

Creating Enduring Value



SHOPPERS DRUG MART



JOE FRESH

West Block

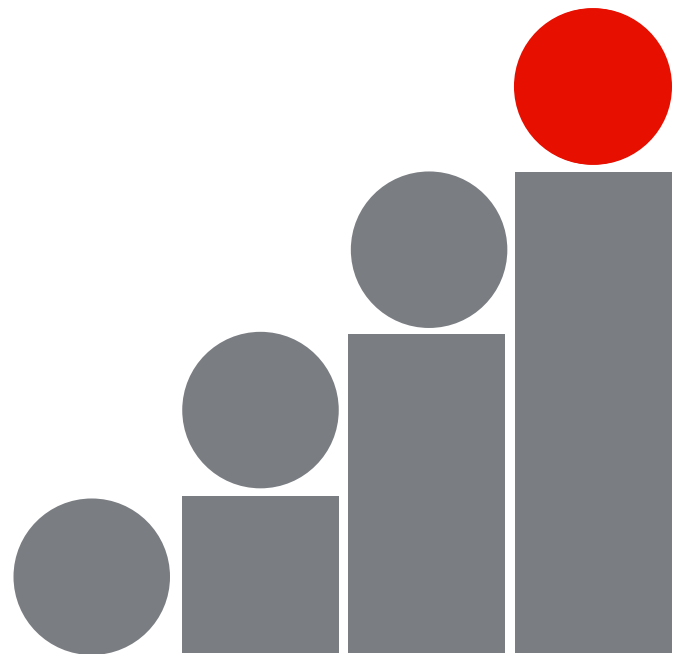
FRESH
JOE FRESH.COM

JOE FRESH
JOE FRESH.COM

Creating Enduring Value

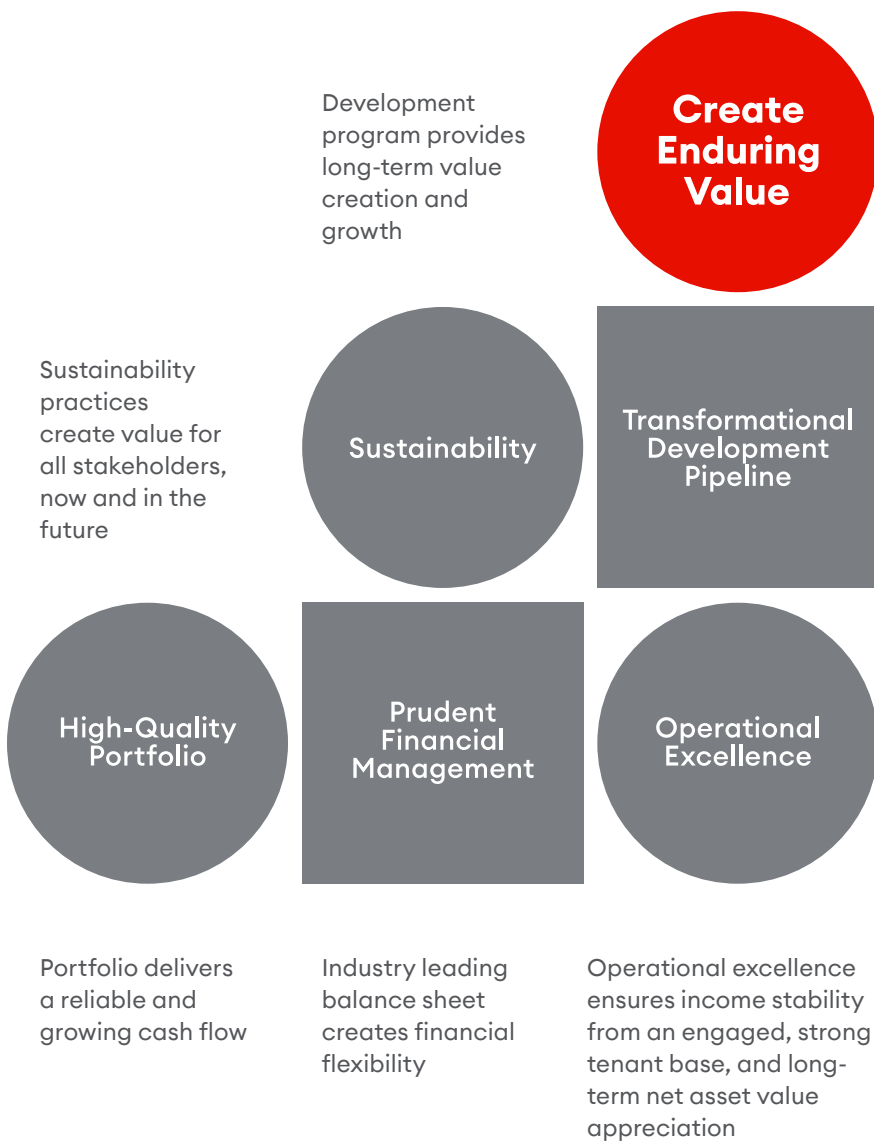
Choice Properties is a leading Real Estate Investment Trust that creates enduring value through the ownership, operation and development of high-quality commercial and residential properties. We believe that value comes from creating spaces that improve how our tenants and communities come together to live, work, and connect. We strive to understand the needs of our tenants and manage our properties to the highest standard.

We aspire to develop healthy, resilient communities through our dedication to social, economic, and environmental sustainability. In everything we do, we are guided by a shared set of values grounded in Care, Ownership, Respect and Excellence.



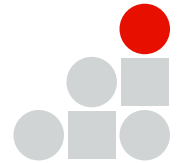
Stability and Growth

The combination of stability and growth is at the core of our commitment to creating enduring value for our stakeholders and the communities in which we operate. Our business strategy aims to achieve net asset value appreciation, stable NOI growth and capital preservation, all with a long term focus.



Choice Building Blocks

Our Choice Building Blocks illustrate our strategic framework, which aims to deliver stability and growth to our stakeholders.



Our business strategy is guided by a shared set of values and a sense of social responsibility.

CORE Values

Our actions are grounded by a shared commitment to Care, Ownership, Respect and Excellence.

Fighting Climate Change

We continue to take meaningful steps to minimize our environmental footprint in order to preserve our planet's resources for current and future generations.

Advancing Social Equity

We hold ourselves accountable for advancing diversity, equity and inclusion for all stakeholders. We view the collection of varied experiences, talents and perspectives as a strength.

Ethics & Compliance

We are dedicated to strong governance practices designed to maintain high standards of oversight, accountability, ethics and compliance.

Message from the President & CEO

A Year of Positive Momentum



Fellow Unitholders,

2022 was another year of positive momentum for our business as we significantly advanced our strategic agenda and continued to demonstrate the stability of our portfolio and strength of our balance sheet, all thanks to the talent and hard work of our people.

Improving our Portfolio

Collectively this year we completed over \$1.2 billion of real estate transactions through our capital recycling program, demonstrating our ability to continue to enhance the overall quality of our portfolio, and ultimately grow our net asset value over the long-term. Included in these transactions was the disposition of over \$800 million of office properties.

Last year we made the strategic decision to exit the office asset class to focus our time and capital on the opportunities available in our core business of essential retail, industrial, our growing residential platform, and our robust development pipeline. This decision manifested itself in the sale of six high-quality office properties to Allied Properties REIT for approximately \$730 million, in the first quarter of 2022. To date, we have successfully disposed, or are under contract to dispose, of 9 of our 11 non-core office properties. We continue to closely monitor the market and will sell when the time and price is right.

Our portfolio today consists of three strategic asset classes, each with its own set of exceptional fundamentals to support long-term value creation, and where we have achieved or have the capability to achieve scale.

Strategically Positioned Across Three Asset Classes

Our portfolio of retail, industrial, and mixed-use and residential properties is well-occupied at approximately 97.8%, and leased to stable, high-quality tenants across Canada and supported by a best-in-class operating framework.

Our retail portfolio is one of the best performing in the Canadian REIT industry. It is primarily leased to grocery stores, pharmacies and other necessity-based tenants, who continue to provide stable and steady cash flow growth to our business. In 2022, we saw strong new leasing velocity and tenant retention, driven by increasing consumer spending and retailer confidence in opening new locations.

Our industrial portfolio was our strongest performing asset class in 2022. It provides new generation logistics space that is well-connected, supported by strong labour markets, and flexible in accommodating the diverse needs of tenants.

Our mixed-use and transit-oriented residential portfolio consists of 10 high performing assets that are approximately 95% leased.

Advancing our Development Pipeline and Expanding our Industrial Platform

We have a transformational development pipeline of over 18 million square feet which provides us with exceptional opportunities to add high-quality real estate to our portfolio at a reasonable cost. In 2022, we transferred \$71 million from properties under development to our income producing portfolio and achieved several key zoning milestones at our future industrial and mixed-use and residential development sites.

MESSAGE FROM THE PRESIDENT & CEO

Looking at our industrial development pipeline, we achieved zoning at two sites in the Greater Toronto Area for over 6.0 million square feet at share in 2022, bringing our total industrial development pipeline to approximately 7.0 million square feet. Our three active industrial development projects located in the GTA, Vancouver and Edmonton are expected to deliver 1.4 million square feet of new generation logistics space by the end of 2023. Our development team is actively working on the planning for the remaining 5.6 million square feet of future industrial space at our two sites in the GTA.

Turning to our active mixed-use and residential development pipeline, in 2022 we continued to advance projects that will expand our footprint in the rental residential market with two ongoing projects located in Brampton and Ottawa, Ontario which are expected to be completed in the second half of 2023. Beyond our active development projects, we have a substantial pipeline of larger, more complex mixed-use developments with 12 projects representing over 10.4 million square feet in different stages of the rezoning and planning process.

Maintaining our Industry Leading Balance Sheet

Beyond the bricks and mortar, we took steps to ensure we maintained our industry leading balance sheet despite pressures from rising inflation and interest rates. At the end of 2022, we had approximately \$1.2 billion available under our credit facility, \$88 million of available cash on our balance sheet and \$12.3 billion in unencumbered assets.

Our disciplined and conservative approach to financial management continues to position us well in the face of broader market volatility, allowing us to navigate through challenging times without disrupting our operations or monthly distributions to unitholders.

Building, More Sustainable Future

Overlaying our operation and financial performance, is our focus on long-term sustainability. As one of Canada's largest real estate entities, we understand the impact of our operations on the environment and the communities in which we operate. We continued to lead the way in sustainability and made significant advancements in our two pillars of *Fighting Climate Change* and *Advancing Social Equity*. In 2022, we became one of the first entities in Canada to have its net-zero targets validated by the Science Based Targets

Initiative (SBTi) and release our inaugural Pathway to Net Zero Report which outlines our approach to achieving net-zero greenhouse gas emissions by 2050. We also achieved the Women Lead Here 2022 benchmark in recognition of the representation of women on our leadership team and were named one of Greater Toronto's Top Employers (2023) in recognition of our colleague-focused programs. We donated over \$620 thousand to local charities across Canada, and formed a social impact team to support the development of new community involvement initiatives. We look forward to releasing further details on our progress in our upcoming 2022 ESG Report.

A Year of Strength, A Future of Growth

Our operating and financial results for the year were strong and reflect the strength of our stable income producing portfolio, our ability to unlock value in our transformational development pipeline, and our unwavering commitment to operational excellence. We continue to demonstrate that our strategy and business model positions us well to preserve capital, generate stable and growing cash flows, and drive net asset value over time for you – our unitholders.

I am proud of what we have accomplished over this past year. It could not have been done without the dedication, collaboration and diverse talents demonstrated by our colleagues every day. We are a team of disciplined individuals with a track record of success. We are focused on building relationships with our tenants, business partners and with one another to gain insight and deliver excellent results. Our shared set of values of Care, Ownership, Respect and Excellence empower us to make the right choices for our business, our unitholders, and our communities.

On behalf of the entire Choice Properties team, we thank you for your continued support and confidence. We look forward to building on our positive momentum in 2023.



Rael L. Diamond
President & CEO

Management's Discussion and Analysis

3045 Mavis Road
Mississauga, ON



“We continue to focus on improving the quality of our portfolio and driving growth through development. In 2022 we completed over \$1.2 billion of real estate transactions and made significant advances in our industrial and mixed-use and residential development pipelines.”

Rael L. Diamond
President & Chief Executive Officer

(1) See Section 15, “Non-GAAP Financial Measures”, of this MD&A

(2) To be read in conjunction with the “Forward-Looking Statements” included in the Notes for Readers located on page 8 of this MD&A

Table of Contents

Corporate Profile

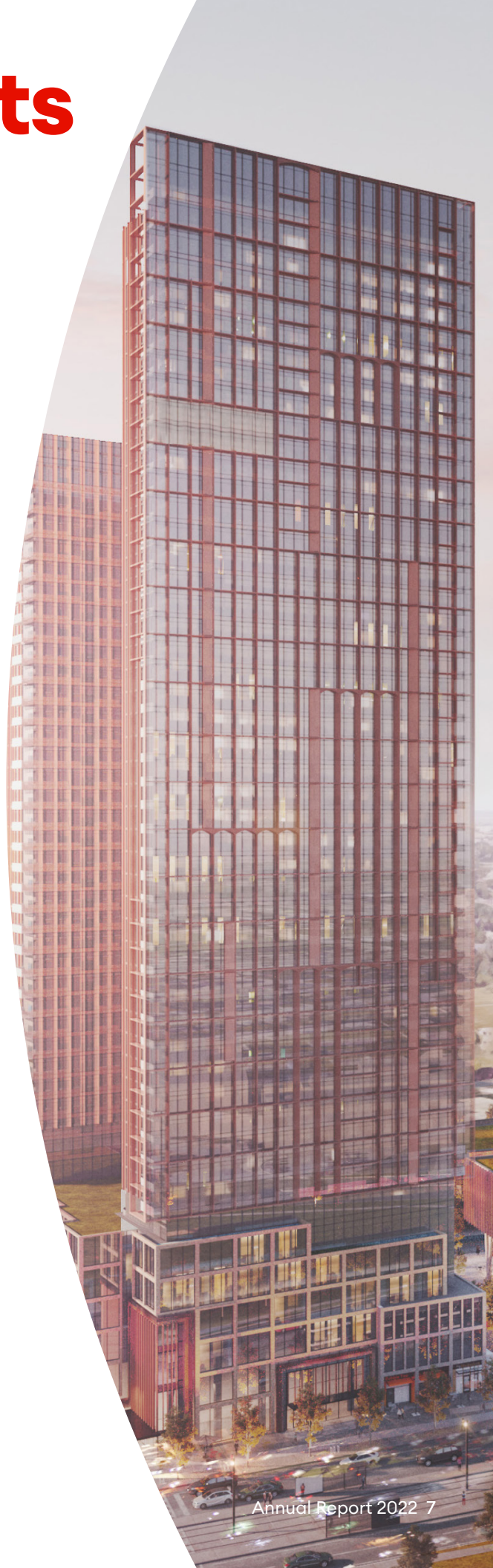
Creating Enduring Value	2
Stability and Growth	3
Message from the President & CEO	4

Management's Discussion & Analysis

Notes for Readers	8
High-Quality Portfolio	10
Operational Excellence	16
Transformational Development Program	18
Environment, Social & Governance Program	22
Prudent Financial Management	25

Financial Review

Key Performance Indicators and Financial Information	33
Balance Sheet	34
Investment Properties	36
Liquidity and Capital Resources	53
Results of Operations	62
Leasing Activity	66
Results of Operations - Segment Information	72
Quarterly Results of Operations	79
Related Party Transactions	80
Critical Accounting Estimates and Judgements	82
Controls and Procedures	83
Enterprise Risks and Risk Management	84
Environmental, Social and Governance (ESG)	92
Outlook	94
Non-GAAP Financial Measures	95



Notes for Readers

Please refer to the Choice Properties Real Estate Investment Trust (“Choice Properties” or the “Trust”) audited consolidated financial statements for the year ended December 31, 2022 and accompanying notes (“2022 Financial Statements”) when reading this Management’s Discussion and Analysis (“MD&A”). In addition, this MD&A should be read in conjunction with the Trust’s “Forward-Looking Statements” as listed below. Choice Properties’ 2022 Annual Financial Statements have been prepared in accordance with International Financial Reporting Standards (“IFRS” or “GAAP”) and were authorized for issuance by the Board of Trustees (“Board”).

In addition to using performance measures determined in accordance with IFRS, Choice Properties’ management also measures performance using certain additional non-GAAP measures and provides these measures in this MD&A so that investors may do the same. Such measures do not have any standardized definitions prescribed under IFRS and are, therefore, unlikely to be comparable to similar measures presented by other real estate investment trusts or enterprises. Please refer to Section 15, “Non-GAAP Financial Measures” for a list of defined non-GAAP financial measures and reconciliations thereof.

This Annual Report, including this MD&A, contains forward-looking statements about Choice Properties’ objectives, plans, goals, aspirations, strategies, financial condition, results of operations, cash flows, performance, prospects, opportunities, and legal and regulatory matters. Specific statements with respect to anticipated future results and events can be found in various sections of this MD&A, including but not limited to, Section 3, “Investment Properties”, Section 5, “Results of Operations”, Section 6, “Leasing Activity”, Section 7, “Results of Operations - Segment Information”, Section 13, “Environmental, Social and Governance (“ESG”)”, and Section 14, “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”, “aspire”, “pledge”, “aim”, and similar expressions, as they relate to Choice Properties and its management.

Forward-looking statements reflect Choice Properties’ current estimates, beliefs and assumptions, which are based on management’s perception of historic trends, current conditions and expected future developments, as well as other factors it believes are appropriate in the circumstances.

Choice Properties’ expectation of operating and financial performance is based on certain assumptions, including assumptions about the Trust’s future growth potential, prospects and opportunities, industry trends, future levels of indebtedness, tax laws, economic conditions and competition. Management’s estimates, beliefs and assumptions are inherently subject to significant business, economic, competitive and other uncertainties and contingencies regarding future events, including the COVID-19 pandemic, 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 and the Trust’s Annual Information Form (“AIF”) for the year ended December 31, 2022. Selected highlights of such risks and uncertainties include:

- changes in economic conditions, including changes in interest rates and inflation rates, and supply chain constraints;
- failure by Choice Properties to realize the anticipated benefits associated with its strategic priorities and major initiatives, including failure to develop quality assets and effectively manage development, redevelopment, and renovation initiatives and the timelines and costs related to such initiatives;
- failure to adapt to environmental and social risks, including failure to execute against the Trust’s environmental and social equity initiatives, and in the context of the Trust’s environmental, social and governance (“ESG”) disclosures, additional factors such as the availability, accessibility and sustainability of comprehensive and high-quality data, and the development of applicable national and international laws, policies and regulations;
- the inability of Choice Properties’ information technology infrastructure to support the requirements of Choice Properties’ business, failure by Choice Properties to identify and respond to business disruptions, or the occurrence of any internal or external security breaches, denial of service attacks, viruses, worms or other known or unknown cyber security or data breaches;
- failure by Choice Properties to anticipate, identify and react to demographic changes, including shifting consumer preferences toward digital commerce, which may result in a decrease in demand for physical space by retail tenants;
- failure by Choice Properties to effectively and efficiently manage its property and leasing management processes;
- the inability of Choice Properties to make acquisitions and dispositions of properties in accordance with its near and long-term strategies.

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.

Choice Properties’ financial results are impacted by adjustments to the fair value of the Class B LP units of Choice Properties Limited Partnership (the “Exchangeable Units”), unit-based compensation, the exchangeable Class B limited partnership units of Allied Properties Exchangeable Limited Partnership (“Allied Units”), a subsidiary of Allied Properties Real Estate Investment Trust (“Allied”) and investment properties. Exchangeable Units and unit-based compensation liabilities are recorded at their fair value based on the market trading price of the Trust Units, which results in a negative impact to the financial results when the Trust Unit price rises and a positive impact when the Trust Unit price declines. The Allied Units are recorded at fair value based on market trading prices of the publicly traded units of Allied. Investment properties are recorded at fair value based on valuations performed by the Trust’s internal valuations team. These adjustments to fair value impact certain of the GAAP reported figures of the Trust, including net income.

Additional risks and uncertainties are discussed in Choice Properties’ materials filed with the Canadian securities regulatory authorities from time to time, including without limitation, the Trust’s AIF for the year ended December 31, 2022. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect Choice Properties’ expectations only as of the date of this MD&A. Except as required by applicable law, Choice Properties does not undertake to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Choice Properties is an unincorporated, open ended mutual fund trust governed by the laws of the Province of Ontario and established pursuant to an amended and restated declaration of trust dated April 30, 2021, as may be amended, supplemented or restated from time to time (the “Declaration of Trust”). Choice Properties’ Trust Units are listed on the Toronto Stock Exchange (“TSX”) and are traded under the symbol “CHP.UN”.

George Weston Limited (“GWL”) is the controlling unitholder of the Trust and the controlling shareholder of Loblaw Companies Limited (“Loblaw”), the Trust’s largest tenant. As of December 31, 2022, GWL held a 61.7% effective interest in Choice Properties. Choice Properties’ ultimate parent is Wittington Investments, Limited (“Wittington”), the controlling shareholder of GWL.

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.

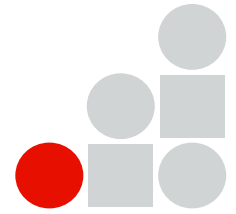
The information in this MD&A is current to February 15, 2023, unless otherwise noted.

All amounts in this MD&A are reported in thousands of Canadian dollars, except where otherwise noted.

301 Moore Avenue
Toronto, ON



High-Quality Portfolio



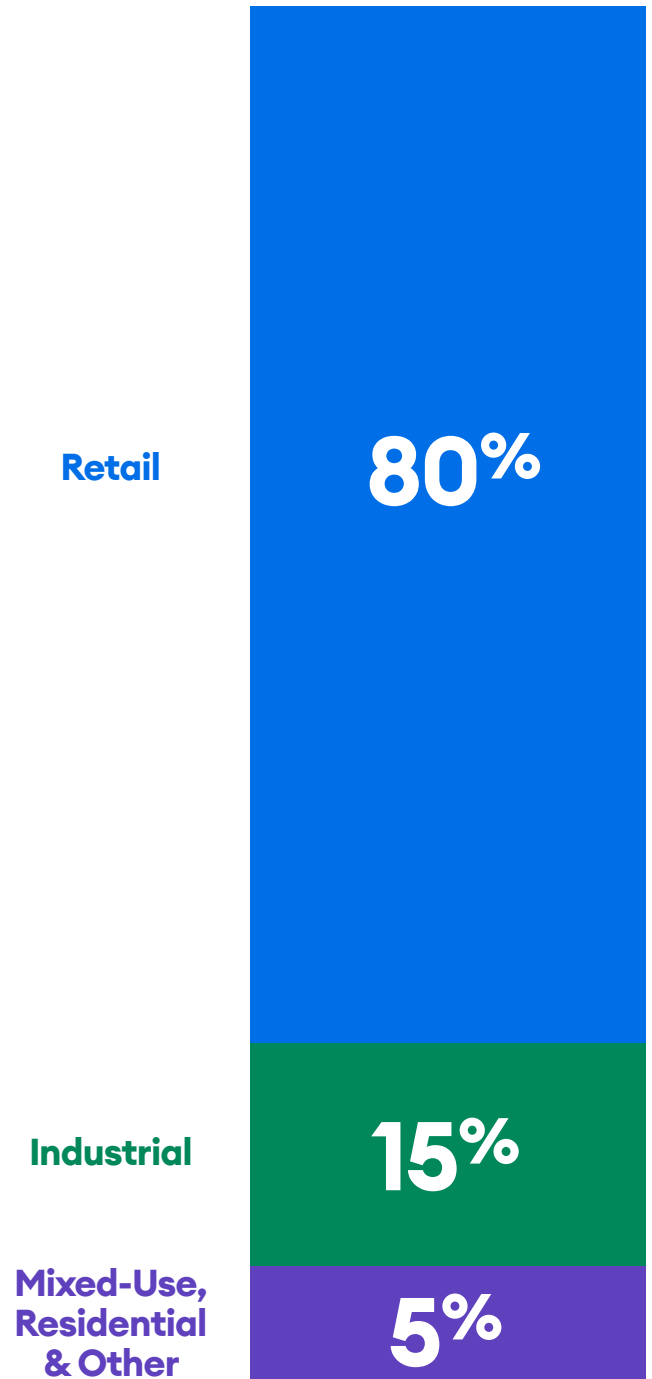
Canada's Largest REIT

Choice Properties is Canada's largest REIT. Our portfolio is comprised of retail properties primarily leased to necessity-based tenants, as we benefit from our strategic relationship with Loblaw Companies Limited, one of Canada's largest retailers. We also own a portfolio of high-quality industrial, mixed-use and residential assets concentrated in attractive markets across Canada.

702
Properties

63.9M
Sq. Ft. of GLA

Portfolio Asset Mix by Asset Class⁽ⁱ⁾



(i) As a % of total NOI on a cash basis⁽¹⁾ for the three months ended December 31, 2022

Resilient Retail Portfolio



1460 East Hastings Street
Vancouver, BC

The retail portion of our portfolio is the foundation for maintaining reliable cash flow. Our portfolio is primarily leased to grocery stores, pharmacies, and other necessity-based tenants, and stability is attained through a strategic relationship and long-term leases with Loblaw. This relationship provides us with access to future tenancy and related opportunities with Loblaw, Shoppers Drug Mart and other members of the Loblaw group of companies.

Retail Category (Section 6)	% of Retail Revenue	Tenants
Grocery & Pharmacy	67%	Loblaws, SHOPPERS DRUG MART, Sobeys, Walmart, Rexall, GIANT TIGER
Essential Services	14%	LCBO, TD, DOLLARAMA, petvalu, EXTRADIAN TIRE, rbi restaurant brands international, Starbucks
Specialty & Value	6%	TJX THE TJX COMPANIES INC., staples, Indigo, BEST BUY, Michaels Made by you, SPORTCHEK
Fitness & Other Personal Services	5%	Goodlife FITNESS, LAIFITNESS, Orangetheory FITNESS, H&R BLOCK, Great Clips IT'S GONNA BE GREAT, KUMON
Furniture & Home	3%	LOWE'S, Legns, SleepCountry, THE HOME DEPOT, STRUCTUBE
Full-Service Restaurants	3%	RECIPE, Boston Pizza, MTY FOOD GROUP
Other	2%	

Total	100%
--------------	-------------

574
Income Producing Properties

44.2 million
Sq. Ft. of GLA

81%
Necessity Based

Calculated as a % of the retail segment's gross rental revenue as at December 31, 2022

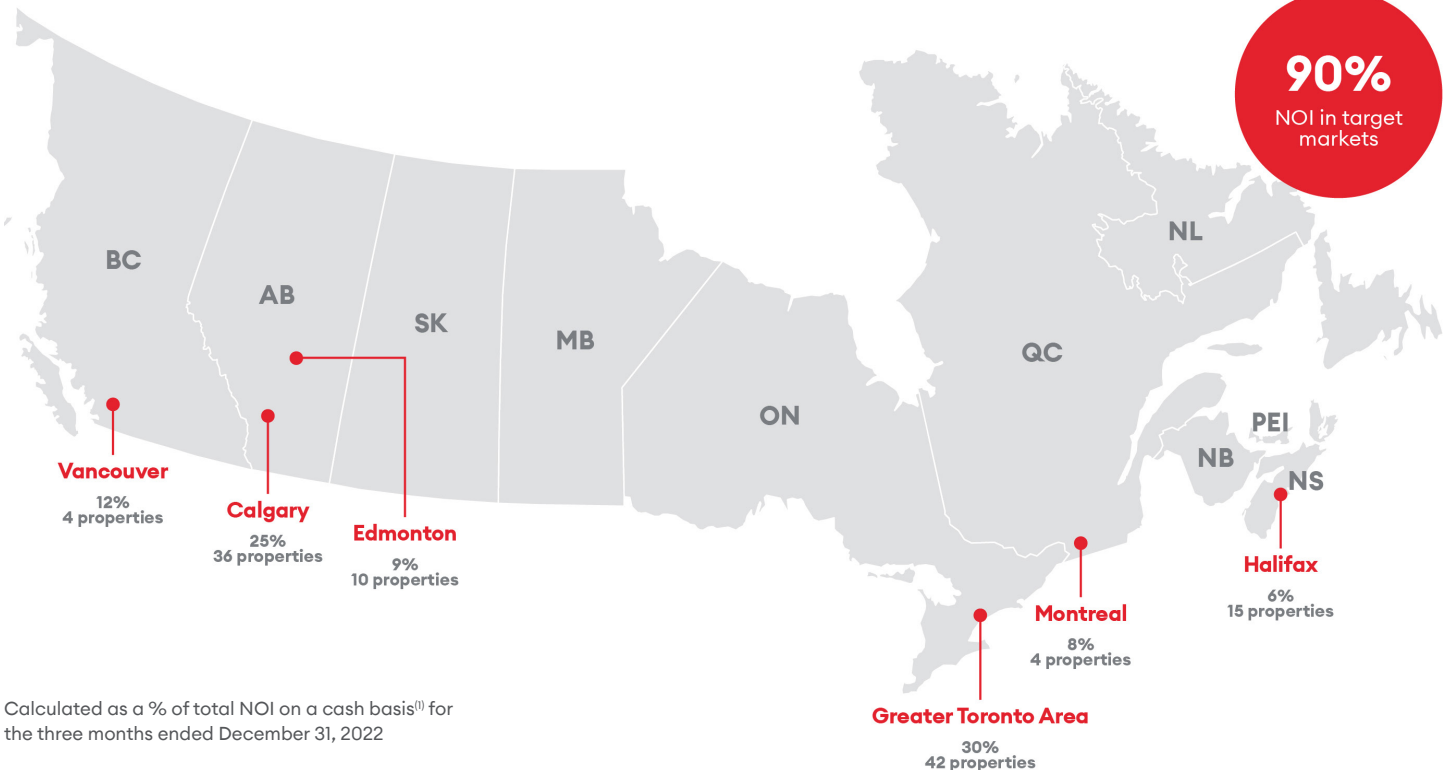
\$10.7 billion
of Income Producing Properties

Growing Industrial Portfolio

Choice Properties' industrial portfolio is centered around large, purpose-built distribution facilities for Loblaw and high-quality "generic" industrial assets that readily accommodate the diverse needs of a broad range of tenants. The term "generic" refers to a product that appeals to a wide range of potential users, so that the leasing or re-leasing timeframe is reduced.

Our industrial properties are located in target distribution markets across Canada, where demand is the highest and we can build a critical mass to enjoy management efficiencies and to accommodate the expansion or contraction requirements of our tenant base.

Building Critical Mass in Target Distribution Markets



Calculated as a % of total NOI on a cash basis⁽¹⁾ for the three months ended December 31, 2022



Great Plains Business Park
Calgary, AB

116

Income Producing Properties

17.4 million

Sq. Ft. of GLA

\$3.5 billion

of Income Producing Properties

Mixed-Use, Residential & Other

Our rental residential properties provide additional income diversification and generate further investment opportunities for portfolio growth. Many of the opportunities to develop residential properties stem from densifying existing retail sites with residential buildings. Our residential properties are transit accessible and well located in Canada's largest cities. They include both newly developed purpose-built rental buildings and residential-focused mixed-use communities.

Our mixed-use segment also includes assets with an office component which are primarily leased to entities within the Weston Group of companies.

12
Income Producing
Properties

2.3 million
Sq. Ft. of GLA ⁽ⁱ⁾

646
Residential Units

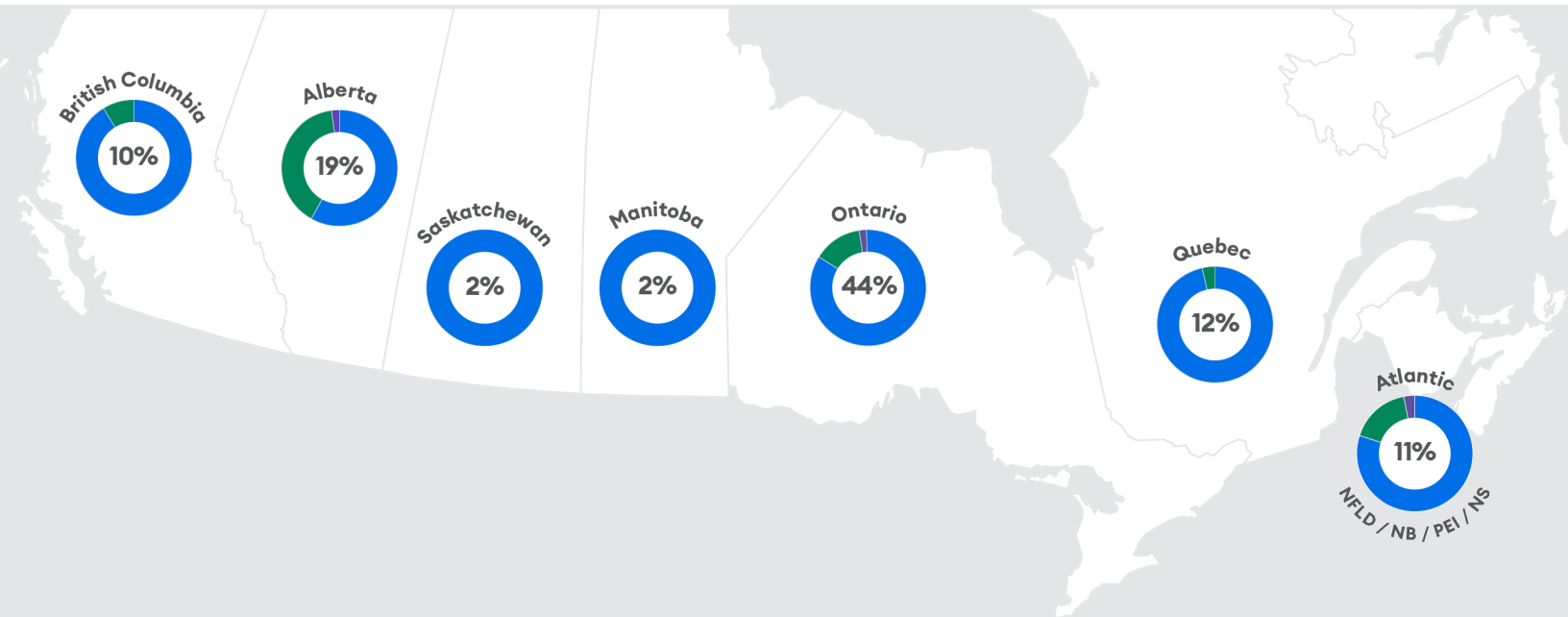
\$0.9 billion
of Income Producing
Properties



(i) 2.3 million sq. ft. of GLA includes 0.5 million sq. ft. associated with Choice's 646 residential units

Ownership by Asset Class

Net operating income, cash basis⁽¹⁾⁽ⁱ⁾, shown in percentage below



● Retail ● Industrial ● Mixed-Use, Residential & Other

British Columbia		Alberta		Saskatchewan		Manitoba		Ontario		Quebec		Atlantic	
Total	44	Total	126	Total	16	Total	14	Total	293	Total	108	Total	101
Retail	40	Retail	76	Retail	16	Retail	14	Retail	242	Retail	104	Retail	82
Industrial	4	Industrial	46	Industrial	0	Industrial	0	Industrial	44	Industrial	4	Industrial	18
Mixed-Use, Residential & Other	0	Mixed-Use, Residential & Other	4	Mixed-Use, Residential & Other	0	Mixed-Use, Residential & Other	0	Mixed-Use, Residential & Other	7	Mixed-Use, Residential & Other	0	Mixed-Use, Residential & Other	1

 **574**
Retail

 **116**
Industrial

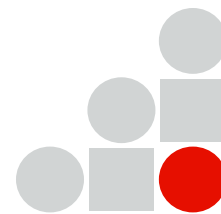
 **12**
Mixed-Use, Residential & Other

(i) For the three months ended December 31, 2022



2994 Peddie Road
Milton, ON

Operational Excellence



At Choice Properties, we strive to understand the needs and values of our tenants to provide best in class service. We manage our properties to the highest standard, creating spaces that promote the success and well-being of our tenants and the communities in which we operate. To sustain operational excellence we prioritize building efficiency and climate resilience. We partner with our tenants, contractors and suppliers to proactively monitor and manage resource consumption through our environmental programs, focused on reducing emissions and waste.






Delivering operational excellence, coupled with proactive leasing, results in high occupancy rates, income stability and long-term net asset value appreciation.

Recognized Management Excellence

We prioritize the health and safety of our colleagues, tenants, visitors and other stakeholders by utilizing evidence-based best practices recognized by the Fitwel Viral Response Module. Moreover, we use Green Building standards such as LEED and BOMA BEST to showcase exemplary operational practices.



Pioneer Park
Kitchener, ON

		Occupancy	Sq. Ft. GLA	Value ⁽¹⁾
	Retail	97.8%	44.2M	\$10.7B
	Industrial	98.9%	17.4M	3.5B
	Mixed-Use, Residential & Other ⁽ⁱ⁾	87.7%	2.3M	0.9B
	Properties Under Development	--	--	1.1B
	Total	97.8%	63.9M	\$16.2B

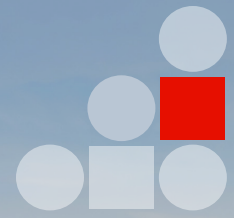
(i) Office properties are included in the Mixed-Use, Residential & Other for reporting purposes, occupancy disclosed excludes residential units



22

The Weston Centre
Toronto, ON

Transformational Development Program



Rendering of
Choice Industrial Centre
Surrey, BC



Activating Our Potential

Development initiatives are a key component of our business plan, positioning Choice Properties for long-term growth and value creation. Our income producing properties offer significant intensification and redevelopment opportunities in Canada's largest markets, enabling us to add high-quality real estate to our portfolio at a reasonable cost. Our long-term pipeline of potential mixed-use developments enables us to transform and revitalize neighbourhoods into communities that are self-sustaining and inclusive.

Choice Properties has internal development capabilities as well as established relationships with strong real estate developers who share our commitment to building healthy, resilient communities. From project concept through to operations, we consider the environmental and social impact of our developments. By implementing environmental design features and taking a community-based approach to development, we aspire to deliver a product that positively influences the entire area for generations.

Leveraging Green Technology

We strive to reduce our environmental impact by incorporating sustainable technologies into our new developments. Across the country, we are investigating opportunities to integrate energy from renewable sources into our properties – this includes geothermal in the Greater Toronto Area, and solar in numerous provinces including Alberta.



Developing with Purpose

Advancing Accessibility Together

Choice Properties is proud to be one of the founding members of the Accelerating Accessibility Coalition (“AAC”). The AAC will help bring the voices of Canadians living with disabilities to the forefront of shaping our built environment, as its members include accessibility leaders such as AccessNow, Rick Hansen Foundation, StopGap Foundation, among others. We are putting our commitment to accessibility into action through achieving Rick Hansen Foundation Accessibility Certified Gold – Pre-construction Approval at our Mount Pleasant Village.



Mount Pleasant Village
Brampton, ON

Mixed-Use

Transforming Communities

Mixed-use developments are a critical part of Choice Properties’ long-term growth strategy. These projects allow us to transform neighbourhoods into communities that are self-sustaining and inclusive. These developments will deliver attractive residential and commercial spaces in close proximity to public transportation. Our projects are in various phases of planning and rezoning, and we continue to work on finalizing any necessary land assemblies.

Intensification

Delivering Steady Growth

Our intensifications are focused on adding at-grade retail density at our existing retail properties. These projects provide the opportunity to add new tenants and further expand our high-quality tenant mix. Our pipeline of intensification projects provides steady growth to our business.

Greenfield Development

Adapting to Market Trends

Choice Properties’ development activities include greenfield projects that are primarily focused on new generation logistics facilities in key distribution markets across Canada. An advantage of greenfield developments is that they lend themselves to phased construction, creating flexibility to time developments with changing market conditions.

Residential

Diversifying Our Portfolio

Residential development further diversifies our portfolio. These developments are primarily purpose-built rental assets with close proximity to major transit, local amenities, and well-established communities.

On the Move

We are focused on delivering our **active** development projects that will strengthen our portfolio across each asset class.

18
Projects Under Development

\$388M
Total Investment ⁽²⁾

1.9M
Sq. Ft. ⁽ⁱ⁾

348
Residential Units

(i) Including 1.0M sq. ft. associated with ground leases



Choice Eastway Industrial Centre

Automated, multi-temperature industrial facility

Greater Toronto Area, ON



Choice Industrial Centre

New generation logistic facility targeting LEED silver certification

Surrey, BC



Mount Pleasant Village

Residential development designed to deliver geothermal heating and embodied carbon reduction

Brampton, ON

Immense Value Opportunity

Choice Properties continues to grow and create value through its pipeline of **potential** commercial and mixed-use developments.

Mixed-Use & Residential

10.4M

Sq. Ft. Potential Density⁽ⁱ⁾

12,000

Potential Residential Units⁽ⁱ⁾



Golden Mile
Toronto, ON

Zoning Approved
(section 3.6)



25 Photography Drive
Toronto, ON

Industrial

364

Net Developable Acres⁽ⁱ⁾

5.6M

Sq. Ft. Potential Development⁽ⁱ⁾



Choice Caledon Business Park

Caledon, ON

Zoning Approved
(section 3.6)

(i) At the Trust's share

Environmental, Social & Governance Program



“Building a sustainable and equitable future is integral to our ability to create spaces that improve how our tenants live, work, and connect and the enduring value that comes from it.”

Ana Radic
Chief Operating Officer

ChoiceProperties

Environmental, Social and Governance (“ESG”) practices are aligned with our commitment to create enduring value through the ownership, operation and development of high-quality commercial and residential properties.

Recognizing that our responsibility extends beyond the spaces we own, and to a broad set of stakeholders, Choice Properties aspires to develop healthy, resilient communities through its dedication to social, economic and environmental sustainability.

More information about Choice Properties’ ESG practices and programs can be found in our latest Environmental, Social and Governance Report available at www.choicereit.ca/sustainability.

2022 Highlights

Net-Zero

One of the first entities to have its net zero emissions targets validated by the Science Based Targets initiative (SBTi)

Green Buildings

Over 40M sq. ft. certified under LEED or BOMA BEST, including over 160 properties certified in 2022

Climate Action

Published inaugural Pathway to Net Zero report outlining the necessary actions to achieve emissions targets

Culture

Named one of Greater Toronto's Top Employers (2023) in recognition of colleague-focused programs including hybrid work

Choice Cares

Over \$620K and 1,240+ hours of colleague time donated to Canadian charities in support of empowering youth in low-income communities

Diversity

Achieved the Women Lead Here 2022 benchmark in recognition of representation of women on our leadership team

Recognition

Achieved an ISS ESG Prime rating and improved GRESB Rating to 4-star (scored 82 on a 100-point scale)

Suppliers

Released our Supplier Code of Conduct and implemented it on large new contracts

Cybersecurity

Cybersecurity maturity rating exceeds the industry benchmark by over 20%



Focused Pillars

Choice Properties focuses its ESG program around two pillars where we can best create enduring value and which align with our stakeholder interests: **Fighting Climate Change** and **Advancing Social Equity**.

Fighting Climate Change

Our goal of creating enduring value is aligned with the need to promote a more sustainable future to prevent the effects of climate change in our communities and on our business.

We have established ambitious science-based net-zero greenhouse gas emissions targets. In July 2022, we became one of the first entities in Canada to have our net-zero targets validated by the Science Based Targets initiative (SBTi). Our targets cover our entire value chain, including our own operational emissions, and those from our tenants and developments. We are committed to achieving net-zero emissions by 2050, including by reducing absolute scope 1, 2 and 3 emissions by 90% by 2050 from a 2019 base year. This commitment builds on the progress Choice Properties has made over the past few years since issuing our first emissions reduction targets in 2019.

Choice Properties continues to take meaningful steps to minimize our environmental impact by improving the energy and water efficiency of our portfolio, embedding sustainable design features in our new developments, and certifying a substantial portion of our portfolio under green building standards including LEED and BOMA BEST.



Advancing Social Equity

Choice Properties is committed to advancing diversity, equity and inclusion (“DEI”) for all stakeholders. This commitment is demonstrated through programs focused on our colleagues and culture, and programs that enhance the community fabric in which we operate.

We have established a DEI Framework which identifies four focus areas through which the Trust can meaningfully advance DEI through our business. As part of this Framework, we have set and made progress towards ambitious DEI targets that commit to recruiting, advancing and retaining colleagues who self-identify as women and visible minorities within our organization at the Board of Trustees, Executive and Senior Management levels.

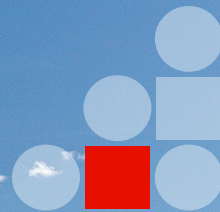
The Trust’s commitment to advancing social equity in our communities can be seen through our Choice Cares program. Since 2019, through Choice Cares, our activities have contributed over \$1.62 million and over 5,040 paid volunteer hours to various Canadian charities selected by our colleagues.

Choice Properties looks forward to expanding our community building program by taking a multi-sector collaborative approach to development. An example of this approach is our Grenville and Grosvenor development in Toronto, Ontario where we are working closely with local government to deliver an affordable housing component.



Prudent Financial Management

Woodside Power Centre
Markham, ON



“In the current economic environment, we have taken proactive steps to ensure we maintain our financial strength. Our industry leading balance sheet and disciplined approach to financial management provides flexibility and stability.”

Mario Barrafato
Chief Financial Officer



Harvest Pointe
Edmonton, AB

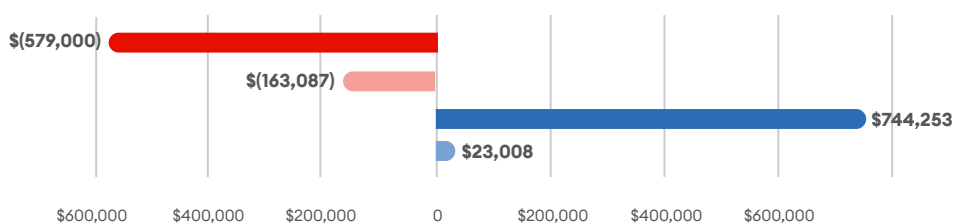
Key Performance Indicators and Financial Information

The analysis of the indicators focuses on trends and significant events affecting the financial condition and results of operations.

● Q4 2022 ● Q4 2021 ● YTD Q4 2022 ● YTD Q4 2021

Net Income

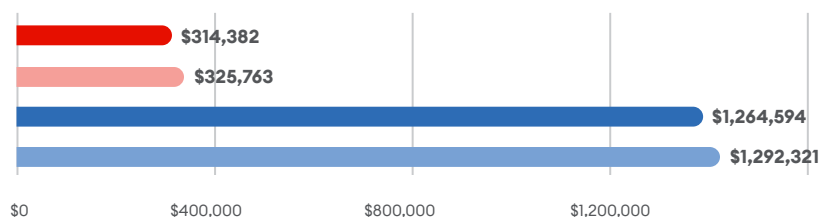
The quarterly decrease compared to the prior year was primarily due to a \$486.8 million unfavourable change in the adjustment to fair value of the Trust's Exchangeable Units, due to the increase in the Trust's unit price, coupled with a \$20.8 million unfavourable adjustment to the fair value of its investment in the real estate securities of Allied Properties Real Estate Investment Trust ("Allied") due to changes in Allied's unit price, held pursuant to the sale of six office assets to Allied in Q1 of 2022 (the "Allied Transaction"). These increases were partially offset by a \$97.1 million favourable adjustment to the fair value of investment properties.



The year-to-date increase compared to the prior year was primarily due to a \$1,033.0 million favourable adjustment to fair value of the Trust's Exchangeable Units, due to the change in the Trust's unit price, coupled with a \$286.9 million increase in income from equity accounted joint ventures primarily due to fair value increases in the industrial development portfolio. The increases were partially offset by a \$345.7 million unfavourable change in the adjustment to fair value of investment properties, and a \$248.3 million unfavourable adjustment to fair value of the investment in the real estate securities of Allied.

