Delivering today
Building for the future

2023 Annual Report

ChoiceProperties

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 have a proven strategy to maximize the value of our portfolio and create enduring value for all our stakeholders. Our business is strong, and we are well positioned to continue to deliver on our Strategic Framework and achieve our goals.

Our priorities of maintaining our market-leading portfolio, sustaining operational excellence and delivering on our development pipeline remain the same, while our near-term focus areas are reflective of who we are and where we are going. While delivering on our priorities we continue to focus on strengthening our unmatched foundation.

Proven Strategic Framework

Canada's Preeminent REIT

GOALS

Creating Enduring Value	Preservation of capital	Stable and growing cash flows	Increases in NAV and distribution over time

PRIORITIES

1. **Maintaining** market-leading portfolio
2. **Sustaining** operational excellence
3. **Delivering** development pipeline

VALUES

- Care
- Ownership
- Respect
- Excellence

FOUNDATION

- Strategic relationship with one of Canada's largest retailers
- Embedded ESG practices
- Experienced, engaged and diverse team
- Industry-leading balance sheet

Our Near-Term Focus

We continue to focus on improving the quality of our portfolio, delivering a best-in-class operational platform, and driving growth through development. Through these actions, we are well-positioned to grow cash flows and deliver stable and growing distributions.

PRIORITIES

	1	2	3
PRIORITIES	**Maintaining** market-leading portfolio	**Sustaining** operational excellence	**Delivering** development pipeline
Building for the Future	Maximizing value in our core asset classes Improving quality through balanced capital recycling	Delivering best-in-class property operations capabilities	Executing on our near-term Industrial opportunity Creating value by advancing our Mixed-Use and Residential platform

Foundation | Strengthening our unmatched foundation

MEASURING SUCCESS

- Stable and growing cash flows from existing portfolio
- Growth through development pipeline
- Maintaining our industry leading balance sheet
- Stable and growing distributions

Message from the President & CEO

Delivering on our Strategic Framework

Fellow Unitholders,

Our business delivered another year of strong financial and operational performance in 2023. At the beginning of the year, we set out our three key financial goals: preservation of capital, generating stable and growing cash flow, and delivering net asset value appreciation and distribution growth over time. We delivered on these goals this past year by focusing on our strategic priorities of maintaining a market leading portfolio, sustaining operational excellence, and delivering on our development pipeline. This would not have been possible without the effort and performance of our most valuable asset, our colleagues, and I thank each and every one of them.

Our Portfolio

Our market leading portfolio is focused on retail, industrial, and mixed-use & residential. Each of these distinct asset classes has its own set of fundamentals that support our goal of long-term value creation. We continued to refine and improve our portfolio through the careful execution of our capital recycling program in 2023. Specifically, we successfully completed $335 million in property dispositions, including the sale of our remaining non-strategic office properties, and executed $284 million in acquisitions of high-quality retail and industrial properties.

Supporting our portfolio and tenants, our diverse and talented team continued providing best-in-class property management, leasing, and tenant engagement. Leasing activities across our three asset classes remained strong, supported by the strength of our tenant base, and we maintained near full occupancy in 2023.

Our necessity-based retail portfolio continued to be one of the largest and most resilient in Canada and provided stable and consistent cash flow growth throughout 2023. Our national footprint not only mirrors that of our largest tenants but also means our neighbourhood centres are in communities where Canadians live and work. Our tenants remain resilient, with many retailers actively seeking to expand their presence, especially in non-urban markets, which continues to drive robust leasing demand for our neighbourhood centres.

Our well-located industrial portfolio continued to be exceptionally strong in 2023 and is well positioned to drive cash flow growth as we capitalize on higher market rents as our leases mature in this asset class. With limited new industrial real estate supply and robust tenant demand in key markets, we have a tremendous opportunity to drive growth in this area.

We continued to execute on growing our mixed-use and residential portfolio, positioning it for long-term growth. The overall lack of housing supply continued to support rental rate growth across our assets and provides us with an opportunity to help build additional housing for Canada's growing population.

Beyond our leading income producing portfolio, we demonstrated our ability to execute on our development pipeline. We improved our portfolio and diversified our tenant base by adding 1.8 million square feet of new commercial retail and industrial space and a new purpose-built residential rental building. Our investment in these developments of approximately $295 million, delivered significant value creation with a fair value of over $425 million and an average yield of 7.7%.

Our remaining development pipeline is significant and continues to provide us with a meaningful opportunity to add high-quality real estate to our portfolio. We have 14 active developments comprised of 11 retail, 2 industrial and 1 residential project. In addition to our active development projects, we have a substantial pipeline of future developments with 27 projects totaling over 4.3 million square feet of commercial space and 10.4 million square feet of mixed-use & residential space in different stages of the rezoning and planning process.

Our Financial Strength

Early in 2023 we outlined our financial framework and Outlook, and we successfully delivered on it with Same-Asset NOI (cash basis) growth of 4.6% and FFO growth of 4.0% to $1.003/unit. We also ended 2023 with strong debt metrics and ample liquidity. Our Adjusted Debt to EBITDA ratio, net of cash, at the end of the year was 7.0 times, and we have a strong liquidity position with $1.5 billion available on our credit facility and approximately $12.7 billion of unencumbered properties. We continued to be disciplined in maintaining our balanced debt maturity ladder and extended our weighted average term to maturity to 5.7 years.

We are committed to maintaining a conservative yet flexible balance sheet. Our prudent financial management is crucial for stability and gives us a competitive advantage to pursue opportunities when they arise. With strong cash flow growth and a sound financial position, we not only approved a distribution increase in the first half of 2023, but are pleased to announce another increase effective March 2024. This underscores our commitment to sharing earnings growth with you, our unitholders.

Sustainable Future

We recognize our responsibility as a significant landlord in Canada, and we aspire to develop healthy and resilient communities through dedication to social, economic, and environmental sustainability. To achieve this aspiration, we are focused on two areas where we can have significant impact on environmental and social sustainability: Fighting Climate Change and Strengthening Communities to Prosper.

We advanced these pillars in 2023, including the completion of asset-specific net-zero transition plans for all income producing properties in our portfolio, integrating low-carbon heating into development and retrofit projects, starting on our first net-zero retail development, and developing a social impact framework.

We also enhanced our sustainability transparency with the publishing of another detailed annual ESG Report, achieved a second consecutive 4-star rating for the GRESB Standing Investment (Operations) response (score of 82 out of 100), and received an upgrade of our MSCI ESG rating to “BBB” from “BB”.

Closing Remarks

In summary, 2023 was another successful year for our business. Since our inception in 2013, we have created an unmatched, high-quality portfolio, and a strong balance sheet that can support our transformational development pipeline. As the preeminent REIT in Canada, our platform is strategically designed to deliver stable and consistent returns for unitholders into the future. We remain focused on delivering day-to-day excellence in addition to our long-term objectives. On behalf of Choice Properties, we thank you for your continued support and confidence.

Rael L. Diamond
President & CEO

Management's Discussion and Analysis

3045 Mavis Road
Mississauga, ON

"We delivered strong operating and financial results for the quarter and year ended December 31, 2023. Our performance was supported by stable and growing cash flows, reflecting the strength and resilience of our grocery-anchored and necessity-based retail portfolio and demand for our well-located industrial assets."

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 9 of this MD&A.

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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, 2023 and accompanying notes ("2023 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' 2023 Financial Statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards" 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 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, 2023. 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 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 and
- 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 ("Class B 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, 2023. 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 ("Trust Units" or "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, 2023, 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.sedarplus.ca.

The information in this MD&A is current to February 14, 2024, 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

A Snapshot of Choice

Canada's Preeminent REIT

Alberta

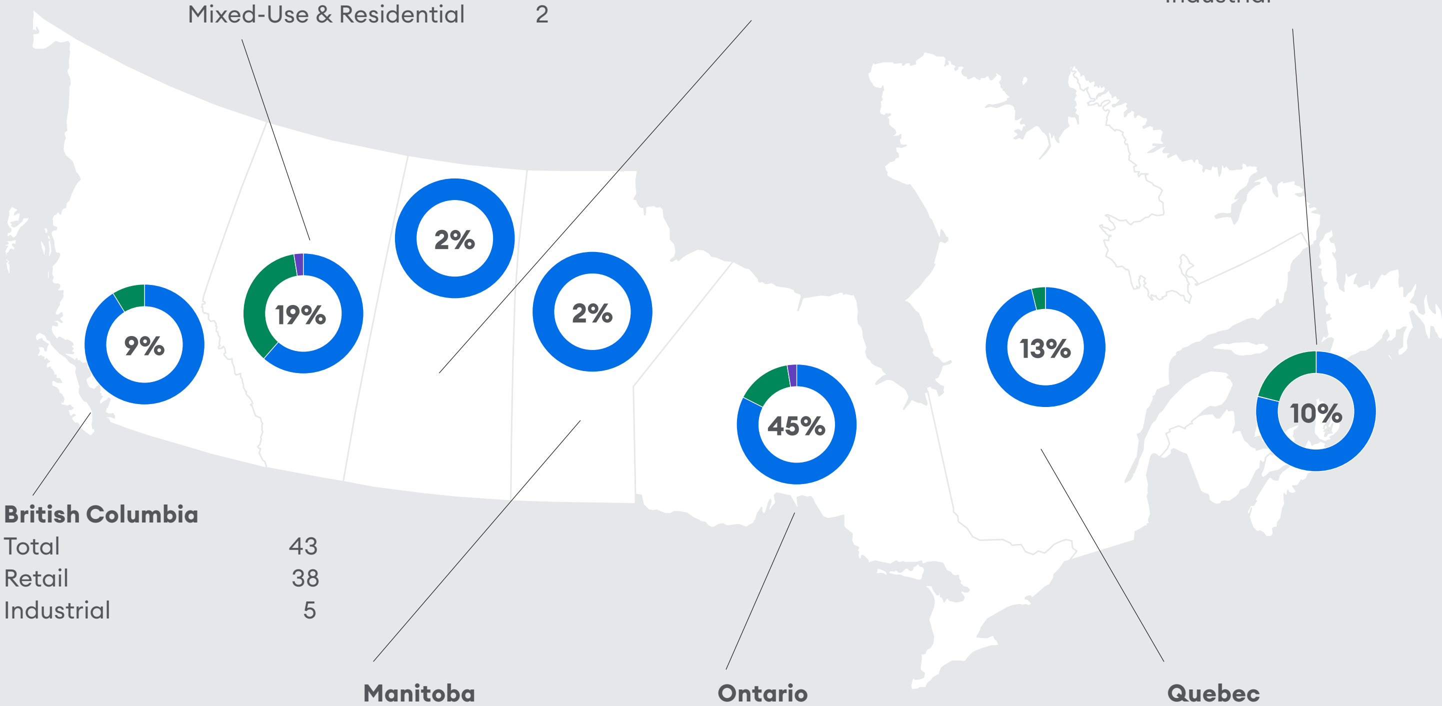
Total	130
Retail	78
Industrial	50
Mixed-Use & Residential	2

Saskatchewan

Total	16
Retail	16

Atlantic

Total	96
Retail	79
Industrial	17



British Columbia

Total	43
Retail	38
Industrial	5

Manitoba

Total	14
Retail	14

Ontario

Total	295
Retail	242
Industrial	45
Mixed-Use & Residential	8

Quebec

Total	111
Retail	106
Industrial	5

Retail Industrial Mixed-Use & Residential

705
High-quality properties across Canada(i)

66.1M
sq. ft. of GLA(ii)

98.0%
Occupancy(ii)

16M+
sq. ft. development pipeline(iii)

70+
Sites with future development potential

BBB(High)
DBRS rating

7.0x
Adjusted Debt to EBITDAFV, net of cash

Net-Zero
By 2050

(i) Effective the fourth quarter of 2023, the Trust reassessed its internal definition of a distinct income producing property. The net impact was to increase the number of income producing properties by two.

(ii) Includes 1.8 million sq. ft. that represents the building area on properties where the Trust has leased the underlying sites to the tenants through ground leases. Effective the fourth quarter of 2023, building area associated with the Trust's ground leases has been included in occupancy.

(iii) Includes 1.0 million sq. ft. that represents the building area on properties where the Trust will lease the underlying sites to the tenants through ground leases.

Market Leading Portfolio

Canada's Preeminent 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.

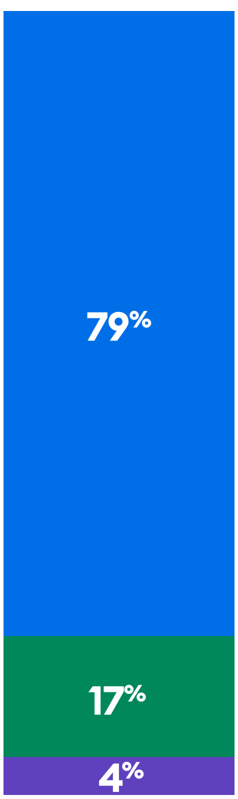
705

Properties[i]

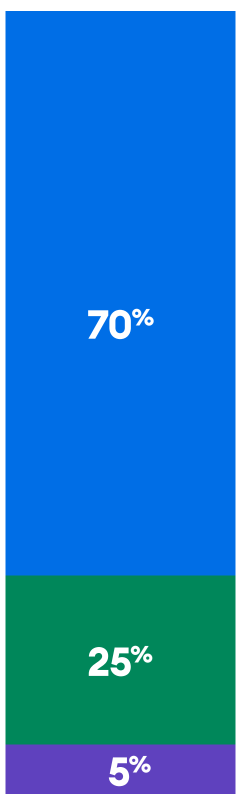
66.1M

sq. ft. of GLA[ii]

NOI, Cash Basis[iii]



Income Producing Properties Asset Value[iv]



Legend

Retail
Predominately necessity-based grocery anchored retail portfolio

Industrial
Flexible well-located industrial portfolio

Mixed-Use & Residential
Transit oriented mixed-use and residential portfolio

(i) Effective the fourth quarter of 2023, the Trust reassessed its internal definition of a distinct income producing property. The net impact was to increase the number of income producing properties by two.
(ii) Includes 1.8 million sq. ft. that represents the building area on properties where the Trust has leased the underlying sites to the tenants through ground leases.
(iii) As a % of total NOI, Cash Basis[1] for the three months ended December 31, 2023.
(iv) As a % of total asset value[1] excluding development as at December 31, 2023.

Winning Retail Portfolio

Necessity-based, well-located assets supported by strong anchor tenants

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.

44.7M
sq. ft. of GLA(i)

573
Properties(ii)

$11.0B
Fair value (Proportionate)(1)

97.7%
Occupancy(i)

Strong Necessity-Based Retail Anchor Tenants
Reliable and stable cash flow

+64%
of revenue from Loblaw banners

+68%
of revenue is from grocery and pharmacy

+83%
of revenue from necessity-based retail

Calculated as a % of the retail segment's gross rental revenue as at December 31, 2023 (Section 6)

(i) Includes 0.6 million sq. ft. that represents the building area on properties where the Trust has leased the underlying sites to the tenants through ground leases. Effective the fourth quarter of 2023, building area associated with the Trust's ground leases has been included in occupancy.
(ii) Effective the fourth quarter of 2023, the Trust reassessed its internal definition of a distinct income producing property. The net impact was to decrease the number of retail income producing properties by three.

High-Demand Industrial

High-quality generic industrial assets in key distribution markets

Our industrial portfolio is centred around large, purpose-built distribution facilities for Loblaw and high-quality "generic"[(i)] industrial assets that readily accommodate the diverse needs of a broad range of tenants.

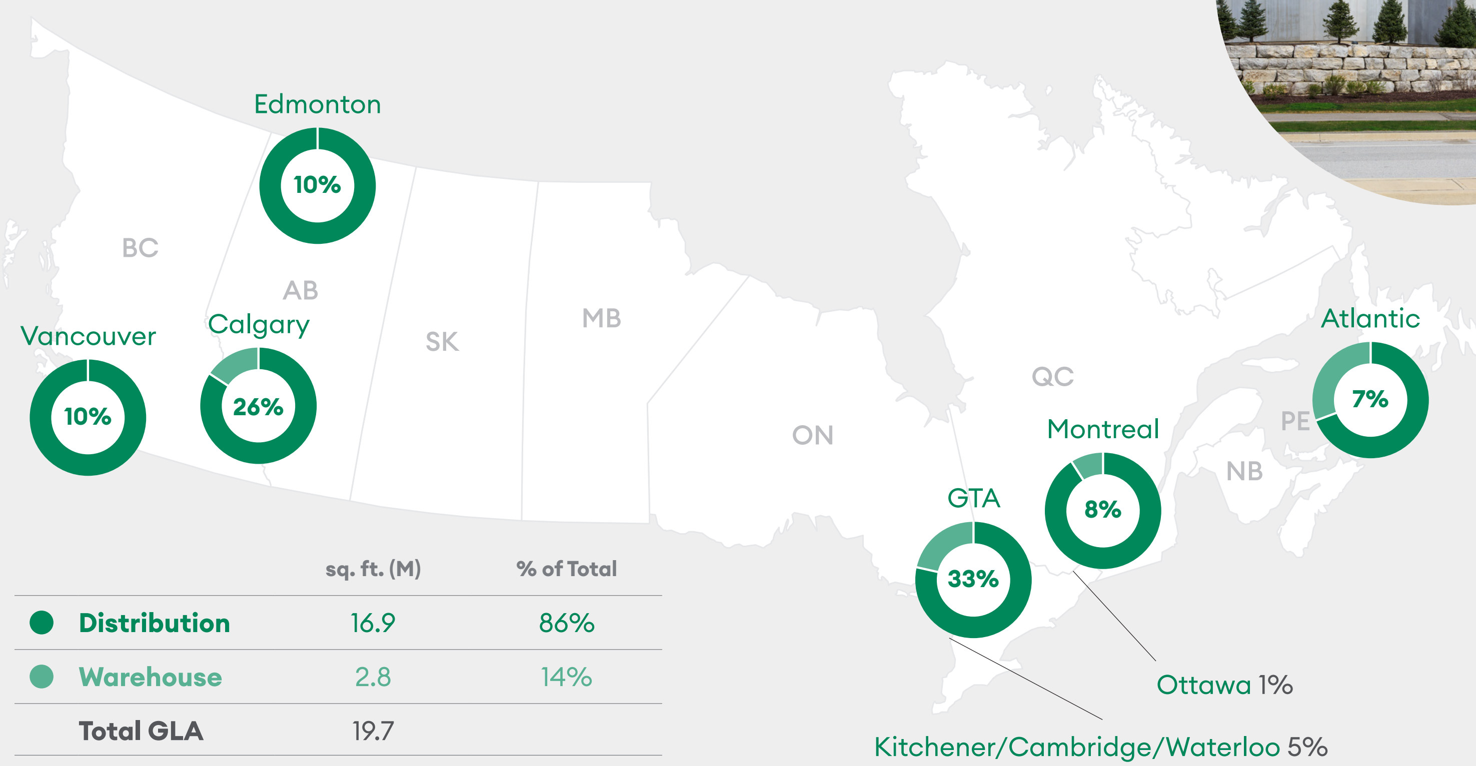
Our industrial properties are located in target distribution markets across Canada, where demand is the highest and we can build a critical mass to enjoy management efficiencies and accommodate the expansion or contraction requirements of our tenant base.

19.7M
sq. ft. of GLA[(ii)]

99.0%
Occupancy[(ii)]

$3.9B
Fair value (Proportionate)[(1)]

122
Properties[(iii)]



	sq. ft. (M)	% of Total
Distribution	16.9	86%
Warehouse	2.8	14%
Total GLA	19.7	

Calculated as a % of total GLA as at December 31, 2023. Warehouse includes certain Small Bay assets.

(i) 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.
(ii) Includes 1.2 million sq. ft. that represents the building area on properties where the Trust has leased the underlying sites to the tenants through ground leases. Effective the fourth quarter of 2023, building area associated with the Trust's ground leases has been included in occupancy.
(iii) Effective the fourth quarter of 2023, the Trust reassessed its internal definition of a distinct income producing property. The net impact was to increase the number of industrial income producing properties by five.

Mixed-Use & Residential

Purpose-built rental in key markets

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.

1.7M

sq. ft. of GLA(i)

$0.8B

Fair value (Proportionate)(1)

10

Properties

94.2%

Occupancy(ii)

(i) 1.7 million sq. ft. of GLA includes 0.6 million sq. ft. associated with Choice Properties' 772 residential units.

(ii) Occupancy shown is for retail and office portion of Mixed-Use properties, residential units are excluded.


2994 Peddie Road
Milton, ON

Sustaining Operational Excellence

At Choice Properties, we strive to understand the needs and values of our tenants so that we can 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 monitor and manage resource consumption proactively 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 are proud to be one of the founding members of the Accelerating Accessibility Coalition ("AAC"). In 2023, we had accessibility experts assess over twenty properties to identify how we could do better for Canadians of all abilities. We continue to be recognized by the Fitwel Viral Response module for efforts to prioritize the health and safety of our colleagues, tenants, visitors and other stakeholders. Moreover, we use green building standards such as LEED and BOMA BEST to showcase exemplary operational practices.

	Occupancy	sq. ft. GLA(i)	Fair Value (Proportionate)(1)
Retail	97.7%	44.7M	$11.0B
Industrial	99.0%	19.7M	3.9B
Mixed-Use & Residential(ii)	94.2%	1.7M	0.8B
Development(iii)	-	-	0.9B
Total(iv)	98.0%	66.1M	$16.6B

(i) Includes 1.8 million sq. ft. that represents the building area on properties where the Trust has leased the underlying sites to the tenants through ground leases.
(ii) Occupancy shown is for retail and office portion of Mixed-Use properties, residential units are excluded. 1.7 million sq. ft. of GLA includes 0.6 million sq. ft. associated with Choice Properties' 772 residential units.
(iii) Properties Under Development
(iv) Information presented here and throughout this report represents information as at December 31, 2023.

The Weston Centre
Toronto, ON

Transformational Development Program

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. Many of 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.

At Choice Properties, we have 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 impacts 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 integrating technologies and products that reduce the carbon footprint of our properties – this includes building products such as insulation and concrete that have reduced embodied carbon emissions and all-electric or duel-fuel rooftop units that transition away from carbon-intensive energy sources.

Developing with Purpose

Diversifying our tenant base while delivering steady growth

Retail

Delivering steady growth and maintaining portfolio quality

Our retail projects include intensifications focused on adding at-grade retail density at our existing retail properties and greenfield projects. These projects provide the opportunity to expand our retail footprint and add new tenants, further diversifying our high-quality tenant mix.

Industrial

Capitalizing on market trends with 6.0M sq. ft. of high-quality industrial developments in core markets

Our industrial 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.

Mixed-Use & Residential

Transforming communities with long-term development opportunities

Mixed-use developments are a critical part of our long-term growth strategy. These projects enable us to transform neighbourhoods into communities that are self-sustaining and inclusive.

Development Pipeline 16.8M sq. ft.

	Active	Zoned and Ready	In Planning	Total(i)(ii)
sq. ft.	2.0M	8.0M	6.8M	16.8M
Retail	0.1M	0.2M	n/a	0.3M
Industrial	1.8M	4.2M	n/a	6.0M
Mixed-Use & Residential	0.1M	3.6M	6.8M	10.5M

(i) At the Trust's Share

(ii) Includes 1.0 million sq. ft. that represents the building area on properties where the Trust will lease the underlying sites to the tenants through ground leases.

2023 Achievements

We advanced our industrial portfolio, delivering 1.6M sq. ft. of new generation logistics facilities.

Choice Eastway Industrial Centre, Phase 1 East Gwillimbury, ON

Automated multi-temperature industrial facility

Element Ottawa, ON

A unique rental community in the vibrant Westboro Village, one of Ottawa's most desirable neighbourhoods

	Completed projects	Transferred GLA (sq. ft.)	Total Investment	Expected stabilized yield[(2)]
Retail[(i)]	10	0.2M	$35.8M	7.7%
Industrial[(ii)]	3	1.6M	200.8M	8.4%
Mixed-Use & Residential	1	0.1M	57.9M	5.1%
Total	14	1.9M	$294.5M	7.7%

(i) Includes 0.1 million sq. ft. that represents the building area on properties where the Trust has leased the underlying sites to the tenants through ground leases.

(ii) Includes 0.9 million sq. ft. that represents the building area on properties where the Trust has leased the underlying sites to the tenants through ground leases.

On the Move

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

14

Projects under active development

$479M

Estimated total investment[2]

2.0M

sq. ft. estimated upon completion[i][2]

175

Estimated number of residential units

Choice Caledon Business Park (Buildings A&H) Caledon, ON

Industrial development designed to deliver new generation logistics space

Mount Pleasant Village Brampton, ON

Residential development designed to deliver geothermal heating and reduce embodied carbon

Strengthening Communities

At Choice Properties, we are proud to be an ILEO (Inclusive Local Economic Opportunity) Corporate Charter signatory. The ILEO initiative brings together the private, public, and community sectors to find innovative ways to reduce gaps in economic prosperity at the neighbourhood level. In 2023, we organized a local pop-up market with emerging business owners residing in the Golden Mile area as part of ILEO's Storefront Starter Program.

(i) Includes 1.0 million sq. ft. that represents the building area on properties where the Trust will lease the underlying sites to the tenants through ground leases.

Immense Opportunity

At Choice Properties, we continue 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

228

Net Developable Acres[(i)]

4.2M

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

> **"Enabling our properties to adapt to evolving environmental and societal demands is fundamental to our ability to support our tenants and strengthen our communities."**
>
> **Orit Sarfaty**
> Vice President, Sustainability and Placemaking

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, we aspire 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.

2023 Highlights

Net-Zero

Completed asset-specific net-zero transition plans for all income producing properties

Culture

Named one of Greater Toronto's Top Employers (2023 & 2024) in recognition of programs such as DEI-focused group benefits enhancements and mentorship program

Placemaking

The introduction of Vice President, Sustainability and Placemaking adds ESG role to the senior leadership team

Green Buildings

Achieved 5-year target of certifying 65% of portfolio GLA (at 100% share) under LEED or BOMA BEST

Choice Cares

Over $600K and 1,400 hours of colleague time donated to Canadian charities in support of empowering youth in low-income communities

Recognition

Maintained GRESB 4-star rating for second consecutive year (scored 82 on a 100-point scale), ISS ESG Prime Status

Green Leasing

Rolled out new green lease clauses to promote energy efficiency, renewable energy, and low-carbon design

Social Impact Framework

Developed a social impact framework that will allow us to further embed social sustainability practices across the business and drive impact for community stakeholders

Cybersecurity

Cybersecurity maturity rating exceeds the industry benchmark by over 16%

Focused Pillars

Embedding ESG

We focus our ESG program around two pillars where we can best create enduring value and which align with our stakeholder interests: Fighting Climate Change and Strengthening Communities to Prosper.

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 has ambitious science-based net-zero greenhouse gas emissions 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.

At Choice Properties, we continue to take meaningful steps to minimize our environmental impact by improving the energy 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. In 2023, asset-specific net-zero transition plans were completed for all income producing properties. These plans provide the blueprint to continue to improve the efficiency of our operations and focus on transitioning from carbon-intensive equipment.

Strengthening Communities to Prosper

We at Choice Properties have a longstanding commitment to advancing diversity, equity and inclusion ("DEI") within our organization. Our internal DEI programs, focused on career advancement and cultural awareness training, empower us to serve and connect better with our diverse customers and stakeholders. 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.

We are committed to enhancing the economic well-being and social fabric of the communities where we operate and build. Since 2019, through our Choice Cares program, we have contributed over $1.9 million and over 5,000 paid volunteer hours to various Canadian charities selected by our colleagues.

In 2023, to embed social sustainability practices further across our business operations, we developed a social impact framework. The framework outlines how we can leverage our assets and non-profit partnerships across the country to promote local economic development and social cohesion at the neighbourhood level. We believe, that by focusing our social impact efforts, coupled with our internal DEI programs, we will be able to strengthen communities to prosper.

Prudent Financial Management

TD Bank
Mississauga, ON

"We have demonstrated our ability to successfully access the debt markets, while maintaining our balanced debt ladder and strong liquidity position. The quality of our portfolio and health of our tenants combined with our industry leading balance sheet continues to position Choice well in any environment."

Mario Barrafato
Chief Financial Officer

Harvest Pointe
Edmonton, AB

Key Performance Indicators and Financial Information

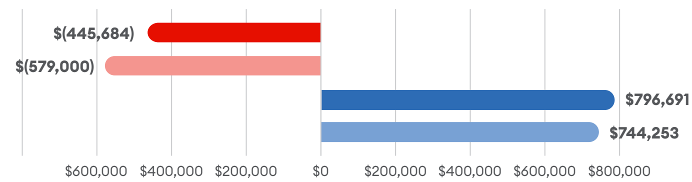
The analysis of the indicators focuses on trends and significant events affecting the financial condition and results of operations.

Q4 2023 | Q4 2022 | Year Ended 2023 | Year Ended 2022

Net Income (Loss)

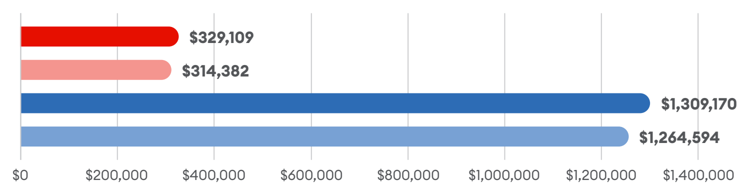
Net loss decreased for the three months ended December 31, 2023 compared to the prior year, primarily due to changes in the non-cash adjustment to fair values, including: a $356.2 million favourable change in the adjustment to fair value of the Trust's Exchangeable Units[(i)] due to the change in the Trust's Unit price and a $47.4 million favourable change in the adjustment to fair value of the investment in the real estate securities of Allied, driven by the increase in Allied's unit price in the fourth quarter, compared to a decrease in the prior year quarter. The decrease was partially offset by an unfavourable change in the adjustment to fair value of investment properties of $267.8 million as a result of a fair value loss recognized in the fourth quarter compared to a gain in the prior year quarter.

Net income increased for the year ended December 31, 2023 compared to the prior year, primarily due to changes in the non-cash adjustment to fair values, including: a $184.3 million favourable change in the adjustment to fair value of the investment in the real estate securities of Allied, driven by lower mark-to-market loss recorded in 2023 compared to 2022 and a $150.4 million favourable change in the adjustment to fair value of the Trust's Exchangeable Units[(i)] due to the change in the Trust's Unit price. The increase was partially offset by a $314.8 million decrease in income from equity accounted joint ventures primarily due to the fair value gains recognized in the industrial development portfolio in the prior year. In addition, increases in net operating income, interest income and investment income, partially offset by increases in interest expense and general and administrative expenses, contributed to the increase in net income.



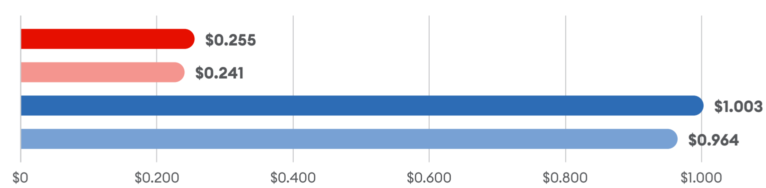
Rental Revenue (GAAP)

Rental revenue increased for the three months and year ended December 31, 2023 compared to the prior year primarily due to higher rental rates on renewals, new leasing, and contractual rent steps, mainly in the retail and industrial portfolios. Further contributing to the increase were higher capital and operating recoveries, acquisitions and completed developments, and higher lease surrender revenue. The year ended December 31, 2023 increase was partially offset by foregone revenue following the sale of six office assets to Allied during the first quarter of 2022 (the "Allied Transaction") and other dispositions completed in the current and prior years.



FFO Per Unit Diluted[(1)]

FFO per unit diluted[(1)] increased for the three months and year ended December 31, 2023 compared to the prior year, primarily due to the increase in Same-Asset NOI, an increase in investment income as a result of the special distribution announced by Allied (Section 3.9), income from the sale of residential inventory, and an increase in interest income. The increase was partially offset by increases in interest expense and general and administrative expenses. The year-to-date increase was also negatively impacted by the Allied Transaction which resulted in the loss of NOI, partially offset by the distribution and interest income earned from the limited partnership units and promissory note received from Allied in exchange for the properties sold.



