LOCATION LOCATION LOCATION.®

The power of location.

FIRST CAPITAL®

Shopping Green For Everyday Life®

Well Executed and Defined Strategy

LOCATION
LOCATION
LOCATION®

CORPORATE PROFILE

First Capital Realty (TSX: FCR) is Canada's leading owner, developer and manager of well-located, high quality urban retail-centered properties where people live and shop for everyday life. As at December 31, 2014, the Company owned interests in 158 properties, totalling approximately 24.3 million square feet of gross leasable area. First Capital Realty has an enterprise value of over $7.8 billion and trades on the Toronto Stock Exchange.

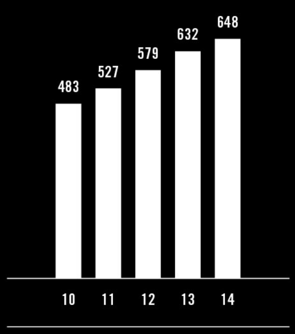
BUSINESS STRATEGY

First Capital Realty's primary strategy is the creation of value over the long term by generating sustainable cash flow and capital appreciation of its shopping centre portfolio. To achieve its strategic objectives the Company continues to:

- undertake selective development, redevelopment and repositioning activities on its properties including land use intensification;
- be focussed and disciplined in acquiring well-located properties, primarily centres where there are value creation opportunities and sites adjacent to existing properties in the Company's target urban markets;
- proactively manage its existing shopping centre portfolio to drive rent growth;
- increase efficiency and productivity of operations; and
- maintain financial strength and flexibility to achieve the lowest cost of capital long-term.

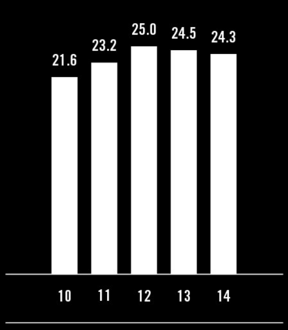
PROPERTY RENTAL REVENUE

($ millions)
For the year[1]



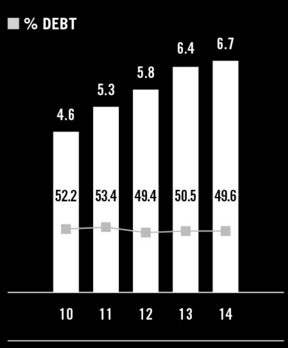
GROSS LEASABLE AREA

(millions of sq. ft.)
At December 31



NET DEBT TO TOTAL ASSETS[2]

($ billions)
At December 31[1]



[1] 2010 amounts have been restated for the effects of International Financial Reporting Standards ("IFRS").
2012 amounts have been further restated for the adoption of IFRS 10 and IFRS 11.
[2] Total assets at invested cost. Debt is a measure not defined by IFRS. Refer to "Capital Structure and Liquidity – Capital Employed" section of this Management's Discussion & Analysis.

Building Value

($ millions)	2014	2013
Total assets	**$ 7,908**	$ 7,596
Total equity market capitalization[1]	**$ 4,038**	$ 3,690
Enterprise value[1]	**$ 7,762**	$ 7,319
Net debt to total assets (at IFRS value)[1]	**42.2%**	42.9%
Net debt to total assets (at invested cost)[1]	**49.6%**	50.5%
Net debt to enterprise value[1]	**42.9%**	44.3%
Property rental revenue	**$ 648.4**	$631.6
Net operating income[1]	**$ 406.9**	$ 398.0

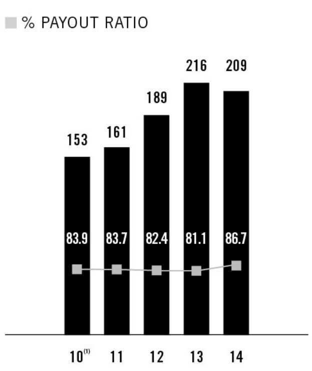
	2014 ($ millions)	2013 ($ millions)	2014 ($ per diluted share)	2013 ($ per diluted share)
Funds from operations (FFO)[1]	**$ 209.0**	$ 215.5	**$ 0.98**	$ 1.03
FFO excluding other gains (losses) and (expenses)[1]	**$ 220.3**	$ 214.5	**$ 1.04**	$ 1.03
Weighted average diluted shares for FFO (thousands)			**212,537**	208,877

Adjusted funds from operations (AFFO)[1]	**$ 229.8**	$ 225.2	**$ 1.01**	$ 1.00
AFFO excluding other gains (losses) and (expenses)[1]	**$ 228.6**	$ 218.5	**$ 1.00**	$ 0.97
Weighted average diluted shares for AFFO (thousands)			**228,568**	224,767

[1] These measures are not defined by IFRS. Refer to the "Results of Operations - Funds from Operations and Adjusted Funds from Operations" section of the Management's Discussion and Analysis.

FUNDS FROM OPERATIONS

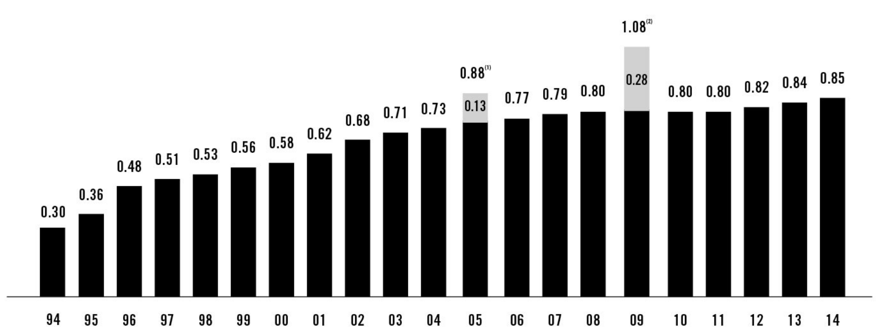
($ millions)



[1] 2010 amounts have been restated under IFRS.

21 YEARS OF DIVIDENDS

($ per diluted share)



[1] Includes special dividend of $0.13 paid on April 6, 2005.
[2] Includes Gazit America dividend-in-kind of $0.28 distributed on August 14, 2009.

Strength in Numbers

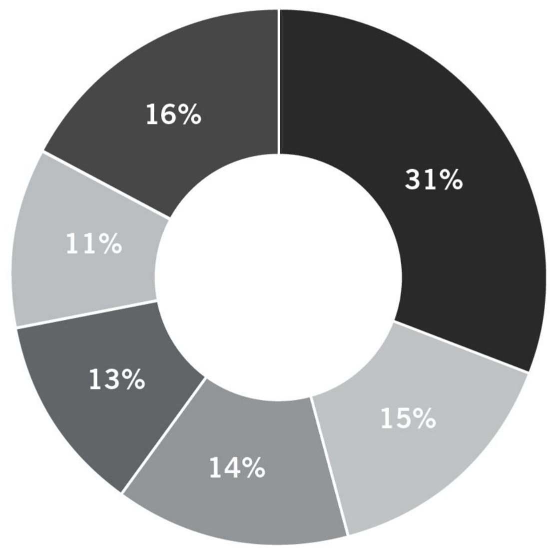
A GROWTH STRATEGY APPLIED TO A STABLE BUSINESS

OPERATING HIGHLIGHTS

648	Property rental revenue increased 2.7% to $648 million
407	Net operating income[1] increased 2.2% to $407 million
523	Invested $523 million in development activities, property improvements and acquisitions
18.42	Average rent per occupied square foot increased by 2.6% to $18.42
3.2	Same-property growth including expansion and redevelopment space increased by 3.2%
97.2	Occupancy percent of stable properties at December 31, 2014

[1] Net operating income is not a measure defined by IFRS. Refer to "Results of Operations – Net Operating Income" section of this Management's Discussion & Analysis.

TENANT PROFILE



Supermarkets, drugstores and liquor stores	31%
National and discount retailers	15%
Medical, gyms, daycare and other personal uses	14%
Restaurants and casual dining	13%
Banks and governments	11%
Other retailers	16%
	100%

SUSTAINABLE CASH FLOW

24	Million square feet of gross leasable area
95	Over 95% of our rents are from urban markets
93	Over 93% of our rents are from shopping centres anchored by supermarkets and/or drugstores
55	Top 40 tenants provide 55% of annual minimum rents and occupy 57.6% of the gross leasable area
35	Top 10 tenants provide 35.4% of annual minimum rents and are all investment-grade rated
78	Approximately 80% of annual minimum rents received from top 40 tenants are from investment-grade rated companies

TOP 10 TENANTS

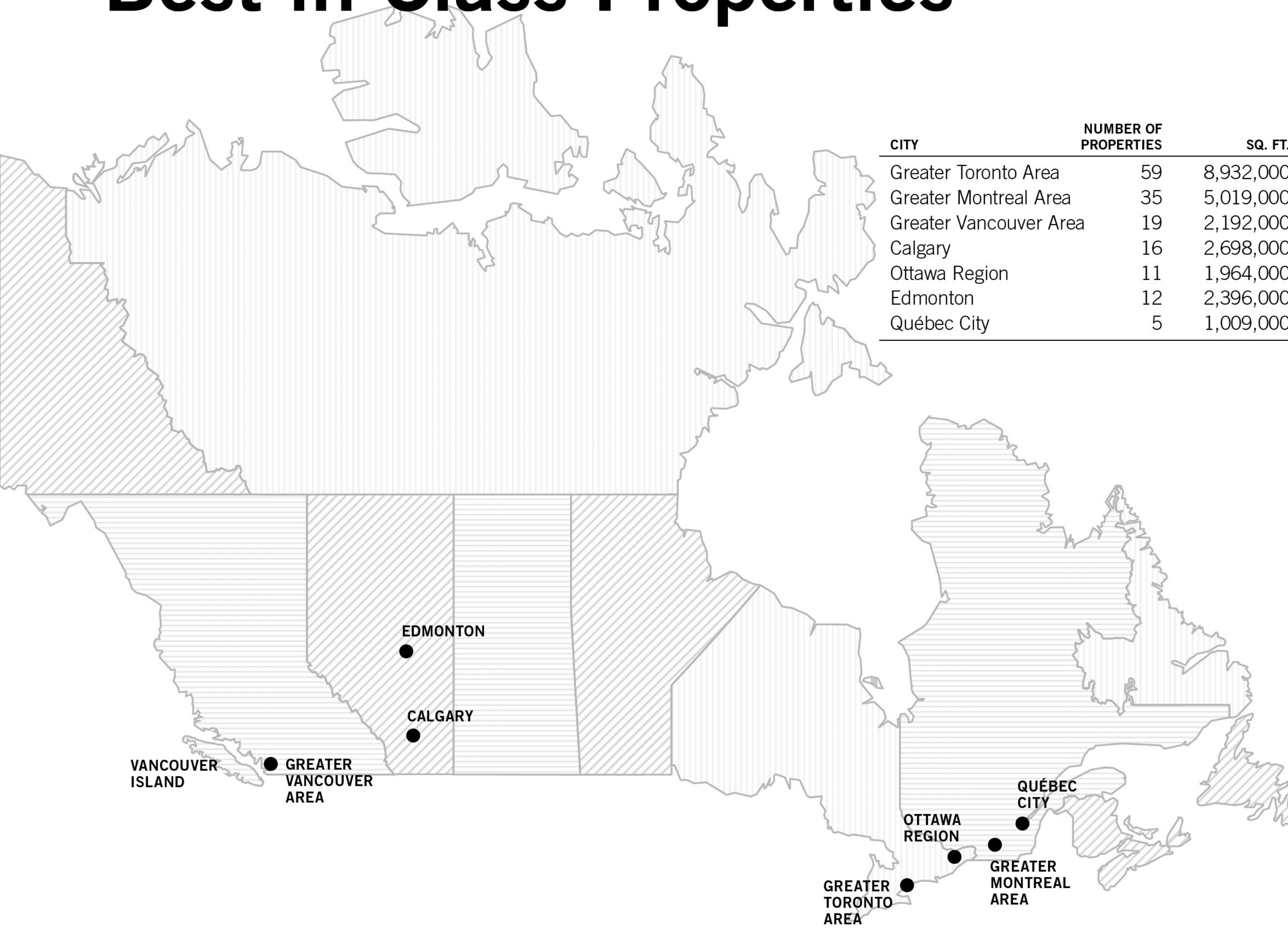
Loblaws Sobeys METRO

Canadian Tire Walmart Save money. Live better. TD Canada Trust

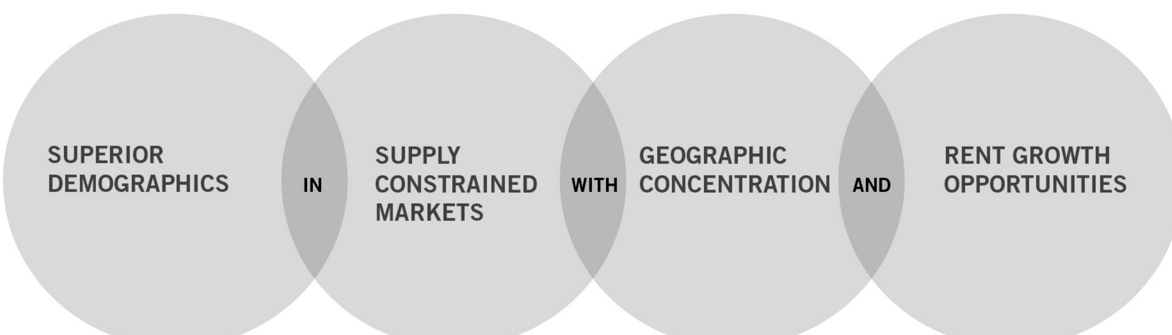
RBC DOLLARAMA CIBC GoodLife FITNESS CLUB

Best in Class Properties

CITY	NUMBER OF PROPERTIES	SQ. FT.
Greater Toronto Area	59	8,932,000
Greater Montreal Area	35	5,019,000
Greater Vancouver Area	19	2,192,000
Calgary	16	2,698,000
Ottawa Region	11	1,964,000
Edmonton	12	2,396,000
Québec City	5	1,009,000



BEST IN CLASS PROPERTIES =



= LOCATION LOCATION LOCATION®

Message from the Outgoing President & CEO

My Fellow Shareholders,

This letter is going to be a bit personal.

I took over as CEO of this Company in August 2000. First Capital Realty's story of the last fifteen years is a real Canadian story. If pictures speak a thousand words the images here of our largest city, Toronto, say it all.

TORONTO SKYLINE 2000 Photo by Sanjin Avdicevic

TORONTO SKYLINE 2014 Photo by Mark Thomas

As I move on to the next stage of my career including serving as the Executive Vice Chair of the Board, I would like to submit my scorecard, which I'm hoping to use as a resume for my future endeavours.

In August 2000, we came aboard to a company with 40 shopping centres in Canada and no organization, as it was externally managed.

As I reflect on the past 15 years, I would like to share some excerpts from my past letters to shareholders and I'll let you be the judge of how well we accomplished what we set out to do.

• • •

2000 Annual Report – First Look

We are confident in our ability to face the challenges that lie ahead. We aim to bring more focus to a geographically widespread business. Our intent is to focus on active asset management while striving to increase our market concentration.

…We believe that the Company will benefit from increased focus on properties in high-growth areas on a going-forward basis.…

2001 Annual Report – Settling down

For First Capital Realty, 2001 was a year of transition. Our continued objective is to maximize long-term cash flow and capital appreciation from our growing portfolio of shopping centres. We plan to achieve this in three ways:

· *Active management of our existing portfolio;*

· *A focused and disciplined acquisition strategy; and*

· *Selective development and redevelopment activities*

FCR 2000 and 2014

	2000	2014	CAGR
Total Assets in Canada	$ 700M	$ 8B	
NOI run rate	$ 52M	$ 416M	**16.0%**
Gross leasable area(millions)	6.2 sq ft	24.3 sq ft	**10.2%**
Properties	40	158	
Credit Rating	NONE	BBB(high) Baa2	
Common share price	$ 5.56[1]	$ 18.66	**18.2%**
Annual Dividend	$ 0.58[1]	$ 0.85	
Team Members	3	425+	
Cash Flow Provided by Operating Activities	$ -11M	$ 269M	

[1] Adjusted for 2010 stock split.

Tenants are becoming more sophisticated and we want to ensure that their experience in a First Capital Realty shopping centre is a positive one.

...The industry is consolidating and we intend to take advantage of new opportunities....

2002 Annual Report – Commencing "construction"

APPLYING A GROWTH STRATEGY TO A STABLE BUSINESS

For First Capital Realty, a shopping centre is not only an investment providing stable, recurring cash flows, it is our business – a tangible bricks and mortar enterprise that must be actively and carefully managed to grow cash flow and maximize value. We take a long-term view in running our business and will continue to grow it and deliver shareholder value.

First Capital Realty buys only good real estate and has a proven ability to acquire shopping centres and add value. We consider our properties to be 70 separate businesses and each of them requires a lot of attention to maximize cash flow.

First Capital Realty has a three-pronged growth strategy:

- *Active portfolio management*
- *Disciplined acquisitions*
- *Selective development & redevelopment*

We remain committed to full, transparent disclosure and sound corporate governance.

2003 Annual Report – Building

Neighbourhood and community shopping centres, properly managed, are one of the most stable real estate asset classes in North America as they provide consumers with their everyday basic needs such as groceries, prescription drugs, personal care items, household supplies, banking and other personal services. To capitalize on the opportunities this sector presents, First Capital Realty has been applying a highly focused growth strategy through proactive management and leasing, accretive acquisitions and selective development activities, all supported by a strong financial position....

Our approach

· Quality assets

· Entrepreneurial management

· Good governance

…We believe we invest more in our assets than most other landlords in order to remain competitive. By creating a high quality portfolio, we attract and retain the highest quality tenants....

2004 Annual Report – …building more

Capitalizing on our achievements last year, and indeed our ability to deliver solid returns to our investors through any real estate cycle, will depend on our adherence to a set of principles established long before we assumed management of First Capital Realty in 2000. These principles include having a clear, consistent and long-term business strategy, having a good group of people to execute it, and maintaining a strong financial position. Underpinning these principles is our strong commitment to enrich our shareholders.

…First Capital Realty's goal to become Canada's dominant player in the neighbourhood and community supermarket anchored shopping centre asset class has been achieved. Our properties provide Canadians with most of the everyday needs, products and services they require regardless of economic cycles.…

…Like many of my colleagues in the industry, I believe real estate is a real business rather than a "babysitting" job for a collection of assets.…

…Retail properties must be well positioned, and we will buy or develop only when we can be in a strong and growing location and where we can achieve a position of influence to attract the best tenants in that particular market...

…As we all know, there are a number of "private collections" of urban retail properties that are owned by clever businesspeople who have accumulated significant wealth through long term appreciation of their real estate holdings. These privately owned properties or portfolios are generally not for sale, in my view because among other things the public capital markets simply won't place a high enough value premium on them. At First Capital Realty we have carefully and consistently through acquisition and development accumulated, mostly by one off-transactions, a portfolio of this quality that we believe will create long-term appreciation. To be perfectly clear, our properties are our shareholders' "private collection".

2005 Annual Report – Growing

Our business is not very glamorous. We don't own a two million square foot regional mall, a beautiful office tower in a prime downtown location, or a famous hotel in a ski resort surrounded by picture perfect mountains. We own, develop and operate over 137 (and growing) neighbourhood and community shopping centres that cater to the everyday lives of people who live within a few short kilometers from our properties…

…each one of them plays a significant part in the life of its surrounding community.…

…Our job, and it's not an easy one, is to make every customer feel welcome when they come to our shopping centres to get their groceries, visit their pharmacist or the bank, get a haircut, or bring their child to get a filling at the dentist office.