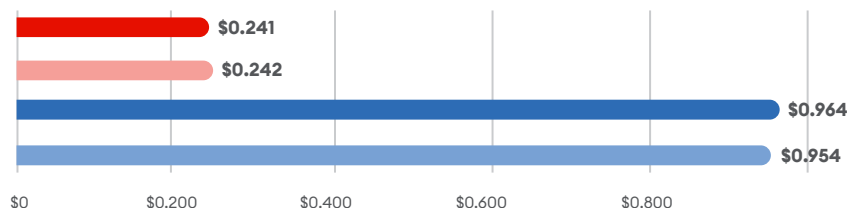
Rental Revenue (GAAP)

The quarterly and annual decrease were primarily due to the forgone revenue following the Allied Transaction. The decrease was partially offset by improved occupancy and higher rental rates in the retail and industrial portfolios, and higher recoveries.



FFO Per Unit Diluted⁽¹⁾

Funds from Operations for the fourth quarter declined slightly as compared to the fourth quarter of 2021. Increases in Same-Asset NOI were largely offset by increases in interest and general and administrative expenses and the impact of the Allied Transaction. The impact of the Allied Transaction includes the loss of NOI, partially offset by the distribution and interest income earned from the consideration received in exchange for properties sold. In addition, a non-recurring gain recognized in the prior year quarter due to the reversal of an expected credit loss related to a specific mortgage receivable contributed to the decline in FFO.



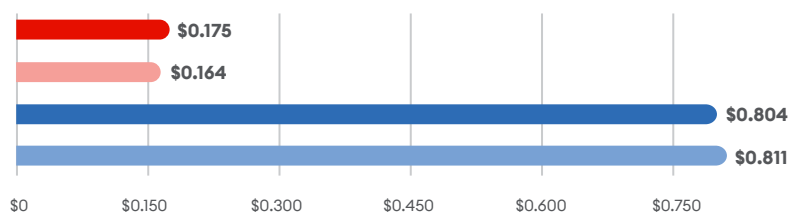
The year-to-date increase in Funds from Operations was primarily due to increases in Same-Asset NOI, partially offset by increases in interest and general and administrative expenses and the impact of the Allied Transaction.

* As at and for the three months and year ended December 31, 2022 and 2021 (\$ thousands except when otherwise indicated)

↘ AFFO Per Unit Diluted⁽¹⁾

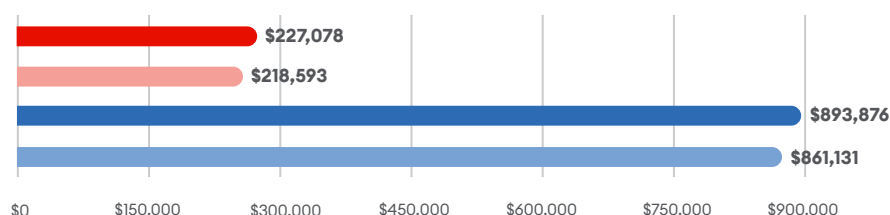
The quarterly increase was primarily due to a higher proportion of the annual spend occurring prior to the fourth quarter in 2022 than in 2021.

The annual decrease was primarily as a result of an increase in capital spending, partially offset by an increase in FFO coupled with a decrease in straight line rental revenue adjustment. The AFFO payout ratio for the year ended December 31, 2022 was 92.0%, consistent with the prior year's payout ratio.



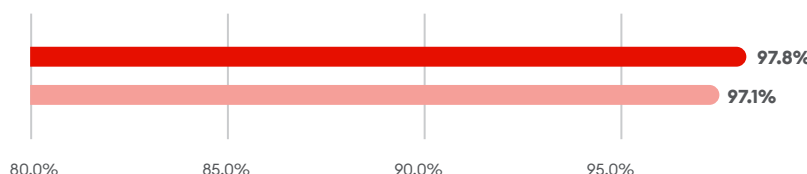
↗ Same-Asset NOI, Cash Basis⁽¹⁾

The increase of 3.9% and 3.8% for the three months and year ended December 31, 2022, respectively, was primarily due to increased revenue from improved occupancy, contractual rent steps, higher recovery revenues, and a decrease in bad debt expense.



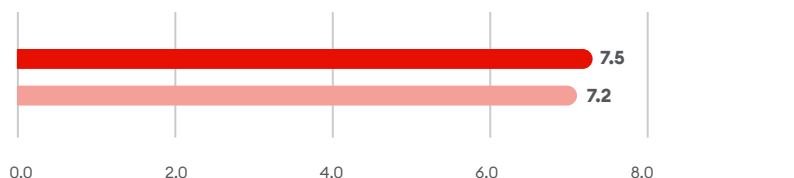
↗ Period End Occupancy

Overall period end occupancy increased compared to the prior year due to positive absorption in the industrial portfolio, development transfers and transactions contributed to the net increase in occupancy.



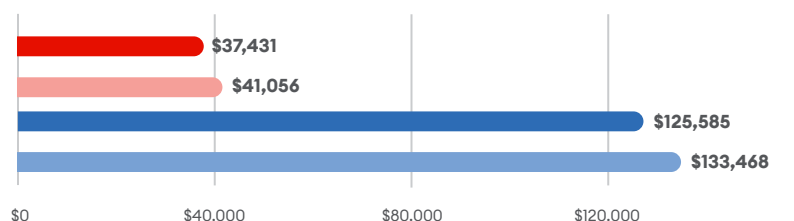
↗ Adjusted Debt to EBITDAFV⁽¹⁾

Adjusted Debt to EBITDAFV⁽¹⁾ increased compared to the prior year primarily due to an increase in debt from advances made on construction loans and the credit facility, which were used to fund development projects and acquisitions, and the impact of the Allied transaction.



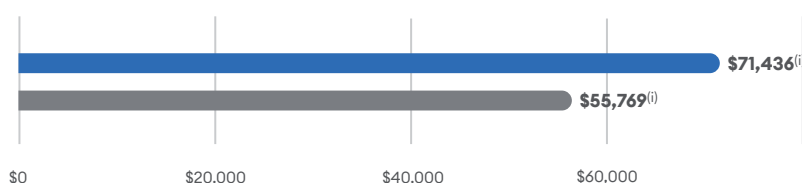
↘ Development Spending (Proportionate)⁽¹⁾

Development activity reflects spending on active projects during the three months and year ended December 31, 2022 and 2021. Development spending may vary depending on the stage of the projects currently in progress.



↗ Transfers From Properties Under Development to Income Producing (Proportionate)⁽¹⁾

During the year ended December 31, 2022, the Trust transferred approximately 68,000 square feet of new retail space and 107,000 square feet of new industrial space from properties under development to income producing.



⁽ⁱ⁾ \$28.7 million of the 2022 transfers relates to an industrial site initially acquired for redevelopment. The property was reclassified to income producing due to a change in intention to lease the property in its entirety without redevelopment by the Trust

Grandview Central
Surrey, BC



Fourth Quarter Financial Performance

During the three months ended December 31, 2022

Operating

- Reported net loss for the quarter of \$579.0 million, compared to net loss of \$163.1 million in the prior year. The decrease is primarily due to a \$486.8 million unfavourable change in the adjustment to the fair value of Exchangeable Units⁽ⁱ⁾ due to the increase in the Trust's unit price as well as an unfavourable adjustment to fair value of the investment in the real estate securities of Allied of \$20.8 million. These decreases were partially offset by a \$97.1 million favourable change in the adjustment to fair value of investment properties.
- Reported FFO per unit diluted⁽ⁱ⁾ for the quarter was \$0.241, as compared to \$0.242 in the prior year.
- AFFO per unit diluted⁽ⁱ⁾ for the quarter was \$0.175, compared to \$0.164 in the prior year. The increase is primarily due to a greater proportion of the annual capital spend occurring prior to the fourth quarter in 2022.
- Same-asset NOI on a cash basis⁽ⁱ⁾ increased by 3.9% over the same quarter in the prior year, mainly due to increased revenue from contractual rent steps and increased recoveries, a decrease in bad debt expense, and higher rental rates and occupancy in the retail and industrial portfolios.
- Period end occupancy improved to 97.8% from 97.7%, with retail at 97.8%, industrial at 98.9% and mixed-use, residential and other at 87.7%.
- Net fair value gain on investment properties was \$207.2 million on a proportionate share basis⁽ⁱ⁾ primarily due to fair value gains from the Trust's industrial portfolio reflecting the continued rent growth from the Trust's industrial assets.

Subsequent Events

- Subsequent to quarter-end, the Trust:
 - Repaid the \$125.0 million Series D-C senior unsecured debentures upon maturity;
 - completed the acquisition of three retail assets from Loblaw for \$98.6 million;
 - announced an increase of distributions to \$0.75 per unit per annum from the previous rate of \$0.74 per unit per annum (an increase of 1.4% or \$0.000833 monthly). The increase will be effective for Unitholders of record on March 31, 2023; and
 - entered into mortgage commitments for approximately \$161.8 million. The debt financings include mortgages secured primarily by newly acquired properties and the upfinancing of an existing mortgage.

(i) Exchangeable Units are required to be classified as financial liabilities at fair value through profit and loss under GAAP. They are recorded at their fair value based on the market trading price of the Trust Units, which results in a negative impact to the financial results when the Trust Unit price rises and a positive impact when the Trust Unit price declines.

Financing

- Advanced one mortgage with a balance of \$4.7 million bearing interest at a rate of 5.49%.
- Ended the quarter with adjusted debt to total assets⁽ⁱ⁾ at 40.6%, and adjusted debt to EBITDAFV⁽ⁱ⁾ and debt service coverage ratios⁽ⁱ⁾ of 7.5 and 3.1 times, respectively.
- Strong liquidity position with approximately \$1.2 billion of available credit and a \$12.3 billion pool of unencumbered properties.

Investing

- Completed the acquisition of two strategic retail assets in Toronto, ON for \$73.1 million on a proportionate basis⁽ⁱ⁾ including the Shoppes on Queen West for consideration of \$53.3 million.
- Completed \$45.3 million in dispositions on a proportionate basis⁽ⁱ⁾, including an office property in Halifax, NS for proceeds of \$40.0 million.
- Ongoing investment in the development program with \$37.4 million of spending during the quarter on a proportionate share basis⁽ⁱ⁾.
- The Trust transferred \$15.7 million of properties under development to income producing status, delivering approximately 44,000 square feet of new GLA on a proportionate share basis⁽ⁱ⁾.

Year Ended Financial Performance

During the year ended December 31, 2022

Operating

- Reported net income for the year of \$744.3 million, compared to net income of \$23.0 million in the prior year. The increase is primarily due to a \$1,033.0 million favourable change in the adjustment to the fair value of the Exchangeable Units⁽ⁱ⁾ attributable to the change in unit price for Choice Properties during the year coupled with a \$286.9 million increase in income from equity accounted joint ventures. The increase was partially offset by \$345.7 million decrease in the adjustment to fair value of investment properties, and an unfavourable adjustment to the fair value of the investment in the real estate securities of Allied of \$248.3 million.
- Reported FFO per unit diluted⁽ⁱ⁾ for the year was \$0.964, an increase of \$0.010 per unit diluted from the prior year.
- AFFO per unit diluted⁽ⁱ⁾ for the year was \$0.804, reflecting a 92.0% payout ratio. The decrease in AFFO was primarily due to an increase in spending on capital projects, partially offset by an increase in FFO and a reduction in straight-line rental revenue adjustment.
- Same-asset NOI on a cash basis⁽ⁱ⁾ increased by 3.8% over the prior year primarily due to increased revenue from contractual rent steps and increased recoveries, higher rental rates and occupancy in the retail and industrial portfolios, and a decrease in bad debt expense.
- Period end occupancy improved to 97.8% from 97.1%, with retail at 97.8%, industrial at 98.9% and mixed-use residential and other at 87.7%.

Financing

- Completed the issuance of \$500 million of Series R senior unsecured debentures at 6.003% for a term of 10 years. The proceeds were used to early redeem the \$300 million Series 10 senior unsecured debentures and to repay a portion of the balance drawn on the credit facility.
- Ended the year with a debt-to-gross book value⁽ⁱ⁾ at 40.6%, adjusted debt to EBITDAFV⁽ⁱ⁾, and interest coverage ratios⁽ⁱ⁾ of 7.5 and 3.4 times, respectively.
- Strong liquidity position with approximately \$1.2 billion of available credit and a \$12.3 billion pool of unencumbered properties.

Investing

- Focused our capital on the opportunities in our core business of essential retail and industrial, our growing residential platform and our robust development pipeline through:
 - The disposition of \$890.3 million of non-core assets, including eight office assets for aggregate proceeds of \$800.8 million on a proportionate share basis⁽ⁱ⁾;
 - The acquisition of \$204.3 million of essential retail, industrial, and residential income producing properties and \$166.8 million of industrial development assets on a proportionate basis⁽ⁱ⁾;
 - Ongoing investment in the development program with \$125.6 million of spending during the year on industrial, residential, and retail intensifications and greenfield development projects on a proportionate share basis⁽ⁱ⁾; and
 - Transferred \$71.4 million of properties under development to income producing status during the year, delivering approximately 176,000 square feet of new GLA on a proportionate share basis⁽ⁱ⁾.

(i) Exchangeable Units are required to be classified as financial liabilities at fair value through profit and loss under GAAP. They are recorded at their fair value based on the market trading price of the Trust Units, which results in a negative impact to the financial results when the Trust Unit price rises and a positive impact when the Trust Unit price declines.



Rendering

25 Photography Drive
Toronto, ON

1. 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 consolidated financial statements of the Trust as at and for the years ended December 31, 2022 and 2021. 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 year ended December 31 (\$ thousands except where otherwise indicated)	2022	2021	2020
Number of income producing properties	702	709	713
GLA (in millions of square feet)	63.9	65.8	66.1
Occupancy*	97.8%	97.1%	97.1%
Total assets (GAAP)	\$ 16,819,527	\$ 16,172,603	\$ 15,647,242
Total liabilities (GAAP)	\$ (12,995,374)	\$ (12,862,412)	\$ (12,124,702)
Rental revenue (GAAP)	\$ 1,264,594	\$ 1,292,321	\$ 1,270,614
Net income	\$ 744,253	\$ 23,008	\$ 450,685
Net income per unit diluted	\$ 1.029	\$ 0.032	\$ 0.637
FFO ⁽¹⁾ per unit diluted*	\$ 0.964	\$ 0.954	\$ 0.921
FFO ⁽¹⁾ payout ratio*	76.7%	77.6%	80.5%
AFFO ⁽¹⁾ per unit diluted*	\$ 0.804	\$ 0.811	\$ 0.800
AFFO ⁽¹⁾ payout ratio*	92.0%	91.2%	92.6%
Distribution declared per Unit	\$ 0.740	\$ 0.740	\$ 0.740
Weighted average number of Units outstanding – diluted ⁽ⁱ⁾	723,523,362	723,127,566	707,764,714
Adjusted debt to total assets ⁽ⁱⁱ⁾	40.6%	40.1%	42.7%
Debt service coverage ⁽ⁱⁱⁱ⁾	3.1x	3.3x	3.2x
Adjusted Debt to EBITDAFV ^{(1)*}	7.5x	7.2x	7.6x
Indebtedness ⁽ⁱⁱⁱ⁾ – weighted average term to maturity*	5.3 years	5.5 years	5.7 years
Indebtedness ⁽ⁱⁱⁱ⁾ – weighted average interest rate*	3.77%	3.59%	3.65%

* Denotes a key performance indicator

(i) Includes Trust Units and Exchangeable Units.

(ii) Debt ratios exclude Exchangeable Units, see Section 4, "Liquidity and Capital Resources". The ratios are non-GAAP financial measures calculated based on the Trust Indentures, as supplemented.

(iii) Indebtedness reflects only senior unsecured debentures, fixed rate mortgages and fixed rate construction loans.

2. BALANCE SHEET

The following table reconciles Choice Properties' balance sheet on a GAAP basis to a proportionate share basis⁽¹⁾ as at the dates indicated:

(\$ thousands)	As at December 31, 2022			As at December 31, 2021		
	GAAP Basis	Reconciliation	Proportionate Share Basis ⁽¹⁾	GAAP Basis	Reconciliation	Proportionate Share Basis ⁽¹⁾
Assets						
Investment properties	\$ 14,444,000	\$ 1,710,000	\$ 16,154,000	\$ 14,930,000	\$ 1,113,000	\$ 16,043,000
Equity accounted joint ventures	995,822	(995,822)	—	564,378	(564,378)	—
Financial real estate assets	109,509	(109,509)	—	86,603	(86,603)	—
Residential development inventory	18,785	—	18,785	10,142	—	10,142
Mortgages, loans and notes receivable	680,475	(96,072)	584,403	354,901	(7,972)	346,929
Investment in real estate securities	302,314	—	302,314	—	—	—
Intangible assets	21,369	—	21,369	28,000	—	28,000
Accounts receivable and other assets	132,117	(2,116)	130,001	114,275	(1,844)	112,431
Assets held for sale	50,400	—	50,400	—	—	—
Cash and cash equivalents	64,736	23,379	88,115	84,304	39,976	124,280
Total Assets	\$ 16,819,527	\$ 529,860	\$ 17,349,387	\$ 16,172,603	\$ 492,179	\$ 16,664,782
Liabilities and Equity						
Long term debt	\$ 6,294,101	\$ 496,493	\$ 6,790,594	\$ 6,230,010	\$ 444,428	\$ 6,674,438
Credit facility	257,617	—	257,617	—	—	—
Exchangeable Units	5,841,809	—	5,841,809	6,011,997	—	6,011,997
Trade payables and other liabilities	601,847	33,367	635,214	620,405	47,751	668,156
Total Liabilities	12,995,374	529,860	13,525,234	12,862,412	492,179	13,354,591
Equity						
Unitholders' equity	3,824,153	—	3,824,153	3,310,191	—	3,310,191
Total Equity	3,824,153	—	3,824,153	3,310,191	—	3,310,191
Total Liabilities and Equity	\$ 16,819,527	\$ 529,860	\$ 17,349,387	\$ 16,172,603	\$ 492,179	\$ 16,664,782

Balance Sheet Analysis (GAAP Basis)

Line Item	\$ Change	Variance Commentary
Investment properties	\$ (486,000)	The decrease compared to December 31, 2021 is primarily attributable to dispositions of \$890.3 million, \$733.8 million of which related to the disposition of six office assets to Allied in the year. In addition, four properties with a fair value of \$50.4 million were transferred to assets held for sale at December 31st. The decrease was partially offset by the favourable fair value adjustment on investment properties of \$113.1 million, acquisitions of \$163.7 million, as well as development and capital spend of \$144.6 million.
Equity accounted joint ventures	431,444	The increase is primarily attributable to fair value gains on properties held within equity accounted joint ventures of \$324.4 million and contributions made to joint ventures of \$126.9 million, mainly used to fund industrial development projects. These increases were partially offset by distributions of \$68.1 million received from joint ventures in the current year.
Financial real estate assets	22,906	The increase was mainly attributable to the acquisition of two assets from Loblaw for \$17.6 million, and additions of \$4.6 million.
Residential development inventory	8,643	The increase was attributable to development expenditures incurred for a residential condominium project in Brampton, ON.
Mortgages, loans and notes receivable	325,574	The increase was primarily due to mortgages and notes receivable advanced, including: (i) The issuance of a promissory note, with a fair value of \$193.2 million, as a part of the disposition of six office assets to Allied; (ii) \$102.0 million advanced to an entity in which the Trust is a partner to acquire land for development; (iii) \$170.8 million of notes receivable advanced to GWL; (iv) various net advances to third-party borrowers and development partners totaling \$40.5 million; (v) \$28.0 million advanced as a part of the disposition of an office asset in Halifax, NS. These advances were partially offset by a \$40.6 million settlement of an outstanding mortgage receivable on the acquisition of a property and repayment of GWL's prior year outstanding notes receivable balance of \$168.3 million.
Investment in Real Estate Securities	302,314	As part of the consideration received for the disposal of six office assets to Allied, the Trust received 11,809,145 exchangeable Class B limited partnership units with a value of \$550.7 million. The Trust recorded a fair value loss of \$248.3 million on these real estate securities in the year due to the decrease in Allied's unit price.
Intangible assets	(6,631)	The decrease was primarily due to the Trust derecognizing a portion of its intangible assets in relation to two of the office properties disposed in the first quarter of 2022.
Working Capital	16,832	The net change was primarily due to an increase in the value of the Trust's hedging instruments of \$9.6 million, and an increase of \$7.1 million in accrued and other receivables.
Long term debt and credit facility	321,708	Net increase was primarily attributable to the issuance of the \$500.0 million Series R senior unsecured debentures, \$260.0 million of net draws made on the credit facility and the \$26.3 million net advances of construction loans. The increase was partially offset by the redemption of the \$300.0 million Series 10 senior unsecured debentures, and \$153.3 million of principal repayments of mortgages at maturity and through regular principal repayments throughout the year. The remaining variance relate to debt placement cost incurred, net of amortization.
Exchangeable Units	(170,188)	As this liability is measured at fair value, the change was due to the decrease in the unit price for Choice Properties since December 31, 2021.
Unitholders' equity	513,962	Net increase was primarily due to year-to-date net income, partially offset by the distributions to Unitholders.

3. INVESTMENT PROPERTIES

To expand the portfolio and participate in development opportunities, Choice Properties owns varying interests in real estate entities that hold investment properties. Under GAAP, many of these interests are recorded as equity accounted joint ventures and, as such, the Trust's share of the investment properties owned by these entities is presented on the balance sheet as a summarized value, not as part of the total investment properties. In addition, the Trust also has financial real estate assets which are not included with investment properties as prepared under GAAP. Refer to Section 15.1, "Investment Properties Reconciliation", for a reconciliation of the continuity of investment properties determined in accordance with GAAP.

The following continuity schedule presents Choice Properties' portfolio inclusive of its financial real estate assets and equity accounted joint ventures prepared on a proportionate share basis⁽¹⁾ for the periods ended, as indicated:

As at or for the period ended December 31, 2022 (\$ thousands)	Three Months			Year Ended		
	Income producing properties	Properties under development	Investment Properties ⁽ⁱ⁾	Income producing properties	Properties under development	Investment Properties ⁽ⁱ⁾
GAAP balance, beginning of period	\$ 13,894,000	\$ 311,000	\$ 14,205,000	\$ 14,707,000	\$ 223,000	\$ 14,930,000
Adjustments to reflect investment properties held in equity accounted joint ventures and as financial real estate assets on a proportionate share basis ⁽ⁱⁱ⁾	968,000	712,000	1,680,000	893,000	220,000	1,113,000
Non-GAAP proportionate share balance ⁽¹⁾ , beginning of period	14,862,000	1,023,000	15,885,000	15,600,000	443,000	16,043,000
Acquisitions of investment properties ⁽ⁱⁱⁱ⁾	74,553	—	74,553	204,336	166,759	371,095
Capital expenditures						
Development capital ⁽ⁱⁱⁱ⁾	—	34,211	34,211	—	119,374	119,374
Building improvements	146	—	146	5,676	—	5,676
Capitalized interest ^(iv)	—	3,220	3,220	—	6,211	6,211
Property capital	35,918	—	35,918	72,477	—	72,477
Direct leasing costs	2,443	—	2,443	9,312	—	9,312
Tenant improvement allowances	5,491	—	5,491	21,045	—	21,045
Amortization of straight-line rent	1,496	—	1,496	4,627	—	4,627
Transfer to assets held for sale	(50,400)	—	(50,400)	(50,400)	—	(50,400)
Transfers from properties under development ^(v)	15,667	(15,667)	—	71,436	(71,436)	—
Transfers to properties under development	—	—	—	(22,945)	22,945	—
Dispositions	(45,325)	—	(45,325)	(876,502)	(13,768)	(890,270)
Adjustment to fair value of investment properties	206,011	1,236	207,247	68,938	372,915	441,853
Non-GAAP proportionate share balance⁽¹⁾, December 31, 2022	\$ 15,108,000	\$ 1,046,000	\$ 16,154,000	\$ 15,108,000	\$ 1,046,000	\$ 16,154,000

(i) Refer to Section 15.1, "Investment Properties Reconciliation" for a reconciliation of the continuity of investment properties determined in accordance with GAAP.

(ii) Includes acquisition costs.

(iii) Development capital included \$922 and \$2,687 of site intensification payments paid to Loblaw for the three months and year ended December 31, 2022, respectively (December 31, 2021 - \$1,047 and \$2,208).

(iv) Interest was capitalized to qualifying development projects based on a weighted average interest rate of 3.74% (December 31, 2021 - 3.64%).

(v) Transfers from properties under development for the three months and year ended December 31, 2022, included fair value adjustments recognized within properties under development of \$1,972 and \$7,072, respectively (December 31, 2021 - \$3,786 and \$6,948).

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 9, "Related Party Transactions"), should Choice Properties pursue activity resulting in the intensification of the excess land. The fair value of this excess land has been recorded in the consolidated financial statements.

As at December 31, 2022, the Trust has classified three retail properties and one office property with a total fair value of \$50,400 as assets held for sale. As at December 31, 2021, there were no investment properties classified as assets held for sale.

3.1 Valuation Method

Investment properties are measured at fair value, primarily determined using the discounted cash flow method. Under this methodology, discount rates are 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 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. Overall capitalization rates are applied when undertaking the Direct Capitalization method of the Income Approach. This methodology applies the overall capitalization rate to the estimated stabilized NOI for one year. Currently, this method is only applied to value residential assets and certain land leases.

The portfolio is internally valued with external appraisals performed each quarter for a portion of the portfolio. The majority of the properties will be subject to an external appraisal at least once over a four-year period. When an external valuation is obtained, the internal valuation team assesses all major inputs used by the independent valuers in preparing their valuation reports and holds discussions with the independent valuers on the reasonableness of their assumptions. Where warranted, adjustments will be made to the internal valuations to reflect the assumptions contained in the external valuations. The Trust will record the internal value in its consolidated financial statements.

Valuations are most sensitive to changes in capitalization rates. The terminal capitalization rates and discount rates are the most relevant to the portfolio, under the application of the discounted cash flow method. The weighted average valuation metrics for the Trust's investment properties (including financial real estate assets and those properties held within equity accounted joint ventures) are listed below by asset class:

As at December 31, 2022	Retail	Industrial	Mixed-Use, Residential & Other	Total Investment Properties
Discount rate	7.42%	5.99%	5.86%	6.99%
Terminal capitalization rate	6.58%	5.24%	5.25%	6.19%
Overall capitalization rate	6.41%	4.94%	5.08%	5.99%

As at December 31, 2021	Retail	Industrial	Mixed-Use, Residential & Other	Total Investment Properties
Discount rate	6.94%	5.98%	5.30%	6.59%
Terminal capitalization rate	6.20%	5.28%	4.61%	5.86%
Overall capitalization rate	6.04%	5.05%	4.68%	5.72%

Valuation Commentary

Throughout the year, the Trust revalued its portfolio primarily based on reaching milestone-based achievements for its development projects, reviewing adjustments to capitalization rates for selected properties, contractual changes in cash flows, changes in market leasing assumptions, pending transactions and macro considerations.

For the year ended December 31, 2022 the Trust recorded a favourable adjustment of \$113.1 million on a GAAP basis and a favourable adjustment of \$441.9 million on a proportionate share basis⁽¹⁾ to the value of investment properties.

Fair value gains for the year ended December 31, 2022 include a gain of \$372.9 million, on a proportionate share basis⁽¹⁾, within the development portfolio. The gain was primarily driven by observed market transactions and the completion of development milestones for industrial projects. In addition, the Trust recognized a fair value gain of \$68.9 million, on a proportionate share basis⁽¹⁾, within income producing properties. Despite capitalization rate expansion in the retail and industrial portfolios, the net fair value gain for the year ended December 31, 2022 was largely attributed to the industrial portfolio and the continued growth of contractual cash flow and market rent assumptions.

For the three months ended December 31, 2022 the Trust recorded a favourable adjustment of \$193.4 million on a GAAP basis and \$207.2 million on a proportionate share basis⁽¹⁾ to the value of investment properties. The gain was primarily due to cash flow growth and changes in rent assumptions within the industrial and retail portfolios. Despite the continued growth of the industrial portfolio, the fair value gain was partially offset by mitigating capitalization rate adjustments.

3.2 Investment Property and Other Transactions

Acquisitions of Investment Properties

The following table summarizes the investment properties acquired in the year ended December 31, 2022:

(\$ thousands except where otherwise indicated)

Location	Date of Acquisition	Segment	Ownership Interest Acquired	GLA (square feet)	Purchase Price incl. Related Costs	Consideration			Cash
						Mortgage Receivable Settlement	Debt Assumed from Seller	Assumed Liabilities	
Investment properties									
Ottawa, ON	Mar 1	Industrial Under Development	100%	N/A	\$ 27,218	\$ —	\$ —	\$ —	\$ 27,218
Montreal, QC ⁽ⁱ⁾	Mar 9	Retail	100%	15,526	2,343	—	—	483	1,860
Halifax, NS ⁽ⁱ⁾	Jun 17	Retail	100%	98,125	15,228	—	—	2,034	13,194
Acquisitions from related parties				113,651	44,789	—	—	2,517	42,272
Burlington, ON	May 2	Retail	100%	131,473	42,059	—	—	588	41,471
Toronto, ON	Jul 6	Retail	100%	N/A	687	—	—	—	687
Toronto, ON	Sep 1	Retail	100%	34,177	19,180	—	—	131	19,049
Toronto, ON	Oct 5	Retail	100%	1,600	1,488	—	—	—	1,488
Toronto, ON	Dec 1	Retail	100%	89,690	53,315	—	—	—	53,315
Vaughan, ON	Dec 5	Retail	100%	22,388	19,750	—	—	—	19,750
Acquisitions from third-parties				279,328	136,479	—	—	719	135,760
Toronto, ON ⁽ⁱⁱ⁾	Jan 14	Mixed-Use, Residential & Other	3%	7,956	18,735	—	3,526	1,015	14,194
Toronto, ON ⁽ⁱⁱ⁾	Jan 14	Mixed-Use, Residential & Other	3%	11,488	17,090	—	5,152	921	11,017
Edmonton, AB	April 7	Industrial	50%	89,978	14,461	2,066	—	—	12,395
Caledon, ON ⁽ⁱⁱⁱ⁾	April 19	Industrial Under Development	85%	N/A	86,741	—	—	—	86,741
East Gwillimbury, ON	May 31	Industrial Under Development	75%	N/A	52,800	38,794	—	8,647	5,359
Acquisitions in equity accounted joint ventures				109,422	189,827	40,860	8,678	10,583	129,706
Total acquisitions of investment properties				502,401	\$ 371,095	\$ 40,860	\$ 8,678	\$ 13,819	\$ 307,738

(i) These properties are classified as financial real estate assets under GAAP.

(ii) Represents the 3% additional ownership interest acquired from a third party, increasing the Trust's ownership interest in these properties to 50%. The purchase price and related consideration also included the nullification of a third party's option to acquire an additional 13.67% of the Trust's ownership in these properties. This acquisition resulted in ownership of an additional 25 residential units.

(iii) Cash consideration includes a mezzanine loan advanced by the Trust to the joint venture for the purpose of acquiring land for development.

On January 31, 2023, the Trust acquired three retail assets from Loblaw for an aggregate purchase price of \$98,630.

Dispositions of Investment Properties

The following table summarizes the investment properties sold in the year ended December 31, 2022:

(\$ thousands except where otherwise indicated)

Location	Date of Disposition	Segment	Ownership Interest Disposed	GLA (square feet)	Sale Price excl. Selling costs	Consideration					Cash
						Debt Assumed by Purchaser	Promissory Note	Real Estate Securities	De-recognition of Intangible Asset	Mortgage Receivable Advanced	
Investment properties											
Edmonton, AB	Jan 31	Industrial	100%	94,681	\$ 9,700	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 9,700
Edmonton, AB	Feb 25	Industrial	100%	266,901	19,750	—	—	—	—	—	19,750
Campbell River, BC	Feb 28	Retail	50%	222,959	25,750	14,805	—	—	—	—	10,945
Portfolio of 6 assets across Canada ⁽ⁱ⁾	Mar 31	Mixed-Use, Residential & Other	50%-100%	1,233,706	733,810	—	193,155	550,660	(5,631)	—	(4,374)
Brampton, ON	Jun 23	Retail Under Development	50%	N/A	10,125	—	—	—	—	—	10,125
Swift Current, SK	Jun 28	Retail	100%	136,084	6,500	—	—	—	—	—	6,500
Dartmouth, NS	Jul 6	Retail (Parcel)	100%	N/A	117	—	—	—	—	—	117
Calgary, AB	Jul 18	Retail	100%	20,728	6,550	—	—	—	—	—	6,550
Edmonton, AB	Jul 28	Retail (Parcel)	50%	6,238	2,000	—	—	—	—	—	2,000
Edmonton, AB	Aug 12	Mixed-Use, Residential & Other Under Development	50%	N/A	3,643	—	—	—	—	—	3,643
Montreal, QC	Sep 13	Mixed-Use, Residential & Other	100%	293,195	27,000	—	—	—	—	—	27,000
Quebec, QC	Oct 5	Retail (Parcel)	50%	24,773	4,325	—	—	—	—	—	4,325
Beaverton, ON	Dec 21	Retail	100%	4,410	1,000	—	—	—	—	—	1,000
Halifax, NS	Dec 28	Mixed-Use, Residential & Other	100%	223,723	40,000	—	—	—	—	28,000	12,000
Total dispositions of investment properties				2,527,398	\$ 890,270	\$ 14,805	\$ 193,155	\$ 550,660	\$ (5,631)	\$ 28,000	\$ 109,281

- (i) The Trust disposed of its interests in a portfolio of six office assets to Allied Properties Real Estate Investment Trust ("Allied"). The consideration received consisted of exchangeable Class B limited partnership units of Allied Properties Exchangeable Limited Partnership, an affiliated entity of Allied (Section 3.10, "Investment in Real Estate Securities") and a promissory note (Section 3.9, "Mortgages, Loans and Notes Receivable"). The Trust incurred transaction costs of \$5.1 million associated with the disposition to Allied.

Acquisitions of Investment Properties

The following table summarizes the investment properties acquired in the year ended December 31, 2021:

(\$ thousands except where otherwise indicated)

Location	Date of Acquisition	Segment	Ownership Interest Acquired	GLA (square feet)	Purchase Price incl. Related Costs	Consideration			Cash
						Contingent Consideration ⁽ⁱ⁾	Assumed Liabilities	Mortgage Receivable Settlement	
Investment properties									
Guelph, ON ⁽ⁱ⁾	Dec 10	Retail	100%	96,983	\$ 15,134	\$ —	\$ 3,182	\$ —	\$ 11,952
Acquisitions from related parties				96,983	15,134	—	3,182	—	11,952
Toronto, ON	Sep 2	Retail	100%	12,099	31,574	—	—	—	31,574
Toronto, ON	Nov 12	Retail	100%	12,330	23,365	—	—	—	23,365
Acquisitions from third-parties				24,429	54,939	—	—	—	54,939
Calgary, AB	Feb 1	Industrial	50% ⁽ⁱⁱⁱ⁾	277,676	25,375	—	—	4,846	20,529
Caledon, ON ⁽ⁱⁱ⁾	Mar 30	Land ^(iv)	85%	N/A	138,000	38,000	—	—	100,000
Caledon, ON	Nov 22	Land ^(iv)	85%	N/A	7,945	—	—	—	7,945
Acquisitions in equity accounted joint ventures				277,676	171,320	38,000	—	4,846	128,474
Total acquisitions of investment properties				399,088	\$ 241,393	\$ 38,000	\$ 3,182	\$ 4,846	\$ 195,365

(i) This property is classified as a financial real estate asset under GAAP.

(ii) The acquisition was funded through a \$100,000 cash payment and a commitment to pay the remaining balance based on certain milestones being met over the development lifecycle.

(iii) Represents additional ownership interest acquired increasing the ownership interest in this property to 100%.

(iv) Land was acquired for future industrial development.

Dispositions of Investment Properties

The following table summarizes the investment properties sold in the year ended December 31, 2021:

(\$ thousands except where otherwise indicated)

Location	Date of Disposition	Segment	Ownership Interest	Sale Price excl. Selling Costs	Consideration	
					Mortgage receivable advanced	Cash
Investment properties						
Brampton, ON ⁽ⁱ⁾	Jan 19	Land	70%	\$ 25,000	\$ —	\$ 25,000
Brampton, ON	Mar 31	Land	50%	5,000	—	5,000
Kanata, ON	Aug 19	Land	50%	4,147	—	4,147
St-Hyacinthe, QC	Oct 4	Land	100%	3,800	—	3,800
Calgary, AB	Nov 1	Retail	100%	36,000	—	36,000
Portfolio of 2 assets across Canada	Dec 6	Retail	100%	52,250	—	52,250
Magog, QC	Dec 15	Retail	100%	22,000	—	22,000
Quebec, QC	Dec 20	Retail	50%	49,625	—	49,625
Portfolio of 5 assets in Calgary, AB	Dec 20	Industrial	100%	45,000	—	45,000
Drummondville, QC	Dec 22	Retail	100%	11,500	—	11,500
Dispositions to third parties				254,322	—	254,322
Richmond Hill, ON	Feb 1	Land	50%	66,375	—	66,375
Oshawa, ON	Dec 15	Retail	50%	3,025	—	3,025
Waterloo, ON	Dec 22	Land	50%	5,250	5,250	—
Dispositions of equity accounted joint ventures				74,650	5,250	69,400
Total dispositions of investment properties				\$ 328,972	\$ 5,250	\$ 323,722

(i) On January 19, 2021, the trust sold its 70% interest which resulted in a disposition of the property under development for \$25,000 and a distribution to the subsidiary's 30% non-controlling interest of \$7,801.

3.3 Completed Developments

For the year ended December 31, 2022, Choice Properties completed a total of \$35.6 million in development projects delivering 175,684 square feet of commercial space (including 9,298 square feet associated with ground leases) with a weighted average project yield of 7.6%.

During the quarter, the Trust delivered six retail developments including two Shoppers Drug Mart stores in Bradford, Ontario and Drummondville, Quebec and two gas bars in Innisfil, Ontario and Edmonton, Alberta. At Olds, Alberta and Oshawa, Ontario, the Trust delivered retail space primarily occupied by quick service restaurants.

The Trust discloses the expected stabilized yield⁽²⁾ for each of its completed projects and projects under active development. Expected stabilized yield is calculated by dividing the expected stabilized net rental income for each development by the estimated total project costs. Stabilized net rental income is based on contracted rental rates on leased units, and market rental rates on non-leased units which are based on the Trust's market knowledge and, where applicable, supported by external market studies. Estimated project costs include land costs, soft and hard construction costs, development and construction management fees, tenant allowances and inducements, capitalized financing costs, and other carrying costs.

During the year ended December 31, 2022, there were no material changes to the previously disclosed ranges for expected stabilized yields for completed developments and there were no events in the period that would cause actual results to materially differ from those previously disclosed, unless otherwise noted.

For the year ended December 31, 2022, Choice Properties transferred the following from properties under development to income producing properties as presented on a proportionate share basis⁽¹⁾:

(\$ thousands except where otherwise indicated)						
Project / Location	Completion date	Ownership %	Transferred GLA (square feet)	Cost of assets transferred	Expected stabilized yield ⁽²⁾	
Commercial						
Retail						
Glen Erin, Mississauga, ON	Q1 2022	50 %	17,120	\$ 6,107	7.5 %	
Erin Ridge, St. Albert, AB ⁽ⁱ⁾	Q1 2022	100 %	5,589	2,674	7.8 %	
Harvest Pointe, Edmonton, AB ⁽ⁱ⁾	Q2 2022	50 %	1,149	548	10.5 %	
Erin Ridge, St. Albert, AB ⁽ⁱ⁾⁽ⁱⁱ⁾	Q3 2022	50 %	1,046	516	12.9 %	
Cornerstone, Olds, AB ⁽ⁱⁱ⁾	Q4 2022	50 %	2,500	58	9.1 %	
Highway 88 West, Bradford, ON	Q4 2022	100 %	12,607	4,856	6.8 %	
Boul. St. Joseph, Drummondville, QC	Q4 2022	100 %	15,586	2,993	7.0 %	
20th Sideroad, Innisfil, ON ⁽ⁱ⁾⁽ⁱⁱ⁾	Q4 2022	100 %	2,745	334	21.9 %	
Sunwapta Centre, Edmonton, AB ⁽ⁱ⁾⁽ⁱⁱ⁾	Q4 2022	50 %	3,007	1,034	11.3 %	⁽ⁱⁱⁱ⁾
Oshawa Gateway, Oshawa, ON	Q4 2022	50 %	7,105	4,310	5.1 %	^(iv)
Subtotal retail development			68,454	23,430	7.9 %	
Industrial						
Horizon Business Park, Edmonton, AB	Q2 2022	50 %	107,230	12,156	7.1 %	
Subtotal industrial development			107,230	12,156	7.1 %	
Total transferred properties at cost			175,684	\$ 35,586	7.6 %	
Total transferred properties at fair value				\$ 42,768		

(i) Phased development project. No material changes from previously disclosed expected stabilized yield range.

(ii) The development is a ground lease. Represents associated GLA, which is excluded from total portfolio square footage for lease reporting purposes.

(iii) Expected stabilized yield for this development has increased due to decrease in costs.

(iv) Expected stabilized yield for this development has decreased due to increase in costs.

In addition to the completed developments above, the Trust reclassified the Sheffield Road asset (Ottawa, Ontario) from properties under development to income producing properties (at a cost of \$28.7 million) in the third quarter. This property was initially acquired for redevelopment, it was reclassified when the Trust subsequently entered a long-term lease for the entirety of the site as is.

3.4 Development Activities

Development initiatives are a key component of Choice Properties' business model, providing the Trust with an opportunity to add high quality real estate at a reasonable cost and drive net asset value appreciation over time. The Trust has a mix of active development projects ranging in size, scale and complexity, including retail intensification projects, industrial development, and rental residential projects located in urban markets with a focus on transit accessibility. Choice Properties continues to drive long-term growth and value creation through the development of commercial and residential projects and has a significant long-term pipeline of potential mixed-use projects. The Trust views its development activities through the stages of the development lifecycle, including the process of potential site identification, planning and rezoning, construction, and finally to development completion.

Choice Properties' development program on a proportionate share basis⁽ⁱ⁾ as at December 31, 2022, is summarized below:

(\$ thousands except where otherwise indicated)				Investment ⁽ⁱⁱⁱ⁾		
Project type	Section	Number of Projects	GLA ⁽ⁱⁱ⁾ (square feet)	To-date	Estimated cost to completion ^(iv)	Estimated total
			Estimated upon completion ⁽²⁾			
Projects under active development						
Retail	3.5	13	239,000	\$ 8,001	\$ 37,753	\$ 45,754
Industrial	3.5	3	1,402,000	90,097	96,472	186,569
Residential	3.5	2	236,000	80,140	75,886	156,026
Subtotal projects under active development		18	1,877,000	178,238	210,111	388,349
Developments in planning						
Retail	3.6	13	213,000	37,114		
Industrial	3.6	2	5,550,000	260,916		
Mixed-Use and Residential	3.6	12	10,430,000	126,213		
Subtotal developments in planning		27	16,193,000	424,243		
Total development - cost		45	18,070,000	\$ 602,481		
Total development - fair value^(v)				\$ 1,046,000		

(i) Choice Properties' share.

(ii) Estimated GLA is based on current development plans and final development square footage may differ. For developments in planning, GLA is an estimate and may differ as the developments complete the rezoning and entitlement process. Includes GLA associated with ground leases, which is excluded from total portfolio square footage for lease reporting purposes.

(iii) Compiled on a non-GAAP proportionate share basis⁽ⁱ⁾. Investment to-date compiled on a cash basis, excluding adjustments to fair value of on-going projects.

(iv) The Trust expects to invest approximately 83% during 2023 and the remainder in 2024.

(v) Total development fair value excludes residential development inventory of \$18,785 as at December 31, 2022 (December 31, 2021 - \$10,142).

3.5 Properties Under Active Development

Projects under active development are sites under construction or sites with appropriate approvals in place which are expected to commence construction in the next six to twelve months. Currently, the Trust has 18 active developments comprised of 13 retail, three industrial and two residential projects. Upon completion, the projects under active development are expected to deliver a total of 1,641,000 square feet of commercial space (including 1,033,000 square feet associated with ground leases) and 348 residential units at the Trust's share. The Trust has invested a total of \$178.2 million to date and is expected to invest an additional \$210.1 million over the next two years to complete these projects⁽²⁾.

Projects Under Active Development – Retail

The Trust invests in retail development projects through intensification of its existing retail assets. The Trust currently has 239,000 square feet at share of active retail development (including 133,000 square feet associated with ground leases), which is expected to be completed in the next one to two years⁽²⁾.

The following table details the Trust's retail projects under active development on a proportionate share basis⁽¹⁾ as of December 31, 2022:

(\$ thousands except where otherwise indicated)			GLA ⁽ⁱ⁾ (square feet)		Investment ⁽ⁱⁱ⁾			Expected stabilized yield ^{(2)(iv)}	
Project / Location	Ownership %	Expected completion date ⁽ⁱⁱⁱ⁾	Estimated upon completion ⁽²⁾	% Leased	To-date	Estimated cost to completion ⁽²⁾	Estimated total		
Retail									
1	Jocelyn Rd., Port Hope, ON	100%	H1 2023	15,000	100 %	\$ 2,903	\$ 2,189	\$ 5,092	6.75%-7.25%
2	Erin Ridge Retail Lands, St. Albert, AB	50%	H1 2023	6,000	100 %	1,562	410	1,972	6.00%-6.50%
3	Harvest Hills Market, Edmonton, AB ^{(v)(vi)}	50%	H1 2023	9,000	100 %	2,893	1,841	4,734	7.00%-7.50% ^(vii)
4	Portland St., Dartmouth, NS	100%	H2 2023	5,000	100 %	307	1,888	2,195	7.00%-7.50%
5	Joseph Howe Dr., Halifax, NS	100%	H2 2023	5,000	100 %	136	1,665	1,801	8.75%-9.25%
6	Oxford St. E., London, ON	100%	H2 2023	15,000	100 %	183	5,507	5,690	6.75%-7.25%
7	Calgary Trail, Edmonton, AB	100%	H2 2023	15,000	100 %	—	4,217	4,217	6.00%-6.50% ^(vii)
8	Countryview Dr., Dartmouth, NS ^(v)	50%	H1 2024	10,000	100 %	17	2,617	2,634	7.75%-8.25%
9	Guelph St., Georgetown, ON	100%	H1 2024	25,000	100 %	—	7,900	7,900	8.00%-8.50% ^(viii)
10	Sunwapta West, Edmonton, AB ^{(v)(vi)}	50%	H1 2024	3,000	100 %	—	500	500	36.00%-36.50%
11	Princess St., Kingston, ON ^(vi)	100%	H2 2024	117,000	100 %	—	2,439	2,439	11.00%-11.50%
12	Carlton Spur, Prince Albert, SK	25%	H2 2024	2,000	100 %	—	740	740	8.25%-8.75%
13	200 Street, Maple Ridge, BC ^(vi)	100%	H1 2026	12,000	100 %	—	5,840	5,840	8.75%-9.25%
Total retail developments				239,000		\$ 8,001	\$ 37,753	\$ 45,754	8.00% - 8.50%

(i) Choice Properties' share.

(ii) Compiled on a non-GAAP proportionate share basis⁽¹⁾. Investment to-date was compiled on a cash basis, excluding adjustments to fair value of on-going projects.

(iii) H1 represents the first six months of the year. H2 represents the last six months of the year.

(iv) Unless otherwise noted, there were no material changes in previously reported expected stabilized yields.

(v) Development project with phased completion. Reported expected stabilized yield may vary as phases are completed or as future phases are added to the development.

(vi) The development includes a ground lease, which is excluded from total portfolio square footage for lease reporting purposes.

(vii) Expected stabilized yield for this development has decreased due to increase in costs.

(viii) Expected stabilized yield for this development has decreased due to lower stabilized NOI.

Projects Under Active Development – Industrial

The Trust invests in industrial development projects through development of greenfield industrial land. The Trust currently has three active development projects, which are expected to deliver 1,402,000 square feet at share (including 900,000 square feet associated with ground leases) of new generation logistics space in the near term⁽²⁾.