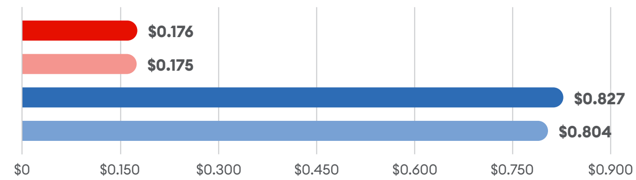
(i) Exchangeable Units are required to be classified as financial liabilities at fair value through profit and loss under GAAP. They are recorded at their fair value based on the market trading price of the Trust Units, which results in a negative impact to the financial results when the Trust Unit price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

*As at and for the three months and year ended December 31, 2023 and 2022 ($ thousands except where otherwise indicated)

Q4 2023 | Q4 2022 | Year Ended 2023 | Year Ended 2022 | YTD Q3 2023

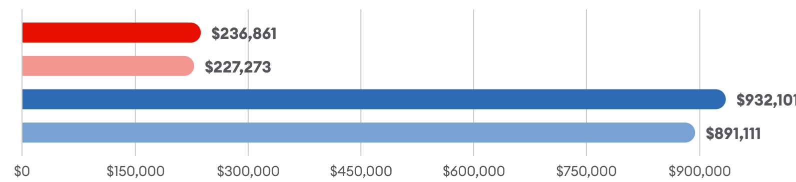
AFFO Per Unit Diluted[1]

AFFO per unit diluted[1] increased 0.6% and 2.9% for the three months and year ended December 31, 2023, respectively, compared to the prior year, primarily due to increases in FFO as noted above, and a favourable change in the straight-line rent adjustment, partially offset by an increase in capital spending.



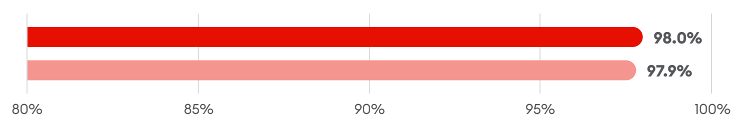
Same-Asset NOI, Cash Basis[1]

Same-Asset NOI, cash basis[1] increased 4.2% and 4.6% for the three months and year ended December 31, 2023, respectively, compared to the prior year, primarily due to increased revenue from higher rental rates on renewals, contractual rent steps, and new leasing in the retail and industrial portfolios. The increase was also impacted by higher capital and operating recoveries.



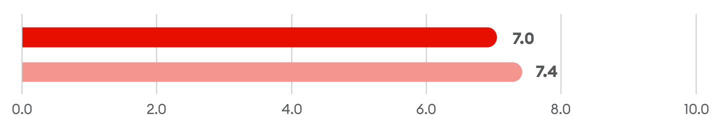
Period End Occupancy[i]

The increase was primarily due to the impact of development transfers and transactions. Absorption over the year was relatively flat as expiring leases were largely renewed or backfilled with new tenants.



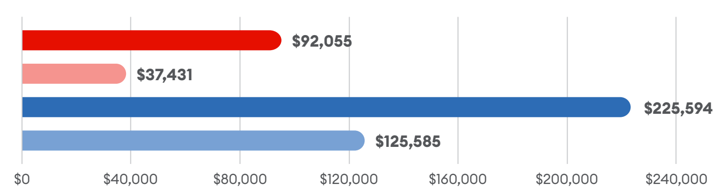
Adjusted Debt to EBITDAFV, Net of Cash[1]

Adjusted Debt to EBITDAFV, net of cash[1] improved compared to the prior year. The change was primarily a result of an increase in excess cash held at year end 2023 following the repayment of the promissory note from Allied (Section 3.9). Further contributing to the improvement was NOI growth, higher interest income, and higher investment income.



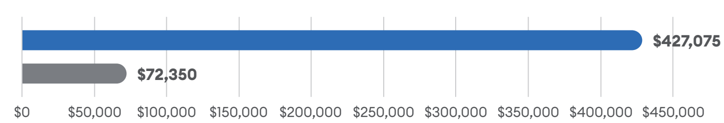
Development Spending (Proportionate)[1]

Development activity reflects the three months and year ended December 31, 2023 and 2022 spending on active projects. Development spending may vary depending on the stage of the projects currently in progress.



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

For the year ended December 31, 2023, the Trust transferred approximately 1,787,000 square feet of new commercial space and 126 units of residential space (at the Trust's share) from properties under development to income producing.



(i) Effective the fourth quarter of 2023, building area associated with the Trust's ground leases has been included in occupancy in the current and comparative period.


Mega Centre
Lebourgneuf, QC
maxi
Imbattable.
Point final.
DOLLARAMA

Fourth Quarter Highlights

For the three months ended December 31, 2023

Operating

- Reported FFO per unit diluted[1] for the quarter was $0.255, an increase of $0.014 per unit diluted or 5.8% from the prior year.
- AFFO per unit diluted[1] for the quarter was $0.176, compared to $0.175 in the prior year.
- Same-Asset NOI on a cash basis[1] increased by 4.2% from the fourth quarter 2022.
  - Retail increased by 3.2%;
  - Industrial increased by 8.5%; and
  - Mixed-Use & Residential increased by 9.3%.
- Period end occupancy[i] improved to 98.0% from 97.7% at September 30, 2023, with retail at 97.7%, industrial at 99.0% and mixed-use & residential at 94.2%[ii].
- Choice's fourth quarter results included income from the Allied special distribution of $5.7 million as a result of the sale of its urban data centre portfolio and income of $4.6 million recognized in relation to the sale of the Trust's ownership of 94 condominium units at its Mount Pleasant Village residential project.
- Net fair value loss on investment properties in the quarter was $73.3 million on a proportionate share basis[1] primarily resulting from the expansion of capitalization rates for industrial and retail to reflect current market conditions.

Investing

- The Trust completed $238.1 million of transactions in the quarter:
  - The acquisition of two retail properties and one industrial property from Loblaw for an aggregate purchase price of $82.5 million;
  - The disposition of four properties classified as asset held for sale as at September 30, 2023, comprised of a retail property, two industrial properties, and Choice's remaining non-core office property for aggregate proceeds of $92.8 million; and
  - The disposition of two retail properties, a parcel of land adjacent to a retail site, and an industrial property for aggregate proceeds of $62.8 million.
- The Trust invested $92.1 million in its development program during the quarter on a proportionate share basis[1].
- The Trust transferred $354.7 million of properties under development to income producing status, delivering approximately 1,434,000 square feet[iii] of new commercial GLA on a proportionate share basis[1], including Choice Eastway Industrial Centre located in East Gwillimbury, ON and Choice Industrial Centre located in Surrey, BC, as well as Element, a purpose-built residential rental building, located in Ottawa, ON, with 126 units at the Trust's share.

(i) Effective the fourth quarter of 2023, building area associated with the Trust's ground leases has been included in occupancy.

(ii) Occupancy shown is for retail and office portion of Mixed-Use properties, residential units are excluded.

(iii) Includes 1.0 million sq. ft. that represents the building area on properties where the Trust has leased the underlying sites to the tenants through ground leases.

Year Ended Highlights

For the year ended December 31, 2023

Operating

- Reported FFO per unit diluted[1] for the year was $1.003, an increase of $0.039 per unit diluted or 4.0% from the prior year.
- AFFO per unit diluted[1] for the year was $0.827, compared to $0.804 in the prior year. The year-to-date AFFO payout ratio was 90.5% compared to 92.0% in the prior year.
- Same-Asset NOI on a cash basis[1] increased by 4.6% from 2022.
  - Retail increased by 3.6%;
  - Industrial increased by 8.3%; and
  - Mixed-Use & Residential increased by 11.7%.
- Period end occupancy[i] improved to 98.0% from 97.9% at December 31, 2022, with retail at 97.7%, industrial at 99.0% and mixed-use & residential at 94.2%[ii].
- During the year, the Trust and Loblaw renewed 47 of 49 leases expiring in 2024, comprising 2.80 million of 2.84 million square feet, at a weighted average extension term of 4.9 years, and an average spread of 7.5%.

Investing

- The Trust continued to focus on its capital recycling efforts, disposing of non-core assets and reinvesting in opportunities in its core business of essential retail and industrial, our growing residential platform and our robust development pipeline through:
  - The disposition of $334.6 million of non-core assets, including our remaining office assets, on a proportionate share basis[1];
  - The acquisition of $284.0 million essential retail and industrial income producing properties, on a proportionate basis[1];
  - Ongoing investment in the development program with $225.6 million of spending during the year on industrial, residential, and retail intensifications and greenfield development projects on a proportionate share basis[1]; and
  - Transferred $427.1 million of properties under development to income producing status during the year, delivering approximately 1,787,000 square feet[iii] of new commercial GLA on a proportionate share basis[1] including 1,582,000 square feet of new generation industrial logistics space and 126 residential rental units (at the Trust's share).

Financing

- Choice Properties demonstrated its ability to access debt markets and obtain financing during the year, completing $900.0 million of debenture issuances and obtaining approximately $350.0 million of mortgage financing including:
  - The issuance of $550.0 million of Series S senior unsecured debentures bearing interest at 5.400% with a 10 year term.
  - The issuance of $350.0 million Series T senior unsecured debentures bearing interest at 5.699% with a 10.5 year term.
  - Completed $187.3 million of mortgage financings, on a proportionate share basis[1], with an average rate of 5.09% and an average term of 12.8 years, from various banks and life insurance companies.
  - Obtained CMHC-insured mortgages secured by two Toronto residential properties (The Brixton and Liberty House), held within joint ventures, of $162.1 million at share, bearing interest at an average rate of 4.126% and a term of 10 years.
- Other notable financing activity included the repayment upon maturity of the $250.0 million Series G senior unsecured debentures, bearing interest at 3.196%, the $200.0 million Series B senior unsecured debentures, bearing interest at 4.903%, and the $125.0 million Series D-C senior unsecured debentures, bearing interest at 2.951%.
- Ended the year with Adjusted Debt to Total Assets[1] at 40.4%, Adjusted Debt to EBITDAFV, net of cash[1] of 7.0x, and Interest Coverage ratio[1] of 3.4x.
- Strong liquidity position with $1.5 billion available on our credit facility and a $12.7 billion pool of unencumbered properties.
- Subsequent to year end, the Trust:
  - Announced an increase of distributions to $0.76 per unit per annum from the previous rate of $0.75 per unit per annum (an increase of 1.3%). The increase will be effective for Unitholders of record on March 31, 2024.
  - Repaid the $200.0 million Series D senior unsecured debentures upon maturity, bearing interest at 4.293%.

(i) Effective the fourth quarter of 2023, building area associated with the Trust's ground leases has been included in occupancy.
(ii) Occupancy shown is for retail and office portion of Mixed-Use properties, residential units are excluded.
(iii) Includes 1.0 million sq. ft. that represents the building area on properties where the Trust has leased the underlying sites to the tenants through ground leases.

Rendering of
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, 2023 and 2022. 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)	2023	2022	2021
Number of income producing properties[(i)]	**705**	704	712
GLA (in millions of square feet)[(ii)]	**66.1**	64.5	66.4
Occupancy*[(ii)]	**98.0 %**	97.9 %	97.2 %
Total assets (GAAP)	**$ 17,308,727**	$ 16,819,527	$ 16,172,603
Total liabilities (GAAP)	**$ 12,940,225**	$ 12,995,374	$ 12,862,412
Rental revenue (GAAP)	**$ 1,309,170**	$ 1,264,594	$ 1,292,321
Net income	**$ 796,691**	$ 744,253	$ 23,008
Net income per unit diluted	**$ 1.101**	$ 1.029	$ 0.032
FFO[(1)] per unit diluted*	**$ 1.003**	$ 0.964	$ 0.954
FFO[(1)] payout ratio*	**74.6 %**	76.7 %	77.6 %
AFFO[(1)] per unit diluted*	**$ 0.827**	$ 0.804	$ 0.811
AFFO[(1)] payout ratio*	**90.5 %**	92.0 %	91.2 %
Distribution declared per unit	**$ 0.749**	$ 0.740	$ 0.740
Weighted average number of units outstanding – diluted[(iii)]	**723,666,503**	723,523,362	723,127,566
Adjusted debt to total assets[(iv)*]	**40.4 %**	40.6 %	40.1 %
Debt service coverage[(iv)*]	**3.0x**	3.1x	3.3x
Adjusted Debt to EBITDAFV[(1)(v)*]	**7.2x**	7.5x	7.2x
Indebtedness[(vi)] – weighted average term to maturity*	**5.7 years**	5.3 years	5.5 years
Indebtedness[(vi)] – weighted average interest rate*	**4.03 %**	3.77 %	3.59 %

* Denotes a key performance indicator

(i) Effective the fourth quarter of 2023, the Trust reassessed its internal definition of a distinct income producing property. The net impact on the comparative periods was to increase the number of income producing properties by two in 2023 and 2022, and three in 2021.
(ii) Includes 1,848,000 sq. ft. that represents the building area on properties where the Trust has leased the underlying sites to the tenants through ground leases (December 31, 2022 - 635,000 sq. ft.; December 31, 2021 - 632,000 sq. ft.). Effective the fourth quarter of 2023, building area associated with the Trust's ground leases has been included in occupancy in the current and comparative periods.
(iii) Includes Trust Units and Exchangeable Units.
(iv) 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.
(v) Adjusted Debt to EBITDAFV, net of cash was 7.0x at December 31, 2023, 7.4x at December 31, 2022, and 7.1x at December 31, 2021.
(vi) 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:

	As at December 31, 2023			As at December 31, 2022		
($ thousands)	**GAAP Basis**	**Reconciliation**	**Proportionate Share Basis[1]**	GAAP Basis	Reconciliation	Proportionate Share Basis[1]
Assets						
Investment properties	**$ 14,923,000**	**$ 1,722,000**	**$ 16,645,000**	$ 14,444,000	$ 1,710,000	$ 16,154,000
Equity accounted joint ventures	**883,712**	**(883,712)**	**—**	995,822	(995,822)	—
Financial real estate assets	**195,457**	**(195,457)**	**—**	109,509	(109,509)	—
Residential development inventory	**8,681**	**—**	**8,681**	18,785	—	18,785
Mortgages, loans and notes receivable	**656,001**	**(95,756)**	**560,245**	680,475	(96,072)	584,403
Investment in real estate securities	**238,308**	**—**	**238,308**	302,314	—	302,314
Intangible assets	**13,964**	**—**	**13,964**	21,369	—	21,369
Accounts receivable and other assets	**137,180**	**10,247**	**147,427**	132,117	(2,116)	130,001
Assets held for sale	**—**	**—**	**—**	50,400	—	50,400
Cash and cash equivalents	**252,424**	**23,195**	**275,619**	64,736	23,379	88,115
Total Assets	**$ 17,308,727**	**$ 580,517**	**$ 17,889,244**	$ 16,819,527	$ 529,860	$ 17,349,387
Liabilities and Equity						
Long term debt	**$ 6,695,923**	**$ 529,129**	**$ 7,225,052**	$ 6,294,101	$ 496,493	$ 6,790,594
Credit facility	**—**	**—**	**—**	257,617	—	257,617
Exchangeable Units	**5,521,222**	**—**	**5,521,222**	5,841,809	—	5,841,809
Trade payables and other liabilities	**723,080**	**51,388**	**774,468**	601,847	33,367	635,214
Total Liabilities	**12,940,225**	**580,517**	**13,520,742**	12,995,374	529,860	13,525,234
Equity						
Unitholders' equity	**4,368,502**	**—**	**4,368,502**	3,824,153	—	3,824,153
Total Equity	**4,368,502**	**—**	**4,368,502**	3,824,153	—	3,824,153
Total Liabilities and Equity	**$ 17,308,727**	**$ 580,517**	**$ 17,889,244**	$ 16,819,527	$ 529,860	$ 17,349,387

Balance Sheet Analysis (GAAP Basis)

Line Item	$ Change	Variance Commentary
Investment properties	$ 479,000	The increase was primarily attributable to a transfer from equity accounted joint ventures of $192.8 million, a favourable fair value adjustment on investment properties of $116.3 million, capital and leasing expenditures of $261.8 million, and acquisitions of $165.4 million. The increase was partially offset by dispositions of $187.3 million and transfers to assets held for sale of $92.8 million.
Equity accounted joint ventures	(112,110)	The decrease was primarily attributable to the Trust's acquisition of its partner's interest in Horizon Business Park LP during the first quarter of 2023. Upon completion of the acquisition, the Trust de-recognized the equity accounted joint venture and consolidated the assets and liabilities of the partnership. The decrease is partially offset by income earned from equity accounted joint ventures.
Financial real estate assets	85,948	The increase was attributable to the acquisition of two assets from Loblaw for $86.5 million during the first quarter of 2023.
Residential development inventory	(10,104)	The decrease was due to the cost of sales recognized in relation to the sale of the Trust's ownership interest of 94 condominium units of its residential project in Brampton, ON, partially offset by development expenditures incurred during the year.
Mortgages, loans and notes receivable	(24,474)	The decrease was primarily due to the repayment of a $200.0 million promissory note from Allied (Section 3.8 and 3.9), and $93.1 million of other mortgage receivable repayments. The decrease was partially offset by the $295.8 million of notes advanced to GWL in the current year, less the repayment of GWL's prior year outstanding notes receivable balance of $170.8 million, in addition to $77.3 million of vendor take-back mortgages advanced by the Trust on completed dispositions in the current year (Section 3.2) and $63.9 million of mortgages receivable advanced to third-parties.
Investment in real estate securities	(64,006)	The decrease was due to a fair value loss of $64.0 million on the real estate securities in the year due to the decrease in the price of Allied's publicly traded units.
Intangible assets	(7,405)	The decrease was primarily due to the Trust de-recognizing a portion of its intangible assets in relation to the three office properties and two retail properties transacted on during the current year.
Assets held for sale	(50,400)	During the year ended December 31, 2023, the Trust disposed of all properties that were classified as assets held for sale as at December 31, 2022 as well as, additional properties transferred to assets held for sale and subsequently disposed of during the current year.
Working capital	71,518	The increase was primarily due to the $200 million promissory note repaid by Allied, partially offset by the increase in distributions deferred by GWL in exchange for notes receivable.
Long term debt and credit facility	144,205	The increase was primarily attributable to the issuances of the $550.0 million Series S and $350.0 million Series T senior unsecured debentures, net construction loan advances of $50.8 million and net mortgage advances of $27.4 million. The increase was partially offset by the repayment of the $250.0 million Series G, $125.0 million Series D-C, and $200.0 million Series B senior unsecured debentures, in addition to the net repayment of $260.0 million on the Trust's credit facility.
Exchangeable Units	(320,587)	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, 2022.
Unitholders' equity	544,349	The 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:

	Three Months			Year Ended		
As at or for the period ended December 31, 2023 ($ thousands)	Income Producing Properties	Properties Under Development	Investment Properties(i)	Income Producing Properties	Properties Under Development	Investment Properties(i)
GAAP balance, beginning of period	$ 14,440,000	$ 402,000	$ 14,842,000	$ 14,119,000	$ 325,000	$ 14,444,000
Adjustments to reflect investment properties held in equity accounted joint ventures and as financial real estate assets on a proportionate share basis(i)	961,000	741,000	1,702,000	989,000	721,000	1,710,000
Non-GAAP proportionate share balance(1), beginning of period	15,401,000	1,143,000	16,544,000	15,108,000	1,046,000	16,154,000
Acquisitions of investment properties(ii)	82,533	—	82,533	265,235	18,728	283,963
Capital expenditures						
Development capital(iii)	—	89,997	89,997	—	218,512	218,512
Building improvements	7,338	—	7,338	16,207	—	16,207
Capitalized interest(iv)	—	2,058	2,058	—	7,082	7,082
Property capital	46,765	—	46,765	85,878	—	85,878
Direct leasing costs	1,662	—	1,662	6,403	—	6,403
Tenant improvement allowances	5,647	—	5,647	25,517	—	25,517
Amortization of straight-line rent	1,072	—	1,072	715	—	715
Transfer to assets held for sale	—	—	—	(92,754)	—	(92,754)
Transfers from properties under development(v)	354,725	(354,725)	—	427,075	(427,075)	—
Dispositions	(56,491)	(6,300)	(62,791)	(187,263)	(6,300)	(193,563)
Adjustment to fair value of investment properties	(87,251)	13,970	(73,281)	101,987	31,053	133,040
Non-GAAP proportionate share balance(1), December 31, 2023	**$ 15,757,000**	**$ 888,000**	**$ 16,645,000**	**$ 15,757,000**	**$ 888,000**	**$ 16,645,000**

(i) Refer to Section 15.1, "Investment Properties Reconciliation" for a reconciliation of the continuity of investment properties determined in accordance with GAAP.
(ii) Inclusive of acquisition costs.
(iii) Development capital included $13,410 and $14,377 of site intensification payments made to Loblaw for the three months and year ended December 31, 2023, respectively (December 31, 2022 - $922 and $2,687, respectively).
(iv) Interest was capitalized to qualifying development projects based on a weighted average interest rate of 4.05% (December 31, 2022 - 3.74%).
(v) Transfers from properties under development for the three months and year ended December 31, 2023 included fair value adjustments recognized within properties under development of $121,198 and $132,789, respectively (December 31, 2022 - $1,972 and $7,072, respectively).

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 had classified three retail properties and one office property with an aggregate fair value of $50,400 as assets held for sale. All four properties were disposed of during the year ended December 31, 2023 (see Section 3.2). As at September 30, 2023, the Trust classified two industrial properties, one retail property and one office property with an aggregate fair value of $92,754 as assets held for sale. During the fourth quarter, the Trust completed the disposition of all four properties for aggregate proceeds of of $92,754.

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 a future estimated stabilized NOI. Currently, this method is only applied to value residential assets and certain ground 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 valuators in preparing their valuation reports and holds discussions with the independent valuators 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, 2023	**Retail**	**Industrial**	**Mixed-Use & Residential**	**Total Investment Properties**
Discount rate	**7.38%**	**6.41%**	**5.87%**	**7.06%**
Terminal capitalization rate	**6.59%**	**5.59%**	**5.27%**	**6.27%**
Overall capitalization rate	**6.37%**	**5.33%**	**5.01%**	**6.04%**

As at December 31, 2022	Retail	Industrial	Mixed-Use & Residential	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%

Valuation Commentary

For the three months ended December 31, 2023 the Trust recorded an unfavourable adjustment of $74.4 million on a GAAP basis and an unfavourable adjustment of $73.3 million on a proportionate share basis[1] to the value of investment properties.

For the year ended December 31, 2023 the Trust recorded a favourable adjustment of $116.3 million on a GAAP basis and a favourable adjustment of $133.0 million on a proportionate share basis[1] to the value of investment properties.

Fair value adjustments for the three months and year ended reflected property-specific updates to leasing assumptions and changes in contractual rents, fair value gains and losses as a result of transaction activity, and adjustments to capitalization rates. The fair value loss in the fourth quarter was primarily a result of expansions to capitalization rates of certain properties in the industrial and retail segments to reflect current market conditions.

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, 2023:

($ thousands except where otherwise indicated)						Consideration					
Location	Date of Acquisition	Segment	Ownership Interest Acquired	GLA (square feet)	Purchase Price incl. Related Costs	Investment Property	Debt Assumed from Seller	Mortgage Receivable Settlement	Assumed Liabilities	De-recognition of Intangible Assets	Cash
Investment properties											
Vernon, BC	Jan 31	Retail	100%	46,504	$ 12,697	$ —	$ —	$ —	$ —	$ —	$ 12,697
Calgary, AB(i)	Jan 31	Retail	100%	146,627	42,476	—	—	—	—	—	42,476
Calgary, AB(i)	Jan 31	Retail	100%	161,540	43,976	—	—	—	—	—	43,976
Calgary, AB	Dec 7	Industrial	100%	424,760	50,389	—	—	—	—	—	50,389
Montreal, QC	Dec 7	Retail	100%	88,305	20,241	—	—	—	1,728	—	18,513
Blainville, QC	Dec 7	Retail	100%	43,348	11,903	—	—	—	—	—	11,903
Acquisitions from related parties				**911,084**	**181,682**	**—**	**—**	**—**	**1,728**	**—**	**179,954**
Toronto, ON	Feb 24	Retail	100%	19,735	23,049	—	—	—	—	—	23,049
Whitby, ON	Mar 24	Retail	100%	46,512	17,876	—	—	—	—	—	17,876
Calgary, AB(ii)	Mar 30	Mixed-Use & Residential	50%	162,836	19,850	5,300	13,346	—	—	1,204	—
Toronto, ON	Apr 4	Retail	100%	1,800	1,915	—	—	—	—	—	1,915
Hamilton, ON	Aug 14	Retail	100%	22,968	7,501	—	—	—	—	—	7,501
Acquisitions from third-parties				**253,851**	**70,191**	**5,300**	**13,346**	**—**	**—**	**1,204**	**50,341**
Edmonton, AB	Mar 16	Industrial	50%	129,990	32,090	—	15,995	5,385	4,187	—	6,523
Acquisitions in equity accounted joint ventures				**129,990**	**32,090**	**—**	**15,995**	**5,385**	**4,187**	**—**	**6,523**
Total acquisitions of investment properties				**1,294,925**	**$ 283,963**	**$ 5,300**	**$ 29,341**	**$ 5,385**	**$ 5,915**	**$ 1,204**	**$236,818**

(i) These properties are classified as financial real estate assets under GAAP.
(ii) The Trust completed an exchange of office properties with its partner. The exchange resulted in the Trust disposing of its 50% interest in Calgary Place (see disposition table below) in exchange for the partner's 50% interest in Altius Centre and a vendor take-back mortgage (Section 3.8).

Dispositions of Investment Properties

The following table summarizes the investment properties sold in the year ended December 31, 2023:

($ thousands except where otherwise indicated)						Consideration					
Location	Date of Disposition	Segment	Ownership Interest Disposed	GLA (square feet)	Sale Price excl. Selling Costs	Debt Assumed by Purchaser	Investment Property	De-recognition of Intangible Asset	Mortgage Receivable Advanced	Lease Termination Payment	Cash
Investment properties											
Courtenay, BC	Mar 8	Retail (land)	100%	N/A	$ 4,613	$ —	$ —	$ —	$ —	$ —	$ 4,613
Calgary, AB[(i)]	Mar 30	Mixed-Use & Residential	50%	295,695	48,402	34,617	5,300	(2,655)	11,140	—	—
Scarborough, ON	May 12	Retail (land)	100%	N/A	3,557	—	—	—	—	—	3,557
Brampton, ON[(ii)]	Jun 14	Mixed-Use & Residential	100%	125,000	74,200	—	—	—	51,000	(8,300)	31,500
Dartmouth, NS	Dec 14	Industrial	100%	61,465	7,230	—	—	—	—	—	7,230
Kamloops, BC[(iii)(iv)]	Dec 28	Retail	50%	120,853	49,261	20,067	—	(611)	—	—	29,805
Dispositions of investment properties				**603,013**	**187,263**	**54,684**	**5,300**	**(3,266)**	**62,140**	**(8,300)**	**76,705**
Assets held for sale											
Kingston, ON	Feb 21	Retail	100%	104,286	23,000	—	—	—	—	—	23,000
Cornwall, ON	Apr 21	Retail	100%	127,000	10,000	—	—	—	—	—	10,000
Dartmouth, NS	Jun 19	Mixed-Use & Residential	50%	103,546	13,360	7,678	—	(1,935)	5,495	—	2,122
Windsor, ON	Jul 7	Retail	100%	11,685	1,900	—	—	—	—	—	1,900
Dartmouth, NS[(v)]	Oct 5	Industrial	100%	88,694	11,580	—	—	—	—	—	11,580
Moncton, NB	Oct 12	Retail	100%	362,205	61,174	—	—	—	9,624	—	51,550
Calgary, AB	Oct 31	Mixed-Use & Residential	100%	326,852	20,000	—	—	—	—	—	20,000
Dispositions of assets held for sale				**1,124,268**	**141,014**	**7,678**	**—**	**(1,935)**	**15,119**	**—**	**120,152**
Equity accounted joint ventures											
Edmonton, AB	Dec 20	Retail (land)	50%	N/A	6,300	—	—	—	—	—	6,300
Dispositions in equity accounted joint ventures				**—**	**6,300**	**—**	**—**	**—**	**—**	**—**	**6,300**
Total dispositions of investment properties				**$ 1,727,281**	**$ 334,577**	**$ 62,362**	**$ 5,300**	**$ (5,201)**	**$ 77,259**	**$ (8,300)**	**$ 203,157**

(i) The Trust completed an exchange of office properties with its partner. The exchange resulted in the Trust disposing of its 50% interest in Calgary Place in exchange for the partner's 50% interest in Altius Centre (see acquisition table above) and a vendor take-back mortgage (Section 3.8).
(ii) This data centre asset was leased to Loblaw. In connection with the disposition, Choice made a lease termination payment of $8,300 to Loblaw to terminate its lease early.
(iii) Comprised of two retail assets located in Kamloops, BC.
(iv) Included in the debt assumed by purchaser is $128 of debt discounts, net of accumulated amortization.
(v) Comprised of two industrial assets located in Dartmouth, NS.

Acquisitions of Investment Properties

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

($ thousands except where otherwise indicated)						Consideration			
Location	Date of Acquisition	Segment	Ownership Interest Acquired	GLA (square feet)	Purchase Price incl. Related Costs	Mortgage Receivable Settlement	Debt Assumed From Seller	Assumed Liabilities	Cash
Investment properties									
Ottawa, ON	Mar 1	Industrial Under Development	100%	N/A	$ 27,218	$ —	$ —	$ —	$ 27,218
Montreal, QC	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	3%	7,956	$ 18,735	—	3,526	1,015	14,194
Toronto, ON[ii]	Jan 14	Mixed-Use & Residential	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.

Dispositions of Investment Properties

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

($ thousands except where otherwise indicated)						Consideration					
Location	Date of Disposition	Segment	Ownership Interest Disposed	GLA (square feet)	Sale Price excl. Selling Costs	Debt Assumed by Purchaser	Promissory Note	Real Estate Securities	De-recognition of Intangible Asset	Mortgage Receivable Advanced	Cash
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	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 Under Development	50%	N/A	3,643	—	—	—	—	—	3,643
Montreal, QC	Sep 13	Mixed-Use & Residential	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	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. The consideration received consisted of Class B units (Section 3.9, "Investment in Real Estate Securities") and a promissory note (Section 3.8, "Mortgages, Loans and Notes Receivable"). The Trust incurred transaction costs of $5,108 associated with the disposition to Allied.

3.3 Completed Developments

For the year ended December 31, 2023, Choice Properties completed a total of $294.6 million in development projects delivering 1,786,537 square feet of commercial space (including 1,052,959 square feet associated with ground leases) and 86,000 square feet of residential space comprising 126 units with a weighted average yield of 7.7%.

The Trust delivered ten retail developments including three Shoppers Drug Mart stores, two in Ontario and one in Alberta, as well as retail spaces in British Columbia, Alberta, Ontario and Nova Scotia, primarily occupied by national retailers, financial institutions, and quick service restaurants.

In addition, the Trust delivered three industrial developments. During the first quarter, the Trust purchased the remaining 50% ownership interest in Horizon Business Park in Alberta a 65-acre, six building project with over 1,250,000 square feet in Edmonton's premiere warehouse and logistics business park. During the third quarter, the Trust delivered the final building of this phased development, bringing this project to completion. During the fourth quarter, the Trust delivered Choice Industrial Centre in British Columbia, its first development in Campbell Heights. This development boasts a 17 acre site with 353,000 square feet in first-class industrial distribution facility featuring unprecedented 40 foot clear ceilings. In addition, during the fourth quarter, the Trust delivered the first phase at Choice Eastway Industrial Centre in Ontario, in which the Trust holds a 75% ownership interest. This phase is tenanted by Loblaw through an approximately 97 acre ground lease. Loblaw's construction of its 1,240,000 square foot distribution centre remains ongoing with rent commencing in the first quarter of 2024.

During the fourth quarter, the Trust also delivered one residential development, Element, in Ontario, in which the Trust owns a 50% interest. This development of 252 units offers a unique rental community in the vibrant Westboro Village, one of Ottawa's most desirable neighbourhoods.