At the same time, our retail tenants operate in an extremely competitive environment.…

…our tenants want the world from us, they deserve it and they offer very little to pay for it.…

At First Capital, it is second nature to us to follow three basic rules when making an acquisition – ***location, location, location…***

…We are now in the strongest financial position we have ever been, and we intend to continue on this path.…

…Going forward we will work hard to continue increasing the value of "our First Capital" which is very dear to my heart.…

2006 Annual Report – Pause to think

2006 was another year of record results at First Capital Realty.…

Am I impressed or pleased? No, I am not, and let me tell you why.

First, because you, my fellow shareholders, do not pay me to be impressed or to be pleased. The reason you keep me around is so that I get up every morning, forget about everything we achieved thus far, and figure out what is the best way to continue to make money for us, the Company's shareholders.

On this point, I have good news and bad news. Let me start with the bad news.

Over the last ten years the real estate industry has been content and comfortable, myself included. Ours was one of the few businesses I am aware of that enjoyed an environment of positive spread investing.

Unfortunately, I believe this highly favourable environment is now over as cap rate compression is resulting in very thin spreads between the cost of capital and the cost to acquire high-quality, well-located assets.…

…I do not have a crystal ball. But I do know that, like many other businesses, the real estate industry will now have to create these positive spreads through expertise, knowledge, talent, dedication and hard work.…

…Unlike retailers, who lose money whenever they sit on their inventory, our "inventory" of properties appreciated in value. This, in my opinion, allowed us to operate, to a certain degree, without a sense of urgency. However, as I said, in my view this period is now over.

Over the last few years, our business model has also evolved, and although we continue to adhere to the same principle strategy as in the past, we are now focused more specifically on four major objectives:

1. Same property NOI growth;

2. Development & redevelopment activities;

3. Driving efficiencies and productivity in our operations; and

4. Improving our cost of capital.

*...In keeping with this goal to grow the value of First Capital Realty, you will be interested to know that as of May 2006, every new project we are developing is "green", i.e. environmentally-friendly. While from a development perspective this may be a bit **"inconvenient"**, the **"truth"** is that this is the way of the future and, for First Capital Realty, it's part of what we believe it takes to be the best shopping centre company in the business.…*

2007 Annual Report – Drive carefully

The year 2007 was in reality a "tale of two markets". While the first half of the year continued the same market conditions we had seen in 2006, in the second half of the year the financial world completely changed, driven by a slowing US economy and the so-called sub-prime credit crisis.…

…As I write this letter, I can tell you that this job is not getting any easier, but you have my commitment that it's going to get done.

…How quickly things change. The second half of 2007, and as I write this letter continuing into 2008, has seen financial markets playing completely different music than the prior few years, and the tones are not pleasant. The cost of capital has increased, and the availability of capital has decreased.

So is the party over? For us I don't think the party ever started, because we operated our business according to very clear principles, and we are going to continue to do so. These principles come from the years of collective experience possessed by our management team – we have seen the worst of times in the real estate business; we have been there.

…our Chairman, Chaim Katzman, who has been in the business much longer than I have (he doesn't like it when I remind him of this) told me:

First, being successful in real estate is all about "staying power". If you own good properties, if you manage them well, and if you are not too leveraged, you will do fine through all economic cycles.

His second piece of advice was along those same lines. He told me that "real estate is a good business. It's a little slow in the first 30 years, and after that it gets a lot better"….

…In the past two decades I have participated in endless numbers of discussions and brainstorming sessions about where the market is going, where real estate prices are going, where interest rates are going and where is the economy heading. Prosperity? Recession? Slow down? "Frankly, my dear, I don't give a damn" (Gone with the Wind).

So why is it that on a certain level, we don't care?.... over the years we have learned that we have absolutely no way of affecting the economic environment. Instead, we concentrate on what we know and what we can affect, and that is the management of our business.

The foundation of our business has been, and continues to be based on a few key principles:

1. Owning good real estate is a matter of LOCATION, LOCATION, LOCATION;

2. Demographics are very important to us;

3. Be financially astute;

4. Look for sweat equity.

…At First Capital, we have followed these principles to build what we believe is the best portfolio of shopping centres in the country.…

…So am I optimistic? Not really. I am not paid to be optimistic, and that's not why you keep me around. But I think it's quite realistic to say that we are going to continue to make money in this business, and maybe we might find out that tougher times present some interesting opportunities for those who are truly committed to this business for the long term.…

2008 Annual Report – Low Visibility

2008 was another growth year for First Capital Realty.…

…The job of the Senior Management team of this company is to grow the business, its earnings, its dividends, and to create value for the shareholders (ourselves included)…..we also have another very important responsibility that sometimes seems less rewarding in the short term, which is to deal with the risk side of the equation and to prepare First Capital for "what if" scenarios. For example:

· What if things don't go our way?

· What if our cost of capital increases and its availability deteriorates?

· *What if the economy gets worse and the competition for good tenants intensifies?*

· *What if growth in the housing markets suddenly stops?*

· *What if property values stop rising and temporarily catch a downdraft?*

Well guess what? These questions are a fair description of the current environment and have been on my mind every day since I stepped into this position….

…what you really have to watch is that you never, never borrow the "last dollar" available to you, and you must take into consideration the volatility and uncertainty in financial markets….

…what and where we acquire or develop… an extremely well-located property in an urban trade area that enjoys positive long-term trends in demographics, and the potential to attract tenants who cater to shopping for everyday life. Today we own what we believe is the best shopping centre portfolio in Canada….

...Our focus in real estate has always been to increase and maximize cash flow from our centres by acquiring well-located urban properties with lower rents than market (sometimes while paying a premium price), and by value-added redevelopment activities, all in supply constrained markets….

…I am pleased to report that we have executed our strategies very well. While we won't be asking our governments for help, this is a time when the Senior Management of this company, myself included, will need every bit of talent, vision and hard work (including lack of sleep) to lead our company out of this recession and to take advantage of our market position to capitalize on opportunities that will come our way so that at the end of it we will become a better and stronger company….

…as far as I am concerned, personally, "I am working on a dream" (Bruce Springsteen); building a dream company.

2009 Annual Report – Out of the clouds

…2009 was one of the most unpredictable years in my history in this business but it has only served to emphasize how predictable First Capital's business is…..

…So what have we learned… First and foremost, we have built a Company designed and structured to prosper in both good times and bad…The second lesson we learned was to develop a tenant base that can also withstand the ups and downs of the economy… The third lesson acquired is the importance of a strong balance sheet and flexible financial position….

…Above all, the greatest lesson is to build the best team of people….

2010 Annual Report – Pass the physical

In short, we really are "physically fit" at First Capital, and we will continue to "work out" to grow and fine-tune our business for the benefit of our shareholders over the long term.

2011 Annual Report – …with high marks

"We Are Where People Want to Live"

"Creating Long Term Value Through Acquisition and Innovative Development"

"We Provide What People Need"

This year, we are building two of the first neighbourhood shopping centres in Canada utilizing geothermal energy sources. We are also conducting a pilot project to install heated sidewalks and parking ramps in certain locations to enhance safety and comfort….

…For the communities in which we live and work, we remain committed to sustainable, responsible and environmentally friendly operating practices.

…We are also proud to be Canada's first publicly-traded real estate company to publish a Global Reporting Initiative (GRI) compliant and externally assured Corporate Responsibility and Sustainability (CRS) report detailing our many initiatives to improve the environment around us….

"The Team, Our Most Valuable Asset"

…Over time, we have built what I believe is one of the finest management teams operating in our business today….

2012 Annual Report – Reacting to a different world

What are the changes we see in our business environment?

· *The most fundamental change is the slow shift of demographics into more urban markets along public transportation lines and major roads;*

· *Increased retail competition by both domestic and foreign retailers who see the Canadian economy as a growth opportunity;*

· *Gradual changes in retail format and distribution; bigger may not be necessarily better;*

· *Increase in personal services desired by consumers with more emphasis on essentials and convenience;*

· *Online sales and smart phones use are gradually changing how consumers shop; and*

· *The consolidation that has occurred in the retail landlord landscape.*

What does this mean for First Capital Realty?

The simple solutions have been, are, and will always be, Location! Location! Location! The other, more complex strategies require expertise, focus, excellence in execution, hard work and financial strength. This is First Capital's DNA.

THE BEST PORTFOLIO

THE BEST TENANT MIX

THE BEST BALANCE SHEET

THE BEST PEOPLE

THE BEST FUTURE

As I said at the outset, there is no doubt the retail landscape will continue to evolve. We have successfully identified and managed such change in the past, and we are in as strong a position as ever before to meet the opportunities and challenges we will face in the future. Our property portfolio, our balance sheet, our tenant mix and our people are all perfectly positioned to thrive and prosper, and we are excited about what the future will bring.

2013 Annual Report – Back on the growth path

…our investment and disposition activities have been designed, first and foremost, to continue to position our portfolio in the best locations within our targeted urban growth areas. That's where it all begins.…

…It is clear to us that in a more competitive market there will be greater bifurcation between the best, the good, the not-so-good, and the worst....

…Luckily for us, we started almost twenty years ago with a good portfolio, and our job was to make it the best, and we have.
I strongly believe we now own the best and most urban shopping centre portfolio in the country, and more importantly, it will get even better and more intensified in the coming years.…

…In order for us, as shareholders, to be here in ten years and to have greatly benefited from our success, we have to maintain our strong financial position. Our financing strategy, which we have diligently followed for many years, is based on three principles:

- *Moderate to low leverage;*
- *Long and comfortable maturity schedule of our debt; and*
- *Ample liquidity.*

• • •

CHANGE OF GUARD

As you can see, while I feel very fortunate, there has always been some logic to the madness. ☺

Although in the last decade we have seen a significant change in our business, I believe our strategy and annual messages were well defined throughout the years and reflect the sharp focus we have always maintained in our business.

We have created a strong and secure foundation for what I believe is a great business. As I hand over the leadership of this Company to Adam Paul, I would like to make a few observations. I think we are fortunate that the incoming CEO of this Company has great talent, motivation and experience, coming from a great Canadian REIT, and he is also at the point in his career where he has so much more to give. In the months we've spent preparing for this transition I'd like to share with you an anecdote which I've heard from Adam that particularly impressed me. There are certain things that I've always considered to be problems or challenges for this Company. Coming from the outside, Adam has told all of us that he considers each of these challenges to be great opportunities for First Capital. More to come...

In closing, I want to first thank my Executive Leadership Team Maryanne McDougald, Brian Kozak, Ralph Huizinga, Jodi Shpigel, Gregory Menzies, Roger Chouinard, Kay Brekken and all of the First Capital Realty team members for their hard work and dedication helping us get to where we are today; in particular, thanks to Alex Correia who has been with us from day one. This is an amazing and unique group of people. I would also like to especially thank our former executives, Sylvie Lachance and Karen Weaver, who were with me in the early days and contributed so much. I also express my sincere appreciation to our tenants, service providers, business partners, and our investors for their continued trust and support. Last but not least, my gratitude to our Board of Directors, under the leadership of our Chairman, Chaim Katzman for sharing and supporting our vision, and for their counsel and guidance.

I simply love this Company.

Yours truly,

Dori J. Segal
Outgoing President and Chief Executive Officer
February 11, 2015

LOCATION
LOCATION
LOCATION®

MD&A

MANAGEMENT'S DISCUSSION AND ANALYSIS

Table of Contents

Management's Discussion and Analysis of Financial Position and Results of Operations

INTRODUCTION

This Management's Discussion and Analysis ("MD&A") of the financial position and results of operations of First Capital Realty Inc. ("First Capital Realty" or the "Company") is intended to provide readers with an assessment of performance and summarize the financial position and results of operations for the years ended December 31, 2014 and 2013. It should be read in conjunction with the Company's audited annual consolidated financial statements for the years ended December 31, 2014 and 2013. Additional information, including the current Annual Information Form, is available on the SEDAR website at www.sedar.com and on the Company's website at www.firstcapitalrealty.ca.

All amounts are in thousands of Canadian dollars, unless otherwise noted. Historical results and percentage relationships contained in the Company's unaudited interim and audited annual consolidated financial statements and MD&A, including trends which might appear, should not be taken as indicative of its future operations. The information contained in this MD&A is based on information available to Management, and is dated as of February 11, 2015.

First Capital Realty was incorporated in November 1993 and conducts its business directly and through subsidiaries.

FORWARD-LOOKING STATEMENT ADVISORY

Certain statements contained in the "Business Overview and Strategy", "Outlook and Current Business Environment", "Business and Operations Review", "Results of Operations", "Capital Structure and Liquidity", "Summary of Significant Accounting Estimates and Policies" and "Controls and Procedures" sections of this MD&A constitute forward-looking statements. Other statements concerning First Capital Realty's objectives and strategies and Management's beliefs, plans, estimates and intentions also constitute forward-looking statements. Forward-looking statements can generally be identified by the expressions "anticipate", "believe", "plan", "estimate", "project", "expect", "intend", "outlook", "objective", "may", "will", "should", "continue" and similar expressions. The forward-looking statements are not historical facts but, rather, reflect the Company's current expectations regarding future results or events and are based on information currently available to Management. Certain material factors and assumptions were applied in providing these forward-looking statements. Forward-looking information involves numerous assumptions such as rental income (including assumptions on timing of lease-up, development coming on line and levels of percentage rent), interest rates, tenant defaults, borrowing costs (including the underlying interest rates and credit spreads), the general availability of capital and the stability of the capital markets, amount of development costs, capital expenditures, operating costs and corporate expenses, level and timing of acquisitions of income-producing properties, number of shares outstanding and numerous other factors. Moreover, the assumptions underlying the Company's forward-looking statements contained in the "Outlook and Current Business Environment" section of this MD&A also include that consumer demand will remain stable, and demographic trends will continue.

Management believes that the expectations reflected in forward-looking statements are based upon reasonable assumptions; however, Management can give no assurance that actual results will be consistent with these forward-looking statements. These forward-looking statements are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations, including the matters discussed in the "Risks and Uncertainties" section of this MD&A and the matters discussed under "Risk Factors" in the Company's current Annual Information Form from time to time.

Factors that could cause actual results or events to differ materially from those expressed, implied or projected by forward-looking statements, in addition to those factors referenced above, include, but are not limited to: general economic conditions; real property ownership; the availability of a new competitive supply of retail properties which may become available either through construction, lease or sublease; First Capital Realty's ability to maintain occupancy and to lease or re-lease space at current or anticipated rents; repayment of indebtedness and the availability of debt and equity financing; changes in interest rates and credit spreads; changes to credit ratings; tenant financial difficulties; defaults and bankruptcies; the relative illiquidity of real property; unexpected costs or liabilities related to acquisitions, development and construction; increases in operating costs and property taxes; geographic and tenant concentration; residential development, sales and leasing; compliance with financial covenants; changes in governmental regulation; environmental *liability and compliance costs; unexpected costs or liabilities related to dispositions; challenges associated with the integration of acquisitions into the Company; uninsured losses and First Capital Realty's ability to obtain insurance coverage at a reasonable cost; risks in joint ventures; matters associated with significant shareholders; investments subject to credit and market risk; loss of key personnel; and the ability of health care tenants to maintain licenses, certifications and accreditations.*

Readers, therefore, should not place undue reliance on any such forward-looking statements. Further, a forward-looking statement speaks only as of the date on which such statement is made. First Capital Realty undertakes no obligation to publicly update any such statement or to reflect new information or the occurrence of future events or circumstances, except as required by applicable securities law.

All forward-looking statements in this MD&A are made as of February 11, 2015 and are qualified by these cautionary statements.

BUSINESS OVERVIEW AND STRATEGY

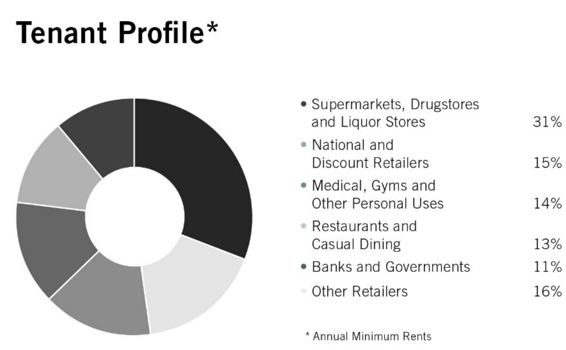
First Capital Realty (TSX:FCR) is Canada's leading owner, developer and manager of well-located, high quality urban retail-centered properties where people live and shop for everyday life. As at December 31, 2014, the Company owned interests in 158 properties, totalling approximately 24.3 million square feet of gross leasable area ("GLA").

First Capital Realty's primary strategy is the creation of value over the long term by generating sustainable cash flow and capital appreciation of its shopping centre portfolio. To achieve the Company's strategic objectives, Management continues to:

- undertake selective development, redevelopment and repositioning activities on its properties including land use intensification;
- be focussed and disciplined in acquiring well-located properties, primarily centres where there are value creation opportunities and sites adjacent to existing properties in the Company's target urban markets;
- proactively manage its existing shopping centre portfolio to drive rent growth;
- increase efficiency and productivity of operations; and
- maintain financial strength and flexibility to achieve the lowest cost of capital long-term.

Shopping for Everyday Life®

The Company owns, develops and manages properties that provide consumers with products and services that are considered to be daily necessities or non-discretionary expenditures. Currently, over 80% of the Company's revenues come from tenants providing these daily essential products and services, including supermarkets, drugstores, banks, liquor stores, national discount retailers, restaurants, fitness, medical, childcare facilities and other personal services.



Management looks to implement a specific complementary tenant offering at each of its properties to best serve the needs of the local community. The Company is highly focussed on ensuring the competitive position of its assets in various urban and retail trade areas and closely follows demographics and shopping trends for both goods and services.

The Company continues to observe several demographic trends that may affect demand for retail goods and services, including a younger generation of consumers whose shopping patterns are influenced by wireless communications and online business and information, and an aging population whose needs will increasingly focus on convenience and health related goods and services. Another trend that Management observes relates to lifestyles in urban markets, where consumers choose to incorporate visits to gyms, coffee shops and local restaurants into their everyday life. In

Management's view, shopping centres and mixed-use properties located in urban markets with tenants providing daily necessities, including non-discretionary services and other personal services, will be less sensitive to both economic cycles and the current demographic trends, thus providing stable and growing cash flow over the long term.

As at December 31, 2014, the tenant store count and percent of annual minimum rents by tenant type at the Company's 158 properties are as follows:

Shopping for Everyday Life

	#of stores	% of rent	tenants
Supermarkets[1]	126	17.0%	
Liquor Stores	92	3.2%	
Banks & other Financial Institutions	306	9.7%	
Drugstores	132	9.3%	
Medical and Personal Services	996	10.1%	
Fitness	72	2.7%	
Daycare Centres and Schools	56	0.7%	
National & Discount Retailers	471	17.5%	
Restaurants and Casual Dining	870	13.0%	

As of December 31, 2014

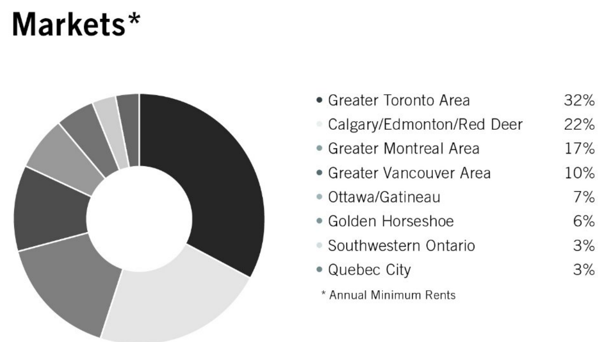
[1] *44 of 126 supermarkets have a pharmacy*

The remaining 16% of rent comes from the other category including local/regional retailers and movie theatres.