The industrial project at Horizon Business Park in Edmonton, Alberta, is nearing completion with occupancy of the last building of the project anticipated in the second half of 2023. Construction also continues at a second active industrial site, Choice Industrial Centre, a modern logistics facility located in a prime industrial node in Surrey, British Columbia, comprising 353,000 square feet, with substantial completion anticipated in the second half of 2023. At the third industrial development, Choice Eastway Industrial Centre, located in East Gwillimbury, Ontario, in which the Trust holds a 75% ownership interest, site preparation is underway on the entire site. The development plan for the property is to build a multi-phase industrial park with the potential for approximately 1,800,000 total square feet of new generation logistics space. For the first phase of the development, Choice Properties has entered into an approximately 100-acre ground lease with Loblaw, which has commenced construction on a 1,200,000 square foot, automated, multi-temperature industrial facility, allowing Loblaw to add capacity and advance its supply chain capabilities.

The following table details the Trust's industrial projects under active development on a proportionate share basis⁽¹⁾ as of December 31, 2022:

Project / Location	Ownership %	Expected completion date ⁽ⁱⁱⁱ⁾	GLA ⁽ⁱ⁾ (square feet)		Investment ⁽ⁱⁱ⁾			Expected stabilized yield ^{(2)(iv)}
			Estimated upon completion ⁽²⁾	% Leased	To-date	Estimated cost to completion ⁽²⁾	Estimated total	
Industrial								
1 Horizon Business Park, Edmonton, AB ^(v)	50%	H2 2023	149,000	100 %	\$ 10,287	\$ 10,672	\$ 20,959	6.00%-6.50% ^(viii)
2 Choice Industrial Centre, Surrey, BC ^(vi)	100%	H2 2023	353,000	— %	33,209	38,701	71,910	7.25%-7.75%
3 Choice Eastway Industrial Centre - Phase 1, East Gwillimbury, ON ^(vi)	75%	H2 2023	900,000	100 %	46,601	47,099	93,700	6.75%-7.25% ^(viii)
Total industrial developments			1,402,000		\$ 90,097	\$ 96,472	\$ 186,569	6.75% - 7.25%

(i) Choice Properties' share.

(ii) Compiled on a non-GAAP proportionate share basis⁽¹⁾. Investment to-date was compiled on a cash basis, excluding adjustments to fair value of on-going projects.

(iii) H2 represents the last six months of the year.

(iv) Unless otherwise noted, there were no material changes in previously reported expected stabilized yields.

(v) Development project with phased completion. Reported expected stabilized yield may vary as phases are completed or as future phases are added to the development.

(vi) Site comprises 17 acres of developable land.

(vii) The development is a ground lease, which is excluded from total portfolio square footage for lease reporting purposes. The first phase of the development is 1.2 million total square feet or 0.9 million square feet at share.

(viii) Expected stabilized yield for this development has increased due to higher stabilized NOI.

Projects Under Active Development - Residential

Choice Properties has two residential projects under active development. At Mount Pleasant Village in Brampton, Ontario, construction is progressing well, with concrete structure completed on both the condominium building and the rental building. At Element in Ottawa, Ontario, both exterior and interior work is progressing well. Both projects are targeted to be completed in the second half of 2023.

The following table details the Trust's residential projects under active development on a proportionate share basis⁽¹⁾ as of December 31, 2022:

(\$ thousands except where otherwise indicated)					GLA ⁽ⁱ⁾ (square feet)	Investment ⁽ⁱⁱ⁾			
Project / Location	Ownership %	Type	Expected completion date ⁽ⁱⁱⁱ⁾	Estimated number of units ⁽ⁱ⁾	Estimated upon completion ⁽²⁾	To-date	Estimated cost to completion ⁽²⁾	Estimated total	Expected stabilized yield ^{(2)(iv)}
1 Mount Pleasant Village, Brampton, ON	50%	Rental	H2 2023	151	101,000	\$ 30,313	\$ 33,141	\$ 63,454	3.75%-4.25% ^(v)
Mount Pleasant Village, Brampton, ON	50%	Inventory	H2 2023	71	49,000	18,785	16,527	35,312	
2 Element, Ottawa, ON	50%	Rental	H2 2023	126	86,000	31,042	26,218	57,260	4.75%-5.25%
Total residential				348	236,000	\$ 80,140	\$ 75,886	\$ 156,026	4.25%-4.75%

(i) Choice Properties' share.

(ii) Compiled on a non-GAAP proportionate share basis⁽¹⁾. Investment to-date was compiled on a cash basis, excluding adjustments to fair value of on-going projects.

(iii) H2 represents the last six months of the year.

(iv) Unless otherwise noted, there were no material changes in previously reported expected stabilized yields.

(v) Expected stabilized yield for this development has decreased due to increase in costs related to higher interest and other costs.

3.6 Development in Planning

Beyond the projects under active development, Choice Properties has a substantial pipeline of larger, more complex mixed-use developments and land held for future commercial development, which collectively are expected to drive meaningful net asset value growth in the future. The Trust continues to advance the rezoning status for several mixed-use and industrial sites currently in different stages of the rezoning and planning process.

As of December 31, 2022, the Trust has identified 27 sites with potential for future development. This includes 13 opportunities totaling 213,000 square feet at existing retail sites, 2 industrial sites totaling 5,550,000 square feet, and 12 residential and mixed-use projects totaling 10,430,000 square feet and 12,014 residential units (at the Trust's share). The development plan for each property is subject to the Trust's completion of its full review of each opportunity. The expected project scope may change over time or the Trust may decide not to proceed with that development upon completion of full due diligence. To date, the Trust has invested a total of \$424.2 million on land acquisition and initial development and planning costs at these sites.

Retail Development in Planning

Retail intensification is focused on adding at-grade retail density within the existing retail portfolio. These projects provide the opportunity to add new tenants, further expand the high-quality tenant mix and provide steady growth to the business.

(\$ thousands except where otherwise indicated)		
	Number of Sites	Investment To-date ⁽ⁱ⁾⁽ⁱⁱ⁾
Retail developments in planning	13	\$ 37,114

(i) Choice Properties' share.

(ii) Compiled on a non-GAAP proportionate share basis⁽¹⁾. Investment to-date was compiled on a cash basis, excluding adjustments to fair value of on-going projects.

The Trust has identified approximately 150 additional retail sites with potential for future development.

Industrial Development in Planning

(\$ thousands except where otherwise indicated)		
	Number of Sites	Investment To-date ⁽ⁱ⁾⁽ⁱⁱ⁾
Industrial developments in planning - zoning approved	2	\$ 260,916

(i) Choice Properties' share.

(ii) Compiled on a non-GAAP proportionate share basis⁽¹⁾. Investment to-date was compiled on a cash basis, excluding adjustments to fair value of on-going projects.

The Trust has obtained zoning approval on two industrial development sites. The following table details the Trust's industrial developments in planning:

Project / Location	Description
Choice Caledon Business Park, Caledon, ON	During the third quarter, the joint venture achieved entitlement to convert the lands from agricultural uses to employment uses through a Ministerial Zoning Order. Site Plan Applications for the first phase are being prepared to facilitate the development of warehouse, distribution, and industrial uses totaling over 6 million square feet (at 100% share). This site has 380 net developable acres and the Trust has invested \$240.2 million to date, including land acquisition.
Choice Eastway Industrial Centre - Phase 2, East Gwillimbury, ON	The second phase of the Trust's project constitutes approximately 54 acres of developable land and is fully zoned. The Trust continues progress on site preparation. The second phase is anticipated to be approximately 0.6 million total square feet (at 100% share). The Trust has invested \$20.7 million to date, including land acquisition.

Residential and Mixed-Use Development in Planning

Mixed-use development represents a key component of Choice Properties' long-term development strategy. The Trust endeavours to create enduring value through high-quality mixed-use assets with a significant rental residential component. Leveraging the Trust's sizable portfolio in key urban markets, Choice Properties believes there are considerable value creation opportunities through rezoning existing grocery anchored assets into mixed-use sites. The development plan for each project is subject to municipal review and approval which may take several years to realize.

Once zoning and entitlement is obtained, the Trust can further create value by pursuing ground up development, repositioning existing retail and maximizing available density for residential and mixed-use development. Choice Properties is working through the zoning and entitlement process for several of its future projects.

The Trust has obtained zoning approval on three residential and mixed-use developments, and has submitted applications for seven residential and mixed-use projects. During the fourth quarter, the Trust submitted its zoning application for Carlaw Avenue, Toronto, Ontario. A total of \$126.2 million has been invested to date on land acquisition and initial development and planning costs.

The following table details the Trust's residential and mixed-use development projects by zoning status:

(\$ thousands except where otherwise indicated)						Estimated GLA ⁽ⁱⁱ⁾ (*000 square feet)			Investment to-date ⁽ⁱⁱⁱ⁾
Project / Location	Type	Ownership %	Acreage ⁽ⁱ⁾	Estimated number of units ⁽ⁱ⁾	Commercial	Residential	Total		
Zoning approved									
1 Grenville & Grosvenor, Toronto, ON	Residential	50 %	0.5	385	17	320	337	\$ 32,742	
2 Sheppard Ave. W., Toronto, ON	Residential	50 %	0.3	100	5	64	69	6,861	
3 Golden Mile, Toronto, ON	Mixed-use	100 %	19.0	3,597	323	2,907	3,230	12,280	
Subtotal zoning approved			19.8	4,082	345	3,291	3,636	51,883	
Zoning applications submitted									
1 Broadview Ave., Toronto, ON	Mixed-use	100 %	3.3	503	23	409	432	3,467	
2 Dundas St. W., Toronto, ON	Mixed-use	100 %	13.0	1,923	178	1,477	1,655	43,158	
3 Parkway Forest Dr., Toronto, ON	Residential	50 %	1.5	170	—	131	131	657	
4 Photography Dr., Toronto, ON	Mixed-use	100 %	7.7	2,356	50	2,010	2,060	3,841	
5 Warden Ave., Toronto, ON	Residential	100 %	6.5	1,500	10	1,072	1,082	11,422	
6 Woodbine Ave., Toronto, ON	Mixed-use	100 %	1.7	400	23	334	357	4,513	
7 Carlaw Ave., Toronto, ON	Mixed-use	100 %	5.6	1,080	84	993	1,077	4,617	
Subtotal zoning applications submitted			39.3	7,932	368	6,426	6,794	71,675	
Zoning applications to be submitted									
1 North Rd., Coquitlam, BC	Mixed-use	100 %	7.8	—	—	—	—	1,082	
2 South Service Rd., Mississauga, ON	Mixed-use	100 %	10.4	—	—	—	—	1,573	
Subtotal zoning applications to be submitted			18.2	—	—	—	—	2,655	
Total residential and mixed-use projects in planning			77.3	12,014	713	9,717	10,430	\$ 126,213	

(i) Choice Properties' share.

(ii) Estimated GLA is based on current development plans and final development square footage may differ. For projects in planning, GLA is an estimate and may differ as the projects complete the rezoning and entitlement process.

(iii) Investment to-date is comprised of incremental land assembly and development planning costs.

Zoning Applications Approved

Obtaining zoning is a significant milestone in the development lifecycle. Zoning approval allows the Trust to unlock significant land value through the realization of residential density potential. Once zoning is approved, the next phase of the development process is obtaining all necessary permits, which allows the project to proceed to active development with construction commencement. The Trust has completed approvals on one mixed-use and two residential developments in Toronto, Ontario. As of December 31, 2022, the Trust has invested a total of \$51.9 million to date on land acquisition and initial development and planning costs.

Project / Location	Description
Grenville & Grosvenor, Toronto, ON	The approximately 1 acre site is located in the area of Yonge Street and College Street in downtown Toronto. The current development plan contemplates two residential towers providing a total 0.7 million square feet of total gross floor area, including 35,000 square feet of commercial GLA and approximately 770 rental residential units (at 100% share). 30% of the residential units will be affordable housing units.
Sheppard Avenue West, Toronto, ON	The 0.6 acre site is located at the northeast corner of Allen Road and Sheppard Avenue West in Toronto. The site is approximately 400 meters from the Sheppard West TTC subway station and in close proximity to Downsview Park and Downsview Airport. The current development plans include a 15 storey residential building comprising 10,000 square feet of commercial GLA and approximately 200 residential units (at 100% share).
Golden Mile, Toronto, ON	The approximately 19 acre site is located along Eglinton Avenue in the Golden Mile district of Toronto. The current redevelopment plans contemplate a large, mixed-use master-plan community to be built in phases with a focus on high density residential and retail uses. The site is directly adjacent to new transit stations along the first phase of the Eglinton Crosstown LRT, which is currently under construction. The current plan includes approximately 3.2 million square feet of total ground floor area, with 0.3 million square feet of commercial GLA and approximately 3,600 residential units. The development will transform the area through the introduction of the Golden Mile Community Innovation District by bringing together expertise from all stakeholders including community organizations, the local councillor, and post-secondary educational institutions. The development will create a community comprising retail, residential, institutional and office uses along with privately owned public spaces including a new park. The Official Plan and Zoning By-law Amendment Applications have been approved by the City of Toronto and the Trust continues to work with the City to fulfill conditions of subdivision and site plan.

Zoning Applications Submitted

Choice Properties has submitted zoning applications for five mixed-use and two residential developments in Toronto, Ontario. As of December 31, 2022, the Trust has invested a total of \$71.7 million to date on land acquisition and initial development and planning costs.

Project / Location	Description
Broadview Avenue, Toronto, ON	The approximately 3 acre site is located at the southwest corner of Danforth Avenue and Broadview Avenue in Toronto's east end and is situated less than 150 metres from the Broadview TTC subway station. The current development proposal includes one residential tower, a new grocery store and a public park. The submitted application proposes 0.4 million square feet of total ground floor area, and approximately 500 residential units. The Trust continues to refine the vision for a mixed-use, transit-oriented development that will transform an underutilized site while highlighting the natural heritage and green connections of the existing community. The Official Plan, Zoning By-law Amendment and Draft Plan of Subdivision Applications have been submitted to the City of Toronto.
Dundas Street West, Toronto, ON	The approximately 13 acre site is located at the southeast corner of Dundas Street West and Bloor Street West in Toronto. The site is at the intersection of several major transit corridors including a TTC subway station, a GO train station and the Union-Pearson Express train. The current redevelopment plans contemplate a large mixed-use community integrated with the surrounding transit services with a focus on high density residential, office, retail and other community uses. The submitted application proposes approximately 1.7 million square feet of total ground floor area, including 0.2 million square feet of commercial GLA, and approximately 1,900 residential units. The development plan contemplates neighbourhood retail and community uses, including a public park. The Official Plan, Rezoning, Plan of Subdivision and Site Plan Applications have been submitted to the City of Toronto.

Project / Location	Description
Parkway Forest Drive, Toronto, ON	The approximately 3 acre site is located at the southeast intersection of Parkway Forest Drive and Sheppard Avenue East in Toronto. The site is located 350 meters from the Don Mills TTC subway station and currently features a 19-storey rental building and ten rental townhouses. The proposed development will replace five of the existing townhouses with a 29-storey residential building comprised of 339 units (at 100% share). This intensification will support future growth in the City of Toronto by providing additional rental housing stock in a transit-connected neighbourhood. The Official Plan Amendment, Zoning By-law Amendment and Draft Plan of Subdivision Applications have been submitted to the City of Toronto.
Photography Drive, Toronto, ON	The approximately 7.7 acre site is located at the southwest corner of Eglinton Avenue West and Black Creek Drive in Toronto. The site is within close proximity to several major transit corridors, including the Kitchener GO Line, UP Express and the future Eglinton Crosstown LRT. The proposed redevelopment is comprised of seven mixed-use buildings including residential and retail uses. The application includes a total gross floor area of approximately 2.1 million square feet and 2,400 residential units. Choice Properties continues to refine the vision for a mixed-use, inclusive community where people can live and access amenities, services, transit, and a brand new grocery store, all within walking distance. The Official Plan and Zoning By-law Amendment Applications have been submitted to the City of Toronto.
Warden Avenue, Toronto, ON	The approximately 6.5 acre site is located south of the intersection of St. Clair Avenue and Warden Avenue in Toronto and 500 meters from the Warden TTC subway station. The current development plan includes over 1,500 residential units, over 1 million square feet of gross floor area and a proposal for a public park. Choice Properties has submitted an Official Plan Amendment and Zoning By-law Amendment to the City of Toronto.
Woodbine Avenue, Toronto, ON	The approximately 1.7 acre site is located at the northeast intersection of Woodbine Avenue and Danforth Avenue in the Danforth neighbourhood of Toronto. The site is directly adjacent to the Woodbine TTC subway station. The current redevelopment plan includes at-grade grocery retail, upgraded TTC access and two mixed-use residential buildings, with a potential density of approximately 400 residential units. The design of this project will incorporate the urban design significance of the Danforth neighbourhood and sustainable architecture. The current plan includes a large privately owned public space located off Woodbine Avenue, which provides a seamless transition from the existing neighbourhood to the new retail offering proposed at grade. A revised rezoning application that is more aligned with the evolving planning policies in the Danforth corridor is currently being prepared for submission to the City of Toronto.
Carlaw Avenue, Toronto, ON	In partnership with the Province of Ontario, Choice Properties has developed a concept for the future transit-oriented community at the northeast corner of Gerrard Street East and Carlaw Avenue. The approximately 5.6 acre commercial centre, currently occupied by several tenants, will become the anchor of the Gerrard TTC subway station on the future Ontario Line. The concept proposes three towers with approximately 1,000 residential units, retail offerings including a new food store, privately owned public space over the transit corridor, a new public street and a public park. Construction for the transit project is anticipated to commence in 2024 until 2030+ at which point, Choice Properties will begin construction on the residential towers. This project will transform the community and provide access to open space, retail and transit, creating the ultimate complete community. The Trust has submitted a Zoning Application by way of the Transit Oriented Communities Program.

3.7 Future Pipeline

Choice Properties' long-term development strategy is to create value through residential and mixed-use development. Beyond the projects that are currently in planning, the Trust has identified more than 70 sites encompassing over 500 acres in its existing portfolio that provide potential for incremental residential and mixed-use density through the intensification of an existing asset. Over 90% of the identified sites are in the greater Toronto, Montreal and Vancouver areas, providing the opportunity to grow the residential platform in Canada's largest cities. Choice Properties is actively reviewing and prioritizing these sites to proceed with the rezoning and entitlement process.

3.8 Mortgages, Loans and Notes Receivable

As a means to generate acquisition opportunities, Choice Properties has established a program with a group of strong real estate developers whereby Choice Properties provides mezzanine and/or co-owner financing. Such financing activities generally provide Choice Properties with an option or other rights to acquire an interest in the developed income producing property. Mortgages and loans receivable represent amounts advanced under mezzanine loans, joint venture financing, vendor take-back financing and other arrangements.

As at December 31, 2022 (\$ thousands)			GAAP Basis	
	GAAP Basis	Proportionate Share Basis ⁽¹⁾⁽⁰⁾	Weighted average term to maturity (years)	Weighted average interest rate (%)
Mortgages receivable	509,626	413,554	1.0	4.80 %
Notes receivable from GWL	170,849	170,849	—	— %
Mortgages, loans and notes receivable	680,475	584,403		

⁽⁰⁾ Adjustment to proportionate share basis⁽¹⁾ eliminates mortgage receivable balances advanced to an equity accounted joint venture at the Trust's share.

As at December 31, 2021 (\$ thousands)			GAAP Basis	
	GAAP Basis	Proportionate Share Basis ⁽¹⁾	Weighted average term to maturity (years)	Weighted average interest rate (%)
Mortgages receivable	186,567	178,595	1.7	7.11 %
Notes receivable from GWL	168,334	168,334	—	— %
Mortgages, loans and notes receivable	354,901	346,929		

Holders of Exchangeable Units may, in lieu of receiving all or a portion of their distributions, choose to be loaned an amount from Choice Properties Limited Partnership, and to have such distributions made on the first business day following the end of the fiscal year in which such distribution would otherwise have been made. The loans do not bear interest and are due and payable in full on the first business day following the end of the fiscal year during which the loan was made. During the twelve months ended December 31, 2022, GWL elected to receive seven months of distributions from Choice Properties Limited Partnership in the form of loans. As such, non-interest bearing short-term notes totalling \$170,849 were issued during the twelve months ended December 31, 2022 to GWL and were repaid in January 2023. Non-interest bearing short-term notes totalling \$168,334 with respect to the loans received in the 2021 fiscal year were settled against distributions payable by the Trust to GWL in January 2022.

On March 31 2022, the Trust advanced a promissory note, with a face value of \$200,000 (fair value of \$193,155) as a part of the disposition of its interests in a portfolio of six office assets to Allied (Sections 3.2 and 3.90). The note bears interest at a rate of 1% for the 2022 calendar year and 2% subsequently until its maturity on December 31, 2023. The promissory note is included in the mortgages receivable as it is secured by the six office assets.

In April 2022, the Trust advanced \$96,552 to an existing development partnership, in which it owns the majority stake. The funds were used to execute a strategic acquisition of a property adjacent to Choice Caledon Business Park, located in Caledon, Ontario.

In May 2022, the Trust exercised an equity conversion right on an existing mezzanine loan. The mezzanine loan was partially converted into 75% ownership interest in 154 acres of industrial development, Choice Eastway Industrial Centre, located in East Gwillimbury, Ontario.

In June 2022, the Trust advanced a \$3,364 mezzanine loan to a strategic partner. The loan is secured by two properties in Toronto, Ontario.

In September 2022, the Trust advanced a \$9,850 mezzanine loan to a development partner. The loan is secured by a property in East Gwillimbury, Ontario.

In December 2022, the Trust advanced a \$28,000 mezzanine loan as a part of the disposition of an office asset in Halifax, Nova Scotia. The loan is secured by the disposed office property.

The Trust has issued approximately \$506,905 of secured mortgages to third-party borrowers. These loans are with borrowers who are strategic partners and counterparties of the Trust and are secured by real property assets.

3.9 Investment in Real Estate Securities

On March 31, 2022, the Trust disposed of six office assets to Allied (Section 3.2, “Investment Property Transactions”). As consideration, the Trust was issued 11,809,145 exchangeable Class B limited partnership units of Allied Properties Exchangeable Limited Partnership (“Class B Units”), an affiliated entity of Allied, with a value of \$550,660 (\$46.63 per unit) on the transaction date, and a promissory note with a fair value of \$193,155 (Section 3.9, “Mortgages, Loans and Notes Receivable”). Following the transaction, the Trust holds approximately an 8.5% effective interest in Allied through its ownership of the Class B Units. The Trust does not have significant influence over Allied.

Allied is a leading operator of distinctive urban workspace in Canada’s major cities and network-dense urban data centre space in Toronto. As at December 31, 2022⁽ⁱ⁾, Allied’s income producing portfolio consisted of 199 properties across Canada totalling 14.3 million square feet in gross leasable area and was valued at \$8.2 billion. Allied reported net asset value of \$7.1 billion or \$50.96 per unit diluted at December 31, 2022⁽ⁱ⁾.

The Class B Units are exchangeable into, and are economically equivalent to, the publicly traded units of Allied (“Allied Units”), and were accompanied by a corresponding number of special voting units of Allied. There are no restrictions on the exchange of Class B Units into Allied Units, but the Allied Units (if exchanged) are subject to a lock-up from the closing of the Transaction, such that 25% of the Class B Units or Allied Units, as applicable, will be released from lock up every three months following the first anniversary of closing of the Transaction. As a holder of the Class B Units, the Trust is entitled to distributions paid by Allied. For the three months and year ended December 31, 2022, the Trust recognized distribution income of \$5,165 and \$15,495 (December 31, 2021 - \$nil and \$nil) from its investment in Allied. The distributions are recorded as investment income.

The Class B Units are recorded at their fair value based on market trading prices of Allied’s publicly traded units. The closing price for Allied’s publicly traded units on the last trading day of the year ended December 31, 2022 was \$25.60. For the three months and year ended December 31, 2022, the Trust recognized a loss of \$20,784 and \$248,346, respectively, (December 31, 2021 - \$nil and \$nil) on its investment in Allied, due to the change in the price of Allied’s publicly traded units. As at December 31, 2022 the Trust held 11,809,145 Class B Units with a value of \$302,314 (December 31, 2021 - nil and \$nil).

(\$ thousands)	Year Ended December 31, 2022	Year Ended December 31, 2021
Balance, beginning of year	\$ —	\$ —
Acquired	550,660	—
Adjustment to fair value of investment in real estate securities	(248,346)	—
Balance, end of year	\$ 302,314	\$ —

(i) Values are from Allied’s Annual Report, December 31, 2022. Please refer to Allied’s Annual Report for further details.

4. LIQUIDITY AND CAPITAL RESOURCES

4.1 Major Cash Flow Components

For the periods ended December 31 (\$ thousands)	Three Months			Year Ended		
	2022	2021	Change \$	2022	2021	Change \$
Cash and cash equivalents, beginning of period - GAAP basis	\$ 36,430	\$ 29,074	\$ 7,356	\$ 84,304	\$ 207,219	\$(122,915)
Cash flows from operating activities	198,105	244,202	(46,097)	633,154	669,428	(36,274)
Cash flows from (used in) investing activities	(179,740)	146,178	(325,918)	(616,730)	(64,122)	(552,608)
Cash flows from (used in) financing activities	9,941	(335,150)	345,091	(35,992)	(728,221)	692,229
Cash and cash equivalents, end of period - GAAP basis	\$ 64,736	\$ 84,304	\$ (19,568)	\$ 64,736	\$ 84,304	\$ (19,568)

Cash Flows from Operating Activities

Three Months and Year Ended

The decrease in cash flows from operating activities for both the three months and year ended is mainly due to an unfavourable change in net working capital of \$30.6 million and \$30.7 million respectively as well as increase in interest paid for the three months ended of \$14.0 million, particularly on interest on senior unsecured debentures, mortgages and construction loans, and credit facilities.

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

Cash Flows from (used in) Investing Activities

Three Months

The increase in cash used in investing activities was primarily due to an increase in acquisitions and capital spending of \$41.2 million, an increase in net advances of mortgages, loans, and notes receivable of \$58.3 million, an increase in net contributions to equity accounted joint ventures of \$23.6 million, and a decrease in proceeds received on the disposition of investment properties of \$202.8 million.

Year Ended

The increase in cash flows used in investing activities was primarily due to an increase in acquisitions and capital spending of \$156.8 million, an increase in net advances for mortgages, loans, and notes receivable of \$220.0 million, a net increase in net contributions to equity accounted joint ventures of \$30.8 million, and a decrease in proceeds received on the disposition of investment properties of \$145.0 million.

Cash Flows from (used in) Financing Activities

Three Months

The increase in cash from financing activities was primarily due to an increase in net advances of credit facilities of \$255.0 million, an increase in net advances of mortgages payable of \$60.8 million, and a reduction of distributions paid on Exchangeable Units of \$75.7 million due to a change in the amount of notes receivable advanced in lieu of Exchangeable Units distributions as compared to the prior year quarter (see Section 3.9). This was partially offset by the impact of prior year debenture activity, which includes the issuance of the Green Bond for approximately \$348.3 million, and the redemption of the \$300 million Series I debentures.

Year Ended

The decrease in cash used in financing activities was primarily due to the net issuance of debentures of \$197.2 million in the current year compared to the net repayment of debentures of \$151.7 million in the prior year period, an increase in net advances on the credit facility of \$261.2 million, an increase in net advances of construction loans of \$38.6 million, and a decrease in the distributions paid on Exchangeable units of \$98.7 million due to a change in the amount of notes receivable advanced in lieu of Exchangeable Unit distributions as compared to the prior year (see Section 3.9). The decrease was partially offset by an increase of \$53.5 million of mortgages repaid compared to the prior year period.

4.2 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 committed credit facility; (iv) the issuance of unsecured debentures and equity (including Exchangeable Units), subject to market conditions; and (v) secured mortgages. Given reasonable access to capital markets, Choice Properties does not foresee any impediments in obtaining financing to satisfy its short-term and long-term financial obligations, including its capital investment commitments⁽²⁾.

(\$ thousands)	As at December 31, 2022	As at December 31, 2021	Change \$
Cash and cash equivalents - proportionate share basis ⁽¹⁾	\$ 88,115	\$ 124,280	\$ (36,165)
Unused portion of the credit facility	1,240,000	1,500,000	(260,000)
Liquidity	\$ 1,328,115	\$ 1,624,280	\$ (296,165)
Unencumbered assets - proportionate share basis⁽¹⁾	\$ 12,330,000	\$ 12,800,000	\$ (470,000)

4.3 Components of Total Adjusted Debt

Choice Properties' debt structure was as follows:

As at December 31, 2022 (\$ thousands)	GAAP Basis	Proportionate Share Basis ⁽¹⁾	Weighted average term to maturity (years)	Weighted average interest rate (%)
Construction loans	\$ 15,847	\$ 241,546	0.6	5.91%
Mortgages payable	48,336	48,336	1.3	6.48%
Less: Debt placement costs, discounts and premiums	(532)	(532)		
Credit facility	260,000	260,000	4.7	5.95%
Less: Debt placement costs	(2,383)	(2,383)		
Variable rate debt	321,268	546,967	2.6	5.98%
Construction loans	23,367	23,367	8.3	2.08%
Senior unsecured debentures	5,325,000	5,325,000	5.2	3.79%
Mortgages payable	900,583	1,173,592	5.8	3.71%
Less: Debt placement costs, discounts and premiums	(18,500)	(20,715)		
Fixed rate debt	6,230,450	6,501,244	5.3	3.77%
Total adjusted debt, net	\$ 6,551,718	\$ 7,048,211		

As at December 31, 2021 (\$ thousands)	Proportionate Share Basis ⁽¹⁾			
	GAAP Basis	Proportionate Share Basis ⁽¹⁾	Weighted average term to maturity (years)	Weighted average interest rate (%)
Construction loans	\$ 12,906	\$ 180,709	1.0	2.06%
Credit facility	—	—	—	—%
Less: Debt placement costs ⁽ⁱ⁾	—	—		
Variable rate debt	12,906	180,709	1.0	2.06%
Senior unsecured debentures	5,125,000	5,125,000	5.4	3.56%
Mortgages payable	1,112,310	1,391,398	5.9	3.69%
Less: Debt placement costs, discounts and premiums	(20,206)	(22,669)		
Fixed rate debt	6,217,104	6,493,729	5.5	3.59%
Total adjusted debt, net	\$ 6,230,010	\$ 6,674,438		

⁽ⁱ⁾ Unamortized debt placement costs for the credit facility as at December 31, 2021 of \$3,555 were included in other assets.

Construction Loans

For the purpose of financing the development of certain retail, industrial and residential properties, various investments in equity accounted joint ventures and co-ownerships have variable and fixed rate non-revolving construction facilities in which certain subsidiaries of the Trust guarantee its own share. These construction loans, which mature throughout 2023 and 2031, have a maximum amount available to be drawn at the Trust's ownership interest of \$436,741 of which \$345,951 relates to equity accounted joint ventures as at December 31, 2022 (December 31, 2021 - \$293,151 and \$227,462, respectively).

As at December 31, 2022, \$264,913, of which \$225,699 relates to equity accounted joint ventures, was drawn and the construction loans had a weighted average effective interest rate of 5.57% (December 31, 2021 - 2.06%) and a weighted average term to maturity of 1.3 years (December 31, 2021 - 1.0 years).

Credit Facility

Choice Properties has a \$1,500,000 senior unsecured committed revolving credit facility maturing September 1, 2027, provided by a syndicate of lenders. The credit facility bears interest at variable rates of either Prime plus 0.20% or Bankers' Acceptance rate plus 1.20%. The pricing is contingent on the credit ratings for Choice Properties from either DBRS and S&P remaining at BBB (high). The credit facility is subject to an annual commitment fee of approximately \$3,600, however the fee is reduced in proportion to the amount drawn on the facility. As at December 31, 2022, \$260,000 was drawn under the syndicated facility (December 31, 2021 - \$nil).

The credit facility contains certain financial covenants. As at December 31, 2022, the Trust was in compliance with all its financial covenants for the credit facility.

During the year ended December 31, 2022, the Trust extended the maturity date for the credit facility from June 24, 2026 to September 1, 2027 with all other terms and conditions remaining substantially the same.

Senior Unsecured Debentures

On June 24, 2022, the Trust completed an issuance, on a private placement basis, of \$500 million aggregate principal amount of Series R senior unsecured debentures bearing interest at a rate of 6.003% per annum and maturing on June 24, 2032. The Trust repaid (i) for the early redemption of Choice Properties Limited Partnership's \$300 million principal amount of 3.60% series 10 senior unsecured debentures on June 26, 2022, (ii) a portion of the balance drawn on the Trust's credit facility, and (iii) for general business purposes.

Summary of Total Adjusted Debt Activities

The following outlines the net changes to the components of Choice Properties' variable rate debt on a GAAP basis and non-GAAP proportionate share basis⁽¹⁾ during the year ended December 31, 2022:

For the year ended December 31 (\$ thousands)	GAAP Basis			Adjustment to Proportionate Share Basis ⁽¹⁾	Proportionate Share Basis ⁽¹⁾
	Credit facility	Construction loans	Mortgages payable	Construction loans ⁽²⁾	Total Adjusted debt, variable rate
Principal balance outstanding, beginning of period	\$ —	\$ 4,686	\$ —	\$ 167,803	\$ 172,489
Transfer upon renewal of mortgage under variable rate ⁽²⁾	—	—	96,977	—	96,977
Issuances and advances	260,000	11,208	—	59,323	330,531
Repayments	—	(47)	(48,641)	(1,427)	(50,115)
Principal balance outstanding, end of period	\$ 260,000	\$ 15,847	\$ 48,336	\$ 225,699	\$ 549,882

⁽¹⁾ Adjustment to proportionate share basis⁽¹⁾ reflects construction loans within equity accounted joint ventures.

⁽²⁾ Adjustment to reflect the transfers from fixed rate mortgages into variable upon renewal of terms.

The following outlines the changes to the components of Choice Properties' fixed rate debt on a GAAP basis and non-GAAP proportionate share basis⁽¹⁾ during the year ended December 31, 2022:

For the year ended December 31 (\$ thousands)	GAAP Basis			Adjustment to Proportionate Share Basis ⁽¹⁾	Proportionate Share Basis ⁽¹⁾
	Senior unsecured debentures	Mortgages payable	Construction loans	Mortgages payable ⁽²⁾	Total Adjusted debt, fixed rate
Principal balance outstanding, beginning of period	\$ 5,125,000	\$ 1,112,310	\$ 8,220	\$ 279,088	\$ 6,524,618
Transfer upon renewal of mortgage under variable rate ⁽²⁾	—	(96,977)	—	—	(96,977)
Issuances and advances	500,000	4,738	15,147	70,216	590,101
Repayments	(300,000)	(104,683)	—	(76,295)	(480,978)
Assumed by purchaser	—	(14,805)	—	—	(14,805)
Principal balance outstanding, end of period	\$ 5,325,000	\$ 900,583	\$ 23,367	\$ 273,009	\$ 6,521,959

⁽¹⁾ Adjustment to proportionate share basis⁽¹⁾ reflects mortgages payable within equity accounted joint ventures.

⁽²⁾ Adjustment to reflect the transfers from fixed rate mortgages into variable upon renewal of terms.

Schedules of Repayments and Cash Flow Activities

The schedule of principal repayment of total long term debt, on a GAAP basis and non-GAAP proportionate share basis⁽¹⁾, based on maturity, is as follows:

As at December 31, 2022 (\$ thousands)	GAAP Basis				Adjustment to Proportionate Share Basis ⁽¹⁾		Proportionate Share Basis ⁽¹⁾
	Credit facility	Senior unsecured debentures	Mortgages payable	Construction loans	Mortgages payable ⁽ⁱ⁾	Construction loans ⁽ⁱ⁾	Total
2023	\$ —	\$ 575,000	\$ 78,821	\$ 4,639	\$ 11,296	\$ 179,182	\$ 848,938
2024	—	750,000	205,130	11,208	7,737	46,517	1,020,592
2025	—	550,000	153,595	—	8,013	—	711,608
2026	—	350,000	64,655	—	47,157	—	461,812
2027	260,000	500,000	85,263	—	27,624	—	872,887
Thereafter	—	2,600,000	361,455	23,367	171,182	—	3,156,004
Total adjusted debt outstanding	\$ 260,000	\$ 5,325,000	\$ 948,919	\$ 39,214	\$ 273,009	\$ 225,699	\$ 7,071,841

⁽ⁱ⁾ Adjustment to proportionate share basis⁽¹⁾ reflects mortgages payable and construction loans within equity accounted joint ventures.

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.



- (i) Presented on a proportionate share basis⁽¹⁾.
(ii) The credit facility matures on September 1, 2027.
(iii) Includes cash and cash equivalents.

4.4 Financial Condition

Choice Properties is subject to certain financial and non-financial covenants in its senior unsecured debentures and credit facility that include maintaining certain leverage and debt service ratios. These ratios are monitored by management on an ongoing basis to ensure compliance. Choice Properties was in compliance with all these covenants as at December 31, 2022 and December 31, 2021.

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

		As at December 31, 2022	As at December 31, 2021
Adjusted Debt to Total Assets⁽ⁱ⁾	Limit: Maximum excluding convertible debt is 60.0%	40.6%	40.1%
Debt Service Coverage Ratio⁽ⁱ⁾	Limit: Minimum 1.5x	3.1x	3.3x
Adjusted Debt to EBITDAFV⁽¹⁾⁽ⁱ⁾⁽ⁱⁱ⁾		7.5x	7.2x
Interest Coverage Ratio⁽¹⁾⁽ⁱⁱⁱ⁾		3.4x	3.7x

(i) Debt ratios exclude Exchangeable Units. The ratios are non-GAAP financial measures calculated based on the Trust Indentures, as supplemented.

(ii) Refer to Section 15.8, "Earnings Before Interest, Taxes, Depreciation, Amortization and Fair Value", for a reconciliation of net income to EBITDAFV used in this ratio.

(iii) Refer to Section 15.7, "Net Interest Expense and Other Financing Charges Reconciliation", for a reconciliation of proportionate share basis⁽¹⁾ to GAAP basis for net interest expense and other financing charges used in the ratio.

4.5 Credit Ratings

Choice Properties' debt securities are rated by two independent credit rating agencies: DBRS and S&P. Choice Properties' ratings are linked to those of Loblaw, largely because of Loblaw's significant relationship with the Trust, and the contractual arrangements and the strategic relationship between the Trust and Loblaw.

On June 21, 2022, S&P confirmed the Choice Properties rating at BBB with a stable outlook, while on June 24, 2022, DBRS confirmed the Choice Properties rating at BBB (high) with a stable trend. A credit rating of BBB- or higher is an investment grade rating.

The following table sets out the current credit ratings for Choice Properties as at December 31, 2022:

Credit ratings (Canadian standards)	DBRS		S&P	
	Credit rating	Trend	Credit rating	Outlook
Issuer rating	BBB (high)	Stable	BBB	Stable
Senior unsecured debentures	BBB (high)	Stable	BBB	N/A

4.6 Unit Equity

Unit 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' unit equity:

	Year ended December 31, 2022	Year ended December 31, 2021
Units, beginning of period	327,588,847	326,941,663
Units issued under unit-based compensation arrangements	404,449	837,071
Units repurchased for unit-based compensation arrangements	(222,147)	(189,887)
Units, end of period	327,771,149	327,588,847
Exchangeable Units, beginning of period	395,786,525	395,786,525
Units issued to related party as part of investment properties acquisition	—	—
Exchangeable Units, end of period	395,786,525	395,786,525
Total Units and Exchangeable Units, end of period	723,557,674	723,375,372

Normal Course Issuer Bid ("NCIB")

Choice Properties may from time to time purchase Units in accordance with the rules prescribed under applicable stock exchange or regulatory policies. On November 17, 2022, Choice Properties received approval from the TSX to purchase up to 27,566,522 Units during the twelve-month period from November 21, 2022 to November 22, 2023, by way of a NCIB over the facilities of the TSX or through alternative trading systems. Choice Properties intends to file a Notice of Intention to make a NCIB with the TSX upon the expiry of its current NCIB.

Units Issued under Unit-Based Compensation Arrangements

Units were issued as part of settlements under the Unit Option Plan and grants under the Unit-Settled Restricted Unit Plan, as applicable.

Units Repurchased for Unit-Based Compensation Arrangement

The Trust acquired Units under its NCIB during the year ended December 31, 2022 and the year ended December 31, 2021, which were then granted to certain employees in connection with the Unit-Settled Restricted Unit Plan, and are subject to vesting conditions and disposition restrictions.

Distributions

The distributions declared for the three months and year ended December 31, 2022 and 2021, including distributions to holders of Exchangeable Units, were as follows:

For the periods ended December 31 (\$ thousands)	Three Months			Year Ended		
	2022	2021	Change \$	2022	2021	Change \$
Total distributions declared	\$ 133,858	\$ 133,820	\$ 38	\$ 535,407	\$ 535,104	\$ 303

Choice Properties' Board 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)*. The taxable income allocated to the Trust and Exchangeable Unitholders may vary in certain taxation years. Over time, such differences, in aggregate, are expected to be minimal.

At its most recent meeting on February 15, 2023, the Board reviewed and approved an increase of distributions to \$0.75 per unit per annum from the previous rate of \$0.74 per unit per annum (an increase of 1.4% or \$0.000833 monthly). The increase will be effective for Unitholders of record on March 31, 2023. In determining the amount of distributions to be made to Unitholders, Choice Properties' Board considers 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 regularly review Choice Properties' rate of distributions to assess the stability of cash and non-cash distributions.

Distribution Reinvestment Plan (“DRIP”)

Choice Properties instituted a DRIP that allows eligible Unitholders to elect to automatically reinvest their regular monthly cash distributions in additional Units. On April 25, 2018, the Board suspended the DRIP commencing with the distribution declared in May 2018. The DRIP will remain suspended until further notice.

4.7 Adjusted Cash Flow from Operations (“ACFO”)

Adjusted Cash Flow from Operations⁽¹⁾ excludes most of the short-term fluctuations in non-cash working capital, such as property tax instalments, and the timing of semi-annual debenture instalments, although some fluctuations between quarters for operational cash flows still exist. ACFO⁽¹⁾ also adjusts cash flows from operating activities for the working capital required for operating capital expenditures to maintain productive capacity of the investment properties which adds volatility to the values due to seasonality of capital projects. Management includes this non-GAAP measure in its assessment of cash flow available for distributions. Refer to Section 15.5, “Adjusted Cash Flow from Operations”, for a reconciliation of ACFO⁽¹⁾ to cash flows from operating activities, as determined in accordance with GAAP.

The table below summarizes the ACFO⁽¹⁾ metrics:

For the periods ended December 31 (\$ thousands)	Three Months			Year Ended		
	2022	2021	Change \$	2022	2021	Change \$
Adjusted Cash Flow from Operations ⁽¹⁾	\$ 138,644	\$ 117,323	\$ 21,321	\$ 589,148	\$ 606,292	\$ (17,144)
Cash distributions declared	(133,858)	(133,820)	(38)	(535,407)	(535,104)	(303)
Cash retained after cash distributions	\$ 4,786	\$ (16,497)	\$ 21,283	\$ 53,741	\$ 71,188	\$ (17,447)
ACFO ⁽¹⁾ payout ratio	96.5 %	114.1 %	(17.6)%	90.9 %	88.3 %	2.6 %

Three Months

The three months ACFO increased compared to the prior year primarily due to a favourable change in non-cash working capital, coupled with a reduction in property and leasing capital spend of \$8.3 million on a proportionate share basis.

Year Ended

The year ended ACFO decreased compared to the prior year primarily due to an increase in property and leasing capital expenditures on a proportionate share basis of 18.0 million coupled with an unfavourable change in non-cash working capital.

4.8 Financial Instruments

Designated hedging derivatives consist of interest rate swaps to hedge the interest rate associated with an equivalent amount of variable rate mortgages. During the year ended December 31, 2022, two interest rate swaps were settled upon maturity of the underlying variable rate mortgages. As at December 31, 2022, the interest rates ranged from 2.8% to 4.4% (December 31, 2021 - 2.8% to 4.4%).

The impact of the hedging instruments on the consolidated balance sheets was as follows:

(\$ thousands)	Maturity Date	Notional Amount	As at December 31, 2022	As at December 31, 2021
Derivative assets				
Interest rate swaps	May 2023 - Jun 2030	\$ 157,926	\$ 12,909	\$ 3,266
Derivative liabilities				
Interest rate swaps	—	—	—	1,925

During the year ended December 31, 2022, Choice Properties recorded an unrealized fair value gain in other comprehensive income of \$11,568 (December 31, 2021 - unrealized fair value gain of \$6,343).

4.9 Off-Balance Sheet Arrangements

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, 2022, the aggregate gross potential liability related to these letters of credit totalled \$32,897 (December 31, 2021 - \$32,579).

4.10 Contractual Obligations

The undiscounted future principal and interest payments on Choice Properties' debt instruments and other contractual obligations as at December 31, 2022 were as follows:

(\$ thousands)	2023	2024	2025	2026	2027	Thereafter	Total
Senior unsecured debentures	\$ 771,006	\$ 926,067	\$ 696,011	\$ 481,695	\$ 615,979	\$ 3,003,846	\$ 6,494,604
Mortgage payable ⁽ⁱ⁾	114,839	234,425	175,226	81,731	99,857	413,423	1,119,501
Mortgage payable ⁽ⁱⁱ⁾	20,552	16,682	16,681	55,200	34,369	193,458	336,942
Total Mortgage Payable	135,391	251,107	191,907	136,931	134,226	606,881	1,456,443
Construction loan ⁽ⁱ⁾	4,639	11,208	—	—	—	23,367	39,214
Construction loan ⁽ⁱⁱ⁾	179,182	46,517	—	—	—	—	225,699
Total Construction Loans	183,821	57,725	—	—	—	23,367	264,913
Credit facility ⁽ⁱⁱⁱ⁾	—	—	—	—	260,000	—	260,000
Other ^(iv)	237,003	7,896	12,331	189	151	765	258,335
Total	\$ 1,327,221	\$ 1,242,795	\$ 900,249	\$ 618,815	\$ 1,010,356	\$ 3,634,859	\$ 8,734,295

(i) Compiled on a GAAP basis.

(ii) Mortgages payable and construction loans held within equity accounted joint ventures.

(iii) Excludes interest on the revolving credit facility and construction loans at a floating interest rate.

(iv) As at December 31, 2022, Choice Properties had commitments of \$258,335 for future capital expenditures related to ongoing development and property capital projects, and other contractual obligations such as operating rents, of which \$106,131 relates to equity accounted joint ventures.

5. RESULTS OF OPERATIONS

Choice Properties' results, as reported under GAAP, for the three months and year ended December 31, 2022 and December 31, 2021 are summarized below:

For the periods ended December 31 (\$ thousands)	Three Months				Year Ended			
	2022	2021	Change \$	% Change	2022	2021	Change \$	% Change
Net Operating Income								
Rental revenue	\$ 314,382	\$ 325,763	\$ (11,381)	(3.5)%	\$1,264,594	\$1,292,321	\$ (27,727)	(2.1)%
Property operating costs	(87,180)	(95,691)	8,511	(8.9)%	(363,953)	(380,306)	16,353	(4.3)%
	227,202	230,072	(2,870)	(1.2)%	900,641	912,015	(11,374)	(1.2)%
Other Income and Expenses								
Interest income	12,691	7,312	5,379	73.6 %	27,360	20,079	7,281	36.3 %
Investment income	5,165	—	5,165	— %	15,495	—	15,495	— %
Fee income	1,292	946	346	36.6 %	3,793	3,801	(8)	(0.2)%
Net interest expense and other financing charges	(137,247)	(134,320)	(2,927)	2.2 %	(536,857)	(534,525)	(2,332)	0.4 %
General and administrative expenses	(14,476)	(11,799)	(2,677)	22.7 %	(47,821)	(40,917)	(6,904)	16.9 %
Reversal of expected credit loss on mortgage receivable	—	1,026	(1,026)	(100.0)%	—	1,502	(1,502)	(100.0)%
Share of income from equity accounted joint ventures	15,522	18,338	(2,816)	(15.4)%	353,867	66,952	286,915	428.5 %
Amortization of intangible assets	(250)	(250)	—	— %	(1,000)	(1,000)	—	— %
Transaction costs and other related expenses	(82)	—	(82)	— %	(5,108)	—	(5,108)	— %
Adjustment to fair value of unit-based compensation	(2,665)	666	(3,331)	(500.2)%	(1,191)	(1,580)	389	(24.6)%
Adjustment to fair value of Exchangeable Units	(858,857)	(372,039)	(486,818)	130.9 %	170,188	(862,815)	1,033,003	(119.7)%
Adjustment to fair value of investment properties	193,370	96,275	97,095	100.9 %	113,115	458,817	(345,702)	(75.3)%
Adjustment to fair value of investment in real estate securities	(20,784)	—	(20,784)	— %	(248,346)	—	(248,346)	— %
Income (Loss) before Income Taxes	(579,119)	(163,773)	(415,346)	253.6 %	744,136	22,329	721,807	3232.6 %
Income tax recovery	119	686	(567)	(82.7)%	117	679	(562)	(82.8)%
Net Income (Loss)	\$ (579,000)	\$ (163,087)	\$ (415,913)	255.0 %	\$ 744,253	\$ 23,008	\$ 721,245	3134.8 %

Three Months

The quarterly decrease compared to the prior year was primarily due to a \$486.8 million unfavourable change in the adjustment to the fair value of the Trust's Exchangeable Units due to the increase in the Trust's unit price, coupled with a \$20.8 million unfavourable adjustment to fair value of the Trust's investment in the real estate securities of Allied, as a result of the decrease in Allied's unit price. These decreases were partially offset by a \$97.1 million favourable change in the fair value of investment properties attributed to leasing and cash flow growth in the industrial portfolio.