The Trust also 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, 2023, 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, 2023, 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)	Transferred residential units	Cost of assets transferred	Expected stabilized yield(2)	
Commercial							
Retail							
Jocelyn Rd., Port Hope, ON	Q1 2023	100 %	15,003	—	$ 4,979	6.9 %	
Erin Ridge Shopping Centre, St. Albert, AB	Q1 2023	50 %	5,647	—	1,812	7.0 %	
Portland St., Dartmouth, NS	Q1 2023	100 %	5,000	—	2,237	7.1 %	
Joseph Howe Dr., Halifax, NS	Q1 2023	100 %	4,500	—	1,617	10.1 %	
Oxford St. E., London, ON	Q3 2023	100 %	16,678	—	5,875	6.7 %	
Harvest Hills Market, Edmonton, AB	Q3 2023	50 %	8,406	—	4,358	7.0 %	
27th Street, Grand Forks, BC(i)	Q4 2023	100 %	4,832	—	529	18.0 %	(ii)
Princess St., Kingston, ON(i)	Q4 2023	100 %	117,299	—	2,548	10.8 %	(iii)
Calgary Trail, Edmonton, AB	Q4 2023	100 %	15,170	—	5,121	6.5 %	
Seton Way SE, Edmonton, AB	Q4 2023	100 %	12,488	—	6,747	8.2 %	(iv)
Subtotal retail development			**205,023**	**—**	**35,823**	**7.7 %**	
Industrial							
Horizon Business Park, Edmonton, AB	Q3 2023	100 %	297,212	—	39,881	6.5 %	
Choice Industrial Centre, Surrey, BC	Q4 2023	100 %	353,474	—	75,206	10.2 %	(iii)
Choice Eastway Industrial Centre - Ph 1, East Gwillimbury, ON(i)(v)	Q4 2023	75 %	930,828	—	85,746	7.8 %	(iv)
Subtotal industrial development			**1,581,514**	**—**	**200,833**	**8.4 %**	
Mixed-Use & Residential							
Element, Ottawa, ON(v)	Q4 2023	50 %	86,000	126	57,912	5.1 %	
Subtotal mixed-use & residential development			**86,000**	**126**	**57,912**	**5.1 %**	
Total transferred properties at cost			**1,872,537**	**126**	**$ 294,568**	**7.7 %**	
Total transferred properties at fair value					**$ 427,075**		

(i) Developments include ground leases.
(ii) Expected stabilized yield for this development has decreased due to lower income.
(iii) Expected stabilized yield for this development has decreased due to higher costs.
(iv) Expected stabilized yield for this development has increased due to lower costs.
(v) Cost of assets transferred for these developments includes their proportion of notional interest previously capitalized for FFO.

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[1] as at December 31, 2023 is summarized below:

($ thousands except where otherwise indicated)			GLA[(i)(ii)] (square feet)	Investment[(i)(iii)]		
Project type	**Section**	**Number of projects**	**Estimated upon completion[(2)]**	**To-date**	**Estimated cost to completion[(2)(iv)]**	**Estimated total**
Projects under active development						
Retail	3.5	11	122,000	$ 6,820	$ 42,823	$ 49,643
Industrial	3.5	2	1,793,000	109,099	239,688	348,787
Residential	3.5	1	117,000	66,295	13,884	80,179
Subtotal projects under active development		**14**	**2,032,000**	**182,214**	**296,395**	**478,609**
Developments in planning						
Retail	3.6	12	170,000	29,414		
Industrial	3.6	2	4,180,000	198,777		
Mixed-Use & Residential	3.6	13	10,430,000	145,274		
Subtotal developments in planning		**27**	**14,780,000**	**373,465**		
Total development - cost		**41**	**16,812,000**	**$ 555,679**		
Total development - fair value[(v)]				**$ 888,000**		

(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.
(iii) Compiled on a non-GAAP proportionate share basis[(1)]. Investment to-date compiled on a cash basis, excluding adjustments to fair value of on-going projects.
(iv) The Trust expects to invest approximately 45% during 2024 and the remainder thereafter.
(v) Total development fair value excludes residential development inventory of $8,681 as at December 31, 2023 (December 31, 2022 - $18,785).

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 14 active developments comprised of 11 retail, 2 industrial and 1 residential projects. Upon completion, the projects under active development are expected to deliver a total of 1,915,000 square feet of commercial space (including 972,000 square feet associated with ground leases) and 117,000 square feet comprising 175 units of residential space at the Trust's share. The Trust has invested a total of $182.2 million to date and is expected to invest an additional $296.4 million over the next 12-18 months 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 122,000 square feet at share of active retail development (including 8,000 square feet associated with ground leases), which is expected to be completed in the next 12-18 months(2).

The following table details the Trust's retail projects under active development on a proportionate share basis(1) as of December 31, 2023:

($ thousands except where otherwise indicated)				GLA(i) (square feet)		Investment(i)(ii)			
	Project / Location	Ownership %	Expected completion date(iii)	Estimated upon completion(2)	% Leased	To-date	Estimated cost to completion(2)	Estimated total	Expected stabilized yield(2)(iv)
	Retail								
1	Harvest Hills Market, Edmonton, AB(v)(vi)	50 %	H1 2024	1,000	100 %	$ 128	$ 389	$ 517	9.75%-10.25%
2	Carlton Spur, Prince Albert, SK	25 %	H1 2024	2,000	100 %	—	740	740	8.25%-8.75%
3	Guelph St., Georgetown, ON	100 %	H1 2024	26,000	100 %	—	7,900	7,900	8.75%-9.25%
4	43rd Ave., Innisfail, AB	100 %	H1 2024	17,000	100 %	3,922	2,796	6,718	6.00%-6.50%
5	137 Ave., Edmonton, AB	100 %	H1 2024	7,000	100 %	—	4,793	4,793	6.25%-6.75%
6	Sunwapta West, Building 2 & 6-8 Edmonton, AB(v)(vi)	50 %	H2 2024	13,000	100 %	1,783	4,603	6,386	6.50%-7.00%
7	Country Village Rd NE, Calgary, AB	100 %	H2 2024	29,000	100 %	649	12,062	12,711	6.00%-6.50%
8	Countryview Dr., Dartmouth, NS(vi)	50 %	H2 2024	3,000	100 %	—	1,702	1,702	7.25%-7.75%
9	100th Street, Morinville, AB	100 %	H2 2024	17,000	100 %	—	6,881	6,881	5.75%-6.25%
10	4270 Innes Road, Ottawa, ON(v)	100 %	H1 2025	5,000	100 %	11	235	246	46.50%-47.00%
11	Harvest Hills Market, Edmonton, AB(vi)	50 %	H1 2025	2,000	100 %	327	722	1,049	7.25%-7.75%
	Total retail developments			**122,000**		**$ 6,820**	**$ 42,823**	**$ 49,643**	**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) H1 represents the first six months of the year. H2 represents the last six months of the year.
(iv) There were no material changes in previously reported expected stabilized yields.
(v) This development includes a ground lease.
(vi) Development project with phased completion. Reported expected stabilized yield may vary as phases are completed or as future phases are added to the development.

Projects Under Active Development – Industrial

The Trust invests in industrial development projects through development of greenfield industrial land. The Trust currently has two active development projects, which are expected to deliver 1,793,000 square feet at share (including 964,000 square feet associated with ground leases) of new generation logistics space in the near term(2).

The following table details the Trust's industrial projects under active development on a proportionate share basis(1) as of December 31, 2023:

($ thousands except where otherwise indicated)				GLA(i) (square feet)		Investment(i)(ii)			
	Project / Location	Ownership %	Expected completion date(iii)	Estimated upon completion(2)	% Leased	To-date	Estimated cost to completion(2)	Estimated total	Expected stabilized yield(2)(iv)
	Industrial								
1	Choice Caledon Business Park - Building A, Caledon, ON(v)	85 %	H2 2024	964,000	100 %	$ 73,818	$ 50,712	$ 124,530	7.25%-7.75%
2	Choice Caledon Business Park - Building H, Caledon, ON	85 %	H1 2026	829,000	100 %	35,281	188,976	224,257	6.75%-7.25%
	Total industrial developments			**1,793,000**		**$ 109,099**	**$ 239,688**	**$ 348,787**	**7.00%-7.50%**

(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) There were no material changes in previously reported expected stabilized yields.
(v) The development is a ground lease. This phase of the development is estimated at 1.1 million square feet or 1.0 million square feet at share based on the current site plan subdivision.

Choice Caledon Business Park, in which the Trust holds an 85% ownership interest, is located in Caledon, Ontario. During the second quarter, the Trust submitted a Draft Plan of Subdivision and Site Plan Application for the first phase of the development. Based on these submissions, the Trust received a grading permit and commenced site works. Servicing for the entire site is expected to commence early 2024 and will take place over 12 to 18 months(2). Site preparation cost for the subdivision is expected to be approximately $167.0 million in total, or $142.0 million at share. This four phased development will construct eight state of the art multi-use industrial buildings over the next 60 months(2). The first phase of this development has commenced and will deliver Buildings A and H, with the next phase expected to commence in 2026. The Trust has entered into an approximately 90 acre ground lease with Loblaw for Building A, with rent commencement expected in the first quarter of 2025(2). During the fourth quarter, the Trust entered into a lease agreement with a leading logistics provider for Building H, with rent commencement expected in the second quarter of 2026(2).

The following table details the Trust's costs for the buildings under active development as of December 31, 2023:

($ thousands except where otherwise indicated)		At 100%			
	Project / Location	Land & servicing costs	Site specific & construction costs	Total	At Share
1	Choice Caledon Business Park - Building A, Caledon, ON	$ 118,229	$ 28,276	$ 146,505	$ 124,530
2	Choice Caledon Business Park - Building H, Caledon, ON	56,585	207,247	263,832	224,257
	Total industrial developments	**$ 174,814**	**$ 235,523**	**$ 410,337**	**$ 348,787**

Projects Under Active Development - Residential

Choice Properties has one residential project under active development. At Mount Pleasant Village in Brampton, Ontario, construction continues to progress. For the condominium, fixture installation and the pre-delivery inspection processes are nearly complete. During the fourth quarter, the Trust recognized income related to the sale of its ownership interest of 94 condominium units, with the remainder expected in the first quarter of 2024[2] with final closing shortly thereafter. For the rental building, branded "Uniti", occupancy permits for the lower half of the building was granted by the municipality as at year end 2023. Internal pre-delivery and quality control checks have been completed on these floors and move-in commenced in early 2024. On the upper level units, interior finishes are progressing well. Kitchen and tiling installation is nearly complete and appliances have been installed in approximately half of the units.

The following table details the Trust's residential project under active development on a proportionate share basis[1] as of December 31, 2023:

($ thousands except where otherwise indicated)						GLA[i] (square feet)	Investment[i][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	H1 2024	151	101,000	$ 57,614	$ 11,711	$ 69,325	3.75%-4.25%
	Mount Pleasant Village, Brampton, ON[v]	50 %	Inventory	H1 2024	24	16,000	8,681	2,173	10,854	
	Total residential developments				**175**	**117,000**	**$ 66,295**	**$ 13,884**	**$ 80,179**	**3.75%-4.25%**

(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) H1 represents the first six months of the year.
(iv) There were no material changes in previously reported expected stabilized yields.
(v) Represents remaining condominium units to be sold.

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, 2023, the Trust has identified 27 sites with potential for future development. This includes 12 opportunities totaling 170,000 square feet at existing retail sites, 2 industrial sites totaling 4,180,000 square feet, and 13 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 $373.5 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	**12**	**$ 29,414**

(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**	**$ 198,777**

(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 - Remaining Phases, Caledon, ON	During the third quarter of 2022, the joint venture achieved entitlement to convert the lands from agricultural uses to employment uses through a Ministerial Zoning Order. Draft Plan of Subdivision and Site Plan Applications for the first phase were submitted during the second quarter of 2023 and the grading permit was received and site works commenced. During the fourth quarter of 2023 the Trust entered into a lease for Block 5, which has been classified as Active Development. The remainder of the development is expected to consist of warehouse, distribution, and industrial uses totaling approximately 4.2 million square feet on 221 net developable acres (at 100% share). The Trust has invested $171.4 million to date, including land acquisition, related to the remaining phases of the development.
Choice Eastway Industrial Centre - Phase 2, East Gwillimbury, ON	The second phase of the Trust's project constitutes approximately 54 acres (at 100% share) of developable land and is fully zoned. The Trust continues progress on site preparation. The second phase is anticipated to be approximately 0.8 million total square feet (at 100% share). The Trust has invested $27.3 million to date, including land acquisition.

Mixed-Use & Residential 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. A total of $145.3 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(i)(ii) ('000 square feet)			
Project / Location	**Type**	**Ownership %**	**Acreage(i)**	**Estimated number of units(i)**	**Commercial**	**Residential**	**Total**	**Investment to-date (i)(iii)**
Zoning approved								
1 Golden Mile, Toronto, ON	Mixed-Use	100 %	19.0	3,597	323	2,907	3,230	$ 15,216
2 Grenville & Grosvenor, Toronto, ON	Residential	50 %	0.5	385	17	320	337	35,612
3 Sheppard Ave. W., Toronto, ON	Residential	50 %	0.3	100	5	64	69	6,969
Subtotal zoning approved			**19.8**	**4,082**	**345**	**3,291**	**3,636**	**57,797**
Zoning applications submitted								
1 Broadview Ave., Toronto, ON	Mixed-Use	100 %	3.3	503	23	409	432	4,070
2 Carlaw Ave., Toronto, ON	Mixed-Use	100 %	5.6	1,080	84	993	1,077	7,062
3 Dundas St. W., Toronto, ON	Mixed-Use	100 %	13.0	1,923	178	1,477	1,655	45,075
4 Parkway Forest Dr., Toronto, ON	Residential	50 %	1.5	170	—	131	131	951
5 Photography Dr., Toronto, ON	Mixed-Use	100 %	7.7	2,356	50	2,010	2,060	4,332
6 Warden Ave., Toronto, ON	Residential	100 %	6.5	1,500	10	1,072	1,082	12,349
7 Woodbine Ave., Toronto, ON	Mixed-Use	100 %	1.7	400	23	334	357	5,862
Subtotal zoning applications submitted			**39.3**	**7,932**	**368**	**6,426**	**6,794**	**79,701**
Zoning applications to be submitted								
1 Lower Jarvis, Toronto, ON	Mixed-Use	100 %	4.1	—	—	—	—	3,342
2 North Rd., Coquitlam, BC	Mixed-Use	100 %	7.8	—	—	—	—	2,431
3 South Service Rd., Mississauga, ON	Mixed-Use	100 %	10.4	—	—	—	—	2,003
Subtotal zoning applications to be submitted			**22.3**	**—**	**—**	**—**	**—**	**7,776**
Total mixed-use & residential projects in planning			**81.4**	**12,014**	**713**	**9,717**	**10,430**	**$ 145,274**

(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, 2023, the Trust has invested a total of $57.8 million to date on land acquisition and initial development and planning costs.

Project / Location	Description
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(2). The development will create a community comprising residential and commercial 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.
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 34,000 square feet of commercial GLA and approximately 770 rental residential units (at 100% share). 30% of the residential units will be affordable housing units(2).
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).

Zoning Applications Submitted

Choice Properties has submitted zoning applications for five mixed-use and two residential developments in Toronto, Ontario. As of December 31, 2023, the Trust has invested a total of $79.7 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.
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 and beyond(2) 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.

Project / Location	Description
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.
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 approximately 340 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 approximately 1,500 residential units, over 1.1 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 was submitted during the fourth quarter of 2023 to the City of Toronto.

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 approximately 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.

On March 30, 2023, the Trust advanced a vendor take-back mortgage as part of an exchange of office properties with its partner (Section 3.2). The mortgage receivable had a face value of $13,529 and a fair value of $11,140. The mortgage bears interest at a rate of 3% for the first 3 years and 5% subsequently until its maturity on June 30th, 2028, and is secured by the disposed office property.

On June 14, 2023, the Trust advanced a vendor take-back mortgage with a face and fair value of $51,000. (Section 3.2). The mortgage bears interest at a rate of prime plus 3.3% and is secured by the disposed property.

On June 19, 2023, the Trust advanced a vendor take-back mortgage with a face value of $5,700 and a fair value of $5,495. (Section 3.2). The mortgage bears interest at a rate of 6% and is secured by the disposed property.

On October 12, 2023, the Trust advanced a vendor take-back mortgage with a face value of $10,000 and a fair value of $9,624 (Section 3.2). The mortgage bears interest at a rate of 6.5% and is secured by the disposed property.

On December 13, 2023, the Trust advanced a $17,130 mezzanine loan to a development partner. The loan bears interest at a rate of 10.7% and is secured by a development property in Brampton, ON.

On December 29, 2023, Allied repaid a promissory note to the Trust, with a face value of $200,000 (Section 3.9). The promissory note was included in mortgages receivable as it was secured by a portfolio of six office assets disposed to Allied in March 2022. Subsequent to year end, on February 8, 2024, the proceeds received from the promissory note were used to repay the Series D senior unsecured debentures in full upon maturity (Section 4.3).

The Trust has issued $365,150 (December 31, 2022 - $506,905) of secured mortgages to third-party borrowers. These loans have been extended to borrowers who are strategic partners and counterparties of the Trust and are secured by real property assets.

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 year ended December 31, 2023, GWL elected to receive distributions from Choice Properties Limited Partnership in the form of loans. As such, non-interest bearing short-term notes totalling $295,851 were issued during the year ended December 31, 2023 to GWL and were repaid in January 2024. Non-interest bearing short-term notes totalling $170,849 with respect to the loans received in the 2022 fiscal year were settled against distributions payable by the Trust to GWL in January 2023.

			GAAP Basis	
As at December 31, 2023 ($ thousands)	**GAAP Basis**	**Proportionate Share Basis[(1)(i)]**	**Weighted average term to maturity (years)**	**Weighted average interest rate (%)**
Mortgages receivable	**$ 360,150**	**$ 264,394**	0.8	8.14 %
Notes receivable from GWL	**295,851**	**295,851**	—	— %
Mortgages, loans and notes receivable	**$ 656,001**	**$ 560,245**		

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

			GAAP Basis	
As at December 31, 2022 ($ thousands)	GAAP Basis	Proportionate Share Basis[(1)(i)]	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		

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

3.9 Investment in Real Estate Securities

On March 31, 2022, the Trust disposed of six office assets to Allied. As consideration, the Trust was issued 11,809,145 Class B Units 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. As at December 31, 2023, the Trust holds an approximate 8.4% 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 owner-operator of distinctive urban workspace in Canada's major cities. As at December 31, 2023[(i)], Allied's income producing portfolio consisted of 201 properties across Canada totalling 14.9 million square feet in gross leasable area and was valued at $8.5 billion. Allied reported net asset value of $6.4 billion or $45.60 per unit diluted at December 31, 2023[(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 at December 31, 2023, there were 2,952,286 of the Class B Units subject to lock-up.

As a holder of the Class B Units, the Trust is entitled to distributions paid by Allied. For the year ended December 31, 2023, the Trust recognized distribution income of $26,928 (December 31, 2022 - $15,495) from its investment in Allied. For the year ended December 31, 2023, $5,668 of the distribution income recognized was related to the special distribution announced by Allied on December 15, 2023 as a result of the sale of their urban data centre portfolio. 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 period ended December 31, 2023 was $20.18 (December 31, 2022 - $25.60). For the year ended December 31, 2023, the Trust recognized a loss of $64,006 (December 31, 2022 - $248,346) on its investment in Allied, due to the change in the price of Allied's publicly traded units. As at December 31, 2023 the Trust held 11,809,145 Class B Units with a fair value of $238,308 (December 31, 2022 - 11,809,145 Class B Units with a fair value of $302,314).

($ thousands)		**Year Ended December 31, 2023**		Year Ended December 31, 2022
Balance, beginning of year	**$**	**302,314**	$	—
Acquired		**—**		550,660
Adjustment to fair value of investment in real estate securities		**(64,006)**		(248,346)
Balance, end of year	**$**	**238,308**	$	302,314

(i) Values are from Allied's Annual Report, December 31, 2023. 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		
	2023	2022	Change $	2023	2022	Change $
Cash and cash equivalents, beginning of period - GAAP basis	$ 59,268	$ 36,430	$ 22,838	$ 64,736	$ 84,304	$ (19,568)
Cash flows from operating activities	207,667	191,260	16,407	641,972	668,418	(26,446)
Cash flows from (used in) investing activities	62,033	(173,201)	235,234	(361,345)	(656,683)	295,338
Cash flows from (used in) financing activities	(76,544)	10,247	(86,791)	(92,939)	(31,303)	(61,636)
Cash and cash equivalents, end of period - GAAP basis	$ 252,424	$ 64,736	$ 187,688	$ 252,424	$ 64,736	$ 187,688

Cash Flows from Operating Activities

Three Months	Year Ended
Cash flows from operating activities increased for the three months ended primarily due to an increase in net operating income, higher interest received, and an increase in distributions from equity accounted joint ventures. The increase was partially offset by an increase in general and administrative expenses.	Cash flows from operating activities decreased for the year ended primarily due to the impact of lower distributions from equity accounted joint ventures, an unfavourable change in working capital, an increase in interest paid, and an increase in general and administrative expenses. The decrease was partially offset by an increase in net operating income and higher interest received.

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	Year Ended
Cash flows from investing activities for the three months increased primarily due to the repayment of the Allied promissory note (Section 3.8), an increase in mortgages, loans, and notes receivables repayments from other third-parties, and an increase in proceeds from dispositions of investment properties, net of acquisitions. The increase was partially offset by an increase in capital spending on investment properties and an increase in mortgage receivable advances.	Cash flows used in investing activities decreased for the year ended primarily due to the repayment of the Allied promissory note (Section 3.8), a decrease in contributions to equity accounted joint ventures, a decrease in mortgages, loans, and notes receivables advances to third-parties, and an increase in proceeds from dispositions of investment properties, net of acquisitions. The decrease was partially offset by an increase in capital spending on investment properties, the acquisitions of financial real estate assets from Loblaw, and an increase in notes receivables advances to GWL due to deferral of all of its 2023 distributions on Exchangeable units.

Cash Flows from (used in) Financing Activities

Three Months	Year Ended
Cash flows used in financing activities increased for the three months primarily due to a decrease in net advances of the credit facility and an increase in net repayments of mortgages payable.	Cash flows used in financing activities increased for year ended primarily due to an increase in net repayments of the credit facility. The increase was partially offset by an increase in proceeds from the issuance of new senior unsecured debentures, net of repayments, an increase in net advances of mortgages payable, and a decrease in distributions paid on exchangeable units as GWL has taken all of the 2023 distributions as notes receivable, as described above.

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, 2023	As at December 31, 2022	Change $
Cash and cash equivalents - proportionate share basis(1)(i)	$ 275,619	$ 88,115	$ 187,504
Unused portion of the credit facility	1,500,000	1,240,000	260,000
Liquidity	$ 1,775,619	$ 1,328,115	$ 447,504
Unencumbered assets - proportionate share basis(1)	$ 12,718,125	$ 12,330,000	$ 388,125

(i) As at December 31, 2023, cash and cash equivalents included $144,441 of short-term investments (December 31, 2022 - $nil).

Base Shelf Prospectus
On June 16, 2023, Choice Properties filed a Short Form Base Shelf Prospectus allowing for the issuance of units and debt securities over a 25-month period.

4.3 Components of Total Adjusted Debt

Choice Properties' debt structure was as follows:

			Proportionate Share Basis(1)	
As at December 31, 2023 ($ thousands)	GAAP Basis	Proportionate Share Basis(1)	Weighted average term to maturity (years)	Weighted average interest rate (%)
Construction loans	$ 49,603	$ 160,370	0.7	6.84 %
Credit facility	—	—	—	— %
Less: Debt placement costs(i)	—	—		
Variable rate debt	49,603	160,370	0.7	6.84%
Construction loans	40,456	40,456	7.3	2.08 %
Senior unsecured debentures	5,650,000	5,650,000	5.5	4.07 %
Mortgages payable	976,661	1,402,858	6.6	3.94 %
Less: Debt placement costs, discounts and premiums	(20,797)	(28,632)		
Fixed rate debt	6,646,320	7,064,682	5.7	4.03%
Total adjusted debt, net	$ 6,695,923	$ 7,225,052		

(i) Unamortized debt placement costs for the credit facility of $2,232 were included in other assets as at December 31, 2023.

As at December 31, 2022 ($ thousands)	GAAP Basis	Proportionate Share Basis[1]	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		

Construction Loans

For the purpose of financing the development of certain industrial, mixed-use & 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 2024 to 2031, have a maximum capacity to be drawn at the Trust's ownership interest of $447,987, of which $328,261 relates to equity accounted joint ventures as at December 31, 2023 (December 31, 2022 - $436,741 and $345,951, respectively).

As at December 31, 2023, $200,826 was drawn on the construction loans, of which $110,767 relates to equity accounted joint ventures. The construction loans had a weighted average interest rate of 5.88% (December 31, 2022 - 5.57%) and a weighted average term to maturity of 2.0 years (December 31, 2022 - 1.3 years).

Credit Facility

Choice Properties has a $1,500,000 senior unsecured committed revolving credit facility provided by a syndicate of lenders. During the year ended December 31, 2023, the Trust extended the maturity date for the credit facility from September 1, 2027 to September 1, 2028.

Under the credit facility, the Trust has the ability to draw funds at variable rates in either Canadian dollars or U.S. dollars. Canadian dollar-denominated borrowings bear interest at either the Canadian bank prime rate plus 0.20% or Canadian Bankers' Acceptance rate plus 1.20%, and U.S. dollar-denominated borrowings bear interest at the U.S. prime rate plus 0.20% or Secured Overnight Financing Rate ("SOFR") plus 1.30%. The pricing is contingent on the credit ratings for Choice Properties from either DBRS and S&P remaining at BBB (high). Concurrently with the U.S. dollar draws, the Trust enters into cross currency swaps to exchange its U.S. dollar borrowings into Canadian dollar borrowings. The Trust applies hedge accounting to the cross currency swaps.

As at December 31, 2023, $nil was drawn in U.S. dollar-denominated borrowings (December 31, 2022 - $nil) and $nil was drawn in Canadian dollar borrowings (December 31, 2022 - $260,000). The unamortized balance for debt placement costs at December 31, 2023 of $2,232 was included in other assets.

The credit facility contains certain financial covenants. As at December 31, 2023, the Trust was in compliance with all its financial covenants for the credit facility.

Senior Unsecured Debentures

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 2.95% (effective interest rate of 3.30%) Series D-C senior unsecured debentures outstanding. The repayment of the Series D-C senior unsecured debentures was funded by an advance on the Trust's credit facility.

On March 1, 2023, the Trust completed an issuance, on a private placement basis, of $550 million aggregate principal amount of Series S senior unsecured debentures bearing interest at a rate of 5.40% per annum and maturing on March 1, 2033. The Trust used the net proceeds of the issuance and repaid (i) its $250 million principal amount of the 3.20% Series G senior unsecured debentures upon maturity on March 7, 2023 and (ii) a portion of the balance drawn on the Trust's credit facility.

On July 5, 2023, the Trust paid in full upon maturity, at par, plus accrued and unpaid interest thereon, the $200 million aggregate principal amount of the 4.90% Series B senior unsecured debentures outstanding. The repayment of the Series B senior unsecured debentures was funded by an advance on the Trust’s credit facility.

On August 1, 2023, the Trust completed an issuance, on a private placement basis, of $350 million aggregate principal amount of Series T senior unsecured debentures bearing interest at a rate of 5.70% per annum and maturing on February 28, 2034. The Trust used the net proceeds of the issuance and repaid (i) the balance drawn on the Trust’s credit facility and (ii) for general business purposes.

Subsequent to year end, on February 8, 2024, the Trust paid in full upon maturity, at par, plus accrued and unpaid interest thereon, the $200 million aggregate principal amount of the 4.29% Series D senior unsecured debentures outstanding. The repayment of the Series D senior unsecured debentures was funded by proceeds received from the repayment of the Allied promissory note (Section 3.8).

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, 2023:

	GAAP Basis			**Adjustment to Proportionate Share Basis [1]**	**Proportionate Share Basis[1]**
For the year ended December 31, 2023 ($ thousands)	**Credit facility**	**Construction loans**	**Mortgages payable**	**Construction loans[i]**	**Total adjusted debt, variable rate**
Principal balance outstanding, beginning of year	$ 260,000	$ 15,847	$ 48,336	$ 225,699	$ 549,882
Issuances and advances	—	21,363	—	56,365	77,728
Repayments	(260,000)	(19,473)	(27,065)	(155,426)	(461,964)
Assumed from seller	—	—	13,346	15,995	29,341
Assumed by purchaser	—	—	(34,617)	—	(34,617)
Transfer from equity accounted joint venture	—	31,866	—	(31,866)	—
Principal balance outstanding, end of year	**$ —**	**$ 49,603**	**$ —**	**$ 110,767**	**$ 160,370**

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

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, 2023:

	GAAP Basis			**Adjustment to Proportionate Share Basis[1]**	**Proportionate Share Basis[1]**
For the year ended December 31, 2023 ($ thousands)	**Senior unsecured debentures**	**Mortgages payable**	**Construction loans**	**Mortgages payable[i]**	**Total adjusted debt, fixed rate**
Principal balance outstanding, beginning of year	$ 5,325,000	$ 900,583	$ 23,367	$ 273,009	$ 6,521,959
Issuances and advances[ii]	900,000	167,705	17,089	164,631	1,249,425
Repayments	(575,000)	(63,754)	—	(11,443)	(650,197)
Assumed by purchaser	—	(27,873)	—	—	(27,873)
Principal balance outstanding, end of year	**$ 5,650,000**	**$ 976,661**	**$ 40,456**	**$ 426,197**	**$ 7,093,314**

(i) Adjustment to proportionate share basis[1] reflects mortgages payable within equity accounted joint ventures.
(ii) Mortgages payable issuances and advances is shown net of a refinance of an existing mortgage payable of $17.0 million.

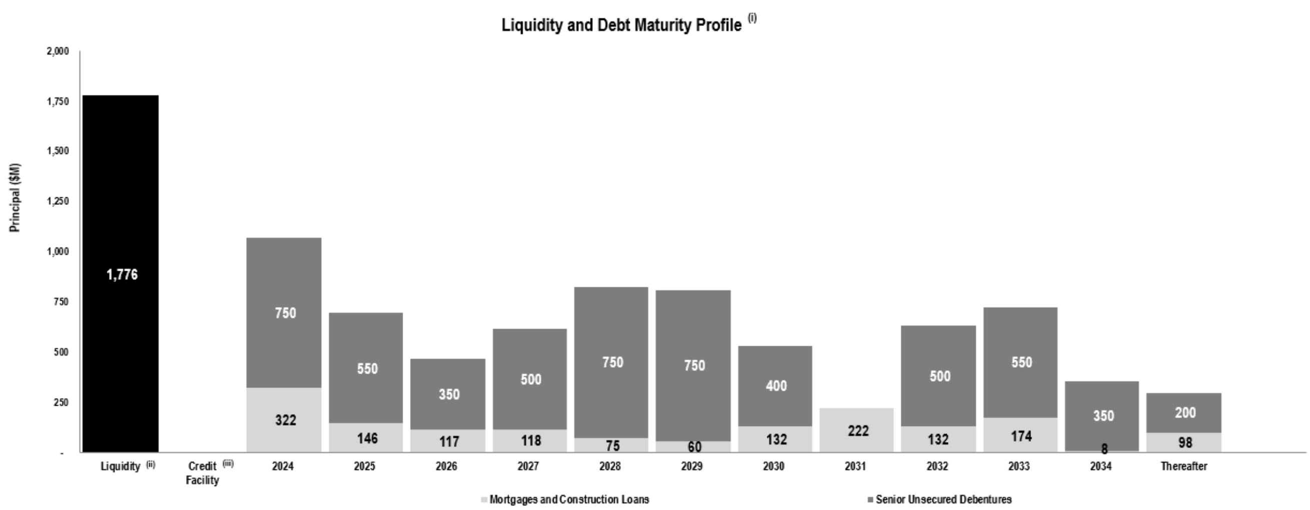
Schedules of Repayments and Cash Flow Activities

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:

	GAAP Basis				Adjustment to Proportionate Share Basis(1)		Proportionate Share Basis(1)
As at December 31, 2023 ($ thousands)	Credit facility	Senior unsecured debentures	Mortgages payable	Construction loans	Mortgages payable(i)	Construction loans(i)	Total
2024	$ —	$ 750,000	$ 166,696	$ 49,603	$ 9,777	$ 96,194	**$ 1,072,270**
2025	—	550,000	121,600	—	9,798	14,573	**695,971**
2026	—	350,000	67,755	—	49,018	—	**466,773**
2027	—	500,000	88,523	—	29,563	—	**618,086**
2028	—	750,000	48,438	—	26,594	—	**825,032**
Thereafter	—	2,750,000	483,649	40,456	301,447	—	**3,575,552**
Total adjusted debt outstanding	**$ —**	**$ 5,650,000**	**$ 976,661**	**$ 90,059**	**$ 426,197**	**$ 110,767**	**$ 7,253,684**

(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) Includes cash and cash equivalents.
(iii) The credit facility matures on September 1, 2028.