Urban Focus

The Company targets specific urban markets with stable and/or growing populations. Specifically, the Company intends to continue to operate primarily in and around its target urban markets of the greater Toronto area, including the Golden Horseshoe area and London; the Calgary and Edmonton areas; the greater Vancouver area, including Vancouver Island; the greater Montreal area; the Ottawa and Gatineau region; and Québec City. Approximately 95% of the Company's annual minimum rent is derived from these urban markets.

The Company has achieved critical mass in its target markets, which helps generate economies of scale and operating synergies, as well as real-time local knowledge of its properties, tenants, neighbourhoods and the markets in which it operates. Within each of these markets, the Company owns and targets well-located properties with strong demographics that Management expects will attract quality tenants with long lease terms. First Capital Realty assesses the quality of locations based on a number of factors in the trade area of a property, including demographic trends, potential for competitive retail space and existing and potential tenants in the market.



As at December 31, 2014, the Company's property portfolio demographics (in a five kilometre radius) by market size, based on annual minimum rents, are as follows:

Acquisitions

Management seeks to acquire well-located, high quality urban retail-centered properties in the Company's target urban markets focussing on the quality, sustainability and growth potential of rental income. These properties are acquired when they complement or add value to the existing portfolio or provide opportunity for redevelopment or repositioning. Once the Company has acquired a property in a specific retail trade area, Management will look to acquire adjacent or nearby properties. These adjacent properties allow the Company to provide maximum flexibility to its tenant base to meet changing formats and size requirements over the long term. Adjacent properties also allow the Company to expand or intensify its existing property, providing a better retail product and service offering for consumers. Management believes that its adjacent site acquisitions result in a better mix of goods and services offered and, ultimately, a better long-term return on investment, with a lower level of risk.

Through acquisitions, the Company expands its presence in its target urban markets in Canada, and continues to generate greater economies of scale and leasing and operating synergies. Management will continue to look for strategic acquisitions, in both existing markets and markets where the Company does not yet have a presence.

The Company also recycles its capital to fund new investments by selling assets in certain markets that are no longer aligned with its core strategies.

Development, Redevelopment and Land Use Intensification

The Company pursues selective development and redevelopment activities including land use intensification projects, primarily on its own, but also with partners, in order to achieve a better return on its portfolio over the long term. The redevelopment activities are focussed primarily on the older, well-located shopping centres that the Company owns and actively seeks to acquire. These properties are redeveloped and expanded over time in conjunction with anchor tenant repositioning and changing retail environments. Redevelopment of existing properties generally carries a lower market risk due to the urban locations, existing tenant base and the land use intensification opportunities. Redevelopment projects are carefully managed to minimize tenant downtime. Typically, tenants continue to operate during the planning, zoning and leasing phases of the project with modest “holdover” income from tenants operating during this period. The Company will sometimes carry vacant space in a property for a planned future expansion of tenants or reconfiguration of a property.

Management believes that the Company’s shopping centres, along with its portfolio of adjacent sites, gives it a unique opportunity to participate in urban land use intensification in its various markets. The land use intensification trend in the Company’s target urban markets is driven by the costs for municipalities to expand infrastructure beyond existing urban boundaries, the desire by municipalities to increase their tax base, environmental considerations and the migration of people to vibrant urban centres. The Company’s land use intensification activities are focussed primarily on increasing retail space on a property and, to a lesser degree, adding mixed-use density, including residential projects and office uses. The Company has proven development and redevelopment capabilities across the country to enable it to capitalize on these opportunities and expects these land use intensification activities to increase over the next several years. To a lesser degree, the Company develops new properties on ground-up sites and typically has at least one ground-up development project in the planning stage or underway in each region.

Investments in redevelopment and development projects are generally less than 10% of the Company’s total assets (at invested cost) at any given time. Development activities are strategically managed to reduce leasing risks by obtaining lease commitments from anchor and major tenants prior to commencing construction. The Company also uses experts including architects, engineers and urban planning consultants, and negotiates competitive fixed-price construction contracts.

These development and land use intensification activities provide the Company with an opportunity to use its existing platform to sustain and increase cash flow and realize capital appreciation over the long term through its ownership and development activities.

Proactive Management

The Company views proactive management of its existing portfolio and newly acquired properties as a core competency and an important part of its strategy. Proactive management means the Company continues to invest in properties to ensure that they remain competitive by attracting quality retail tenants and their customers over the long term. Specifically, Management strives to create and maintain the highest standards in lighting, parking, access and general appearance of the Company’s properties. The Company’s proactive management strategies have historically contributed to improvements in occupancy levels and average lease rates throughout the portfolio.

The Company is fully internalized and all value creation activities, including development management, leasing, property management, lease administration, legal, construction management and tenant co-ordination functions, are directly managed and executed by experienced real estate professionals. Corporate financing, human resources, and most of senior management are centralized at the Company’s head office location in Toronto. Property management and operations are centralized in order to ensure that consistent standards of operation and maintenance are achieved. Real estate acquisitions, development and redevelopment, leasing, and construction are executed through local teams located in the Company’s offices in Toronto, Montreal, Ottawa, Calgary, Edmonton and Vancouver in order to effectively serve the major urban markets where First Capital Realty operates. In addition, the Company’s management team possesses significant retail experience, which contributes to the Company’s in-depth knowledge of its tenants and market trends.

The Company operates solely in Canada in three operating regions, reporting to a regional executive, as follows: Eastern region, which primarily includes operations in Quebec and the Ottawa area; Central region, which includes the Company’s Ontario operations, excluding Ottawa; and Western region, which includes operations in Alberta and British Columbia.

Increasing Efficiency and Productivity of Operations

The Company continues to focus on operating efficiency as it grows its business. Management is continuously implementing and improving processes and systems necessary to capture, record and report both operating and financial results, and effectively manage business execution while achieving higher levels of efficiency.

Cost of Capital

The Company seeks to maintain financial strength and flexibility in order to achieve the lowest cost of debt and equity capital over the long term. The Company's capital structure is key to financing growth and providing sustainable cash dividends to its shareholders. In the real estate industry, financial leverage is used to enhance rates of return on invested capital. Management believes that First Capital Realty's capital structure composition of senior unsecured debt, mortgage debt, convertible debentures and equity provides financing flexibility and reduces risks, while generating an acceptable return on investment, taking into account the long-term business strategy of the Company. The Company uses convertible debentures where both the interest and principal are payable in shares. The Company also recycles capital through selective disposition of full or partial interests in properties. Where it is deemed appropriate, the Company will raise equity to finance its growth and strengthen its financial position.

DBRS Limited ("DBRS") has rated the Company's senior unsecured debentures as BBB (high), and Moody's has rated these debentures as Baa2, giving the Company the highest rating on unsecured debentures for a real estate entity in Canada (presently held by the Company and one other public Canadian real estate entity). Management believes that this, along with the quality of the Company's real estate portfolio and other business attributes, contribute to reducing the Company's cost of capital.

Company Key Performance Measures

There are many factors that contribute to the successful operation of First Capital Realty's business including rental rates, renewal rates, occupancy rates, tenant quality, availability of properties and development sites that meet the Company's acquisition criteria, financing rates, tenant inducements, maintenance and general capital expenditure requirements, development costs and the broader economic environment. The Company quantifies the collective results of all of these factors into key measures: funds from operations and adjusted funds from operations ("FFO" and "AFFO", respectively) per diluted share and the overall leverage level. These metrics are discussed below:

FFO and AFFO

FFO and AFFO per diluted share for the years ended December 31, 2014 and 2013 are as follows:

Year ended December 31	**2014**	2013
FFO per diluted share [1]	**$ 0.98**	$ 1.03
FFO per diluted share excluding other gains (losses) and (expenses)	**$ 1.04**	$ 1.03
AFFO per diluted share [1]	**$ 1.01**	$ 1.00
AFFO per diluted share excluding other gains (losses) and (expenses)	**$ 1.00**	$ 0.97

[1] FFO and AFFO are measures of operating performance that are not defined by IFRS. See the "Results of Operations – Funds from Operations and Adjusted Funds from Operations" section of this MD&A.

The Company achieved growth in FFO and AFFO excluding other gains (losses) and (expenses) while continuing disciplined execution of its strategy, including:

- development and redevelopment activities in order to best position properties for the expected growth in returns;
- acquiring properties in new retail trade areas and buildings adjacent to existing shopping centres that are well-situated, add strategic value and/or operating synergies, and are located in urban markets with strong demographics. Typically they do not provide material accretion in the immediate term;
- capital recycling from dispositions of non-core assets where properties sold typically had higher short-term yields than those in the Company's core urban portfolio;
- the Company's unsecured debt strategy and commitment to stagger and extend its maturities, which historically have tended to increase interest costs compared to secured and short-term financing; and

- investing in the business infrastructure to increase the Company's efficiency of operations and the quality of the management platform to facilitate growth.

Management believes that these activities are fundamental to a long-term strategy of a best-in-class shopping centre company and will maximize shareholder value by generating sustainable cash flow and capital appreciation in its shopping centre portfolio over the long term.

While FFO and AFFO on a per diluted share basis have historically improved year over year for the Company, FFO for the year ended December 31, 2014 decreased compared to the prior year primarily due to higher other losses and expenses associated with executive transition expense.

Leverage

The key leverage ratios demonstrate that the Company has continued to maintain a conservative balance sheet with relatively stable ratios while growing the portfolio. Management believes that maintaining financial strength will continue to provide the Company with financial flexibility, which is critical against a backdrop of changing debt and equity markets.

Year ended December 31	**2014**	2013
Net debt to total assets [1]	**42.2%**	42.9%
Net debt to total assets (based on unsecured debt covenants) [1]	**43.0%**	44.6%
Net debt to enterprise value [1]	**42.9%**	44.3%
Net debt to EBITDA [1]	**8.2**	8.2
Net debt to EBITDA – based on run rate on components of EBITDA [1]	**8.2**	8.2

[1] Net debt, EBITDA, enterprise value and run rate are not defined by IFRS. For more information, refer to the “Capital Structure and Liquidity – Capital Employed” section of this MD&A.

The Company’s activities in 2014 and 2013 demonstrate the continued execution of its long-term strategy, as summarized below:

Development, Redevelopment and Land Use Intensification Activities

The Company continued to invest in development, redevelopment and repositioning of its existing properties and residential inventories, as well as ongoing portfolio capital improvements, which include access, facades, lighting, signage, roofing, parking lots, bicycle racks and pedestrian amenities. The investments in these activities during 2014 and 2013 totalled $262 million and $282 million, respectively. In addition, the Company currently has a number of projects in various stages of development including the pre-development stage in which investment will be made over the next two to five years. The Company’s development activities are typically on existing or adjacent properties rather than on ground-up sites and may include additional retail use, ancillary office uses and, in certain projects, residential density. Currently, the Company has two projects in the pre-development/entitlements stage with municipalities as well as a residential density project underway. The residential density project is ancillary to the Company’s retail projects and is likely to be completed with a partner.

The Company completed and brought on line gross leasable area of 289,000 square feet and 518,000 square feet during 2014 and 2013, respectively. As at December 31, 2014, 1,177,000 square feet were under development.

Selective Acquisitions

In 2014, the Company invested $226.9 million in acquisitions compared to $224.7 million in 2013. A number of these acquisitions contributed to the Company increasing its footprint in its existing retail nodes, through the acquisition of twenty adjacent sites.

Year ended December 31		**2014**		2013
Total investment in acquisitions (millions)	**$**	**227**	$	225
Income-producing properties				
Number of properties in new retail trade areas		**2**		2
Square feet (thousands)		**255**		108
Additional space and adjacent land parcels in existing properties				
Number of acquisitions		**20**		17
Square feet (thousands)		**214**		178
Acres		**3.5**		3.6
Development lands				
Number of parcels		**2**		5
Acres		**0.4**		9.0

Dispositions

During 2014, the Company recycled capital through the disposition of ten properties comprising 538,000 square feet and five adjacent parcels totalling 48.1 acres as well as other real estate investments for gross proceeds of $245.7 million. The proceeds were used to fund further investment in the Company's properties in core urban markets. The 2013 dispositions included ten shopping centres comprising 1.1 million square feet, and six adjacent land parcels totalling 13.9 acres and other real estate investments for gross proceeds of $260.0 million. This capital recycling is expected to continue into 2015 and 2016, subject to market conditions.

Increasing Efficiency and Productivity of Operations

Measures currently used to monitor the Company's operating efficiencies are as follows:

Year ended December 31		**2014**		2013
Corporate expenses, excluding non-cash compensation and incremental leasing costs				
As a percentage of rental revenue		**3.5%**		3.5%
As a percentage of total assets		**0.3%**		0.3%
GLA (weighted average) per average full-time employee		**59,000**		60,000
NOI per average full-time employee - run rate (thousands of dollars)	**$**	**990**	$	1,011

Corporate expenses measured as a percentage of rental revenue and total assets remained stable relative to the prior year.

The GLA and NOI productivity measures include the impact of investment in development activities, which are not yet income-producing, including the staff involved in the management and execution of these activities. These two productivity measures are expected to fluctuate based on the Company's level of development activity.

Capital access and cost

The Company utilized multiple sources of debt and equity capital to finance growth and replace maturing debt during the year, demonstrating continued success in accessing capital to fund growth. Over the past several years, the Company has benefited from pricing reductions on the spread component of its debts as a result of a combination of market factors and internal factors such as the continued quality growth of the Company and higher credit ratings on the Company's unsecured debentures.

Year ended December 31		**2014**		2013
Sources of capital	**Amount (millions of dollars)**	**Pricing (weighted average coupon)**	Amount (millions of dollars)	Pricing (weighted average coupon)
Canadian credit facility capacity – unsecured	**$ 800**	**BA + 1.20%**	$ 600	BA + 1.325%
Canadian credit facilities capacity – secured	**$ 75**	**BA + 1.125%**	$ 75	BA + 1.25%
New 10-year mortgage financings in the year	**$ 80**	**3.97%**	$ —	—%
Senior unsecured debentures issued	**$ 510**	**4.60%**	$ 450	3.97%
Convertible debentures issued	**$ —**	**—**	$ 58	4.45%
Equity [(1)]	**$ 143**	**$ 17.87**	$ 30	$ 16.84
Subsequent to December 31, 2014:				
Senior unsecured debenture issued	**$ 90**	**4.32%**		
Equity	**$ 87**	**$ 19.80**		

(1) Includes issuance of common shares, payment of interest on convertible debentures, conversion of convertible debentures and exercises of options and warrants, net of share issue costs.

OUTLOOK AND CURRENT BUSINESS ENVIRONMENT

The forward-looking statements contained in this section and elsewhere in this MD&A are not historical facts but, rather, reflect the Company's current expectations regarding future results or events and are based on information currently available to Management. Certain material factors and assumptions were applied in providing these forward-looking statements. See the "Forward-Looking Statement Advisory" section of this MD&A.

Since 2001, First Capital Realty has successfully grown its business across the country, focussing on key urban markets, dramatically enhancing the quality of its portfolio and generating modest accretion in funds from operations, while successfully reducing leverage and achieving the highest credit rating on its unsecured debt for a publicly traded real estate entity in Canada (presently held by the Company and one other public Canadian real estate entity). The Company expects to continue to grow its business and portfolio of high quality properties in urban markets in the context of the acquisition, development, financing, demographic and shopping trends and evolving tenant dynamics in Canada, and in line with its long-term value creation strategy. The Company defines a high quality property primarily by its location, taking into consideration the local demographics and the retail supply and demand factors in each property trade area, and the ability to grow the property cash flow.

There are two primary market dynamics on which the Company is focussed over the long term in the retail and urban markets in Canada.

First, the Company is focussed on understanding changes in consumer habits and preferences occurring in the retail industry. These changes include an increasing reliance by consumers on online information to inform their purchasing decisions and an increasing desire to purchase products online, as well as an aging population which is increasingly focussed on convenience and health-related goods and services.

There is also a shift in consumer demand driven by pockets of ethnic consumers as a result of Canada's immigration policies. Another trend that Management observes is a desire for consumers to live in urban markets and to connect with others through daily trips to the gym, coffee shops and/or restaurants. Management is proactively responding to these consumer changes through its tenant mix, box size and shopping centre location and design.

Second, the Company observed over the past several years, a surge in entry and expansion into the Canadian marketplace by major U.S. retailers including Whole Foods Market, Marshalls, Dollar Tree, and others. A number of Canadian retailers responded to this entry by expanding their own offerings, locations, marketing activities, and/or by reducing pricing. Additionally, there were two major corporate transactions involving four of the Company's tenants: the purchase of Shoppers Drug Mart by Loblaws and the purchase of Safeway by Sobeys. Although this repositioning resulted in new opportunities for the Company, it also resulted in an increasingly competitive retail landscape in Canada. Over the past several months, a number of retailers have announced store closures and/or bankruptcies, Target being the largest.

Although the Company's exposure to these retailers is limited, these store closures will, in the short term, result in increased availability of retail space across Canada.

As a result of these ongoing changes, the Company remains highly focussed on ensuring the competitive position of its shopping centres in all of its various retail trade areas. Management will continue to closely follow demographic and goods and services shopping trends and retailer responses, in addition to retail competition. The Company's leasing strategy takes these factors into consideration in each trade area and its proactive management strategy helps to ensure the Company's properties remain attractive to high quality tenants and their customers.

Urban municipalities where the Company operates continue to focus on increasing density within the existing boundaries of infrastructure. This provides the Company with multiple density development and redevelopment opportunities in its existing portfolio of urban properties, which includes an inventory of adjacent land sites and development land. Development activities continue to provide the Company with growth within its existing portfolio of assets. These activities also typically generate higher returns on investment over the long term, and improve the quality and increase sustainable growth of property rental income. The Company's development activities primarily comprise redevelopments and expansions of existing properties in established retail trade areas in urban markets. These projects typically carry risk associated with project execution rather than market risk as projects are located in well-established urban communities with existing demand for goods and services. The Company has a long and successful track record of these development activities and will continue to carefully manage the risks associated with such projects.

The urban property acquisition environment remains extremely competitive for assets of similar quality to those the Company owns. The transaction activity in all classes of commercial real estate has recently moderated, though there are typically multiple bids on good quality properties, and asset valuations reflect this strong demand for well-located income-producing assets.

The Company continues to carefully scrutinize its properties to ensure that they meet the quality criteria it has adopted, and will occasionally dispose of non-core properties. This allows the Company to recycle capital into its urban redevelopment projects where population, rent growth and consumer trends present the best opportunities for long-term growth.

Canada's economy is growing at a relatively modest pace, however, uncertainty has increased as a result of strong downward pressure on oil prices, the declining value of the Canadian dollar and high average household debt levels. The U.S. continues to show positive signs of accelerating growth but other global economic markets remain uncertain. Long-term bond yields declined in 2014 while market volatility has increased. Although the equity and long-term debt markets remain accessible, pricing can vary based on the current market outlook for growth and interest rates. In this environment, the Company will continue to focus on maintaining access to all sources of long-term capital at the lowest possible cost. In particular, the Company is focussed on continuing to extend the term and stagger the maturity of its debt.