Year Ended

The year ended increase compared to the prior year was mainly due to a \$1,033.0 million favourable change in the adjustment to the fair value of the Trust's Exchangeable Units due to the decrease in the Trust's unit price, and a \$286.9 million increase in income from equity accounted joint ventures from fair value increases in the development portfolio. These increases were partially offset by a \$345.7 million unfavourable change in the fair value of investment properties, as a result of the expansion of capitalization rates for retail properties, and a \$248.3 million unfavourable adjustment to fair value of the Trust's investment in the real estate securities of Allied.

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.

Rental Revenue and Property Operating Costs

For the periods ended December 31 (\$ thousands)	Three Months			Year Ended		
	2022	2021	Change \$	2022	2021	Change \$
Net Operating Income						
Rental revenue	\$ 314,382	\$ 325,763	\$ (11,381)	\$ 1,264,594	\$ 1,292,321	\$ (27,727)
Property operating costs	(87,180)	(95,691)	8,511	(363,953)	(380,306)	16,353
	\$ 227,202	\$ 230,072	\$ (2,870)	\$ 900,641	\$ 912,015	\$ (11,374)

Three Months and Year Ended

The quarterly and year ended decreases in net rental income were primarily driven by forgone revenues following the disposition of six office assets to Allied in Q1 2022. The decreases were partially offset by increases in recoveries due to the impact of higher capital spend throughout 2022, higher rental rates in the retail and industrial portfolios, and a decline in bad debt expense recorded compared to the prior year.

Rental revenue is comprised primarily of base rent, including straight-line rent, and recoveries from tenants for property taxes, insurance, operating costs and qualifying capital expenditures. Growth in rental revenue is materially impacted by newly acquired or constructed assets.

Property operating costs are comprised primarily of expenses to manage and maintain the properties for the benefit of the tenants, including realty taxes and insurance, that are recoverable under the leases of most tenants. Non-recoverable operating costs do not directly benefit the tenants and include property management fees paid by the Trust for properties managed by its partners.

Interest Income

For the periods ended December 31 (\$ thousands)	Three Months			Year Ended		
	2022	2021	Change \$	2022	2021	Change \$
Interest income on mortgages and loans receivable	\$ 5,273	\$ 3,217	\$ 2,056	\$ 19,120	\$ 11,224	\$ 7,896
Income earned from financial real estate assets	1,556	1,116	440	5,709	4,295	1,414
Income from financial real estate assets due to changes in value	5,288	2,380	2,908	783	2,556	(1,773)
Other interest income	574	599	(25)	1,748	2,004	(256)
Interest Income	\$ 12,691	\$ 7,312	\$ 5,379	\$ 27,360	\$ 20,079	\$ 7,281

Three Months and Year Ended

The quarterly and year ended increases in interest income were primarily due to increases on interest from mortgages and loans receivable from a higher outstanding balance during the period. The quarterly change was further increased by a favourable change in the fair value recognized on financial real estate assets.

Fee Income

Fees charged to third parties include property management fees, leasing fees and project management fees relating to co-owned properties which serves as a cash flow supplement to enhance returns from the co-owned assets. Fee income from third parties is impacted by changes in the portfolio along with the timing of leasing transactions and project activity. Choice Properties provides Wittington with property management services for certain properties with third-party tenancies and development consulting services on a fee for service basis (see Section 9, "Related Party Transactions").

For the periods ended December 31 (\$ thousands)	Three Months			Year Ended		
	2022	2021	Change \$	2022	2021	Change \$
Fees charged to related party	\$ 535	\$ 63	\$ 472	\$ 722	\$ 315	\$ 407
Fees charged to third parties	757	883	(126)	3,071	3,486	(415)
Fee Income	\$ 1,292	\$ 946	\$ 346	\$ 3,793	\$ 3,801	\$ (8)

Three Months

The increase in fee income is primarily attributed to an increase in development consulting fees and property management fees from Wittington.

Year Ended

The decrease in fee income is primarily attributed to a decrease in property management fees related to co-ownerships, partially offset by the increase in related party fee income from Wittington.

Net Interest Expense and Other Financing Charges

For the periods ended December 31 (\$ thousands)	Three Months			Year Ended		
	2022	2021	Change \$	2022	2021	Change \$
Interest on senior unsecured debentures	\$ 50,873	\$ 46,376	\$ 4,497	\$ 192,774	\$ 186,671	\$ 6,103
Fees incurred on early repayment of debentures	—	1,512	(1,512)	—	1,512	(1,512)
Interest on mortgages and construction loans	9,324	11,065	(1,741)	39,128	46,260	(7,132)
Interest on credit facility	3,125	1,235	1,890	8,839	4,275	4,564
Interest on right-of-use lease liability	22	35	(13)	148	147	1
Amortization of debt discounts and premiums	117	242	(125)	933	687	246
Amortization of debt placement costs	1,298	1,301	(3)	5,084	4,731	353
Capitalized interest	(733)	(667)	(66)	(2,933)	(2,642)	(291)
	64,026	61,099	2,927	243,973	241,641	2,332
Distributions on Exchangeable Units to GWL	73,221	73,221	—	292,884	292,884	—
Net interest expense and other financing charges	\$ 137,247	\$ 134,320	\$ 2,927	\$ 536,857	\$ 534,525	\$ 2,332

Three Months

The quarterly increase was primarily due to a \$4.5 million increase in interest on unsecured debentures following the issuances of the Series Q and R unsecured debentures in November 2021 and June 2022, respectively, for proceeds of \$850 million in aggregate. This increase was partially offset by the early repayments of the Series I and 10 unsecured debentures in December 2021 and June 2022, respectively, of \$600 million. Additionally, the interest on the credit facility increased due to rising interest rates and higher balance carried compared to prior year. The increases were partially offset by a decline in interest expense from mortgages and construction loans due to a decline in the outstanding balance as a result of paying down mortgages on maturity.

Year Ended

The year ended increase was attributable to a \$6.1 million increase in interest on unsecured debentures, which is due to the issuances of the Series Q and R unsecured debentures in November 2021 and June 2022, respectively, for proceeds of \$850 million in aggregate. This increase was partially offset by the early repayments of the Series I and 10 unsecured debentures in December 2021 and June 2022, respectively, of \$600 million. Additionally, the interest on the credit facility increased due to rising interest rates and a higher balance carried compared to prior year. The increases were partially offset by a decline in interest on mortgages and construction loans of \$7.1 million, due to a decline in the outstanding balance as a result of paying down mortgages on maturity.

General and Administrative Expenses

For the periods ended December 31 (\$ thousands)	Three Months			Year Ended		
	2022	2021	Change \$	2022	2021	Change \$
Salaries, benefits and employee costs	\$ 15,619	\$ 13,363	\$ 2,256	\$ 57,323	\$ 51,302	\$ 6,021
Investor relations and other public entity costs	830	551	279	2,959	2,616	343
Professional fees	1,001	942	59	3,498	4,079	(581)
Information technology costs	1,968	1,642	326	7,075	6,324	751
Services Agreement expense charged by related party ⁽ⁱ⁾	975	748	227	3,901	3,094	807
Amortization of other assets	286	410	(124)	1,201	1,294	(93)
Office related costs	375	1,853	(1,478)	1,510	2,861	(1,351)
Other	601	(72)	673	2,062	483	1,579
	21,655	19,437	2,218	79,529	72,053	7,476
Less:						
Capitalized to properties under development	(1,829)	(1,776)	(53)	(8,917)	(7,076)	(1,841)
Allocated to recoverable operating expenses	(5,350)	(5,862)	512	(22,791)	(24,060)	1,269
General and administrative expenses	\$ 14,476	\$ 11,799	\$ 2,677	\$ 47,821	\$ 40,917	\$ 6,904

(i) The Services Agreement is described in Section 9, "Related Party Transactions".

Three Months and Year Ended

The quarterly and year ended increases were primarily due to higher salary and employee related costs, an increase in shared services costs, and an increase in other costs. For the year ended, there were also less allocated costs to recoverable operating expenses due to the disposition of six office properties to Allied. The above items were partially offset by decreases in office rental cost and an increase in cost capitalized to properties under development.

6. LEASING ACTIVITY

Choice Properties' leasing activities are focused on driving value by:

- focusing on property operations and striving for superior service to tenants;
- managing properties to maintain high levels of occupancy;
- increasing rental rates when market conditions permit; and
- adding tenants in complementary business sectors to retail sites anchored by Loblaw food and drug stores.

The following table details the changes for in-place occupancy by segment for the three months ended December 31, 2022:

(in thousands of square feet except where otherwise indicated)	September 30, 2022			Expiries	New	Renewals	Subtotal: Portfolio Absorption	Portfolio changes ⁽ⁱ⁾	Acquired / (Disposed) vacancy	Three Months December 31, 2022		
	Leasable	Occupied	Occupied %							Leasable	Occupied	Occupied %
Retail	44,052	43,024	97.7 %	(507)	131	415	39	132	(27)	44,157	43,195	97.8 %
Industrial	17,430	17,253	99.0 %	(757)	99	646	(12)	—	—	17,430	17,241	98.9 %
Mixed-Use, Residential & Other ⁽ⁱⁱ⁾	2,045	1,801	88.1 %	(90)	12	74	(4)	(200)	(24)	1,821	1,597	87.7 %
Total	63,527	62,078	97.7 %	(1,354)	242	1,135	23	(68)	(51)	63,408	62,033	97.8 %

- (i) Represents changes in occupied square footage arising from acquisitions, dispositions, intensifications, expansions, and transfers from properties under development.
(ii) Occupancy disclosed excludes residential units.

The following table details the changes for in-place occupancy by segment for the year ended December 31, 2022:

(in thousands of square feet except where otherwise indicated)	December 31, 2021			Expires	New	Renewals	Subtotal: Portfolio Absorption	Portfolio changes ⁽ⁱ⁾	Acquired / (Disposed) vacancy	Year Ended December 31, 2022		
	Leasable	Occupied	Occupied %							Leasable	Occupied	Occupied %
Retail	44,152	43,035	97.5 %	(1,971)	335	1,652	16	144	(139)	44,157	43,195	97.8 %
Industrial	17,571	17,234	98.1 %	(2,607)	1,197	1,524	114	(107)	(34)	17,430	17,241	98.9 %
Mixed-Use, Residential & Other ⁽ⁱⁱ⁾	3,535	3,119	88.2 %	(235)	69	173	7	(1,529)	(185)	1,821	1,597	87.7 %
Total	65,258	63,388	97.1 %	(4,813)	1,601	3,349	137	(1,492)	(358)	63,408	62,033	97.8 %

- (i) Represents changes in occupied square footage arising from acquisitions, dispositions, intensifications, expansions, and transfers from properties under development.
(ii) Occupancy disclosed excludes residential units.

At December 31, 2022, the Trust had 19 retail sites and 2 industrial sites leased to tenants through ground leases (September 30, 2022 - 18 retail and 2 industrial; December 31, 2021 - 18 retail and 2 industrial). Tenants have constructed buildings on certain sites within the Trust's retail portfolio with gross building area of approximately 635,000 square feet at the Trust's share (September 30, 2022 - 632,000 square feet; December 31, 2021 - 632,000 square feet). No buildings have yet been constructed on the industrial properties. In addition, the Trust has 175 gas bars in its retail segment (September 30, 2022 - 173; December 31, 2021 - 172). The ground leases and gas bars are excluded from the occupancy tables above.

Three Months

Period end occupancy increased to 97.8% as at December 31, 2022 from 97.7% as at September 30, 2022. The Trust had positive absorption of approximately 39,000 square feet in Retail segment primarily due to new leasing in Quebec and Ontario portfolios.

Portfolio changes of approximately 68,000 square feet is primarily related to the disposition of one office asset in Halifax, partially offset by the acquisition of three retail assets in Ontario.

Year Ended

Period end occupancy increased to 97.8% as at December 31, 2022 from 97.1% as at December 31, 2021. The positive absorption is mainly from leasing in the Alberta and Ontario industrial portfolios.

Portfolio changes of 1,492,000 square feet is primarily in relation to the sale of six office properties to Allied Properties REIT in the first quarter.

Choice Properties' principal tenant, Loblaw, represents 57.0% of its total GLA (December 31, 2021 - 56.0%). At December 31, 2022, the weighted average lease term-to-maturity on the Loblaw leases was 6.3 years (December 31, 2021 - 6.5 years).

(in millions of square feet except where otherwise indicated)	As at December 31, 2022			As at December 31, 2021		
	Portfolio GLA	Occupied GLA	Occupancy (%)	Portfolio GLA	Occupied GLA	Occupancy (%)
Loblaw banners	36.1	36.1	100.0%	36.5	36.5	100.0%
Third-party tenants	27.3	25.9	95.0%	28.7	26.9	93.5%
Total commercial GLA	63.4	62.0	97.8%	65.2	63.4	97.1%

The lease maturity profile for Choice Properties' portfolio as at December 31, 2022, was as follows:

(in thousands of square feet except where otherwise indicated)	Third party GLA	Loblaw GLA	Total GLA	Expiring GLA as a % of total GLA	Expiring annualized base rent (\$ 000's)	Average expiring base rent (per square foot)
Month-to-month	234	—	234	0.4 %	\$ 3,960	\$ 16.92
2023	2,234	336	2,570	4.1 %	34,093	13.27
2024	3,099	2,858	5,957	9.4 %	79,453	13.34
2025	3,782	3,218	7,000	11.0 %	90,034	12.86
2026	3,469	2,719	6,188	9.8 %	94,341	15.25
2027	3,253	4,003	7,256	11.4 %	117,386	16.18
2028	2,437	4,787	7,224	11.4 %	116,213	16.09
2029 & Thereafter	7,414	18,190	25,604	40.3 %	412,641	16.12
Occupied GLA	25,922	36,111	62,033	97.8 %	948,121	15.28
Vacant GLA	1,375	—	1,375	2.2 %	—	—
Total	27,297	36,111	63,408	100.0 %	\$ 948,121	\$ 15.28

Retail Tenant Profile

Choice Properties' retail portfolio is the foundation for maintaining reliable cash flow. It is primarily leased to grocery stores, pharmacies, and other necessity-based tenants. Stability is attained through a strategic relationship and long-term leases with Loblaw.

The Trust's ten largest retail tenants for the three months ended December 31, 2022, represented approximately 58.6% of total gross rental revenue and 72.7% of Retail Gross Rental Revenue, as calculated on a proportionate share basis⁽ⁱ⁾. The names noted below may be the names of the parent entities and are not necessarily the parties to the leases.

Retail Tenants	% of Retail Gross Rental Revenue	GLA (000's square feet)
1. Loblaws	63.4 %	30,508
2. Canadian Tire ⁽ⁱ⁾	1.8 %	845
3. TJX Companies	1.6 %	692
4. Dollarama	1.3 %	554
5. Goodlife	0.9 %	362
6. Staples	0.8 %	358
7. Lowe's ⁽ⁱ⁾	0.8 %	353
8. Wal-Mart ⁽ⁱ⁾	0.7 %	478
9. Sobeys	0.7 %	258
10. Liquor Control Board of Ontario (LCBO)	0.7 %	198
Total	72.7 %	34,606

(i) Included in % of Retail Gross Rental Revenues above are base rents in relation to sites the Trust has leased to Canadian Tire, Lowes, and Wal-Mart through ground leases. The gross building area of the tenant's buildings on these sites is excluded from GLA in the table.

The following table outlines further details of the Trust's retail tenant composition at December 31, 2022:

Retail Category ⁽ⁱ⁾⁽ⁱⁱ⁾	% of Retail Gross Rental Revenue	GLA (000's square feet)
Grocery & Pharmacy	67.0 %	32,210
Essential Services	14.2 %	4,180
Specialty & Value	5.7 %	2,347
Fitness & Other Personal Services	4.8 %	1,713
Furniture & Home	3.4 %	1,333
Full-Service Restaurants	3.0 %	721
Other	1.9 %	691
Total	100.0 %	43,195

(i) In the previous reporting period this metric was calculated using net operating income attributable to each tenant category.

(ii) Effective Q4 2022, the Trust made the following changes to its retail tenant categories:

- Wal-Mart, Costco, and Giant Tiger were reclassified from Value Retailers to Grocery & Pharmacy.
- Essential Personal Services is now Essential Services. In addition to the personal services included previously tenants in the following businesses have been reclassified to Essential Services: Pet and pet supply (previously in Specialty Retailers), auto service (previously in Specialty Retailers), limited service restaurants (previously in Restaurants and Cafes), dollar store (previously in Value Retailers), convenience store (previously in Other), and day care. Significant tenants that have changed categories as a result of this change include: Canadian Tire, Pet Valu, Restaurant Brands International, and Starbucks.
- Specialty Retailers and Value Retailers have been combined into one category: Specialty and Value.
- Restaurants and Cafes has been renamed Full-Service Restaurants and as noted above no longer includes limited service restaurants.

The lease maturity profile for Choice Properties' Retail portfolio as at December 31, 2022, was as follows:

(in thousands of square feet except where otherwise indicated)	Third party GLA	Loblaws GLA	Total GLA	Expiring GLA as a % of total GLA	Expiring annualized base rent (\$ 000's)	Average expiring base rent (per square foot)
Month-to-month	220	—	220	0.5 %	\$ 3,863	\$ 17.56
2023 ⁽ⁱ⁾	1,009	185	1,194	2.7 %	22,995	19.26
2024	1,430	2,695	4,125	9.3 %	64,029	15.52
2025	1,496	3,029	4,525	10.2 %	70,207	15.52
2026	2,202	2,719	4,921	11.1 %	81,388	16.54
2027	2,039	4,003	6,042	13.7 %	104,461	17.29
2028	1,177	4,138	5,315	12.0 %	93,122	17.52
2029 & Thereafter	3,113	13,740	16,853	38.3 %	308,933	18.33
Occupied GLA	12,686	30,509	43,195	97.8 %	748,998	17.34
Vacant GLA	962	—	962	2.2 %	—	—
Total	13,648	30,509	44,157	100.0 %	\$ 748,998	\$ 17.34

(i) The 1,194,000 square feet of GLA maturing in 2023 is located in the following markets : 27.2% Greater Montreal Area, 26.1% Greater Toronto Area, and 46.7% other markets.

As at December 31, 2022 the average in place base rent for the Trust's Retail portfolio was \$16.51 per square foot.

Industrial Tenant Profile

Choice Properties' industrial portfolio is centred around large, purpose-built distribution facilities for Loblaw and high-quality "generic" industrial assets that readily accommodate the diverse needs of a broad range of tenants. The term "generic" refers to a product that appeals to a wide range of potential users, so that the leasing or re-leasing timeframe is reduced.

The Trust's ten largest industrial tenants for the three months ended December 31, 2022, represented approximately 8.9% of gross rental revenue and 57.8% of Industrial Gross Rental Revenue, as calculated on a proportionate share basis⁽ⁱ⁾. The names noted below may be the names of the parent entities and are not necessarily the parties to the leases.

Industrial Tenants	% of Industrial Gross Rental Revenue	GLA (000's square feet)
1. Loblaws	27.7 %	4,738
2. Amazon	6.4 %	760
3. Canada Cartage	5.2 %	672
4. Wonder Brands Inc.	4.8 %	1,164
5. Uline Canada Corporation	2.7 %	635
6. Canadian Tire	2.4 %	486
7. Kimberly-Clark	2.4 %	514
8. Alberta Gaming, Liquor & Cannabis	2.3 %	424
9. NFI IPD	2.1 %	231
10. Ecco Heating Products	1.8 %	374
Total	57.8 %	9,998

The following table outlines further details of the Trust's industrial tenant composition at December 31, 2022:

Building Type / Tenant Use	% of Industrial Gross Rental Revenue	GLA (000's square feet)	Occupied GLA (000's square feet)	Occupancy
Distribution	55.0 %	4,745	4,745	100.0 %
Loblaw Distribution	28.3 %	9,758	9,671	99.1 %
Warehouse ⁽ⁱ⁾	16.7 %	2,927	2,825	96.5 %
Total	100.0 %	17,430	17,241	98.9 %

(i) Warehouse includes certain Small Bay assets.

The lease maturity profile for Choice Properties' Industrial portfolio as at December 31, 2022, was as follows:

(in thousands of square feet except where otherwise indicated)	Third party GLA	Loblaws GLA	Total GLA	Expiring GLA as a % of total GLA	Expiring annualized base rent (\$ 000's)	Average expiring base rent (per square foot)
Month-to-month	7	—	7	— %	\$ 20	\$ 2.86
2023 ⁽ⁱ⁾	1,197	151	1,348	7.7 %	10,730	7.96
2024	1,520	163	1,683	9.7 %	12,510	7.43
2025	2,165	189	2,354	13.5 %	17,608	7.48
2026	1,160	—	1,160	6.7 %	10,678	9.21
2027	1,115	—	1,115	6.4 %	10,570	9.48
2028	1,218	621	1,839	10.6 %	21,437	11.66
2029 & Thereafter	4,123	3,612	7,735	44.3 %	81,640	10.55
Occupied GLA ⁽ⁱⁱ⁾	12,505	4,736	17,241	98.9 %	165,193	9.58
Vacant GLA	189	—	189	1.1 %	—	—
Total	12,694	4,736	17,430	100.0 %	\$ 165,193	\$ 9.58

(i) The 1,348,000 square feet of GLA maturing in 2023 is located in the following markets : 30.2% Calgary, 19.4% Edmonton, 11.9% Greater Toronto Area, 10.1% Greater Montreal Area, and 28.4% other markets.

(ii) Average in-place base rent per square foot for the major markets (excluding ground leases): \$11.69 Vancouver, \$9.29 Greater Montreal Area, \$8.37 Edmonton, \$8.11 Greater Toronto Area, \$7.84 Calgary, and \$7.74 Other markets.

As at December 31, 2022 the average in place base rent for the Trust's Industrial portfolio was \$8.43 per square foot.

7. RESULTS OF OPERATIONS - SEGMENT INFORMATION

7.1 Net Income and Segment NOI Reconciliation

Choice Properties operates in three reportable segments: Retail, Industrial and Mixed-use, Residential & Other. Management measures and evaluates the performance of the Trust based on net operating income which is presented by segment below at the proportionate share of the related revenue and expenses for these properties, while other net income items are reviewed on a consolidated GAAP basis.

In the first quarter of 2022, the Trust disposed of a portfolio of six office assets to Allied (Section 3.2), significantly reducing the size of its office portfolio. Concurrent with the disposition, the Trust revised its internal reporting structure, combining its remaining office properties and residential properties into the mixed-use, residential, and other segment.

The following table reconciles net income on a proportionate share basis⁽¹⁾ to net loss as determined in accordance with GAAP for the three months ended December 31, 2022:

(\$ thousands)	Retail	Industrial	Mixed-Use, Residential & Other	Proportionate Share Basis ⁽¹⁾	Consolidation and eliminations ⁽ⁱ⁾	GAAP Basis
Rental revenue, excluding straight line rental revenue and lease surrender revenue	\$ 260,351	\$ 51,629	\$ 21,187	\$ 333,167	\$ (19,634)	\$ 313,533
Property operating costs	(71,621)	(13,226)	(9,501)	(94,348)	7,168	(87,180)
Net Operating Income, Cash Basis⁽¹⁾	188,730	38,403	11,686	238,819	(12,466)	226,353
Straight line rental revenue	(1,534)	2,760	270	1,496	(658)	838
Lease surrender revenue	11	—	—	11	—	11
Net Operating Income, Accounting Basis	187,207	41,163	11,956	240,326	(13,124)	227,202
Other Income and Expenses						
Interest income				5,700	6,991	12,691
Investment income				5,165	—	5,165
Fee income				1,292	—	1,292
Net interest expense and other financing charges				(141,735)	4,488	(137,247)
General and administrative expenses				(14,476)	—	(14,476)
Share of income from equity accounted joint ventures				—	15,522	15,522
Amortization of intangible assets				(250)	—	(250)
Transaction costs and other related expenses				(82)	—	(82)
Adjustment to fair value of unit-based compensation				(2,665)	—	(2,665)
Adjustment to fair value of Exchangeable Units				(858,857)	—	(858,857)
Adjustment to fair value of investment properties				207,247	(13,877)	193,370
Adjustment to fair value of investment in real estate securities				(20,784)	—	(20,784)
Loss before Income Taxes				(579,119)	—	(579,119)
Income tax recovery				119	—	119
Net Loss				\$ (579,000)	\$ —	\$ (579,000)

(i) Reconciling items adjust Choice Properties' proportionate share of joint ventures and financial real estate assets to reflect the equity method of accounting and financial instrument accounting treatment under GAAP.

The following table reconciles net income on a proportionate share basis⁽¹⁾ to net income as determined in accordance with GAAP for the year ended December 31, 2022:

(\$ thousands)	Retail	Industrial	Mixed-Use, Residential & Other	Proportionate Share Basis ⁽¹⁾	Consolidation and eliminations ⁽²⁾	GAAP Basis
Rental revenue, excluding straight line rental revenue and lease surrender revenue	\$ 1,033,758	\$ 201,485	\$ 97,072	\$ 1,332,315	\$ (72,640)	\$ 1,259,675
Property operating costs	(293,770)	(53,947)	(42,663)	(390,380)	26,427	(363,953)
Net Operating Income, Cash Basis⁽¹⁾	739,988	147,538	54,409	941,935	(46,213)	895,722
Straight line rental revenue	(3,042)	7,024	645	4,627	(2,073)	2,554
Lease surrender revenue	2,304	146	125	2,575	(210)	2,365
Net Operating Income, Accounting Basis	739,250	154,708	55,179	949,137	(48,496)	900,641
Other Income and Expenses						
Interest income				19,828	7,532	27,360
Investment income				15,495	—	15,495
Fee income				3,793	—	3,793
Net interest expense and other financing charges				(552,692)	15,835	(536,857)
General and administrative expenses				(47,821)	—	(47,821)
Share of income from equity accounted joint ventures				—	353,867	353,867
Amortization of intangible assets				(1,000)	—	(1,000)
Transaction costs and other related expenses				(5,108)	—	(5,108)
Adjustment to fair value of unit-based compensation				(1,191)	—	(1,191)
Adjustment to fair value of Exchangeable Units				170,188	—	170,188
Adjustment to fair value of investment properties				441,853	(328,738)	113,115
Adjustment to fair value of investment in real estate securities				(248,346)	—	(248,346)
Income before Income Taxes				744,136	—	744,136
Income tax recovery				117	—	117
Net Income				\$ 744,253	\$ —	\$ 744,253

(i) Reconciling items adjust Choice Properties' proportionate share of joint ventures and financial real estate assets to reflect the equity method of accounting and financial instrument accounting treatment under GAAP.

7.2 Net Operating Income Summary⁽¹⁾

NOI⁽¹⁾ is a supplemental measure of operating performance widely used in the real estate industry. There is no industry-defined definition of NOI⁽¹⁾. Refer to Section 15.2, “Net Operating Income”, of this MD&A, for a definition of NOI⁽¹⁾ and a reconciliation to net income (loss) determined in accordance with GAAP.

Management also measures performance of operating segments using NOI⁽¹⁾ as calculated on a proportionate share basis⁽¹⁾ and, in particular, Same-Asset NOI which isolates Management’s success at dealing with certain key performance factors. “Same-Asset” refers to those properties that were owned and operated by Choice Properties for the entire 24 months ended December 31, 2022, and where such properties had no changes to income as a result of acquisitions, dispositions, new developments, redevelopments and expansions, intensifications, transfers, or demolitions (collectively, “Transactions”). NOI related to Transactions for the period are presented separately from the Same-Asset financial results.

Choice Properties’ NOI⁽¹⁾ is calculated on a proportionate share basis⁽¹⁾ to incorporate Choice Properties’ investment in equity accounted joint ventures as if they were owned directly for the three months and year ended December 31, 2022 and December 31, 2021 as summarized below.

Summary - Accounting Basis

For the periods ended December 31 (\$ thousands)	Three Months				Year Ended			
	2022	2021	Change \$	% Change	2022	2021	Change \$	% Change
Rental revenue	\$ 315,048	\$ 306,930	\$ 8,118	2.6 %	\$1,254,107	\$1,217,511	\$36,596	3.0 %
Straight line rental revenue	(433)	238	(671)	(281.9)%	818	6,202	(5,384)	(86.8)%
Property operating costs excluding bad debt expense	(87,603)	(86,990)	(613)	0.7 %	(359,370)	(350,707)	(8,663)	2.5 %
Same-Asset NOI, Accounting Basis, excluding bad debt expense	227,012	220,178	6,834	3.1 %	895,555	873,006	22,549	2.6 %
Bad debt expense	(367)	(1,347)	980	(72.8)%	(861)	(5,673)	4,812	(84.8)%
Same-Asset NOI, Accounting Basis	226,645	218,831	7,814	3.6 %	894,694	867,333	27,361	3.2 %
Transactions NOI including straight line rental revenue, excluding bad debt expense	14,156	20,376	(6,220)		52,505	80,045	(27,540)	
Bad debt expense	(486)	598	(1,084)		(637)	225	(862)	
Transactions NOI, Accounting Basis	13,670	20,974	(7,304)		51,868	80,270	(28,402)	
Lease surrender revenue	11	1,840	(1,829)		2,575	4,363	(1,788)	
Total NOI, Accounting Basis	\$ 240,326	\$ 241,645	\$ (1,319)		\$ 949,137	\$ 951,966	\$ (2,829)	

Summary - Cash Basis

For the periods ended December 31 (\$ thousands)	Three Months				Year Ended			
	2022	2021	Change \$	% Change	2022	2021	Change \$	% Change
Rental revenue	\$ 315,048	\$ 306,930	\$ 8,118	2.6 %	\$1,254,107	\$1,217,511	\$36,596	3.0 %
Property operating costs excluding bad debt expense	(87,603)	(86,990)	(613)	0.7 %	(359,370)	(350,707)	(8,663)	2.5 %
Same-Asset NOI, Cash Basis, excluding bad debt expense	227,445	219,940	7,505	3.4 %	894,737	866,804	27,933	3.2 %
Bad debt expense	(367)	(1,347)	980	(72.8)%	(861)	(5,673)	4,812	(84.8)%
Same-Asset NOI, Cash Basis	227,078	218,593	8,485	3.9 %	893,876	861,131	32,745	3.8 %
Transactions NOI excluding bad debt expense	12,227	19,483	(7,256)		48,696	76,143	(27,447)	
Bad debt expense	(486)	598	(1,084)		(637)	225	(862)	
Transactions NOI, Cash Basis	11,741	20,081	(8,340)		48,059	76,368	(28,309)	
Total NOI, Cash Basis	\$ 238,819	\$ 238,674	\$ 145		\$ 941,935	\$ 937,499	\$ 4,436	

Three Months and Year Ended

Same-Asset NOI, cash basis, increased 3.9% and 3.8% for the three months and year-ended respectively, primarily due to increased revenue from improved occupancy at higher rental rates, contractual rent steps, a reduction in bad debt expense, and higher capital recoveries driven from higher capital spend. The current year results were also impacted by non-recurring items, including successful realty tax appeals, recoveries from bankrupt tenants, and other items.

The decrease in transactions NOI was primarily due to foregone income from the disposition of six office assets in Q1 of 2022, partially offset by the contribution from other transactions and development transfers completed in 2021 and 2022.

Retail Segment

For the periods ended December 31 (\$ thousands)	Three Months				Year Ended			
	2022	2021	Change \$	% Change	2022	2021	Change \$	% Change
Rental revenue	\$ 252,312	\$ 245,999	\$ 6,313	2.6 %	\$1,007,543	\$ 977,548	\$29,995	3.1 %
Property operating costs excluding bad debt expense	(69,479)	(69,411)	(68)	0.1 %	(287,196)	(280,794)	(6,402)	2.3 %
Same-Asset NOI, Cash Basis, excluding bad debt expense	182,833	176,588	6,245	3.5 %	720,347	696,754	23,593	3.4 %
Bad debt expense	(15)	(1,228)	1,213	(98.8)%	(290)	(4,775)	4,485	(93.9)%
Same-Asset NOI, Cash Basis	182,818	175,360	7,458	4.3 %	720,057	691,979	28,078	4.1 %
Transactions NOI excluding bad debt expense	6,115	6,159	(44)		20,063	25,052	(4,989)	
Bad debt expense	(203)	771	(974)		(132)	578	(710)	
Transactions NOI, Cash Basis	5,912	6,930	(1,018)		19,931	25,630	(5,699)	
Total NOI, Cash Basis	\$ 188,730	\$ 182,290	\$ 6,440		\$ 739,988	\$ 717,609	\$22,379	

Three Months and Year Ended

The 4.3% and 4.1% increases in retail segment Same-Asset NOI, cash basis, for the three months and year ended respectively, were primarily driven by increased revenue from contractual rent steps, higher capital recoveries due to 2022 capital spend, higher rental rates, higher occupancy, and a reduction in bad debt expense. The current year results were also impacted by higher capital recoveries due to late 2021 capital spend and non-recurring items, including successful realty tax appeals, recoveries from bankrupt tenants, and other items.

Transaction NOI declined primarily due to the foregone income from dispositions, partially offset by the contributions from acquisitions and completed developments.

Industrial Segment

For the periods ended December 31 (\$ thousands)	Three Months				Year Ended			
	2022	2021	Change \$	% Change	2022	2021	Change \$	% Change
Rental revenue	\$ 49,263	\$ 47,644	\$ 1,619	3.4 %	\$ 194,184	\$ 188,795	\$ 5,389	2.9 %
Property operating costs excluding bad debt expense	(12,584)	(11,979)	(605)	5.1 %	(50,878)	(48,967)	(1,911)	3.9 %
Same-Asset NOI, Cash Basis, excluding bad debt expense	36,679	35,665	1,014	2.8 %	143,306	139,828	3,478	2.5 %
Bad debt expense	(109)	20	(129)	(645.0)%	(317)	(43)	(274)	637.2 %
Same-Asset NOI, Cash Basis	36,570	35,685	885	2.5 %	142,989	139,785	3,204	2.3 %
Transactions NOI excluding bad debt expense	1,827	1,940	(113)		4,582	7,384	(2,802)	
Bad debt expense	6	(25)	31		(33)	115	(148)	
Transactions NOI, Cash Basis	1,833	1,915	(82)		4,549	7,499	(2,950)	
Total NOI, Cash Basis	\$ 38,403	\$ 37,600	\$ 803		\$ 147,538	\$ 147,284	\$ 254	

Three Months and Year Ended

Same-Asset NOI, cash basis, for the industrial segment increased by 2.5% and 2.3% for the three months and year ended respectively. The increase was primarily due to increased revenue from contractual rent steps, positive leasing activity in the Ontario and Western regions, and higher base rent in the Quebec region due to lease commencement of a significant unit's turnover. The unit was backfilled at a higher rental rate. The current year results were also impacted by a temporary decrease in rental revenue of the significant unit due to a fixturing and free rent period upon turnover.

Transaction NOI decreased as compared to the prior year mainly due to the foregone income from dispositions in prior quarters, partially offset by the contributions from acquisitions.

Mixed-Use, Residential & Other Segment

For the periods ended December 31 (\$ thousands)	Three Months				Year Ended			
	2022	2021	Change \$	% Change	2022	2021	Change \$	% Change
Rental revenue	\$ 13,473	\$ 13,287	\$ 186	1.4 %	\$ 52,380	\$ 51,168	\$ 1,212	2.4 %
Property operating costs excluding bad debt expense	(5,540)	(5,600)	60	(1.1)%	(21,296)	(20,946)	(350)	1.7 %
Same-Asset NOI, Cash Basis, excluding bad debt expense	7,933	7,687	246	3.2 %	31,084	30,222	862	2.9 %
Bad debt expense	(243)	(139)	(104)	74.8 %	(254)	(855)	601	(70.3)%
Same-Asset NOI, Cash Basis	7,690	7,548	142	1.9 %	30,830	29,367	1,463	5.0 %
Transactions NOI excluding bad debt expense	4,285	11,384	(7,099)		24,051	43,707	(19,656)	
Bad debt expense	(289)	(148)	(141)		(472)	(468)	(4)	
Transactions NOI, Cash Basis	3,996	11,236	(7,240)		23,579	43,239	(19,660)	
Total NOI, Cash Basis	\$ 11,686	\$ 18,784	\$ (7,098)		\$ 54,409	\$ 72,606	\$(18,197)	

Three Months and Year Ended

Same-Asset NOI, cash basis, for the mixed-use, residential & other segment increased by 1.9% and 5.0% for the three months and year ended respectively. The increase for the three months was primary due to increased revenue from positive leasing activity in the Ontario region, partially offset by increased bad debt expense. The current year results were also positively impacted by contractual rent steps and higher recovery revenue in the Ontario region, and a reduction in bad debt expense, partially offset by decrease in Western region occupancy resulting in lower base rent and recovery revenue.

Transaction NOI decreased as compared to the prior year mainly due to forgone income from the disposition of six office assets in Q1 of 2022 and additional sale of the Quebec office in Q4 of 2022, partially offset by contributions from development transfers completed in the prior year.

7.3 Other Key Performance Indicators

FFO⁽¹⁾ and AFFO⁽¹⁾ are included in the Trust's summary of key performance indicators. See Section 15, "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 uses these measures. FFO⁽¹⁾ and AFFO⁽¹⁾ for the three months and year ended December 31, 2022 and December 31, 2021 are summarized below:

For the periods ended December 31 (\$ thousands)	Three Months			Year Ended		
	2022	2021	Change \$	2022	2021	Change \$
Funds from Operations ⁽¹⁾	\$ 174,183	\$ 174,797	\$ (614)	\$ 697,728	\$ 689,898	\$ 7,830
FFO ⁽¹⁾ per unit basic	\$ 0.241	\$ 0.242	\$ (0.001)	\$ 0.964	\$ 0.954	\$ 0.010
FFO ⁽¹⁾ per unit diluted	\$ 0.241	\$ 0.242	\$ (0.001)	\$ 0.964	\$ 0.954	\$ 0.010
FFO ⁽¹⁾ payout ratio - diluted	76.8 %	76.6 %	0.2 %	76.7 %	77.6 %	(0.9)%
Adjusted Funds from Operations ⁽¹⁾	\$ 126,935	\$ 118,924	\$ 8,011	\$ 581,752	\$ 586,506	\$ (4,754)
AFFO ⁽¹⁾ per unit basic	\$ 0.175	\$ 0.164	\$ 0.011	\$ 0.804	\$ 0.811	\$ (0.007)
AFFO ⁽¹⁾ per unit diluted	\$ 0.175	\$ 0.164	\$ 0.011	\$ 0.804	\$ 0.811	\$ (0.007)
AFFO ⁽¹⁾ payout ratio - diluted	105.5 %	112.5 %	(7.0)%	92.0 %	91.2 %	0.8 %
Distribution declared per Unit	\$ 0.185	\$ 0.185	\$ —	\$ 0.740	\$ 0.740	\$ —
Weighted average Units outstanding - basic ⁽ⁱ⁾	723,544,974	723,302,244	242,730	723,481,581	723,087,042	394,539
Weighted average Units outstanding - diluted ⁽ⁱ⁾	723,586,201	723,363,313	222,888	723,523,362	723,127,566	395,796
Number of Units outstanding, end of period ⁽ⁱ⁾	723,557,674	723,375,372	182,302	723,557,674	723,375,372	182,302

(i) Includes Trust Units and Exchangeable Units.

Funds from Operations ("FFO")⁽¹⁾

FFO⁽¹⁾ is calculated in accordance with the Real Property Association of Canada's *Funds from Operations & Adjusted Funds from Operations for IFRS* issued in January 2022. From time to time the Trust may enter into transactions that materially impact the calculation and are excluded from the calculation for management's review purposes. Refer to Section 15.3, "Funds from Operations", for a reconciliation of FFO⁽¹⁾ to net income determined in accordance with GAAP.

Three Months

Funds from Operations for the fourth quarter declined slightly as compared to the fourth quarter of 2021. Increases in Same-Asset NOI were largely offset by increases in interest and general and administrative expenses and the impact of the Allied Transaction. The impact of the Allied Transaction includes the loss of NOI, partially offset by the distribution and interest income earned from the consideration received in exchange for properties sold. In addition, a non-recurring gain recognized in the prior year quarter due to the reversal of an expected credit loss related to a specific mortgage receivable contributed to the decrease in FFO.

Year Ended

The year-to-date increase in Funds from Operations of \$7.8 was primarily due to increases in Same-Asset NOI, partially offset by increases in interest and general and administrative expenses and the impact of the Allied Transaction.

Adjusted Funds from Operations ("AFFO")⁽¹⁾

Choice Properties calculates AFFO⁽¹⁾ in accordance with the Real Property Association of Canada's *Funds from Operations & Adjusted Funds from Operations for IFRS* issued in January 2022. From time to time the Trust may enter into transactions that materially impact the calculation and are excluded from the calculation for management's review purposes. Refer to Section 15.4, "Adjusted Funds from Operations", for a reconciliation of AFFO⁽¹⁾ to net income determined in accordance with GAAP.

Three months

The quarterly increase of \$8.0 million was primarily due to a higher proportion of the annual spend occurring prior to the fourth quarter in 2022 than in 2021.

Year Ended

The year ended decrease of \$4.8 million was primarily due to an increase in capital spending during 2022, partially offset by an increase in FFO.

Property Capital and Leasing Expenditures

Choice Properties endeavours to fund operating capital requirements from cash flows from operations.

For the periods ended December 31 (\$ thousands)	Three Months			Year Ended		
	2022	2021	Change \$	2022	2021	Change \$
Property capital	\$ 35,918	\$ 41,259	\$ (5,341)	\$ 72,477	\$ 60,100	\$ 12,377
Direct leasing costs	2,443	2,266	177	9,312	7,129	2,183
Tenant improvements	5,491	8,657	(3,166)	21,045	17,647	3,398
Total property capital and leasing expenditures, proportionate share basis⁽¹⁾	\$ 43,852	\$ 52,182	\$ (8,330)	\$ 102,834	\$ 84,876	\$ 17,958

Property capital expenditures incurred to sustain the existing GLA for investment properties are considered to be operational and are deducted in the calculation of AFFO⁽¹⁾ and ACFO⁽¹⁾. During the year ended December 31, 2022, Choice Properties incurred \$72,477 of property capital expenditures, which may be recoverable from tenants under the terms of their leases over the useful life of the improvements (2021 - \$60,100). Recoverable capital improvements may include items such as parking lot resurfacing and roof replacements. These items are recorded as part of investment properties and the recoveries from tenants are recorded as revenue.

Capital expenditures for leasing activities, such as direct leasing costs or leasing commissions and tenant improvement allowances, are considered to be operational and are deducted in the calculation of AFFO⁽¹⁾ and ACFO⁽¹⁾. Leasing capital expenditures vary with tenant demand and the balance between new and renewal leasing, as capital expenditures relating to securing new tenants is generally higher than the cost for renewing existing tenants.

8. QUARTERLY RESULTS OF OPERATIONS

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)	Fourth Quarter 2022	Third Quarter 2022	Second Quarter 2022	First Quarter 2022	Fourth Quarter 2021	Third Quarter 2021	Second Quarter 2021	First Quarter 2021
Number of income producing properties	702	701	701	699	709	718	717	715
Gross leasable area (in millions of square feet)	63.9	64.0	64.2	64.0	65.8	66.5	66.4	66.2
Occupancy	97.8%	97.7%	97.6%	97.0%	97.1%	97.0%	96.9%	97.0%
Rental revenue (GAAP)	\$ 314,382	\$ 309,082	\$ 313,081	\$ 328,049	\$ 325,763	\$ 316,083	\$ 323,936	\$ 326,539
Net income (loss)	\$ (579,000)	\$ 948,077	\$ (11,810)	\$ 386,986	\$ (163,087)	\$ 163,672	\$ 84,621	\$ (62,198)
Net income (loss) per Unit	\$ (0.795)	\$ 1.310	\$ (0.016)	\$ 0.535	\$ (0.225)	\$ 0.226	\$ 0.117	\$ (0.086)
Net income (loss) per Unit - diluted	\$ (0.795)	\$ 1.310	\$ (0.016)	\$ 0.535	\$ (0.225)	\$ 0.226	\$ 0.117	\$ (0.086)
Net operating income, cash basis ⁽¹⁾	\$ 238,819	\$ 234,540	\$ 231,299	\$ 237,277	\$ 236,674	\$ 236,004	\$ 233,188	\$ 229,633
FFO ⁽¹⁾	\$ 174,183	\$ 173,119	\$ 175,290	\$ 175,136	\$ 174,797	\$ 172,651	\$ 171,842	\$ 170,608
FFO ⁽¹⁾ per Unit - diluted	\$ 0.241	0.239	0.242	0.242	\$ 0.242	\$ 0.239	\$ 0.238	\$ 0.236
AFFO ⁽¹⁾	\$ 126,935	\$ 130,360	\$ 163,708	\$ 160,749	\$ 118,924	\$ 153,566	\$ 158,700	\$ 155,316
AFFO ⁽¹⁾ per Unit - diluted	\$ 0.175	\$ 0.180	\$ 0.226	\$ 0.222	\$ 0.164	\$ 0.212	\$ 0.219	\$ 0.215
Distribution declared per Unit	\$ 0.185	\$ 0.185	\$ 0.185	\$ 0.185	\$ 0.185	\$ 0.185	\$ 0.185	\$ 0.185
Market price per Unit - closing	\$ 14.76	\$ 12.41	\$ 14.05	\$ 15.49	\$ 15.19	\$ 14.25	\$ 14.29	\$ 13.56
Units outstanding, period end	723,557,674	723,544,974	723,544,974	723,544,974	723,375,372	723,302,244	723,148,168	722,728,188
Adjusted debt to total assets ⁽ⁱ⁾	40.6%	41.0%	41.9%	39.5%	40.1%	41.0%	40.9%	42.3%
Debt service coverage ⁽ⁱⁱ⁾	3.1x	3.1x	3.3x	3.4x	3.3x	3.3x	3.2x	3.2x

(i) The Exchangeable Units are excluded from the debt ratio calculations. The ratios are non-GAAP financial measures calculated based on the Trust Indentures, as supplemented.

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

9. RELATED PARTY TRANSACTIONS

Choice Properties' parent corporation is GWL, which as at December 31, 2022, held either directly or indirectly, a 61.7% effective interest in the Trust through ownership of 50,661,415 Units and all of the Exchangeable Units, which are economically equivalent to and exchangeable to Units. GWL is also the parent company of Loblaw, with ownership of 52.6% of Loblaw's outstanding common shares as at December 31, 2022. Choice Properties' ultimate parent is Wittington Investments, Limited, the controlling shareholder of GWL.

In the normal course of operations, Choice Properties enters into various transactions with related parties. These transactions are measured at the exchange amount, which is the amount of consideration established and agreed upon by the related parties.