4.4 Financial Condition

Choice Properties is subject to certain financial and non-financial covenants on 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, 2023 and December 31, 2022.

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

		As at December 31, 2023	As at December 31, 2022
Adjusted Debt to Total Assets[i]	Limit: Maximum excluding convertible debt is 60.0%	**40.4 %**	40.6 %
Debt Service Coverage Ratio[i]	Limit: Minimum 1.5x	**3.0x**	3.1x
Adjusted Debt to EBITDAFV[1][i][ii][iv][v]		**7.2x**	7.5x
Interest Coverage Ratio[1][iii][iv]		**3.4x**	3.4x

(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 this ratio.
(iv) The senior unsecured debentures and credit facility financial covenants do not include the Adjusted Debt to EBITDAFV and Interest Coverage Ratio metrics. These metrics are used to assess financial leverage and are useful in determining the Trust's ability to meet financial obligations. Refer to Section 15 "Non-GAAP Financial Measures".
(v) Adjusted Debt to EBITDAFV, net of cash, was 7.0x at December 31, 2023 and 7.4x at December 31, 2022.

4.5 Credit Ratings

Choice Properties' debt securities are rated by two independent credit rating agencies: DBRS and S&P.

On May 18, 2023, S&P confirmed the Choice Properties rating at BBB with a stable outlook. On August 16, 2023, 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, 2023:

	DBRS		**S&P**	
Credit ratings (Canadian standards)	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, 2023	Year ended December 31, 2022
Units, beginning of year	327,771,149	327,588,847
Units issued under unit-based compensation arrangements	329,716	404,449
Units repurchased for unit-based compensation arrangements	(240,893)	(222,147)
Units, end of year	327,859,972	327,771,149
Exchangeable Units, end of year	395,786,525	395,786,525
Total Units and Exchangeable Units, end of year	723,646,497	723,557,674

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, 2023, Choice Properties received approval from the TSX to purchase up to 27,563,002 Units during the twelve-month period from November 21, 2023 to November 20, 2024, 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 Arrangements
The Trust acquired Units under its NCIB during the years ended December 31, 2023 and December 31, 2022, 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, 2023 and December 31, 2022, including distributions to holders of Exchangeable Units, were as follows:

For the periods ended December 31 ($ thousands)	Three Months			Year Ended		
	2023	2022	Change $	2023	2022	Change $
Total distributions declared	$ 135,683	$ 133,858	$ 1,825	$ 541,529	$ 535,407	$ 6,122

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.

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% monthly). The increase was effective for Unitholders of record on March 31, 2023.

At its most recent meeting on February 14, 2024, the Board reviewed and approved an increase of distributions to $0.76 per unit per annum from the previous rate of $0.75 per unit per annum (an increase of 1.3%). The increase will be effective for Unitholders of record on March 31, 2024.

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		
	2023	2022	Change $	**2023**	2022	Change $
Adjusted Cash Flow from Operations[(1)]	**$ 138,248**	$ 134,815	$ 3,433	**$ 608,763**	$ 592,744	$ 16,019
Cash distributions declared	**135,683**	133,858	1,825	**541,529**	535,407	6,122
Cash retained after cash distributions	**$ 2,565**	$ 957	$ 1,608	**$ 67,234**	$ 57,337	$ 9,897
ACFO[(1)] payout ratio	**98.1 %**	99.3 %	(1.2)%	**89.0 %**	90.3 %	(1.3)%

Three Months and Year Ended

ACFO[(1)] increased for the three months and year ended primarily due to the increase in net operating income and interest income, as well as a favourable change in non-cash working capital items. The increase was partially offset by an increase in interest expense due to higher interest rates, an increase in capital expenditures, and an increase in general and administrative expenses.

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, and cross currency swaps to hedge foreign exchange associated with the equivalent amount borrowed in US$ on the Trust's credit facility. During the year ended December 31, 2023, an interest rate swap was settled and refinanced concurrently with the refinancing of the underlying variable rate mortgage. The cross currency swaps matured as the US$ borrowings were repaid. As at December 31, 2023, the interest rates associated with the interest rate swaps ranged from 2.8% to 5.0% (December 31, 2022 - 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, 2023**	As at December 31, 2022
Derivative assets				
Interest rate swaps	Nov 2025 - Jun 2030	**$ 78,791**	**$ 7,872**	$ 12,909
Total derivative assets		**$ 78,791**	**$ 7,872**	$ 12,909
Derivative liabilities				
Interest rate swaps	Feb 2024 - Mar 2030	**$ 109,034**	**$ 1,337**	$ —
Total derivative liabilities		**$ 109,034**	**$ 1,337**	$ —

During the year ended December 31, 2023, Choice Properties recorded an unrealized fair value loss in other comprehensive income (loss) of $6,374 (December 31, 2022 - unrealized fair value gain of $11,568).

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, 2023, the aggregate gross potential liability related to these letters of credit totalled $37,668 (December 31, 2022 - $32,897).

4.10 Contractual Obligations

The undiscounted future principal and interest payments on Choice Properties' debt instruments and other contractual obligations as at December 31, 2023 were as follows:

($ thousands)	2024	2025	2026	2027	2028	Thereafter	Total
Senior unsecured debentures	$ 975,714	$ 745,657	$ 531,342	$ 665,626	$ 892,838	$ 3,304,010	**$ 7,115,187**
Mortgage payable(i)	202,787	151,799	93,695	111,821	69,839	573,331	**1,203,272**
Mortgage payable(ii)	25,384	25,626	64,160	43,347	39,005	349,697	**547,219**
Total Mortgage Payable	228,171	177,425	157,855	155,168	108,844	923,028	**1,750,491**
Construction loan(i)(iii)	51,688	841	841	841	841	42,415	**97,467**
Construction loan(ii)(iii)	101,362	15,431	—	—	—	—	**116,793**
Total Construction Loans	153,050	16,272	841	841	841	42,415	**214,260**
Other(iii)	357,789	68,116	477	207	99	666	**427,354**
Total	**$ 1,714,724**	**$ 1,007,470**	**$ 690,515**	**$ 821,842**	**$ 1,002,622**	**$ 4,270,119**	**$ 9,507,292**

(i) Compiled on a GAAP basis.
(ii) Mortgages payable and construction loans held within equity accounted joint ventures.
(iii) As at December 31, 2023, Choice Properties had commitments of $427,000 for future capital expenditures related to ongoing development and property capital projects, and other contractual obligations such as operating rents, of which $339,000 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, 2023 and December 31, 2022 are summarized below:

For the periods ended December 31 ($ thousands)	Three Months				Year Ended			
	2023	2022	Change $	% Change	**2023**	2022	Change $	% Change
Net Operating Income								
Rental revenue	**$ 329,109**	$ 314,382	$ 14,727	4.7 %	**$1,309,170**	$1,264,594	$ 44,576	3.5 %
Property operating costs	**(94,386)**	(87,180)	(7,206)	8.3 %	**(369,060)**	(363,953)	(5,107)	1.4 %
	234,723	227,202	7,521	3.3 %	**940,110**	900,641	39,469	4.4 %
Residential Inventory Income								
Gross sales	**25,634**	$ —	$ 25,634	— %	**25,634**	$ —	$ 25,634	— %
Cost of sales	**(21,008)**	—	(21,008)	— %	**(21,008)**	—	(21,008)	— %
	4,626	—	4,626	— %	**4,626**	—	4,626	— %
Other Income and Expenses								
Interest income	**9,971**	12,691	(2,720)	(21.4)%	**41,414**	27,360	14,054	51.4 %
Investment income	**10,983**	5,165	5,818	112.6 %	**26,928**	15,495	11,433	73.8 %
Fee income	**1,125**	1,292	(167)	(12.9)%	**4,287**	3,793	494	13.0 %
Net interest expense and other financing charges	**(143,373)**	(137,247)	(6,126)	4.5 %	**(566,147)**	(536,857)	(29,290)	5.5 %
General and administrative expenses	**(19,599)**	(14,476)	(5,123)	35.4 %	**(64,230)**	(47,821)	(16,409)	34.3 %
Share of income from equity accounted joint ventures	**8,069**	15,522	(7,453)	(48.0)%	**39,069**	353,867	(314,798)	(89.0)%
Amortization of intangible assets	**(250)**	(250)	—	— %	**(1,000)**	(1,000)	—	— %
Transaction costs and other related expenses	**—**	(82)	82	(100.0)%	**(34)**	(5,108)	5,074	(99.3)%
Adjustment to fair value of unit-based compensation	**(1,435)**	(2,665)	1,230	(46.2)%	**938**	(1,191)	2,129	(178.8)%
Adjustment to fair value of Exchangeable Units	**(502,649)**	(858,857)	356,208	(41.5)%	**320,587**	170,188	150,399	88.4 %
Adjustment to fair value of investment properties	**(74,445)**	193,370	(267,815)	(138.5)%	**114,150**	113,115	1,035	0.9 %
Adjustment to fair value of investment in real estate securities	**26,570**	(20,784)	47,354	(227.8)%	**(64,006)**	(248,346)	184,340	(74.2)%
Income (Loss) before Income Taxes	**(445,684)**	(579,119)	133,435	(23.0)%	**796,692**	744,136	52,556	7.1 %
Income tax recovery (expense)	**—**	119	(119)	(100.0)%	**(1)**	117	(118)	(100.9)%
Net Income (Loss)	**$ (445,684)**	$ (579,000)	$ 133,316	(23.0)%	**$ 796,691**	$ 744,253	$ 52,438	7.0 %

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, Allied's publicly traded unit price and market capitalization rates. These market factors can have a significant impact on the Trust's net income.

Three Months

Net loss decreased for the three months compared to the prior year primarily due to changes in the non-cash adjustment to fair values including: a $356.2 million favourable change in the adjustment to fair value of the Trust's Exchangeable Units due to the change in the Trust's Unit price and a $47.4 million favourable change in the adjustment to fair value of the investment in the real estate securities of Allied, driven by the increase in Allied's unit price in the fourth quarter, compared to a decrease in the fourth quarter of 2022. This decrease was partially offset by an unfavourable change in the adjustment to fair value of investment properties of $267.8 million as a result of a fair value loss recognized in the fourth quarter compared to a gain in the fourth quarter of 2022.

Year Ended

Net income increased for the year ended compared to the prior year primarily due to changes in the non-cash adjustment to fair values including: a $184.3 million favourable change in the adjustment to fair value of the investment in the real estate securities of Allied, driven by lower mark-to-market loss recorded in 2023 compared to 2022 and a $150.4 million favourable change in the adjustment to fair value of the Trust's Exchangeable Units due to the change in the Trust's Unit price. The increase was partially offset by a $314.8 million decrease in income from equity accounted joint ventures primarily due to the fair value gains recognized in the industrial development portfolio in the prior year.

In addition to the changes described above, increases in net operating income, interest income and investment income, partially offset by increases in interest expense and general and administrative expenses contributed to the increase in net income.

Rental Revenue and Property Operating Costs

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.

	Three Months			Year Ended		
For the periods ended December 31 ($ thousands)	**2023**	2022	Change $	**2023**	2022	Change $
Rental revenue	**$ 329,109**	$ 314,382	$ 14,727	**$ 1,309,170**	$ 1,264,594	$ 44,576
Property operating costs	**(94,386)**	(87,180)	(7,206)	**(369,060)**	(363,953)	(5,107)
Net Operating Income	**$ 234,723**	$ 227,202	$ 7,521	**$ 940,110**	$ 900,641	$ 39,469

Three Months and Year Ended

Rental revenue increased for the three months and year ended December 31, 2023 compared to the prior year primarily due to higher rental rates on renewals, new leasing, and contractual rent steps, mainly in the retail and industrial portfolios. Further contributing to the increase were higher capital and operating recoveries, acquisitions and completed developments, and higher lease surrender revenue. The year ended December 31, 2023 increase was partially offset by foregone revenue from the Allied Transaction during the first quarter of 2022 and other dispositions completed in the current and prior years.

Residential Inventory Income

	Three Months			Year Ended		
For the periods ended December 31 ($ thousands)	**2023**	2022	Change $	**2023**	2022	Change $
Gross sales	**$ 25,634**	$ —	$ 25,634	**$ 25,634**	$ —	$ 25,634
Cost of sales	**(21,008)**	—	(21,008)	**(21,008)**	—	(21,008)
Residential Inventory Income	**$ 4,626**	$ —	$ 4,626	**$ 4,626**	$ —	$ 4,626

Three Months and Year Ended

In the fourth quarter, the Trust recognized gross sales and cost of sales related to the sale of the Trust's ownership interest of 94 condominium units of its residential project in Brampton, ON.

Interest Income

For the periods ended December 31 ($ thousands)	Three Months 2023	2022	Change $	Year Ended 2023	2022	Change $
Interest income from mortgages and loans receivable	**$ 7,109**	$ 5,273	$ 1,836	**$ 25,933**	$ 19,120	$ 6,813
Income earned from financial real estate assets	**2,262**	1,556	706	**9,102**	5,709	3,393
Income from financial real estate assets due to changes in value	**(1,024)**	5,288	(6,312)	**1,897**	783	1,114
Other interest income	**1,624**	574	1,050	**4,482**	1,748	2,734
Interest Income	**$ 9,971**	$ 12,691	$ (2,720)	**$ 41,414**	$ 27,360	$ 14,054

Three Months

Interest income decreased for the three months primarily due to the unfavourable change in the fair value of the financial real estate assets.

The decrease was partially offset by increases in interest income earned from a higher average mortgage and loan receivable balance outstanding in the current year as a result of vendor take-back mortgages issued in connection with dispositions completed in the past twelve months and advances made to development partners. The Trust also earned additional interest income on excess cash during the fourth quarter of 2023.

Year Ended

Interest income increased for the year ended primarily from a higher average mortgage and loan receivable balance compared to the prior year as a result of the Trust's $77.3 million of vendor-take-back mortgages issued in connection with dispositions completed in the past twelve months and advances made to development partners. The Trust also earned additional interest income on excess cash during the third and fourth quarters of 2023.

In addition, the change in the fair value of the financial real estate assets and the impact of additional income earned from financial real estate assets acquired throughout the year contributed to the increase in interest income.

Fee Income

Fees charged to third parties include property management fees, leasing fees and project management fees relating to co-owned properties which serve 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 2023	2022	Change $	Year Ended 2023	2022	Change $
Fees charged to related party	**$ 167**	$ 535	$ (368)	**$ 830**	$ 722	$ 108
Fees charged to third parties	**958**	757	201	**3,457**	3,071	386
Fee Income	**$ 1,125**	$ 1,292	$ (167)	**$ 4,287**	$ 3,793	$ 494

Three Months

Fee income decreased for the three months primarily due to timing of development consulting fees billed to Wittington in 2022, partially offset by an increase in leasing and project management services provided to third parties.

Year Ended

Fee income increased for the year ended primarily due to an increase in leasing and project management services provided to third parties.

Net Interest Expense and Other Financing Charges

For the periods ended December 31 ($ thousands)	Three Months 2023	2022	Change $	Year Ended 2023	2022	Change $
Interest on senior unsecured debentures	$ 57,974	$ 50,873	$ 7,101	$ 220,246	$ 192,774	$ 27,472
Interest on mortgages and construction loans	10,659	9,324	1,335	41,898	39,128	2,770
Interest on credit facility	612	3,125	(2,513)	9,638	8,839	799
Interest on right-of-use lease liabilities	13	22	(9)	63	148	(85)
Amortization of debt discounts and premiums	50	117	(67)	30	933	(903)
Amortization of debt placement costs	1,160	1,298	(138)	4,639	5,084	(445)
Capitalized interest	(1,305)	(733)	(572)	(6,548)	(2,933)	(3,615)
	69,163	64,026	5,137	269,966	243,973	25,993
Distributions on Exchangeable Units to GWL	74,210	73,221	989	296,181	292,884	3,297
Net interest expense and other financing charges	$ 143,373	$ 137,247	$ 6,126	$ 566,147	$ 536,857	$ 29,290

Three Months and Year Ended

Net interest expense and other financing charges increased for the three months and year ended primarily due to new debt issuances over the past twelve months bearing interest at a higher rate than maturing debt, as well as an increase in the prime rate. In addition, a higher average debt balance contributed to the increase, as borrowings have been used to fund acquisitions, net of cash proceeds from dispositions and repayment by Allied of its promissory note.

General and Administrative Expenses

For the periods ended December 31 ($ thousands)	Three Months 2023	2022	Change $	Year Ended 2023	2022	Change $
Salaries, benefits and employee costs	$ 20,095	$ 15,619	$ 4,476	$ 71,080	$ 57,323	$ 13,757
Investor relations and other public entity costs	730	830	(100)	3,301	2,959	342
Professional fees	1,597	1,001	596	5,112	3,498	1,614
Information technology costs	3,152	1,968	1,184	8,273	7,075	1,198
Services Agreement expense charged by related party[(i)]	1,238	975	263	4,970	3,901	1,069
Amortization of other assets	321	286	35	1,311	1,201	110
Office related costs	570	375	195	1,812	1,510	302
Other	980	601	379	3,225	2,062	1,163
	28,683	21,655	7,028	99,084	79,529	19,555
Less:						
Capitalized to properties under development	(3,945)	(1,829)	(2,116)	(13,811)	(8,917)	(4,894)
Allocated to recoverable operating expenses	(5,139)	(5,350)	211	(21,043)	(22,791)	1,748
General and administrative expenses	$ 19,599	$ 14,476	$ 5,123	$ 64,230	$ 47,821	$ 16,409

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

Three Months and Year Ended

General and administrative expenses increased for the three months and year ended primarily due to higher salary and employee costs as a result of the impact of inflation, positioning the business for growth, severance and other one-time payments incurred. The reduction in general and administrative expenses allocated to recoverable operating expenses following the disposition of office assets in the current and prior year, along with expenditures related to information technology, higher professional fees and shared services costs further contributed to the increase. The increases were partially offset by an increase in general and administrative expenses capitalized to properties under development due to an increase in development activity.

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, 2023:

(in thousands of square feet except where otherwise indicated)	September 30, 2023									Three Months December 31, 2023		
	Leasable	Occupied	Occupied %	Expiries(iv)	New	Renewals	Subtotal: Absorption	Portfolio changes(v)	Acquired / (Disposed) vacancy	**Leasable**	**Occupied**	**Occupied %**
Retail(i)	45,073	44,074	97.8 %	(727)	105	572	(50)	(357)	(25)	**44,691**	**43,667**	**97.7 %**
Industrial(ii)	18,126	17,816	98.3 %	(400)	118	395	113	1,529	—	**19,655**	**19,458**	**99.0 %**
Mixed-Use & Residential(iii)	1,457	1,291	88.6 %	—	—	—	—	(223)	(100)	**1,134**	**1,068**	**94.2 %**
Total	64,656	63,181	97.7 %	(1,127)	223	967	63	949	(125)	**65,480**	**64,193**	**98.0 %**

(i) Includes 657,000 sq. ft. that represents the building area on properties where the Trust has leased the underlying sites to the tenants through ground leases (September 30, 2023 - 694,000 sq. ft.).
(ii) Includes 1,191,000 sq. ft. that represents the building area on properties where the Trust has leased the underlying sites to the tenants through ground leases (September 30, 2023 - 290,000 sq. ft.).
(iii) Office properties are included in Mixed-Use & Residential for reporting purposes. Occupancy disclosed excludes residential units.
(iv) Expiries includes 100,000 square feet of early lease terminations, surrenders, bankruptcies, and relocations within the portfolio.
(v) Represents changes in occupied square footage arising from acquisitions, dispositions, intensifications, expansions, and transfers from properties under development.

The following table details the changes for in-place occupancy by segment for the year ended December 31, 2023:

(in thousands of square feet except where otherwise indicated)	December 31, 2022									Year Ended December 31, 2023		
	Leasable	Occupied	Occupied %	Expiries(iv)	New	Renewals	Subtotal: Absorption	Portfolio changes(v)	Acquired / (Disposed) vacancy	**Leasable**	**Occupied**	**Occupied %**
Retail(i)	44,792	43,830	97.9 %	(5,410)	332	5,001	(77)	(85)	(16)	**44,691**	**43,667**	**97.7 %**
Industrial(ii)	17,430	17,241	98.9 %	(1,753)	323	1,436	6	2,210	15	**19,655**	**19,458**	**99.0 %**
Mixed-Use & Residential(iii)	1,821	1,597	87.7 %	(23)	27	6	10	(539)	(148)	**1,134**	**1,068**	**94.2 %**
Total	64,043	62,668	97.9 %	(7,186)	682	6,443	(61)	1,586	(149)	**65,480**	**64,193**	**98.0 %**

(i) Includes 657,000 sq. ft. that represents the building area on properties where the Trust has leased the underlying sites to the tenants through ground leases (December 31, 2022 - 635,000 sq. ft.).
(ii) Includes 1,191,000 sq. ft. that represents the building area on properties where the Trust has leased the underlying sites to the tenants through ground leases (December 31, 2022 - nil).
(iii) Office properties are included in Mixed-Use & Residential for reporting purposes. Occupancy disclosed excludes residential units.
(iv) Expiries includes 222,000 sq. ft. of early lease terminations, surrenders, bankruptcies, and relocations within the portfolio.
(v) Represents changes in occupied square footage arising from acquisitions, dispositions, intensifications, expansions, and transfers from properties under development.

At December 31, 2023, the Trust had 30 retail sites and 5 industrial sites leased to tenants through ground leases (December 31, 2022 - 19 retail and 2 industrial). Tenants have constructed buildings on certain sites within the Trust's retail and industrial portfolios with gross building area of approximately 1,848,000 sq. ft. at the Trust's share (December 31, 2022 - 635,000 sq. ft.). As of the fourth quarter 2023, the ground lease GLA has been included in the occupancy tables above. In addition, the Trust has 178 gas bars in its retail segment (December 31, 2022 - 175), which have been excluded from the occupancy tables.

Three Months	Year Ended
Period end occupancy for the three months ended increased to 98.0% as at December 31, 2023 from 97.7% as at September 30, 2023. The Trust had positive absorption of approximately 113,000 square feet in the Industrial segment primarily due to new leasing in the Alberta portfolio, partially offset by negative absorption of 50,000 in the retail portfolio resulting from an early termination at a Calgary property. The Trust elected to early terminate the space and reposition as three separate units to achieve higher rents. Portfolio changes of approximately 949,000 square feet are primarily due to the transfer of two completed industrial development properties in Ontario and British Columbia, acquisition of one Alberta industrial property and two Quebec retail properties from Loblaw, partially offset by the disposition of the Trust's last office property, as well as the strategic disposition of one Atlantic and two British Columbia retail properties.	Period end occupancy for the year ended increased marginally to 98.0% as at December 31, 2023 from 97.9% as at December 31, 2022. The net occupancy increase is mainly due to acquisition of five retail and one industrial properties from Loblaw and the transfer of three completed industrial development assets with higher average occupancy, as well as the disposition of the office assets with lower average occupancy.

Choice Properties' principal tenant, Loblaw, represents 57.7% of its total GLA (December 31, 2022 - 56.4%).

	As at December 31, 2023				As at December 31, 2022			
(in millions of square feet except where otherwise indicated)	**Portfolio GLA**	**Occupied GLA**	**Occupancy (%)**	**WALT(i) (years)**	Portfolio GLA	Occupied GLA	Occupancy (%)	WALT(i) (years)
Loblaw banners(ii)	**37.8**	**37.8**	**100.0%**	**6.5**	36.1	36.1	100.0%	6.3
Third-party tenants(iii)	**27.7**	**26.4**	**95.4%**	**5.4**	27.9	26.5	95.0%	5.1
Total commercial GLA	**65.5**	**64.2**	**98.0%**	**6.0**	64.0	62.6	97.9%	5.8

(i) Weighted average lease term-to-maturity.
(ii) Included in Loblaw banners GLA is 0.9 million sq. ft. related to ground leases (December 31, 2022 - nil).
(iii) Included in third-party tenants GLA is 0.9 million sq. ft. related to ground leases (December 31, 2022 - 0.6 million sq. ft.).

The lease maturity profile for Choice Properties' portfolio as at December 31, 2023 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	231	82	313	0.5 %	$ 5,057	$ 15.88
2024	2,232	44	2,276	3.5 %	28,307	12.46
2025	3,696	3,217	6,913	10.6 %	88,119	12.75
2026	3,570	2,807	6,377	9.7 %	95,230	14.99
2027	3,074	3,956	7,030	10.7 %	114,556	16.30
2028	3,446	4,941	8,387	12.8 %	134,587	16.05
2029	1,722	7,102	8,824	13.5 %	136,687	15.49
2030 & Thereafter	7,526	14,699	22,225	33.9 %	367,854	16.55
Occupied GLA	25,497	36,848	62,345	95.2 %	970,397	15.56
Ground lease GLA(i)	917	931	1,848	2.8 %	20,644	11.17
Vacant GLA	1,287	—	1,287	2.0 %	—	—
Total	**27,701**	**37,779**	**65,480**	**100.0 %**	**$ 991,041**	**$ 15.44**

(i) Represents the building area on properties where the Trust has leased the underlying sites to tenants through ground leases.

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 as at December 31, 2023 represented approximately 57.2% of total gross rental revenue and 73.5% of retail gross rental revenue as calculated on a proportionate share basis[(1)]. 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	64.3 %	30,945
2.	Canadian Tire	1.8 %	911
3.	TJX Companies	1.5 %	665
4.	Dollarama	1.5 %	584
5.	Goodlife	0.9 %	362
6.	Liquor Control Board of Ontario (LCBO)	0.7 %	198
7.	TD Canada Trust	0.7 %	132
8.	Sobeys	0.7 %	283
9.	Staples	0.7 %	333
10.	Walmart	0.7 %	544
Total		**73.5 %**	**34,957**

The following table outlines further details of the Trust's retail tenant composition as at December 31, 2023:

Retail Category	% of Retail Gross Rental Revenue	GLA (000's square feet)
Grocery & Pharmacy	68.1 %	32,779
Essential Services	14.5 %	4,358
Specialty & Value	5.3 %	2,269
Fitness & Other Personal Services	4.8 %	1,664
Full-Service Restaurants	3.0 %	1,227
Furniture & Home	2.7 %	721
Other	1.6 %	649
Total	**100.0 %**	**43,667**

The lease maturity profile for Choice Properties' retail portfolio as at December 31, 2023 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	177	82	259	0.6 %	$ 4,682	$ 17.79
2024(i)	964	44	1,008	2.3 %	17,568	17.48
2025	1,526	3,027	4,553	10.2 %	70,088	15.40
2026	2,073	2,807	4,880	10.9 %	80,237	16.53
2027	1,833	3,956	5,789	13.0 %	101,539	17.54
2028	1,737	4,141	5,878	13.2 %	105,475	17.94
2029	951	6,439	7,390	16.5 %	120,968	16.37
2030 & Thereafter	2,804	10,449	13,253	29.5 %	257,982	19.47
Occupied GLA	12,065	30,945	43,010	96.2 %	758,539	17.64
Ground lease GLA(ii)	657	—	657	1.5 %	6,655	10.13
Vacant GLA	1,024	—	1,024	2.3 %	—	—
Total	**13,746**	**30,945**	**44,691**	**100.0 %**	**$ 765,194**	**$ 17.52**

(i) The 1,008,000 sq. ft. of GLA maturing in 2024 is located in the following markets: 36.1% Greater Toronto Area, 16.3%Ottawa, 16.2% Greater Montreal Area, 7.8% Calgary, and 23.6% other markets.

(ii) Represents the building area on properties where the Trust has leased the underlying sites to tenants through ground leases.

As at December 31, 2023 the average in place base rent for the Trust's retail portfolio, excluding ground leases, was $16.80 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, such that the leasing or re-leasing timeframe is reduced.

The Trust's ten largest industrial tenants as at December 31, 2023 represented approximately 10.8% of total gross rental revenue and 57.1% of industrial gross rental revenue, as calculated on a proportionate share basis(1). 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.	Loblaw	28.5 %	6,093
2.	Amazon	5.1 %	1,020
3.	Canada Cartage	4.6 %	672
4.	Wonderbrands Inc.	3.9 %	1,050
5.	Pet Valu	3.8 %	353
6.	NFI IPD	2.7 %	354
7.	Uline Canada Corporation	2.4 %	635
8.	Canadian Tire	2.1 %	486
9.	Kimberly-Clark	2.1 %	514
10.	Alberta Gaming, Liquor & Cannabis	1.9 %	424
Total		**57.1 %**	**11,601**

The following table outlines further details of the Trust's industrial tenant composition as at December 31, 2023:

Building Type / Tenant Use	% of Industrial Gross Rental Revenue	GLA (000's square feet)	Occupied GLA (000's square feet)	Occupancy
Distribution	55.7 %	10,785	10,672	99.0 %
Large Bay-Loblaw Distribution	28.5 %	6,093	6,093	100.0 %
Warehouse(i)	15.8 %	2,777	2,693	97.0 %
Total	**100.0 %**	**19,655**	**19,458**	**99.0 %**

(i) Warehouse includes certain Small Bay assets.

The lease maturity profile for Choice Properties' industrial portfolio as at December 31, 2023 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	54	—	54	0.3 %	$ 375	$ 6.89
2024[i]	1,227	—	1,227	6.2 %	9,801	7.99
2025	2,157	189	2,346	11.9 %	17,637	7.52
2026	1,421	—	1,421	7.2 %	13,211	9.30
2027	1,169	—	1,169	5.9 %	11,098	9.50
2028	1,698	772	2,470	12.6 %	27,955	11.32
2029	729	663	1,392	7.1 %	14,681	10.55
2030 & Thereafter	4,650	3,538	8,188	41.7 %	92,242	11.27
Occupied GLA[ii]	13,105	5,162	18,267	92.9 %	187,000	10.24
Ground lease GLA[iii]	260	931	1,191	6.1 %	13,989	11.75
Vacant GLA	197	—	197	1.0 %	—	—
Total	**13,562**	**6,093**	**19,655**	**100.0 %**	**$ 200,989**	**$ 10.33**

(i) The 1,227,000 sq. ft. of GLA maturing in 2024 is located in the following markets : 55.3% Greater Toronto Area, 23.7% Calgary, 8.9% Edmonton, and 12.1% other markets.

(ii) Average in-place base rent per square foot for the major markets (excluding ground leases): $12.09 Vancouver, $9.88 Greater Montreal Area, $8.63 Edmonton, $8.62 Greater Toronto Area, $8.13 Calgary, and $9.67 Other markets.

(iii) Represents the building area on properties where the Trust has leased the underlying sites to tenants through ground leases.

As at December 31, 2023 the average in place base rent for the Trust's industrial portfolio, excluding ground leases, was $9.06 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. 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.