Currently, financing is available in Canada from both financial institutions and the capital markets, particularly for entities with good credit, including large real estate companies. However, relative to pricing currently sought by vendors of high quality, well-located urban properties that meet the Company's criteria, spreads also continue to be tight. In addition, well-located urban properties rarely trade in the market and attract significant competition. As a result, the urban property acquisitions completed by the Company typically do not provide material accretion to the Company's results in the immediate term. However, the Company will continue to selectively acquire high quality, well-located properties that add strategic value and/or operating synergies, provided that they will be accretive to FFO over the long term, and that equity and long-term debt capital can be priced and committed to maintain conservative leverage. The Company has been recycling its capital by selling assets in certain markets that are no longer aligned with its core strategies and will continue to do so, subject to market conditions.

With respect to acquisitions of both income-producing and development properties, as well as in its existing portfolio, the Company will continue to focus on the quality, sustainability and growth potential of rental income. Consistent with First Capital Realty's past practices and in the normal course of business, the Company is engaged in discussions, and has various agreements, with respect to possible acquisitions of new properties and dispositions of existing properties in its portfolio. However, there can be no assurance that these discussions or agreements will result in acquisitions or dispositions, or if they do, what the final terms or timing of such acquisitions or dispositions would be. The Company expects to continue current discussions and actively pursue other acquisition, investment and disposition opportunities.

Specifically, Management is focussed on the following six areas to achieve its objectives through 2015 and into 2016:

- development, redevelopment and repositioning activities including land use intensification;
- selective acquisitions of strategic assets and adjacent sites;
- selective dispositions of non-core assets;
- proactive portfolio management that results in higher rent growth;
- increase efficiency and productivity of operations; and
- maintain financial strength and flexibility to achieve the lowest cost of capital long-term.

Overall, Management is confident that the quality of the Company's Consolidated Balance Sheet and the defensive nature of its assets and operations will continue to serve it well in the current environment.

Guidance

A comparison of the Company's 2014 financial results to previously issued 2014 guidance was as follows.

- FFO before other gains (losses) and (expenses) for the year ended December 31, 2014 was $1.04 per share (diluted), in line with the guidance of between $1.04 and $1.05 per share (diluted).
- FFO including other gains (losses) and (expenses) for the year ended December 31, 2014 was $0.98 per share (diluted) compared to guidance of between $1.03 and $1.04 per share (diluted). The difference of $0.05 per share (diluted) was primarily due to other losses and expenses which the Company does not forecast; including executive transition expense ($5.8 million or $0.03 per share impact) and losses on prepayment of debt ($2.4 million or $0.01 per share impact) primarily arising on the redemption of the Series G unsecured debentures.
- AFFO before other gains (losses) and (expenses) for the year ended December 31, 2014 was $1.00 per share (diluted), in line with guidance of between $0.99 and $1.00 per share (diluted).
- AFFO for the year ended December 31, 2014 was $1.01 per share (diluted) slightly ahead of guidance of between $0.99 and $1.00 per share (diluted). The increase of $0.01 per share (diluted) relates to a smaller deduction for revenue sustaining capital expenditures and higher gains on marketable securities than forecast.

As a result of the CEO transition (Mr. Paul will be appointed President and Chief Executive Officer of the Company on February 16, 2015), the Company has not issued guidance with its 2014 year end results. The decision to issue the 2014 year end results without guidance for 2015 was made given the timing of the CEO transition.

For further information on Management's outlook and view on the business environment please refer to the "Outlook and Current Business Environment" section of the MD&A.

Corporate Responsibility and Sustainability

The Company builds value by creating and managing high quality properties with long-term appeal in neighbourhoods and communities that the Company believes will have a good and growing customer base well into the future. The Company also takes a highly disciplined approach to the development and redevelopment of the Company’s properties across Canada. In May 2006, the Company embarked on the path towards sustainability with a commitment to build all new developments to Leadership in Energy and Environmental Design (“LEED”) standards subject to tenant acceptance. In 2009, the Company published its first Corporate Sustainability Report identifying five long-term goals. Since 2011, the Company has published annual Corporate Responsibility and Sustainability (“CRS”) Reports. These CRS reports comply with the Global Reporting Initiative (“GRI”), an international non-profit organization whose mandate is to establish guidelines for CRS reports. The Company is proud to be Canada's first publicly traded real estate company to have issued a GRI-compliant and externally assured CRS report.

In April 2014, the Company was ranked sixth in Corporate Knights Inaugural Future 40 Responsible Corporate Leaders in Canada. This ranking evaluated more than 200 companies with revenues of less than $2.0 billion dollars for their sustainability and disclosure practices. The Company was the highest ranked real estate company in this list. In June 2014, the Company responded to the 2014 Carbon Disclosure Project Information Request, disclosing information on the Company’s greenhouse gas emissions, energy use, and risks and opportunities from climate change.

On the environmental front, the Company continues to develop its properties to LEED standards subject to tenant acceptance. As at December 31, 2014, 69 projects at 39 properties comprising over 1.5 million square feet of GLA were certified to LEED standards. Another 62 projects at 42 properties comprising over 2.4 million square feet of GLA are under development, in the process of construction or awaiting LEED certification.

In 2011, the Company began the process of seeking Building Owners and Managers Association (“BOMA”) Building Environmental Standards (“BESt”) certification for existing properties. BOMA BESt is the largest environmental assessment and certification program for existing buildings in Canada. As at December 31, 2014, 84 properties comprising 7.9 million square feet of the Company’s total GLA were certified to BOMA BESt.

Reducing energy and water consumption is also a key part of the sustainability strategy, and the Company continues to implement energy and water conservation measures, such as retrofitting lighting and water fixtures to more efficient technology. All of these initiatives enhance the properties’ environmental performance and many of them reduce operating costs, benefiting the Company's tenants and shareholders.

Management strives to maintain the highest levels of integrity and ethical business practices in all that it does. The Company’s governance structure, Code of Conduct and Ethics, and all of its employee guidelines and policies are aimed at ensuring that all employees remain good corporate citizens focussed on building the long-term value of the Company.

For more information on the Company’s Corporate Responsibility and Sustainability practices, refer to the latest CRS report on the Company's website at www.firstcapitalrealty.ca.

Adoption of New Accounting Standards

The Company's significant accounting policies are described in Note 2 to the annual audited consolidated financial statements. The Company adopted each of the items below on January 1, 2014:

(a) Levies

IFRS Interpretations Committee (“IFRIC”) 21, “Levies” (“IFRIC 21”) clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued ratably only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. The interpretation applies to realty taxes and has been applied retrospectively. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. The interpretation does not apply to accounting for income taxes or fines and penalties.

The primary consideration for the Company, in the adoption of IFRIC 21, relates to the timing of recognizing a liability to pay realty taxes. The adoption of IFRIC 21 did not result in a material impact to the consolidated financial statements, as the relevant municipal legislation governing realty taxes indicates that recognition progressively through the year is appropriate, which is consistent with the Company’s historic accounting.

(b) Internal Leasing Costs

In March 2014, the IFRIC issued an agenda decision related to the meaning of “incremental costs” in the context of initial direct leasing costs in IAS 17, “Leases” (“IAS 17”). The IFRIC determined that internal fixed costs, such as the salary costs of permanent staff involved in negotiating and arranging new leases, do not qualify as incremental costs within the context of IAS 17 and, therefore, should not be capitalized as initial direct leasing costs.

Prior to January 1, 2014, the Company’s accounting policy was to capitalize internal leasing costs of the Company to investment properties, which was then adjusted to fair value through net income. Adoption of this agenda decision resulted in an increase in corporate expenses and an increase in fair value gains (or decrease in fair value losses) on investment properties in the Consolidated Statements of Income, with no change in net income. There is no material impact on the consolidated balance sheet or the consolidated statements of cash flows.

The impact of the Company’s adoption of the agenda decision on the consolidated statements of income for the year ended December 31, 2013 is as follows:

Year ended December 31	
(thousands of dollars)	2013
Increase in value of investment properties, net	$ 4,747
Increase in corporate expenses	4,747
Net income impact	—

SUMMARY CONSOLIDATED INFORMATION AND HIGHLIGHTS

As at December 31 *(thousands of dollars, except other data)*	**2014**	2013	2012
Operations Information			
Number of properties	**158**	164	175
GLA (square feet)	**24,331,000**	24,462,000	24,969,000
Occupancy – same property – stable (1)	**97.2%**	96.7%	96.4%
Total portfolio occupancy	**96.0%**	95.5%	95.6%
Development pipeline and adjacent land (GLA) (2)	**2,421,000**	3,181,000	3,514,000
Average rate per occupied square foot	**$ 18.42**	$ 17.96	$ 17.51
GLA developed and brought on line (square feet)	**289,000**	518,000	853,000
Same property – stable NOI – increase over prior year (3) (4)	**2.8%**	2.7%	1.4%
Total same property NOI – increase over prior year (3) (4)	**3.2%**	3.7%	2.3%
Financial Information			
Investment properties – shopping centres (5)	**$ 7,474,329**	$ 7,126,008	$ 6,849,078
Investment properties – development land (5)	**$ 35,462**	$ 166,043	$ 127,405
Total assets	**$ 7,908,184**	$ 7,596,255	$ 7,261,617
Mortgages and credit facilities (5)	**$ 1,173,410**	$ 1,366,583	$ 1,597,234
Senior unsecured debentures payable	**$ 2,149,174**	$ 1,861,953	$ 1,469,073
Convertible debentures payable	**$ 373,277**	$ 374,012	$ 318,794
Shareholders' equity	**$ 3,470,271**	$ 3,319,370	$ 3,245,168
Capitalization and Leverage			
Shares outstanding (in thousands)	**216,374**	208,356	206,546
Enterprise value (6)	**$ 7,762,000**	$ 7,319,000	$ 7,301,000
Net debt to total assets (6) (7) (8)	**42.2%**	42.9%	42.1%
Net debt to enterprise value (6) (7) (8)	**42.9%**	44.3%	41.8%
Net debt to EBITDA – based on run rate on components of EBITDA (5) (6) (7) (8)	**8.2**	8.2	7.9
Weighted average maturity on mortgages and senior unsecured debentures (years)(8)	**5.9**	5.3	5.3

Year ended December 31 *(thousands of dollars, except per share and other data)*		**2014**		2013		2012
Revenues, Income and Cash Flows						
Revenues [9]	**$**	**661,438**	$	642,106	$	587,965
Net operating income [3] [9]	**$**	**406,909**	$	398,010	$	369,133
Corporate expenses, excluding non-cash compensation and incremental leasing costs						
As a percentage of rental revenue		**3.5%**		3.5%		3.6%
As a percentage of total assets		**0.3%**		0.3%		0.3%
Increase in value of investment properties, net	**$**	**42,078**	$	60,833	$	286,950
Net income attributable to common shareholders	**$**	**196,748**	$	214,863	$	392,923
Net income per share attributable to common shareholders (diluted)	**$**	**0.92**	$	1.01	$	1.98
Cash provided by operating activities	**$**	**269,092**	$	212,967	$	193,006
Adjusted cash flow from operating activities [6]	**$**	**233,524**	$	228,238	$	197,348
Dividends						
Regular dividends	**$**	**181,317**	$	175,092	$	159,157
Regular dividends per common share	**$**	**0.85**	$	0.84	$	0.82
Weighted average number of common shares – diluted (in thousands)		**230,533**		229,948		206,573
Funds from Operations ("FFO") [3]						
FFO	**$**	**208,977**	$	215,543	$	189,081
FFO per diluted share	**$**	**0.98**	$	1.03	$	1.00
FFO excluding other gains (losses) and (expenses)	**$**	**220,299**	$	214,528	$	189,651
FFO per diluted share excluding other gains (losses) and (expenses)	**$**	**1.04**	$	1.03	$	1.00
Adjusted Funds from Operations ("AFFO") [3]						
AFFO	**$**	**229,770**	$	225,210	$	195,928
AFFO per diluted share	**$**	**1.01**	$	1.00	$	0.95
AFFO excluding other gains (losses) and (expenses)	**$**	**228,617**	$	218,543	$	192,449
AFFO per diluted share excluding other gains (losses) and (expenses)	**$**	**1.00**	$	0.97	$	0.93

(1) Same property – stable comparative information has been revised to reflect property categories consistent with current period status.
(2) Square footage does not include potential development on properties held through the Company's Main and Main Developments joint venture. See the "Business and Operations Review – 2014 Investment Property Development and Redevelopment Activities – Main and Main Developments" section of this MD&A.
(3) NOI, FFO and AFFO are measures of operating performance that are not defined by IFRS. See the "Results of Operations" section of this MD&A.
(4) Calculated based on the year-to-date net operating income ("NOI").
(5) Includes properties classified as held for sale.
(6) Enterprise value, debt, net debt, EBITDA, run rate and adjusted cash flow from operating activities (adjusted for the net change in non-cash operating items, receipt of proceeds from sales of residential inventory and expenditures on residential development inventory) are measures not defined by IFRS. See the "Capital Structure and Liquidity" section of this MD&A.
(7) Calculated with joint ventures proportionately consolidated.
(8) Weighted average term to maturity is calculated net of cash balances as at the end of the period.
(9) Calculated excluding the Company's proportionate share of its joint ventures.

BUSINESS AND OPERATIONS REVIEW

Real Estate Investments

Investment Property Categories

The Company categorizes its properties for the purposes of evaluating operating performance including same property NOI. This enables the Company to reflect better its development, redevelopment and repositioning activities on its properties, including land use intensification, and its completed and planned disposition activities. In addition, the Company revises comparative information to reflect property categories consistent with current period status. The property categories are as follows:

Investment properties – shopping centres: same property consisting of:

> *Same property – stable* – includes stable properties where the only significant activities are leasing and ongoing maintenance. Properties that will be undergoing a redevelopment in a future period, including adjacent parcels of land, and those having planning activities underway are also in this category until such development activities commence. At that time, the property will be reclassified to either same property with incremental redevelopment and expansion activities or to major redevelopment.
>
> *Same property with incremental redevelopment and expansion* – includes properties that are largely stable, including adjacent parcels of land, but are undergoing incremental redevelopment or expansion activities (pads or building extensions) which intensify the land use. Such redevelopment activities often include facade, parking, lighting and building upgrades.

Major redevelopment – includes properties in planning or undergoing multi-year redevelopment projects with significant intensification, reconfiguration and building and tenant upgrades.

Ground-up development – consists of new construction, either on a vacant land parcel typically situated in an urban area or on an urban land site with conversion of an existing vacant building to retail use.

Acquisitions and dispositions – includes properties and properties adjacent to the Company's existing properties included in other categories that were acquired during the period. Dispositions include information for properties disposed of in the period.

Investment properties classified as held for sale – represents those properties classified on the consolidated balance sheet which meet the criteria as described in the "Business and Operations Review – Investment Properties Classified as Held For Sale" section of this MD&A.

Investment properties – development land – comprises land sites where there are no development activities underway, except for those in the planning stage.

The Company has applied the above property categorization to the fair value, capital expenditures as well as leasing and occupancy activity on its shopping centre portfolio, and to its same property NOI analysis to further assist in understanding the Company's real estate activities and its operating and financial performance.

Reconciliation of Consolidated Condensed Balance Sheet to the Company's Proportionate Interest

Proportionate interest is not an IFRS measure, but is defined by Management as the Company's proportionate share of revenues, expenses, assets and liabilities in all of its real estate investments. This presentation is reflected throughout this MD&A to indicate the Company's equity accounted joint ventures and the related share of revenues, expenses, assets and liabilities on a proportionately consolidated basis at the Company's ownership interest in the joint ventures.

The following table provides a condensed reconciliation of the Company's consolidated balance sheet, as presented in its audited annual consolidated financial statements to proportionate interest.

As at			**December 31, 2014**	December 31, 2013
(thousands of dollars)	**Consolidated Balance Sheet (Equity Method)**	**Adjustments for Equity Method to Proportionate Interest [1]**	**Proportionate Interest**	Proportionate Interest
ASSETS				
Investment properties – shopping centres	**$ 7,287,650**	**$ 77,095**	**$ 7,364,745**	$ 7,038,104
Investment properties – development land	**17,008**	**36,768**	**53,776**	147,497
Investment in joint ventures	**138,578**	**(138,578)**	**—**	—
Investment properties classified as held for sale	**205,133**	**—**	**205,133**	155,499
Other	**259,815**	**7,963**	**267,778**	267,493
Total assets	**$ 7,908,184**	**$ (16,752)**	**$ 7,891,432**	$ 7,608,593
LIABILITIES				
Mortgages payable and credit facilities	**$ 1,173,410**	**$ 10,413**	**$ 1,183,823**	$ 1,100,808
Other	**3,236,933**	**405**	**3,237,338**	3,184,776
Total liabilities	**$ 4,410,343**	**$ 10,818**	**$ 4,421,161**	$ 4,285,584
EQUITY				
Shareholders' equity	**$ 3,470,271**	**$ —**	**$ 3,470,271**	$ 3,319,371
Non-controlling interest	**27,570**	**(27,570)**	**—**	3,638
Total equity	**$ 3,497,841**	**$ (27,570)**	**$ 3,470,271**	$ 3,323,009
Total liabilities and equity	**$ 7,908,184**	**$ (16,752)**	**$ 7,891,432**	$ 7,608,593

[1] Effective September 25, 2014, Main and Main Developments LP ("Main and Main Developments"), a subsidiary controlled by the Company, sold all of its real estate assets to a newly-created joint venture between the Company, Main and Main Developments, and an institutional investor, in exchange for cash consideration and an equity interest in the joint venture. The Company's direct and indirect investment in the new joint venture is accounted for using the equity method. Refer to the "2014 Investment Property Development and Redevelopment Activities – Main and Main Developments" section of this MD&A for additional information.

Portfolio Overview

As at December 31, 2014, the Company had interests in 158 investment properties – shopping centres, that were 96.0% occupied with a total GLA of 24.3 million square feet. This compares to 164 investment properties – shopping centres which were 95.5% occupied with a total GLA of 24.5 million square feet as at December 31, 2013. The average size of the shopping centres is approximately 154,000 square feet, with sizes ranging from approximately 11,000 to over 575,000 square feet.

The same property portfolio includes shopping centres categorized in same property – stable and same property with incremental redevelopment and expansion. The same property portfolio is comprised of 127 properties totalling 18.8 million square feet of GLA with a fair value of $5.4 billion. These properties represent 80.4% of the Company's property count, 77.2% of its GLA and 72.0% of its fair value. During the year ended December 31, 2014, these properties generated $308.4 million of NOI which is 75.1% of the Company's total NOI. The stability of the portfolio is reflected in its high occupancy of 96.9% as at December 31, 2014, slightly higher than 96.5% as at December 31, 2013.

The balance of the Company's real estate assets consist of shopping centres with significant value enhancement opportunities that are in various stages of redevelopment, shopping centres and properties adjacent to existing properties acquired in 2014 or 2013, and properties held for sale. The Company pursues selective development and redevelopment activities including land use intensification projects, primarily on its own, but also with partners, in order to achieve a better return on its portfolio over the long term. The redevelopment activities are focussed primarily on older, well-located shopping centres that the Company owns and actively seeks to acquire. These properties are redeveloped and expanded, over time, in conjunction with anchor tenant repositioning and changing retail environments. Redevelopment of existing properties generally carries a lower market risk due to the urban locations, existing tenant base and land use intensification opportunities.

