).
Greenfield	Development on vacant land.
Intensification	Development of income producing properties with excess density.
Net Operating Income	Rental revenue less straight-line rental revenue and property operating costs (see Section 17, "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 development activities of the same properties.
Same Properties - Same GLA	The same properties owned by Choice Properties during the current period and the comparative period, excluding any development activities of the same properties which increased gross leasable area.
Redevelopment	Reset and renovation of existing income producing properties.

Board of Trustees

Kerry D. Adams[1,2]
Ms. Adams currently serves as President of K. Adams & Associates Limited. She is the Chair of Scotia Institutional Real Estate Inc. Advisory Committee. 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 serves as a member of Fidelity Investments Canada ULC's Independent Review Committee. She also served as a Commissioner and Director of the Ontario Securities Commission, and Chair of its Investor Education Fund, and was a member of the IIROC board and governance committee. 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.

Graeme M. Eadie[1]
Mr. Eadie is the Senior Managing Director and Global Head of Real Assets for the Canada Pension Plan Investment Board. 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 in 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.

Michael P. Kitt[1,2]
Mr. Kitt is the Executive Vice President and Chief Financial Officer of Oxford Properties Group. Previously, Mr. Kitt held the positions of Executive Vice President, Canada and Executive Vice President, Global Development at Oxford Properties. Prior to joining Oxford Properties, Mr. Kitt held various senior roles at Cadillac Fairview Corporation, leading both its Investment and Development Groups. Mr. Kitt graduated from the University of Manitoba with a B.Comm. and holds a CFA designation.

Daniel F. Sullivan[2]
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, he spent a majority of his career in the financial services sector, with a focus on real estate, 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 an M.B.A., and he also holds an M.B.A. from the University of Toronto. Mr. Sullivan is a Trustee of Allied Properties Real Estate Investment Trust and Crius Energy Trust, and is a director of 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.

1 Audit Committee.
2 Governance, Compensation and Nominating Committee.

Christie J.B. Clark[2]
Mr. Clark, a corporate director, is former Chief Executive Officer and senior partner of PricewaterhouseCoopers LLP. Prior to being elected as its CEO, Mr. Clark was a National Managing Partner and a member of the firm's Executive Committee. 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, Air Canada, Hydro One Inc. and Hydro One Limited. In addition to his public company board memberships, Mr. Clark is a member of the Board of the Canadian Olympic Committee and a member of the Advisory Council of the Stephen J.R. Smith School of Business at Queen's University.

Michelle Felman[2]
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 was an adjunct professor for four years. She is currently an adjunct professor at Columbia University. 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 currently a trustee of The Partners Group, a global private equity firm based in Zug, Switzerland, and serves as Chair of its investment oversight committee.

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. Mr. Morrison is a Trustee of Automotive Properties REIT and former Trustee of the International Council of Shopping Centers, where he served on the Executive Committee, and is now Divisional Vice President for Canada.

Paul R. Weiss[1]
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 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. Mr. Weiss is a former director of Bell Aliant Inc., ING Bank of Canada and Empire Life Insurance Company. Mr. Weiss is past Chairman of Soulpepper Theatre Company and past Chairman of Toronto Rehab Foundation.

Galen G. Weston
Mr. Weston is Chairman and Chief Executive Officer of Loblaw and George Weston Limited. Prior to his assuming his current role at Loblaw and Weston, he held the position of Executive Chairman and President. 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. In addition to his directorship at Loblaw and Weston, Mr. Weston is a director of Wittington Investments, Limited and the Chair of President's Choice Bank.

Corporate Profile

Choice Properties Real Estate Investment Trust is an owner, manager and developer of well-located retail and other commercial real estate across Canada. Choice Properties' portfolio spans approximately 43.6 million square feet of gross leasable area and consists of 535 properties primarily focused on supermarket and drug store anchored shopping centres, stand-alone supermarkets and drug stores, 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 16, 2017 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: 48533502. 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".

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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.

Annual General Meeting
April 25, 2017 at 11:00 am
St. Andrew's Club and Conference Centre
Garden Suite
150 King Street West, 16th Floor
Toronto, Ontario Canada

Independent Auditors
KPMG LLP
Chartered Professional Accountants
Toronto, Canada

Registrar and Transfer Agent
Canadian Stock Transfer Company Inc.
P.O. Box 700, Station B
Montreal, QC, H3B 3K3
Tel: (416) 682-3860
Toll free: 1-800-387-0825 (Canada and US)
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
Email: investor@choicereit.ca
Website: www.choicereit.ca

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.

Ce rapport est disponible en français.

EXECUTIVE TEAM

From left to right:

Kim Lee
Vice President, Investor Relations and Business Intelligence

Adam Walsh
Vice President, General Counsel and Secretary

Bart Munn
Executive Vice President and Chief Financial Officer

Lesley Gibson
Vice President, Financial Reporting

John R. Morrison
President and Chief Executive Officer

Kristine Hill
Vice President, Human Resources

Dallas Wingerak
Vice President, Real Estate and Operations, Western Canada

Robert Yamamoto
Vice President, Development

Evan Williams
Vice President, Real Estate and Operations, Eastern Canada

Back cover images (top to bottom): 1880 Eglinton Ave., Scarborough, ON; 2280 Dundas St. W., Toronto, ON; 190 Richmond St., Ottawa, ON; 173 Lakeshore Rd. W., Oakville, ON; 123 Pioneer Park, Kitchener, ON

Concept and Design: **THE WORKS DESIGN COMMUNICATIONS** **worksdesign.com**

A Choice Investment

43.6M square feet of well-located retail properties across Canada

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

An attractive development pipeline comprising excess density for intensification, sites for redevelopment and land for greenfield construction throughout our portfolio

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 a passion for successfully developing and managing retail real estate

Progre
Develo

Progre
Develo

Progre
Develo

Choice Properties REIT

choicereit.ca