The following table reconciles net loss on a proportionate share basis[1] to net loss as determined in accordance with GAAP for the three months ended December 31, 2023:

($ thousands)	Retail	Industrial	Mixed-Use & Residential	Proportionate Share Basis[1]	Consolidation and Eliminations[i]	GAAP Basis
Rental revenue, excluding straight-line rental revenue and lease surrender revenue	$ 273,611	$ 57,935	$ 17,535	**$ 349,081**	$ (20,565)	**$ 328,516**
Property operating costs	(78,633)	(16,532)	(6,879)	**(102,044)**	7,658	**(94,386)**
Net Operating Income, Cash Basis[1]	**194,978**	**41,403**	**10,656**	**247,037**	(12,907)	**234,130**
Straight-line rental revenue	(2,500)	3,519	53	**1,072**	(626)	**446**
Lease surrender revenue	147	—	—	**147**	—	**147**
Net Operating Income, Accounting Basis	**192,625**	**44,922**	**10,709**	**248,256**	(13,533)	**234,723**
Gross sales				**25,634**	—	**25,634**
Cost of sales				**(21,008)**	—	**(21,008)**
Residential Inventory Income				**4,626**	—	**4,626**
Other Income and Expenses						
Interest income				**8,776**	1,195	**9,971**
Investment income				**10,983**	—	**10,983**
Fee income				**1,125**	—	**1,125**
Net interest expense and other financing charges				**(148,806)**	5,433	**(143,373)**
General and administrative expenses				**(19,599)**	—	**(19,599)**
Share of income from equity accounted joint ventures				**—**	8,069	**8,069**
Amortization of intangible assets				**(250)**	—	**(250)**
Adjustment to fair value of unit-based compensation				**(1,435)**	—	**(1,435)**
Adjustment to fair value of Exchangeable Units				**(502,649)**	—	**(502,649)**
Adjustment to fair value of investment properties				**(73,281)**	(1,164)	**(74,445)**
Adjustment to fair value of investment in real estate securities				**26,570**	—	**26,570**
Net Loss				**$ (445,684)**	$ —	**$ (445,684)**

(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, 2023:

($ thousands)	Retail	Industrial	Mixed-Use & Residential	Proportionate Share Basis[1]	Consolidation and Eliminations[i]	GAAP Basis
Rental revenue, excluding straight-line rental revenue and lease surrender revenue	$ 1,079,865	$ 222,203	$ 74,846	$ 1,376,914	$ (80,058)	$ 1,296,856
Property operating costs	(307,579)	(59,785)	(30,045)	(397,409)	28,349	(369,060)
Net Operating Income, Cash Basis[1]	**772,286**	**162,418**	**44,801**	979,505	(51,709)	927,796
Straight-line rental revenue	(6,965)	7,455	225	715	(2,985)	(2,270)
Lease surrender revenue	14,784	—	2	14,786	(202)	14,584
Net Operating Income, Accounting Basis	**780,105**	**169,873**	**45,028**	995,006	(54,896)	940,110
Gross sales				25,634	—	25,634
Cost of sales				(21,008)	—	(21,008)
Residential Inventory Income				4,626	—	4,626
Other Income and Expenses						
Interest income				29,663	11,751	41,414
Investment income				26,928	—	26,928
Fee income				4,287	—	4,287
Net interest expense and other financing charges				(586,973)	20,826	(566,147)
General and administrative expenses				(64,230)	—	(64,230)
Share of income from equity accounted joint ventures				—	39,069	39,069
Amortization of intangible assets				(1,000)	—	(1,000)
Transaction costs and other related expenses				(34)	—	(34)
Adjustment to fair value of unit-based compensation				938	—	938
Adjustment to fair value of Exchangeable Units				320,587	—	320,587
Adjustment to fair value of investment properties				130,900	(16,750)	114,150
Adjustment to fair value of investment in real estate securities				(64,006)	—	(64,006)
Income before Income Taxes				796,692	—	796,692
Income tax expense				(1)	—	(1)
Net Income				$ 796,691	$ —	$ 796,691

(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, 2023, 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, 2023 and December 31, 2022 as summarized below.

Summary - Accounting Basis

	Three Months				Year Ended			
For the periods ended December 31 ($ thousands)	**2023**	2022	Change $	% Change	**2023**	2022	Change $	% Change
Rental revenue	**$ 333,385**	$ 314,898	$ 18,487	5.9 %	**$1,304,597**	$1,249,204	$ 55,393	4.4 %
Straight-line rental revenue	**(2,325)**	(167)	(2,158)	1,292.2 %	**(5,822)**	1,938	(7,760)	(400.4)%
Property operating costs excluding bad debt expense	**(96,289)**	(86,986)	(9,303)	10.7 %	**(372,098)**	(356,885)	(15,213)	4.3 %
Same-Asset NOI, Accounting Basis, excluding bad debt expense	**234,771**	227,745	7,026	3.1 %	**926,677**	894,257	32,420	3.6 %
Bad debt expense	**(235)**	(639)	404	(63.2)%	**(398)**	(1,208)	810	(67.1)%
Same-Asset NOI, Accounting Basis	**234,536**	227,106	7,430	3.3 %	**926,279**	893,049	33,230	3.7 %
Transactions NOI including straight-line rental revenue, excluding bad debt expense	**13,656**	13,423	233		**54,235**	53,803	432	
Bad debt expense	**(83)**	(214)	131		**(294)**	(290)	(4)	
Transactions NOI, Accounting Basis	**13,573**	13,209	364		**53,941**	53,513	428	
Lease surrender revenue	**147**	11	136		**14,786**	2,575	12,211	
Total NOI, Accounting Basis	**$ 248,256**	$ 240,326	$ 7,930		**$ 995,006**	$ 949,137	$ 45,869	

Summary - Cash Basis

For the periods ended December 31 ($ thousands)	Three Months 2023	2022	Change $	% Change	Year Ended 2023	2022	Change $	% Change
Rental revenue	$ 333,385	$ 314,898	$ 18,487	5.9 %	$1,304,597	$1,249,204	$ 55,393	4.4 %
Property operating costs excluding bad debt expense	(96,289)	(86,986)	(9,303)	10.7 %	(372,098)	(356,885)	(15,213)	4.3 %
Same-Asset NOI, Cash Basis, excluding bad debt expense	237,096	227,912	9,184	4.0 %	932,499	892,319	40,180	4.5 %
Bad debt expense	(235)	(639)	404	(63.2)%	(398)	(1,208)	810	(67.1)%
Same-Asset NOI, Cash Basis	236,861	227,273	9,588	4.2 %	932,101	891,111	40,990	4.6 %
Transactions NOI excluding bad debt expense	10,259	11,760	(1,501)		47,698	51,114	(3,416)	
Bad debt expense	(83)	(214)	131		(294)	(290)	(4)	
Transactions NOI, Cash Basis	10,176	11,546	(1,370)		47,404	50,824	(3,420)	
Total NOI, Cash Basis	$ 247,037	$ 238,819	$ 8,218		$ 979,505	$ 941,935	$ 37,570	

Three Months and Year Ended

Same-Asset NOI, cash basis increased 4.2% and 4.6% for the three months and year ended, respectively, primarily due to increased rental revenue from higher rental rates on renewals, new leasing, and contractual rent steps, mainly in the retail and industrial portfolios, and higher capital and operating recoveries.

Transactions NOI decreased for the three months primarily due to the foregone income from dispositions, partially offset by the contribution from acquisitions and development transfers. Transactions NOI decreased for the year ended primarily due to the foregone income from the dispositions of six office assets during the first quarter of 2022 as part of the Allied Transaction.

Retail Segment

For the periods ended December 31 ($ thousands)	Three Months 2023	2022	Change $	% Change	Year Ended 2023	2022	Change $	% Change
Rental revenue	$ 265,427	$ 252,914	$ 12,513	4.9 %	$1,040,795	$1,005,217	$ 35,578	3.5 %
Property operating costs excluding bad debt expense	(76,279)	(69,405)	(6,874)	9.9 %	(296,269)	(285,899)	(10,370)	3.6 %
Same-Asset NOI, Cash Basis, excluding bad debt expense	189,148	183,509	5,639	3.1 %	744,526	719,318	25,208	3.5 %
Bad debt expense	(82)	(237)	155	(65.4)%	(2)	(534)	532	(99.6)%
Same-Asset NOI, Cash Basis	189,066	183,272	5,794	3.2 %	744,524	718,784	25,740	3.6 %
Transactions NOI excluding bad debt expense	5,864	5,439	425		28,014	21,092	6,922	
Bad debt expense	48	19	29		(252)	112	(364)	
Transactions NOI, Cash Basis	5,912	5,458	454		27,762	21,204	6,558	
Total NOI, Cash Basis	$ 194,978	$ 188,730	$ 6,248		$ 772,286	$ 739,988	$ 32,298	

Three Months and Year Ended

Same-Asset NOI, cash basis for the retail segment increased 3.2% and 3.6% for the three months and year ended, respectively, primarily due to increased revenue from higher rental rates on renewals, new leasing, contractual rent steps, and higher capital and operating recoveries.

Transactions NOI for the retail segment increased for the three months and year ended primarily due to the contribution from acquisitions and development transfers, partially offset by the foregone income from dispositions in the current and prior years.

Industrial Segment

For the periods ended December 31 ($ thousands)	Three Months 2023	2022	Change $	% Change	Year Ended 2023	2022	Change $	% Change
Rental revenue	**$ 55,430**	$ 49,788	$ 5,642	11.3 %	**$ 213,069**	$ 196,296	$ 16,773	8.5 %
Property operating costs excluding bad debt expense	**(15,017)**	(12,689)	(2,328)	18.3 %	**(55,944)**	(51,318)	(4,626)	9.0 %
Same-Asset NOI, Cash Basis, excluding bad debt expense	**40,413**	37,099	3,314	8.9 %	**157,125**	144,978	12,147	8.4 %
Bad debt expense	**(281)**	(109)	(172)	157.8 %	**(502)**	(364)	(138)	37.9 %
Same-Asset NOI, Cash Basis	**40,132**	36,990	3,142	8.5 %	**156,623**	144,614	12,009	8.3 %
Transactions NOI excluding bad debt expense	**1,282**	1,407	(125)		**5,803**	2,910	2,893	
Bad debt expense	**(11)**	6	(17)		**(8)**	14	(22)	
Transactions NOI, Cash Basis	**1,271**	1,413	(142)		**5,795**	2,924	2,871	
Total NOI, Cash Basis	**$ 41,403**	$ 38,403	$ 3,000		**$ 162,418**	$ 147,538	$ 14,880	

Three Months and Year Ended

Same-Asset NOI, cash basis for the industrial segment increased 8.5% and 8.3% for the three months and year ended, respectively, primarily due to increased revenue from higher rental rates for renewals, new leasing at market rates, and contractual rent steps. Further NOI growth came from the Quebec region as a result of a fixturing and free rent period upon turnover of a significant unit in the prior year.

Transactions NOI for the industrial segment decreased for the three months ended primarily due to the foregone income related to dispositions and operating costs incurred at recently completed development transfers that are not recoverable during the fixturing period.

Transactions NOI for the industrial segment increased for the year ended primarily due to the net contribution from acquisitions in the current and prior years.

Mixed-Use & Residential Segment

For the periods ended December 31 ($ thousands)	Three Months 2023	2022	Change $	% Change	Year Ended 2023	2022	Change $	% Change
Rental revenue	**$ 12,528**	$ 12,196	$ 332	2.7 %	**$ 50,733**	$ 47,691	$ 3,042	6.4 %
Property operating costs excluding bad debt expense	**(4,993)**	(4,892)	(101)	2.1 %	**(19,885)**	(19,668)	(217)	1.1 %
Same-Asset NOI, Cash Basis, excluding bad debt expense	**7,535**	7,304	231	3.2 %	**30,848**	28,023	2,825	10.1 %
Bad debt expense	**128**	(293)	421	(143.7)%	**106**	(310)	416	(134.2)%
Same-Asset NOI, Cash Basis	**7,663**	7,011	652	9.3 %	**30,954**	27,713	3,241	11.7 %
Transactions NOI excluding bad debt expense	**3,113**	4,914	(1,801)		**13,881**	27,112	(13,231)	
Bad debt expense	**(120)**	(239)	119		**(34)**	(416)	382	
Transactions NOI, Cash Basis	**2,993**	4,675	(1,682)		**13,847**	26,696	(12,849)	
Total NOI, Cash Basis	**$ 10,656**	$ 11,686	$ (1,030)		**$ 44,801**	$ 54,409	$ (9,608)	

Three Months and Year Ended

Same-Asset NOI, cash basis for the mixed-use and residential segment increased 9.3% and 11.7% for the three months and year ended, respectively, primarily due to higher rental revenue from improved average occupancy and increased residential rental rates, coupled with higher capital recoveries and decreased bad debt expense. Further contributing to the year ended increase were other non-recurring items, including final billing adjustments.

Transactions NOI for the mixed-use and residential segment decreased for the three months and year ended primarily due to foregone income from the Allied Transaction and the subsequent sale of five additional office properties, partially offset by residential development transfers.

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, 2023 and December 31, 2022 are summarized below:

For the periods ended December 31 ($ thousands)	Three Months			Year Ended		
	2023	2022	Change	**2023**	2022	Change
Funds from Operations[(1)]	**$ 184,640**	$ 174,183	$10,457	**$ 726,134**	$ 697,728	$28,406
FFO[(1)] per unit basic	**$ 0.255**	$ 0.241	$ 0.014	**$ 1.003**	$ 0.964	$ 0.039
FFO[(1)] per unit diluted	**$ 0.255**	$ 0.241	$ 0.014	**$ 1.003**	$ 0.964	$ 0.039
FFO[(1)] payout ratio - diluted	**73.5 %**	76.8 %	(3.3)%	**74.6 %**	76.7 %	(2.1)%
Adjusted Funds from Operations[(1)]	**$ 127,095**	$ 126,935	$ 160	**$ 598,432**	$ 581,752	$16,680
AFFO[(1)] per unit basic	**$ 0.176**	$ 0.175	$ 0.001	**$ 0.827**	$ 0.804	$ 0.023
AFFO[(1)] per unit diluted	**$ 0.176**	$ 0.175	$ 0.001	**$ 0.827**	$ 0.804	$ 0.023
AFFO[(1)] payout ratio - diluted	**106.8 %**	105.5 %	1.3 %	**90.5 %**	92.0 %	(1.5)%
Distribution declared per unit	**$ 0.188**	$ 0.185	$ 0.003	**$ 0.749**	$ 0.740	$ 0.009
Weighted average number of units outstanding - basic[(i)]	**723,646,497**	723,544,974	101,523	**723,643,248**	723,481,581	161,667
Weighted average number of units outstanding - diluted[(i)]	**723,662,727**	723,586,201	76,526	**723,666,503**	723,523,362	143,141
Number of units outstanding, end of period[(i)]	**723,646,497**	723,557,674	88,823	**723,646,497**	723,557,674	88,823

(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 and Year Ended

FFO[(1)] increased for the three months and year ended primarily due to an increase in net operating income, an increase in investment income as a result of the special distribution announced by Allied (Section 3.9), income from the sale of residential inventory, and an increase in interest income. The increase was partially offset by increases in interest expense and general and administrative expenses. The year ended increase was also impacted by the net impact of the Allied Transaction which includes the loss of NOI, partially offset by the distribution and interest income earned from the limited partnership units and promissory note received from Allied in exchange for the properties sold.

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 and Year Ended

AFFO[(1)] increased for the three months and year ended primarily due to increases in FFO as noted above and a favourable change in the straight-line rental revenue adjustment, partially offset by an increase in maintenance spending.

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 2023	2022	Change $	Year Ended 2023	2022	Change $
Property capital	$ 46,765	$ 35,918	$ 10,847	$ 85,878	$ 72,477	$ 13,401
Direct leasing costs	1,662	2,443	(781)	6,403	9,312	(2,909)
Tenant improvements	5,647	5,491	156	25,517	21,045	4,472
Total property capital and leasing expenditures, proportionate share basis[(1)]	$ 54,074	$ 43,852	$ 10,222	$ 117,798	$ 102,834	$ 14,964

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, 2023, Choice Properties incurred $85,878 of property capital expenditures, which may be recoverable from tenants under the terms of their leases over the useful life of the improvements (December 31, 2022 - $72,477). 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 are 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 2023	Third Quarter 2023	Second Quarter 2023	First Quarter 2023	Fourth Quarter 2022	Third Quarter 2022	Second Quarter 2022	First Quarter 2022
Number of income producing properties(i)	**705**	706	704	705	704	703	703	702
Gross leasable area (in millions of square feet)(ii)	**66.1**	65.2	64.5	64.9	64.5	64.7	64.8	64.6
Occupancy	**98.0%**	97.7%	97.4%	97.7%	97.9%	97.7%	97.7%	97.0%
Rental revenue (GAAP)	**$ 329,109**	$ 325,077	$ 330,327	$ 324,657	$ 314,382	$ 309,082	$ 313,081	$ 328,049
Net income (loss)	**$ (445,684)**	$ 435,903	$ 535,668	$ 270,804	$ (579,000)	$ 948,077	$ (11,810)	$ 386,986
Net income (loss) per unit	**$ (0.616)**	$ 0.602	$ 0.740	$ 0.374	$ (0.795)	$ 1.310	$ (0.016)	$ 0.535
Net income (loss) per unit - diluted	**$ (0.616)**	$ 0.602	$ 0.740	$ 0.374	$ (0.795)	$ 1.310	$ (0.016)	$ 0.535
Net operating income, cash basis(1)	**$ 247,037**	$ 244,886	$ 243,530	$ 244,052	$ 238,819	$ 234,540	$ 231,299	$ 237,277
FFO(1)	**$ 184,640**	$ 181,013	$ 183,590	$ 176,891	$ 174,183	$ 173,119	$ 175,290	$ 175,136
FFO(1) per unit - diluted	**$ 0.255**	$ 0.250	$ 0.254	$ 0.244	$ 0.241	$ 0.239	$ 0.242	$ 0.242
AFFO(1)	**$ 127,095**	$ 136,558	$ 170,400	$ 164,379	$ 126,935	$ 130,360	$ 163,708	$ 160,749
AFFO(1) per unit - diluted	**$ 0.176**	$ 0.189	$ 0.235	$ 0.227	$ 0.175	$ 0.180	$ 0.226	$ 0.222
Distribution declared per unit	**$ 0.188**	$ 0.188	$ 0.188	$ 0.186	$ 0.185	$ 0.185	$ 0.185	$ 0.185
Market price per unit - closing	**$ 13.95**	$ 12.68	$ 13.57	$ 14.52	$ 14.76	$ 12.41	$ 14.05	$ 15.49
Number of units outstanding, period end	**723,646,497**	723,646,497	723,646,497	723,646,497	723,557,674	723,544,974	723,544,974	723,544,974
Adjusted debt to total assets(iii)	**40.4%**	40.6%	40.5%	41.0%	40.6%	41.0%	41.9%	39.5%
Debt service coverage(iii)	**3.0x**	3.0x	3.1x	3.1x	3.1x	3.1x	3.3x	3.4x

(i) Effective the fourth quarter of 2023, the Trust reassessed its internal definition of a distinct income producing property. The impact on the comparative periods was an increase of two in 2022, except for the first quarter of 2022 in which increased by three.
(ii) Includes GLA that represents the building area on properties where the Trust has leased the underlying sites to the tenants through ground leases.
(iii) 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, investment in real estate securities, 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, 2023, 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, 2023. 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 57.1% of Choice Properties' rental revenue on a proportionate share basis(1) and 57.7% of its commercial GLA as at December 31, 2023 (December 31, 2022 - 57.3% and 56.4%, respectively).

Leases
During the year ended December 31, 2023, the Trust and Loblaw renewed 47 of 49 leases expiring in 2024, comprising 2.80 million of 2.84 million square feet at a weighted average extension term of 4.9 years and an average spread of 7.5% (December 31, 2022 - 42 of 44 leases expiring in 2023, comprising of 2.9 million of 3.1 million square feet, at a weighted average extension term of 7.7 years and an average spread of 7.1%).

Acquisitions
During the year ended December 31, 2023, Choice Properties acquired from Loblaw two financial real estate assets for an aggregate purchase price of $86,300, as well as three retail properties and one industrial property for an aggregate purchase price of $91,889, in each case excluding transaction costs.

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.

Dispositions
During the year ended December 31, 2023, Choice Properties disposed of a data centre asset tenanted by Loblaw to a third party for net proceeds of $74,200. In connection with the transaction, Choice Properties made an $8,300 payment to Loblaw to terminate its lease early.

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.

Lease Surrender Revenue
During the year ended December 31, 2023, Choice Properties recognized $1,393 of lease surrender revenue from Loblaw (December 31, 2022 - $nil).

Services Agreement
During the year ended December 31, 2023, GWL provided Choice Properties with corporate, administrative and other support services for an annualized cost of $4,970 (December 31, 2022 - $3,901).

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 expired on July 5, 2023. Upon expiry of the initial term, the Strategic Alliance Agreement renewed until 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 $14,377 in connection with completed gross leasable area for which tenants took possession during the year ended December 31, 2023 (December 31, 2022 - $2,687). In addition, Choice Properties compensated Loblaw with an intensification payment of $2,100 (December 31, 2022 - $nil) in relation to the disposition of a parcel of excess land.

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 year ended December 31, 2023, distributions declared on the Exchangeable Units totalled $296,181 (December 31, 2022 - $292,884).

As at December 31, 2023, Choice Properties had distributions on Exchangeable Units payable to GWL of $320,587 (December 31, 2022 - $195,256). The payable to GWL includes deferred distributions of $295,851 which has been paid on the first business day of the 2024 fiscal year (December 31, 2022 - $170,849).

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 year ended December 31, 2023, GWL elected to receive distributions from Choice Properties Limited Partnership in the form of loans. As such, non-interest bearing short-term notes totalling $295,851 were issued during the year ended December 31, 2023 to GWL and were repaid in January 2024. Non-interest bearing short-term notes totalling $170,849 with respect to the loans received in the 2022 fiscal year were settled against distributions payable by the Trust to GWL in January 2023.

Trust Unit Distributions
During the year ended December 31, 2023, Choice Properties declared cash distributions of $37,912 on the Units held by GWL (December 31, 2022 - $37,490). As at December 31, 2023, $3,166 of Trust Unit distributions declared were payable to GWL (December 31, 2022 - $3,124). There were no non-cash distributions settled through the issuance of additional Trust Units during the year ended December 31, 2023 (December 31, 2022 - $nil).

During the year ended December 31, 2023, Choice Properties declared cash distributions of $12,348 on the Units held by Wittington (December 31, 2022 - $12,210). As at December 31, 2023, $1,031 of Trust Unit distributions declared were payable to Wittington (December 31, 2022 - $1,018). There were no non-cash distributions settled through the issuance of additional Trust Units during the year ended December 31, 2023 (December 31, 2022 - $nil).

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, 2023.

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 2023 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, 2023.

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.

RESPONSIBILITIES / OUTCOMES		KEY ACTIVITIES
Oversight of the ERM program and the alignment between strategy and risk	The Board	• Review of strategy plans, including capital allocation • Review both inherent and residual risks and mitigation plans • Annual approval of the ERM policy and Risk Appetite Statement
Based on risk ownership assigned by the Board, responsible for managing risk and implementing risk mitigation strategies and operating within the approved risk appetite thresholds	Management	• Periodic updates to the Board by the ERM function on the status of key risks[i] • Long-term risk levels are assessed to monitor potential long-term risk impacts
The ERM Program • Facilitate effective corporate governance by providing a consolidated view of risks • Focus on key risks that could impact strategic objectives[ii] • Ensure risk appetite and tolerances are defined and understood • Promote a culture of awareness of risk management and compliance • Assist in developing risk management tools and methodologies • Anticipate and provide early warnings of risks through key risk indicators	ERM Program	**ERM assessment:** • Continuous update and risk identification • Carried out in parallel with strategic planning • Includes interviews surveys, workshops with management and the Board • Monitor changes to enterprise risk • Mitigation plan updates and review key risk indicators against tolerances
Mitigation of risks[ii]	Risk Owners	• Managing risk and implementation of risk mitigation strategies for Operating and Financial Risks

(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. 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; and (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.

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 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 adaption 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 as well as 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 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 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 may 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 allocate operational capital adequately 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 attract and retain talented and experienced employees effectively 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 verify fully 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 integrate and operate them successfully 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 integrate new acquisitions quickly and efficiently, 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 re-lease space vacated by an anchor tenant quickly and/ or 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 could decrease.

Choice Properties' Revolving Credit Facility and the Debentures also contain covenants that require it to maintain certain financial ratios on a consolidated basis. If Choice Properties does not maintain such ratios, its ability to make distributions to Unitholders may be limited or suspended.

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; and 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 by 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 prioritizes maintaining a market-leading portfolio, sustaining operational excellence and delivering on its development pipeline. 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 Strengthening Communities to Prosper.

Fighting Climate Change
The Trust has 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. Actions taken in 2023 to support the Trust's efforts against climate change included:

- The completion of asset-specific net-zero transition plans for all income producing properties within the portfolio. These net-zero transition plans provide measures and capital planning guidance to enable the decarbonization of the Trust's portfolio;
- Continued integration of energy-efficient, low-carbon heating into upcoming development and retrofit projects. This includes the installation of hybrid electric and fully electric HVAC units on select units;
- Certifying over 46 million square feet of the portfolio under LEED or BOMA BEST, bringing the total certified to over 65% of building area by GLA (at 100% share), achieving our target established in 2019; and
- Silver Level 2023 Green Lease Leader recognition in both the Landlord and Team Transaction category in recognition of green leasing practices.

Progress against the Trust's 2023 environmental targets noted above will be made available in the upcoming ESG Report to be issued later this year.

Strengthening Communities to Prosper
The Trust aims to enhance the economic well-being and social fabric of the communities it serves. To do so, Choice Properties is focused on advancing diversity, equity and inclusion ("DEI") across the organization and on engaging in charitable volunteering and philanthropy. The Trust's commitment to creating inclusive, prosperous communities has continued to grow in 2023. Highlights for 2023 include:

- Establishment of a social impact framework which outlines how the Trust can leverage its assets and non-profit partnerships, in order to promote local economic development and social cohesion in the communities where it operates and builds;
- Establishment of one property license agreement – the revenue of which will be dedicated to advancing the Trust's social impact efforts;
- Becoming an ILEO (Inclusive Local Economic Opportunity) Corporate Charter signatory and hosting a local pop-up market with emerging business owners residing in the Golden Mile area;
- Continued empowerment of the Trust's employee-led DEI Committee to organize events focused on education and training, networking, and the celebration of culture;
- Donation of over $600,000 and 1,400 hours of colleague time in support of Canadian charities focused on empowering youth in low-income communities, through the Choice Cares program;
- Continued collection of self-identification data on a voluntary basis from colleagues to understand where gaps exist and to monitor progress on diversity initiatives;
- Partnership with a community organization to create employment for diverse candidates, enabling success by fostering an environment of learning and support; and
- Completion of approximately 600 hours of foundational DEI related training by colleagues, on topics including equitable leadership, bias, privilege and anti-racism.

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 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 2023 highlights related to ESG reporting and disclosure included:

- Submission of response to the CDP Climate Change questionnaire for the second year. The CDP Climate Change questionnaire is an independent evaluation of public disclosures related to climate change. The Trust's 2023 response received a rating of "B";
- Second consecutive 4-star rating for the Trust's GRESB Standing Investment (Operations) response (a score of 82 on a 100-point scale);
- Maintenance of "Prime" rating by ISS ESG, the responsible investment arm of Institutional Shareholder Services Inc. ("ISS"), a provider of sustainable and responsible investment research; and
- Upgrading of the Trust's MSCI ESG rating to "BBB". MSCI ESG ratings aim to measure a company's management of financially relevant ESG risks and opportunities.

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 complete our 2024 lease renewals. We also continue to advance our development program, with a focus on commercial developments in the near term, 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. In 2024, 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 2.5%-3.0% year-over-year growth in Same-Asset NOI, cash basis;
- Annual FFO per unit diluted in a range of $1.02 to $1.03, reflecting 2.0%-3.0% year-over-year growth; and
- Strong leverage metrics, targeting Adjusted Debt to EBITDAFV slightly below 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	• Represents financial information adjusted to reflect the Trust's equity accounted joint ventures and financial real estate assets and its share of net income (loss) 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.	Section 2, "Balance Sheet" Section 7.1, "Net Income and Segment NOI Reconciliation"
Net Operating Income ("NOI"), Accounting Basis	• 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.	Section 7.1, "Net Income and Segment NOI Reconciliation"
NOI, Cash Basis	• 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.	Section 7.1, "Net Income and Segment NOI Reconciliation" Section 15.2, "Net Operating Income"
Same-Asset NOI, Cash Basis and Same-Asset NOI, Accounting Basis	• Same-Asset NOI is used to evaluate the period-over-period performance of those commercial properties and stabilized residential properties, owned and operated by Choice Properties since January 1, 2022, inclusive. • NOI from properties that have been (i) purchased, (ii) disposed, (iii) subject to significant change as a result of new development, redevelopment, expansion, or demolition, or (iv) residential properties not yet stabilized (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.	Section 7.2, "Net Operating Income Summary"

Funds from Operations ("FFO")	• Calculated in accordance with the Real Property Association of Canada's ("REALpac") *Funds From Operations (FFO) & Adjusted Funds From Operations (AFFO) for IFRS* 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.	Section 15.3, "Funds from Operations" Section 15.9, "Selected Information for Comparative Purposes"
Adjusted Funds from Operations ("AFFO")	• Calculated in accordance with REALpac's *Funds From Operations (FFO) & Adjusted Funds From Operations (AFFO) for IFRS* 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, 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.	Section 15.4, "Adjusted Funds from Operations" Section 15.9, "Selected Information for Comparative Purposes"
Adjusted Cash Flow from Operations ("ACFO")	• Calculated in accordance with REALpac's *Adjusted Cashflow from Operations (ACFO) for IFRS* issued in January 2023. • 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.	Section 15.5 , "Adjusted Cash Flow from Operations"
FFO, AFFO and ACFO Payout Ratios	• 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.	Section 7.3, "Other Key Performance Indicators"

Earnings before Interest, Taxes, Depreciation, Amortization and Fair Value ("EBITDAFV")	• 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 distributions to its Unitholders.	Section 15.8, "Earnings before Interest, Taxes, Depreciation, Amortization and Fair Value"
Cash Retained after Distributions	• 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	• 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	• Determined by dividing Total Adjusted Debt (as defined above) by total assets as presented on a proportionate share basis(1) 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 Condition" Section 15.9, "Selected Information for Comparative Purposes"
Debt Service Coverage	• 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. • This ratio is useful in determining the ability of Choice Properties to service the interest requirements of its outstanding debt.	Section 4.4, "Financial Condition" Section 15.9, "Selected Information for Comparative Purposes"
Adjusted Debt to EBITDAFV and Adjusted Debt to EBITDAFV, net of cash	• Calculated as Total Adjusted Debt divided by EBITDAFV. • This ratio is used to assess the financial leverage of Choice Properties, measure its ability to meet financial obligations, and 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	• Calculated as EBITDAFV divided by interest expense on the Total Adjusted Debt incurred by Choice Properties for the period. • This ratio is useful in determining Choice Properties' ability to service the interest requirements of its outstanding debt.	Section 4.4, "Financial Condition"
Liquidity	• 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, 2023:

	Income Producing Properties			Properties Under Development			Total Investment Properties	
As at or for the three months ended December 31 ($ thousands except where otherwise indicated)	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	$ 14,440,000	$ 961,000	$ 15,401,000	$ 402,000	$ 741,000	$ 1,143,000	$ 14,842,000	$ 16,544,000
Acquisitions of investment properties(ii)	82,533	—	82,533	—	—	—	82,533	82,533
Capital expenditures								
Development capital	—	—	—	41,468	48,529	89,997	41,468	89,997
Building improvements	9,214	(1,876)	7,338	—	—	—	9,214	7,338
Capitalized interest	—	—	—	1,058	1,000	2,058	1,058	2,058
Property capital	46,491	274	46,765	—	—	—	46,491	46,765
Direct leasing costs	1,357	305	1,662	—	—	—	1,357	1,662
Tenant improvement allowances	4,381	1,266	5,647	—	—	—	4,381	5,647
Amortization of straight-line rent	446	626	1,072	—	—	—	446	1,072
Transfers from properties under development	164,600	190,125	354,725	(164,600)	(190,125)	(354,725)	—	—
Reclassification of lease receivable(iii)	24,988	(24,988)	—	—	—	—	24,988	—
Dispositions	(56,491)	—	(56,491)	—	(6,300)	(6,300)	(56,491)	(62,791)
Adjustment to fair value of investment properties	(82,519)	(4,732)	(87,251)	8,074	5,896	13,970	(74,445)	(73,281)
Balance, as at December 31, 2023	**$ 14,635,000**	**$ 1,122,000**	**$ 15,757,000**	**$ 288,000**	**$ 600,000**	**$ 888,000**	**$ 14,923,000**	**$ 16,645,000**

(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, 2023:

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[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	$ 14,119,000	$ 989,000	$ 15,108,000	$ 325,000	$ 721,000	$ 1,046,000	**$ 14,444,000**	**$ 16,154,000**
Acquisitions of investment properties(ii)	165,421	99,814	265,235	—	18,728	18,728	**165,421**	**283,963**
Capital expenditures								
Development capital	—	—	—	122,264	96,248	218,512	**122,264**	**218,512**
Building improvements	20,141	(3,934)	16,207	—	—	—	**20,141**	**16,207**
Capitalized interest	—	—	—	5,402	1,680	7,082	**5,402**	**7,082**
Property capital	85,516	362	85,878	—	—	—	**85,516**	**85,878**
Direct leasing costs	5,622	781	6,403	—	—	—	**5,622**	**6,403**
Tenant improvement allowances	22,833	2,684	25,517	—	—	—	**22,833**	**25,517**
Amortization of straight-line rent	(2,270)	2,985	715	—	—	—	**(2,270)**	**715**
Transfers to assets held for sale	(92,754)	—	(92,754)	—	—	—	**(92,754)**	**(92,754)**
Transfer from equity accounted joint ventures	153,842	(153,842)	—	38,968	(38,968)	—	**192,810**	**—**
Transfers from properties under development	232,200	194,875	427,075	(232,200)	(194,875)	(427,075)	**—**	**—**
Reclassification of lease receivable(iii)	24,988	(24,988)	—	—	—	—	**24,988**	**—**
Dispositions	(187,263)	—	(187,263)	—	(6,300)	(6,300)	**(187,263)**	**(193,563)**
Adjustment to fair value of investment properties	87,724	14,263	101,987	28,566	2,487	31,053	**116,290**	**133,040**
Balance, as at December 31, 2023	**$ 14,635,000**	**$ 1,122,000**	**$ 15,757,000**	**$ 288,000**	**$ 600,000**	**$ 888,000**	**$ 14,923,000**	**$ 16,645,000**

(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.