The Company's proportionate interest in its shopping centre portfolio based on property categorization is summarized as follows:

As at	**December 31, 2014**					December 31, 2013				
(millions of dollars, except other data)	**Number of Properties**	**GLA (000s sq. ft.)**	**Fair Value**	**Occupancy**	**Weighted Average Rate per Square Foot**	Number of Properties	GLA (000s sq. ft.)	Fair Value	Occupancy	Weighted Average Rate per Square Foot
Same property – stable	**102**	**14,197**	**$ 4,265**	**97.2%**	**$ 18.68**	102	14,293	$ 4,147	96.7%	$ 18.35
Same property with incremental redevelopment and expansion	**25**	**4,594**	**1,168**	**96.1%**	**16.85**	27	4,564	1,127	96.1%	16.56
Total same property	**127**	**18,791**	**5,433**	**96.9%**	**18.24**	129	18,857	5,274	96.5%	17.92
Major redevelopment	**13**	**2,855**	**1,095**	**91.9%**	**18.68**	13	3,089	1,004	91.1%	17.89
Ground-up development	**5**	**876**	**409**	**94.2%**	**21.25**	4	674	319	98.2%	22.80
Acquisitions – 2014 [1]	**2**	**464**	**204**	**91.9%**	**26.31**	—	—	—	—%	—
Acquisitions – 2013 [1]	**3**	**329**	**223**	**94.2%**	**26.94**	2	287	227	94.0%	27.92
Investment properties classified as held for sale	**8**	**1,016**	**187**	**94.9%**	**12.55**	8	1,067	201	89.5%	12.57
Dispositions – 2014	**—**	**—**	**—**	**—%**	**—**	8	488	150	95.5%	18.30
Total	**158**	**24,331**	**$ 7,551**	**96.0%**	**$ 18.42**	164	24,462	$ 7,175	95.5%	$ 17.96

[1] Acquisitions square footage and fair value includes 20 adjacent properties and land parcels (2013 – 16 adjacent properties and land parcels) to the Company's existing properties reflected in other categories in the table.

A summary of the Company's shopping centre portfolio by property count and status of value enhancement activities as at December 31, 2014 and 2013 (as previously reported) is as follows:

As at December 31, 2014	Same property – stable	Same property with incremental expansion	Major redevelopment	Ground-up development	Acquisitions – 2014 and 2013	Held for sale	Total	Development land
Stabilized	82	8	—	—	5	8	103	—
At completion	—	5	4	2	—	—	11	—
Active development	—	5	3	3	—	—	11	—
In pre-development	—	3	6	—	—	—	9	—
Early planning stages	20	4	—	—	—	—	24	—
Total property count	102	25	13	5	5	8	158	—
As at December 31, 2013	92	30	16	4	15	7	164	1

Refer to the "Business and Operations Review – 2014 Investment Property Development and Redevelopment Activities" section of this MD&A for further discussion relating to the Company's value enhancement activities.

The Company’s shopping centre portfolio summarized by region is as follows:

As at	December 31, 2014						December 31, 2013					
(millions of dollars, except other data)	**Number of Properties**	**GLA (000s sq. ft.)**	**Fair Value**	**Occupancy**	**Weighted Average Rate per Occupied Square Foot**	**% of Annual Minimum Rent**	Number of Properties	GLA (000s sq. ft.)	Fair Value	Occupancy	Weighted Average Rate per Occupied Square Foot	% of Annual Minimum Rent
Central Region												
Greater Toronto area	**44**	**6,637**	**$ 2,674**	**96.6%**	**$ 21.23**	**32%**	45	6,565	$ 2,452	96.0%	$ 20.58	32%
Kitchener / Waterloo	**8**	**1,604**	**382**	**99.0%**	**15.11**	**6%**	10	1,746	410	98.1%	14.78	6%
London area	**7**	**691**	**166**	**98.0%**	**15.40**	**3%**	7	803	160	93.8%	14.22	3%
	59	**8,932**	**3,222**	**97.1%**	**19.66**	**41%**	62	9,114	3,022	96.2%	19.08	41%
Eastern Region												
Quebec City	**5**	**1,009**	**168**	**96.1%**	**11.20**	**3%**	5	1,004	155	93.3%	11.32	3%
Greater Montreal area	**35**	**5,019**	**1,173**	**93.6%**	**15.02**	**17%**	36	4,841	1,080	95.2%	14.84	16%
Ottawa / Gatineau	**11**	**1,964**	**427**	**97.1%**	**16.61**	**7%**	13	1,929	423	96.7%	16.67	7%
Other	**1**	**121**	**23**	**98.2%**	**13.90**	**—%**	1	122	22	98.2%	13.67	—%
	52	**8,113**	**1,791**	**94.8%**	**14.91**	**27%**	55	7,896	1,680	95.4%	14.84	26%
Western Region												
Calgary	**16**	**2,698**	**984**	**98.4%**	**21.62**	**13%**	16	2,705	947	96.9%	20.21	13%
Edmonton	**12**	**2,396**	**684**	**95.0%**	**18.38**	**9%**	11	2,397	652	94.5%	18.04	9%
Greater Vancouver area	**19**	**2,192**	**870**	**93.8%**	**22.22**	**10%**	20	2,350	874	92.9%	21.42	11%
	47	**7,286**	**2,538**	**95.9%**	**20.74**	**32%**	47	7,452	2,473	94.9%	19.89	33%
Total	**158**	**24,331**	**$ 7,551**	**96.0%**	**$ 18.42**	**100%**	164	24,462	$ 7,175	95.5%	$ 17.96	100%

Among the Company's real estate investment portfolio are twenty-nine retail assets each with a value greater than $85 million or size greater than 300,000 square feet. Together, these twenty-nine retail assets comprise $3.5 billion (2013 - $2.9 billion) or 47% (2013 - 40%) of the Company’s aggregate $7.6 billion IFRS value. The year over year increase in these assets, as a percentage of the Company's aggregate IFRS value, reflects the Company's focus on strategic assets in its target urban markets.

Twenty-one of these assets are categorized as same property – stable or same property with incremental redevelopment and expansion and the balance of eight assets are in the major redevelopment or ground-up development category. As at December 31, 2014, the weighted average occupancy on these stable assets is 97.4% and the weighted average run rate yield on invested cost and fair value is 7.41% and 5.41%, respectively. Same property NOI growth on these stable assets was 3.5% and 1.6% for the years ended December 31, 2014 and 2013, respectively. As at December 31, 2014, the weighted average occupancy on same property with incremental redevelopment or expansion activities is 94.7% and the weighted average run rate yield on cost and fair value is 6.48% and 5.26%, respectively. The same property NOI growth on these assets was 4.6% and 7.3% for the years ended December 31, 2014 and 2013, respectively. Once stabilized in terms of incremental redevelopment or expansion activities, the occupancy and yields are expected to increase.

As at December 31, 2014, the remaining large assets, which comprise the eight development assets, have a weighted average occupancy rate of 92.7% and a weighted average run rate yield on cost and fair value of 5.16% and 5.07%, respectively. These assets are expected to have improved operating metrics following completion of their various value creation activities.

The Company's largest properties as at December 31, 2014 are listed below:

Property Name, City, Province	GLA (sq. ft.)	IFRS Value (000s)	Invested Cost (000s)	PreDev/UD [1] Bal (000s)	NOI Run Rate (000s)	Occupancy
Same property — stable						
Shops at King Liberty Assets, Toronto, ON [2]	295,000					100.0%
Cedarbrae Mall Assets, Toronto, ON	547,000					98.7%
Northgate Centre, Edmonton, AB	488,000					93.6%
Meadowvale Town Centre Assets, Mississauga, ON	422,000					97.6%
Shops at New West, New Westminster, BC	202,000					90.6%
Rutherford Marketplace, Vaughan, ON	194,000					100.0%
York Mills Gardens Assets, Toronto, ON	190,000					95.8%
Royal Oak Centre, Calgary, AB	336,000					98.8%
South Park Centre, Edmonton, AB	375,000					100.0%
Morningside Crossing Assets, Toronto, ON	304,000					96.1%
Appleby Village Assets, Burlington, ON	254,000					94.5%
Fairview Mall Assets, St. Catharines, ON	388,000					98.7%
Meadowlark Health and Shopping Centre, Edmonton, AB	299,000					100.0%
Richmond Square Assets, Calgary, AB	233,000					92.7%
Brampton Corners Shopping Centre, Brampton, ON	302,000					100.0%
Same property with incremental redevelopment and expansion [3]						
South Oakville Properties, Oakville, ON [2]	344,000					96.8%
Westmount Shopping Centre Assets, Edmonton, AB	509,000					88.2%
Lanaudiere Assets, Montreal, QC	522,000					98.1%
McKenzie Towne Centre Assets, Calgary, AB	214,000					100.0%
Carrefour St-Hubert Assets, Longueuil, QC	322,000					93.2%
Gloucester City Centre, Ottawa, ON	362,000					95.0%
Total same property		$ 2,426,111	$ 1,841,627	$ 68,966	$ 126,476	96.5%
Major redevelopment or ground-up development						
Yorkville Village Assets, Toronto, ON [4]	218,000					94.5%
Place Viau Assets, Montreal, QC	327,000					87.2%
Victoria Park Centres, Toronto, ON	485,000					95.5%
Mount Royal Village Assets, Calgary, AB	193,000					99.0%
Macleod Trail Assets, Calgary, AB	300,000					97.7%
Semiahmoo Shopping Centre, Surrey, BC	230,000					93.0%
Place Portobello Assets, Brossard, QC	575,000					86.6%
Leaside Village Assets, Toronto, ON	117,000					100.0%
Total major redevelopment and ground-up development		1,109,131	1,092,818	202,870	45,916	92.7%
	9,547,000	3,535,242	2,934,445	271,836	172,392	95.5%
Remainder of portfolio	14,784,000	4,063,185	3,451,717	210,479	243,692	96.3%
Total Portfolio	24,331,000	$ 7,598,427	$ 6,386,162	$ 482,315	$ 416,084	96.0%

(1) Pre-development/development costs are included in the IFRS Value and Invested Cost.
(2) The Company has a 50% interest in one of the assets in this property assembly.
(3) See the "Business and Operations Review – 2014 Investment Property Development and Redevelopment Activities" section of this MD&A for further analysis of development activity for some of these properties.
(4) IFRS value and invested cost includes mortgage investment of $47 million.

A brief profile of each of these properties follows including the tenants, demographics, locations and potential for additional density. Further information regarding the development activities for the major redevelopment and ground-up development properties is in the “Business and Operations Review – 2014 Investment Property Development and Redevelopment Activities” section of this MD&A.

Shops at King Liberty Assets, Toronto, Ontario

The Shops at King Liberty Assets are an assembly of thirteen properties at Liberty Street and Hanna Avenue, located just west of Toronto’s downtown, in King Liberty Village, which is a live, work, play community (one of the fastest growing in Toronto in the past five years), located between two public transit routes, the TTC street cars on King Street and the Lakeshore West GO Train line. The assets include an open-air shopping centre and adjacent retail and ancillary office space (including the Company’s corporate offices), situated on 13.7 acres of land, as well as three at grade retail properties under condominium towers on King Street totalling 295,000 square feet and have 278 at grade and 354 underground parking spaces. Population within five kilometres is approximately 415,000 with an average household income of approximately $83,000.

The Company made its initial investment in 2004, and has since developed or redeveloped additional retail buildings that include two heritage buildings restored to state-of-the-art commercial properties by the Company and further include amenities, benches, patios, public spaces and art. Major tenants include Metro, TD Canada Trust, CIBC, RBC Royal Bank, LCBO, The Beer Store, West Elm, EQ3, Starbucks, Aroma Espresso Bar, GoodLife Fitness, and other restaurants, medical and personal services.

As part of the Shops at King Liberty Assets, the Company also owns a 50% interest in 3.3 acres of land on two development sites on King Street, King High Line and 1071 King Street. In late 2013, the Company received final rezoning approval for the development of its King High Line mixed use project, which will be developed with the Company's partner, Urbancorp, one of the leading residential developers in the King/Queen West area of Toronto. King High Line will comprise almost 160,000 square feet of retail/commercial uses, 345,000 square feet of residential space (for approximately 500 residential units) in three high-rise buildings above the retail, as well as a total of 775 underground parking stalls (including 345 stalls for retail/commercial use). Construction is underway and the project is currently in the below grade forming stage. The timing for occupancy is estimated to be mid-2017. The Company has the right to acquire its partner’s interest in the retail/commercial space and related parking at completion. The 1071 King Street development site has 100,000 square feet of density entitlements.

There is also substantial additional future density potential on the existing retail site.

The Company completed the Fuzion condominium tower together with its partner Urbancorp, consisting of 246 residential units and 9,000 square feet of retail space late in 2013.

Cedarbrae Mall Assets, Toronto, Ontario

Cedarbrae Mall Assets is an assembly of three separate assets, comprising one large enclosed shopping centre and two adjacent properties totalling 547,000 square feet located at the intersection of Lawrence Avenue and Markham Road. The Cedarbrae Mall Assets are situated on a total of 37.9 acres of land and collectively have 2,151 parking stalls at grade and on one deck. Population within five kilometres is approximately 265,000 with an average household income of approximately $67,000. Major tenants include Walmart, No Frills (Loblaws), Canadian Tire, Staples, Shoppers Drug Mart (Loblaws), Scotiabank, CIBC, RBC Royal Bank, LCBO, The Beer Store, Toys “R” Us, Dollarama, Mark's Work Wearhouse, Tim Hortons, McDonald's, GoodLife Fitness, and other restaurants, medical and personal services.

The Cedarbrae Mall Assets were redeveloped over a decade and the interior and exterior of the enclosed shopping centre was fully renovated in 2013 to maintain a functional and pleasant shopping environment. There is future opportunity for retail density on the site.

Northgate Centre, Edmonton, Alberta

Northgate Centre is a 488,000 square foot two-level enclosed shopping centre located at the intersection of 137th Avenue NW and 97th Street NW. The property is situated on 28.1 acres of land and has 1,838 parking stalls at grade and on one deck. Population within five kilometres is approximately 192,000 with an average household income of approximately $88,000. Major tenants include Walmart, Safeway (Sobeys), Rexall, RBC Royal Bank, Liquor World, Sport Mart, McDonald's, Alberta Health Services, Alberta Works, Spa Lady, and other restaurants, medical and personal services.

Meadowvale Town Centre Assets, Mississauga, Ontario

Meadowvale Town Centre Assets comprises two separate assets, one large shopping centre and one adjacent retail property, totalling 422,000 square feet at the intersection of Winston Churchill Blvd. and Battleford Blvd. The properties are situated on a total of 42.2 acres of land and have a combined 2,189 at grade parking stalls. Meadowvale Town Centre shopping centre has a bus terminal and represents a major hub for commuters in the area. Population within five kilometres is approximately 167,000 with an average household income of approximately $111,000. Major tenants include Metro, Canadian Tire, Shoppers Drug Mart (Loblaws), TD Canada Trust, CIBC, BMO, LCBO, The Beer Store, Tim Hortons, McDonald's, GoodLife Fitness and other restaurants, medical and personal services.

The Meadowvale Town Centre shopping centre was fully redeveloped in 2004 and has future opportunity for significant retail and residential density.

Shops at New West, New Westminster, British Columbia

Shops at New West is a newly developed, unique shopping centre totalling 202,000 square feet on three levels on 2.7 acres that is integrated with a bus terminal and a Sky Train rapid transit station at Columbia Street and 8th Street. The property has a large deck parking facility to accommodate shoppers. The property is in the high growth community, adjacent to a community auditorium and other community amenities and newly developed condominium towers, on the Fraser River, southeast of Vancouver. Population within five kilometres is approximately 197,000 with an average household income of approximately $75,000. Major tenants include Safeway (Sobeys), Shoppers Drug Mart (Loblaws), RBC Royal Bank, CIBC, Dollar Tree, Landmark Cinemas, Starbucks, Tim Hortons, Dynamic Health and Fitness and other restaurants, medical and personal services.

Rutherford Marketplace, Vaughan, Ontario

Rutherford Marketplace is a shopping centre totaling 194,000 square feet situated on 16.1 acres with 529 at grade and 445 underground parking stalls. The property is located at the intersection of Bathurst and Rutherford which is in a high growth community, close to a large community centre and a private school. Population within five kilometres is approximately 183,000 with an average household income of approximately $118,000. Major tenants include Longo's, Shoppers Drug Mart (Loblaws), LA Fitness, LCBO, CIBC, RBC, Childventures day care, Aroma Espresso Bar, Second Cup and other restaurants, medical and personal services. Plans for the last phase are being finalized to add 35,000 square feet of retail uses and 190,000 square feet of residential. Management expects to start construction in the summer of 2015 with an estimated completion in mid-late 2017.

York Mills Gardens Assets, Toronto, Ontario

York Mills Gardens Assets is an assembly of four separate assets comprising one shopping centre, an adjacent retail property, an additional retail and commercial office building and a food campus centre totalling 190,000 square feet located at the intersection of Leslie Street and York Mills Road. The assets are situated on a total of 13.3 acres and collectively have 746 parking stalls at grade. Population within five kilometres is approximately 306,000 with an average household income of approximately $118,000. Major tenants include Longo's, Shoppers Drug Mart (Loblaws), TD Canada Trust, BMO, RBC Royal Bank, LCBO, Second Cup, Starbucks, McDonald's, Kelsey's, Wendy's and other restaurants, medical and personal services.

The adjacent retail and commercial office buildings provide future residential and retail density opportunity.

Royal Oak Centre, Calgary, Alberta

Royal Oak Centre is a shopping centre totalling 336,000 square feet situated on 28.0 acres of land and has 1,512 at grade parking stalls. The property is located at the intersection of 85th Street NW and Country Hills Blvd. NW. Population within five kilometres is approximately 94,000 with an average household income of approximately $158,000. Major tenants include Sobeys, Walmart, London Drugs, RBC Royal Bank, BMO, Scotiabank, Dollarama, Second Cup, and other restaurants, medical and personal services.

South Park Centre, Edmonton, Alberta

South Park Centre is a shopping centre totalling 375,000 square feet situated on 27.7 acres of land and has 1,341 at grade parking stalls. The property is located at the intersection of Calgary Trail NW, 39A Avenue NW and Gateway Blvd. NW. Population within five kilometres is approximately 130,000 with an average household income of approximately $108,000. Major tenants include Walmart, Canadian Tire, SportChek, JYSK, Dollar Tree, TD Canada Trust, Starbucks, GoodLife Fitness, and other restaurants, medical and personal services.

Morningside Crossing Assets, Toronto, Ontario

The Morningside Crossing Assets are an assembly of six properties that now comprise four separate assets, including two adjacent shopping centres and two additional retail properties totalling 304,000 square feet located at the intersection of Lawrence Avenue, Morningside Avenue and Kingston Road. The Morningside Crossing Assets are situated on a total of 23.2 acres of land and collectively have 1,303 parking stalls at grade. Population within five kilometres is approximately 196,000 with an average household income of approximately $76,000. The Morningside Crossing shopping centre asset was originally redeveloped and opened in 2008 on three of the assembled properties. This centre also houses the Company’s property management operations office in Toronto. One of the two shopping centres and two additional retail properties which comprise the remainder of the assets are expected to be renovated and repositioned in the future, providing opportunity to improve the tenant mix and retail shopping environment. Major tenants include Food Basics, No Frills, Shoppers Drug Mart (Loblaws), Pharma Plus, BMO, CIBC, TD Canada Trust, LCBO, Dollarama, Starbucks, Tim Hortons, McDonald's, Mark’s Work Wearhouse, GoodLife Fitness, and other restaurants, medical and personal services.