Loblaw represents approximately 57.3% of Choice Properties' quarterly rental revenue on a proportionate share basis⁽¹⁾ and 57.0% of its commercial GLA as at December 31, 2022 (December 31, 2021 - 55.5% and 56.0%, respectively).

Leases

In the third quarter, the Trust and Loblaw renewed 42 of 44 retail leases from the initial public offering portfolio expiring in 2023, comprising 2.9 million of 3.1 million square feet, at a weighted extension term of 7.7 years.

Acquisitions

During the year ended December 31, 2022, Choice Properties acquired from Loblaw two financial real estate assets for an aggregate purchase price of \$17,210, and a development property for a purchase price of \$25,663, in each case excluding transaction costs.

During year ended December 31, 2021, Choice Properties acquired a financial real estate asset from Loblaw for a purchase price of \$14,777, excluding transaction costs.

During the year ended December 31, 2020, Choice Properties acquired six industrial assets from Weston Foods (Canada) Inc., a wholly-owned subsidiary of GWL, a purchase price of \$81,500, excluding transaction costs. The acquisition was satisfied in full through the issuance of 5,824,742 Exchangeable Units for \$79,100 and assumed liabilities of \$2,400. Weston Foods (Canada) Inc. amalgamated with George Weston Limited in July 2021 and the Exchangeable Units held by Weston Foods (Canada) Inc. were transferred to GWL. On December 29, 2021, GWL completed the sale of its entire Weston Foods bakery business and any leases with Weston Foods (Canada) Inc. were transferred to a third-party buyer as part of the sale.

Dispositions

During the year ended December 31, 2022, Choice Properties disposed of one retail property which had a Loblaw lease for a sale price of \$25,750, excluding transaction costs.

During year ended December 31, 2021, Choice Properties disposed of 2 retail properties which had Loblaw leases for an aggregate sale price of \$33,500, excluding transaction costs.

Services Agreement

For the year ended December 31, 2022, GWL provided Choice Properties with corporate, administrative and other support services for an annualized cost of \$3,901 (2021 - \$3,094).

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. The initial term of the Strategic Alliance Agreement expires on July 5, 2023. Upon expiry of the initial term, the Strategic Alliance Agreement will be automatically renewed until the earlier of July 5, 2033 or the date on which GWL and its affiliates own less than 50% of the Trust on a fully diluted basis. 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 has the right of first offer to purchase any property in Canada that Loblaw seeks to sell;
- Loblaw is 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 are calculated in accordance with a payment grid that takes into account the region, market ranking and type of use for the property.

Management Agreements

Choice Properties provides Wittington with property management services for certain properties with third-party tenancies and development consulting services on a fee for service basis.

Site Intensification Payments

Choice Properties compensated Loblaw with intensification payments of \$2,687 in connection with completed gross leasable area for which tenants took possession during the year ended December 31, 2022 (year ended December 31, 2021 - \$2,208).

Distributions on Exchangeable Units

GWL, directly or indirectly, holds all of the Exchangeable Units issued by Choice Properties Limited Partnership, a subsidiary of Choice Properties. During the three months and year ended December 31, 2022, distributions declared on the Exchangeable Units totalled \$73,221 and \$292,884 (December 31, 2021 - \$73,221 and \$292,884).

As at December 31, 2022, Choice Properties had distributions on Exchangeable Units payable to GWL of \$195,256 (December 31, 2021 - \$192,741)

Notes Receivable

Holders of Exchangeable Units may, in lieu of receiving all or a portion of their distributions, choose to be loaned an amount from Choice Properties Limited Partnership, and to have such distributions made on the first business day following the end of the fiscal year in which such distribution would otherwise have been made. The loans do not bear interest and are due and payable in full on the first business day following the end of the fiscal year during which the loan was made. During the twelve months ended December 31, 2022, GWL elected to receive seven months of distributions from Choice Properties Limited Partnership in the form of loans. As such, non-interest bearing short-term notes totalling \$170,849 were issued during the twelve months ended December 31, 2022 to GWL and were repaid in January 2023. Non-interest bearing short-term notes totalling \$168,334 with respect to the loans received in the 2021 fiscal year were settled against distributions payable by the Trust to GWL in January 2022.

Trust Unit Distributions

During the three months and year ended December 31, 2022, Choice Properties declared cash distributions of \$9,373 and \$37,490 on the Units held by GWL (December 31, 2021 - \$9,373 and \$37,490). As at December 31, 2022, \$3,124 of Trust Unit distributions declared were payable to GWL (December 31, 2021 - \$3,124). There were no non-cash distributions settled through the issuance of additional Trust Units during the year ended December 31, 2022 and 2021.

During the three months and year ended December 31, 2022, Choice Properties declared cash distributions of \$3,052 and \$12,210 on the Units held by Wittington (December 31, 2021 - \$3,052 and \$12,210). As at December 31, 2022, \$1,018 of Trust Unit distributions declared were payable to Wittington (December 31, 2021 - \$1,018). There were no non-cash distributions settled through the issuance of additional Trust Units during the year ended December 31, 2022 and 2021.

10. 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.

a. 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 a development property occurs, and identifying the 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 properties acquired in the current year to be asset acquisitions.

Key Sources of Estimation

The fair value of income producing properties is dependent on significant assumptions related to discount rates and terminal capitalization rates, and other assumptions related to future cash flows over the holding period. The review of future cash flows involves assumptions relating to market rents, as well as current leasing and/or development activity, renewal probability, downtime on lease expiry, vacancy allowances, and expected maintenance costs. In addition to reviewing future 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.

b. 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.

c. 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.

d. 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)*. Choice Properties uses judgment in reviewing these conditions in assessing its interpretation and application to its assets and revenue.

Choice Properties 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.

11. INTERNAL CONTROL OVER FINANCIAL REPORTING

Internal Controls Over Financial Reporting

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

As required by National Instrument 52-109, “Certification of Disclosure in Issuers’ Annual and Interim Filings” (“NI 52-109”), the President and Chief Executive Officer (“CEO”) and the Chief Financial Officer (“CFO”) 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, 2022.

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

Changes in Internal Controls Over Financial Reporting

There were no changes in the Trust’s internal controls over financial reporting in 2022 that materially affected or are reasonably likely to materially affect the Trust’s internal control over financial reporting.

Disclosure Controls and Procedures

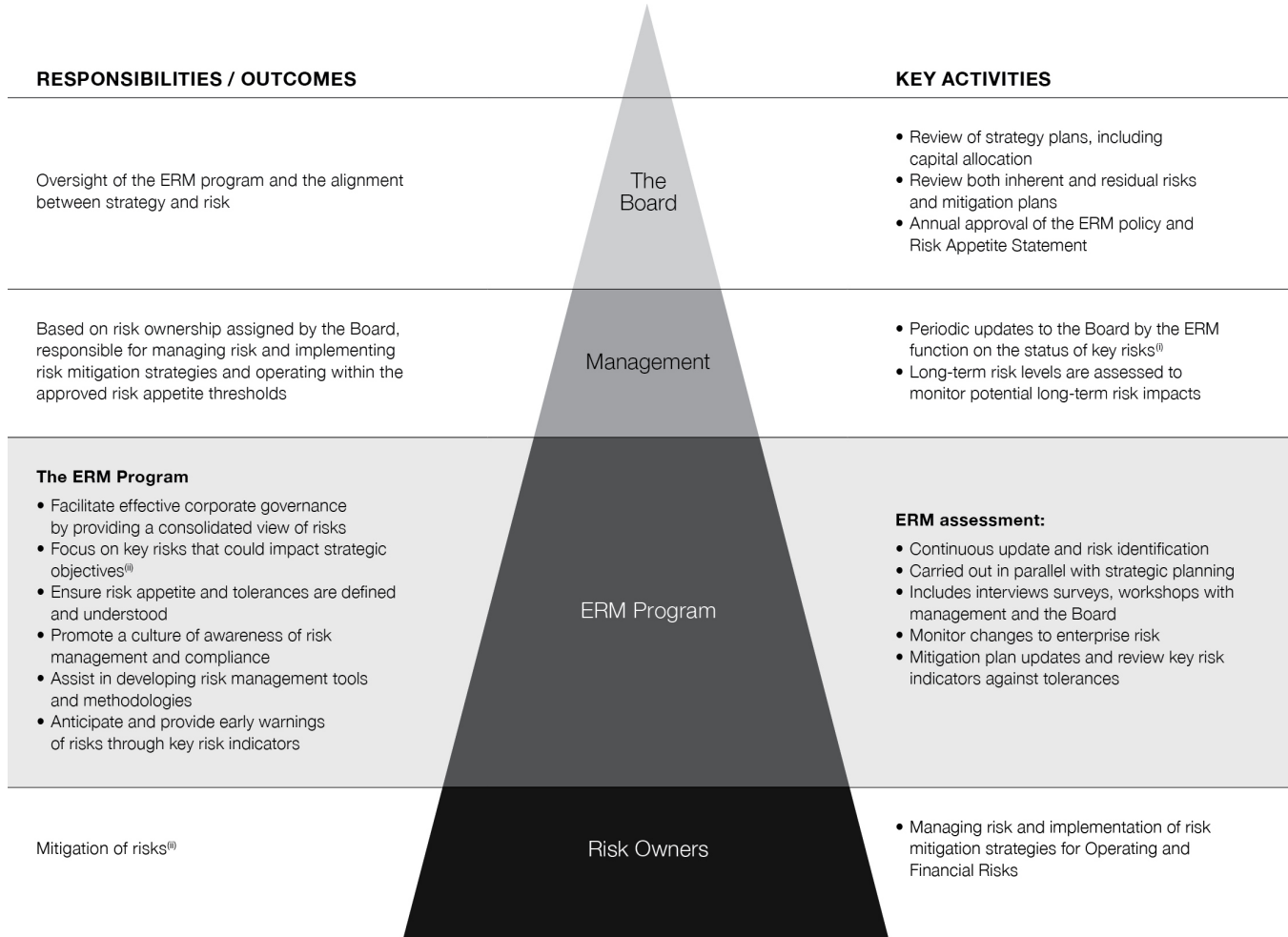
Management is responsible for establishing and maintaining a system of disclosure controls and procedures to provide reasonable assurance that all material information relating to Choice Properties is gathered and reported to senior management on a timely basis so that appropriate decisions can be made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

As required by NI 52-109, the CEO and CFO 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, 2022.

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. The Trust's Enterprise Risk Management ("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 Statement and within approved risk tolerances. The Risk Appetite Statement articulates key aspects of the Trust's business and values and provides directional guidance on risk taking.



(i) 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.

(ii) Any of the key risks have the potential to negatively affect the Trust and its financial performance. The Trust 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.

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. The COVID-19 pandemic continues to be an overarching risk factor that may impact the operations and financial performance of the Trust, including as a result of uncertain economic conditions, volatile debt and equity markets, impacts to available workforce, supply chain disruptions and impact on the Trust's tenants.

This information should be read in conjunction with the Trust's consolidated financial statements and related notes. The following discussion of risks is not exhaustive but is designed to highlight the key risks inherent in the Trust's business.

Economic Environment

Choice Properties' financial results may be affected to varying degrees by the general business and economic conditions in the geographic regions in which it operates. Continued concerns about the uncertainty over whether the economy will be adversely affected by various factors, including, volatile energy costs, geopolitical issues, pandemics and the availability and cost of credit have contributed to increased market volatility and weakened business and consumer confidence. This 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 to maintain occupancy rates in the properties, which could harm Choice Properties' financial condition. In a prolonged negative economic environment, 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.

Property Development and Construction

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 governmental approvals; (c) changes in zoning and land use laws; (d) the ability to achieve an acceptable level of occupancy upon completion; (e) the potential that Choice Properties may fail to recover expenses already incurred if it abandons redevelopment opportunities after commencing to explore them; (f) the potential that Choice Properties may expend funds on and devote management time to projects which are not completed; (g) construction or redevelopment costs of a project, including rising construction costs and development charges and shortages of experienced labour in certain construction related trades, may exceed original estimates, possibly making the project less profitable than originally estimated, or unprofitable; (h) 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; (i) the cost and timely completion of construction (including risks beyond Choice Properties' control, such as weather, labour conditions or material shortages); (j) contractor and subcontractor disputes, strikes, labour disputes or supply disruptions; (k) occupancy rates and rents of a completed project may not be sufficient to make the project profitable; (l) Choice Properties' ability to dispose of properties redeveloped with the intent to sell could be impacted by the ability of prospective buyers to obtain financing given the current state of the credit markets; and (m) the availability and pricing of financing to fund Choice Properties' development activities on favourable terms or 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 develop quality assets and effectively manage all development, redevelopment and major renovation initiatives may negatively impact the reputation and financial performance of the Trust.

Property Valuation

Choice Properties conducts a valuation assessment of its properties on a quarterly basis. As property values fluctuate over time in response to market factors, or as underlying assumptions and inputs to the valuation model change, the fair value of the Trust's portfolio could change materially. Choice Properties is responsible for the reasonableness of the assumptions and for the accuracy of the inputs into the property valuation model. Errors in the inputs to the valuation model or inappropriate assumptions may result in an inaccurate valuation of the properties. In addition to a market activity report that is tailored to Choice Properties' portfolio, management uses the market information obtained in external appraisals, across multiple firms, commissioned during the reporting period to assess whether changes to market-related assumptions are required for the balance of the portfolio. The Trust is responsible for monitoring the value of its portfolio going forward and evaluating the impact of any changes in property value over time. Any changes in the value of the Trust's properties may impact Unitholder value.

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

Capitalization Rate Risk

The fair market property valuation process is dependent on several inputs, including the current market capitalization rate. Risks associated with the Trust's property valuation model include fluctuations in the current market capitalization rate which can significantly impact the value of Choice Properties' overall real estate portfolio. In addition, Choice Properties is subject to certain financial and non-financial covenants in the Trust Debentures and the Revolving Credit Facility that include maintaining certain leverage ratios. Changes in the market capitalization rate could impact the Trust's property valuation which in turn could impact financial covenants.

Environmental and Social

ESG considerations are an integral component of the Trust's corporate strategy. As a leading real estate company, Choice Properties is committed to creating positive environmental and social change by focusing on the issues that matter most to the Trust's tenants, employees, communities, investors and other stakeholders, with a particular focus on combating climate change and advancing social equity. Any failure or perceived failure to advance the ESG priorities of the Trust may negatively affect the Trust's reputation, operations or financial performance.

Environmental

Choice Properties faces environmental risks that could, directly or indirectly, negatively impact the Trust's reputation, operations or performance over the short or long term. In particular, Choice Properties is confronted with issues related to climate change. Choice Properties defines climate-related risk as the risk of loss, either directly through financial loss or indirectly through reputational damage, resulting from the inability or failure to adequately prepare for the impacts from climate change or the transition to a lower-carbon economy. Choice Properties may be exposed to the impact of events caused by climate change, such as natural disasters, severe weather events, floods, forest fires and rising sea levels. Such events could interrupt Choice Properties' operations and activities, damage its properties and require Choice Properties to incur additional expenses to recover or repair properties from a natural disaster and inclement weather. Choice Properties' financial position and results from operations could be adversely affected by the materialization of any of the risks identified herein related to climate change. Furthermore, as a real estate property owner and manager, Choice Properties faces the risk that its properties will be subject to government initiatives and reforms aimed at countering climate change, such as transitioning to a low carbon economy and may entail extensive changes to policies, regulations and technologies to address mitigation and adaptation efforts. Choice Properties may require operational changes and/or incur financial costs to comply with various reforms. Any failure to adhere and adapt to climate change could result in fines or adversely affect Choice Properties' reputation, operations or financial performance.

As an owner of real property in Canada, Choice Properties is subject to various federal, provincial, territorial and municipal laws relating to environmental matters. Such laws provide that Choice Properties could be, or become, liable for environmental harm, damage or costs, including with respect to the release of hazardous, toxic or other regulated substances into the environment, and the removal or other remediation of hazardous, toxic or other regulated substances that may be present at or under its properties. Further, liability may be incurred by Choice Properties with respect to the release of such substances from or to its properties. Applicable laws often impose liability regardless of whether the property owner knew of, or was responsible for, the presence of such substances. Additional liability may be incurred by Choice Properties with respect to the release of such substances from its properties to properties owned by third- parties, including properties adjacent to its properties or with respect to the exposure of persons to such substances. Laws also govern the maintenance and removal of materials containing asbestos in the event of damage, demolition or renovation of a property and also govern emissions of, and exposure to, asbestos fibres in the air.

The portfolio of properties may contain ground contamination, hazardous substances and/or other residual pollution and environmental risks. Buildings and their fixtures might contain asbestos or other hazardous substances above the allowable or recommended thresholds, or other environmental risks could be associated with the buildings. Some of the properties have, or have had, tenants that would or currently use, hazardous, toxic or other regulated substances. For example, retail gas stations and dry-cleaning operations are currently located, or have been located in the past, at some of the properties.

In such cases, Choice Properties will bear the risk of cost-intensive assessment, remediation or removal of such ground contamination, hazardous substances or other residual pollution. The discovery of any such residual pollution on the sites and/or in the buildings, particularly in connection with the lease or sale of properties or borrowing using the real estate as security, could trigger claims for rent reductions or termination of leases for cause, for damages and other breach of warranty claims against Choice Properties. The remediation of any pollution and the related additional measures Choice Properties would have to undertake could have a materially adverse effect on Choice Properties and could involve considerable additional costs. Choice Properties will also be exposed to the risk that recourse against the polluter or the previous owners of the properties might not be possible. Moreover, the existence or even the mere suspicion of the existence of ground contamination, hazardous materials or other residual pollution can adversely affect the value of a property and Choice Properties' ability to lease or sell such property.

Choice Properties' operating policy is to obtain a Phase I environmental site assessment, conducted by an independent and experienced environmental consultant, prior to acquiring a property and to have Phase II environmental site assessment work completed where recommended in a Phase I environmental site assessment. Although such environmental site assessments

would provide Choice Properties with some level of assurance about the condition of such properties, Choice Properties may become subject to liability for undetected contamination or other environmental conditions at its properties.

Choice Properties intends to make the necessary capital and operating expenditures to comply with environmental laws and address any material environmental issues and such costs may have a material adverse effect on Choice Properties' business, financial condition or results of operations and decrease or eliminate the amount of cash available for distribution to Unitholders. Environmental laws can change and Choice Properties may become subject to even more stringent environmental laws in the future, with increased enforcement of laws by the government. Compliance with more stringent environmental laws, which may be more rigorously enforced, the identification of currently unknown environmental issues or an increase in the costs required to address a currently known condition, may have a material adverse effect on Choice Properties' financial condition and results of operations and decrease or eliminate the amount of cash available for distribution to Unitholders.

Social

Choice Properties faces risks associated with social issues and has established certain priorities in response, including achieving adequate representation of traditionally under-represented groups on the Board and in management positions and the employee population as a whole and building a culture of inclusion. The Trust recognizes its responsibility to respect and protect the human rights of all people who support and intersect with the business, and will not tolerate abuse, discrimination or harassment in any form. In addition, Choice Properties is subject to various occupational health and safety laws and regulations. Any failure by Choice Properties to adhere to appropriate and established workplace health and safety procedures and to ensure compliance with applicable laws and regulations could have an adverse effect on the operations, financial performance and reputation of Choice Properties.

Information and Cyber Security

Choice Properties requires segregation and protection of its information, including security over tenant lease details, employee information, financial records and operational data ("Confidential Information"). Some of this Confidential Information is held and managed by third-party service providers. Any failure in data security or any system vulnerability (internal or external) could result in harm to the reputation or competitive position of the Trust. To reduce the level of vulnerability, the Trust has implemented security measures, including monitoring and testing, maintenance of protective systems and contingency plans, to protect and to prevent unauthorized access of Confidential Information and to reduce the likelihood of disruptions to its IT systems.

Despite these measures, all of the Trust's information systems, including its back-up systems and any third-party service provider systems that it employs, are vulnerable to damage, interruption, disability or failures due to a variety of reasons, including physical theft, fire, power loss, computer and telecommunication failures or other catastrophic events, as well as from internal and external security breaches, denial of service attacks, viruses, worms and other known or unknown disruptive events.

Choice Properties or its third-party service providers may be unable to anticipate, timely identify or appropriately respond to one or more of the rapidly evolving and increasingly sophisticated means by which computer hackers, cyber terrorists and others may attempt to breach the Trust's security measures or those of our third-party service providers' information systems.

As cyber threats evolve and become more difficult to detect and successfully defend against, one or more cyber threats might defeat the Trust's security measures or those of its third-party service providers. Moreover, employee error or malfeasance, faulty password management or other irregularities may result in a breach of the Trust's or its third-party service providers' security measures, which could result in a breach of Confidential Information.

If Choice Properties does not allocate and effectively manage the resources necessary to build and sustain a reliable IT infrastructure, fails to timely identify or appropriately respond to cybersecurity incidents, or Choice Properties' or its third-party service providers' information systems are damaged, destroyed, shut down, interrupted or cease to function properly, Choice Properties' business could be disrupted and Choice Properties could, among other things, be subject to: the loss of or failure to attract new tenants; the loss of revenue; the loss or unauthorized access to Confidential Information or other assets; the loss of or damage to trade secrets; damage to its reputation; litigation; regulatory enforcement actions; violation of privacy, security or other laws and regulations; and remediation costs.

Demographic and Tenant Changes

A large portion of Choice Properties' existing real estate portfolio is comprised of necessity-based retail tenants. Shifting consumer preferences toward e-commerce may result in a decrease in the demand for physical space by retail tenants. The failure of Choice Properties to adapt to changes in the retail landscape, including finding new tenants to replace any lost

income stream from existing tenants that reduce the amount of physical space they rent from Choice Properties, could adversely affect Choice Properties' operations or financial performance.

Asset Management

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

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

In addition, a failure by Choice Properties to adequately allocate operational capital could negatively impact occupancy levels, attraction of high-quality tenants and lease renewals, which could have a material adverse effect on Choice Properties' operations and financial performance.

Regulatory Compliance

Choice Properties is subject to laws and regulations governing the ownership and leasing of real property, securities, intellectual property, privacy, employment standards and other matters. It is possible that future changes in applicable federal, provincial, municipal, local or common laws or regulations or changes in their enforcement or regulatory interpretation could result in changes in the legal requirements affecting the Trust. Also, to retain its tax status as a REIT, Choice Properties must comply with the REIT exception to the SIFT Rules at all times. Choice Properties' failure to comply with the REIT exception would result in certain distributions from the Trust not being deductible in computing its taxable income and the Trust being subject to tax on such distributions at a rate that is substantially equivalent to the general tax rate applicable to Canadian corporations. Any non-compliance under the Tax Act or non-compliance with other laws or regulations could subject Choice Properties to civil or regulatory actions, investigations or proceedings, which in turn could negatively impact Choice Properties' operations and financial position. There can be no assurance that the Canadian federal income tax laws respecting real estate investment trusts, or the ways in which these rules are interpreted and applied by the Canada Revenue Agency, will not be changed in a manner which adversely affects Choice Properties and/or Unitholders. It is impossible to predict whether there will be any future changes in the regulatory regimes to which the Trust will be subject or the effect of any such changes on its investments.

Talent Management and Succession Planning

Choice Properties' continued growth is dependent on its ability to hire, retain and develop its leaders and other key personnel. Any failure to effectively attract and retain talented and experienced employees and to establish adequate succession planning and retention strategies could result in a lack of requisite knowledge, skill and experience. This could erode Choice Properties' competitive position or result in increased costs and competition for, or high turn-over of, employees. Any of the foregoing could negatively affect Choice Properties' ability to operate its business and execute its strategies, which in turn, could adversely affect its reputation, operations or financial performance.

Business Continuity

Choice Properties' ability to continue critical operations and processes could be negatively impacted by adverse events resulting from various incidents, including severe weather, development site work stoppages, prolonged IT systems failure, terrorist activity, pandemics, power failures or other national or international catastrophes. Any of these events, including ineffective contingency planning, may have a material adverse effect on Choice Properties' reputation, business, cash flows, financial condition and results of operations and its ability to make distributions to Unitholders.

Acquisitions and Dispositions

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

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

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

In addition, Choice Properties undertakes strategic property dispositions from time to time in order to recycle its capital and maintain an optimal portfolio composition. Failure to dispose of certain assets not aligned with Choice Properties' investment criteria may adversely affect its operations and financial performance.

Tenant Concentration

The Trust's properties generate income through rent payments made by tenants, and particularly rent payments made by Loblaw as Choice Properties' largest tenant. Upon the expiry of any lease, there can be no assurance that the lease will be renewed or the tenant replaced. Furthermore, the terms of any subsequent lease may be less favourable than the existing lease, including the addition of restrictive covenants. In addition, historical occupancy rates and rents are not necessarily an accurate prediction of future occupancy rates. Choice Properties' cash flows and financial position would be adversely affected if its tenants (and especially Loblaw) were to become unable to meet their obligations under their leases or if a significant amount of available space in the properties was not able to be leased on economically favourable lease terms. In the event of default by a tenant, Choice Properties may experience delays or limitations in enforcing its rights as lessor and incur substantial costs in protecting its investment. In addition, restrictive covenants and the terms of the Strategic Alliance Agreement may narrow the field of potential tenants at a property and could contribute to difficulties in leasing space to new tenants.

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

The closing of an anchor store at a property could also have a material adverse effect on the value of that property. Vacated anchor tenant space also tends to adversely affect the entire property because of the loss of the departed anchor tenant's

power to draw customers to the property, which in turn may cause other tenants' operations to suffer and adversely affect such other tenants' ability to pay rent or perform any other obligations under their leases. No assurance can be given that Choice Properties will be able to quickly re-lease space vacated by an anchor tenant on favourable terms, if at all. In addition, certain leases contain a provision requiring tenants to maintain continuous occupancy of leased premises, and there can be no assurance that such tenants will continue to occupy such premises. Furthermore, at any time, an anchor tenant may seek the protection of bankruptcy, insolvency or similar laws which could result in the rejection and termination of the lease of the tenant and thereby cause a reduction in Choice Properties' cash flows, financial condition or results of operations and its ability to make distributions to Unitholders.

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:

Interest Rate Risk

Choice Properties requires extensive financial resources to complete the implementation of its strategy. Successful implementation of Choice Properties' 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 the long-term, 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 Revolving Credit Facility), this will result in fluctuations in Choice Properties' cost of borrowing as interest rates change. If interest rates rise, Choice Properties' operating results and financial condition could be materially adversely affected and the amount of cash available for distribution to Unitholders would decrease.

Choice Properties' Revolving Credit Facility and the Trust 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 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 its 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 payments and principal repayment obligations upon an applicable maturity date. If Choice Properties is unable to meet interest payments 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, property maintenance costs, development spending, other capital expenditures, and to refinance indebtedness. Although Choice Properties expects to have access to the Revolving Credit Facility, there can be no assurance that it will otherwise have access to sufficient capital or access to capital on favourable terms. Further, in certain circumstances, Choice Properties may not be able to borrow funds due to limitations set forth in the Declaration of Trust, the Indenture, as supplemented by the Supplemental Indentures. Failure by Choice Properties to access required capital could have a material adverse effect on its financial condition or results of operations and its ability to make distributions to Unitholders.

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

Liquidity of Real Property

An investment in real estate is relatively illiquid. Such illiquidity will tend to limit Choice Properties' ability to adjust its portfolio promptly in response to changing economic or investment conditions or in the event it seeks to sell real estate assets as a source of liquidity. 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 revenue. 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 Exchangeable Units, which are economically equivalent to and exchangeable for Units, as well as the issuance of unit-based compensation. The Exchangeable Units and unit-based compensation liabilities are recorded at their fair value based on market trading prices. The Exchangeable Units and unit-based compensation negatively impact net income when the Unit price rises and positively impact net 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 mortgages, loans 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 for expected credit losses with respect to rent receivables. The allowance is determined on a tenant-by-tenant basis based on the specific factors related to the tenant.

The risk related to cash and cash equivalents, short-term investments, security deposits, and derivatives 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.

The risk related to its mortgages, loans and notes receivable arise in the event that the borrowers default on the repayment of such financing. Choice Properties has established a program with a group of strategic development partners whereby the Trust provides financing in the form of mezzanine loans, joint venture financing, vendor take-back financing and other arrangements. In exchange, the Trust generally receives an option or other rights to acquire an interest in real property assets. The Trust mitigates this risk by ensuring the loans are well secured by real property assets and by obtaining guarantees where necessary.

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 operating costs, 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.

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.

Credit Rating Risk

Credit ratings assigned to the Trust, Partnership and any of their respective securities may be changed at any time based on the judgement of the credit rating agencies and may also be impacted by a change in the credit rating of GWL, Loblaw and their respective Affiliates. In addition, the Trust, GWL, Loblaw and their respective Affiliates may incur additional indebtedness in the future, which could impact current and future credit ratings. A reduction in credit ratings could materially adversely affect the market value of the Trust's outstanding securities and the Trust's access to and cost of financing.

13. ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

Environmental, Social and Governance (“ESG”) practices are fully integrated into the Trust’s day-to-day business activities, and are aligned with the Trust’s purpose of creating enduring value for generations. ESG is embedded in the Trust’s corporate strategy, which seeks to maximize long-term value by taking a disciplined and sustainable approach to property operations and financial management, and by unlocking value through development activities. Some of the ways in which ESG creates enduring value for stakeholders include:

- Protecting the planet for future generations while reducing resource consumption and costs;
- Attracting, retaining and empowering a diverse, engaged workforce to bring unique perspectives and experiences to strategic decisions;
- Preserving asset value and the reputation of the Trust by managing the risks of changing regulations and stakeholder expectations;
- Generating stable returns and long-term NAV appreciation by attracting like-minded tenants;
- Strengthening relationships with stakeholders by working collaboratively to achieve positive social, economic and environmental outcomes; and
- Enhancing long-term investment returns by allocating capital to sustainable opportunities and attracting a broader spectrum of investors.

The Board oversees the Trust’s ESG program, for which the Trust’s President and Chief Executive Officer is the executive sponsor.

The Trust aspires to develop healthy, resilient communities through its dedication to social, economic and environmental sustainability. To achieve this aspiration, the Trust has refined its focus to two areas where it can have significant impact on environmental and social sustainability: Fighting Climate Change and Addressing Social Equity.

Fighting Climate Change

The Trust, in 2022, adopted net-zero greenhouse gas emissions reduction targets that apply to its entire portfolio of income-producing and development properties. These targets were validated by the Science Based Targets initiative (SBTi) in line with their Corporate Net-Zero Standard, making Choice Properties one of the first entities in Canada to have net-zero targets approved by the SBTi. The Trust’s targets are consistent with the primary goal of the Paris Agreement – to limit the rise in global temperature this century to 1.5 degrees Celsius. In addition to its net zero commitment, other actions taken in 2022 to support the Trust’s efforts against climate change included:

- The publication of the Trust’s inaugural Pathway to Net-Zero Report, which details the Trust’s approach to achieving net-zero emissions across its entire portfolio, including scope 1 and 2 emissions and scope 3 emissions from tenant energy use and development activities, by 2050.
- Certifying an additional 160 properties under LEED or BOMA BEST, bringing the total certified to over 60% of building area by GLA at 100% share (towards the 2023 target of 65%);
- Updating green lease clauses in the Trust’s retail and industrial leases; and
- Continued integration of energy-efficient, electric heating into upcoming development and retrofit projects (including geo-exchange, district energy and heat pump heating technologies) .

Progress against The Trust’s 2023 environmental targets not noted above will be made available in the upcoming Environmental, Social, and Governance Report to be issued later this year.

Addressing Social Equity

The Trust aims to make a positive difference in the communities it serves, including by focusing on advancing diversity, equity and inclusion (DEI) through its operations, promoting health and wellness and charitable volunteering and philanthropy. The Trust has a long-standing commitment to diversity, equity and inclusion, which has continued to grow in 2022. Highlights for 2022 include:

- Establishment of a dedicated Social Impact team to advance social equity across the organization;
- Continued empowerment of the Trust’s employee-led Diversity, Equity, and Inclusion Committee to organize events focused on education & training, networking, and celebration of culture;
- Joining the Canadian Centre for Diversity and Inclusion as a member and the Accelerating Accessibility Coalition as a founding member;
- Donation of over \$620,000 and 1,220 hours of colleague time in support of Canadian charities focusing on empowering children in low-income communities, through the Choice Cares program; and
- Continued collection of self-identification data on a voluntary basis from colleagues to understand where gaps exist and to monitor progress on diversity initiatives.

Reporting and Disclosure

As part of the Trust’s continued efforts to enhance communication with its stakeholder community, it publishes an annual ESG Report, which is available on the Trust’s website at www.choicereit.ca. The ESG Report is overseen by the Board of Trustees and the controls related to the Trust’s ESG disclosures are reviewed by the Audit Committee. The Trust also engages a third party to assure the energy, water, waste and GHG emission statements.

Some of the 2022 highlights related to ESG reporting and disclosure included:

- Submission of inaugural response to the CDP Climate Change questionnaire, an independent evaluation of public disclosures related to climate change, and received a rating of “B”;
- An increase in the Trust’s GRESB Standing Investment (Operations) score to 82 (on a 100-point scale), representing a 44% improvement from its initial submission in 2019; and
- Receiving “Prime” rating by ISS ESG, the responsible investment arm of Institutional Shareholder Services Inc. (ISS), a provider of sustainable and responsible investment research.

In addition to the initiatives noted above, the Trust has a robust governance framework in place, elements of which are discussed in the Management Proxy Circular, available on the Trust’s website at www.choicereit.ca, including the section titled “Statement of Governance Practices.”

14. OUTLOOK⁽²⁾

We are focused on capital preservation, delivering stable and growing cash flows and net asset value appreciation, all with a long-term focus. Our high-quality portfolio is primarily leased to necessity-based tenants and logistics providers, who are less sensitive to economic volatility and therefore provide stability to our overall portfolio. We continue to experience positive leasing momentum across our portfolio and are well positioned to handle our 2023 lease renewal exposure. We also continue to advance our development program, with a focus on industrial opportunities, which provides us with the best opportunity to add high-quality real estate to our portfolio at a reasonable cost and drive net asset value appreciation over time.

We are confident that our business model, stable tenant base, strong balance sheet and disciplined approach to financial management will continue to position us well for future success; however, the Trust cannot predict the precise impacts of the broader economic environment on its 2023 financial results. In 2023, Choice Properties will continue to focus on its core business of essential retail and industrial, our growing residential platform and our robust development pipeline, and is targeting:

- Stable occupancy across the portfolio, resulting in 2-3% year-over-year growth in Same-Asset NOI, Cash Basis;
- Annual FFO per Unit Diluted in a range of \$0.98 to \$0.99, reflecting 2-3% year over year growth; and
- Stable leverage metrics, targeting Adjusted Debt to EBITDAFV of approximately 7.5x.

15. NON-GAAP FINANCIAL MEASURES

The financial statements of Choice Properties are prepared in accordance with GAAP. However, in this MD&A, a number of measures are presented that do not have any standardized meaning under GAAP. Such measures and related per-unit amounts therefore should not be construed as alternatives to net income or cash flow from operating activities determined in accordance with GAAP and may not be comparable to similar measures presented by other real estate investment trusts or enterprises. These terms are defined below and are cross referenced, as applicable, to a reconciliation elsewhere in this MD&A to the most comparable GAAP measure. Choice Properties believes these non-GAAP financial measures and ratios provide useful information to both management and investors in measuring the financial performance and financial condition of the Trust for the reasons outlined below.

Non-GAAP Measure	Description	Reconciliation
Proportionate Share	<ul style="list-style-type: none"> Represents financial information adjusted to reflect the Trust's equity accounted joint ventures and financial real estate assets and its share of net income (losses) from equity accounted joint ventures and financial real estate assets on a proportionately consolidated basis at the Trust's ownership percentage of the related investment. Management views this method as relevant in demonstrating the Trust's ability to manage the underlying economics of the related investments, including the financial performance and cash flows and the extent to which the underlying assets are leveraged, which is an important component of risk management. 	<p>Section 2, "Balance Sheet"</p> <p>Section 7.1, "Net Income and Segment NOI Reconciliation"</p>
Net Operating Income ("NOI"), Accounting Basis	<ul style="list-style-type: none"> Defined as property rental revenue including straight line rental revenue, reimbursed contract revenue and lease surrender revenue, less direct property operating expenses and realty taxes, and excludes certain expenses such as interest expense and indirect operating expenses in order to provide results that reflect a property's operations before consideration of how it is financed or the costs of operating the entity in which it is held. Management believes that NOI is an important measure of operating performance for the Trust's commercial real estate assets that is used by real estate industry analysts, investors and management, while also being a key input in determining the fair value of the Choice Properties portfolio. 	<p>Section 7.1, "Net Income and Segment NOI Reconciliation"</p>
NOI, Cash Basis	<ul style="list-style-type: none"> Defined as property rental revenue excluding straight line rental revenue, direct property operating expenses and realty taxes and excludes certain expenses such as interest expense and indirect operating expenses in order to provide results that reflect a property's operations before consideration of how it is financed or the costs of operating the entity in which it is held. Management believes NOI, Cash Basis is a useful measure in understanding period-over-period changes in income from operations due to occupancy, rental rates, operating costs and realty taxes. 	<p>Section 7.1, "Net Income and Segment NOI Reconciliation"</p> <p>Section 15.2, "Net Operating Income"</p>
Same-Asset NOI, Cash Basis and Same-Asset NOI, Accounting Basis	<ul style="list-style-type: none"> Same-Asset NOI is used to evaluate the period-over-period performance of those properties owned and operated by Choice Properties since January 1, 2021, inclusive. NOI from properties that have been (i) purchased, (ii) disposed, or (iii) subject to significant change as a result of new development, redevelopment, expansion, or demolition, (collectively, "Transactions") are excluded from the determination of same-asset NOI. Same-Asset NOI, Cash Basis, is useful in evaluating the realization of contractual rental rate changes embedded in lease agreements and/or the expiry of rent-free periods, while also being a useful measure in understanding period-over-period changes in NOI due to occupancy, rental rates, operating costs and realty taxes, before considering the changes in NOI that can be attributed to the Transactions and development activities. 	<p>Section 7.2, "Net Operating Income Summary"</p>

<p>Funds from Operations (“FFO”)</p>	<ul style="list-style-type: none"> • Calculated in accordance with the Real Property Association of Canada’s (“REALpac”) <i>Funds From Operations (FFO) & Adjusted Funds From Operations (AFFO) for IFRS</i> issued in January 2022. • Management 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, investment in real estate securities, and unit-based compensation. From time to time the Trust may enter into transactions that materially impact the calculation and are eliminated from the calculation for management’s review purposes. • Management uses and believes that FFO is a useful measure of the Trust’s performance that, when compared period over period, reflects the impact on operations of trends in occupancy levels, rental rates, operating costs and realty taxes, acquisition activities and interest costs. 	<p>Section 15.3, “Funds from Operations”</p> <p>Section 15.9, “Selected Information for Comparative Purposes”</p>
<p>Adjusted Funds from Operations (“AFFO”)</p>	<ul style="list-style-type: none"> • Calculated in accordance with REALpac’s <i>Funds From Operations (FFO) & Adjusted Funds From Operations (AFFO) for IFRS</i> issued in January 2022. • Management considers AFFO to be a useful measure of operating performance as it further adjusts FFO for capital expenditures that sustain income producing properties and eliminates the impact of straight-line rent. AFFO is impacted by the seasonality inherent in the timing of executing property capital projects. • In calculating AFFO, FFO is adjusted by excluding straight-line rent adjustments, as well as costs incurred relating to internal leasing activities and property capital projects. Working capital changes, viewed as short-term cash requirements or surpluses, are deemed financing activities pursuant to the methodology and are not considered when calculating AFFO. • Capital expenditures which are excluded and not deducted in the calculation of AFFO comprise those which generate a new investment stream, such as constructing a new retail pad during property expansion or intensification, development activities or acquisition activities. • Accordingly, AFFO differs from FFO in that AFFO excludes from its definition certain non-cash revenues and expenses recognized under GAAP, such as straight-line rent, but also includes capital and leasing costs incurred during the period which are capitalized for GAAP purposes. From time to time the Trust may enter into transactions that materially impact the calculation and are eliminated from the calculation for management’s review purposes. 	<p>Section 15.4, “Adjusted Funds from Operations”</p> <p>Section 15.9, “Selected Information for Comparative Purposes”</p>
<p>Adjusted Cash Flow from Operations (“ACFO”)</p>	<ul style="list-style-type: none"> • Calculated in accordance with REALpac’s <i>Adjusted Cashflow from Operations (ACFO) for IFRS</i> issued in February 2019. • Management views ACFO as a useful measure of the cash generated from operations after providing for operating capital requirements, and in evaluating the ability of Choice Properties to fund distributions to Unitholders. ACFO adjusts cash flows from operations as calculated under GAAP including, but not limited to, removing the effects of distributions on Exchangeable Units, deducting amounts for property capital expenditures to sustain existing GLA and for leasing capital expenditures. • The resulting ACFO will include the impact of the seasonality of property capital expenditures and the impact of fluctuations from normal operating working capital, such as changes to net rent receivable from tenants, trade accounts payable and accrued liabilities. • From time to time the Trust may enter into transactions that materially impact the calculation and are eliminated from the calculation for management’s review purposes. 	<p>Section 15.5, “Adjusted Cash Flow from Operations”</p>
<p>FFO, AFFO and ACFO Payout Ratios</p>	<ul style="list-style-type: none"> • FFO, AFFO and ACFO payout ratios are supplementary measures used by Management to assess the sustainability of the Trust’s distribution payments. • The ratios are calculated using cash distributions declared divided by FFO, AFFO and ACFO, as applicable. 	<p>Section 7.3, “Other Key Performance Indicators”</p>

Earnings before Interest, Taxes, Depreciation, Amortization and Fair Value (“EBITDAFV”)	<ul style="list-style-type: none"> Defined as net income attributable to Unitholders, reversing, where applicable, income taxes, interest expense, amortization expense, depreciation expense, adjustments to fair value and other adjustments as allowed in the Trust Indentures, as supplemented. Management believes EBITDAFV is useful in assessing the Trust’s ability to service its debt, finance capital expenditures and provide for distributions to its Unitholders. 	Section 15.8, “Earnings before Taxes, Depreciation, Amortization and Fair Value”
Cash Retained after Distributions	<ul style="list-style-type: none"> Represents the portion of ACFO retained within Choice Properties which can be used to invest in new acquisitions, development properties and capital activity. 	Section 15.6, “Distribution Excess / Shortfall Analysis”
Total Adjusted Debt	<ul style="list-style-type: none"> Defined as variable rate debt (construction loans, mortgages, and credit facility) and fixed rate debt (senior unsecured debentures, construction loans and mortgages), as measured on a proportionate share basis⁽¹⁾, and does not include the Exchangeable Units which are included as part of Unit Equity on account of the Exchangeable Units being economically equivalent and receiving equal distributions to the Trust Units. Total Adjusted Debt is also presented on a net basis to include the impact of other finance charges such as debt placement costs and discounts or premiums, and defeasance or other prepayments of debt. 	Section 4.3, “Components of Total Adjusted Debt”
Adjusted Debt to Total Assets	<ul style="list-style-type: none"> Determined by dividing Total Adjusted Debt (as defined above) by total assets as presented on a proportionate share basis and can be interpreted as the proportion of the Trust’s assets that are financed by debt. Management believes this ratio is useful in evaluating the Trust’s flexibility to incur additional financial leverage. 	Section 4.4, “Financial Conditions” Section 15.9, “Selected Information for Comparative Purposes”
Debt Service Coverage	<ul style="list-style-type: none"> Calculated as EBITDAFV divided by interest expense on the Total Adjusted Debt 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 calculated based on the Trust Indentures, as supplemented. The debt service coverage ratio is useful in determining the ability of Choice Properties to service the interest requirements of its outstanding debt. 	Section 4.4, “Financial Conditions” Section 15.9, “Selected Information for Comparative Purposes”
Adjusted Debt to EBITDAFV, and Adjusted Debt to EBITDAFV, net of cash	<ul style="list-style-type: none"> Calculated as Total Adjusted Debt divided by EBITDAFV. This ratio is used to assess the financial leverage of Choice Properties, to measure its ability to meet financial obligations and to provide a snapshot of its balance sheet strength. Management also presents this ratio with Total Adjusted Debt calculated as net of cash and cash equivalents at the measurement date. 	Section 4.4, “Financial Condition”
Interest Coverage	<ul style="list-style-type: none"> Calculated as EBITDAFV divided by interest expense on the Total Adjusted Debt incurred by Choice Properties for the period. The interest coverage ratio is useful in determining Choice Properties’ ability to service the interest requirements of its outstanding debt. 	Section 4.4, “Financial Condition”
Liquidity	<ul style="list-style-type: none"> Liquidity is a non-GAAP measure calculated based on the sum of total cash and cash equivalents, and undrawn revolving unsecured operating line of credit. 	Section 4, “Liquidity and Capital Resources” Section 4.2, “Liquidity and Capital Structure”

15.1 Investment Properties Reconciliation

To expand the portfolio and participate in development opportunities, Choice Properties owns varying interests in real estate entities which hold investment properties. Under GAAP, many of these interests are recorded as equity accounted joint ventures and, as such, the Trust's portion of the investment properties of these entities is presented on the balance sheet as a summarized value, not as part of the total investment properties. Similarly, Choice Properties owns real estate assets, whereby the acquisition involved a sale-leaseback arrangement with the seller. As a result of the arrangement the Trust did not meet the GAAP definition of control, and as such, these assets are presented on the balance sheet as financial real estate assets and not as part of investment properties. While the reconciliation for Choice Properties' balance sheet on a GAAP basis to a proportionate share basis⁽¹⁾ is detailed in Section 2, "Balance Sheet" the following continuity schedule presents Choice Properties' investment properties inclusive of its proportionate share ownership in equity accounted joint ventures and financial real estate assets for the three months ended December 31, 2022:

As at or for the three months ended December 31 (\$ thousands except where otherwise indicated)	Income Producing Properties			Properties Under Development			Total Investment Properties	
	GAAP Basis	Adjustment to Proportionate Share Basis ⁽¹⁾⁽ⁱ⁾	Proportionate Share Basis ⁽¹⁾	GAAP Basis	Adjustment to Proportionate Share Basis ⁽¹⁾⁽ⁱ⁾	Proportionate Share Basis ⁽¹⁾	GAAP Basis	Proportionate Share Basis ⁽¹⁾
Balance, beginning of period	\$ 13,894,000	\$ 968,000	\$ 14,862,000	\$ 311,000	\$ 712,000	\$ 1,023,000	\$ 14,205,000	\$ 15,885,000
Acquisitions of investment properties ⁽ⁱⁱ⁾	74,553	—	74,553	—	—	—	74,553	74,553
Capital expenditures								
Development capital	—	—	—	22,204	12,007	34,211	22,204	34,211
Building improvements	183	(37)	146	—	—	—	183	146
Capitalized interest	—	—	—	675	2,545	3,220	675	3,220
Property capital	35,456	462	35,918	—	—	—	35,456	35,918
Direct leasing costs	2,258	185	2,443	—	—	—	2,258	2,443
Tenant improvement allowances	5,188	303	5,491	—	—	—	5,188	5,491
Amortization of straight-line rent	838	658	1,496	—	—	—	838	1,496
Transfers to assets held for sale	(50,400)	—	(50,400)	—	—	—	(50,400)	(50,400)
Transfers from properties under development	10,306	5,361	15,667	(10,306)	(5,361)	(15,667)	—	—
Other transfers	111	(111)	—	(111)	111	—	—	—
Dispositions	(45,325)	—	(45,325)	—	—	—	(45,325)	(45,325)
Adjustment to fair value of investment properties	191,832	14,179	206,011	1,538	(302)	1,236	193,370	207,247
Balance, as at December 31, 2022	\$ 14,119,000	\$ 989,000	\$ 15,108,000	\$ 325,000	\$ 721,000	\$ 1,046,000	\$ 14,444,000	\$ 16,154,000

(i) Adjustment to Proportionate Share Basis⁽¹⁾ reflects the Trust's investment properties inclusive of its proportionate share ownership in equity accounted joint ventures and financial real estate assets.

(ii) Includes acquisition costs.