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 2023	Three Months 2022	Three Months Change $	Year Ended 2023	Year Ended 2022	Year Ended Change $
Net Income (Loss)	**$ (445,684)**	$ (579,000)	$ 133,316	**$ 796,691**	$ 744,253	$ 52,438
Residential inventory income	**(4,626)**	—	(4,626)	**(4,626)**	—	(4,626)
Interest income	**(9,971)**	(12,691)	2,720	**(41,414)**	(27,360)	(14,054)
Investment income	**(10,983)**	(5,165)	(5,818)	**(26,928)**	(15,495)	(11,433)
Fee income	**(1,125)**	(1,292)	167	**(4,287)**	(3,793)	(494)
Net interest expense and other financing charges	**143,373**	137,247	6,126	**566,147**	536,857	29,290
General and administrative expenses	**19,599**	14,476	5,123	**64,230**	47,821	16,409
Share of income from equity accounted joint ventures	**(8,069)**	(15,522)	7,453	**(39,069)**	(353,867)	314,798
Amortization of intangible assets	**250**	250	—	**1,000**	1,000	—
Transaction costs and other related expenses	**—**	82	(82)	**34**	5,108	(5,074)
Adjustment to fair value of unit-based compensation	**1,435**	2,665	(1,230)	**(938)**	1,191	(2,129)
Adjustment to fair value of Exchangeable Units	**502,649**	858,857	(356,208)	**(320,587)**	(170,188)	(150,399)
Adjustment to fair value of investment properties	**74,445**	(193,370)	267,815	**(114,150)**	(113,115)	(1,035)
Adjustment to fair value of investment in real estate securities	**(26,570)**	20,784	(47,354)	**64,006**	248,346	(184,340)
Income tax (recovery) expense	**—**	(119)	119	**1**	(117)	118
Net Operating Income, Accounting Basis - GAAP	**234,723**	227,202	7,521	**940,110**	900,641	39,469
Straight-line rental revenue	**(446)**	(838)	392	**2,270**	(2,554)	4,824
Lease surrender revenue	**(147)**	(11)	(136)	**(14,584)**	(2,365)	(12,219)
Net Operating Income, Cash Basis - GAAP	**234,130**	226,353	7,777	**927,796**	895,722	32,074
Adjustments for equity accounted joint ventures and financial real estate assets	**12,907**	12,466	441	**51,709**	46,213	5,496
Net Operating Income, Cash Basis - Proportionate Share[(1)]	**$ 247,037**	$ 238,819	$ 8,218	**$ 979,505**	$ 941,935	$ 37,570

15.3 Funds from Operations

The following table reconciles net income (loss), 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 2023	Three Months 2022	Three Months Change $	Year Ended 2023	Year Ended 2022	Year Ended Change $
Net Income (Loss)	**$ (445,684)**	$ (579,000)	$ 133,316	**$ 796,691**	$ 744,253	$ 52,438
Add (deduct) impact of the following:						
Amortization of intangible assets	**250**	250	—	**1,000**	1,000	—
Transaction costs and other related expenses	**—**	82	(82)	**34**	5,108	(5,074)
Adjustment to fair value of unit-based compensation	**1,435**	2,665	(1,230)	**(938)**	1,191	(2,129)
Adjustment to fair value of Exchangeable Units	**502,649**	858,857	(356,208)	**(320,587)**	(170,188)	(150,399)
Adjustment to fair value of investment properties	**74,445**	(193,370)	267,815	**(114,150)**	(113,115)	(1,035)
Adjustment to fair value of investment property held in equity accounted joint ventures	**(1,164)**	(13,877)	12,713	**(16,750)**	(328,738)	311,988
Adjustment to fair value of investment in real estate securities	**(26,570)**	20,784	(47,354)	**64,006**	248,346	(184,340)
Interest otherwise capitalized for development in equity accounted joint ventures	**2,670**	2,790	(120)	**11,457**	8,589	2,868
Exchangeable Units distributions	**74,210**	73,221	989	**296,181**	292,884	3,297
Internal expenses for leasing	**2,399**	1,900	499	**9,189**	8,515	674
Income tax (recovery) expense	**—**	(119)	119	**1**	(117)	118
Funds from Operations	**$ 184,640**	$ 174,183	$ 10,457	**$ 726,134**	$ 697,728	$ 28,406
FFO per unit - diluted	**$ 0.255**	$ 0.241	$ 0.014	**$ 1.003**	$ 0.964	$ 0.039
FFO payout ratio - diluted[(i)]	**73.5 %**	76.8 %	(3.3)%	**74.6 %**	76.7 %	(2.1)%
Distribution declared per unit	**0.188**	0.185	0.003	**0.749**	0.740	0.009
Weighted average number of units outstanding - diluted[(ii)]	**723,662,727**	723,586,201	76,526	**723,666,503**	723,523,362	143,141

(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 2023	Three Months 2022	Three Months Change $	Year Ended 2023	Year Ended 2022	Year Ended Change $
Net Operating Income, Cash Basis	$ 247,037	$ 238,819	$ 8,218	$ 979,505	$ 941,935	$ 37,570
Straight-line rental revenue	1,072	1,496	(424)	715	4,627	(3,912)
Lease surrender revenue	147	11	136	14,786	2,575	12,211
Net Operating Income, Accounting Basis	$ 248,256	$ 240,326	$ 7,930	$ 995,006	$ 949,137	$ 45,869
Residential inventory income	4,626	—	4,626	4,626	—	4,626
Interest income	8,776	5,700	3,076	29,663	19,828	9,835
Investment income	10,983	5,165	5,818	26,928	15,495	11,433
Fee income	1,125	1,292	(167)	4,287	3,793	494
Net interest expense and other financing charges	(148,806)	(141,735)	(7,071)	(586,973)	(552,692)	(34,281)
Distributions on Exchangeable Units	74,210	73,221	989	296,181	292,884	3,297
Interest otherwise capitalized for development in equity accounted joint ventures	2,670	2,790	(120)	11,457	8,589	2,868
General and administrative expenses	(19,599)	(14,476)	(5,123)	(64,230)	(47,821)	(16,409)
Internal expenses for leasing	2,399	1,900	499	9,189	8,515	674
Funds from Operations	$ 184,640	$ 174,183	$ 10,457	$ 726,134	$ 697,728	$ 28,406
FFO per unit - diluted	$ 0.255	$ 0.241	$ 0.014	$ 1.003	$ 0.964	$ 0.039
FFO payout ratio - diluted[i]	73.5 %	76.8 %	(3.3)%	74.6 %	76.7 %	(2.1)%
Distribution declared per unit	$ 0.188	$ 0.185	$ 0.003	$ 0.749	$ 0.740	$ 0.009
Weighted average number of units outstanding - diluted[ii]	723,662,727	723,586,201	76,526	723,666,503	723,523,362	143,141

(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 **2023**	 2022	 Change $	Year Ended **2023**	 2022	 Change $
Funds from Operations	**$ 184,640**	$ 174,183	$ 10,457	**$ 726,134**	$ 697,728	$ 28,406
Add (deduct) impact of the following:						
Internal expenses for leasing	**(2,399)**	(1,900)	(499)	**(9,189)**	(8,515)	(674)
Straight-line rental revenue	**(446)**	(838)	392	**2,270**	(2,554)	4,824
Adjustment for proportionate share of straight-line rental revenue from equity accounted joint ventures and financial real estate assets	**(626)**	(658)	32	**(2,985)**	(2,073)	(912)
Property capital	**(46,491)**	(35,456)	(11,035)	**(85,516)**	(70,937)	(14,579)
Direct leasing costs	**(1,357)**	(2,258)	901	**(5,622)**	(8,741)	3,119
Tenant improvements	**(4,381)**	(5,188)	807	**(22,833)**	(19,382)	(3,451)
Adjustment for proportionate share of operating capital expenditures from equity accounted joint ventures and financial real estate assets	**(1,845)**	(950)	(895)	**(3,827)**	(3,774)	(53)
Adjusted Funds from Operations	**$ 127,095**	$ 126,935	$ 160	**$ 598,432**	$ 581,752	$ 16,680
AFFO per unit - diluted	**$ 0.176**	$ 0.175	$ 0.001	**$ 0.827**	$ 0.804	$ 0.023
AFFO payout ratio - diluted(i)	**106.8 %**	105.5 %	1.3 %	**90.5 %**	92.0 %	(1.5)%
Distribution declared per unit	**$ 0.188**	$ 0.185	$ 0.003	**$ 0.749**	$ 0.740	$ 0.009
Weighted average number of units outstanding - diluted(ii)	**723,662,727**	723,586,201	76,526	**723,666,503**	723,523,362	143,141

(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		
	2023	2022[i]	Change $	2023	2022[i]	Change $
Cash Flows from Operating Activities	**$ 207,667**	$ 191,260	$ 16,407	**$ 641,972**	$ 668,418	$ (26,446)
Add (deduct) impact of the following:						
Net interest expense and other financing charges in excess of interest paid[ii]	**(88,250)**	(81,087)	(7,163)	**(303,626)**	(293,048)	(10,578)
Distributions on Exchangeable Units included in net interest expense and other financing charges	**74,210**	73,221	989	**296,181**	292,884	3,297
Interest and other income in excess of interest received[ii]	**1,415**	7,657	(6,242)	**9,739**	9,551	188
Interest otherwise capitalized for development in equity accounted joint ventures	**2,670**	2,790	(120)	**11,457**	8,589	2,868
Portion of internal expenses for leasing relating to development activity	**1,200**	950	250	**4,595**	4,258	337
Adjustment for property capital expenditures on a proportionate share basis[1]	**(46,765)**	(35,918)	(10,847)	**(85,878)**	(72,477)	(13,401)
Adjustment for leasing expenditures on a proportionate share basis[1]	**(1,571)**	(488)	(1,083)	**(3,465)**	(2,234)	(1,231)
Transaction costs and other related expenses	**—**	82	(82)	**34**	5,108	(5,074)
Adjustment for proportionate share of operating income from equity accounted joint ventures[iii]	**6,905**	1,645	5,260	**22,319**	25,129	(2,810)
Adjustment for distributions from equity accounted joint ventures	**(9,587)**	(6,637)	(2,950)	**(33,913)**	(68,076)	34,163
Adjustment for additions to residential inventory	**2,020**	2,207	(187)	**9,758**	8,285	1,473
Adjustment for changes in non-cash working capital items not indicative of sustainable operating cash flows[iv]	**(11,666)**	(20,867)	9,201	**39,590**	6,357	33,233
Adjusted Cash Flow from Operations	**$ 138,248**	$ 134,815	$ 3,433	**$ 608,763**	$ 592,744	$ 16,019
Cash distributions declared	**135,683**	133,858	1,825	**541,529**	535,407	6,122
Cash Retained after Distributions	**$ 2,565**	$ 957	$ 1,608	**$ 67,234**	$ 57,337	$ 9,897
ACFO Payout Ratio[v]	**98.1 %**	99.3 %	(1.2)%	**89.0 %**	90.3 %	(1.3)%

(i) Certain comparative figures were reclassified in the Trust's statement of cash flow to conform to the current period presentation. The 2022 ACFO adjustments have been updated to reflect the change in cash flow presentation. The net impact to ACFO for the three months and year ended December 31, 2023 is a decrease of $3,638 and $2,506, respectively (December 31, 2022 - $1,115 and $35,264, respectively).
(ii) The timing of the recognition of interest expense and income differs from the cash payment and collection. The ACFO calculations for the periods ended December 31, 2023 and December 31, 2022 were adjusted for this factor to make the periods more comparable[2].
(iii) Excludes adjustment to fair value of investment properties for equity accounted joint ventures.
(iv) 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.
(v) ACFO payout ratio is calculated as the cash distributions declared divided by ACFO.

Based on the Real Property Association of Canada's *Adjusted Cashflow from Operations (ACFO) for IFRS* issued in January 2023, 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		
	2023	2022	Change $	2023	2022	Change $
Net change in non-cash working capital[i]	**$ 19,781**	$ 25,217	$ (5,436)	**$ (40,198)**	$ (3,905)	$ (36,293)
Adjustment for changes in non-cash working capital items not indicative of sustainable operating cash flows	**(11,666)**	(20,867)	9,201	**39,590**	6,357	33,233
Net non-cash working capital increase included in ACFO	**$ 8,115**	$ 4,350	$ 3,765	**$ (608)**	$ 2,452	$ (3,060)

(i) As calculated and disclosed in the Trust's audited 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 2023	2022	Change $	Year Ended 2023	2022	Change $
Cash flows from operating activities	**$ 207,667**	$ 191,260	$ 16,407	**$ 641,972**	$ 668,418	$ (26,446)
Less: Cash distributions declared	**(135,683)**	(133,858)	(1,825)	**(541,529)**	(535,407)	(6,122)
Excess of cash flows provided by operating activities over cash distributions declared	**$ 71,984**	$ 57,402	$ 14,582	**$ 100,443**	$ 133,011	$ (32,568)

For the periods ended December 31 ($ thousands)	Three Months 2023	2022	Change $	Year Ended 2023	2022	Change $
Net income (loss)	**$ (445,684)**	$ (579,000)	$ 133,316	**$ 796,691**	$ 744,253	$ 52,438
Add: Distributions on Exchangeable Units included in net interest expense and other financing charges	**74,210**	73,221	989	**296,181**	292,884	3,297
Net income attributable to Unitholders excluding distributions on Exchangeable Units	**(371,474)**	(505,779)	134,305	**1,092,872**	1,037,137	55,735
Less: Cash distributions declared	**(135,683)**	(133,858)	(1,825)	**(541,529)**	(535,407)	(6,122)
Excess (shortfall) of net income (loss) attributable to Unitholders, less distributions on Exchangeable Units, over cash distributions declared	**$ (507,157)**	$ (639,637)	$ 132,480	**$ 551,343**	$ 501,730	$ 49,613

For the periods ended December 31 ($ thousands)	Three Months 2023	2022	Change $	Year Ended 2023	2022	Change $
Adjusted Cash Flow from Operations[1]	**$ 138,248**	$ 134,815	$ 3,433	**$ 608,763**	$ 592,744	$ 16,019
Less: Cash distributions declared	**(135,683)**	(133,858)	(1,825)	**(541,529)**	(535,407)	(6,122)
Excess of ACFO after distributions	**$ 2,565**	$ 957	$ 1,608	**$ 67,234**	$ 57,337	$ 9,897

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, 2023 and 2022:

For the three months ended December 31 ($ thousands)	2023 Proportionate Share Basis(1)	2023 Consolidation and Eliminations(i)	2023 GAAP Basis	2022 Proportionate Share Basis(1)	2022 Consolidation and Eliminations(i)	2022 GAAP Basis
Interest on senior unsecured debentures	$ 57,974	$ —	$ 57,974	$ 50,873	$ —	$ 50,873
Interest on mortgages and construction loans	16,865	(6,206)	10,659	16,280	(6,956)	9,324
Interest on credit facility	612	—	612	3,125	—	3,125
Subtotal (for use in Debt Service Coverage(1) calculation)	75,451	(6,206)	69,245	70,278	(6,956)	63,322
Distributions on Exchangeable Units(ii)	74,210	—	74,210	73,221	—	73,221
Subtotal (for use in EBITDAFV(1) calculation)	149,661	(6,206)	143,455	143,499	(6,956)	136,543
Interest on right-of-use lease liabilities	13	—	13	22	—	22
Amortization of debt discounts and premiums	121	(71)	50	188	(71)	117
Amortization of debt placement costs	1,316	(156)	1,160	1,304	(6)	1,298
Capitalized interest	(2,305)	1,000	(1,305)	(3,278)	2,545	(733)
Net interest expense and other financing charges	$ 148,806	$ (5,433)	$ 143,373	$ 141,735	$ (4,488)	$ 137,247

(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)	2023 Proportionate Share Basis(1)	2023 Consolidation and Eliminations(i)	2023 GAAP Basis	2022 Proportionate Share Basis(1)	2022 Consolidation and Eliminations(i)	2022 GAAP Basis
Interest on senior unsecured debentures	$ 220,246	$ —	$ 220,246	$ 192,774	$ —	$ 192,774
Interest on mortgages and construction loans	63,846	(21,948)	41,898	58,136	(19,008)	39,128
Interest on credit facility	9,638	—	9,638	8,839	—	8,839
Subtotal (for use in Debt Service Coverage(1) calculation)	293,730	(21,948)	271,782	259,749	(19,008)	240,741
Distributions on Exchangeable Units(ii)	296,181	—	296,181	292,884	—	292,884
Subtotal (for use in EBITDAFV(1) calculation)	589,911	(21,948)	567,963	552,633	(19,008)	533,625
Interest on right-of-use lease liabilities	63	—	63	148	—	148
Amortization of debt discounts and premiums	312	(282)	30	1,217	(284)	933
Amortization of debt placement costs	4,915	(276)	4,639	5,263	(179)	5,084
Capitalized interest	(8,228)	1,680	(6,548)	(6,569)	3,636	(2,933)
Net interest expense and other financing charges	$ 586,973	$ (20,826)	$ 566,147	$ 552,692	$ (15,835)	$ 536,857

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

The following table reconciles net income (loss), 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 2023	 2022	 Change $	Year Ended 2023	 2022	 Change $
Net Income (Loss)	**$ (445,684)**	$ (579,000)	$ 133,316	**$ 796,691**	$ 744,253	$ 52,438
Add (deduct) impact of the following:						
Transaction costs and other related expenses	**—**	82	(82)	**34**	5,108	(5,074)
Adjustment to fair value of unit-based compensation	**1,435**	2,665	(1,230)	**(938)**	1,191	(2,129)
Adjustment to fair value of Exchangeable Units	**502,649**	858,857	(356,208)	**(320,587)**	(170,188)	(150,399)
Adjustment to fair value of investment properties	**74,445**	(193,370)	267,815	**(114,150)**	(113,115)	(1,035)
Adjustment to fair value of investment property held in equity accounted joint ventures and financial real estate assets	**(1,164)**	(13,877)	12,713	**(16,750)**	(328,738)	311,988
Adjustment to fair value of investment in real estate securities	**(26,570)**	20,784	(47,354)	**64,006**	248,346	(184,340)
Interest expense[(i)]	**149,661**	143,499	6,162	**589,911**	552,633	37,278
Amortization of other assets	**321**	286	35	**1,311**	1,201	110
Amortization of intangible assets	**250**	250	—	**1,000**	1,000	—
Income tax (recovery) expense	**—**	(119)	119	**1**	(117)	118
Earnings Before Interest, Taxes, Depreciation, Amortization and Fair Value (EBITDAFV)	**$ 255,343**	$ 240,057	$ 15,286	**$ 1,000,529**	$ 941,574	$ 58,955

(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 (loss), 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 2023	Third Quarter 2023	Second Quarter 2023	First Quarter 2023	Fourth Quarter 2022	Third Quarter 2022	Second Quarter 2022	First Quarter 2022	Year Ended 2021
Net income (loss)	$ (445,684)	$ 435,903	$ 535,668	$ 270,804	$ (579,000)	$ 948,077	$ (11,810)	$ 386,986	$ 23,008
Amortization of intangible assets	250	250	250	250	250	250	250	250	1,000
Transaction costs and other related expenses	—	—	9	25	82	13	(223)	5,236	—
Adjustment to fair value of unit-based compensation	1,435	(643)	(998)	(732)	2,665	(476)	(2,064)	1,066	1,580
Adjustment to fair value of Exchangeable Units	502,649	(352,250)	(375,997)	(94,989)	858,857	(577,848)	(569,933)	118,736	862,815
Adjustment to fair value of investment properties	74,445	(26,775)	(86,053)	(75,767)	(193,370)	(141,277)	523,775	(302,243)	(458,817)
Adjustment to fair value of investment property held in equity accounted joint ventures	(1,164)	346	132	(16,064)	(13,877)	(202,968)	(1,456)	(110,437)	(43,478)
Adjustment to fair value of investment in real estate securities	(26,570)	44,757	31,176	14,643	20,784	68,847	158,715	—	—
Interest otherwise capitalized for development in equity accounted joint ventures	2,670	2,933	2,939	2,915	2,790	3,071	2,488	240	3,173
Exchangeable Units distributions	74,210	74,210	74,210	73,551	73,221	73,221	73,221	73,221	292,884
Internal expenses for leasing	2,399	2,282	2,254	2,254	1,900	2,213	2,323	2,079	8,412
Income tax recovery (expense)	—	—	—	1	(119)	(4)	4	2	(679)
Funds from Operations	$ 184,640	$ 181,013	$ 183,590	$ 176,891	$ 174,183	$ 173,119	$ 175,290	$ 175,136	$ 689,898
FFO per unit - diluted	$ 0.255	$ 0.250	$ 0.254	$ 0.244	$ 0.241	$ 0.239	$ 0.242	$ 0.242	$ 0.954
FFO payout ratio - diluted(i)	73.5%	75.0%	73.9%	76.0%	76.8%	77.3%	76.4%	76.4%	77.6%
Distribution declared per unit	$ 0.188	$ 0.188	$ 0.188	$ 0.186	$ 0.185	$ 0.185	$ 0.185	$ 0.185	$ 0.740
Weighted average number of units outstanding - diluted(ii)	723,662,727	723,664,818	723,656,668	723,665,160	723,586,201	723,577,162	723,593,236	723,466,930	723,127,566

(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 2023	Third Quarter 2023	Second Quarter 2023	First Quarter 2023	Fourth Quarter 2022	Third Quarter 2022	Second Quarter 2022	First Quarter 2022	Year Ended 2021
Funds from operations	**$ 184,640**	$ 181,013	$ 183,590	$ 176,891	$ 174,183	$ 173,119	$ 175,290	$ 175,136	$ 689,898
Internal expenses for leasing	**(2,399)**	(2,282)	(2,254)	(2,254)	(1,900)	(2,213)	(2,323)	(2,079)	(8,412)
Straight-line rental revenue	**(446)**	839	898	979	(838)	(995)	(210)	(511)	(7,893)
Adjustment for proportionate share of straight-line rental revenue from equity accounted joint ventures and financial real estate assets	**(626)**	(925)	(777)	(657)	(658)	(475)	(541)	(399)	(2,211)
Property capital	**(46,491)**	(31,513)	(5,764)	(1,748)	(35,456)	(30,119)	(2,998)	(2,364)	(60,012)
Direct leasing costs	**(1,357)**	(1,681)	(793)	(1,791)	(2,258)	(3,326)	(1,358)	(1,799)	(6,426)
Tenant improvements	**(4,381)**	(8,323)	(3,686)	(6,443)	(5,188)	(4,757)	(3,320)	(6,117)	(16,379)
Adjustment for proportionate share of operating capital expenditures from equity accounted joint ventures and financial real estate assets	**(1,845)**	(570)	(814)	(598)	(950)	(874)	(832)	(1,118)	(2,059)
Adjusted Funds from Operations	**$ 127,095**	$ 136,558	$ 170,400	$ 164,379	$ 126,935	$ 130,360	$ 163,708	$ 160,749	$ 586,506
AFFO per unit - diluted	**$ 0.176**	$ 0.189	$ 0.235	$ 0.227	$ 0.175	$ 0.180	$ 0.226	$ 0.222	$ 0.811
Cash distributions declared	**135,683**	135,684	135,684	134,478	133,858	133,856	133,857	133,836	535,104
AFFO payout ratio - diluted(i)	**106.8%**	99.4%	79.6%	81.8%	105.5%	102.7%	81.8%	83.0%	91.2%
Weighted average number of units outstanding - diluted(ii)	**723,662,727**	723,664,818	723,656,668	723,665,160	723,586,201	723,577,162	723,593,236	723,466,930	723,127,566

(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 ratio 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 2023	Third Quarter 2023	Second Quarter 2023	First Quarter 2023	Fourth Quarter 2022	Third Quarter 2022	Second Quarter 2022	First Quarter 2022	Year Ended 2021
Total Assets - Proportionate Basis	**$ 17,889,244**	$17,800,387	$17,624,482	$17,483,341	$17,349,387	$16,941,805	$16,676,996	$16,910,210	$16,664,782
Debt Service Coverage Ratio - Denominator	**$ 84,686**	$ 84,449	$ 79,923	$ 79,121	$ 78,148	$ 76,253	$ 70,330	$ 68,639	$ 287,611

Financial Statements

Mount Pleasant Village
Brampton, ON

Financial Results

Management's Statement of Responsibility for Financial Reporting

The management of Choice Properties Real Estate Investment Trust (the "Trust") is responsible for the preparation, presentation and integrity of the accompanying consolidated financial statements, Management's Discussion and Analysis and all other information in the Annual Report. 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 (the "IFRS Accounting Standards" or "GAAP"). 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 14, 2024

[signed]	***[signed]***
Rael Diamond	**Mario Barrafato**
President and Chief Executive Officer	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, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

What we have audited
The Trust's consolidated financial statements comprise:

- the consolidated balance sheets as at December 31, 2023 and 2022;
- the consolidated statements of income and comprehensive income for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information 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.

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, 2023. 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.

PricewaterhouseCoopers LLP
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T: +1 416 863 1133, F: +1 416 365 8215, ca_toronto_18_york_fax@pwc.com

Key audit matter	How our audit addressed the key audit matter
Valuation of income producing properties *Refer to note 2 – Significant accounting policies, note 4 – Critical accounting judgments and estimates and note 6 – Investment properties to the consolidated financial statements.* The Trust measures its income producing properties at fair value and, as at December 31, 2023, these assets were valued at $14.6 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 skill and knowledge in the field of real estate valuations.	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.

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 Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 14, 2024

Choice Properties Real Estate Investment Trust
Consolidated Balance Sheets

(in thousands of Canadian dollars)	Note		**As at December 31, 2023**		As at December 31, 2022
Assets					
Investment properties	6	**$**	**14,923,000**	$	14,444,000
Equity accounted joint ventures	7		**883,712**		995,822
Financial real estate assets	9		**195,457**		109,509
Residential development inventory	10		**8,681**		18,785
Mortgages, loans and notes receivable	11		**656,001**		680,475
Investment in real estate securities	12		**238,308**		302,314
Intangible assets	13		**13,964**		21,369
Accounts receivable and other assets	14		**137,180**		132,117
Assets held for sale	5,6		**—**		50,400
Cash and cash equivalents	30(c)		**252,424**		64,736
Total Assets		**$**	**17,308,727**	$	16,819,527
Liabilities and Equity					
Long term debt	15	**$**	**6,695,923**	$	6,294,101
Credit facility	16		**—**		257,617
Exchangeable Units	17		**5,521,222**		5,841,809
Trade payables and other liabilities	19		**723,080**		601,847
Total Liabilities			**12,940,225**		12,995,374
Equity					
Unitholders' equity	17		**4,368,502**		3,824,153
Total Equity			**4,368,502**		3,824,153
Total Liabilities and Equity		**$**	**17,308,727**	$	16,819,527

Contingencies, Commitments, and Guarantees (Note 32)
See accompanying notes to the audited 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, 2023	Year Ended December 31, 2022
Net Rental Income			
Rental revenue	21	**$ 1,309,170**	$ 1,264,594
Property operating costs	22	**(369,060)**	(363,953)
		940,110	900,641
Residential Inventory Income			
Gross sales	10	**25,634**	—
Cost of sales	10	**(21,008)**	—
		4,626	—
Other Income and Expenses			
Interest income	23	**41,414**	27,360
Investment income	12	**26,928**	15,495
Fee income	24	**4,287**	3,793
Net interest expense and other financing charges	25	**(566,147)**	(536,857)
General and administrative expenses	26	**(64,230)**	(47,821)
Share of income from equity accounted joint ventures	7	**39,069**	353,867
Amortization of intangible assets	13	**(1,000)**	(1,000)
Transaction costs and other related expenses	5	**(34)**	(5,108)
Adjustment to fair value of unit-based compensation	20	**938**	(1,191)
Adjustment to fair value of Exchangeable Units	17	**320,587**	170,188
Adjustment to fair value of investment properties	6	**114,150**	113,115
Adjustment to fair value of investment in real estate securities	12	**(64,006)**	(248,346)
Income before Income Taxes		**796,692**	744,136
Income tax recovery (expense)	18	**(1)**	117
Net Income		**$ 796,691**	$ 744,253

	Note	December 31, 2023	December 31, 2022
Net Income		**$ 796,691**	$ 744,253
Other Comprehensive Income (Loss)			
Unrealized gain (loss) on designated hedging instruments	28	**(6,374)**	11,568
Other comprehensive income (loss)		**(6,374)**	11,568
Comprehensive Income		**$ 790,317**	$ 755,821

See accompanying notes to the audited 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
Equity, December 31, 2022		$ 3,661,605	$ 1,578,995	$ 12,925	$ (1,429,372)	$ 3,824,153
Net Income		—	796,691	—	—	796,691
Other comprehensive income (loss)		—	—	(6,374)	—	(6,374)
Distributions		—	—	—	(245,348)	(245,348)
Units issued under unit-based compensation arrangements	17	1,362	—	—	—	1,362
Reclassification of vested Unit-Settled Restricted Units liability to equity	17	1,497	—	—	—	1,497
Units repurchased for unit-based compensation arrangements	17	(3,479)	—	—	—	(3,479)
Equity, December 31, 2023		**$ 3,660,985**	**$ 2,375,686**	**$ 6,551**	**$ (1,674,720)**	**$ 4,368,502**

(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
Equity, December 31, 2021		$ 3,660,941	$ 834,742	$ 1,357	$ (1,186,849)	$ 3,310,191
Net Income		—	744,253	—	—	744,253
Other comprehensive income (loss)		—	—	11,568	—	11,568
Distributions		—	—	—	(242,523)	(242,523)
Units issued under unit-based compensation arrangements	17	2,776	—	—	—	2,776
Reclassification of vested Unit-Settled Restricted Units liability to equity	17	1,337	—	—	—	1,337
Units repurchased for unit-based compensation arrangements	17	(3,449)	—	—	—	(3,449)
Equity, December 31, 2022		$ 3,661,605	$ 1,578,995	$ 12,925	$ (1,429,372)	$ 3,824,153

See accompanying notes to the audited consolidated financial statements

Choice Properties Real Estate Investment Trust
Consolidated Statements of Cash Flows

(in thousands of Canadian dollars)	Note	Year Ended December 31, 2023	Year Ended December 31, 2022
Operating Activities			
Net income		**$ 796,691**	$ 744,253
Net interest expense and other financing charges	25	**566,147**	536,857
Interest paid		**(262,521)**	(243,809)
Interest income	23	**(41,414)**	(27,360)
Interest received		**31,675**	17,809
Share of income from equity accounted joint ventures	7	**(39,069)**	(353,867)
Distributions from equity accounted joint ventures	7, 30(d)	**33,913**	68,076
Additions to residential inventory	10	**(9,758)**	(8,285)
Direct leasing costs and tenant improvement allowances	30(d)	**(28,455)**	(28,123)
Cash paid on vesting of restricted and performance units	30(d)	**(2,952)**	(4,689)
Items not affecting cash and other items	30(a)	**(362,087)**	(28,539)
Net change in non-cash working capital	30(b)	**(40,198)**	(3,905)
Cash Flows from Operating Activities		**641,972**	668,418
Investing Activities			
Acquisitions of investment properties	5	**(143,843)**	(162,978)
Acquisitions of financial real estate assets	5, 9	**(86,452)**	(15,054)
Additions to investment properties	6	**(228,962)**	(151,624)
Additions to financial real estate assets	9	**(470)**	(4,552)
Contributions to equity accounted joint ventures	7	**(31,816)**	(126,911)
Mortgages, loans and notes receivable advances	11	**(359,765)**	(340,702)
Mortgages, loans and notes receivable repayments	11	**293,106**	35,857
Proceeds from dispositions	5	**196,857**	109,281
Cash Flows used in Investing Activities		**(361,345)**	(656,683)
Financing Activities			
Proceeds from issuance of debentures, net	15	**894,983**	497,179
Repayments of debentures	15	**(575,000)**	(300,000)
Net advances (repayments) of mortgages payable	15	**76,169**	(148,759)
Net advances (repayments) on construction loans	15	**18,979**	26,308
Net advances (repayments) of credit facility	16	**(260,000)**	260,000
Payment of credit facility extension fee	16	**(677)**	(677)
Cash received on exercise of options	20	**1,156**	2,610
Repurchase of units for unit-based compensation arrangement	17	**(3,479)**	(3,449)
Distributions paid on Exchangeable Units		**—**	(122,035)
Distributions paid on Trust Units		**(245,070)**	(242,480)
Cash Flows used in Financing Activities		**(92,939)**	(31,303)
Change in cash and cash equivalents		**187,688**	(19,568)
Cash and cash equivalents, beginning of year		**64,736**	84,304
Cash and Cash Equivalents, End of Year	30(c)	**$ 252,424**	$ 64,736

Supplemental disclosure of non-cash operating activities (Note 30)
See accompanying notes to the audited 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, 2023, 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. Material Accounting Policy Information

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 Accounting Standards" or "GAAP") 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 14, 2024.

b. Basis of Preparation

The consolidated financial statements are prepared on a historical cost basis except for investment properties (Note 6), financial real estate assets (Note 9), investment in real estate securities (Note 12), Class B LP Units (the "Exchangeable Units") which are exchangeable for Trust Units at the option of the holder (Note 17), liabilities for unit-based compensation arrangements (Note 20) and certain financial instruments (Note 28) 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 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 6. 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 de-recognized when disposed.