Appleby Village Assets, Burlington, Ontario

The Appleby Village Assets are an assembly of three separate assets consisting of one shopping centre and two retail properties on three corners at the intersection of Appleby Line and New Street in a community that borders Lake Ontario. The properties are situated on a total of 20.1 acres of land and comprise a total of 254,000 square feet and 1,200 parking stalls at grade. Population within five kilometres is approximately 89,000 with an average household income of $107,000. Appleby Village shopping centre was acquired in 2004 as an old tired mall and was redeveloped, demalled and expanded with new retail space. Smaller retail properties on two of the three adjacent corners were acquired subsequently and were refurbished and fully completed in 2013. Major tenants include a Fortino’s (Loblaws), Rexall, BMO, TD Canada Trust, LCBO, The Beer Store, Dollarama, Home Hardware, Starbucks, Women's Fitness Clubs of Canada, and other restaurants, medical and personal services.

The Appleby Village Assets also have retail and residential density potential currently in the entitlement stage.

Fairview Mall Assets, St. Catharines, Ontario

The Fairview Mall Assets are an assembly of five assets comprising an enclosed shopping centre and adjacent free-standing retail buildings totalling 388,000 square feet, located in the heart of the Golden Horseshoe area, between the Greater Toronto Area and the U.S. border, along the Queen Elizabeth Way. The properties are situated on a total of 30.2 acres of land and together have 1,880 parking stalls at grade. Population within five kilometres is approximately 114,000 with an average household income of approximately $67,000. Major tenants include Food Basics, Walmart, Scotiabank, CIBC, Staples, LCBO, Winners, Chapters (including Starbucks), Mark’s Work Wearhouse, SportChek, Future Shop, Dollarama, McDonald's, Tim Hortons, and other restaurants, medical and personal services.

Meadowlark Health and Shopping Centre, Edmonton, Alberta

Meadowlark Health and Shopping Centre totals 299,000 square feet at the intersection of 156th Street and 87th Avenue. The property has 1,230 at grade parking stalls and sits on 23.2 acres of land. Population within five kilometres is approximately 138,000 with an average household income of approximately $113,000. Meadowlark was redeveloped in 2001 to have a shopping centre component in addition to a medical services component. Major tenants include Walmart, Safeway (Sobeys), Shoppers Drug Mart (Loblaws), RBC Royal Bank, CIBC, Liquor Depot, McDonald's, Second Cup, Alberta Service Centre and other restaurants, medical and personal services.

Richmond Square Assets, Calgary, Alberta

Richmond Square Assets comprises of Richmond Square, a 102,000 square foot plaza, Glenbrook Plaza, an adjacent two-storey, 55,000 square foot medical office building, and London Plaza West, a 76,000 square foot plaza, totalling 233,000 square feet, which are situated on a total of 21 acres of land with 848 parking stalls at grade. Population within five kilometres is approximately 134,000 with an average household income of approximately $159,000. Major tenants include London Drugs, GoodLife Fitness, Home Outfitters, BMO, Boston Pizza, Good Earth Coffeehouse, and other restaurants, medical and personal services.

Brampton Corners Shopping Centre, Brampton, Ontario

Brampton Corners Shopping Centre is a 302,000 square foot shopping centre situated on 27.8 acres of land with 1,633 parking stalls at grade at the intersection of Main Street North and Bovaird Drive West. Population within five kilometres is approximately 269,000 with an average household income of approximately $95,000. Major tenants include Walmart, Fortino's, HSBC, Scotiabank, National Bank Canada, Indigo, Kelsey's, Second Cup, and other restaurants, medical and personal services.

South Oakville Properties, Oakville, Ontario

The South Oakville Properties comprise of three separate assets, Olde Oakville Marketplace, The Shops of Oakville South and Maple Grove Village. The properties are situated on a total of 32.5 acres of land and comprise a total of 344,000 square feet and 1,607 parking stalls at grade. Population within five kilometres is approximately 98,000 with an average household income of $136,000. The Shops of Oakville South represents the most recent acquisition which was bought on a 50% basis with the centre's anchor grocery tenant, Longo's, as the 50% partner. The Company owns the other two assets on a 100% basis. The Company is the development and property manager of The Shops of Oakville South, which has a development potential of an additional 7,000 square feet of retail uses. Major tenants include a Whole Foods Market, Longo's, Sobeys, Shoppers Drug Mart (Loblaws), LCBO, RBC Royal Bank, HSBC, CIBC, BMO, Harper's Landing restaurant, Kids & Co Daycare, Rexall, Tim Horton's, and other restaurants and personal services.

Westmount Shopping Centre Assets, Edmonton, Alberta

The Westmount Shopping Centre Assets comprise one shopping centre and one small retail property totalling 509,000 square feet situated on 34.2 acres of land along Groat Road, with a combined total of 1,530 at grade parking stalls along Groat Road. Population within five kilometres is 152,000 with an average household income of $78,000. Major tenants include Walmart, Safeway (Sobeys), Home Depot, Shoppers Drug Mart (Loblaws), Rexall, BMO, Scotiabank, TD Canada Trust, Liquor Depot, Dollarama, Mark's Work Wearhouse, McDonald's, Tim Hortons, Gold's Gym, and other restaurants, medical and personal services. The Company's development plans for the assets include a new 4,200 square foot retail pad and the sale of a newly rezoned high-rise parcel in the NW corner of the shopping centre. Residential development components of the assets may be developed in the future by the Company on its own, together with a residential partner or sold as land or air rights to a residential developer. There is substantial additional density potential on the site. In 2013, the Company sold a land parcel totalling 1.4 acres at the back of the site that is expected to be developed as a residential tower.

Lanaudiere Assets, Montreal, Quebec

The Lanaudiere Assets consists of three separate shopping centres totalling 522,000 square feet, situated on 28.7 acres of land and featuring an aggregate of 2,582 parking stalls at grade. The properties are located on Emile Despins Street and on Montée des Pionniers Boulevard, all in close proximity to major Highways 40 and 640. Population within a five kilometre radius is approximately 48,000 with an average household income of approximately $80,000. Major tenants include Rona, Metro, Sports Rousseau, SAQ, Uniprix, Sears, Future Shop, Bureau en Gros (Staples) and Winners, as well as several major fashion retailers, banks and personal services.

The property located on Emile Despins Street has future development potential that could add more than 16,000 square feet of retail space to the existing shopping centre.

McKenzie Towne Centre Assets, Calgary, Alberta

The McKenzie Towne Centre Assets total 214,000 square feet and 838 at grade parking stalls on an aggregate of 18.1 acres of land at the intersection of McKenzie Towne Avenue and High Street. Population within five kilometres is approximately 84,000 with an average household income of approximately $148,000. The property is next to a future LRT station parking lot. The McKenzie Towne Centre Assets were acquired starting in 2003 and have been developed in phases to meet the growing needs of the community. Major tenants include Sobeys, Rexall, TD Canada Trust, ATB Financial, BMO, Liquor Depot, Second Cup, GoodLife Fitness, and other restaurants, medical and personal services.

Carrefour St-Hubert Assets, Longueuil, Quebec

The Carrefour St-Hubert Assets are an assembly of five properties operating as three separate shopping centre assets totalling 322,000 square feet located on three corners at the intersection of Boulevard Cousineau and Boulevard Gaetan Boucher. The shopping centres have a total of 1,838 parking stalls at grade and sit on 35.4 acres of land in aggregate. Population within five kilometres is approximately 115,000 with an average household income of approximately $75,000. Major tenants include Super C, IGA, Pharmaprix (Loblaws), Jean Coutu, CIBC, National Bank Canada, RBC Royal Bank, TD Canada Trust, SAQ, Dollarama, McDonald's, Tim Hortons, Second Cup, Rotisserie St-Hubert, Energie Cardio, and other restaurants, medical and personal services.

The Carrefour St-Hubert Assets have been redeveloped during the past 12 years in phases to bring tenants and buildings up to current standards. There is additional opportunity for retail density and a land parcel for residential use, which the Company plans to sever and sell.

Gloucester City Centre, Ottawa, Ontario

Gloucester City Centre is a 362,000 square foot shopping centre situated on 28.5 acres of land with 1,386 at grade parking stalls located at the intersection of Ogilvie Road and Blair Road. The property is on a bus transit route and will be connected to a new LRT station. Population within five kilometres is approximately 112,000 with an average household income of $79,000. Major tenants include Walmart, Loblaws, Rexall, CIBC, Scotiabank, LCBO, Bulk Barn, Tim Hortons, and other restaurants, medical and personal services.

The shopping centre was acquired in 2003. In 2012, redevelopment and expansion activities commenced with a partial demalling and relocation of certain tenants to facilitate an expanded Rexall. The redevelopment also included the construction of a 12,000 square foot standalone pad for LCBO. The redevelopment and expansion increased the overall shopping centre gross leaseable area by approximately 16,000 square feet.

Yorkville Village Assets, including Hazelton Lanes Shopping Centre, Toronto, Ontario

The Yorkville Village Assets, including Yorkville Village (formerly known as Hazelton Lanes Shopping Centre), is an assembly of four separate assets, including one enclosed shopping centre on Avenue Road and three additional retail properties on Yorkville Avenue, that will total 285,000 square feet of GLA on completion, situated on an aggregate of 4.5 acres of land with a combined 515 stalls of underground parking. In addition to the foregoing, the Yorkville Assets also include a mortgage investment in 77 hotel suites and related retail space and 66 underground parking stalls on Yorkville Avenue, adjacent to Yorkville Village. The hotel square footage and parking is not included in the Yorkville Village Assets total. Population within five kilometres is approximately 617,000 with an average household income of approximately $98,000. Major tenants include Whole Foods Market, Rexall, Anthropologie, Diesel, Teatro Verde, Equinox gym, and other restaurants, medical and personal services.

The current transformation of Yorkville Village entails a complete renovation of the interior mall, including the creation of additional retail space, and an attractive new facade that will open up the shopping centre’s street facing retailers to Avenue Road, a major arterial road in the City of Toronto, and create a new entrance from Yorkville Avenue to the enclosed shopping centre. The Company commenced construction on the project in the first quarter of 2014 and will maintain the shopping centre in operation throughout the renovation.

Place Viau Assets, Montreal, Quebec

The Place Viau Assets are an assembly of three properties totalling 21.2 acres of land, currently comprising three assets, including two shopping centres totalling 327,000 square feet and a ground-up shopping centre development on Place Viau itself. The largest Place Viau asset is located on the southwest corner of the busy intersection of Highway 40 and Boulevard Viau, and along Boulevard Viau and Jean-Talon Street, in the Montreal borough of Saint-Léonard. Population within five kilometres is approximately 536,000 with an average household income of approximately $53,000. Major tenants include Walmart, IGA Extra, Pharmaprix (Loblaws), TD Canada Trust, Bureau en Gros (Staples), SAQ, Pizza Hut, A&W, Rotisserie St-Hubert, and other restaurants, medical and personal services.

The Company completed Phase I of the ground-up development of the new Place Viau. This new multi-level shopping centre comprises a full-scale, open-air shopping centre on top of a building that includes a 100,000 square foot Walmart store and other retail/commercial space, all connected with convenient pedestrian and vehicular access, vertical transportation and surface and covered parking. Place Viau Shopping Centre makes innovative use of the surrounding topography to provide street-level entrances to all components of the shopping centre. Once complete, Place Viau Shopping Centre's first phase will encompass a total of 222,000 square feet of retail space, 635 underground parking stalls and 300 at grade parking stalls. The shopping centre's Walmart store opened in January 2014. Marshalls and Michaels opened respectively in September and October 2014. The remainder of the centre will open in 2015 with a new Gym and a new Dollarama coming soon.

According to the Company's current plans, upon completion of future phases of development, Place Viau Shopping Centre plans comprise in total approximately 351,000 square feet of retail/commercial space, 1,377 underground and surface parking stalls and may incorporate residential density. Together with the Company's neighbouring Place Michelet and Place Provencher shopping centres, and assuming final completion of all phases of the Place Viau Shopping Centre ground-up development, the Company will own a total of 462,000 square feet of retail/commercial space in these Place Viau Assets, with a total of 1,907 at grade and below grade parking stalls.

Victoria Park Centres, Toronto, Ontario

The Victoria Park Centres comprise two separate shopping centres, Parkway Mall and Victoria Terrace in Toronto, Ontario, totaling 485,000 square feet. The shopping centres are situated on a total of 33.9 acres of land and collectively have 2,000 at grade and 155 underground parking stalls. Population within five kilometres is approximately 321,000 with an average household income of approximately $75,000. Major tenants include Metro, No Frills (Loblaws), Shoppers Drug Mart (Loblaws), Toys "R" Us, Staples, TD Canada Trust, CIBC, Scotiabank, LCBO, Dollarama, McDonald's, Tim Hortons, GoodLife Fitness and other restaurants, medical and personal services. LCBO recently opened a new prototype store on a pad at the front of Parkway Mall, which constitutes the first phase of ongoing long-term repositioning of the centres. The Company continues to evaluate longer term redevelopment strategies for the Victoria Park Centres and to collaborate with tenants to determine the ultimate strategy for maximizing development opportunities and customer traffic on these assets.

Mount Royal Village Assets, Calgary, Alberta

The Mount Royal Village Assets are an assembly of four assets totalling 193,000 square feet situated on 3.6 acres of land with 369 underground parking stalls, located on 17th Avenue SW, just south of Calgary's downtown core, and is in the heart of a densely populated, fast growing, high income neighbourhood. The original Mount Royal shopping centre building was constructed in 1978 and contains three floors of retail space and three floors of office space above. A connected condominium building immediately to the north was constructed in 2001 and houses at its base commercial space owned by the Company, which includes an 18,000 square foot London Drugs as the anchor tenant on the main floor and 4,200 square feet of second floor office space.

As part of its redevelopment of Mount Royal Village, the Company is nearing completion on the major renovation of the 136,000 square foot Mount Royal Village shopping centre mixed-use retail and office complex, which includes as major tenants London Drugs and GoodLife Fitness and is also expected to include a high-end furniture retailer and restaurants. In addition, the Company is currently in the entitlements process for the development of an adjacent three-level, 110,000 square foot retail/commercial building, to be anchored by a grocery store. The Company intends to sell a land parcel forming part of the Mount Royal Village Assets to a residential developer for construction of a 250,000 square foot high-rise residential condominium building. On completion of the redevelopment project, the Mount Royal Village Assets are expected to total 336,000 square feet of retail/commercial space and 639 parking stalls. Population within five kilometres is 183,000 with an average household income of $128,000.

Macleod Trail Assets, Calgary, Alberta

This is an assembly of four assets along the Macleod Trail main corridor in Calgary, a total of 390,000 square feet (including a 90,000 square foot hotel) on 23.8 acres contiguous along Macleod Trail. Major tenants include Rona, BMO, Dollarama, Starbucks, and other restaurants, medical and personal services. The estimated population within five kilometers is 132,000 with an average household income of $145,000. The properties are being held and maintained in their current state for future redevelopment. The Company's proposed plan is a phased approach over a decade, demolishing parts of the existing structures, and constructing a new three-storey mixed-use retail, residential and office property. The project is currently in the preliminary phase of planning.

Semiahmoo Shopping Centre, Surrey, British Columbia

Semiahmoo Shopping Centre is a 230,000 square foot retail property situated on 19.6 acres of land with 320 deck and 921 at grade parking stalls located on the corner of 16th Avenue and 152th Street. The centre is in a neighbourhood with good demographics that are expected to grow substantially in the coming years. The estimated population within five kilometres is 79,000 with an average household income of $108,000. Major tenants include Save On Foods (Overwaitea), Shoppers Drug Mart (Loblaws), CIBC, BC Liquor Store, Dollarama, Dollar Tree, and other restaurants, medical and personal services. The Company's proposed plan is a phased redevelopment involving the northern portion of the site. Preliminary plans entail demolishing most of the existing structures and creating approximately 165,000 square feet of new retail and approximately 950,000 square feet of residential. The new development is expected to attract new tenants to the property. The project is currently in the preliminary phase of planning.

Place Portobello Assets, Brossard, Quebec

The Place Portobello Assets comprise one shopping centre and a smaller retail property totalling 575,000 square feet situated on 46.4 acres of land with 2,477 at grade parking stalls, in aggregate, located on Taschereau Boulevard off Highway 10 in the South Shore area of Montreal. Population within five kilometres is approximately 172,000 with an average household income of approximately $82,000. Major tenants include Reno Depot (Rona), Maxi (Loblaws), Target, Jean Coutu, RBC Royal Bank, CIBC, Dollarama, and other restaurants, medical and personal services. The Company's proposed development of the Place Portobello shopping centre may include additional retail density and reconfiguration of the site. The smaller Place Panama retail property down the street borders a bus transportation hub and is expected to also be redeveloped in the future, where there is significant future density potential on the site.

Leaside Village, Toronto, Ontario

Leaside Village is a shopping centre totaling 117,000 square feet situated on 11.3 acres with 467 at grade parking stalls. The property is located at the intersection of Laird Drive and Esandar Drive, a few blocks south of Eglinton Avenue in the community of Leaside. Population within five kilometres is approximately 441,000 with an average household income of approximately $124,000. Major tenants include Longo's, Linen Chest, The Beer Store, CIBC, Bulk Barn, Against the Grain Restaurant, Local Public Eatery, Tim Horton's, Aroma Espresso Bar, and other restaurants, offices and personal services.

Valuation of Investment Properties Under IFRS

During the year ended December 31, 2014, the weighted average stabilized capitalization rate of the Company's investment property portfolio decreased from 5.86% at December 31, 2013 to 5.79%, including the impact of dispositions, acquisitions, and development activities. The Company's proportionate interest in the net increase in value of investment properties was $46.7 million from December 31, 2013 to December 31, 2014. The Company experienced a 7 basis point decrease in the weighted average stabilized capitalization rate and higher stabilized net operating income ("SNOI"), with the capitalization rate compression occurring in the Eastern and Central regions. The overall portfolio positive impact of the capitalization rate compression was partially offset by a valuation loss on a development property in the Company's Eastern region, Place Viau. The loss arose largely due to higher than expected development costs primarily caused by integrating an additional access ramp near the end of construction, which delayed the timing of lease up, and the Company achieved lower lease rates than expected. Place Viau is a multi-phase prototype development in a high density urban area of Montreal that includes underground parking and rooftop retail and parking.

The Company has three approaches to determine the fair value of an investment property at the end of each reporting period:

1. External appraisals **–** by an independent national appraisal firm, in accordance with professional appraisal standards and IFRS. On an annual basis, the Company has an annual minimum threshold of approximately 25% (as measured by fair value) of the portfolio requiring external appraisal.
2. Internal appraisals **–** by staff appraisers employed by the Company, in accordance with professional appraisal standards and IFRS.
3. Value updates **–** primarily consisting of management's review of the key assumptions from previous appraisals and updating the value for changes in the property cash flow, physical condition and changes in market conditions.

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

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

Shopping Centres Valuation Method

Shopping centres are appraised primarily using stabilized cash flows from existing tenants with the property in its existing state, since purchasers typically focus on expected income. External and internal appraisals are conducted using and placing reliance on both the direct capitalization method and the discounted cash flow method (including the estimated proceeds from a potential future disposition). Value updates are calculated using the direct capitalization method.

Properties undergoing development, redevelopment or expansion are valued using the stabilized cash flows expected upon completion, with a deduction for costs to complete the project; capitalization rates are adjusted to reflect lease-up assumptions and construction risk, when appropriate. Adjacent land parcels held for future development are valued based on comparable sales of commercial land. Fair value of properties under development includes a deduction for costs to complete of $308.9 million.