The following continuity schedule presents Choice Properties' investment properties inclusive of its proportionate share ownership in equity accounted joint ventures and financial real estate assets for the year ended December 31, 2022

As at or for the year ended December 31 (\$ thousands except where otherwise indicated)	Income Producing Properties			Properties Under Development			Total Investment Properties	
	GAAP Basis	Adjustment to Proportionate Share Basis ⁽ⁱ⁾⁽ⁱⁱ⁾	Proportionate Share Basis ⁽ⁱ⁾	GAAP Basis	Adjustment to Proportionate Share Basis ⁽ⁱ⁾⁽ⁱⁱ⁾	Proportionate Share Basis ⁽ⁱ⁾	GAAP Basis	Proportionate Share Basis ⁽ⁱ⁾
Balance, beginning of period	\$ 14,707,000	\$ 893,000	\$ 15,600,000	\$ 223,000	\$ 220,000	\$ 443,000	\$ 14,930,000	\$ 16,043,000
Acquisitions of investment properties ⁽ⁱⁱ⁾	136,479	67,857	204,336	27,218	139,541	166,759	163,697	371,095
Capital expenditures								
Development capital	—	—	—	71,896	47,478	119,374	71,896	119,374
Building improvements	1,773	3,903	5,676	—	—	—	1,773	5,676
Capitalized interest	—	—	—	2,575	3,636	6,211	2,575	6,211
Property capital	70,937	1,540	72,477	—	—	—	70,937	72,477
Direct leasing costs	8,741	571	9,312	—	—	—	8,741	9,312
Tenant improvement allowances	19,382	1,663	21,045	—	—	—	19,382	21,045
Amortization of straight- line rent	2,554	2,073	4,627	—	—	—	2,554	4,627
Transfers to assets held for sale	(50,400)	—	(50,400)	—	—	—	(50,400)	(50,400)
Transfers from properties under development	50,125	21,311	71,436	(50,125)	(21,311)	(71,436)	—	—
Other transfers	(22,834)	(111)	(22,945)	22,834	111	22,945	—	—
Dispositions	(876,502)	—	(876,502)	(13,768)	—	(13,768)	(890,270)	(890,270)
Adjustment to fair value of investment properties	71,745	(2,807)	68,938	41,370	331,545	372,915	113,115	441,853
Balance, as at December 31, 2022	\$ 14,119,000	\$ 989,000	\$ 15,108,000	\$ 325,000	\$ 721,000	\$ 1,046,000	\$ 14,444,000	\$ 16,154,000

- (i) Adjustment to Proportionate Share Basis⁽ⁱ⁾ reflects the Trust's investment properties inclusive of its proportionate share ownership in equity accounted joint ventures and financial real estate assets.
- (ii) Includes acquisition costs.

15.2 Net Operating Income

The following table reconciles net income (loss), as determined in accordance with GAAP, to Net Operating Income, Cash Basis, for the periods ended as indicated. Refer to Section 7, “Results of Operations - Segment Information” and Section 15, “Non-GAAP Financial Measures”, for further details about this non-GAAP measure.

For the periods ended December 31 (\$ thousands)	Three Months			Year Ended		
	2022	2021	Change \$	2022	2021	Change \$
Net income (loss)	\$ (579,000)	\$ (163,087)	\$ (415,913)	\$ 744,253	\$ 23,008	\$ 721,245
Reversal of expected credit loss on mortgage receivable	—	(1,026)	1,026	—	(1,502)	1,502
General and administrative expenses	14,476	11,799	2,677	47,821	40,917	6,904
Fee income	(1,292)	(946)	(346)	(3,793)	(3,801)	8
Net interest expense and other financing charges	137,247	134,320	2,927	536,857	534,525	2,332
Interest income	(12,691)	(7,312)	(5,379)	(27,360)	(20,079)	(7,281)
Investment income	(5,165)	—	(5,165)	(15,495)	—	(15,495)
Share of income from equity accounted joint ventures	(15,522)	(18,338)	2,816	(353,867)	(66,952)	(286,915)
Amortization of intangible assets	250	250	—	1,000	1,000	—
Transaction costs and other related expenses	82	—	82	5,108	—	5,108
Adjustment to fair value of unit-based compensation	2,665	(666)	3,331	1,191	1,580	(389)
Adjustment to fair value of Exchangeable Units	858,857	372,039	486,818	(170,188)	862,815	(1,033,003)
Adjustment to fair value of investment properties	(193,370)	(96,275)	(97,095)	(113,115)	(458,817)	345,702
Adjustment to fair value of investment in real estate securities	20,784	—	20,784	248,346	—	248,346
Income tax recovery	(119)	(686)	567	(117)	(679)	562
Net Operating Income, Accounting Basis - GAAP	227,202	230,072	(2,870)	900,641	912,015	(11,374)
Straight line rental revenue	(838)	(339)	(499)	(2,554)	(7,893)	5,339
Lease surrender revenue	(11)	(1,840)	1,829	(2,365)	(4,363)	1,998
Net Operating Income, Cash Basis - GAAP	226,353	227,893	(1,540)	895,722	899,759	(4,037)
Adjustments for equity accounted joint ventures and financial real estate assets	12,466	10,781	1,685	46,213	37,740	8,473
Net Operating Income, Cash Basis - Proportionate Share⁽¹⁾	\$ 238,819	\$ 238,674	\$ 145	\$ 941,935	\$ 937,499	\$ 4,436

15.3 Funds from Operations

The following table reconciles net income, as determined in accordance with GAAP, to Funds from Operations for the periods ended as indicated. Refer to Section 7, “Results of Operations - Segment Information” and Section 15, “Non-GAAP Financial Measures”, for further details about this non-GAAP measure.

For the periods ended December 31 (\$ thousands)	Three Months			Year Ended		
	2022	2021	Change \$	2022	2021	Change \$
Net income (loss)	\$ (579,000)	\$ (163,087)	\$(415,913)	\$ 744,253	\$ 23,008	\$ 721,245
Amortization of intangible assets	250	250	—	1,000	1,000	—
Transaction costs and other related expenses	82	—	82	5,108	—	5,108
Adjustment to fair value of unit-based compensation	2,665	(666)	3,331	1,191	1,580	(389)
Adjustment to fair value of Exchangeable Units	858,857	372,039	486,818	(170,188)	862,815	(1,033,003)
Adjustment to fair value of investment properties	(193,370)	(96,275)	(97,095)	(113,115)	(458,817)	345,702
Adjustment to fair value of investment property held in equity accounted joint ventures	(13,877)	(12,952)	(925)	(328,738)	(43,478)	(285,260)
Adjustment to fair value of investment in real estate securities	20,784	—	20,784	248,346	—	248,346
Interest otherwise capitalized for development in equity accounted joint ventures	2,790	393	2,397	8,589	3,173	5,416
Exchangeable Units distributions	73,221	73,221	—	292,884	292,884	—
Internal expenses for leasing	1,900	2,560	(660)	8,515	8,412	103
Income tax recovery	(119)	(686)	567	(117)	(679)	562
Funds from Operations	\$ 174,183	\$ 174,797	\$ (614)	\$ 697,728	\$ 689,898	\$ 7,830
FFO per Unit - diluted	\$ 0.241	\$ 0.242	\$ (0.001)	\$ 0.964	\$ 0.954	\$ 0.010
FFO payout ratio - diluted ⁽ⁱ⁾	76.8 %	76.6 %	0.2 %	76.7 %	77.6 %	(0.9)%
Distribution declared per Unit	\$ 0.185	\$ 0.185	\$ —	\$ 0.740	\$ 0.740	\$ —
Weighted average Units outstanding - diluted ⁽ⁱⁱ⁾	723,586,201	723,363,313	222,888	723,523,362	723,127,566	395,796

- (i) FFO payout ratio is calculated as cash distributions declared divided by FFO.
(ii) Includes Trust Units and Exchangeable Units.

FFO as calculated on a proportionate share basis⁽¹⁾:

For the periods ended December 31 (\$ thousands)	Three Months			Year Ended		
	2022	2021	Change \$	2022	2021	Change \$
Net operating income, cash basis	\$ 238,819	\$ 238,674	\$ 145	\$ 941,935	\$ 937,499	\$ 4,436
Straight line rental revenue	1,496	1,131	365	4,627	10,104	(5,477)
Lease surrender revenue	11	1,840	(1,829)	2,575	4,363	(1,788)
Net operating income, accounting basis	\$ 240,326	\$ 241,645	\$ (1,319)	\$ 949,137	\$ 951,966	\$ (2,829)
Interest income	5,700	3,533	2,167	19,828	12,039	7,789
Investment income	5,165	—	5,165	15,495	—	15,495
Fee income	1,292	946	346	3,793	3,801	(8)
Net interest expense and other financing charges	(141,735)	(136,728)	(5,007)	(552,692)	(542,962)	(9,730)
Distributions on Exchangeable Units	73,221	73,221	—	292,884	292,884	—
Interest otherwise capitalized for development in equity accounted joint ventures	2,790	393	2,397	8,589	3,173	5,416
General and administrative expenses	(14,476)	(11,799)	(2,677)	(47,821)	(40,917)	(6,904)
Reversal of expected credit loss on mortgage receivable	—	1,026	(1,026)	—	1,502	(1,502)
Internal expenses for leasing	1,900	2,560	(660)	8,515	8,412	103
Funds from Operations	\$ 174,183	\$ 174,797	\$ (614)	\$ 697,728	\$ 689,898	\$ 7,830
FFO per Unit - diluted ⁽ⁱ⁾	\$ 0.241	\$ 0.242	\$ (0.001)	\$ 0.964	\$ 0.954	\$ 0.010
FFO payout ratio - diluted ⁽ⁱⁱ⁾	76.8 %	76.6 %	0.2 %	76.7 %	77.6 %	(0.9)%
Distribution declared per Unit	\$ 0.185	\$ 0.185	\$ —	\$ 0.740	\$ 0.740	\$ —
Weighted average Units outstanding - diluted	723,586,201	723,363,313	222,888	723,523,362	723,127,566	395,796

(i) FFO payout ratio is calculated as cash distributions declared divided by FFO.

(ii) Includes Trust Units and Exchangeable Units.

15.4 Adjusted Funds from Operations

The following table reconciles FFO to AFFO for the periods ended as indicated. Refer to Section 7, “Results of Operations - Segment Information” and Section 15, “Non-GAAP Financial Measures”, for further details about this non-GAAP measure.

For the periods ended December 31 (\$ thousands)	Three Months			Year Ended		
	2022	2021	Change \$	2022	2021	Change \$
Funds from Operations	\$ 174,183	\$ 174,797	(614)	\$ 697,728	\$ 689,898	\$ 7,830
Add (deduct) impact of the following:			—			
Internal expenses for leasing	(1,900)	(2,560)	660	(8,515)	(8,412)	(103)
Straight line rental revenue	(838)	(339)	(499)	(2,554)	(7,893)	5,339
Adjustment for proportionate share of straight line rental revenue from equity accounted joint ventures and financial real estate assets	(658)	(792)	134	(2,073)	(2,211)	138
Property capital	(35,456)	(41,073)	5,617	(70,937)	(60,012)	(10,925)
Direct leasing costs	(2,258)	(2,258)	—	(8,741)	(6,426)	(2,315)
Tenant improvements	(5,188)	(8,265)	3,077	(19,382)	(16,379)	(3,003)
Adjustment for proportionate share of operating capital expenditures from equity accounted joint ventures and financial real estate assets	(950)	(586)	(364)	(3,774)	(2,059)	(1,715)
Adjusted Funds from Operations	\$ 126,935	\$ 118,924	\$ 8,011	\$ 581,752	\$ 586,506	\$ (4,754)
AFFO per unit - diluted	\$ 0.175	\$ 0.164	\$ 0.011	\$ 0.804	\$ 0.811	\$ (0.007)
AFFO payout ratio - diluted ⁽ⁱ⁾	105.5 %	112.5 %	(7.0)%	92.0 %	91.2 %	0.8 %
Distribution declared per Unit	\$ 0.185	\$ 0.185	\$ —	\$ 0.740	\$ 0.740	\$ —
Weighted average Units outstanding - diluted ⁽ⁱⁱ⁾	723,586,201	723,363,313	222,888	723,523,362	723,127,566	395,796

(i) AFFO payout ratio is calculated as cash distributions declared divided by AFFO.

(ii) Includes Trust Units and Exchangeable Units.

15.5 Adjusted Cash Flow from Operations

The following table reconciles cash flows from operating activities, as determined in accordance with GAAP, to ACFO, for the periods ended as indicated. Refer to Section 4.7, “Adjusted Cash Flow from Operations” and Section 15, “Non-GAAP Financial Measures”, for further details about this non-GAAP measure.

For the periods ended December 31 (\$ thousands)	Three Months			Year Ended		
	2022	2021	Change \$	2022	2021	Change \$
Cash flows from operating activities	\$ 198,105	\$ 244,202	\$(46,097)	\$ 633,154	\$ 669,428	\$(36,274)
Net interest expense and other financing charges in excess of interest paid ⁽ⁱ⁾	(81,087)	(92,123)	11,036	(293,048)	(289,587)	(3,461)
Distributions on Exchangeable Units included in net interest expense and other financing charges	73,221	73,221	—	292,884	292,884	—
Interest and other income in excess of interest received ⁽ⁱ⁾	7,657	3,452	4,205	9,551	5,868	3,683
Interest otherwise capitalized for development in equity accounted joint ventures	2,790	393	2,397	8,589	3,173	5,416
Reversal of expected credit loss on mortgage receivable	—	1,026	(1,026)	—	1,502	(1,502)
Portion of internal expenses for leasing relating to development activity	950	1,280	(330)	4,258	4,206	52
Property capital expenditures on a proportionate share basis	(35,918)	(41,259)	5,341	(72,477)	(60,100)	(12,377)
Leasing capital expenditures on a proportionate share basis	(7,934)	(10,923)	2,989	(30,357)	(24,776)	(5,581)
Transaction costs and other related expenses	82	—	82	5,108	—	5,108
Adjustments for proportionate share of income from equity accounted joint ventures ⁽ⁱⁱ⁾	1,645	5,386	(3,741)	25,129	23,474	1,655
Adjustment for changes in non-cash working capital items not indicative of sustainable operating cash flows ⁽ⁱⁱⁱ⁾	(20,867)	(67,332)	46,465	6,357	(19,780)	26,137
Adjusted Cash Flow from Operations	\$ 138,644	\$ 117,323	\$21,321	\$ 589,148	\$ 606,292	\$(17,144)
Cash distributions declared	133,858	133,820	38	535,407	535,104	303
Cash retained after distributions	\$ 4,786	\$ (16,497)	\$21,283	\$ 53,741	\$ 71,188	\$(17,447)
ACFO payout ratio^(iv)	96.5 %	114.1 %	(17.6)%	90.9 %	88.3 %	2.6 %

- (i) The timing of the recognition of interest expense and income differs from the payment and collection. The ACFO calculations for the periods ended December 31, 2022 and December 31, 2021 were adjusted for this factor to make the periods more comparable⁽²⁾.
- (ii) Excludes adjustment to fair value of investment properties for equity accounted joint ventures.
- (iii) ACFO is adjusted each quarter for fluctuations in non-cash working capital due to the timing of transactions for realty taxes prepaid or payable, and prepaid insurance. The payments for these operating expenses tend to have quarterly, seasonal fluctuations that even out on an annual basis. ACFO is also adjusted each quarter to remove fluctuations in non-cash working capital, which are not related to sustainable operating activities.
- (iv) ACFO payout ratio is calculated as the cash distributions declared divided by the ACFO.

Based on the Real Property Association of Canada’s *Adjusted Cashflow from Operations (ACFO) for IFRS* issued in February 2019, Choice Properties adjusts ACFO for amounts included in the net change in non-cash working capital, a component of cash flows from operating activities, to eliminate fluctuations that are not indicative of sustainable cash available for distribution. The resulting remaining impacts on ACFO from changes in non-cash working capital are calculated below:

For the periods ended December 31 (\$ thousands)	Three Months			Year Ended		
	2022	2021	Change \$	2022	2021	Change \$
Net change in non-cash working capital ⁽ⁱ⁾	\$ 30,947	\$ 61,608	\$(30,661)	\$ (3,905)	\$ 26,865	\$(30,770)
Adjustment for changes in non-cash working capital items not indicative of sustainable operating cash flows	(20,867)	(67,332)	46,465	6,357	(19,780)	26,137
Net non-cash working capital increase included in ACFO	\$ 10,080	\$ (5,724)	\$ 15,804	\$ 2,452	\$ 7,085	\$(4,633)

- (i) As calculated and disclosed in the Trust’s consolidated financial statements.

15.6 Distribution Excess / Shortfall Analysis

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

For the periods ended December 31 (\$ thousands)	Three Months			Year Ended		
	2022	2021	Change \$	2022	2021	Change \$
Cash flows from operating activities	\$ 198,105	\$ 244,202	\$ (46,097)	\$ 633,154	\$ 669,428	\$ (36,274)
Less: Cash distributions declared	(133,858)	(133,820)	(38)	(535,407)	(535,104)	(303)
Excess (shortfall) of cash flows provided by operating activities over cash distributions declared	\$ 64,247	\$ 110,382	\$ (46,135)	\$ 97,747	\$ 134,324	\$ (36,577)

For the periods ended December 31 (\$ thousands)	Three Months			Year Ended		
	2022	2021	Change \$	2022	2021	Change \$
Net income (loss)	\$ (579,000)	\$ (163,087)	\$ (415,913)	\$ 744,253	\$ 23,008	\$ 721,245
Add: Distributions on Exchangeable Units included in net interest expense and other financing charges	73,221	73,221	—	292,884	292,884	—
Net income (loss) attributable to Unitholders excluding distributions on Exchangeable Units	(505,779)	(89,866)	(415,913)	1,037,137	315,892	721,245
Less: Cash distributions declared	(133,858)	(133,820)	(38)	(535,407)	(535,104)	(303)
Excess (shortfall) of net income (loss) attributable to Unitholders, less distributions on Exchangeable Units, over cash distributions declared	\$ (639,637)	\$ (223,686)	\$ (415,951)	\$ 501,730	\$ (219,212)	\$ 720,942

For the periods ended December 31 (\$ thousands)	Three Months			Year Ended		
	2022	2021	Change \$	2022	2021	Change \$
Adjusted Cash Flow from Operations ⁽¹⁾	\$ 138,644	117,323	\$ 21,321	\$ 589,148	\$ 606,292	\$ (17,144)
Less: Cash distributions declared	(133,858)	(133,820)	(38)	(535,407)	(535,104)	(303)
Excess (shortfall) of ACFO after distributions	\$ 4,786	\$ (16,497)	\$ 21,283	\$ 53,741	\$ 71,188	\$ (17,447)

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⁾.

15.7 Net Interest Expense and Other Financing Charges Reconciliation

The following tables reconcile net interest expense and other financing charges on a proportionate share basis⁽¹⁾ to net interest expense and other financing charges as determined in accordance with GAAP for the three months and year ended December 31, 2022 and 2021:

For the three months ended December 31 (\$ thousands)	2022			2021		
	Proportionate Share Basis ⁽¹⁾	Consolidation and eliminations ⁽ⁱ⁾	GAAP Basis	Proportionate Share Basis ⁽¹⁾	Consolidation and eliminations ⁽ⁱ⁾	GAAP Basis
Interest on senior unsecured debentures	\$ 50,873	\$ —	\$ 50,873	\$ 46,376	\$ —	\$ 46,376
Fees incurred on early repayment of debentures	—	—	—	1,512	—	1,512
Interest on mortgages and construction loans	16,280	(6,956)	9,324	14,193	(3,128)	11,065
Interest on credit facility	3,125	—	3,125	1,235	—	1,235
Subtotal (for use in Debt Service Coverage⁽¹⁾ calculation)	70,278	(6,956)	63,322	63,316	(3,128)	60,188
Distributions on Exchangeable Units ⁽ⁱⁱ⁾	73,221	—	73,221	73,221	—	73,221
Subtotal (for use in EBITDAFV⁽¹⁾ calculation)	143,499	(6,956)	136,543	136,537	(3,128)	133,409
Interest on right of use lease liability	22	—	22	35	—	35
Amortization of debt discounts and premiums	188	(71)	117	330	(88)	242
Amortization of debt placement costs	1,304	(6)	1,298	1,302	(1)	1,301
Capitalized interest	(3,278)	2,545	(733)	(1,476)	809	(667)
Net interest expense and other financing charges	\$ 141,735	\$ (4,488)	\$ 137,247	\$ 136,728	\$ (2,408)	\$ 134,320

(i) Reconciling items adjust Choice Properties' proportionate share of joint ventures to reflect the equity method of accounting under GAAP.

(ii) Represents interest on indebtedness due to related parties.

For the year ended December 31 (\$ thousands)	2022			2021		
	Proportionate Share Basis ⁽¹⁾	Consolidation and eliminations ⁽ⁱ⁾	GAAP Basis	Proportionate Share Basis ⁽¹⁾	Consolidation and eliminations ⁽ⁱ⁾	GAAP Basis
Interest on senior unsecured debentures	\$ 192,774	\$ —	\$ 192,774	\$ 186,671	\$ —	\$ 186,671
Fees incurred on early repayment of debentures	—	—	—	1,512	—	1,512
Interest on mortgages and construction loans	58,136	(19,008)	39,128	56,900	(10,640)	46,260
Interest on credit facility	8,839	—	8,839	4,275	—	4,275
Subtotal (for use in Debt Service Coverage⁽¹⁾ calculation)	259,749	(19,008)	240,741	249,358	(10,640)	238,718
Distributions on Exchangeable Units ⁽ⁱⁱ⁾	292,884	—	292,884	292,884	—	292,884
Subtotal (for use in EBITDAFV⁽¹⁾ calculation)	552,633	(19,008)	533,625	542,242	(10,640)	531,602
Interest on right of use lease liability	148	—	148	147	—	147
Amortization of debt discounts and premiums	1,217	(284)	933	936	(249)	687
Amortization of debt placement costs	5,263	(179)	5,084	4,806	(75)	4,731
Capitalized interest	(6,569)	3,636	(2,933)	(5,169)	2,527	(2,642)
Net interest expense and other financing charges	\$ 552,692	\$ (15,835)	\$ 536,857	\$ 542,962	\$ (8,437)	\$ 534,525

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

The following table reconciles net income, as determined in accordance with GAAP, to EBITDAFV for the periods ended as indicated. Refer to Section 15, “Non-GAAP Financial Measures”, for further details about this non-GAAP measure.

For the periods ended December 31 (\$ thousands)	Three Months			Year Ended		
	2022	2021	Change \$	2022	2021	Change \$
Net income (loss)	\$ (579,000)	\$ (163,087)	\$ (415,913)	\$ 744,253	\$ 23,008	\$ 721,245
Transaction costs and other related expenses	82	—	82	5,108	—	5,108
Adjustment to fair value of unit-based compensation	2,665	(666)	3,331	1,191	1,580	(389)
Adjustment to fair value of Exchangeable Units	858,857	372,039	486,818	(170,188)	862,815	(1,033,003)
Adjustment to fair value of investment properties	(193,370)	(96,275)	(97,095)	(113,115)	(458,817)	345,702
Adjustment to fair value of investment property held in equity accounted joint ventures and financial real estate assets	(13,877)	(12,952)	(925)	(328,738)	(43,478)	(285,260)
Adjustment to fair value of investment in real estate securities	20,784	—	20,784	248,346	—	248,346
Interest expense ⁽ⁱ⁾	143,499	136,537	6,962	552,633	542,242	10,391
Amortization of other assets	286	410	(124)	1,201	1,294	(93)
Amortization of intangible assets	250	250	—	1,000	1,000	—
Income tax recovery	(119)	(686)	567	(117)	(679)	562
Earnings Before Interest, Taxes, Depreciation, Amortization and Fair Value (EBITDAFV)	\$ 240,057	\$ 235,570	\$ 4,487	\$ 941,574	\$ 928,965	\$ 12,609

(i) As calculated in Section 15.7, “Net Interest Expense and Other Financing Charges Reconciliation”.

15.9 Selected Information For Comparative Purposes

The following table reconciles net income, as determined in accordance with GAAP, to Funds from Operations for the periods ended as indicated. Refer to Section 7, “Results of Operations - Segment Information” and Section 15, “Non-GAAP Financial Measures”, for further details about this non-GAAP measure.

	Fourth Quarter 2022	Third Quarter 2022	Second Quarter 2022	First Quarter 2022	Fourth Quarter 2021	Third Quarter 2021	Second Quarter 2021	First Quarter 2021	Year Ended 2020
Net income (loss)	\$ (579,000)	\$ 948,077	\$ (11,810)	\$ 386,986	\$ (163,087)	\$ 163,672	\$ 84,621	\$ (62,198)	\$ 450,685
Amortization of intangible assets	250	250	250	250	250	250	250	250	1,000
Foreign exchange gain reclassified from other comprehensive income	—	—	—	—	—	—	—	—	(1,184)
Transaction costs and other related expenses	82	13	(223)	5,236	—	—	—	—	1,589
Adjustment to fair value of unit-based compensation and other fair value gains (losses), net	2,665	(476)	(2,064)	1,066	(666)	(159)	2,882	(477)	(2,210)
Adjustment to fair value of Exchangeable Units	858,857	(577,848)	(569,933)	118,736	372,039	(15,831)	288,924	217,683	(354,286)
Adjustment to fair value of investment properties	(193,370)	(141,277)	523,775	(302,243)	(96,275)	(34,944)	(268,855)	(58,743)	220,018
Adjustment to fair value of investment property held in equity accounted joint ventures	(13,877)	(202,968)	(1,456)	(110,437)	(12,952)	(16,428)	(11,946)	(2,152)	36,819
Adjustment to fair value of investment in real estate securities	20,784	68,847	158,715	—	—	—	—	—	—
Interest otherwise capitalized for development in equity accounted joint ventures	2,790	3,071	2,488	240	393	815	944	1,021	5,112
Exchangeable Units distributions	73,221	73,221	73,221	73,221	73,221	73,221	73,221	73,221	288,932
Internal expenses for leasing	1,900	2,213	2,323	2,079	2,560	2,055	1,801	1,996	7,329
Income tax recovery (expense)	(119)	(4)	4	2	(686)	—	—	7	(1,797)
Funds from Operations	\$ 174,183	\$ 173,119	\$ 175,290	\$ 175,136	\$ 174,797	\$ 172,651	\$ 171,842	\$ 170,608	\$ 652,007
FFO per Unit - diluted	\$ 0.241	\$ 0.239	\$ 0.242	\$ 0.242	\$ 0.242	\$ 0.239	\$ 0.238	\$ 0.236	\$ 0.921
FFO payout ratio - diluted ⁽ⁱ⁾	76.8 %	77.3 %	76.4 %	76.4 %	76.6 %	77.5 %	77.8 %	78.4 %	80.5 %
Distribution declared per Unit	\$ 0.185	\$ 0.185	\$ 0.185	\$ 0.185	\$ 0.185	\$ 0.185	\$ 0.185	\$ 0.185	\$ 0.740
Weighted average Units outstanding - diluted ⁽ⁱⁱ⁾	723,586,201	723,577,162	723,593,236	723,466,930	723,363,313	723,346,150	723,265,565	722,930,485	707,764,714

(i) FFO payout ratio is calculated as cash distributions declared divided by FFO.

(ii) Includes Trust Units and Exchangeable Units.

The following table reconciles FFO to AFFO for the periods ended as indicated. Refer to Section 7, “Results of Operations - Segment Information” and Section 15, “Non-GAAP Financial Measures”, for further details about this non-GAAP measure.

	Fourth Quarter 2022	Third Quarter 2022	Second Quarter 2022	First Quarter 2022	Fourth Quarter 2021	Third Quarter 2021	Second Quarter 2021	First Quarter 2021	Year Ended 2020
Funds from Operations	\$ 174,183	\$173,119	\$175,290	\$175,136	\$174,797	\$172,651	\$171,842	\$170,608	\$ 652,007
Internal expenses for leasing	(1,900)	(2,213)	(2,323)	(2,079)	(2,560)	(2,055)	(1,801)	(1,996)	(7,329)
Straight line rental revenue	(838)	(995)	(210)	(511)	(339)	(419)	(2,658)	(4,477)	(13,946)
Adjustment for proportionate share of straight line rental revenue from equity accounted joint ventures and financial real estate assets	(658)	(475)	(541)	(399)	(792)	(767)	(306)	(346)	(2,167)
Property capital	(35,456)	(30,119)	(2,998)	(2,364)	(41,073)	(13,975)	(2,280)	(2,684)	(33,112)
Direct leasing costs	(2,258)	(3,326)	(1,358)	(1,799)	(2,258)	(1,272)	(1,852)	(1,044)	(6,519)
Tenant improvements	(5,188)	(4,757)	(3,320)	(6,117)	(8,265)	(208)	(3,644)	(4,262)	(19,269)
Adjustment for proportionate share of operating capital expenditures from equity accounted joint ventures and financial real estate assets	(950)	(874)	(832)	(1,118)	(586)	(389)	(601)	(483)	(3,196)
Adjusted Funds from Operations	\$126,935	\$130,360	\$163,708	\$160,749	\$118,924	\$153,566	\$158,700	\$155,316	\$ 566,469
AFFO per unit - diluted	\$ 0.175	\$0.180	\$0.226	\$0.222	\$0.164	\$0.212	\$0.219	\$0.215	\$ 0.800
Cash distributions declared	133,858	133,856	133,857	133,836	133,820	133,811	133,767	133,706	524,732
AFFO payout ratio - diluted ⁽ⁱ⁾	105.5 %	102.7%	81.8%	83.0%	112.5%	87.1%	84.3%	86.1%	92.6 %
Weighted average Units outstanding - diluted ⁽ⁱⁱ⁾	723,586,201	723,577,162	723,593,236	723,466,930	723,363,313	723,346,150	723,265,565	722,930,485	707,764,714

(i) AFFO payout ratio is calculated as cash distributions declared divided by AFFO.

(ii) Includes Trust Units and Exchangeable Units.

Components of certain financial leverage ratios The following table includes the denominator applied to the calculation of Total Adjusted Debt to Total Assets ratio and Debt Service Coverage Ratios for the periods indicated. Refer to section 4.4 “Financial Condition” and Section 15, “Non-GAAP Financial Measures” for further details about this non-GAAP measure.

	Fourth Quarter 2022	Third Quarter 2022	Second Quarter 2022	First Quarter 2022	Fourth Quarter 2021	Third Quarter 2021	Second Quarter 2021	First Quarter 2021	Year Ended 2020
Total Assets - Proportionate Basis	\$ 17,349,387	\$ 16,941,805	\$ 16,676,996	\$ 16,910,210	\$ 16,664,782	\$ 16,599,779	\$ 16,395,858	\$ 16,146,949	\$ 16,037,280
Debt Service Coverage Ratio - Denominator	\$ 78,148	\$ 76,253	\$ 70,330	\$ 68,639	\$ 72,362	\$ 71,063	\$ 72,830	\$ 71,356	\$ 300,052

Financial Statements

Mount Pleasant Village
Brampton, ON



Financial Results

Consolidated Balance Sheets	118
Consolidated Statements of Income and Comprehensive Income	119
Consolidated Statements of Changes in Equity	120
Consolidated Statements of Cash Flows	121
Notes to the Consolidated Financial Statements	122
Note 1. Nature and Description of the Trust	122
Note 2. Significant Accounting Policies	122
Note 3. Critical Accounting Judgments and Estimates	132
Note 4. Investment Property and Other Transactions	133
Note 5. Investment Properties	136
Note 6. Equity Accounted Joint Ventures	139
Note 7. Co-Ownership Property Interests	141
Note 8. Financial Real Estate Assets	141
Note 9. Residential Development Inventory	141
Note 10. Mortgages, Loans and Notes Receivable	142
Note 11. Investment in Real Estate Securities	144
Note 12. Intangible Assets	144
Note 13. Accounts Receivable and Other Assets	145
Note 14. Long Term Debt	146
Note 15. Credit Facility	148
Note 16. Unitholders' Equity	149
Note 17. Income Taxes	150
Note 18. Trade Payables and Other Liabilities	151
Note 19. Unit-Based Compensation	152
Note 20. Rental Revenue	155
Note 21. Property Operating Costs	155
Note 22. Interest Income	156
Note 23. Fee Income	156
Note 24. Net Interest Expense and Other Financing Charges	156
Note 25. General and Administrative Expenses	157
Note 26. Financial Risk Management	157
Note 27. Financial Instruments	159
Note 28. Capital Management	160
Note 29. Supplemental Cash Flow Information	161
Note 30. Segment Information	162
Note 31. Contingent Liabilities and Financial Guarantees	163
Note 32. Related Party Transactions	164
Note 33. Subsequent Events	167

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. 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 for providing 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. PricewaterhouseCoopers 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 trustees 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, 2023

[signed]

Rael Diamond

President and Chief Executive Officer

[signed]

Mario Barrafato

Chief Financial Officer



Independent auditor's report

To the Unitholders of Choice Properties Real Estate Investment Trust

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Choice Properties Real Estate Investment Trust and its subsidiaries (together, the Trust) as at December 31, 2022 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Trust's consolidated financial statements comprise:

- the consolidated balance sheet as at December 31, 2022;
- the consolidated statement of income and comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence

We are independent of the Trust in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

PricewaterhouseCoopers LLP
PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2
T: +1 416 863 1133, F: +1 416 365 8215

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter

How our audit addressed the key audit matter

Valuation of investment properties

Refer to note 2 – significant accounting policies, note 3 – critical accounting judgments and estimates and note 5 – investment properties to the consolidated financial statements.

The Trust measures its income producing properties at fair value and, as at December 31, 2022, these assets were valued at \$14.4 billion. The fair values of these assets are prepared by the Trust's internal valuations team and reviewed by management. As part of Management's internal valuation program, the Trust considers external valuations performed by independent national real estate valuation firms for a cross-section of properties that represent different geographical locations and asset classes across the Trust's portfolio. Income producing properties are valued using the discounted cash flow method. The significant assumptions under this method include the discount rates and terminal capitalization rates applicable to those assets.

We considered this a key audit matter due to (i) significant audit effort required to assess the fair values of income producing properties; (ii) critical judgments by management when determining the fair values of the income producing properties, including the development of the significant assumptions; and (iii) a high degree of complexity in assessing audit evidence related to the significant assumptions developed by management. In addition, the audit effort involved the use of professionals with specialized

Our approach to addressing the matter included the following procedures, among others:

- Developed a point estimate of the fair value of each individual income producing property using external market data and compared each independent point estimate to management's estimate of each property to evaluate the reasonableness of management's estimate.
- For the individual estimates that fell outside of the expected range established from the point estimate, we tested how management determined the fair value estimate of the income producing property, which included the following:
 - Evaluated the appropriateness of the valuation methodology used.
 - Evaluated the reasonableness of the discount rates and terminal capitalization rates by comparing to externally available market data. For certain properties, professionals with specialized skill and knowledge in the field of real estate valuations assisted in evaluating the reasonableness of the discount rates and terminal capitalization rates.
 - Tested the underlying data used in the discounted cash flow method.



Key audit matter

How our audit addressed the key audit matter

skill and knowledge in the field of real estate valuations.

Comparative information

The consolidated financial statements of the Trust for the year ended December 31, 2021 were audited by another auditor who expressed an unmodified opinion on those statements on February 16, 2022.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis and the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report.

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

Those charged with governance are responsible for overseeing the Trust's financial reporting process.



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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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



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

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

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

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

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
February 15, 2023

Choice Properties Real Estate Investment Trust
Consolidated Balance Sheets

(in thousands of Canadian dollars)	Note	As at	
		December 31, 2022	December 31, 2021
Assets			
Investment properties	5	\$ 14,444,000	\$ 14,930,000
Equity accounted joint ventures	6	995,822	564,378
Financial real estate assets	8	109,509	86,603
Residential development inventory	9	18,785	10,142
Mortgages, loans and notes receivable	10	680,475	354,901
Investment in real estate securities	11	302,314	—
Intangible assets	12	21,369	28,000
Accounts receivable and other assets	13	132,117	114,275
Assets held for sale	5	50,400	—
Cash and cash equivalents	29 (c)	64,736	84,304
Total Assets		\$ 16,819,527	\$ 16,172,603
Liabilities and Equity			
Long term debt	14	\$ 6,294,101	\$ 6,230,010
Credit facility	15	257,617	—
Exchangeable Units	16	5,841,809	6,011,997
Trade payables and other liabilities	18	601,847	620,405
Total Liabilities		12,995,374	12,862,412
Equity			
Unitholders' equity	16	3,824,153	3,310,191
Total Equity		3,824,153	3,310,191
Total Liabilities and Equity		\$ 16,819,527	\$ 16,172,603

Contingent Liabilities and Financial Guarantees (Note 31)
Subsequent Events (Note 33)
See accompanying notes to the consolidated financial statements

Approved on behalf of the Board of Trustees

[signed]

Gordon A. M. Currie

Chair, Board of Trustees

[signed]

Karen Kinsley

Chair, Audit Committee

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

(in thousands of Canadian dollars)	Note	Year Ended	
		December 31, 2022	December 31, 2021
Net Rental Income			
Rental revenue	20	\$ 1,264,594	\$ 1,292,321
Property operating costs	21	(363,953)	(380,306)
		900,641	912,015
Other Income and Expenses			
Interest income	22	27,360	20,079
Investment income	11	15,495	—
Fee income	23	3,793	3,801
Net interest expense and other financing charges	24	(536,857)	(534,525)
General and administrative expenses	25	(47,821)	(40,917)
Reversal of expected credit loss on mortgage receivable	10	—	1,502
Share of income from equity accounted joint ventures	6	353,867	66,952
Amortization of intangible assets	12	(1,000)	(1,000)
Transaction costs and other related expenses	4	(5,108)	—
Adjustment to fair value of unit-based compensation		(1,191)	(1,580)
Adjustment to fair value of Exchangeable Units	16	170,188	(862,815)
Adjustment to fair value of investment properties	5	113,115	458,817
Adjustment to fair value of investment in real estate securities	11	(248,346)	—
Income before income taxes		744,136	22,329
Income tax recovery	17	117	679
Net Income		\$ 744,253	\$ 23,008
Net Income		\$ 744,253	\$ 23,008
Other Comprehensive Income			
Unrealized gain on designated hedging instruments	27	11,568	6,343
Other comprehensive income		11,568	6,343
Comprehensive Income		\$ 755,821	\$ 29,351

See accompanying notes to the consolidated financial statements

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

(in thousands of Canadian dollars)	Note	Attributable to Choice Properties' Unitholders						
		Trust Units	Cumulative net income	Accumulated other comprehensive income	Cumulative distributions to Unitholders	Total Unitholders' equity	Non-controlling interests	Total equity
Equity, December 31, 2021		\$ 3,660,941	\$ 834,742	\$ 1,357	\$ (1,186,849)	\$ 3,310,191	\$ —	\$ 3,310,191
Net Income		—	744,253	—	—	744,253	—	744,253
Other comprehensive income		—	—	11,568	—	11,568	—	11,568
Distributions		—	—	—	(242,523)	(242,523)	—	(242,523)
Units issued under unit-based compensation arrangements	16	2,776	—	—	—	2,776	—	2,776
Reclassification of vested Unit-Settled Restricted Units liability to equity	16	1,337	—	—	—	1,337	—	1,337
Units repurchased for unit-based compensation arrangements	16	(3,449)	—	—	—	(3,449)	—	(3,449)
Equity, December 31, 2022		\$ 3,661,605	\$ 1,578,995	\$ 12,925	\$ (1,429,372)	\$ 3,824,153	\$ —	\$ 3,824,153

(in thousands of Canadian dollars)	Note	Attributable to Choice Properties' Unitholders						
		Trust Units	Cumulative net income	Accumulated other comprehensive income (loss)	Cumulative distributions to Unitholders	Total Unitholders' equity	Non-controlling interests	Total equity
Equity, December 31, 2020		\$ 3,652,620	\$ 811,734	\$ (4,986)	\$ (944,629)	\$ 3,514,739	\$ 7,801	\$ 3,522,540
Net Income		—	23,008	—	—	23,008	—	23,008
Other comprehensive income		—	—	6,343	—	6,343	—	6,343
Distributions		—	—	—	(242,220)	(242,220)	—	(242,220)
Units issued under unit-based compensation arrangements	16	9,332	—	—	—	9,332	—	9,332
Reclassification of vested Unit-Settled Restricted Units liability to equity	16	1,548	—	—	—	1,548	—	1,548
Units repurchased for unit-based compensation arrangements	16	(2,559)	—	—	—	(2,559)	—	(2,559)
Distribution to non-controlling interests		—	—	—	—	—	(7,801)	(7,801)
Equity, December 31, 2021		\$ 3,660,941	\$ 834,742	\$ 1,357	\$ (1,186,849)	\$ 3,310,191	\$ —	\$ 3,310,191

See accompanying notes to the consolidated financial statements

Choice Properties Real Estate Investment Trust
Consolidated Statements of Cash Flows

(in thousands of Canadian dollars)	Note	Year Ended	
		December 31, 2022	December 31, 2021
Operating Activities			
Net income		\$ 744,253	\$ 23,008
Net interest expense and other financing charges	24	536,857	534,525
Interest paid		(243,809)	(244,938)
Interest income	22	(27,360)	(20,079)
Interest received		17,809	14,211
Share of (income) from equity accounted joint ventures	6	(353,867)	(66,952)
Additions to residential inventory	9	(8,285)	—
Items not affecting cash and other items	29 (a)	(28,539)	402,788
Net change in non-cash working capital	29 (b)	(3,905)	26,865
Cash Flows from Operating Activities		633,154	669,428
Investing Activities			
Acquisitions of investment properties	4	(162,978)	(54,939)
Acquisitions of financial real estate assets	4,8	(15,054)	(11,952)
Additions to investment properties	5	(179,747)	(138,070)
Additions to financial real estate assets	8	(4,552)	(540)
Contributions to equity accounted joint ventures	6	(126,911)	(152,805)
Distributions from equity accounted joint ventures	6	68,076	124,751
Mortgages, loans and notes receivable advances	10	(340,702)	(233,460)
Mortgages, loans and notes receivable repayments	10	35,857	148,571
Proceeds from dispositions	4	109,281	254,322
Cash Flows from (used in) Investing Activities		(616,730)	(64,122)
Financing Activities			
Proceeds from issuance of debentures, net	14	497,179	348,230
Repayments of debentures	14	(300,000)	(500,000)
Net advances (repayments) of mortgages payable	14	(148,759)	(95,258)
Net advances (repayments) on construction loans	14	26,308	(12,287)
Net advances of credit facility	15	260,000	—
Payment of credit facility extension fee	15	(677)	(1,832)
Cash received on exercise of options	19	2,610	7,983
Cash paid on vesting of restricted and performance units		(4,689)	(1,736)
Repurchase of Units for unit-based compensation arrangement	16	(3,449)	(2,559)
Distributions paid on Exchangeable Units		(122,035)	(220,741)
Distributions paid on Trust Units		(242,480)	(242,220)
Distribution to non-controlling interests		—	(7,801)
Cash Flows from (used in) Financing Activities		(35,992)	(728,221)
Change in cash and cash equivalents		(19,568)	(122,915)
Cash and cash equivalents, beginning of period		84,304	207,219
Cash and Cash Equivalents, End of Period		\$ 64,736	\$ 84,304

Supplemental disclosure of non-cash operating activities (Note 29)
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 amended and restated as of April 30, 2021, as may be amended from time to time (the “Declaration of Trust”). Choice Properties, Canada’s preeminent diversified real estate investment trust, is the owner, manager and developer of a high-quality portfolio of commercial retail, industrial, mixed-use and residential properties across Canada. The principal, registered, and head office of Choice Properties is located at 22 St. Clair Avenue East, Suite 700, Toronto, Ontario, M4T 2S5. Choice Properties’ trust units (“Trust Units” or “Units”) are listed on the Toronto Stock Exchange (“TSX”) 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”). Pursuant to a reorganization transaction on November 1, 2018, Loblaw spun out its 61.6% effective interest in Choice Properties to George Weston Limited (“GWL”). As at December 31, 2022, GWL held either directly or indirectly, a 61.7% effective interest in Choice Properties. Choice Properties’ ultimate parent is Wittington Investments, Limited (“Wittington”).

The principal 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 CPH Master Limited Partnership (“CPH Master LP”).

Note 2. Significant Accounting Policies

a. Statement of Compliance

The consolidated financial statements of Choice Properties are prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS”) and using the accounting policies described herein. These consolidated financial statements were authorized for issuance by the Choice Properties Board of Trustees (“Board”) on February 15, 2023.

b. Basis of Preparation

The consolidated financial statements are prepared on a historical cost basis except for investment properties (Note 5), financial real estate assets (Note 8), investment in real estate securities (Note 11), Class B LP Units (the “Exchangeable Units”) which are exchangeable for Trust Units at the option of the holder (Note 16), liabilities for unit-based compensation arrangements (Note 19) and certain financial instruments (Note 27) that have been measured at fair value. The consolidated financial statements are presented in Canadian dollars, which is the Trust’s functional currency.

The Trust presents its consolidated balance sheet based on the liquidity method, whereby all assets and liabilities are presented in ascending order of liquidity, while the notes to the consolidated financial statements distinguish between current and non-current assets and liabilities. Choice Properties considers this presentation to be reliable and more relevant to the Trust’s business.

c. Basis of Consolidation

The consolidated financial statements include the accounts of Choice Properties and other entities controlled by the Trust (its subsidiaries). Control is achieved 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.

Consolidation of a subsidiary begins when the Trust obtains control over the subsidiary and ceases when the Trust loses control of the subsidiary. Income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statements of income and comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

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. Changes in the Trust’s ownership interests in subsidiaries that do not result in the Trust losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Trust’s interests and any non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the Unitholders of the Trust. When the Trust loses control of a subsidiary, for example through sale or partial sale, a gain or loss is recognized and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary and any non-controlling interests.

d. Business Combinations

When an investment is acquired, the Trust considers the substance of the assets and activities of the acquisition in determining whether the acquisition represents an asset acquisition or a business combination. The transaction is considered to be a business combination if the acquired investment meets the definition of a business in accordance with IFRS 3, "Business Combinations", being an integrated set of activities and assets that are capable of being managed for the purposes of providing a return to Unitholders.

The acquisition of a business is accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred at fair value on the date of acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair value at the acquisition date. Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Acquisition-related costs are expensed in the period as incurred.

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

e. 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 investments in joint ventures are recorded using the equity method and are 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 or loss 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 joint ventures 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 accounts for its interests in joint operations by recognizing its proportionate share of jointly controlled assets, liabilities, revenues and expenses.

f. 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. The Trust accounts for its investment properties in accordance with International Accounting Standard ("IAS") 40, "Investment Properties". Additionally, an investment property held under a lease is classified as investment property if it meets the definition of investment property. At the inception of the lease the investment property is recognized at the present value of the future minimum lease payments and an equivalent amount is recognized as a lease obligation.

Subsequent to initial recognition, investment properties are measured at fair value in accordance with the valuation policy discussed in Note 5. Gains and losses arising from changes in the fair value of investment properties are included in the consolidated statements of income and comprehensive income in the period in which they arise. Investment properties are derecognized when disposed.

Income Producing Properties

Additions to income producing properties are expenditures incurred for the expansion and/or redevelopment of existing income producing properties that result in additional gross leasable area and are considered revenue producing capital expenditures. Extending and improving the productive capacity of leasable area of existing income producing properties owned by the Trust requires significant on-going capital expenditures. The Trust considers these on-going capital expenditures to be the following:

- Property capital: Major expenditures such as parking lot resurfacing and roof replacements which are significant items of improvement incurred pursuant to a capital plan are capitalized and recoverable from tenants under the terms of their leases over the useful life of the improvements. All other repair and maintenance costs are expensed when incurred.
- Direct leasing costs: These include direct third-party brokerage fees incurred in the successful negotiation of a lease.
- Tenant improvement allowances: Amounts expended to meet the Trust's lease obligations are characterized as either tenant improvements, which are owned by the Trust, or tenant inducements. An expenditure is determined to be a tenant improvement when it primarily benefits and/or is owned by the Trust. In such circumstances, the Trust is considered to have acquired an asset which is recorded as an addition to income producing properties. Tenant inducements are amortized on a straight-line basis over the term of the lease as a reduction of revenue.