Income Producing Properties

Additions to income producing properties are expenditures incurred for the expansion and/or improvement of existing income producing properties that increase the revenue generating ability of the properties and are considered revenue enhancing 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 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", 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.

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.

De-recognition of Financial Instruments
Financial assets are de-recognized 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 de-recognized when obligations under the contract expire, are discharged or cancelled. The difference between the carrying amount of the financial liability de-recognized and the consideration paid and payable is recognized in net income.

j. 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".

k. 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.

Mortgages, loans, and notes receivables are assessed for impairment under an ECL model. The Trust applies the general approach for the mortgages, loans and notes receivables measured at amortized cost. 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.

l. 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.

m. Leases

<u>As lessor</u>

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”. 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 Inventory Income
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 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. Change in Accounting Standards

Amendments to IAS 1, Presentation of Financial Statements – Disclosure of Accounting Policies
In February 2021, the IASB issued amendments to IAS 1, "Presentation of Financial Statements", to require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendments define what is material accounting policy, (being information that, when considered together with other information included in a company's financial statements, can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements), and explain how to identify when accounting policy information is material. The amendments further clarify that immaterial accounting policy does not need to be disclosed. If it is disclosed, it should not obscure material accounting policy information The standard is effective for annual reporting periods beginning on or after January 1, 2023. The implementation of these amendments has resulted in the removal of certain immaterial accounting policies from Note 2.

Note 4. 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' material 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.

Note 5. Investment Property and Other Transactions

The following table summarizes the investment properties acquired in the year ended December 31, 2023:

($ thousands except where otherwise indicated)						Consideration				
Location	Date of Acquisition	Segment	Ownership Interest Acquired	Purchase Price	Purchase Price incl. Related Costs	Investment Property	Debt Assumed from Seller	Assumed Liabilities	De-recognition of Intangible Assets	Cash
Investment properties										
Vernon, BC	Jan 31	Retail	100%	$ 12,330	$ 12,697	$ —	$ —	$ —	$ —	$ 12,697
Calgary, AB	Dec 7	Industrial	100%	50,340	50,389	—	—	—	—	50,389
Montreal, QC	Dec 7	Retail	100%	17,734	20,241	—	—	1,728	—	18,513
Blainville, QC	Dec 7	Retail	100%	11,485	11,903	—	—	—	—	11,903
Acquisitions from related parties (Note 33)				**91,889**	**95,230**	**—**	**—**	**1,728**	**—**	**93,502**
Toronto, ON	Feb 24	Retail	100%	21,872	23,049	—	—	—	—	23,049
Whitby, ON	Mar 24	Retail	100%	17,500	17,876	—	—	—	—	17,876
Calgary, AB(i)	Mar 30	Mixed-Use & Residential	50%	19,850	19,850	5,300	13,346	—	1,204	—
Toronto, ON	Apr 4	Retail	100%	1,728	1,915	—	—	—	—	1,915
Hamilton, ON	Aug 14	Retail	100%	7,300	7,501			—	—	7,501
Acquisitions from third-parties				**68,250**	**70,191**	**5,300**	**13,346**	**—**	**1,204**	**50,341**
Total acquisitions of investment properties				**160,139**	**165,421**	**5,300**	**13,346**	**1,728**	**1,204**	**143,843**
Financial real estate assets										
Calgary, AB	Jan 31	Retail	100%	42,400	42,476	—	—	—	—	42,476
Calgary, AB	Jan 31	Retail	100%	43,900	43,976	—	—	—	—	43,976
Acquisitions of financial real estate assets (Note 33)				**86,300**	**86,452**	**—**	**—**	**—**	**—**	**86,452**
Total acquisitions				**$ 246,439**	**$ 251,873**	**$ 5,300**	**$ 13,346**	**$ 1,728**	**$ 1,204**	**$ 230,295**

(i) The Trust completed an exchange of office properties with its partner. The exchange resulted in the Trust disposing of its 50% interest in Calgary Place (see disposition table below) in exchange for the partner's 50% interest in Altius Centre and a vendor take-back mortgage.

The following table summarizes the investment properties sold in the year ended December 31, 2023:

($ thousands except where otherwise indicated)					Consideration					
Location	**Date of Disposition**	**Segment**	**Ownership Interest Disposed**	**Sale Price excl. Selling Costs**	**Debt Assumed by Purchaser**	**Investment Property**	**De-recognition of Intangible Asset**	**Mortgage Receivable Advanced**	**Lease Termination Payment**	**Cash**
Investment properties										
Courtenay, BC	Mar 8	Retail (land)	100%	4,613	—	—	—	—	—	4,613
Calgary, AB[i]	Mar 30	Mixed-Use & Residential	50%	48,402	34,617	5,300	(2,655)	11,140	—	—
Scarborough, ON	May 12	Retail (land)	100%	3,557	—	—	—	—	—	3,557
Brampton, ON[ii]	Jun 14	Mixed-Use & Residential	100%	74,200	—	—	—	51,000	(8,300)	31,500
Dartmouth, NS	Dec 14	Industrial	100%	7,230	—	—	—	—	—	7,230
Kamloops, BC[iii][iv]	Dec 28	Retail	50%	49,261	20,067	—	(611)	—	—	29,805
Total dispositions of investment properties				**187,263**	**54,684**	**5,300**	**(3,266)**	**62,140**	**(8,300)**	**76,705**
Assets held for sale										
Kingston, ON	Feb 21	Retail	100%	$ 23,000	$ —	$ —	$ —	$ —	$ —	$ 23,000
Cornwall, ON	Apr 21	Retail	100%	10,000	—	—	—	—	—	10,000
Dartmouth, NS	Jun 19	Mixed-Use & Residential	50%	13,360	7,678	—	(1,935)	5,495	—	2,122
Windsor, ON	Jul 7	Retail	100%	1,900	—	—	—	—	—	1,900
Dartmouth, NS[v]	Oct 5	Industrial	100%	11,580	—	—	—	—	—	11,580
Moncton, NB	Oct 12	Retail	100%	61,174	—	—	—	9,624	—	51,550
Calgary, AB	Oct 31	Mixed-Use & Residential	100%	20,000	—	—	—	—	—	20,000
Total dispositions of assets held for sale				**141,014**	**7,678**	**—**	**(1,935)**	**15,119**	**—**	**120,152**
Total dispositions				**$328,277**	**$ 62,362**	**$ 5,300**	**$ (5,201)**	**$ 77,259**	**$ (8,300)**	**$ 196,857**

(i) The Trust completed an exchange of office properties with its partner. The exchange resulted in the Trust disposing of its 50% interest in Calgary Place in exchange for the partner's 50% interest in Altius Centre (see acquisition table above) and a vendor take-back mortgage (Note 11).
(ii) This data centre asset was leased to Loblaw. In connection with the disposition, Choice made a lease termination payment of $8,300 to Loblaw to terminate its lease early.
(iii) Comprised of two retail assets located in Kamloops, BC.
(iv) Included in debt assumed by purchaser is $128 of debt discounts, net of accumulated amortization.
(v) Comprised of two industrial assets located in Dartmouth, NS.

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

($ thousands)						Consideration	
Location	**Date of Acquisition**	**Segment**	**Ownership Interest Acquired**	**Purchase Price**	**Purchase Price incl. Related Costs**	**Assumed Liabilities**	**Cash**
Investment properties							
Ottawa, ON	Mar 1	Industrial Under Development	100%	$ 25,663	$ 27,218	$ —	$ 27,218
Acquisitions from related parties (Note 33)				**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 33)				**17,210**	**17,571**	**2,517**	**15,054**
Total acquisitions				**$ 174,208**	**$ 181,268**	**$ 3,236**	**$ 178,032**

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

($ thousands except where otherwise indicated)					Consideration					
Location	**Date of Disposition**	**Segment**	**Ownership Interest Disposed**	**Sale Price excl. Selling Costs**	**Debt Assumed by Purchaser**	**Promissory Note**	**Real Estate Securities**	**De-recognition of Intangible Asset**	**Mortgage Receivable Advanced**	**Cash**
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	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 Under Development	50%	3,643	—	—	—	—	—	3,643
Montreal, QC	Sep 13	Mixed-Use & Residential	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	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 12) and a promissory note (Note 11). The Trust incurred transaction costs of $5,108 associated with the disposition to Allied.

Note 6. Investment Properties

($ thousands)	Note	Income producing properties	Properties under development	Year ended December 31, 2023	Year ended December 31, 2022
Balance, beginning of year		$ 14,119,000	$ 325,000	$ 14,444,000	$ 14,930,000
Acquisitions - including purchase costs of $5,282 (2022 - $6,699)	5	165,421	—	165,421	163,697
Capital expenditures					
Development capital(i)		—	122,264	122,264	71,896
Building improvements		20,141	—	20,141	1,773
Capitalized interest(ii)	25	—	5,402	5,402	2,575
Property capital		85,516	—	85,516	70,937
Direct leasing costs		5,622	—	5,622	8,741
Tenant improvement allowances		22,833	—	22,833	19,382
Amortization of straight-line rent		(2,270)	—	(2,270)	2,554
Transfers to assets held for sale		(92,754)	—	(92,754)	(50,400)
Transfer from equity accounted joint ventures	7	153,842	38,968	192,810	—
Transfers from properties under development		232,200	(232,200)	—	—
Reclassification of lease receivable	14	24,988	—	24,988	—
Dispositions	5	(187,263)	—	(187,263)	(890,270)
Adjustment to fair value of investment properties(iii)		87,724	28,566	116,290	113,115
Balance, end of year		$ 14,635,000	$ 288,000	$ 14,923,000	$ 14,444,000

(i) Development capital included $14,377 of site intensification payments paid to Loblaw (December 31, 2022 - $2,687) (Note 33).
(ii) Interest was capitalized to qualifying development projects based on a weighted average interest rate of 4.05% (December 31, 2022 - 3.74%).
(iii) The unrealized adjustment to fair value of investment properties was $91,742 (December 31, 2022 - $88,836)

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 33) 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 audited consolidated financial statements.

As at December 31, 2023, there were no investment properties classified as assets held for sale. As at December 31, 2022, the Trust had classified three retail properties and one office property with an aggregate fair value of $50,400 as assets held for sale. All four properties were disposed of during the year ended December 31, 2023. During the current year, the Trust classified two industrial properties, one retail property and one office property with an aggregate fair value of $92,754 as assets held for sale. During the fourth quarter, the Trust completed the disposition of all four properties for aggregate proceeds of of $92,754.

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 valuators in preparing their valuation reports and holds discussions with the independent valuators 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, 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 generally valued based on comparable sales of commercial land.

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:

	As at December 31, 2023		As at December 31, 2022	
Total Income Producing Properties	**Range**	**Weighted average**	Range	Weighted average
Discount rate	**5.50% - 10.50%**	**7.10%**	5.00% - 10.50%	7.03%
Terminal capitalization rate	**4.75% - 9.95%**	**6.31%**	4.25% - 9.95%	6.22%
Retail				
Discount rate	**5.50% - 10.50%**	**7.36%**	5.25% - 10.50%	7.41%
Terminal capitalization rate	**4.75% - 9.95%**	**6.58%**	4.75% - 9.95%	6.58%
Industrial				
Discount rate	**5.75% - 8.75%**	**6.41%**	5.00% - 8.50%	5.97%
Terminal capitalization rate	**5.00% - 8.00%**	**5.59%**	4.25% - 7.75%	5.22%
Mixed-Use & Residential				
Discount rate	**5.50% - 7.50%**	**6.79%**	5.00% - 9.00%	6.56%
Terminal capitalization rate	**5.00% - 6.75%**	**6.10%**	4.50% - 8.00%	5.90%

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:

	Year ended December 31, 2023		Year ended December 31, 2022	
($ thousands except where otherwise indicated)	**Number of income producing properties**	**Fair value**	Number of income producing properties	Fair value
	79	**$ 3,057,000**	75	$ 3,821,000

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)%	5.56 %	$ 15,763,000	$ 1,128,000	6.35 %	$ 15,465,000	$ 830,000
(0.50)%	5.81 %	15,355,000	720,000	6.60 %	15,181,000	546,000
(0.25)%	6.06 %	14,980,000	345,000	6.85 %	14,905,000	270,000
— %	6.31 %	14,635,000	—	7.10 %	14,635,000	—
0.25 %	6.56 %	14,316,000	(319,000)	7.35 %	14,371,000	(264,000)
0.50 %	6.81 %	14,021,000	(614,000)	7.60 %	14,114,000	(521,000)
0.75 %	7.06 %	13,747,000	(888,000)	7.85 %	13,862,000	(773,000)

Note 7. 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, 2023		As at December 31, 2022	
	Number of joint ventures	**Ownership interest**	Number of joint ventures	Ownership interest
Retail	**15**	**25% - 75%**	15	25% - 75%
Industrial	**—**	**—**	1	50%
Mixed-Use & Residential	**3**	**50%**	3	50%
Land held for development	**3**	**50% - 85%**	3	50% - 85%
Total equity accounted joint ventures	**21**		22	
Choice Properties' investment in equity accounted joint ventures		**$ 883,712**		$ 995,822

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

		As at December 31, 2023				
($ thousands)	Ownership	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Net assets at 100%
Tullamore Industrial LP	85%	$ 1,273	$ 622,353	$ (129,952)	$ (17,145)	$ 476,529
Woodbine One LP	75%	1,307	218,668	(92,914)	—	127,061
Other joint ventures	25%-75%	78,684	1,616,508	(177,039)	(766,779)	751,374
Net assets at 100%		$ 81,264	$ 2,457,529	$ (399,905)	$ (783,924)	$ 1,354,964
Investment in equity accounted joint ventures		**$ 31,539**	**$ 1,541,134**	**$ (265,477)**	**$ (423,484)**	**$ 883,712**

		Year ended December 31, 2023					
($ thousands)	Ownership	Rental Revenue	Property operating costs	Interest income	Interest expense	Adjustment to fair value	Net income and comprehensive income at 100%
Tullamore Industrial LP	85%	$ —	$ —	$ —	$ —	$ (10,880)	$ (10,880)
Woodbine One LP	75%	1,018	(281)	—	(229)	8,756	$ 9,264
Other joint ventures	25%-75%	120,068	(43,270)	3,578	(37,310)	24,960	$ 68,026
Net income and comprehensive income at 100%		$ 121,086	$ (43,551)	$ 3,578	$ (37,539)	$ 22,836	$ 66,410
Share of net income and comprehensive income in equity accounted joint ventures		**$ 66,012**	**$ (24,274)**	**$ 2,306**	**$ (19,827)**	**$ 14,852**	**$ 39,069**

($ thousands)	Ownership	As at December 31, 2022 Current assets	Non-current assets	Current liabilities	Non-current liabilities	Net assets at 100%
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

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

($ thousands)	Note	**Year ended December 31, 2023**	Year ended December 31, 2022
Balance, beginning of year		**$ 995,822**	$ 564,378
Contributions to equity accounted joint ventures		**31,816**	126,911
Distributions from equity accounted joint ventures		**(33,913)**	(68,076)
Total cash flow activities		**(2,097)**	58,835
Transfers from equity accounted joint venture to consolidated investments	6	**(154,956)**	—
Acquisition of interest in equity accounted joint venture upon settlement of mortgage receivable	11	**5,385**	40,860
Accretion of contingent consideration payable		**489**	(22,118)
Share of income from equity accounted joint ventures		**39,069**	353,867
Total non-cash activities		**(110,013)**	372,609
Balance, end of year		**$ 883,712**	$ 995,822

On March 16, 2023, the Trust acquired its partner's interest in Horizon Business Park LP and obtained control of the partnership. Net assets at the date of acquisition were $154,956, comprised of investment properties with a carrying value of $192,810, debt with a carrying value of $31,866, and working capital of $(5,988), each at 100% share. Upon obtaining control of the partnership the Trust de-recognized the equity accounted joint venture with a carrying value of $154,956 and consolidated the partnership.

Note 8. 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 audited consolidated financial statements.

	As at December 31, 2023		As at December 31, 2022	
	Number of co-owned properties	**Ownership interest**	Number of co-owned properties	Ownership interest
Retail	**35**	**50% - 75%**	37	50% - 75%
Industrial	**2**	**50% - 67%**	2	50% - 67%
Mixed-Use & Residential	**6**	**50%**	9	50%
Total co-ownership property interests	**43**		48	

Note 9. Financial Real Estate Assets

($ thousands)	Note	**Year Ended December 31, 2023**	Year ended December 31, 2022
Balance, beginning of year		**$ 109,509**	$ 86,603
Acquisitions		**86,452**	17,571
Additions		**(2,401)**	4,552
Income from financial real estate assets due to changes in value	23	**1,897**	783
Balance, end of year		**$ 195,457**	$ 109,509

As at December 31, 2023 the weighted average discount rate and terminal capitalization rate used to determine the fair value of the Trust's financial real estate assets are 6.85% and 6.27%, respectively (December 31, 2022 - 6.64% and 6.00%, respectively).

Note 10. 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 December 31, 2023**	Year ended December 31, 2022
Balance, beginning of year		**$ 18,785**	$ 10,142
Development capital		**9,758**	8,285
Capitalized interest	25	**1,146**	358
Cost of sales		**(21,008)**	—
Balance, end of year		**$ 8,681**	$ 18,785

The following table provides details on residential inventory income recognized for the year ended December 31, 2023:

($ thousands)	Note	**Year Ended December 31, 2023**	Year ended December 31, 2022
Gross sales		**$ 25,634**	$ —
Cost of sales		**(21,008)**	—
Residential inventory income		**$ 4,626**	$ —

Note 11. Mortgages, Loans and Notes Receivable

($ thousands)	Note		**As at December 31, 2023**		As at December 31, 2022
Mortgages receivable classified as amortized cost(i)		**$**	**199,197**	$	346,499
Mortgages receivable classified as fair value through profit and loss ("FVTPL")			**160,953**		163,127
Notes receivable from GWL classified as amortized cost(i)	33		**295,851**		170,849
Mortgages, loans and notes receivable		**$**	**656,001**	$	680,475

Classified as:				
Expected to be recovered in more than twelve months	**$**	**84,277**	$	201,996
Expected to be recovered in less than twelve months		**571,724**		478,479
	$	**656,001**	$	680,475

(i) The fair value of the mortgages, loans and notes receivable classified as amortized cost was $500,700 (December 31, 2022 - $512,800) (Note 28).

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, 2023		December 31, 2022	
	Weighted average interest rate	**Weighted average term to maturity (years)**	Weighted average interest rate	Weighted average term to maturity (years)
Mortgages receivable	**8.14%**	**0.8**	4.80%	1.0
Total	**8.14%**	**0.8**	4.80%	1.0

Notes Receivable from GWL

Non-interest bearing short-term notes totalling $295,851 were issued during the year ended December 31, 2023 to GWL and were repaid in January 2024. Non-interest bearing short-term notes totalling $170,849 with respect to the loans received in the 2022 fiscal year were settled against distributions payable by the Trust to GWL in January 2023. (Note 33).

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)		**2024**		**2025**		**2026**		**2027**		**2028**		**Total**
Principal repayments												
Mortgages receivable	$	273,482	$	42,717	$	23,916	$	—	$	17,645	**$**	**357,760**
Notes receivable from GWL		295,851		—		—		—		—		**295,851**
Total principal repayments		**569,333**		**42,717**		**23,916**		**—**		**17,645**		**653,611**
Interest accrued		2,390		—		—		—		—		**2,390**
Total repayments	**$**	**571,723**	**$**	**42,717**	**$**	**23,916**	**$**	**—**	**$**	**17,645**	**$**	**656,001**

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

				December 31, 2023	December 31, 2022
($ thousands)	Note	**Mortgages receivable**	**Notes receivable from GWL**	**Mortgages, loans and notes receivable**	Mortgages, loans and notes receivable
Balance, beginning of year		$ 509,626	$ 170,849	**$ 680,475**	$ 354,901
Advances [(i)]		63,914	295,851	**359,765**	340,702
Repayments		(293,106)	—	**(293,106)**	(35,857)
Interest received		(18,091)	—	**(18,091)**	(10,352)
Total cash flow activities		(247,283)	295,851	**48,568**	294,493
Acquisition of interest in equity accounted joint venture upon settlement of mortgage receivable	7	(5,385)	—	**(5,385)**	(40,860)
Advance upon disposition of properties	5	77,259	—	**77,259**	221,155
Settlement against distributions payable		—	(170,849)	**(170,849)**	(168,334)
Interest accrued	23	25,933	—	**25,933**	19,120
Total non-cash activities		97,807	(170,849)	**(73,042)**	31,081
Balance, end of year		**$ 360,150**	**$ 295,851**	**$ 656,001**	$ 680,475

(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 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 30, 2023, the Trust advanced a vendor take-back mortgage as part of an exchange of office properties with its partner (Note 5). The mortgage receivable had a face value of $13,529 and a fair value of $11,140 at the time of issuance. The mortgage bears interest at a rate of 3% for the first 3 years and 5% subsequently until its maturity in 2028 and is secured by the disposed office property.

On June 14, 2023, the Trust advanced a vendor take-back mortgage with a face and fair value of $51,000 (Note 5). The mortgage bears interest at a rate of prime plus 3.3% and is secured by the disposed property.

On June 19, 2023, the Trust advanced a vendor take-back mortgage with a face value of $5,700 and a fair value of $5,495 (Note 5). The mortgage bears interest at a rate of 6.0% and is secured by the disposed property.

On October 12, 2023, the Trust advanced a vendor take-back mortgage with a face value of $10,000 and a fair value of $9,624 (Note 5). The mortgage bears interest at a rate of 6.5% and is secured by the disposed property.

On December 13, 2023, the Trust advanced a $17,130 mezzanine loan to a development partner. The loan bears interest at a rate of 10.7% and is secured by a development property in Brampton, ON.

On December 29, 2023, Allied repaid a promissory note to the Trust, with a face value of $200,000 (Note 12). The promissory note was included in mortgages receivable as it was secured by a portfolio of six office assets disposed to Allied in March 2022.

The Trust has issued $365,150 (December 31, 2022 - $506,905) of secured mortgages to third-party borrowers. These loans have been extended to 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 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 12. Investment in Real Estate Securities

On March 31, 2022, the Trust disposed of six office assets to Allied. 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. As at December 31, 2023, the Trust holds an approximate 8.4% 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 at December 31, 2023, there were 2,952,286 of the Class B Units subject to lock-up.

As a holder of the Class B Units, the Trust is entitled to distributions paid by Allied. For the year ended December 31, 2023, the Trust recognized distribution income of $26,928 (December 31, 2022 - $15,495) from its investment in Allied. For the year ended December 31, 2023, $5,668 of the distribution income recognized relates to the special distribution announced by Allied on December 15, 2023. 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 period ended December 31, 2023 was $20.18 (December 31, 2022 - $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 (December 31, 2022 - $11,809). For the year ended December 31, 2023, the Trust recognized a loss of $64,006 (year ended December 31, 2022 - $248,346) on its investment in Allied due to the change in the price of its publicly traded units. As at December 31, 2023 the Trust held 11,809,145 Class B Units with a fair value of $238,308 (December 31, 2022 - 11,809,145 Class B Units and $302,314).

($ thousands)	**Year ended December 31, 2023**	Year ended December 31, 2022
Balance, beginning of year	**$ 302,314**	$ —
Acquired	**—**	550,660
Adjustment to fair value of investment in real estate securities	**(64,006)**	(248,346)
Balance, end of year	**$ 238,308**	$ 302,314

Note 13. 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.

During the year ended December 31, 2023, the Trust completed transactions of properties (Note 5) in which, prior to the transactions, the Trust generated cash flows from property management fees from these properties. The Trust had recognized intangible assets based on the expectation of these future cash flows. Accordingly, management de-recognized $5,201 (December 31, 2022 - $5,631) to reflect the reduced value of the intangible asset following the transaction.

As at December 31, 2023, the carrying value was $13,964 (December 31, 2022 - $21,369), net of accumulated amortization of $4,000 (December 31, 2022 - $3,000). The remaining useful economic life of these assets is 14 years.

Note 14. Accounts Receivable and Other Assets

($ thousands)	Note	As at December 31, 2023	As at December 31, 2022
Rent receivables[(i)] - net of expected credit loss of $13,954 (2022 - $14,681)		**$ 1,760**	$ 11,137
Accrued recovery income		**22,198**	21,610
Lease receivable		**—**	23,426
Other receivables		**49,671**	13,792
Cost-to-complete receivable	33	**4,440**	8,501
Due from related parties[(ii)]	33	**3,138**	680
Restricted cash		**4,419**	3,052
Prepaid property taxes		**8,045**	6,378
Prepaid insurance		**412**	1,030
Other assets		**21,097**	16,456
Right-of-use assets - net of accumulated amortization of $2,465 (2022 - $1,849)		**1,413**	2,029
Deferred tax asset	18	**2,792**	2,792
Deferred acquisition costs and deposits on land		**9,923**	8,325
Designated hedging derivatives	28	**7,872**	12,909
Accounts receivable and other assets		**$ 137,180**	$ 132,117
Classified as:			
Expected to be recovered in more than twelve months		**$ 23,519**	$ 52,088
Expected to be recovered in less than twelve months		**113,661**	80,029
		$ 137,180	$ 132,117

(i) Includes net rent receivable of $1,080 from Loblaw, and $129 from Wittington (December 31, 2022 - $nil and $122, respectively) (Note 33).
(ii) Other receivables due from related parties include $2,626 from Loblaw and $512 from GWL (December 31, 2022 - $57 and $623, respectively) (Note 33).

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 15. Long Term Debt

($ thousands)		As at December 31, 2023		As at December 31, 2022
Senior unsecured debentures	$	**5,632,522**	$	5,308,928
Mortgages payable		**973,342**		945,959
Construction loans		**90,059**		39,214
Long term debt	$	**6,695,923**	$	6,294,101
Classified as:				
Expected to be settled in more than twelve months	$	**5,731,427**	$	5,638,368
Expected to be settled in less than twelve months		**964,496**		655,733
	$	**6,695,923**	$	6,294,101

Senior Unsecured Debentures

($ thousands)

Series	Issuance / Assumption Date	Maturity Date	Interest Rate		As at December 31, 2023		As at December 31, 2022
B	Jul 5, 2013	Jul 5, 2023	4.90%	$	**—**	$	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
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	Sept 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**		500,000
S	Mar 1, 2023	Mar 1, 2033	5.40%		**550,000**		—
T	Aug 1, 2023	Feb 28, 2034	5.70%		**350,000**		—
D-C	May 4, 2018	Jan 18, 2023	3.30%		**—**		125,000
Total principal outstanding					**5,650,000**		5,325,000
Debt discounts and premiums - net of accumulated amortization of $17,536 (2022 - $17,513)					**—**		(23)
Debt placement costs - net of accumulated amortization of $21,889 (2022 - $18,301)					**(17,478)**		(16,049)
Senior unsecured debentures				$	**5,632,522**	$	5,308,928

As at December 31, 2023, the senior unsecured debentures had a weighted average interest rate of 4.07% and a weighted average term to maturity of 5.5 years (December 31, 2022 - 3.79% and 5.2 years, respectively). Senior unsecured debentures Series B through Series T 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.

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 3.30% Series D-C senior unsecured debentures outstanding.

On March 1, 2023, the Trust completed an issuance, on a private placement basis, of $550 million aggregate principal amount of Series S senior unsecured debentures bearing interest at a rate of 5.40% per annum and maturing on March 1, 2033.

On July 5, 2023, the Trust paid in full upon maturity, at par, plus accrued and unpaid interest thereon, the $200 million aggregate principal amount of the 4.90% Series B senior unsecured debentures outstanding.

On August 1, 2023, the Trust completed an issuance, on a private placement basis, of $350 million aggregate principal amount of Series T senior unsecured debentures bearing interest at a rate of 5.70% per annum and maturing on February 28, 2034.

Subsequent to year end, on February 8, 2024, the Trust paid in full upon maturity, at par, plus accrued and unpaid interest thereon, the $200 million aggregate principal amount of the 4.29% Series D senior unsecured debentures outstanding.

Mortgages Payable

($ thousands)		**As at December 31, 2023**		As at December 31, 2022
Mortgage principal	**$**	**976,661**	$	948,919
Net debt discounts and premiums - net of accumulated amortization of $6,108 (2022 - $5,973)		**(1,170)**		(1,305)
Debt placement costs - net of accumulated amortization of $714 (2022 - $491)		**(2,149)**		(1,655)
Mortgages payable	**$**	**973,342**	$	945,959

As at December 31, 2023, the mortgages had a weighted average interest rate of 4.03% and a weighted average term to maturity of 6.1 years (December 31, 2022 - 3.92% and 5.0 years, respectively).