During the year ended December 31, 2014, approximately 27% of the total fair value of shopping centres was determined through external appraisals (year ended December 31, 2013 – approximately 16%) and nil was determined through internal appraisals (year ended December 31, 2013 – approximately 10%).

The values of the Company's proportionate interest in its shopping centres and associated capitalization rates by region are as follows as at December 31, 2014 and 2013:

As at December 31, 2014										
		Capitalization Rate						Weighted Average Yield		
(millions of dollars, except other data)	Number of Properties	Weighted Average	Median	Range	Fair Value	Revaluation Gains	SNOI [1]	Actual NOI to Fair Value Yields [2]	Run Rate to Fair Value Yield [3]	Run Rate to Cost Yield [4]
Central Region	**59**	**5.63%**	**5.75%**	**4.75%-8.22%**	**$ 3,222**	**$ 66**	**$ 177**	**5.39%**	**5.45%**	**6.57%**
Eastern Region	**52**	**6.18%**	**6.00%**	**5.00%-7.50%**	**1,791**	**(27)**	**104**	**6.22%**	**6.29%**	**7.14%**
Western Region	**47**	**5.74%**	**5.75%**	**5.00%-7.00%**	**2,538**	**8**	**143**	**5.43%**	**5.57%**	**6.87%**
	158	**5.79%**	**6.00%**	**4.75%-8.22%**	**$ 7,551**	**$ 47**	**$ 424**	**5.59%**	**5.68%**	**6.81%**

As at December 31, 2013										
		Capitalization Rate						Weighted Average Yield		
(millions of dollars, except other data)	Number of Properties	Weighted Average	Median	Range	Fair Value	Revaluation Gains	SNOI [1]	Actual NOI to Fair Value Yields [2]	Run Rate to Fair Value Yield [3]	Run Rate to Cost Yield [4]
Central Region	62	5.75%	5.96%	5.25%-8.22%	$ 3,022	$ 32	$ 167	5.61%	5.61%	6.66%
Eastern Region	55	6.31%	6.25%	5.64%-9.00%	1,680	9	104	6.13%	6.52%	7.48%
Western Region	47	5.70%	5.75%	5.00%-7.25%	2,473	13	143	5.36%	5.62%	6.94%
	164	5.86%	6.00%	5.00%-9.00%	$ 7,175	$ 54	$ 414	5.64%	5.81%	6.95%

(1) SNOI is not a measure defined by IFRS. SNOI reflects long-term, stable property operations, assuming a certain level of vacancy, capital and operating expenditures required to maintain a stable occupancy rate. The average vacancy rates used in determining SNOI for non-anchor tenants generally range from 2% to 5%.
(2) Calculated as normalized NOI divided by the fair value of investment property. Normalized NOI is calculated on the basis that all acquisitions and dispositions occurred at the beginning of the reporting period (assuming a run rate), and does not include the ground-up development projects discussed in the "Business and Operations Review - 2014 Investment Property Development and Redevelopment Activities" section of this MD&A. Run rate is an annualized NOI for a property based upon the existing tenants in place and current operating cost profile for the property.
(3) Calculated as run rate NOI divided by the fair value of investment property.
(4) Calculated as run rate NOI divided by cost of investment property.

The sensitivity of the fair values of shopping centres to capitalization rates as at December 31, 2014 is set out in the table below:

As at December 31, 2014	*(millions of dollars)*
(Decrease) Increase in capitalization rate	Resulting increase (decrease) in value of shopping centres
(0.75)%	$ 1,023
(0.50)%	$ 650
(0.25)%	$ 310
0.25%	$ (285)
0.50%	$ (547)
0.75%	$ (789)

Additionally, a 1% increase or decrease in SNOI would result in an increase or decrease, respectively, in the fair value of shopping centres of $69 million. A 1% increase in SNOI coupled with a 0.25% decrease in capitalization rate would result in an increase in the fair value of shopping centres of $382 million, and a 1% decrease in SNOI coupled with a 0.25% increase in capitalization rate would result in a decrease in the fair value of shopping centres of $351 million.

Development Land Valuation Method

The primary method of appraisal for development land is the comparable sales approach, which considers recent sales activity for similar land parcels in the same or similar markets to estimate a value on either a per acre basis or on a basis of per square foot buildable. Such values are applied to the Company's properties after adjusting for factors specific to the site, including its location, zoning, servicing and configuration. During the year ended December 31, 2014, nil (year ended December 31, 2013 – approximately 17%) of the total fair value of development land was determined through external appraisals.

Investment Properties – Shopping Centres

A continuity of the Company's proportionate interest in investments in its shopping centre acquisitions, dispositions, development and portfolio improvement activities is summarized below:

Year ended December 31	**2014**		2013	
(millions of dollars)	**Fair Value**	**Cost**	Fair Value	Cost
Balance at beginning of year	**$ 7,126**	**$ 5,963**	$ 6,849	$ 5,732
Acquisitions				
Shopping centres	**79**	**79**	60	60
Additional space adjacent to existing properties	**91**	**91**	118	118
Additional land parcels adjacent to existing properties	**38**	**38**	10	10
Development activities and portfolio improvements	**246**	**246**	250	250
Reclassifications from development land	**41**	**42**	2	2
Reclassification from residential development inventory	**25**	**25**	—	—
Fair value increase	**47**	**—**	59	—
Dispositions	**(184)**	**(174)**	(232)	(214)
Reclassification to equity accounted joint ventures [1]	**(34)**	**(33)**		
Other changes	**(1)**	**(1)**	10	5
Balance at end of year	**$ 7,474**	**$ 6,276**	$ 7,126	$ 5,963
Investment in joint ventures – shopping centres	**77**	**63**	49	40
Proportionate interest end of year	**$ 7,551**	**$ 6,339**	$ 7,175	$ 6,003

[1] Refer to the "2014 Investment Property Development and Redevelopment Activities – Main and Main Developments" section of this MD&A.

Investment Properties – Development Land

A continuity of the Company's proportionate interest in investments in its development land acquisitions, dispositions and development activities is summarized below:

Year ended December 31	**2014**		2013	
(millions of dollars)	**Fair Value**	**Cost**	Fair Value	Cost
Balance at beginning of year	**$ 166**	**$ 161**	$ 127	$ 123
Acquisitions	**19**	**19**	36	36
Development activities	**7**	**7**	12	12
Reclassification to investment property – shopping centres	**(41)**	**(42)**	(2)	(2)
Fair value increase (decrease)	**(5)**	**—**	2	—
Dispositions	**(62)**	**(58)**	(10)	(9)
Reclassification to equity accounted joint ventures [1]	**(49)**	**(49)**	—	—
Other	**1**	**—**	1	1
Balance at end of year	**$ 36**	**$ 38**	$ 166	$ 161
Investment in joint ventures – development land	**37**	**37**	—	—
Proportionate interest end of year	**$ 73**	**$ 75**	$ 166	$ 161

[1] Refer to the "2014 Investment Property Development and Redevelopment Activities – Main and Main Developments" section of this MD&A.

2014 Acquisitions

Total acquisitions of investment properties, which include shopping centres, additional space and adjacent land parcels and development land, amounted to $226.9 million, adding 0.5 million square feet of gross leasable area and 3.9 acres of land for future development.

Management will continue to be selective and take a highly disciplined approach to increasing the size and quality of the Company's property portfolio, seeking acquisitions that are operationally, financially and qualitatively accretive over the long term. Management looks for benefits from economies of scale and operating synergies in order to strengthen the Company's competitive position in its target urban markets. As well, Management seeks to enhance the tenant and geographic diversification of the portfolio.

Shopping Centres

During the year ended December 31, 2014, the Company invested $78.8 million in the acquisition of two properties, comprising 255,000 square feet. Two of the acquisitions were in a new trade area in the Company's target urban markets and demonstrate the Company's continuing focus on acquiring well-located, high quality urban retail-centered properties. The acquisitions are summarized in the table below:

Property Name	City	Province	Quarter Acquired	New Trade Area	Supermarket-Anchored	Drugstore-Anchored	GLA (square feet)	Acquisition Cost (in millions)
Eastern Region								
Griffintown – 100 Peel	Montreal	QC	Q3	✓	—	—	127,000	$ 42.2
Western Region								
Seton Gateway	Calgary	AB	Q1	✓	✓	✓	128,000	36.6 [1]
Total							255,000	$ 78.8

[1] The acquisition cost is at the Company's 50% ownership interest.

Shopping Centres – Additional Space and Adjacent Land Parcels

During the year ended December 31, 2014, the Company acquired 20 properties adjacent to existing shopping centres adding 214,100 square feet of gross leasable area and 3.5 acres of land adjacent to existing properties in established retail nodes. Total expenditures on these adjacent parcels amounted to $129.1 million. These acquisitions are set out in the table below:

Property Name	City	Province	Quarter Acquired	GLA (square feet)	Acreage	Acquisition Cost (in millions)
Central Region						
Shops at King Liberty Assets (adjacent property)	Toronto	ON	Q1	— [1]	—	$ 1.4
Leaside Village Assets (25 Industrial Road)	Toronto	ON	Q2	—	1.3	2.9
Yorkville Village Assets (adjacent properties)	Toronto	ON	Q1-Q4	28,200	0.1	32.8
Shops at King Liberty Assets (150 East Liberty Street)	Toronto	ON	Q3	1,000	—	1.4
South Oakville Properties (Shops of Oakville South)	Toronto	ON	Q3	99,000	—	27.1 [2]
Shops at King Liberty Assets (128 Atlantic Avenue)	Toronto	ON	Q4	1,000	—	1.4
3080 Yonge Street (adjacent land)	Toronto	ON	Q4	—	—	2.6
Eastern Region						
Centre Commerciale Beaconsfield (Plaza Baie d'Urfe, 90 Morgan St.)	Baie d'Urfe	QC	Q1	60,600	—	9.4
Place Quatre Bourgeois (Tim Horton's)	Quebec City	QC	Q4	3,200	—	3.2
Lanaudiere Assets	Montreal	QC	Q4	— [1]		32.6
Western Region						
Broadmoor Shopping Centre (8031 Williams Road)	Richmond	BC	Q1	—	0.3	1.8
Old Strathcona (10416 – 80 Avenue)	Edmonton	AB	Q1	14,000	—	3.0
Kingsway Mews (adjacent land)	Edmonton	AB	Q1	—	0.3	0.5
Langley Mall (Douglas Crescent)	Langley	BC	Q2	—	0.5	0.8
Shops at New West (801 Columbia Street)	New Westminster	BC	Q3	—	0.2	2.2
Mount Royal Village (940 17th Avenue SW)	Calgary	AB	Q4	7,100	—	4.6
The Brewery District (land parcel)	Edmonton	AB	Q4	—	0.8	1.4 [2]
Total				214,100	3.5	$ 129.1

[1] The Company previously owned 50% interest in the property, and the Company acquired the remaining 50% interest in 2014. The square footage acquired was previously included in the Company's total gross leasable area.
[2] The acquisition cost is at the Company's 50% ownership interest.

Development Lands

During the year ended December 31, 2014, the Company invested $19.0 million in the acquisition of two development land parcels, comprising 0.4 acres for future development of retail and mixed-use space. Refer to the “2014 Investment Property Development and Redevelopment Activities – Main and Main Developments” sections of this MD&A for further discussion.

Property Name	City	Province	Quarter Acquired	Acreage	Acquisition Cost (in millions)
Main and Main Developments [1]	Toronto	ON	Q1	0.2	$ 3.6
Main and Main Developments [1]	Toronto	ON	Q2	0.2	15.4
Total				0.4	$ 19.0

[1] Refer to the “2014 Investment Property Development and Redevelopment Activities – Main and Main Developments” section of this MD&A for additional information.

2014 Dispositions

During the year ended December 31, 2014, the Company sold 10 properties representing 538,000 square feet of GLA and five land parcels representing 48.1 acres. Gross proceeds of these dispositions were $245.7 million.

Property Name	City	Province	Quarter Sold	Gross Leasable Area (square feet)	Acreage	Gross Sales Price (in millions)
Village des Valeurs	Laval	QC	Q1	26,800	—	
Kingsway Mews (land portion)	Edmonton	AB	Q1	—	0.2	
Longwood Station	Nanaimo	BC	Q2	104,200	—	
Creditview & Mayfield	Brampton	ON	Q2	—	10.8	
Burnhamthorpe & Trafalgar	Oakville	ON	Q2	—	12.5	
The Brewery District (land parcel) [1]	Edmonton	AB	Q2	—	0.6	
800 King Street [2]	Toronto	ON	Q2	—	—	
Belmont Professional Centre	Kitchener	ON	Q3	46,500	—	
Coronation Medical Centre	Kitchener	ON	Q3	35,100	—	
Main and Main Developments [2]	Toronto	ON	Q3	—	8.9	
Northfield Centre	Kitchener	ON	Q4	52,400	—	
31 Sunpark Plaza	Calgary	AB	Q4	124,700	—	
Nepean Medical Centre	Ottawa	ON	Q4	46,900	—	
Place Bordeaux	Gatineau	QC	Q4	29,000	—	
Valley Creek Plaza	Mississauga	ON	Q4	23,200	—	
Plaza Delson	Delson	QC	Q4	49,200	15.1	
Dispositions for the year ended December 31, 2014				538,000	48.1	$ 245.7

[1] The Company has 50% ownership interest in the property.
[2] Refer to the “2014 Investment Property Development and Redevelopment Activities – Main and Main Developments” section of this MD&A for additional information.

In aggregate, the gross sales price on the 2014 sales have exceeded invested cost at the Company's proportionate interest by approximately $13.7 million. The mortgage financing of $21.5 million was assumed by the purchaser on the sale of an investment property. The 2014 dispositions are in line with the Company’s ongoing strategy of increasing the portfolio’s focus on core urban markets.

Impact of Acquisitions and Dispositions on Continuing Operations

The NOI effect of properties acquired and sold, based on the run rate at the time of acquisition or sale, for the years ended December 31, 2014 and 2013 is set out in the table below:

	Run rate NOI of properties acquired		Run rate NOI of properties sold	
(thousands of dollars)	**2014**	2013	**2014**	2013
Central Region	**$ 1,776**	$ 1,246	**$ 6,594**	$ 5,931
Eastern Region	**5,420**	4,177	**1,850**	5,597
Western Region	**2,511**	2,624	**4,281**	3,210
Total	**$ 9,707**	$ 8,047	**$ 12,725**	$ 14,738

Investment Properties Classified as Held For Sale

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. Investment property held for sale 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. Upon designation as held for sale, the investment property continues to be measured at fair value and is presented separately on the consolidated balance sheet.

Included in investment properties as at December 31, 2014 are eight shopping centres and two development land parcels with an approximate value of $205.1 million that meet the financial reporting criteria to be classified as held for sale. These properties are considered to be non-core assets. Disposition of these investment properties will provide the Company with the opportunity to redeploy capital to uses more aligned with the Company's urban focus.

In addition to the properties that meet the criteria for classification as held for sale, the Company is also considering, in 2015 to 2016, subject to market conditions, the sale of an additional three properties and a 50% interest in one property comprising 404,000 square feet of GLA, and three land parcels with an aggregate fair value of approximately $134.1 million.

Acquisitions and Dispositions Subsequent to December 31, 2014

Consistent with past practices and in the normal course of business, the Company is engaged in discussions, and has various agreements, with respect to possible acquisitions of new properties and dispositions of existing properties in its portfolio. However, there can be no assurance that these discussions or agreements will result in acquisitions or dispositions or, if they do, what the final terms or timing of such acquisitions or dispositions would be. First Capital Realty expects to continue current discussions and actively pursue other acquisition, investment and disposition opportunities.

2013 Acquisitions

Total acquisitions of investment properties in 2013, which included shopping centres and additional space and adjacent land parcels for shopping centres, as well as development land, amounted to $224.7 million, adding 0.3 million square feet of gross leasable area and 12.6 acres of development land to the portfolio.

Shopping Centres

In 2013, the Company invested $60.3 million in the acquisition of one shopping centre and one medical office and retail property, comprising 108,000 square feet. These acquisitions were in new trade areas in the Company's target urban markets and demonstrate the Company's continuing focus on acquiring well-located, high quality urban retail-centered properties. The acquisitions are summarized in the table below:

Property Name	City	Province	Quarter Acquired	New Trade Area	Supermarket-Anchored	Drugstore-Anchored	Gross Leasable Area (square feet)	Acquisition Cost (in millions)
Western Region								
Victoria Professional and Medical Dental Building	Victoria	BC	Q1	✓	—	—	45,000	$ 13.9
False Creek Village	Vancouver	BC	Q4	✓	✓	✓	63,000	46.4
Total							108,000	$ 60.3

Shopping Centres – Additional Space and Adjacent Land Parcels

In 2013, the Company acquired 16 properties adjacent to existing shopping centres and one property through Main and Main Developments adding 178,000 square feet of gross leasable area and 3.6 acres adjacent to existing properties in established retail nodes. Total expenditures on these adjacent parcels amounted to $127.9 million. These acquisitions are set out in the table below:

Property Name	City	Province	Quarter Acquired	Gross Leasable Area (square feet)	Acreage	Acquisition Cost (in millions)
Central Region						
Leaside Village	Toronto	ON	Q1	5,000	—	$ 2.7
Main and Main Developments [1]	Toronto	ON	Q1	—	1.3	12.3
Yorkville Village Assets	Toronto	ON	Q2	29,000	—	55.0
Meadowvale Town Centre (Aquitaine Plaza)	Toronto	ON	Q2	33,000	—	10.8
Leaside Village	Toronto	ON	Q2	—	0.4	1.1
Fairway Plaza (569 Fairway)	Kitchener	ON	Q3	8,000	—	1.7
Yorkville Village Assets (adjacent property)	Toronto	ON	Q4	7,000	—	7.3
Leaside Village	Toronto	ON	Q4	—	1.4	6.7
Other	Toronto	ON	Q1/Q2/Q4	8,000	0.1	6.5
Eastern Region						
Centre Commercial Wilderton (Atrium du Sanctuaire)	Montreal	QC	Q1	37,000	—	10.2
Place Fleury (1780 Fleury – Dollarama)	Montreal	QC	Q2	7,000	—	3.2
Place Fleury (Renaud-Bray)	Montreal	QC	Q3	35,000	—	6.3
Loblaws Plaza (1454 Merivale)	Ottawa	ON	Q4	3,000	—	1.1
Galeries Normandie (2655, rue de Salaberry)	Montreal	QC	Q4	6,000	—	1.3
Western Region						
Tuscany Village (3959 Shelbourne Street)	Victoria	BC	Q3	—	0.4	1.7
Total				178,000	3.6	$ 127.9

[1] Refer to the "2014 Investment Property Development and Redevelopment Activities – Main and Main Developments" section of this MD&A for additional information.

Development Lands

In 2013, the Company invested $36.5 million in the acquisition of five development land parcels, comprising nine acres for future development of retail and mixed-use space.

Property Name	Percentage Ownership	City	Province	Quarter Acquired	Acreage	Acquisition Cost (in millions) (at Company's interest)
Main and Main Developments [1]	67%	Ottawa	ON	Q1	0.3	$ 2.8
Suncor Land (Kanata Terry Fox)	50%	Ottawa	ON	Q1	0.6	0.8
Molson Site (Edmonton Brewery District)	50%	Edmonton	AB	Q1	4.0	8.2
Royal Orchard	100%	Toronto	ON	Q3	3.9	23.2
5210 Rue Jean Talon Ouest	100%	Montreal	QC	Q4	0.2	1.5
Total					9.0	$ 36.5

(1) Refer to the "2014 Investment Property Development and Redevelopment Activities – Main and Main Developments" section of this MD&A for additional information.