Properties Under Development

The cost of land and buildings under development (consisting of commercial development sites, density or intensification rights and related infrastructure) are specifically identifiable costs incurred in the period before construction is complete. 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.

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 if there is a prolonged period where development activity is interrupted. 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.

Properties under development are transferred to income producing properties at their fair value upon practical completion. The Trust considers practical completion to have occurred when the property is capable of operating in the manner intended by management.

g. Residential Development Inventory

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

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

Transfers between residential inventory and investment property occur when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property based on management's intentions and there is observable evidence of a change in use.

h. Assets Held for Sale

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

i. Financial Instruments

Financial assets and liabilities are recognized when Choice Properties becomes a party to the contractual provision of the financial instrument.

Classification and Measurement

Financial assets are classified and measured based on three categories: amortized cost, fair value through other comprehensive income ("FVOCI"), and fair value through profit or loss ("FVTPL"). Financial liabilities are classified and measured based on two categories: amortized cost or FVTPL. Derivatives embedded in contracts where the host is a financial asset in the scope of IFRS 9, "Financial Instruments" ("IFRS 9"), are not separated, but the hybrid financial instrument as a whole is assessed for classification.

The classification and measurement of financial assets based on the Trust's business model for managing these financial assets and their contractual cash flow characteristics, is summarized as follows:

- Assets held for the purpose of collecting contractual cash flows that represent solely payments of principal and interest ("SPPI") are measured at amortized cost;
- Assets held within a business model where assets are held for both the purpose of collecting contractual cash flows and selling financial assets prior to maturity, and the contractual cash flows represent solely payments of principal and interest, are measured at FVOCI; and
- Assets held within another business model or assets that do not have contractual cash flow characteristics that are SPPI are measured at FVTPL.

Financial assets are not reclassified subsequent to their initial recognition, unless the Trust identifies changes in its business model in managing financial assets and would reassess the classification of financial assets. All financial liabilities are measured subsequently at amortized cost using the effective interest method or at FVTPL.

Notes to the Consolidated Financial Statements

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

Asset/Liability	Classification and Measurement Basis
Accounts receivable	Amortized cost
Mortgages, loans and notes receivable - SPPI	Amortized cost
Mortgages, loans and notes receivable - FVTPL	FVTPL
Financial real estate assets	FVTPL
Investment in real estate securities	FVTPL
Cash and cash equivalents	Amortized cost
Long term debt:	
Senior unsecured debentures	Amortized cost
Mortgages payable	Amortized cost
Construction loans	Amortized cost
Credit facility	Amortized cost
Trade payables and other liabilities	Amortized cost
Derivative instruments designated as hedge	FVOCI
Derivative instruments not designated as hedge	FVTPL
Exchangeable Units	FVTPL

Impairment

An allowance for expected credit losses (“ECL”) is recognized at each balance sheet date for all financial assets measured at amortized cost or those measured at FVOCI, except for investments in equity instruments. The ECL model requires considerable judgment, including consideration of how changes in economic factors affect ECLs, which are determined on a probability-weighted basis.

Impairment losses, if incurred, would be recorded as expenses in the consolidated statements of income and comprehensive income with the carrying amount of the financial asset 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 conditions and changes in factors occurring after the impairment was initially recognized, the previously recognized impairment loss would be reversed through the consolidated statements of income and comprehensive income. The impairment reversal would be 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.

Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Trust takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such basis, unless otherwise noted.

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 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
- 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 FVTPL which are expensed as incurred, are capitalized to the carrying amount of the instrument and amortized using the effective interest method.

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
Financial real estate assets	Fair value is determined based on valuation methodology described in Note 5.
Mortgages, loans and notes receivable	The fair value of each mortgage, loan and note receivable is based on the current market conditions for financing with similar terms and risks.
Investment in real estate securities	Fair value is based on closing market trading price of Allied Properties Real Estate Investment Trust ("Allied").
Accounts receivable, cash and cash equivalents, and trade payables and other liabilities	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, Trustee Deferred Units and Exchangeable Units	Fair value is based on closing market trading price of Choice Properties' Units.
Unit-Settled Restricted Units ("URU")	Fair value of each grant is measured based on the market value of a Unit at the balance sheet date, less a discount to account for the vesting and holding period restriction placed on the URUs.
Long term debt	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.

Derecognition 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.

j. Mortgages, Loans and Notes Receivable

The Trust's mortgages, loans and notes receivable are classified into two categories: (1) those held for the purpose of collecting contractual cash flows that represent SPPI and are classified and measured at amortized cost; and (2) those that do not meet the SPPI criteria that are classified and measured at FVTPL.

Interest income for mortgages and loans receivable is recognized using the effective interest method. At the end of each reporting period management reviews its SPPI mortgages, loans and notes receivable to determine whether there is an event or change in circumstance that indicates a possible impairment loss. If such indication exists, the recoverable amount of the asset is estimated in order to measure any impairment loss and an allowance for expected credit losses is recorded.

An impairment indicator is present when there is objective evidence of impairment as a result of one or more events, such as a deterioration in the credit quality of the borrower to the extent that there is a reasonable doubt as to the timely collection of the principal and interest. An impairment loss is recognized if the present value of estimated future cash flows discounted at the original effective interest rate inherent in the loan is less than its carrying value and is measured as the difference between the two amounts. When the amounts and timing of future cash flows cannot be estimated with reasonable reliability, impairment is recognized if either (a) the fair value of the underlying security, net of any realization costs and amounts legally required to be paid to the borrowers, or (b) the observable market price for the loan, is less than the carrying value. The valuation of such amounts is subjective and is based upon assumptions regarding market conditions that could differ materially from actual results in future periods.

k. Intangible Assets

Intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

l. Rent Receivables

Rent receivables are recognized initially at fair value, subsequently at amortized cost and, where relevant, adjusted for the time value of money. The Trust assesses on a forward-looking basis the expected credit losses associated with its rent receivables. A recognition of a loss allowance is made for the lifetime expected credit losses on initial recognition of the receivable. In determining the expected credit losses the Trust takes into account any recent payment behaviours and future expectations of likely default events. These assessments are made on a tenant-by-tenant basis.

m. Leases

As lessee

The Trust acting as lessee recognizes a right-of-use asset and a lease liability for all leases with a term of more than 12 months, unless the underlying asset is of low value.

Right-of-use assets

The Trust recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated amortization and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are amortized on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

Lease liabilities

At the commencement date of the lease, the Trust recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Trust and payments of penalties for terminating the lease, if the lease term reflects the Trust exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as rental revenue in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Trust uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset. IFRS 16, "Leases" ("IFRS 16") requires certain adjustments to be expensed, while others are added to the cost of the related right-of-use asset.

As lessor

When the Trust acts as a lessor, it determines and classifies each lease as a finance lease or operating lease at the lease commencement date.

When a lease transfers to the lessee substantially all the risk and rewards of ownership incidental to the ownership of the underlying asset, the lease is classified as a finance lease; otherwise, the lease is classified as an operating lease. To make this assessment, the Trust considers certain indicators including whether the lease is for the major part of the economic life of the asset or the present value of lease payments is substantially all the fair value of the underlying asset.

The majority of the lease agreements entered into by the Trust as a lessor are classified as operating leases. The Trust's policy for these leases are discussed further in the accounting policy for revenue recognition.

At the commencement date of a finance lease, the Trust recognizes a lease receivable at the amount of its net investment in the lease, which is measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments, variable lease payments that depend on an index or a rate and amounts expected to be paid under residual value guarantees, less any lease incentives payable. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the lessee and payments of penalties for terminating a lease, if the lease term reflects the lessee exercising the option to terminate. The variable lease payments

that do not depend on an index or a rate are recognized as rental revenue in the period on which the event or condition that triggers the payment occurs.

n. Cash and Cash Equivalents

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

o. Financial Derivative Instruments

The Trust does not use derivative instruments for speculative purposes. Any embedded derivative instruments that may be identified are separated from their host contract and recorded on the consolidated balance sheet at fair value. Derivative instruments are recorded in current or non-current assets and liabilities based on their remaining terms to maturity. All changes in fair values of the derivative instruments are recorded in net earnings unless the derivative qualifies and is effective as a hedging item in a designated hedging relationship. The Trust has cash flow hedges which are used to manage exposure to fluctuations in interest rates. The effective portion of the change in fair value of the hedging item is recorded in other comprehensive income. If the change in fair value of the hedging item is not completely offset by the change in fair value of the hedged item, the ineffective portion of the hedging relationship is recorded in net income. Amounts accumulated in other comprehensive income are reclassified to net earnings when the hedged item is recognized in net income.

p. 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 (the "Exchangeable Units"). GWL holds all the Exchangeable Units. These Exchangeable Units are considered puttable instruments and are required to be classified as financial liabilities at FVTPL. Distributions paid on the Exchangeable Units are accounted for as interest expense.

q. Trust Units

With certain restrictions, the Units of Choice Properties 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.

r. Revenue Recognition

Property Rental Revenue

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. The Trust commences revenue recognition on its leases based on a number of factors. In most cases, revenue recognition under a lease begins when the tenant takes possession of, or controls, the physical use of the leased property. Generally, this occurs on the later of the lease commencement date, or when the Trust is required to make additions to the leased property in the form of tenant improvements, upon substantial completion of such additions.

The Trust's revenues are earned from lease contracts with tenants and include both a lease component and a non-lease component. The Trust recognizes revenue from lease components on a straight-line basis over the lease term, including the recovery of property taxes and insurance, which is included in revenue in the consolidated statements of income and comprehensive income due to its operating nature, except for contingent rental income which is recognized when it arises. An accrued straight-line rent receivable is recorded from tenants for the difference between the straight-line rent and the rent that is contractually due from the tenant.

The lease agreements include certain services offered to tenants such as cleaning, utilities, security, landscaping, snow removal, property maintenance costs, as well as other support services. The consideration charged to tenants for these services includes fees charged based on a percentage of the rental income and reimbursement of certain expenses incurred. The Trust has determined that these services constitute a distinct non-lease component (transferred separately from the right to use the underlying asset) and are within the scope of IFRS 15, "Revenue from Contracts with Customers" ("IFRS 15"). These property management services are considered one performance obligation, meeting the criteria for over time recognition and are recognized in the period that recoverable costs are incurred, or services are performed.

Interest Income

Interest income is the interest earned on the amounts advanced under the Trust's mezzanine loans, vendor take-back loans and joint venture financing arrangements together with bank interest earned from deposits. Interest income is recognized in accordance with the terms set out in the financing arrangements using the effective interest method.

Fee Income

Fee income consists mainly of property management fees, leasing fees, project management fees and other miscellaneous fees. Property management fees are generally based on a percentage of property revenues and are recognized when earned in accordance with the property management or co-ownership agreements. Leasing fees are incurred when the Trust is the leasing manager for co-owned properties and are recognized when earned in accordance with the property management or co-ownership agreements.

Residential Development Inventory

The revenue generated from contracts with customers on the sale of residential condominium units is recognized at a point in time when control of the asset (i.e. condominium unit) has transferred to the purchaser (i.e., generally, when the purchaser takes possession of the condominium unit) as the purchaser has the ability to direct the use of and obtain substantially all of the remaining benefits from the asset. The amount of revenue recognized is based on the transaction price included in the purchasers' contracts. Any funds received prior to the purchasers taking possession of their respective assets are recognized as deferred revenue (contractual liability).

Lease Termination Income

Lease termination income represents amounts earned from tenants in connection with the cancellation or the early termination of their remaining lease obligations. Lease termination income is recognized on a straight-line basis over the modified lease term; commencing when a lease termination agreement is signed, and ending at the amended lease expiration date.

s. Unit-Based Compensation

The Trust has five unit-based compensation plans. The (1) Unit Option, (2) Restricted Unit ("RU"), (3) Performance Unit ("PU"), (4) Trustee Deferred Unit ("DU") and (5) Unit-Settled Restricted Unit ("URU") plans are accounted for as cash-settled awards, as the Trust is an open-ended trust making its units redeemable, and thus requiring its unit-based compensation plans to be recognized as a liability and carried at fair value. The fair value in respect of each plan is re-measured at each balance sheet date. Compensation expense is recognized in general and administrative expenses over the vesting period for each tranche with a corresponding change in the liability.

Unit Option Plan

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 unit price as at the balance sheet date;
- The expected Unit price volatility is estimated based on the average volatility of the Trust 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.

Restricted Unit Plan

Restricted Units entitle certain employees to receive the value of the RU award in cash or Units at the employees' discretion 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.

Performance Unit Plan

Performance Units 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 and an estimate of the performance conditions being met at the balance sheet date.

Trustee Deferred Unit Plan

Non-management members of the Board 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.

Unit-Settled Restricted Unit Plan

Unit-Settled Restricted Units are accounted for as cash-settled awards. Typically, full vesting of the URUs would not occur until the employee had remained with Choice Properties for three or five years from the grant date. Depending on the nature of the grant, the URUs are subject to a six- or seven-year holding period during which the Units cannot be disposed. The fair value of each URU granted is measured based on the market value of a Unit at the balance sheet date, less a discount to account for the vesting and holding period restriction placed on the URUs.

t. Income Taxes

Choice Properties qualifies as a “mutual fund trust” and a real estate investment trust (“REIT”) under the Income Tax Act (Canada). Certain 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.

Under the SIFT rules, the taxation regime will not apply to a REIT that meets prescribed conditions relating to the nature of its assets and revenue (the “REIT Conditions”) and distributions may be deducted against the REIT’s taxable income. Choice Properties has reviewed the SIFT rules and has assessed its interpretation and application to its assets and revenue and has determined that it meets the REIT Conditions. The Trustees intend to annually distribute all taxable income directly earned by Choice Properties to Unitholders and to deduct such distributions for income tax purposes and, accordingly, no net current income tax expense or deferred income tax assets or liabilities have been recorded in the consolidated financial statements related to its Canadian investment properties.

The Trust also consolidates certain taxable entities in Canada for which current and deferred income taxes are recorded. Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the asset and liability method of accounting for temporary differences arising between the financial statement carrying values of existing assets and liabilities and their respective income tax bases. Deferred tax is measured using enacted or substantively enacted income tax rates expected to apply in the years in which those temporary differences are expected to be recovered or settled. A deferred tax asset is recognized for temporary differences as well as unused tax losses and credits to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same taxation authority on the same taxable entity, or on different taxable entities where Choice Properties intends to settle its current tax assets and liabilities on a net basis.

Deferred tax is recorded on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Trust and it is probable that the temporary difference will not reverse in the foreseeable future.

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.

a. 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 a development property occurs, and identifying the 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 properties acquired in the current year to be asset acquisitions.

Key Sources of Estimation

The fair value of income producing properties is dependent on significant assumptions related to discount rates and terminal capitalization rates, and other assumptions related to the future cash flows over the holding period. The review of future cash flows involves assumptions relating to market rents, as well as current leasing and/or development activity, renewal probability, downtime on lease expiry, vacancy allowances, and expected maintenance costs. In addition to reviewing future 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.

b. 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.

c. 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.

d. 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)*. Choice Properties uses judgment in reviewing these conditions in assessing its interpretation and application to its assets and revenue.

Choice Properties 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.

Notes to the Consolidated Financial Statements

Note 4. Investment Property and Other Transactions

The following table summarizes the investment properties acquired in the year ended December 31, 2022:

(\$ thousands except where otherwise indicated)

Location	Date of Acquisition	Segment	Ownership Interest Acquired	Purchase Price	Purchase Price incl. Related Costs	Consideration	
						Assumed Liabilities	Cash
Investment properties							
Ottawa, ON	Mar 1	Industrial Under Development	100%	\$ 25,663	\$ 27,218	\$ —	\$ 27,218
Acquisitions from related parties (Note 32)				25,663	27,218	—	27,218
Burlington, ON	May 2	Retail	100%	40,360	42,059	588	41,471
Toronto, ON	Jul 6	Retail	100%	650	687	—	687
Toronto, ON	Sep 1	Retail	100%	18,350	19,180	131	19,049
Toronto, ON	Oct 5	Retail	100%	1,407	1,488	—	1,488
Toronto, ON	Dec 1	Retail	100%	51,218	53,315	—	53,315
Vaughan, ON	Dec 5	Retail	100%	19,350	19,750	—	19,750
Acquisitions from third-parties				131,335	136,479	719	135,760
Total acquisitions of investment properties				156,998	163,697	719	162,978
Financial real estate assets							
Montreal, QC	Mar 9	Retail	100%	2,200	2,343	483	1,860
Halifax, NS	Jun 17	Retail	100%	15,010	15,228	2,034	13,194
Acquisitions of financial real estate assets (Note 32)				17,210	17,571	2,517	15,054
Total acquisitions				\$ 174,208	\$ 181,268	\$ 3,236	\$ 178,032

Notes to the Consolidated Financial Statements

The following table summarizes the investment properties sold in the year ended December 31, 2022:

(\$ thousands except where otherwise indicated)

Location	Date of Disposition	Segment	Ownership Interest Disposed	Sale Price excl. Selling Costs	Consideration						Cash
					Debt Assumed by Purchaser	Promissory Note	Real Estate Securities	De-recognition of Intangible Asset	Mortgage Receivable Advanced		
Investment properties											
Edmonton, AB	Jan 31	Industrial	100%	\$ 9,700	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 9,700
Edmonton, AB	Feb 25	Industrial	100%	19,750	—	—	—	—	—	—	19,750
Campbell River, BC	Feb 28	Retail	50%	25,750	14,805	—	—	—	—	—	10,945
Portfolio of 6 assets across Canada ⁽ⁱ⁾	Mar 31	Mixed-Use, Residential & Other	50%-100%	733,810	—	193,155	550,660	(5,631)	—	—	(4,374)
Brampton, ON	Jun 23	Retail Under Development	50%	10,125	—	—	—	—	—	—	10,125
Swift Current, SK	Jun 28	Retail	100%	6,500	—	—	—	—	—	—	6,500
Dartmouth, NS	Jul 6	Retail (Parcel)	100%	117	—	—	—	—	—	—	117
Calgary, AB	Jul 18	Retail	100%	6,550	—	—	—	—	—	—	6,550
Edmonton, AB	Jul 28	Retail (Parcel)	50%	2,000	—	—	—	—	—	—	2,000
Edmonton, AB	Aug 12	Mixed-Use, Residential & Other Under Development	50%	3,643	—	—	—	—	—	—	3,643
Montreal, QC	Sep 13	Mixed-Use, Residential & Other	100%	27,000	—	—	—	—	—	—	27,000
Quebec, QC	Oct 5	Retail (Parcel)	50%	4,325	—	—	—	—	—	—	4,325
Beaverton, ON	Dec 21	Retail	100%	1,000	—	—	—	—	—	—	1,000
Halifax, NS	Dec 28	Mixed-Use, Residential & Other	100%	40,000	—	—	—	—	—	28,000	12,000
Total dispositions				\$ 890,270	\$ 14,805	\$ 193,155	\$ 550,660	\$ (5,631)	\$ 28,000	\$ 109,281	

(i) The Trust disposed of its interests in a portfolio of six office assets to Allied Properties Real Estate Investment Trust (“Allied”). The consideration received consisted of exchangeable Class B limited partnership units of Allied Properties Exchangeable Limited Partnership, an affiliated entity of Allied (Note 11) and a promissory note (Note 10). The Trust incurred transaction costs of \$5.1 million associated with the disposition to Allied.

Notes to the Consolidated Financial Statements

The following table summarizes the investment properties acquired in the year ended December 31, 2021:

Location	Date of Acquisition	Segment	Ownership Interest Acquired	Purchase Price	Purchase Price incl. Related Costs	Consideration	
						Assumed Liabilities	Cash
Investment properties							
Toronto, ON	Sep 2	Retail	100%	\$ 30,300	\$ 31,574	\$ —	\$ 31,574
Toronto, ON	Nov 12	Retail	100%	22,423	23,365	—	23,365
Acquisitions from third-parties				52,723	54,939	—	54,939
Financial real estate assets							
Guelph, ON	Dec 10	Retail	100%	14,777	15,134	3,182	11,952
Acquisitions of financial real estate assets (Note 32)				14,777	15,134	3,182	11,952
Total acquisitions				\$ 67,500	\$ 70,073	\$ 3,182	\$ 66,891

The following table summarizes the investment properties sold in the year ended December 31, 2021:

Location	Date of Disposition	Segment	Ownership Interest Disposed	Sale Price excl. Selling Costs	Consideration	
					Cash	
Investment properties						
Brampton, ON ⁽ⁱ⁾	Jan 19	Land	70%	\$ 25,000	\$ 25,000	
Brampton, ON	Mar 31	Land	50%	5,000	5,000	
Kanata, ON	Aug 19	Land	50%	4,147	4,147	
St-Hyacinthe, QC	Oct 4	Land	100%	3,800	3,800	
Calgary, AB	Nov 1	Retail	100%	36,000	36,000	
Portfolio of 2 assets across Canada	Dec 6	Retail	100%	52,250	52,250	
Magog, QC	Dec 15	Retail	100%	22,000	22,000	
Quebec, QC	Dec 20	Retail	50%	49,625	49,625	
Portfolio of 5 assets in Calgary, AB	Dec 20	Industrial	100%	45,000	45,000	
Drummondville, QC	Dec 22	Retail	100%	11,500	11,500	
Total dispositions				\$ 254,322	\$ 254,322	

(i) On January 19, 2021, the trust sold its 70% interest which resulted in a disposition of the property under development for \$25,000 and a distribution to the subsidiary's 30% non-controlling interest of \$7,801.

On January 31, 2023, the Trust acquired three retail assets from Loblaw for an aggregate purchase price of \$98,630.

Notes to the Consolidated Financial Statements

Note 5. Investment Properties

(\$ thousands)	Note	Income producing properties	Properties under development	Year Ended December 31, 2022	Year Ended December 31, 2021
Balance, beginning of year		\$ 14,707,000	\$ 223,000	\$ 14,930,000	\$ 14,389,000
Acquisitions - including purchase costs of \$6,699 (2021 - \$2,216)	4	136,479	27,218	163,697	54,939
Capital expenditures					
Development capital ⁽ⁱ⁾		—	71,896	71,896	51,167
Building improvements		1,773	—	1,773	4,086
Capitalized interest ⁽ⁱⁱ⁾	24	—	2,575	2,575	2,642
Property capital		70,937	—	70,937	60,012
Direct leasing costs		8,741	—	8,741	6,426
Tenant improvement allowances		19,382	—	19,382	16,379
Amortization of straight-line rent		2,554	—	2,554	7,893
Transfers to assets held for sale		(50,400)	—	(50,400)	—
Transfer from equity accounted joint ventures	6	—	—	—	143,103
Transfers from properties under development		50,125	(50,125)	—	—
Transfers to residential development inventory	9	—	—	—	(10,142)
Transfers to properties under development		(22,834)	22,834	—	—
Dispositions	4	(876,502)	(13,768)	(890,270)	(254,322)
Adjustment to fair value of investment properties		71,745	41,370	113,115	458,817
Balance, end of year		\$ 14,119,000	\$ 325,000	\$ 14,444,000	\$ 14,930,000

(i) Development capital included \$2,687 of site intensification payments paid to Loblaw (December 31, 2021 - \$2,208) (Note 32).

(ii) Interest was capitalized to qualifying development projects based on a weighted average interest rate of 3.74% (December 31, 2021 - 3.64%).

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 32) 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 consolidated financial statements.

As at December 31, 2022, the Trust has classified three retail properties and one office property with a total fair value of \$50,400 as assets held for sale. As at December 31, 2021, there were no investment properties classified as assets held for sale.

Valuation Methodology and Process

The investment properties (including those owned through equity accounted joint ventures) are measured at fair value using valuations prepared by the Trust's internal valuation team. The team reports directly to the Chief Financial Officer, with the valuation processes and results reviewed by Management at least once every quarter. The valuations exclude any portfolio premium or value for the management platform and reflect the highest and best use for each of the Trust's investment properties.

As part of Management's internal valuation program, the Trust considers external valuations performed by independent national real estate valuation firms for a cross-section of properties that represent different geographical locations and asset classes across the Trust's portfolio. On a quarterly basis, the valuation team reviews and updates, as deemed necessary, the valuation models to reflect current market data. Updates may be made to significant assumptions related to terminal capitalization rates and discount rates and other assumptions such as future cash flow assumptions including market rents, current leasing and/or development activity, renewal probability, downtime on lease expiry, vacancy allowances, and expected maintenance costs.

When an external valuation is obtained, the internal valuation team assesses all major inputs used by the independent valuers in preparing their valuation reports and holds discussions with the independent valuers on the reasonableness of their assumptions. Where warranted, adjustments will be made to the internal valuations to reflect the assumptions contained in the external valuations. The Trust will record the internal value in its consolidated financial statements.

Income Producing Properties

Income producing properties are valued using the discounted cash flow method. Under the discounted cash flow method, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life, generally over a minimum term of 10 years, including a terminal value based on the application of a terminal capitalization rate applied to estimated stabilized net operating income, a non-GAAP measure, in the terminal year. The significant assumptions under this method include the discount rate and the terminal capitalization rate. This method also involves the projection of future cash flows for the specific asset. For the future cash flows a market-derived discount rate is applied to establish the present value of the income stream associated with the asset. The terminal capitalization rate is separately determined and may differ from the discount rate.

The duration of the future cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews, new and renewed leasing and related re-leasing, redevelopment, or refurbishment. The appropriate duration is typically driven by market behaviour that is a characteristic of the related asset class. The future cash flows are typically estimated as gross income less vacancy, non-recoverable expenses, collection losses, lease incentives, maintenance costs, lease costs, and other operating expenses. The future cash flows, along with an estimate of the terminal value anticipated at the end of the projection period, are then discounted.

Properties Under Development

Properties under active development are generally valued with reference to market land values and costs invested to date. Where significant leasing and construction is in place and the future income stream is reasonably determinable, the development property is valued on a discounted cash flow basis which includes future cash outflow assumptions for future capital outlays, construction and development costs. Development risks such as planning, zoning, licenses, and building permits are considered in the valuation process. Properties not under active development, such as vacant land parcels held for future development, are valued based on comparable sales of commercial land.

Notes to the Consolidated Financial Statements

Significant Valuation Assumptions

The following table highlights the significant assumptions used in determining the fair value of the Trust's income producing properties by asset class:

Total Income Producing Properties	As at December 31, 2022		As at December 31, 2021	
	Range	Weighted average	Range	Weighted average
Discount rate	5.00% - 10.50%	7.03%	5.00% - 11.45%	6.68%
Terminal capitalization rate	4.25% - 9.95%	6.22%	4.25% - 10.95%	5.95%
Retail				
Discount rate	5.25% - 10.50%	7.41%	5.00% - 11.45%	6.92%
Terminal capitalization rate	4.75% - 9.95%	6.58%	4.25% - 10.95%	6.19%
Industrial				
Discount rate	5.00% - 8.50%	5.97%	5.00% - 8.50%	5.95%
Terminal capitalization rate	4.25% - 7.75%	5.22%	4.25% - 7.75%	5.26%
Mixed-Use, Residential & Other				
Discount rate	5.00% - 9.00%	6.56%	5.25% - 8.75%	6.25%
Terminal capitalization rate	4.50% - 8.00%	5.90%	4.25% - 7.75%	5.43%

The significant assumptions and inputs used in the valuation techniques to estimate the fair value of income producing 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.

Independent Appraisals

Properties are typically independently appraised at the time of acquisition. In addition, Choice Properties has engaged independent nationally-recognized valuation firms to appraise its investment properties such that the majority of the portfolio will be independently appraised at least once over a four-year period.

The properties independently appraised each year represent a subset of the property types and geographic distribution of the overall portfolio and includes properties owned within equity accounted joint ventures and properties recognized as financial real estate assets. A breakdown of the aggregate fair value of investment properties independently appraised during each year, in accordance with the Trust's policy, is as follows:

(\$ thousands except where otherwise indicated)	2022		2021	
	Number of income producing properties	Fair value	Number of income producing properties	Fair value
	75	\$ 3,821,000	78	\$ 3,655,000

Fair Value Sensitivity

The following table summarizes fair value sensitivity for the Trust's income producing properties which are most sensitive to changes in terminal capitalization rates and discount rates:

(\$ thousands)	Terminal Capitalization Rate				Discount Rate			
	Rate Sensitivity	Weighted Average Terminal Capitalization Rate	Fair Value	Change in Fair Value	Weighted Average Discount Rate	Fair Value	Change in Fair Value	
(0.75)%	5.47 %	\$ 15,235,000	\$ 1,116,000	6.28 %	\$ 14,924,000	\$ 805,000		
(0.50)%	5.72 %	14,831,000	712,000	6.53 %	14,649,000	530,000		
(0.25)%	5.97 %	14,460,000	341,000	6.78 %	14,381,000	262,000		
— %	6.22 %	14,119,000	—	7.03 %	14,119,000	—		
0.25 %	6.47 %	13,804,000	(315,000)	7.28 %	13,863,000	(256,000)		
0.50 %	6.72 %	13,513,000	(606,000)	7.53 %	13,613,000	(506,000)		
0.75 %	6.97 %	13,242,000	(877,000)	7.78 %	13,369,000	(750,000)		

Notes to the Consolidated Financial Statements

Note 6. Equity Accounted Joint Ventures

Choice Properties accounts for its investments in joint ventures using the equity method. These investments hold primarily development properties and some income producing properties. The table below summarizes the Trust's investment in joint ventures.

	As at December 31, 2022		As at December 31, 2021	
	Number of joint ventures	Ownership interest	Number of joint ventures	Ownership interest
Retail	15	25% - 75%	15	25% - 75%
Industrial	1	50%	1	50%
Mixed-Use, Residential & Other	3	50%	3	47% - 50%
Land, held for development	3	50% - 85%	2	50% - 85%
Total equity accounted joint ventures	22		21	
Choice Properties' investment in equity accounted joint ventures		\$ 995,822		\$ 564,378

Summarized financial information for equity accounted joint ventures at 100% and Choice Properties' ownership interest are set out below:

(\$ thousands)	Ownership	As at December 31, 2022					Net assets at 100%
		Current assets	Non-current assets	Current liabilities	Non-current liabilities		
Horizon Business Park LP	50%	\$ 7,083	\$ 320,600	\$ (42,307)	\$ —	\$ 285,376	
Tullamore Industrial LP	85%	1,586	604,706	(119,598)	—	486,694	
Other joint ventures	25-75%	40,830	1,725,422	(403,964)	(564,476)	797,812	
Net assets at 100%		\$ 49,499	\$ 2,650,728	\$ (565,869)	\$ (564,476)	\$ 1,569,882	
Investment in equity accounted joint ventures		\$ 30,664	\$ 1,608,667	\$ (326,199)	\$ (317,310)	\$ 995,822	

(\$ thousands)	Ownership	Year ended December 31, 2022					
		Rental Revenue	Property operating costs	Interest income	Interest expense	Adjustment to fair value	Net income and comprehensive income at 100%
Horizon Business Park LP	50%	\$ 19,007	\$ (5,603)	\$ —	\$ (300)	\$ 22,805	\$ 35,909
Tullamore Industrial LP	85%	—	(2)	—	—	322,122	322,120
Other joint ventures	25-75%	101,646	(38,958)	2,716	(31,669)	56,006	89,741
Net income and comprehensive income at 100%		\$ 120,653	\$ (44,563)	\$ 2,716	\$ (31,969)	\$ 400,933	\$ 447,770
Share of net income and comprehensive income in equity accounted joint ventures		\$ 65,453	\$ (24,412)	\$ 708	\$ (17,044)	\$ 329,162	\$ 353,867

Notes to the Consolidated Financial Statements

As at December 31, 2021

(\$ thousands)	Ownership	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Net assets at 100%
Horizon Business Park LP	50%	\$ 5,102	\$ 242,051	\$ (36,628)	\$ —	\$ 210,525
Tullamore Industrial LP	85%	1,312	172,691	(10,657)	—	163,346
Dartmouth Crossing Master LP	75%	44,995	199,444	(22,643)	(125,240)	96,556
Other joint ventures	25-50%	23,986	1,263,212	(251,876)	(523,867)	511,455
Net assets at 100%		\$ 75,395	\$ 1,877,398	\$ (321,804)	\$ (649,107)	\$ 981,882
Investment in equity accounted joint ventures		\$ 49,292	\$ 1,027,634	\$ (164,503)	\$ (348,045)	\$ 564,378

Year ended December 31, 2021

(\$ thousands)	Ownership	Rental Revenue	Property operating costs	Interest income	Interest expense	Adjustment to fair value	Net income and comprehensive income at 100%
Horizon Business Park LP	50%	\$ 16,430	\$ (4,922)	\$ —	\$ —	\$ 12,214	\$ 23,722
Tullamore Industrial LP	85%	—	—	1	—	—	1
Dartmouth Crossing Master LP	75%	21,285	(9,410)	427	(4,946)	5,505	12,861
Other joint ventures	25-50%	60,949	(20,984)	2,023	(12,240)	67,527	97,275
Net income and comprehensive income at 100%		\$ 98,664	\$ (35,316)	\$ 2,451	\$ (17,186)	\$ 85,246	\$ 133,859
Share of net income and comprehensive income in equity accounted joint ventures		\$ 53,910	\$ (19,771)	\$ 341	\$ (9,682)	\$ 42,154	\$ 66,952

The following table reconciles the changes in cash flows from equity accounted joint ventures:

(\$ thousands)	Note	Year ended December 31, 2022
Balance, beginning of year		\$ 564,378
Contributions to equity accounted joint ventures		126,911
Distributions from equity accounted joint ventures		(68,076)
Total cash flow activities		58,835
Acquisition of interest in equity accounted joint venture upon settlement of mortgage receivable	10	40,860
Settlement, Net of Accretion of contingent consideration payable		(22,118)
Share of income from equity accounted joint ventures		353,867
Total non-cash activities		372,609
Balance, end of year		\$ 995,822

Note 7. Co-Ownership Property Interests

Choice Properties has the following co-owned property interests and includes its proportionate share of the related assets, liabilities, revenue and expenses of these properties in the consolidated financial statements.

	As at December 31, 2022		As at December 31, 2021	
	Number of co-owned properties	Ownership interest	Number of co-owned properties	Ownership interest
Retail	37	50% - 75%	38	50% - 75%
Industrial	2	50% - 67%	2	50% - 67%
Mixed-Use, Residential & Other	9	50%	12	50%
Total co-ownership property interests	48		52	

Note 8. Financial Real Estate Assets

Financial real estate assets are land and buildings purchased by the Trust that did not meet the criteria of a transfer of control under IFRS 15, "Revenue from Contracts with Customers", due to the sale-leaseback arrangement with the seller of the asset. In accordance with IFRS 16, "Leases", the Trust has recognized these acquisitions as financial instruments under IFRS 9, "Financial Instruments".

(\$ thousands)	Note	Year Ended	Year Ended
		December 31, 2022	December 31, 2021
Balance, beginning of year		\$ 86,603	\$ 68,373
Acquisitions		17,571	15,134
Additions		4,552	540
Income from financial real estate assets due to changes in value	22	783	2,556
Balance, end of year		\$ 109,509	\$ 86,603

As at December 31, 2022 the weighted average discount rate and terminal capitalization rate used to determine the fair value of the Trust's financial real estate assets are 6.64% and 6.00%, respectively. An increase of 0.50% in the discount rate or terminal capitalization rate would result in a decrease of \$3,972 or \$5,010, respectively, in the value of the financial real estate assets. A decrease of 0.50% in the discount rate or terminal capitalization rate would result in an increase of \$4,165 or \$5,944, respectively, in the value of the financial real estate assets.

Note 9. Residential Development Inventory

Residential development inventory consists of a co-owned development project located in Brampton, Ontario, for the purpose of developing and selling residential condominium units.

The following table summarizes the activity in residential development inventory:

(\$ thousands)	Note	Year Ended	Year Ended
		December 31, 2022	December 31, 2021
Balance, beginning of year		\$ 10,142	\$ —
Development capital		8,285	—
Capitalized interest	24	358	—
Transfers from investment properties	5	—	10,142
Balance, end of year		\$ 18,785	\$ 10,142

Note 10. Mortgages, Loans and Notes Receivable

(\$ thousands)	Note	As at	
		December 31, 2022	December 31, 2021
Mortgages receivable classified as amortized cost ⁽ⁱ⁾		\$ 346,499	\$ 89,944
Mortgages receivable classified as fair value through profit and loss ("FVTPL")		163,127	96,623
Notes receivable from GWL classified as amortized cost ⁽ⁱ⁾	32	170,849	168,334
Mortgages, loans and notes receivable		\$ 680,475	\$ 354,901
Classified as:			
Expected to be recovered in more than twelve months		\$ 201,996	\$ 109,526
Expected to be recovered in less than twelve months		478,479	245,375
		\$ 680,475	\$ 354,901

(i) The fair value of the mortgages, loans and notes receivable classified as amortized cost was \$512,800 (December 31, 2021 - \$257,800) (Note 27).

Mortgages and Loans Receivable

Mortgages and loans receivable represent amounts advanced under mezzanine loans, joint venture financing, vendor take-back financing and other arrangements. Choice Properties mitigates its risk by diversifying the number of entities and assets to which it loans funds.

	December 31, 2022		December 31, 2021	
	Weighted average effective interest rate	Weighted average term to maturity (years)	Weighted average effective interest rate	Weighted average term to maturity (years)
Mortgages receivable	4.80%	1.0	7.11%	1.7
Total	4.80%	1.0	7.11%	1.7

Notes Receivable from GWL

Non-interest bearing short-term notes totalling \$168,334 with respect to the loans received in the 2021 fiscal year were settled against distributions payable by the Trust to GWL in January 2022. (Note 32) Non-interest bearing short-term notes totalling \$170,849 were issued during the twelve months ended December 31, 2022 to GWL and were repaid in January 2023. (Note 32)

Schedules of Maturity and Cash Flow Activities

The schedule of repayment of mortgages, loans and notes receivable based on maturity and redemption rights is as follows:

(\$ thousands)	2023	2024	2025	2026	2027	Thereafter	Total
Principal repayments							
Mortgages receivable	\$ 305,465	\$ 180,760	\$ 15,108	\$ —	\$ 6,128	\$ —	\$ 507,461
Notes receivable from GWL	170,849	—	—	—	—	—	170,849
Total principal repayments	476,314	180,760	15,108	—	6,128	—	678,310
Interest accrued	2,165	—	—	—	—	—	2,165
Total repayments	\$ 478,479	\$ 180,760	\$ 15,108	\$ —	\$ 6,128	\$ —	\$ 680,475

Notes to the Consolidated Financial Statements

The following table reconciles the changes in cash flows from investing activities for mortgages, loans and notes receivable:

(\$ thousands)	Note				December 31, 2022	December 31, 2021
		Mortgages receivable	Loans receivable	Notes receivable from GWL	Mortgages, loans and notes receivable	Mortgages, loans and notes receivable
Balance, beginning of year		\$ 186,567	\$ —	\$ 168,334	\$ 354,901	\$ 263,946
Advances ⁽ⁱ⁾		168,982	871	170,849	340,702	233,460
Repayments		(34,986)	(871)	—	(35,857)	(148,571)
Interest received		(10,351)	(1)	—	(10,352)	(7,912)
Total cash flow activities		123,645	(1)	170,849	294,493	76,977
Reversal of expected credit loss on mortgage receivable		—	—	—	—	1,502
Acquisition of interest in equity accounted joint venture upon settlement of mortgage receivable	6	(40,860)	—	—	(40,860)	(4,846)
Advance upon disposition of properties	4	221,155	—	—	221,155	6,098
Settlement against distributions payable		—	—	(168,334)	(168,334)	—
Interest accrued	22	19,119	1	—	19,120	11,224
Total non-cash activities		199,414	1	(168,334)	31,081	13,978
Balance, end of year		\$ 509,626	\$ —	\$ 170,849	\$ 680,475	\$ 354,901

(i) Advances include funds advanced to an entity in which the Trust is a partner. The funds advanced were used for development within equity accounted joint venture.

Choice Properties invests in mortgages and loans to facilitate acquisitions. Credit risks arise if the borrowers default on repayment of their mortgages and loans to the Trust. Choice Properties' receivables, including mezzanine financings, are typically subordinate to prior ranking mortgage charges and generally represent equity financing for the Trust's co-owners or development partners. Not all of the Trust's mezzanine financing activities will result in acquisitions. At the time of advancing financing, the Trust's co-owners or development partners would typically have some of the equity invested in the form of cash with the balance being financed by third-party lenders and Choice Properties.

On March 31, 2022, the Trust advanced a promissory note, with a face value of \$200,000 (fair value of \$193,155) as a part of the disposition of its interests in a portfolio of six office assets to Allied (Note 4). The note bears interest at a rate of 1% for the 2022 calendar year and 2% subsequently until its maturity on December 31, 2023. The promissory note is included in the mortgages receivable as it is secured by the six office assets.

In April 2022, the Trust advanced \$96,552 to an existing development partnership, in which it owns the majority stake. The funds were used to execute a strategic acquisition of a property adjacent to Choice Caledon Business Park, located in Caledon, Ontario.

In May 2022, the Trust exercised the equity conversion right on an existing mezzanine loan of \$38,794. The mezzanine loan was partially converted into 75% ownership interest in 154 acres of the industrial development Choice Eastway Industrial Centre, located in East Gwillimbury, Ontario.

In June 2022, the Trust advanced a \$3,364 mezzanine loan to a strategic partner. The loan is secured by two properties in Toronto, Ontario.

In September 2022, the Trust advanced a \$9,850 mezzanine loan to a development partner. The loan is secured by a property in East Gwillimbury, Ontario.

In December 2022, the Trust advanced a \$28,000 mezzanine loan as a part of the disposition of an office asset in Halifax, Nova Scotia. The loan is secured by the disposed office property.

The Trust has issued approximately \$506,905 of secured mortgages to third-party borrowers. These loans are with borrowers who are strategic partners and counterparties of the Trust and are secured by real property assets. In the event of a large commercial real estate market correction, the fair market value of an underlying property may be unable to support the

Notes to the Consolidated Financial Statements

investment. The Trust mitigates this risk by obtaining guarantees and registered mortgage charges, which are often cross-collateralized on several different commercial properties that are in various stages of development.

Note 11. Investment in Real Estate Securities

On March 31, 2022, the Trust disposed of six office assets to Allied (Note 4). As consideration, the Trust was issued 11,809,145 exchangeable Class B limited partnership units of Allied Properties Exchangeable Limited Partnership ("Class B Units"), an affiliated entity of Allied, with a value of \$550,660 (\$46.63 per unit) on the transaction date, and a promissory note with a fair value of \$193,155 (Note 10). Following the transaction, the Trust holds approximately an 8.5% effective interest in Allied through its ownership of the Class B Units. The Trust does not have significant influence over Allied.

The Class B Units are exchangeable into, and are economically equivalent to, the publicly traded units of Allied ("Allied Units"), and were accompanied by a corresponding number of special voting units of Allied. There are no restrictions on the exchange of Class B Units into Allied Units, but the Allied Units (if exchanged) are subject to a lock-up from the closing of the Transaction, such that 25% of the Class B Units or Allied Units, as applicable, will be released from lock up every three months following the first anniversary of closing of the Transaction. As a holder of the Class B Units, the Trust is entitled to distributions paid by Allied. For the year ended December 31, 2022, the Trust recognized distribution income of \$15,495 (December 31, 2021 - \$nil) from its investment in Allied. The distributions are recorded as investment income.

The Class B Units are recorded at their fair value based on market trading prices of Allied's publicly traded units. The closing price for Allied's publicly traded units on the last trading day of the year ended December 31, 2022 was \$25.60. A change of one dollar in the underlying price of Allied's publicly traded units would result in a change to the fair value of the investment in real estate securities and a corresponding change in net income of \$11,809 (2021 - \$nil). For the year ended December 31, 2022, the Trust recognized a loss of \$248,346 (December 31, 2021 - \$nil) on its investment in Allied, due to the change in the price of Allied's publicly traded units. As at December 31, 2022 the Trust held 11,809,145 Class B Units with a value of \$302,314 (December 31, 2021 - nil and \$nil).

(\$ thousands)	Year ended December 31, 2022	Year ended December 31, 2021
Balance, beginning of year	\$ —	\$ —
Acquired	550,660	—
Adjustment to fair value of investment in real estate securities	(248,346)	—
Balance, end of year	\$ 302,314	\$ —

Note 12. Intangible Assets

The intangible assets for Choice Properties relate to its third-party revenue streams associated with property and asset management contracts for co-ownership property interests and joint ventures. The Trust has the continuing rights, based on the co-ownership agreements, to property and asset management fees from investment properties where it manages the interests of co-owners.

On March 31, 2022, the Trust disposed of six office assets to Allied (Note 4). Included in the disposal is a co-owned property, of which the Trust generates cash flow from property management fees. The Trust had recognized an intangible asset based on the expectation of these future cash flows. Accordingly, management derecognized \$5,631 (Note 4) to reflect the reduced value of the intangible asset resulting from the disposal of the co-owned property.

As at December 31, 2022, the carrying value was \$21,369 (December 31, 2021 - \$28,000), net of accumulated amortization of \$3,000 (December 31, 2021 - \$2,000). The remaining useful economic life of these assets is 22 years.

Note 13. Accounts Receivable and Other Assets

(\$ thousands)	Note	As at December 31, 2022	As at December 31, 2021
Rent receivables ⁽ⁱ⁾ - net of expected credit loss of \$14,681 (2021 - \$17,066)		\$ 11,137	\$ 12,815
Accrued recovery income		21,610	14,476
Lease receivable		23,426	22,351
Other receivables		13,792	13,711
Cost-to-complete receivable	32	8,501	8,501
Due from related parties ⁽ⁱⁱ⁾	32	680	2,044
Restricted cash		3,052	239
Prepaid property taxes		6,378	4,465
Prepaid insurance		1,030	813
Other assets		16,456	18,335
Right-of-use assets - net of accumulated amortization of \$1,849 (2021 - \$1,290)		2,029	1,956
Deferred tax asset	17	2,792	2,673
Deferred acquisition costs and deposits on land		8,325	8,630
Designated hedging derivatives	27	12,909	3,266
Accounts receivable and other assets		\$ 132,117	\$ 114,275
Classified as:			
Expected to be recovered in more than twelve months		\$ 52,088	\$ 42,098
Expected to be recovered in less than twelve months		80,029	72,177
		\$ 132,117	\$ 114,275

(i) Includes net rent receivable of \$nil from Loblaw, \$nil from GWL and \$122 from Wittington (December 31, 2021 - \$1,474, \$nil and \$nil) (Note 32).

(ii) Other receivables due from related parties include \$57 from Loblaw and \$623 from GWL (December 31, 2021 - \$2,044 and \$nil) (Note 32).

Rent receivables

In determining the expected credit losses the Trust takes into account the payment history and future expectations of likely default events (i.e. asking for rental concessions or stating they will not be making rental payments on the due date) based on actual or expected insolvency filings or company voluntary arrangements and likely deferrals of payments due. These assessments are made on a tenant-by-tenant basis.

The Trust's assessment of expected credit losses is inherently subjective due to the forward-looking nature of the assessments. As a result, the value of the expected credit loss is subject to a degree of uncertainty and is made on the basis of assumptions which may not prove to be accurate.

Restricted cash

Restricted cash includes property-specific deposits held by the Trust's solicitors in the name of the Trust. These funds will be released upon funding the construction of the residential inventory projects, after posting the requisite security, or upon closing of such projects. Funds held in trust may also relate to certain funds held in escrow pursuant to agreements of purchase and sale, which are to be used for the acquisition of investment properties.