Construction Loans

As at December 31, 2023, $90,059 was outstanding on the construction loans (December 31, 2022 - $39,214), with a weighted average interest rate of 4.61% and a weighted average term to maturity of 3.5 years (December 31, 2022 - 3.54% and 5.5 years, respectively). Of the outstanding construction loans, $49,603 was financed at a variable rate, while $40,456 was financed at a fixed rate.

For the purpose of financing the development of certain industrial, mixed-use & 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 2024 to 2031, have a maximum capacity to be drawn at the Trust's ownership interest of $447,987, of which $328,261 relates to equity accounted joint ventures as at December 31, 2023 (December 31, 2022 - $436,741 and $345,951, respectively).

Schedules of Repayments and Cash Flow Activities

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

($ thousands)	**2024**	**2025**	**2026**	**2027**	**2028**	**Thereafter**	**Total**
Senior unsecured debentures	$ 750,000	$ 550,000	$ 350,000	$ 500,000	$ 750,000	$ 2,750,000	**$ 5,650,000**
Mortgages payable	166,696	121,600	67,755	88,523	48,438	483,649	**976,661**
Construction loans	49,603	—	—	—	—	40,456	**90,059**
Total	**$ 966,299**	**$ 671,600**	**$ 417,755**	**$ 588,523**	**$ 798,438**	**$ 3,274,105**	**$ 6,716,720**

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

				December 31, 2023	December 31, 2022
($ thousands)	Senior unsecured debentures	Mortgages payable	Construction loans	Long term debt	Long term debt
Balance, beginning of year	$ 5,308,928	$ 945,959	$ 39,214	$ 6,294,101	$ 6,230,010
Issuances and advances	900,000	167,705	38,452	1,106,157	531,093
Repayments	(575,000)	(90,819)	(19,473)	(685,292)	(453,371)
Debt placement costs	(5,017)	(717)	—	(5,734)	(2,994)
Total cash flow activities	319,983	76,169	18,979	415,131	74,728
Assumed by purchaser	—	(62,490)	—	(62,490)	(14,805)
Assumed from seller	—	13,346	—	13,346	—
Transfer from equity accounted joint venture	—	—	31,866	31,866	—
Amortization of debt discounts and premiums	23	135	—	158	933
Amortization of debt placement costs	3,588	223	—	3,811	3,235
Total non-cash activities	3,611	(48,786)	31,866	(13,309)	(10,637)
Balance, end of year	**$ 5,632,522**	**$ 973,342**	**$ 90,059**	**$ 6,695,923**	$ 6,294,101

Note 16. Credit Facility

($ thousands)	As at December 31, 2023	As at December 31, 2022
Credit facility		
$1,500,000 syndicated	$ —	$ 260,000
Debt placement costs - net of accumulated amortization of $11,435 (2022 - $10,607)	—	(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

Choice Properties has a $1,500,000 senior unsecured committed revolving credit facility provided by a syndicate of lenders. During the year ended December 31, 2023, the Trust extended the maturity date for the credit facility from September 1, 2027 to September 1, 2028.

Under the credit facility, the Trust has the ability to draw funds at variable rates in either Canadian dollars or U.S. dollars. Canadian dollar-denominated borrowings bear interest at either the Canadian bank prime rate plus 0.20% or Canadian Bankers' Acceptance rate plus 1.20%, and U.S. dollar-denominated borrowings bear interest at the U.S. prime rate plus 0.20% or Secured Overnight Financing Rate ("SOFR") plus 1.30%. The pricing is contingent on the credit ratings for Choice Properties from either DBRS and S&P remaining at BBB (high). Concurrently with the U.S. dollar draws, the Trust enters into cross currency swaps to exchange its U.S. dollar borrowings into Canadian dollar borrowings. The Trust applies hedge accounting to the cross currency swaps.

As at December 31, 2023, $nil was drawn in U.S. dollar-denominated borrowings (December 31, 2022 - $nil) and $nil was drawn in Canadian dollar borrowings (December 31, 2022 - $260,000). The unamortized balance for debt placement costs at December 31, 2023 of $2,232 was included in other assets (Note 14).

The credit facility contains certain financial covenants. As at December 31, 2023, the Trust was in compliance with all its financial covenants for the credit facility.

Schedule of Cash Flow Activities

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

($ thousands)	December 31, 2023	December 31, 2022
Balance, beginning of year	$ 257,617	$ —
Net advances (repayments) of $1,500,000 syndicated credit facility	(260,000)	260,000
Extension fee and related costs included in debt placement costs	(677)	(677)
Total cash flow activities	(260,677)	259,323
Amortization of debt placement costs	828	1,849
Reclassified to (from) other assets	2,232	(3,555)
Total non-cash activities	3,060	(1,706)
Balance, end of year	$ —	$ 257,617

Note 17. 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, 2023**		As at December 31, 2022	
($ thousands except where otherwise indicated)		**Units**	**Amount**	Units	Amount
Units, beginning of year		**327,771,149**	**$ 3,661,605**	327,588,847	$ 3,660,941
Units issued under unit-based compensation arrangements	20	**329,716**	**1,362**	404,449	2,776
Reclassification of vested Unit-Settled Restricted Units liability to equity		**—**	**1,497**	—	1,337
Units repurchased for unit-based compensation arrangements	20	**(240,893)**	**(3,479)**	(222,147)	(3,449)
Units, end of year		**327,859,972**	**$ 3,660,985**	327,771,149	$ 3,661,605
Exchangeable Units, beginning of year		**395,786,525**	**$ 5,841,809**	395,786,525	$ 6,011,997
Adjustment to fair value of Exchangeable Units		**—**	**(320,587)**	—	(170,188)
Exchangeable Units, end of year		**395,786,525**	**$ 5,521,222**	395,786,525	$ 5,841,809
Total Units and Exchangeable Units, end of year		**723,646,497**		723,557,674	

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, 2023, Choice Properties received approval from the TSX to purchase up to 27,563,002 Units during the twelve-month period from November 21, 2023 to November 20, 2024, 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 20).

Units Repurchased for Unit-Based Compensation Arrangements
The Trust acquired Units under its NCIB during the year ended December 31, 2023 and the year ended December 31, 2022, 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 18). 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, 2023, Choice Properties declared cash distributions of $0.749 per unit or $541,529 in aggregate, (December 31, 2022 - $0.74, or $535,407, respectively) including distributions to holders of Exchangeable Units, which are reported as interest expense. 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 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% monthly). The increase was effective for Unitholders of record on March 31, 2023.

At its most recent meeting on February 14, 2024, the Board reviewed and approved an increase of distributions to $0.76 per unit per annum from the previous rate of $0.75 per unit per annum (an increase of 1.3%). The increase will be effective for Unitholders of record on March 31, 2024.

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.

Base Shelf Prospectus
On June 16, 2023, Choice Properties filed a Short Form Base Shelf Prospectus allowing for the issuance of Units and debt securities over a 25-month period.

Note 18. 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:

	Year Ended	
($ thousands)	**December 31, 2023**	December 31, 2022
Current income tax recovery (expense)	**$ (1)**	$ (2)
Deferred income tax recovery	**—**	119
Income tax recovery (expense)	**$ (1)**	$ 117

A deferred income tax asset of $2,792 (Note 14) 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, 2022 - $2,792).

Note 19. Trade Payables and Other Liabilities

($ thousands)	Note		**As at December 31, 2023**		As at December 31, 2022
Trade accounts payable		**$**	**43,514**	$	36,577
Accrued liabilities and provisions[i]			**97,542**		120,367
Accrued acquisition transaction costs and other related expenses			**39,318**		38,896
Accrued capital expenditures[ii]			**60,077**		60,740
Accrued interest expense			**60,905**		51,074
Due to related party[iii]	33		**323,036**		196,785
Contingent consideration			**17,214**		16,724
Unit-based compensation	20		**15,482**		16,033
Distributions payable[iv]			**20,665**		20,387
Lease liabilities			**1,453**		1,960
Tenant deposits			**17,508**		20,263
Deferred revenue			**25,029**		22,041
Designated hedging derivatives	28		**1,337**		—
Trade payables and other liabilities		**$**	**723,080**	$	601,847
Classified as:					
Expected to be settled in more than twelve months		**$**	**24,628**	$	23,377
Expected to be settled in less than twelve months			**698,452**		578,470
		$	**723,080**	$	601,847

(i) Includes amounts payable to Loblaw of $7,428 (December 31, 2022 - $13,963) (Note 33).
(ii) Includes construction allowances payable to Loblaw of $26,726 (December 31, 2022 - $16,106) (Note 33).
(iii) Includes distributions accrued on Exchangeable Units of $320,587 payable to GWL (December 31, 2022 - $195,256); $1,050 payable for shared costs incurred by GWL, the Services Agreement expense and other related party charges (December 31, 2022 - $1,233); and $296 of reimbursed contract revenue and other related party charges payable to Loblaw (December 31, 2022 - $296) (Note 33).
(iv) Includes distributions payable to GWL of $3,166 and Wittington of $1,031 (December 31, 2022 - $3,124 and $1,018, respectively) (Note 33).

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 $17,214 as at December 31, 2023. (December 31, 2022 - $16,724).

Note 20. Unit-Based Compensation

($ thousands)	Year Ended December 31, 2023	December 31, 2022
Unit Option plan	**$ (131)**	$ 263
Restricted Unit plans	**2,720**	3,608
Performance Unit plan	**1,378**	2,241
Trustee Deferred Unit plan	**1,407**	1,860
Unit-based compensation expense	**$ 5,374**	$ 7,972
Recorded in:		
General and administrative expenses	**$ 6,312**	$ 6,781
Adjustment to fair value of unit-based compensation	**(938)**	1,191
	$ 5,374	$ 7,972

As at December 31, 2023, the carrying value of the unit-based compensation liability was $15,482 (December 31, 2022 - $16,033) (Note 19).

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, 2023		Year ended December 31, 2022	
	Number of awards	**Weighted average exercise price/unit**	Number of awards	Weighted average exercise price/unit
Outstanding Unit Options, beginning of year	**253,154**	**$ 12.01**	435,456	$ 12.84
Exercised	**(88,823)**	**12.17**	(182,302)	13.98
Expired	**(31)**	**13.93**	—	—
Outstanding Unit Options, end of year	**164,300**	**$ 11.92**	253,154	$ 12.01
Unit Options exercisable, end of year	**164,300**	**$ 11.92**	253,154	$ 12.01

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, 2023	As at December 31, 2022
Expected average distribution yield	**5.38%**	4.94%
Expected average Unit price volatility	**11.26%**	13.66% - 20.93%
Average risk-free interest rate	**0.06%**	0.05% - 4.36%
Expected average remaining life of options	**0.1 Year**	0.1 - 0.7 Years

The following table details the Unit Options outstanding as at December 31, 2023:

Exercise Price	**Expiry Date**	**Number of Unit Options outstanding as at December 31, 2023**	**Remaining weighted average life (in years)**
$11.92	2025	**164,300**	**1.2**

Restricted Unit Plans

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, 2023 (December 31, 2022 - nil).

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

(Number of awards)	**Year Ended December 31, 2023**	Year ended December 31, 2022
Outstanding Restricted Units, beginning of year	**271,147**	439,574
Granted	**128,795**	94,355
Reinvested	**16,361**	16,329
Exercised	**(96,308)**	(257,604)
Cancelled	**(54,657)**	(21,499)
Expired	**—**	(8)
Outstanding Restricted Units, end of year	**265,338**	271,147

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 1,503,185 URUs vested but still subject to disposition restrictions as at December 31, 2023 (December 31, 2022 - 1,217,340).

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

(Number of awards)	**Year Ended December 31, 2023**	Year ended December 31, 2022
Outstanding Unit-Settled Restricted Units, beginning of year	**666,719**	600,919
Granted	**240,893**	230,682
Cancelled	**(4,942)**	(1,989)
Vested	**(197,269)**	(162,893)
Outstanding Unit-Settled Restricted Units, end of year	**705,401**	666,719

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, 2023 (December 31, 2022 - nil).

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

(Number of awards)	**Year Ended December 31, 2023**	Year ended December 31, 2022
Outstanding Performance Units, beginning of year	**238,418**	197,609
Granted	**97,056**	85,221
Reinvested	**14,148**	12,081
Exercised	**(107,057)**	(67,397)
Cancelled	**(19,737)**	(5,069)
Added by performance factor	**33,846**	15,973
Outstanding Performance Units, end of year	**256,674**	238,418

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, 2023**	Year ended December 31, 2022
Outstanding Trustee Deferred Units, beginning of year	**506,556**	389,462
Granted	**111,047**	95,099
Reinvested	**30,029**	21,995
Exercised	**(88,252)**	—
Outstanding Trustee Deferred Units, end of year	**559,380**	506,556

Note 21. Rental Revenue

Rental revenue is comprised of the following:

($ thousands)	Related Parties[i]	Third-party	Year ended December 31, 2023	Related Parties[i]	Third-party	Year ended December 31, 2022
Base rent	**$ 520,087**	**$ 353,994**	**$ 874,081**	$ 516,475	$ 346,704	$ 863,179
Property tax and insurance recoveries	**146,178**	**102,372**	**248,550**	142,082	97,228	239,310
Operating cost recoveries	**84,623**	**80,294**	**164,917**	73,596	78,322	151,918
Lease surrender and other revenue	**1,393**	**20,229**	**21,622**	—	10,187	10,187
Rental revenue	**$ 752,281**	**$ 556,889**	**$ 1,309,170**	$ 732,153	$ 532,441	$ 1,264,594

(i) Refer to Note 33, 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)	
2024	$ 931,740
2025	890,746
2026	807,266
2027	711,204
2028	592,331
Thereafter	1,892,531
Total	**$ 5,825,818**

Note 22. Property Operating Costs

	Year Ended	
($ thousands)	**December 31, 2023**	December 31, 2022
Property taxes and insurance	**$ 260,483**	$ 254,463
Recoverable operating costs	**104,419**	105,652
Non-recoverable operating costs	**4,158**	3,838
Property operating costs	**$ 369,060**	$ 363,953

Included in non-recoverable operating expenses are expected credit losses of $684 for the year ended December 31, 2023 (December 31, 2022 - $1,593). Refer to Note 14 for discussion on rents receivable and the related expected credit losses.

Note 23. Interest Income

		Year Ended	
($ thousands)	Note	**December 31, 2023**	December 31, 2022
Interest income from mortgages and loans receivable[i]	11	**$ 25,933**	$ 19,120
Income earned from financial real estate assets		**9,102**	5,709
Income from financial real estate assets due to changes in value	9	**1,897**	783
Other interest income		**4,482**	1,748
Interest income		**$ 41,414**	$ 27,360

(i) Interest income from mortgages and loans receivable includes $3,647 accretion income in relation to the promissory note issued to Allied and vendor take-back mortgages issued to partners for the year ended December 31, 2023 (December 31, 2022 - $3,758).

Note 24. Fee Income

($ thousands)	Note	Year Ended December 31, 2023	Year Ended December 31, 2022
Fees charged to related party	33	$ 830	$ 722
Fees charged to third parties		3,457	3,071
Fee income		$ 4,287	$ 3,793

Note 25. Net Interest Expense and Other Financing Charges

($ thousands)	Note	Year Ended December 31, 2023	Year Ended December 31, 2022
Interest on senior unsecured debentures		$ 220,246	$ 192,774
Interest on mortgages and construction loans		41,898	39,128
Interest on credit facility		9,638	8,839
Interest on right-of-use lease liabilities		63	148
Amortization of debt discounts and premiums	15	30	933
Amortization of debt placement costs	15,16	4,639	5,084
Distributions on Exchangeable Units(i)	33	296,181	292,884
		572,695	539,790
Less: Capitalized interest(ii)	6, 10	(6,548)	(2,933)
Net interest expense and other financing charges		$ 566,147	$ 536,857

(i) Represents interest on indebtedness due to GWL.
(ii) Interest was capitalized to qualifying development projects based on a weighted average interest rate of 4.05% (December 31, 2022 - 3.74%).

Note 26. General and Administrative Expenses

($ thousands)	Note	Year Ended December 31, 2023	Year Ended December 31, 2022
Salaries, benefits and employee costs(i)		$ 57,269	$ 48,406
Investor relations and other public entity costs		3,301	2,959
Professional fees		5,112	3,498
Information technology costs		8,273	7,075
Services Agreement expense charged by related party	33	4,970	3,901
Amortization of other assets		1,311	1,201
Office related costs		1,812	1,510
Other		3,225	2,062
Total		85,273	70,612
Less: Allocated to recoverable operating expenses		(21,043)	(22,791)
General and administrative expenses		$ 64,230	$ 47,821

(i) Salaries, benefits and employee costs is shown net of costs capitalized to properties under development.

Note 27. 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 could decrease.

Choice Properties’ Revolving Credit Facility and the Debentures also contain covenants that require it to maintain certain financial ratios on a consolidated basis. If Choice Properties does not maintain such ratios, its ability to make distributions to Unitholders may be limited or suspended.

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 (December 31, 2022 - $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 (December 31, 2022 - $395,787) and Unit-based compensation liabilities of $1,232 (December 31, 2022 - $1,268).

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 12), 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.

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; and 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 by actively monitoring market conditions.

The undiscounted future principal and interest payments on Choice Properties' debt instruments are as follows:

($ thousands)	2024	2025	2026	2027	2028	Thereafter	Total
Senior unsecured debentures	$ 975,714	$ 745,657	$ 531,342	$ 665,626	$ 892,838	$ 3,304,010	**$ 7,115,187**
Mortgages payable	202,787	151,799	93,695	111,821	69,839	573,331	**1,203,272**
Construction loans	51,688	841	841	841	841	42,415	**97,467**
Total	**$ 1,230,189**	**$ 898,297**	**$ 625,878**	**$ 778,288**	**$ 963,518**	**$ 3,919,756**	**$ 8,415,926**

Note 28. 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.

		As at December 31, 2023				As at December 31, 2022			
($ thousands)	Note	**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	11	**$ —**	**$ —**	**$ 160,953**	**$ 160,953**	$ —	$ —	$ 163,127	$ 163,127
Lease receivable	14	**—**	**—**	**—**	**—**	—	—	23,426	23,426
Financial real estate assets	9	**—**	**—**	**195,457**	**195,457**	—	—	109,509	109,509
Investment in real estate securities	12	**—**	**238,308**	**—**	**238,308**	—	302,314	—	302,314
Designated hedging derivatives	14	**—**	**7,872**	**—**	**7,872**	—	12,909	—	12,909
Amortized cost:									
Mortgages, loans and notes receivable	11	**—**	**—**	**500,700**	**500,700**	—	—	512,800	512,800
Cash and cash equivalents	30(c)	**—**	**252,424**	**—**	**252,424**	—	64,736	—	64,736
Liabilities									
Fair value through profit and loss:									
Exchangeable Units	17	**—**	**5,521,222**	**—**	**5,521,222**	—	5,841,809	—	5,841,809
Unit-based compensation	20	**—**	**15,482**	**—**	**15,482**	—	16,033	—	16,033
Designated hedging derivatives	19	**—**	**1,337**	**—**	**1,337**	—	—	—	—
Amortized cost:									
Long term debt	15	**—**	**—**	**6,599,055**	**6,599,055**	—	—	5,946,834	5,946,834
Credit facility	16	**—**	**—**	**—**	**—**	—	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, and cross currency swaps to hedge foreign exchange associated with the equivalent amount borrowed in US$ on the Trust's credit facility (Note 14). During the year ended December 31, 2023, an interest rate swap was settled and refinanced concurrently with the refinancing of the underlying variable rate mortgage. The cross currency swaps matured as the US$ borrowings were repaid. As at December 31, 2023, the interest rates associated with the interest rate swaps ranged from 2.8% to 5.0% (December 31, 2022 - 2.8% to 4.4%).

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

($ thousands)	Note	**Maturity Date**	**Notional Amount**	**As at December 31, 2023**	As at December 31, 2022
Derivative Assets					
Interest rate swaps	14	Nov 2025 - Jun 2030	**$ 78,791**	**$ 7,872**	$ 12,909
Total Derivative Assets			**$ 78,791**	**$ 7,872**	$ 12,909
Derivative Liabilities					
Interest rate swaps	19	Feb 2024 - Mar 2030	**$ 109,034**	**$ 1,337**	$ —
Total Derivative Liabilities			**$ 109,034**	**$ 1,337**	$ —

During the year ended December 31, 2023, the Trust recorded an unrealized fair value loss in other comprehensive income (loss) of $6,374 (December 31, 2022 - unrealized fair value gain of $11,568).

Note 29. 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 years ended December 31, 2023 and 2022 consisted of the repayment and issuance of various senior unsecured debentures and the issuance of various mortgages (Note 15).

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, 2023 and December 31, 2022.

The following schedule details the capitalization of Choice Properties:

($ thousands)	Note	**2023**	2022
Liabilities			
Senior unsecured debentures	15	**$ 5,650,000**	$ 5,325,000
Mortgages payable	15	**976,661**	948,919
Construction loans	15	**90,059**	39,214
Credit facility	16	**—**	260,000
Exchangeable Units	17	**5,521,222**	5,841,809
Equity			
Unitholders' equity	17	**4,368,502**	3,824,153
Total		**$ 16,606,444**	$ 16,239,095

Note 30. Supplemental Cash Flow Information

(a) Items not affecting cash and other items

($ thousands)	Note	Year Ended December 31, 2023	Year Ended December 31, 2022
Straight-line rental revenue	6	**$ 2,270**	$ (2,554)
Unit-based compensation expense included in general and administrative expenses	20	**6,312**	6,781
Amortization of intangible assets	13	**1,000**	1,000
Adjustment to fair value of Exchangeable Units	17	**(320,587)**	(170,188)
Adjustment to fair value of investment properties		**(114,150)**	(113,115)
Adjustment to fair value of investment in real estate securities	12	**64,006**	248,346
Adjustment to fair value of unit-based compensation	20	**(938)**	1,191
Items not affecting cash and other items		**$ (362,087)**	$ (28,539)

(b) Net change in non-cash working capital

($ thousands)	Note	Year Ended December 31, 2023	Year Ended December 31, 2022
Net change in accounts receivable and other assets	14	**$ (32,856)**	$ (11,122)
Cost of sales recognized - residential development inventory	10	**21,008**	—
Net change in trade payables and other liabilities	19	**(28,350)**	7,217
Net change in non-cash working capital		**$ (40,198)**	$ (3,905)

(c) Cash and cash equivalents

($ thousands)	As at December 31, 2023	As at December 31, 2022
Cash	**$ 107,983**	$ 64,736
Short-term investments	**144,441**	—
Cash and cash equivalents	**$ 252,424**	$ 64,736

(d) Change in cash flow presentation

The comparative figures for the year ended relating to cash paid on vesting of restricted and performance units of $4,689 have been reclassified from financing activities to operating activities; direct leasing costs and tenant improvement allowances of $28,123 have been reclassified from investing activities to operating activities; and distributions from equity accounted joint ventures of $68,076 have been reclassified from investing activities to operating activities to conform to the current period presentation.

Note 31. Segment Information

Choice Properties operates in three reportable segments: retail, industrial and mixed-use & residential. 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.

The tables below presents net rental income for the year ended December 31, 2023 and 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 revenue and direct operating costs of joint ventures and financial real estate assets.

($ thousands)	Retail	Industrial	Mixed-Use & Residential	Consolidation and eliminations(ii)	Year ended December 31, 2023
Rental revenue	**$ 1,087,684**	**$ 229,658**	**$ 75,073**	**$ (83,245)**	**$ 1,309,170**
Property operating costs	**(307,579)**	**(59,785)**	**(30,045)**	**28,349**	**(369,060)**
Net Rental Income	**$ 780,105**	**$ 169,873**	**$ 45,028**	**$ (54,896)**	**$ 940,110**

(i) Reconciling items to 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, respectively, under GAAP.

($ thousands)	Retail	Industrial	Mixed-Use & Residential	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 to 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, respectively, under GAAP.

The tables below presents investment properties for the year ended December 31, 2023 and 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 income producing properties and segment properties under development include the proportionate share of joint ventures and financial real estate assets.

($ thousands)	Retail	Industrial	Mixed-Use & Residential	Consolidation and eliminations(i)	Year ended December 31, 2023
Income producing properties	**$11,025,128**	**$ 3,897,983**	**$ 833,889**	**(1,122,000)**	**$ 14,635,000**
Properties under development	**185,024**	**587,524**	**115,452**	**(600,000)**	**288,000**
Investment Properties	**$11,210,152**	**$ 4,485,507**	**$ 949,341**	**$ (1,722,000)**	**$ 14,923,000**

(i) Reconciling items to 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, respectively, under GAAP.

($ thousands)	Retail	Industrial	Mixed-Use & Residential	Consolidation and eliminations(i)	Year ended December 31, 2022
Income producing properties	$10,716,120	$ 3,497,610	$ 894,270	(989,000)	$ 14,119,000
Properties under development	182,304	742,519	121,177	(721,000)	325,000
Investment Properties	$10,898,424	$ 4,240,129	$ 1,015,447	$ (1,710,000)	$ 14,444,000

(i) Reconciling items to 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, respectively, under GAAP.

Note 32. Contingencies, Commitments, and 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 audited 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, 2023, the aggregate gross potential liability related to these letters of credit totalled $37,668 (December 31, 2022 - $32,897).

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 $427,000, of which $339,000 relates to equity accounted joint ventures, as at December 31, 2023 (December 31, 2022 - $258,000 and $106,000, respectively).

d. Contingent Liabilities

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. The Trust has exposure to its partners' share of mortgage debt obligations within its equity accounted joint ventures in the amount of $399,071 as at December 31, 2023 (December 31, 2022 - $244,579). 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 equity accounted joint ventures are sufficient for the purpose of satisfying any obligation of the Trust should the Trust's partner default.

Note 33. Related Party Transactions

Choice Properties' parent corporation is GWL, which, as at December 31, 2023, 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, 2023. 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

Services Agreement
During the year ended December 31, 2023, GWL provided Choice Properties with corporate, administrative and other support services for an annualized cost of $4,970 (December 31, 2022 - $3,901).

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 year ended December 31, 2023, distributions declared on the Exchangeable Units totalled $296,181 (December 31, 2022 - $292,884).

As at December 31, 2023, Choice Properties had distributions on Exchangeable Units payable to GWL of $320,587 (December 31, 2022 - $195,256). The payable to GWL includes deferred distributions of $295,851 to be paid on the first business day of the 2024 fiscal year (December 31, 2022 - $170,849).

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 year ended December 31, 2023, GWL elected to receive distributions from Choice Properties Limited Partnership in the form of loans. As such, non-interest bearing short-term notes totalling $295,851 were issued during the year ended December 31, 2023 to GWL and were repaid in January 2024. Non-interest bearing short-term notes totalling $170,849 with respect to the loans received in the 2022 fiscal year were settled against distributions payable by the Trust to GWL in January 2023.

Trust Unit Distributions
During the year ended December 31, 2023, Choice Properties declared cash distributions of $37,912 on the Units held by GWL (December 31, 2022 - $37,490). As at December 31, 2023, $3,166 of Trust Unit distributions declared were payable to GWL (December 31, 2022 - $3,124). There were no non-cash distributions settled through the issuance of additional Trust Units during the year ended December 31, 2023 (December 31, 2022 - $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:

		Year Ended	
($ thousands)	Note	**December 31, 2023**	December 31, 2022
Rental revenue	21	**$ 3,103**	$ 3,029
Services Agreement expense	26	**(4,970)**	(3,901)
Distributions on Exchangeable Units	25	**(296,181)**	(292,884)

The balances due from (to) GWL and subsidiaries were as follows:

($ thousands)	Note	As at December 31, 2023	As at December 31, 2022
Notes receivable	11	**$ 295,851**	$ 170,849
Other receivables	14	**512**	623
Exchangeable Units	17	**(5,521,222)**	(5,841,809)
Accrued liabilities	19	**(1,050)**	(1,233)
Distributions payable on Exchangeable Units	19	**(320,587)**	(195,256)
Distributions payable on Trust Units	19	**(3,166)**	(3,124)
Due from (to) GWL and subsidiaries		**$ (5,549,662)**	$ (5,869,950)

Transactions and Agreements with Loblaw

Acquisitions
During the year ended December 31, 2023, Choice Properties acquired from Loblaw two financial real estate assets for an aggregate purchase price $86,300, and four retail properties for a purchase price of $91,889, in each case excluding transaction costs.

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.

Dispositions
During the year ended December 31, 2023, Choice Properties disposed of a data centre asset tenanted by Loblaw to a third party for net proceeds of $74,200. In connection with the transaction, Choice made an $8,300 payment to Loblaw to terminate its lease early.

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.

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 expired on July 5, 2023. Upon expiry of the initial term, the Strategic Alliance Agreement renewed until 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.

Leases
During the year ended December 31, 2023, the Trust and Loblaw renewed 47 of 49 leases expiring in 2024 (December 31, 2022 - 42 of 44 leases expiring in 2023).

Lease Surrender Revenue
During the year ended December 31, 2023, Choice Properties recognized $1,393 of lease surrender revenue from Loblaw (December 31, 2022 - $nil).

Site Intensification Payments
Choice Properties compensated Loblaw with intensification payments of $14,377 in connection with completed gross leasable area for which tenants took possession during the year ended December 31, 2023 (December 31, 2022 - $2,687). In addition, Choice properties compensated Loblaw with an intensification payment of $2,100 (December 31, 2022 - $nil) in relation to the disposition of a parcel of retail land.

Transaction Summary as Reflected in the Consolidated Financial Statements
Loblaw is the largest tenant for Choice Properties, representing approximately 57.1% of Choice Properties' rental revenue for the year ended December 31, 2023 (December 31, 2022 - 57.5%). Transactions with Loblaw recorded in the consolidated statements of income and comprehensive income were comprised as follows:

		Year Ended	
($ thousands)	Note	**December 31, 2023**	December 31, 2022
Rental revenue	21	**$ 747,616**	$ 727,593

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

($ thousands)	Note	**As at December 31, 2023**	As at December 31, 2022
Rent receivable	14	**$ 1,080**	$ —
Other receivables	14	**2,626**	57
Accrued liabilities	19	**(7,428)**	(13,963)
Construction allowances payable	19	**(26,726)**	(16,106)
Reimbursed contract payable	19	**(296)**	(296)
Due from (to) Loblaw		**$ (30,744)**	$ (30,308)

__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, 2023, Choice Properties declared cash distributions of $12,348 on the Units held by Wittington (December 31, 2022 - $12,210). As at December 31, 2023, $1,031 of Trust Unit distributions declared were payable to Wittington (December 31, 2022 - $1,018). There were no non-cash distributions settled through the issuance of additional Trust Units during the year ended December 31, 2023 (December 31, 2022 - nil).

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:

		Year Ended	
($ thousands)	Note	**December 31, 2023**	December 31, 2022
Rental revenue	21	**$ 1,562**	$ 1,531
Fee income	24	**830**	722

The balances due from (to) Wittington and subsidiaries were as follows:

($ thousands)	Note	**As at December 31, 2023**	As at December 31, 2022
Rent receivable	14	**$ 129**	$ 122
Cost-to-complete receivable	14	**4,440**	8,501
Distributions payable	19	**(1,031)**	(1,018)
Due from (to) Wittington and subsidiaries		**$ 3,538**	$ 7,605

Transactions and Agreements with other related parties

Mortgages receivable

During the year ended December 31, 2023, $114,524 of mortgages receivable included within mortgages, loans and notes receivable were to entities which the Trust has an ownership interest in (December 31, 2022 - $113,780).

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, 2023**	December 31, 2022
Salaries, trustee fees, incentives and short-term employee benefits	**$ 4,144**	$ 3,666
Unit-based compensation recorded in:		
General and administrative expenses	**4,204**	3,937
Adjustment to fair value of unit-based compensation	**(626)**	562
Compensation of key personnel	**$ 7,722**	$ 8,165

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 15, 2024 at 10:00 AM (ET) with a simultaneous audio webcast. To access via teleconference, please dial +1 (240) 789-2714 or +1 (888) 330-2454 and enter the event passcode: 4788974. The link to the audio webcast will be available on www.choicereit.ca/events-webcasts.

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

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

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

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.sedarplus.ca. 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.

1 Audit Committee
2 Governance, Compensation and Nominating Committee

Ce rapport est disponible en français.

Value for Generations

ChoiceProperties

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