Note 14. Long Term Debt

(\$ thousands)	As at December 31, 2022	As at December 31, 2021
Senior unsecured debentures	\$ 5,308,928	\$ 5,107,760
Mortgages payable	945,959	1,109,344
Construction loans	39,214	12,906
Long term debt	\$ 6,294,101	\$ 6,230,010
Classified as:		
Expected to be settled in more than twelve months	\$ 5,638,368	\$ 5,711,500
Expected to be settled in less than twelve months	655,733	518,510
	\$ 6,294,101	\$ 6,230,010

Senior Unsecured Debentures

(\$ thousands)				As at December 31, 2022	As at December 31, 2021
Series	Issuance / Assumption Date	Maturity Date	Effective Interest Rate		
B	Jul. 5, 2013	Jul. 5, 2023	4.90%	\$ 200,000	\$ 200,000
D	Feb. 8, 2014	Feb. 8, 2024	4.29%	200,000	200,000
F	Nov. 24, 2015	Nov. 24, 2025	4.06%	200,000	200,000
G	Mar. 7, 2016	Mar. 7, 2023	3.20%	250,000	250,000
H	Mar. 7, 2016	Mar. 7, 2046	5.27%	100,000	100,000
J	Jan. 12, 2018	Jan. 10, 2025	3.55%	350,000	350,000
K	Mar. 8, 2018	Sep. 9, 2024	3.56%	550,000	550,000
L	Mar. 8, 2018	Mar. 8, 2028	4.18%	750,000	750,000
M	Jun. 11, 2019	Jun. 11, 2029	3.53%	750,000	750,000
N	Mar. 3, 2020	Mar. 4, 2030	2.98%	400,000	400,000
O	Mar. 3, 2020	Mar. 4, 2050	3.83%	100,000	100,000
P	May 22, 2020	May 21, 2027	2.85%	500,000	500,000
Q	Nov. 30, 2021	Nov. 30, 2026	2.46%	350,000	350,000
R	Jun. 24, 2022	Jun. 24, 2032	6.00%	500,000	—
10	Jul. 4, 2013	Sep. 20, 2022	3.84%	—	300,000
D-C	May 4, 2018	Jan. 18, 2023	3.30%	125,000	125,000
Total principal outstanding				5,325,000	5,125,000
Debt discounts and premiums - net of accumulated amortization of \$17,513 (2021 - \$16,575)				(23)	(961)
Debt placement costs - net of accumulated amortization of \$18,301 (2021 - \$15,250)				(16,049)	(16,279)
Senior unsecured debentures				\$ 5,308,928	\$ 5,107,760

As at December 31, 2022, the senior unsecured debentures had a weighted average effective interest rate of 3.79% and a weighted average term to maturity of 5.2 years (December 31, 2021 - 3.56% and 5.4 years, respectively). Senior unsecured debentures Series B through Series R were issued by the Trust, Series D-C was assumed by the Trust on May 4, 2018, following the acquisition of Canadian Real Estate Investment Trust, and Series 10 was issued by the Partnership.

On June 24, 2022, the Trust completed an issuance, on a private placement basis, of \$500 million aggregate principal amount of Series R senior unsecured debentures bearing interest at a rate of 6.003% per annum and maturing on June 24, 2032. The Trust repaid (i) for the early redemption of Choice Properties Limited Partnership's \$300 million principal amount of 3.60% series 10 senior unsecured debentures on June 26, 2022, (ii) a portion of the balance drawn on the Trust's credit facility, and (iii) for general business purposes.

Mortgages Payable

(\$ thousands)	As at December 31, 2022	As at December 31, 2021
Mortgage principal	\$ 948,919	\$ 1,112,310
Net debt discounts and premiums - net of accumulated amortization of \$5,973 (2021 - \$5,968)	(1,305)	(1,300)
Debt placement costs - net of accumulated amortization of \$491 (2021 - \$307)	(1,655)	(1,666)
Mortgages payable	\$ 945,959	\$ 1,109,344

As at December 31, 2022, the mortgages had a weighted average effective interest rate of 3.92% and a weighted average term to maturity of 5.0 years (December 31, 2021 - 3.75% and 5.2 years, respectively).

Construction Loans

As at December 31, 2022, \$39,214 was outstanding on the construction loans (December 31, 2021 - \$12,906), with a weighted average effective interest rate of 3.54% and a weighted average term to maturity of 5.5 years which are due on demand (December 31, 2021 - 2.08% and 6.0 years, respectively).

For the purpose of financing the development of certain retail, industrial and residential properties, various investments in equity accounted joint ventures and co-ownerships have variable and fixed rate non-revolving construction facilities in which certain subsidiaries of the Trust guarantee its own share. These construction loans, which mature throughout 2023 and 2031, have a maximum amount available to be drawn at the Trust's ownership interest of \$436,741, of which \$345,951 relates to equity accounted joint ventures as at December 31, 2022 (December 31, 2021 - \$293,151 and \$227,462, respectively).

Schedules of Repayments and Cash Flow Activities

The schedule of principal repayment of long term debt, based on maturity, is as follows:

(\$ thousands)	2023	2024	2025	2026	2027	Thereafter	Total
Senior unsecured debentures	\$ 575,000	\$ 750,000	\$ 550,000	\$ 350,000	\$ 500,000	\$ 2,600,000	\$ 5,325,000
Mortgages payable	78,821	205,130	153,595	64,655	85,263	361,455	948,919
Construction loans	4,639	11,208	—	—	—	23,367	39,214
Total	\$ 658,460	\$ 966,338	\$ 703,595	\$ 414,655	\$ 585,263	\$ 2,984,822	\$ 6,313,133

The following table reconciles the changes in cash flows from financing activities for long term debt:

(\$ thousands)				December 31, 2022	December 31, 2021
	Senior unsecured debentures	Mortgages payable	Construction loans	Long term debt	Long term debt
Balance, beginning of year	\$ 5,107,760	\$ 1,109,344	\$ 12,906	\$ 6,230,010	\$ 6,485,521
Issuances and advances	500,000	4,738	26,355	531,093	392,292
Repayments	(300,000)	(153,324)	(47)	(453,371)	(648,907)
Debt placement costs	(2,821)	(173)	—	(2,994)	(2,700)
Total cash flow activities	197,179	(148,759)	26,308	74,728	(259,315)
Assumed by purchaser	—	(14,805)	—	(14,805)	—
Amortization of debt discounts and premiums	938	(5)	—	933	687
Amortization of debt placement costs	3,051	184	—	3,235	3,117
Total non-cash activities	3,989	(14,626)	—	(10,637)	3,804
Balance, end of year	\$ 5,308,928	\$ 945,959	\$ 39,214	\$ 6,294,101	\$ 6,230,010

Note 15. Credit Facility

(\$ thousands)	As at December 31, 2022	As at December 31, 2021
Credit facility		
\$1,500,000 syndicated	\$ 260,000	\$ —
Debt placement costs - net of accumulated amortization of \$10,607 (2021 - \$8,758) ⁽ⁱ⁾	(2,383)	—
Credit facility	\$ 257,617	\$ —
Classified as:		
Expected to be settled in more than twelve months	\$ 257,617	\$ —
Expected to be settled in less than twelve months	—	—
	\$ 257,617	\$ —

(i) At December 31, 2021, as there were no drawings under the syndicated facility, the unamortized balance for debt placement costs of \$3,555 was included in other assets (Note 13).

Choice Properties has a \$1,500,000 senior unsecured committed revolving credit facility maturing September 1, 2027, provided by a syndicate of lenders. The credit facility bears interest at variable rates of either Prime plus 0.20% or Bankers' Acceptance rate plus 1.20%. The pricing is contingent on the credit ratings for Choice Properties from either DBRS and S&P remaining at BBB (high). The credit facility is subject to an annual commitment fee of approximately \$3,600, however the fee is reduced in proportion to the amount drawn on the facility. As at December 31, 2022, \$260,000 was drawn under the syndicated facility (December 31, 2021 - \$nil).

The credit facility contains certain financial covenants. As at December 31, 2022, the Trust was in compliance with all its financial covenants for the credit facility.

During the year ended December 31, 2022, the Trust extended the maturity date for the credit facility from June 24, 2026 to September 1, 2027 with all other terms and conditions remaining substantially the same.

Schedule of Cash Flow Activities

The following table reconciles the changes in cash flows from financing activities for the credit facility:

(\$ thousands)	December 31, 2022	December 31, 2021
Balance, beginning of year	\$ —	\$ —
Net advances of \$1,500,000 syndicated credit facility	260,000	—
Extension fee included in debt placement costs	(677)	(1,832)
Total cash flow activities	259,323	(1,832)
Amortization of debt placement costs	1,849	1,614
Reclassified to (from) other assets	(3,555)	218
Total non-cash activities	(1,706)	1,832
Balance, end of year	\$ 257,617	\$ —

Note 16. Unitholders' Equity

Trust Units (authorized - unlimited)

Each Trust Unit ("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 issued 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. All Exchangeable Units are held, directly or indirectly, by GWL.

The 70,881,226 Exchangeable Units issued on May 4, 2018, in connection with the acquisition of Canadian Real Estate Investment Trust contain voting and exchange restrictions which will expire based on the following schedule:

Voting and exchange rights restriction period expiration dates	Number of Exchangeable Units eligible for voting and transfer
July 5, 2027	22,988,505
July 5, 2028	22,988,505
July 5, 2029	24,904,216

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

	Note	As at December 31, 2022		As at December 31, 2021	
		Units	Amount	Units	Amount
(\$ thousands except where otherwise indicated)					
Units, beginning of period		327,588,847	\$ 3,660,941	326,941,663	\$ 3,652,620
Units issued under unit-based compensation arrangements	19	404,449	2,776	837,071	9,332
Reclassification of vested Unit-Settled Restricted Units liability to equity		—	1,337	—	1,548
Units repurchased for unit-based compensation arrangements	19	(222,147)	(3,449)	(189,887)	(2,559)
Units, end of period		327,771,149	\$ 3,661,605	327,588,847	\$ 3,660,941
Exchangeable Units, beginning of period		395,786,525	\$ 6,011,997	395,786,525	\$ 5,149,182
Adjustment to fair value of Exchangeable Units		—	(170,188)	—	862,815
Exchangeable Units, end of period		395,786,525	\$ 5,841,809	395,786,525	\$ 6,011,997
Total Units and Exchangeable Units, end of period		723,557,674		723,375,372	

Normal Course Issuer Bid ("NCIB")

Choice Properties may from time to time purchase Units in accordance with the rules prescribed under applicable stock exchange or regulatory policies. On November 17, 2022, Choice Properties received approval from the TSX to purchase up to 27,566,522 Units during the twelve-month period from November 21, 2022 to November 22, 2023, by way of a NCIB over the facilities of the TSX or through alternative trading systems. Choice Properties intends to file a Notice of Intention to make a NCIB with the TSX upon the expiry of its current NCIB.

Units Issued under Unit-Based Compensation Arrangements

Units were issued as part of settlements under the Unit Option Plan and grants under the Unit-Settled Restricted Unit Plan, as applicable (Note 19).

Units Repurchased for Unit-Based Compensation Arrangement

The Trust acquired Units under its NCIB during the year ended December 31, 2022 and the year ended December 31, 2021, which were then granted to certain employees in connection with the Unit-Settled Restricted Unit Plan, and are subject to vesting conditions and disposition restrictions.

Distributions

Choice Properties’ Board 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)* (Note 17). The taxable income allocated to the Trust and Exchangeable Unitholders may vary in certain taxation years. Over time, such differences, in aggregate, are expected to be minimal.

In the year ended December 31, 2022, Choice Properties declared cash distributions of \$0.740 per unit (December 31, 2021 - \$0.740), or \$535,407 in aggregate, including distributions to holders of Exchangeable Units, which are reported as interest expense (December 31, 2021 - \$535,104). 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.

On February 15, 2023, the Trust announced an increase in the annual distribution by 1.4% to \$0.75 per unit. The increase will be effective for Unitholders of record on March 31, 2023.

The holders of Exchangeable 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.

Distribution Reinvestment Plan (“DRIP”)

Choice Properties instituted a DRIP that allows eligible Unitholders to elect to automatically reinvest their regular monthly cash distributions in additional Units. On April 25, 2018, the Board suspended the DRIP commencing with the distribution declared in May 2018. The DRIP will remain suspended until further notice.

Note 17. Income Taxes

The Trust is taxed as a “mutual fund trust” and a REIT under the *Income Tax Act (Canada)*. The Trustees intend to distribute all of the Trust’s taxable income to the Unitholders and accordingly, the Trust is not taxable on its Canadian investment property income. The Trust is subject to taxation on certain taxable entities in Canada and the United States.

Income taxes recognized in the consolidated statements of income and comprehensive income was as follows:

(\$ thousands)	Year Ended	
	December 31, 2022	December 31, 2021
Current income tax expense	\$ (2)	\$ (13)
Deferred income tax recovery	119	692
Income tax recovery	\$ 117	\$ 679

A deferred income tax asset of \$2,792 (Note 13) was recognized due to temporary differences between the carrying value and the tax basis of net assets held in the Trust’s taxable subsidiaries (December 31, 2021 - \$2,673).

Note 18. Trade Payables and Other Liabilities

(\$ thousands)	Note	As at	
		December 31, 2022	December 31, 2021
Trade accounts payable		\$ 36,577	\$ 40,283
Accrued liabilities and provisions ⁽ⁱ⁾		120,367	106,744
Accrued acquisition transaction costs and other related expenses		38,896	38,643
Accrued capital expenditures ⁽ⁱⁱ⁾		60,740	67,967
Accrued interest expense		51,074	53,402
Due to related party ⁽ⁱⁱⁱ⁾	32	196,785	193,927
Contingent consideration		16,724	38,843
Unit-based compensation	19	16,033	14,285
Distributions payable ^(iv)		20,387	20,344
Lease liabilities		1,960	1,920
Tenant deposits		20,263	21,960
Deferred revenue		22,041	20,162
Designated hedging derivatives	27	—	1,925
Trade payables and other liabilities		\$ 601,847	\$ 620,405
Classified as:			
Expected to be settled in more than twelve months		\$ 23,377	\$ 22,332
Expected to be settled in less than twelve months		578,470	598,073
		\$ 601,847	\$ 620,405

(i) Includes amounts payable to Loblaw of \$13,963 (December 31, 2021 - \$nil) (Note 32).

(ii) Includes construction allowances payable to Loblaw of \$16,106 (December 31, 2021 - nil) (Note 32).

(iii) Includes distributions accrued on Exchangeable Units of \$195,256 payable to GWL (December 31, 2021 - \$192,741); \$1,233 payable for shared costs incurred by GWL, the Services Agreement expense and other related party charges (December 31, 2021 - \$835); and \$296 of reimbursed contract revenue and other related party charges payable to Loblaw (December 31, 2021 - \$351).

(iv) Includes distributions payable to GWL of \$3,124 and Wittington of \$1,018 (December 31, 2021 - \$3,124 and \$1,018) (Note 32).

Contingent Consideration

On March 30, 2021, the Trust acquired an 85% interest in future industrial development land in Caledon, Ontario, for \$138,000. The purchase price comprised a \$100,000 cash payment and a commitment to pay the remaining \$38,000 balance based on certain milestones being met over the development lifecycle, which represented the then present value of the estimated amount payable. A payment of \$23,100 was made upon reaching the first development milestone. The present value of the remaining estimated amount payable is \$16,724 as at December 31, 2022. (December 31, 2021 - \$38,843)

Note 19. Unit-Based Compensation

(\$ thousands)	Year Ended	
	December 31, 2022	December 31, 2021
Unit Option plan	\$ 263	\$ 662
Restricted Unit plans	3,608	3,592
Performance Unit plan	2,241	970
Trustee Deferred Unit plan	1,860	1,961
Unit-based compensation expense	\$ 7,972	\$ 7,185
Recorded in:		
General and administrative expenses	\$ 6,781	\$ 5,605
Adjustment to fair value of unit-based compensation	1,191	1,580
	\$ 7,972	\$ 7,185

As at December 31, 2022, the carrying value of the unit-based compensation liability was \$16,033 (December 31, 2021 - \$14,285) (Note 18).

Unit Option Plan

Choice Properties maintains a Unit Option plan for certain employees. Under this plan, Choice Properties may grant Unit Options totalling 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, 2022		Year ended December 31, 2021	
	Number of awards	Weighted average exercise price/unit	Number of awards	Weighted average exercise price/unit
Outstanding Unit Options, beginning of the period	435,456	\$ 12.84	1,082,640	\$ 12.54
Exercised	(182,302)	13.98	(647,184)	12.34
Outstanding Unit Options, end of the period	253,154	\$ 12.01	435,456	\$ 12.84
Unit Options exercisable, end of the period	253,154	\$ 12.01	292,592	\$ 13.13

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, 2022	As at December 31, 2021
Expected average distribution yield	4.94%	5.03%
Expected average Unit price volatility	13.66% - 20.93%	13.38% - 21.46%
Average risk-free interest rate	0.05% - 4.36%	0.001% - 0.84%
Expected average remaining life of options	0.1 - 0.7 Years	0.1 - 1.7 Years

The following table details the Unit Options outstanding as at December 31, 2022:

Exercise Price	Expiry Date	Number of Unit Options outstanding as at December 31, 2022	Remaining weighted average life (in years)
\$14.21	2024	9,854	1.2
\$11.92	2025	243,300	2.2
\$11.92 to \$14.21		253,154	2.1

Restricted Unit Plans

Notes to the Consolidated Financial Statements

Choice Properties has a Restricted Unit Plan and a Unit-Settled Restricted Unit Plan as described below.

Restricted Unit Plan

Restricted Units (“RU”) 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 Trust Unit at the balance sheet date. No outstanding RUs had vested as at December 31, 2022 (December 31, 2021 - nil).

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

(Number of awards)	Year Ended December 31, 2022	Year Ended December 31, 2021
Outstanding Restricted Units, beginning of the period	439,574	405,713
Granted	94,355	119,134
Reinvested	16,329	22,014
Exercised	(257,604)	(104,563)
Cancelled	(21,499)	(2,724)
Expired	(8)	—
Outstanding Restricted Units, end of the period	271,147	439,574

Unit-Settled Restricted Unit Plan

Under the terms of the Unit-Settled Restricted Unit (“URU”) plan, certain employees are granted URUs which are subject to vesting conditions and disposition restrictions. Typically, full vesting of the URUs will not occur until the employee has remained with Choice Properties for three or five years from the date of grant. Depending on the nature of the grant, the URUs are subject to a six- or seven-year holding period during which the Units cannot be disposed. There were 1,217,340 URUs vested but still subject to disposition restrictions as at December 31, 2022 (December 31, 2021 - 996,896).

The following is a summary of Choice Properties’ URU plan activity for units not yet vested:

(Number of awards)	Year Ended December 31, 2022	Year Ended December 31, 2021
Outstanding Unit-Settled Restricted Units, beginning of the period	600,919	588,534
Granted	230,682	189,887
Cancelled	(1,989)	—
Vested	(162,893)	(177,502)
Outstanding Unit-Settled Restricted Units, end of the period	666,719	600,919

Performance Unit Plan

Performance Units (“PU”) 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 Trust Unit at the balance sheet date. There were no PUs vested as at December 31, 2022 (December 31, 2021 - nil).

Notes to the Consolidated Financial Statements

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

(Number of awards)	Year Ended December 31, 2022	Year Ended December 31, 2021
Outstanding Performance Units, beginning of the period	197,609	135,695
Granted	85,221	82,847
Reinvested	12,081	9,403
Exercised	(67,397)	(30,336)
Cancelled	(5,069)	—
Added by performance factor	15,973	—
Outstanding Performance Units, end of the period	238,418	197,609

Trustee Deferred Unit Plan

Non-management members of the Board are required to receive a portion of their annual retainer in the form of Deferred Units ("DU") 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.

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

(Number of awards)	Year Ended December 31, 2022	Year Ended December 31, 2021
Outstanding Trustee Deferred Units, beginning of the period	389,462	368,290
Granted	95,099	82,969
Reinvested	21,995	18,942
Exercised	—	(80,739)
Outstanding Trustee Deferred Units, end of the period	506,556	389,462

Notes to the Consolidated Financial Statements

Note 20. Rental Revenue

Rental revenue is comprised of the following:

(\$ thousands)			Year ended		Year ended	
	Related Parties ⁽ⁱ⁾	Third-party	December 31, 2022	Related Parties ⁽ⁱ⁾	Third-party	December 31, 2021
Base rent	\$ 516,475	\$ 346,704	\$ 863,179	\$ 526,632	\$ 357,396	\$ 884,028
Property tax and insurance recoveries	142,082	97,228	239,310	146,172	100,301	246,473
Operating cost recoveries	73,596	78,322	151,918	62,999	86,091	149,090
Lease surrender and other revenue	—	10,187	10,187	1,798	10,932	12,730
Rental revenue	\$ 732,153	\$ 532,441	\$ 1,264,594	\$ 737,601	\$ 554,720	\$ 1,292,321

(i) Refer to Note 32, Related Party Transactions.

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, property tax and insurance 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, excluding adjustments for straight-line rent, for the years ended December 31 is as follows:

(\$ thousands)	
2023	\$ 942,555
2024	907,254
2025	837,503
2026	758,851
2027	653,678
Thereafter	2,143,074
Total	\$ 6,242,915

Note 21. Property Operating Costs

(\$ thousands)	Year Ended	
	December 31, 2022	December 31, 2021
Property taxes and insurance	\$ 254,463	\$ 261,905
Recoverable operating costs	105,652	111,404
Non-recoverable operating costs	3,838	6,997
Property operating costs	\$ 363,953	\$ 380,306

Included in non-recoverable operating expenses are expected credit losses of \$1,593 for the year ended December 31, 2022, respectively (2021 - \$4,388). Refer to Note 13 for discussion on rents receivable and the related expected credit losses.

Notes to the Consolidated Financial Statements

Note 22. Interest Income

(\$ thousands)	Note	Year Ended	
		December 31, 2022	December 31, 2021
Interest income from mortgages and loans receivable ⁽ⁱ⁾	10	\$ 19,120	\$ 11,224
Income earned from financial real estate assets		5,709	4,295
Income from financial real estate assets due to changes in value	8	783	2,556
Other interest income		1,748	2,004
Interest income		\$ 27,360	\$ 20,079

(i) Interest income from mortgages and loans receivable includes accretion income in relation to the promissory note issued to Allied of \$3,758 for the year ended December 31, 2022 (2021 - \$nil)

Note 23. Fee Income

(\$ thousands)	Note	Year Ended	
		December 31, 2022	December 31, 2021
Fees charged to related party	32	\$ 722	\$ 315
Fees charged to third parties		3,071	3,486
Fee income		\$ 3,793	\$ 3,801

Note 24. Net Interest Expense and Other Financing Charges

(\$ thousands)	Note	Year Ended	
		December 31, 2022	December 31, 2021
Interest on senior unsecured debentures		\$ 192,774	\$ 186,671
Fees incurred on early repayment of debentures		—	1,512
Interest on mortgages and construction loans		39,128	46,260
Interest on credit facility		8,839	4,275
Interest on right-of-use lease liabilities		148	147
Amortization of debt discounts and premiums	14	933	687
Amortization of debt placement costs	14,15	5,084	4,731
Distributions on Exchangeable Units ⁽ⁱⁱ⁾	32	292,884	292,884
		539,790	537,167
Less: Capitalized interest ⁽ⁱⁱ⁾	5,9	(2,933)	(2,642)
Net interest expense and other financing charges		\$ 536,857	\$ 534,525

(i) Represents interest on indebtedness due to GWL.

(ii) Interest was capitalized to qualifying development projects based on a weighted average interest rate of 3.74% (2021 - 3.64%).

Note 25. General and Administrative Expenses

(\$ thousands)	Note	Year Ended	
		December 31, 2022	December 31, 2021
Salaries, benefits and employee costs ⁽ⁱ⁾		\$ 48,406	\$ 44,226
Investor relations and other public entity costs		2,959	2,616
Professional fees		3,498	4,079
Information technology costs		7,075	6,324
Services Agreement charged by related party	32	3,901	3,094
Amortization of other assets		1,201	1,294
Office related costs		1,510	2,861
Other		2,062	483
Total		70,612	64,977
Less: Allocated to recoverable operating expenses		(22,791)	(24,060)
General and administrative expenses		\$ 47,821	\$ 40,917

(i) Salaries, benefits and employee costs is shown net of costs capitalized to properties under development.

Note 26. Financial Risk Management

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

a. 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 mortgages, loans 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 for expected credit losses with respect to rent receivables. The allowance is determined on a tenant-by-tenant basis based on the specific factors related to the tenant.

The risk related to cash and cash equivalents, short-term investments, security deposits, and derivatives 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.

The risk related to its mortgages, loans and notes receivable arise in the event that the borrowers default on the repayment of such financing. Choice Properties has established a program with a group of strategic development partners whereby the Trust provides financing in the form of mezzanine loans, joint venture financing, vendor take-back financing and other arrangements. In exchange, the Trust generally receives an option or other rights to acquire an interest in real property assets. The Trust mitigates this risk by ensuring the loans are well secured by real property assets and by obtaining guarantees where necessary.

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.

b. Market Risk

Interest Rate Risk

Choice Properties requires extensive financial resources to complete the implementation of its strategy. Successful implementation of Choice Properties' 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 the long-term, 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 Revolving Credit Facility), this will result in fluctuations in Choice Properties' cost of borrowing as interest rates change. If interest rates rise, Choice Properties' operating results and financial condition could be materially adversely affected and the amount of cash available for distribution to Unitholders would decrease.

Choice Properties' Revolving Credit Facility and the Trust 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. An increase of 1.0% per annum in the variable component of the interest rate for the credit facility would result in an increase to liabilities and a decrease in net income of \$15,000 (2021 - \$15,000) (assuming fully drawn credit facility).

Unit Price Risk - Exchangeable Units

Choice Properties is exposed to Unit price risk as a result of the issuance of the Exchangeable Units, which are economically equivalent to and exchangeable for Units, as well as the issuance of unit-based compensation. The Exchangeable Units and unit-based compensation liabilities are recorded at their fair value based on market trading prices. The Exchangeable Units and unit-based compensation negatively impact net income when the Unit price rises and positively impact net 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 due to Exchangeable Units of \$395,787 (2021 - \$395,787) and Unit-based compensation liabilities of \$1,268 (2021 - \$1,299).

Unit Price Risk - Investment in Real Estate Securities

Choice Properties is exposed to unit price risk as a result of its investment in the Class B Units of Allied Properties Exchangeable Limited Partnership (Note 11), which are economically equivalent to and exchangeable for the publicly traded units of Allied. The Class B Units are recorded at their fair value based on market trading prices the publicly traded units of Allied.

An decrease of \$1.00 in the underlying price of Allied's publicly traded units would result in a decrease to assets and decrease in net income of \$11,809 (2021 - \$nil).

c. 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 its 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 payments and principal repayment obligations upon an applicable maturity date. If Choice Properties is unable to meet interest payments 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, property maintenance costs, development spending, other capital expenditures, and to refinance indebtedness. Although Choice Properties expects to have access to the Revolving Credit Facility, there can be no assurance that it will otherwise have access to sufficient capital or access to capital on favourable terms. Further, in certain circumstances, Choice Properties may not be able to borrow funds due to limitations set forth in the Declaration of Trust, the Indenture, as supplemented by the Supplemental Indentures. 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.

Notes to the Consolidated Financial Statements

The undiscounted future principal and interest payments on Choice Properties' debt instruments are as follows:

(\$ thousands)	2023	2024	2025	2026	2027	Thereafter	Total
Senior unsecured debentures	\$ 771,006	\$ 926,067	\$ 696,011	\$ 481,695	\$ 615,979	\$ 3,003,846	\$ 6,494,604
Mortgages payable	114,839	234,425	175,226	81,731	99,857	413,423	1,119,501
Construction loans ⁽ⁱ⁾	4,639	11,208	—	—	—	23,367	39,214
Credit facility ⁽ⁱ⁾	—	—	—	—	260,000	—	260,000
Total	\$ 890,484	\$ 1,171,700	\$ 871,237	\$ 563,426	\$ 975,836	\$ 3,440,636	\$ 7,913,319

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

Note 27. Financial Instruments

The following table presents the fair value hierarchy of financial assets and liabilities, excluding those classified as amortized cost that are short term in nature.

(\$ thousands)	Note	As at December 31, 2022				As at December 31, 2021			
		Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets									
Fair value through profit and loss:									
Mortgages, loans and notes receivable	10	\$ —	\$ —	\$ 163,127	\$ 163,127	\$ —	\$ —	\$ 96,623	\$ 96,623
Lease receivable	13	—	—	23,426	23,426	—	—	22,351	22,351
Financial real estate assets	8	—	—	109,509	109,509	—	—	86,603	86,603
Investment in real estate securities	11	—	302,314	—	302,314	—	—	—	—
Designated hedging derivatives	13	—	12,909	—	12,909	—	3,266	—	3,266
Amortized cost:									
Mortgages, loans and notes receivable - SPPI	10	—	—	512,800	512,800	—	—	257,800	257,800
Cash and cash equivalents	29 (c)	—	64,736	—	64,736	—	84,304	—	84,304
Liabilities									
Fair value through profit and loss:									
Exchangeable Units	16	—	5,841,809	—	5,841,809	—	6,011,997	—	6,011,997
Unit-based compensation	19	—	16,033	—	16,033	—	14,285	—	14,285
Designated hedging derivatives	18	—	—	—	—	—	1,925	—	1,925
Amortized cost:									
Long term debt	14	—	—	5,946,834	5,946,834	—	—	6,526,570	6,526,570
Credit facility	15	—	257,617	—	257,617	—	—	—	—

The carrying value of the Trust's assets and liabilities approximated fair value except for long term debt. The fair value of Choice Properties' senior unsecured debentures was calculated using market trading prices for similar instruments, whereas the fair values for the mortgages was calculated by discounting future cash flows using appropriate discount rates. There were no transfers between levels of the fair value hierarchy during the periods.

Designated Hedging Derivatives

Designated hedging derivatives consist of interest rate swaps to hedge the interest rate associated with an equivalent amount of variable rate mortgages. During the year ended December 31, 2022, two interest rate swaps were settled upon maturity of the underlying variable rate mortgages. As at December 31, 2022, the interest rates ranged from 2.8% to 4.4% (December 31, 2021 - 2.8% to 4.4%).

Notes to the Consolidated Financial Statements

The impact of the hedging instruments on the consolidated balance sheets was as follows:

(\$ thousands)	Note	Maturity Date	Notional Amount	As at December 31, 2022	As at December 31, 2021
Derivative assets					
Interest rate swaps	13	May 2023 - Jun 2030	\$ 157,926	\$ 12,909	\$ 3,266
Derivative liabilities					
Interest rate swaps	18	—	—	—	1,925

During the year ended December 31, 2022, the Trust recorded an unrealized fair value gain in other comprehensive income of \$11,568 (December 31, 2021 - unrealized fair value gain of \$6,343).

Note 28. Capital Management

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

Financing activity during the year ended December 31, 2022 and 2021, consisted of the repayment and issuance of various senior unsecured debentures (Note 14).

Choice Properties has certain key covenants in its debentures and its committed credit facility. The key financial covenants include debt service ratios and leverage ratios, as defined in the respective agreements. These ratios are measured by the Trust on an ongoing basis to ensure compliance with the agreements. Choice Properties was in compliance with each of the key financial covenants under these agreements as at December 31, 2022 and December 31, 2021.

The following schedule details the capitalization of Choice Properties:

(\$ thousands)	Note	As at December 31, 2022	As at December 31, 2021
Liabilities			
Senior unsecured debentures	14	\$ 5,325,000	\$ 5,125,000
Mortgages payable	14	948,919	1,112,310
Construction loans	14	39,214	12,906
Credit facility	15	260,000	—
Exchangeable Units	16	5,841,809	6,011,997
Equity			
Unitholders' equity	16	3,824,153	3,310,191
Total		\$ 16,239,095	\$ 15,572,404

Notes to the Consolidated Financial Statements

Note 29. Supplemental Cash Flow Information

(a) Items not affecting cash and other items

(\$ thousands)	Note	Year Ended	
		December 31, 2022	December 31, 2021
Straight line rental revenue	5	\$ (2,554)	\$ (7,893)
Unit based compensation expense included in general and administrative expenses	19	6,781	5,605
Reversal of expected credit loss on mortgage receivable	10	—	(1,502)
Amortization of intangible assets	12	1,000	1,000
Adjustment to fair value of Exchangeable Units	16	(170,188)	862,815
Adjustment to fair value of investment properties	5	(113,115)	(458,817)
Adjustment to fair value of investment in real estate securities	11	248,346	—
Other fair value (gains) losses, net		1,191	1,580
Items not affecting cash and other items		\$ (28,539)	\$ 402,788

(b) Net change in non-cash working capital

(\$ thousands)	Note	Year Ended	
		December 31, 2022	December 31, 2021
Net change in accounts receivable and other assets	13	(11,122)	3,369
Net change in trade payables and other liabilities	18	7,217	23,496
Net change in non-cash working capital		\$ (3,905)	\$ 26,865

(c) Cash and cash equivalents

(\$ thousands)	As at	
	December 31, 2022	December 31, 2021
Cash	\$ 64,736	\$ 84,304
Cash and cash equivalents	\$ 64,736	\$ 84,304

Note 30. Segment Information

Choice Properties operates in three reportable segments: retail, industrial and mixed-use, residential, and other. The segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (“CODM”), determined to be the senior leadership team, which is comprised of the Chief Executive Officer (“CEO”), the Chief Financial Officer (“CFO”) and Chief Operating Officer (“COO”) of the Trust. The CODM measures and evaluates the performance of the Trust based on net rental income.

In the first quarter of 2022, the Trust disposed of a portfolio of six office assets to Allied (Note 4), significantly reducing the size of its office portfolio. Concurrent with the disposition the Trust revised its internal reporting structure, combining its remaining office properties and residential properties into the mixed-use, residential, and other segment. Segment information for the period ended December 31, 2021 has been revised to reflect this change.

The table below presents net rental income for the year ended December 31, 2022, in a manner consistent with internal reporting. The accounting policies of the segments presented here are the same as those described in Note 2 of the annual financial statements, except that segment rental revenue and segment property operating costs include the proportionate share of revenues and property operating costs of joint ventures and financial real estate assets.

(\$ thousands)	Retail	Industrial	Mixed-Use, Residential & Other	Consolidation and eliminations ⁽ⁱ⁾	Year ended December 31, 2022
Rental revenue	\$ 1,033,020	\$ 208,655	\$ 97,842	\$ (74,923)	\$ 1,264,594
Property operating costs	(293,770)	(53,947)	(42,663)	26,427	(363,953)
Net Rental Income	\$ 739,250	\$ 154,708	\$ 55,179	\$ (48,496)	\$ 900,641

(i) Reconciling items adjust Choice Properties’ proportionate share of joint ventures to reflect the equity method of accounting under IFRS.

The table below presents net rental income for the year ended December 31, 2021, in a manner consistent with internal reporting. The accounting policies of the segments presented here are the same as those described in Note 2 of the annual financial statements, except that segment rental revenue and segment property operating costs include the proportionate share of revenues and property operating costs of joint ventures and financial real estate assets.

	<i>(restated)</i>				
(\$ thousands)	Retail	Industrial	Mixed-Use, Residential & Other	Consolidation and eliminations ⁽ⁱ⁾	Year ended December 31, 2021
Rental revenue	\$ 1,016,387	\$ 205,268	\$ 132,002	\$ (61,336)	\$ 1,292,321
Property operating costs	(293,273)	(52,708)	(55,710)	21,385	(380,306)
Net Rental Income	\$ 723,114	\$ 152,560	\$ 76,292	\$ (39,951)	\$ 912,015

(i) Reconciling items adjust Choice Properties’ proportionate share of joint ventures to reflect the equity method of accounting under IFRS.

Note 31. 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.

a. 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.

b. 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, 2022, the aggregate gross potential liability related to these letters of credit totalled \$32,897 (December 31, 2021 - \$32,579).

Choice Properties' credit facility 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.

c. Commitments

Choice Properties has entered into contracts for development and property capital projects and has other contractual obligations. The Trust is committed to future payments of approximately \$258,000, of which \$106,000 relates to equity accounted joint ventures as at December 31, 2022 (December 31, 2021 - \$436,000 and \$26,000, respectively).

d. Contingent Liabilities

The Trust held debt obligations in the amount of \$244,579 in its equity accounted joint ventures as at December 31, 2022 (December 31, 2021 - \$250,051). Generally, the Trust is only liable for its proportionate share of the obligations of the co-ownerships and equity accounted joint ventures in which it participates, except in limited circumstances. Credit risk arises in the event that the partners default on the payment of their proportionate share of such obligations. This credit risk is mitigated as the Trust generally has recourse under its co-ownership agreements and joint venture arrangements in the event of default of its partners, in which case the Trust's claim would be against both the underlying real estate investments and the partners that are in default. Management believes that the assets of its co-ownerships and joint ventures are sufficient for the purpose of satisfying any obligation of the Trust should the Trust's partner default.

Note 32. Related Party Transactions

Choice Properties' parent corporation is GWL, which as at December 31, 2022, held either directly or indirectly, a 61.7% effective interest in the Trust through ownership of 50,661,415 Units and all of the Exchangeable Units, which are economically equivalent to and exchangeable to Units. GWL is also the parent company of Loblaw, with ownership of 52.6% of Loblaw's outstanding common shares as at December 31, 2022. Choice Properties' ultimate parent is Wittington Investments, Limited.

In the normal course of operations, Choice Properties enters into various transactions with related parties. These transactions are measured at the exchange amount, which is the amount of consideration established and agreed upon by the related parties.

Transactions and Agreements with GWL

Acquisitions

During the year ended December 31, 2020, Choice Properties acquired six industrial assets from Weston Foods (Canada) Inc., a wholly-owned subsidiary of GWL, a purchase price of \$81,500, excluding transaction costs. The acquisition was satisfied in full through the issuance of 5,824,742 Exchangeable Units for \$79,100 and assumed liabilities of \$2,400. Weston Foods (Canada) Inc. amalgamated with George Weston Limited in July 2021 and the Exchangeable Units held by Weston Foods (Canada) Inc. were transferred to GWL. On December 29, 2021, GWL completed the sale of its entire Weston Foods bakery business and any leases with Weston Foods (Canada) Inc. were transferred to a third-party buyer as part of the sale.

Services Agreement

For the year ended December 31, 2022, GWL provided Choice Properties with corporate, administrative and other support services for an annualized cost of \$3,901 (2021 - \$3,094).

Distributions on Exchangeable Units

GWL, directly or indirectly, holds all of the Exchangeable Units issued by Choice Properties Limited Partnership, a subsidiary of Choice Properties. During the three months and year ended December 31, 2022, distributions declared on the Exchangeable Units totalled \$73,221 and \$292,884 (December 31, 2021 - \$73,221 and \$292,884).

As at December 31, 2022, Choice Properties had distributions on Exchangeable Units payable to GWL of \$195,256 (December 31, 2021 - 192,741). The payable to GWL includes deferred distributions of \$170,849 to be paid on the first business day of the 2023 fiscal year (December 31, 2021 - \$168,334).

Notes Receivable

Holders of Exchangeable Units may, in lieu of receiving all or a portion of their distributions, choose to be loaned an amount from Choice Properties Limited Partnership, and to have such distributions made on the first business day following the end of the fiscal year in which such distribution would otherwise have been made. The loans do not bear interest and are due and payable in full on the first business day following the end of the fiscal year during which the loan was made. During the twelve months ended December 31, 2022, GWL elected to receive seven months of distributions from Choice Properties Limited Partnership in the form of loans. As such, non-interest bearing short-term notes totalling \$170,849 were issued during the twelve months ended December 31, 2022 to GWL and were repaid in January 2023. Non-interest bearing short-term notes totalling \$168,334 with respect to the loans received in the 2021 fiscal year were settled against distributions payable by the Trust to GWL in January 2022.

Trust Unit Distributions

During the year ended December 31, 2022, Choice Properties declared cash distributions of \$37,490 on the Units held by GWL (December 31, 2021 - \$37,490). As at December 31, 2022, \$3,124 of Trust Unit distributions declared were payable to GWL (December 31, 2021 - \$3,124). There were no non-cash distributions settled through the issuance of additional Trust Units during the year ended December 31, 2022 (December 31, 2021 - \$nil).

Transaction Summary as Reflected in the Consolidated Financial Statements

Transactions with GWL recorded in the consolidated statements of income and comprehensive income were comprised as follows:

(\$ thousands)	Note	Year Ended	
		December 31, 2022	December 31, 2021
Rental revenue	20	\$ 3,029	\$ 13,995
Services Agreement expense	25	(3,901)	(3,094)
Distributions on Exchangeable Units	24	(292,884)	(292,884)

The balances due from (to) GWL and subsidiaries were as follows:

(\$ thousands)	Note	As at	As at
		December 31, 2022	December 31, 2021
Notes receivable	10	\$ 170,849	\$ 168,334
Other receivables	13	623	—
Exchangeable Units	16	(5,841,809)	(6,011,997)
Accrued liabilities	18	(1,233)	(835)
Distributions payable on Exchangeable Units	18	(195,256)	(192,741)
Distributions payable on Trust Units	18	(3,124)	(3,124)
Due to GWL and subsidiaries		\$ (5,869,950)	\$ (6,040,363)

Transactions and Agreements with Loblaw

Acquisitions

During year ended December 31, 2022, Choice Properties acquired two financial real estate assets for an aggregate purchase price \$17,210, excluding transaction costs and a development property for a purchase price of \$25,663, excluding transaction costs from Loblaw.

During year ended December 31, 2021, Choice Properties acquired a financial real estate asset from Loblaw for a purchase price of \$14,777, excluding transaction costs.

On January 31, 2023, the Trust acquired three retail assets from Loblaw for an aggregate purchase price of \$98,630.

Dispositions

During year ended December 31, 2022, Choice Properties disposed of one retail property which had a Loblaw lease for a sale price of \$25,750, excluding transaction costs.

During year ended December 31, 2021, Choice Properties disposed of 2 retail properties which had Loblaw leases for an aggregate sale price of \$33,500, excluding transaction costs.

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. The initial term of the Strategic Alliance Agreement expires on July 5, 2023. Upon expiry of the initial term, the Strategic Alliance Agreement will be automatically renewed until the earlier of July 5, 2033 or the date on which GWL and its affiliates own less than 50% of the Trust on a fully diluted basis. 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 has the right of first offer to purchase any property in Canada that Loblaw seeks to sell;
- Loblaw is 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 are calculated in accordance with a payment grid that takes into account the region, market ranking and type of use for the property.

Notes to the Consolidated Financial Statements

Leases

During the year, the Trust and Loblaw renewed 42 of 44 retail leases from the initial public offering portfolio expiring in 2023.

Site Intensification Payments

Choice Properties compensated Loblaw with intensification payments of \$2,687 in connection with completed gross leasable area for which tenants took possession during the year ended December 31, 2022 (December 31, 2021 - \$2,208).

Transaction Summary as Reflected in the Consolidated Financial Statements

Loblaw is the largest tenant for Choice Properties, representing approximately 57.5% of Choice Properties' rental revenue for the year ended December 31, 2022 (December 31, 2021 - 55.9%). Transactions with Loblaw recorded in the consolidated statements of income and comprehensive income were comprised as follows:

(\$ thousands)	Note	Year Ended	
		December 31, 2022	December 31, 2021
Rental revenue	20	\$ 727,593	\$ 721,994
Fee income	23	—	65

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

(\$ thousands)	Note	As at	
		December 31, 2022	December 31, 2021
Rent receivable	13	\$ —	\$ 1,474
Other receivables	13	57	2,044
Accrued liabilities	18	(13,963)	(85)
Construction allowances payable	18	(16,106)	—
Reimbursed contract payable	18	(296)	(266)
Due from (to) Loblaw		\$ (30,308)	\$ 3,167

Transactions and Agreements with Wittington

Management Agreements

Choice Properties provides Wittington with property management services for certain properties with third-party tenancies and development consulting services on a fee for service basis.

Trust Unit Distributions

During the year ended December 31, 2022, Choice Properties declared cash distributions of \$3,052 and \$12,210 on the Units held by Wittington (December 31, 2021 - \$3,052 and \$12,210). As at December 31, 2022, \$1,018 of Trust Unit distributions declared were payable to Wittington (December 31, 2021 - \$1,018). There were no non-cash distributions settled through the issuance of additional Trust Units during the year ended December 31, 2022 and 2021.

Transaction Summary as Reflected in the Consolidated Financial Statements

Transactions with Wittington recorded in the consolidated statements of income and comprehensive income were comprised as follows:

(\$ thousands)	Note	Year Ended	
		December 31, 2022	December 31, 2021
Rental revenue	20	\$ 1,531	\$ 1,612
Fee income	23	722	250

Notes to the Consolidated Financial Statements

The balances due from (to) Wittington and subsidiaries were as follows:

(\$ thousands)	Note	As at	
		December 31, 2022	December 31, 2021
Rent receivable	13	\$ 122	\$ —
Cost-to-complete receivable	13	8,501	8,501
Distributions payable	18	(1,018)	(1,018)
Due from Wittington and subsidiaries		\$ 7,605	\$ 7,483

Transactions and Agreements with other related parties

Mortgages receivable

As at December 31, 2022, \$113,780 of mortgages receivable included within mortgages, loans and notes receivable were to entities which the Trust has an ownership interest in (December 31, 2021 - \$9,378).

Transactions with Key Personnel

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

(\$ thousands)	December 31, 2022	December 31, 2021
Salaries, trustee fees, incentives and short-term employee benefits	\$ 3,666	\$ 3,612
Unit-based compensation recorded in:		
General and administrative expenses	3,937	3,689
Adjustment to fair value of unit-based compensation	562	684
Compensation of key personnel	\$ 8,165	\$ 7,985

Note 33. Subsequent Events

On January 18, 2023, the Trust paid in full upon maturity, at par, plus accrued and unpaid interest thereon, the \$125 million aggregate principal amount of the Series D-C senior unsecured debentures outstanding. The repayment of the Series D-C senior unsecured debenture was funded by an advance on the Trust's credit facility.

On January 31, 2023, the Trust acquired three retail assets from Loblaw for an aggregate purchase price of \$98,630.

On February 15, 2023, the Trust announced an increase in the annual distribution by 1.4% to \$0.75 per unit. The increase will be effective for Unitholders of record on March 31, 2023.

Subsequent to year end, the Trust entered into commitments for approximately \$161,750 of mortgage financing.

Corporate Profile

Choice Properties is a leading Real Estate Investment Trust that creates enduring value through the ownership, operation and development of high-quality commercial and residential properties.

We believe that value comes from creating spaces that improve how our tenants and communities come together to live, work, and connect. We strive to understand the needs of our tenants and manage our properties to the highest standard. We aspire to develop healthy, resilient communities through our dedication to social, economic, and environmental sustainability. In everything we do, we are guided by a shared set of values grounded in Care, Ownership, Respect and Excellence.

Conference Call and Webcast

Management will host a conference call on Thursday, February 16, 2023 at 9:00 AM (ET) with a simultaneous audio webcast. To access via teleconference, please dial (240) 789-2714 or (888) 330-2454 and enter the event passcode: 4788974. The link to the audio webcast will be available on www.choicereit.ca/events-webcasts.

Head Office

Choice Properties Real Estate Investment Trust
The Weston Centre
700-22 St. Clair Avenue East
Toronto, Ontario
M4T 2S5
Tel: 416-628-7771
Toll free: 1-855-322-2122
Fax: 416-628-7777

Registrar and Transfer Agent

TSX Trust Company
P.O. Box 700, Station B
Montreal, QC, H3B 3K3
Tel: (416) 682-3860 (outside of Canada and US)
Tel toll free: 1-800-387-0825 (Canada and US)
Fax: (514) 985-8843 (outside of Canada and US)
Fax toll free: 1 (888) 249-6189 (Canada and US)
E-Mail: shareholderinquiries@tmx.com
Website: www.tsxtrust.com

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.

Investor Relations

Tel: 416-628-7771
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.

Trustees

Gordon A. M. Currie - Chair

Executive Vice President and Chief Legal Officer,
George Weston Limited

Christie J.B. Clark¹

Corporate Director

L. Jay Cross¹

President, The Howard Hughes
Corporation

Graeme M. Eadie²

Corporate Director

Diane A. Kazarian¹

Corporate Director

Karen A. Kinsley¹

Corporate Director

R. Michael Latimer²

Corporate Director

Nancy H.O. Lockhart²

Corporate Director

Dale R. Ponder¹

Corporate Director

Cornell Wright

President, Wittington Investments, Limited

¹ Audit Committee

² Governance, Compensation and Nominating Committee

Ce rapport est disponible en français.



Value for Generations

ChoiceProperties

Head Office

The Weston Centre
700-22 St. Clair Avenue East
Toronto, Ontario