2013 Dispositions

In 2013, the Company sold 10 shopping centres representing 1,105,000 square feet of GLA, six land parcels and an interest in one land parcel representing 13.9 acres. Gross proceeds of these dispositions were $242.2 million.

Included in the 2013 dispositions was the sale of a portfolio of properties to Retrocom Real Estate Investment Trust (TSX:RMM.UN) ("Retrocom") located in Ontario, Quebec and Alberta totalling approximately 1 million square feet of GLA, for gross proceeds of approximately $193 million, which were satisfied through the assumption by the purchaser of approximately $40 million in mortgages payable, with the balance of the sale proceeds paid in cash. Additionally, the Company acquired $15 million in equity instruments of the buyer.

Property Name	City	Province	Quarter Sold	Gross Leasable Area (square feet)	Acreage	Gross Sales Price (in millions)
Central Region						
54 – 70 Plains Road West	Burlington	ON	Q1	—	1.4	
Tillsonburg Town Centre	Tillsonburg	ON	Q2	368,000	—	
Bowmanville Mall	Bowmanville	ON	Q2	152,000	—	
Main and Main Developments	Toronto	ON	Q2	—	0.4	
Main and Main Developments (40% interest in one assembly)	Toronto	ON	Q2	—	—	
Pergola Commons (adjacent land)	Guelph	ON	Q4	—	7.5	
Eastern Region						
Cole Harbour Shopping Centre	Dartmouth	NS	Q1	76,000	—	
Galeries Don Quichotte	L'ile-Perrot	QC	Q2	205,000	—	
IGA Tremblant	Mont-Tremblant	QC	Q2	38,000	—	
Carrefour du Versant (adjacent land)	Gatineau	QC	Q2	—	2.3	
Carrefour des Forges	Drummondville	QC	Q2	75,000	—	
Ropewalk Lane	St. John's	NF	Q4	40,000	—	
Western Region						
Eastview Shopping Centre	Red Deer	AB	Q2	35,000	—	
Cochrane City Centre	Cochrane	AB	Q2	59,000	—	
South Fraser Gate	Abbotsford	BC	Q2	32,000	0.9	
Westmount Village (adjacent land)	Edmonton	AB	Q2	25,000	1.4	
Total				1,105,000	13.9	$ 242.2

In aggregate, the gross sales price on the 2013 sales exceeded invested cost by approximately $22.1 million. Total mortgages assumed by purchasers aggregated $39.5 million, with a weighted average cash interest rate of 5.47%. The 2013 dispositions are in line with the Company's ongoing strategy of increasing the portfolio's focus on core urban markets.

2014 Investment Property Development and Redevelopment Activities

Development and redevelopment activities are completed selectively, based on opportunities in the Company's properties or in the markets where the Company operates. The Company's development projects comprise ground-up projects, major redevelopment and other incremental redevelopment and expansions on stable properties. All development activities are strategically managed to reduce risk, and properties are generally developed after obtaining anchor lease commitments.

The Company's properties with development and redevelopment activities currently in progress or at completion are expected to have a weighted average going-in NOI yield of 6.2% on completion, and range from 4.7% to 12.0%. This yield is derived from the expected going-in run rate based on stabilized leasing and operations following completion of the development, and includes all building cost, land cost, interest and other carrying costs as well as capitalized staff compensation and other expenses. However, actual rates of return could differ if development costs exceed currently forecast costs, if final lease terms include shortfalls from operating cost or property tax recoveries, or if there are other unforeseen events that cause actual results to differ from assumptions. The yield reflects the Company's high standards in construction, lighting, parking, access, pedestrian amenities, accessibility as well as development to LEED standards. The quality of the Company's construction is consistent with its strategy of long-term ownership and value creation.

A summary of the Company's development portfolio is as follows:

As at December 31, 2014						
(thousands of dollars, except for other data)						
	Planned Square Feet Upon Completion	Gross Leasable Area (square feet)	Square Feet Under Development	Total Estimated Cost incl. Land	Investment Cost	Estimated Cost to Complete
Same property with incremental redevelopment and expansion						
Active development and at completion	—	—	36,000	$ 22,987	$ 9,510	$ 13,477
In pre-development	—	—	45,000	26,900	12,325	14,575
	—	—	81,000	49,887	21,835	28,052
Major redevelopment						
Active development and at completion	1,250,000	986,000	264,000	725,342	616,162	109,180
In pre-development	TBD	1,931,000	TBD	TBD	534,341	TBD
	1,250,000	2,917,000	264,000	725,342	1,150,503	109,180
Ground-up development						
Active development and at completion	1,700,000	868,000	832,000	536,511	364,863	171,648
In pre-development	—	—	—	16,866	16,866	—
	1,700,000	868,000	832,000	553,377	381,729	171,648
Total	2,950,000	3,785,000	1,177,000	$ 1,328,606	$ 1,554,067	$ 308,880

Costs to complete the development, redevelopment and expansion activities underway are estimated to be approximately $308.9 million. Costs to complete major redevelopments and ground-up developments, respectively, are planned at $72.6 million and $103.0 million in 2015, and $36.6 million and $68.7 million in 2016 and beyond. The cost to complete major redevelopments that are currently in the pre-development stage are labelled "to be determined" (TBD) as they have not yet been finalized.

The properties in the development pipeline are summarized in the tables below by property category (same property with incremental redevelopment and expansion; major redevelopment and ground-up development) and by development status (active development, at completion and in pre-development).

Same Property with Incremental Redevelopment and Expansion

Highlights of the Company's current same property with incremental redevelopment and expansion projects are summarized in the table below. As at December 31, 2014, the invested cost in these projects totalled $21.8 million, and includes incremental investment primarily related to pads or building extensions and often includes facade, parking, lighting and building upgrades. Of the 36,000 square feet under active redevelopment, 24,404 square feet is subject to committed leases at a weighted average rate of $34.46 per square foot. The Company is currently in various stages of negotiations for the remaining planned space.

As at December 31, 2014

(thousands of dollars, except for other data)

Count	Property	Tenants	Square Feet Under Development	Target Completion Date	Total Estimated Cost incl. Land	Investment Cost	Estimated Cost to Complete
	Same property with incremental redevelopment and expansion – active development						
	Place Lorraine, Lorraine, QC	SAQ	6,000	Q1, 2015	$ 3,481	$ 1,720	$ 1,761
	Faubourg-des-Prairies, Montreal, QC	Tim Hortons	7,000	Q3, 2015	2,701	1,673	1,028
	Wellington Corner, London, ON	BMO	4,000	Q3, 2015	2,423	1,029	1,394
	Fairway Plaza, Kitchener, ON	State and Main	14,000	Q4, 2015	11,165	4,363	6,802
	West Springs Village, Calgary, AB	Shoppers Drug Mart, Loblaws, Scotiabank, Starbucks, Mercato	5,000	Q2, 2015	1,301	240	1,061
5			36,000		$ 21,071	$ 9,025	$ 12,046
	Same property with incremental redevelopment and expansion – at completion (1)						
	Red Deer Village, Red Deer, AB	Various tenants	—	Q1, 2014	$ 59	$ —	$ 59
	Carrefour St-Hubert Assets, Longueuil, QC	RBC Royal Bank, TD Canada Trust	—	Q2, 2014	1,024	485	539
	Langley Mall, Langley, BC	Tim Hortons	—	Q3, 2014	168	—	168
	Grimsby Square Shopping Centre, Grimsby, ON	Pita Pit	—	Q4, 2014	375	—	375
	Tomken Plaza, Mississauga, ON	Bulk Barn, Dairy Queen	—	Q3, 2014	290	—	290
5			—		$ 1,916	$ 485	$ 1,431
	Same property with incremental redevelopment and expansion – in pre-development						
	Carrefour Charlemagne, Charlemagne, QC	Dollarama, Barbies	16,000	Q3, 2015	$ 6,092	$ 1,743	$ 4,349
	Loblaws Plaza, Ottawa, ON	BMO	8,000	Q2, 2016	7,760	3,357	4,403
	Pemberton Plaza, Vancouver, BC		21,000	Q2, 2016	13,048	7,225	5,823
3			45,000		$ 26,900	$ 12,325	$ 14,575
13	Total same property with incremental redevelopment and expansion		81,000		$ 49,887	$ 21,835	$ 28,052

(1) Total estimated cost relates only to residual tenant improvements and other similar expenditures.

In addition to the projects listed in the table above, the same property with incremental redevelopment and expansion projects include eight properties with projects completed in prior periods. A further four properties have projects in the early pre-development and advanced planning stages. These projects, together with the projects listed in the table above, make up the 25 properties classified as same property with incremental redevelopment and expansion.

Major Redevelopment

The Company classifies 13 properties totalling $1.2 billion in invested cost as properties with major redevelopment activities. Of the 264,000 square feet under active redevelopment, 124,436 square feet is subject to committed leases, including a supermarket tenant, at a weighted average rate of $32.36 per square foot. In addition, approximately 11,000 square feet of space is in the latter stages of lease negotiations with a national retailer. As construction on these redevelopment projects occurs in phases, there continues to be ongoing negotiations in various stages with certain retailers for the remaining planned space.

Highlights of the Company's current major redevelopment underway, including costs for completed phases, are as follows:

As at December 31, 2014

(thousands of dollars, except for other data)

Count/Property	Major Tenants	Planned Square Feet Upon Completion	Completed or Existing Square Feet	Square Feet Under Development	Target Completion Date	Total Estimated Cost incl. Land	Investment Cost	Estimated Cost to Complete	Fair Value
Major redevelopment – with active development									
Carre Lucerne Assets, Montreal, QC	Provigo, Pharmaprix	126,000	48,000	78,000	Q3, 2017	$ 58,058	$ 33,588	$ 24,470	
Mount Royal Village Assets, Calgary, AB	London Drugs, Oasis Spa and Wellness, GoodLife Fitness,	312,000	193,000	119,000	Q1, 2017	178,395	134,434	43,961	
Yorkville Village Assets, Toronto, ON	Whole Foods Market	285,000	218,000	67,000	Q2, 2016	334,189	293,440 [1]	40,749	
3		723,000	459,000	264,000		$ 570,642	$ 461,462	$109,180	

As at December 31, 2014

(thousands of dollars, except for other data)

Count/Property	Major Tenants	Planned Square Feet Upon Completion	Completed /Existing Square Feet	Square Feet Under Development	Completion Date	Total Cost incl. Land	Investment Cost	Estimated Cost to Complete	Fair Value
Major redevelopment – at completion									
5051-5061 Yonge St.,Toronto, ON	Michael's, Jack Astor's	37,000	37,000	—	Q3, 2013	$ 27,051	$ 27,051		
Chartwell Shopping Centre, Toronto, ON	Bestco Food, CIBC, Dollarama	156,000	156,000	—	Q3, 2013	52,968	52,968		
Carrefour Soumande, Quebec City, QC	Super C (Metro)	119,000	119,000	—	Q2, 2013	22,317	22,317		
Deer Valley Marketplace, Calgary, AB	Walmart, Shoppers Drug Mart (Loblaws), Dollarama, CIBC, RBC Royal Bank, Liquor Store, Co-op	215,000	215,000	—	Q2, 2013	52,364	52,364		
4		527,000	527,000	—		$ 154,700	$ 154,700		

As at December 31, 2014								
(thousands of dollars, except for other data)								
Count/Property		Development Status	Current Square Feet (2)	Total Est. Cost incl. Land	Investment Cost	Estimated Cost to Complete	Fair Value
	Major redevelopment – in pre-development						
	Humbertown Shopping Centre, Toronto, ON	Advanced entitlements	108,000		$ 59,045		
	Victoria Park Centres, Toronto, ON	Planning underway	485,000		131,717		
	Place Portobello Assets, Brossard, QC	Planning underway	575,000		88,155		
	Semiahmoo Shopping Centre, Surrey, BC	Planning underway	230,000		97,825		
	Macleod Trail Assets, Calgary, AB	Planning underway	300,000		92,718		
	3080 Yonge Street, Toronto, ON	Planning underway	233,000		64,881		
6			1,931,000		$ 534,341		
13	Total major redevelopment		2,917,000	$ 725,342	$ 1,150,503	$ 109,180	$ 1,095,203

(1) Investment cost excludes mortgage investment of $47 million.
(2) Includes vacant units held for redevelopment.

Details of certain major redevelopment properties are included in the Company's largest properties summaries (refer to the "Business and Operations Review – Real Estate Investments" section of this MD&A). Additional details of three major redevelopment projects are included below:

Carre Lucerne Assets, Montreal, Quebec

The Carre Lucerne Assets is an assembly of five separate properties currently comprising two assets totalling 73,000 square feet with 477 parking stalls on 8.7 acres located in the affluent borough of Ville Mont-Royal in Montreal. The population within five kilometres is approximately 415,000 with an average household income of approximately $73,000. Major tenants include Provigo le Marche (Loblaws) and Pharmaprix (Loblaws), Scotiabank, Starbucks, and other restaurants and personal services.

The first phase of the redevelopment comprising a multi-tenant single-level building in the parking lot of the existing shopping centre is complete, and the Company is proceeding with the remainder of the redevelopment, including demolition of the existing shopping centre and the construction of a 49,000 square foot Provigo on the second floor of a multi-tenant building.

Further phases will complete redevelopment and rebranding of this well-located shopping centre. Subject to final plans and approvals being obtained, once completed the redeveloped shopping centre is expected to include approximately 125,700 square feet of retail/commercial space, 420 parking stalls at grade and may incorporate residential density.

Humbertown Shopping Centre, Toronto, Ontario

Humbertown Shopping Centre, originally developed in 1958, is a 108,000 square foot grocery-anchored property located on 9.0 acres of land in The Kingsway in one of Toronto's most affluent residential neighbourhoods. Population within five kilometres is approximately 321,000 with an average household income of approximately $94,000. Major tenants currently include Loblaws, Shoppers Drug Mart (Loblaws), RBC Royal Bank, Scotiabank, LCBO, and other restaurants, medical and personal services.

The Company's Humbertown Shopping Centre rezoning application received City of Toronto council approval in late 2013 and received the final approval by the Ontario Municipal Board on January 23, 2014. These approvals will permit the redevelopment of Humbertown Shopping Centre into a mixed-use property that will include 235,000 square feet of retail and commercial uses in five buildings and 550,000 square feet of residential, which will include condominiums, townhomes and a seniors' residential building, with a total of 1,495 parking stalls (including 815 stalls for retail/ commercial use, substantially all of which are underground). The residential component of the property is expected to be developed in partnership with a leading residential developer. Once completed, the Company expects the redeveloped Humbertown Shopping Centre to continue to be anchored by a grocery store and other daily necessity retailers and service providers.

3080 Yonge Street, Toronto, Ontario

The Company acquired this medical and office building at the northwest corner of Yonge Street and Lawrence Avenue in 2012. The property is 1.74 acres in size and has an existing GLA of 233,000. The population within five kilometers is approximately 349,000 with an average household income of $148,000. Entitlements are underway to add retail uses, including a grocery store, a full-service restaurant and smaller retail units, along with an interior and exterior redevelopment of the existing building. The GLA on completion of the project will be 240,000 square feet. Construction of this project is expected to start in mid-2015 with an expected completion by mid-2017.

Ground-up Development

The Company classifies five properties totalling $401 million of invested cost as ground-up development properties underway or completed. Of the 528,000 square feet under active development, 92,583 square feet is subject to committed leases, including a supermarket tenant and a fitness centre tenant at a weighted average rate of $24.00 per square foot. As construction on ground-up developments occurs in phases, there continues to be ongoing negotiations in various stages with certain retailers for the remaining planned space.

Highlights of the Company's current ground-up projects underway, including costs for completed phases, are as follows:

As at December 31, 2014

(thousands of dollars, except for other data)

Count/Property	Major Tenants	Planned Square Feet Upon Completion	Completed or Existing Square Feet	Square Feet Under Development	Target Completion Date	Total Estimated Cost incl. Land	Investment Cost	Estimated Cost to Complete	Fair Value
Ground-up development – with active development									
Place Viau Assets, Montreal, QC	Walmart, Michael's, Marshalls	332,000	327,000	5,000	Q1, 2015	$ 140,301	$ 132,463	$ 7,838	
Carrefour du Plateau-des-Grives, Gatineau, QC	Canadian Tire, Sports Experts	222,000	201,000	21,000	Q2, 2015	55,849	44,219	11,630	
The Brewery District Edmonton, AB (1)	Loblaws City Market, GoodLife Fitness	319,000	—	319,000	Q2, 2016	80,004	26,321	53,683	
King High Line (Shops at King Liberty), Toronto, ON		487,000	—	487,000	Q3, 2017	142,528	44,031	98,497	
3		1,360,000	528,000	832,000		$ 418,682	$ 247,034	$ 171,648	

As at December 31, 2014										
(thousands of dollars, except for other data)										
Count/Property	Major Tenants	Planned Square Feet Upon Completion	Completed or Existing Square Feet	Square Feet Under Development	Target Completion Date	Total Estimated Cost incl. Land	Investment Cost	Estimated Cost to Complete	Fair Value
Ground-up development – at completion									
Leaside Village Toronto, ON	Longo's, The Beer Store, CIBC, Linen Chest, Pet Valu	112,000	112,000	—	Q1, 2013	$ 48,363	$ 48,363	$ —	
Clairfield Commons (Pergola Commons), Guelph, ON	RBC Royal Bank, BMO, The Beer Store, Cineplex, Dollarama, GoodLife Fitness	228,000	228,000	—	Q4, 2013	69,466	69,466	—	
2		340,000	340,000	—		$ 117,829	$ 117,829	$ —	

As at December 31, 2014									
(thousands of dollars, except for other data)									
Count/Property	Major Tenants	Planned Square Feet Upon Completion	Completed or Existing Square Feet	Square Feet Under Development	Target Completion Date	Total Estimated Cost incl. Land	Investment Cost	Estimated Cost to Complete	Fair Value
Ground-up development – pre-development									
Rutherford Marketplace, Vaughan, ON (Residential)	RBC Royal Bank, BMO, The Beer Store, Cineplex, Dollarama, GoodLife Fitness	—	—	—		$ 16,866	$ 16,866	$ —	
—		—	—	—		$ 16,866	$ 16,866	$ —	
5 Total ground-up development		1,700,000	868,000	832,000		$ 553,377	$ 381,729	$ 171,648	$ 408,804
Properties adjacent acquired in 2014 and 2013 included in acquisitions [(2)]							$ 19,167		$ 18,431

[(1)] The Company has 50% ownership interest in the property.

[(2)] Refer to the "Business and Operations Review – 2014 Acquisitions" and "Business and Operations Review – 2013 Acquisitions" sections of this MD&A.

Details of certain ground-up development properties are included in the Company's largest properties summaries (refer to the "Business and Operations Review – Real Estate Investments" section of this MD&A). Additional details of one ground-up development project are included below:

The Brewery District, Edmonton, Alberta

A 50% development project with a partner, Sun Life Financial, The Brewery District is a 14.9 acre land site located on 104th Avenue in downtown Edmonton. The estimated population within five kilometers is 185,000 with an average household income of $81,000.

The Company obtained rezoning approval for The Brewery District in late 2013 to allow for retail, office and high-density residential use. The Company has also obtained development permits for the project and construction has commenced.

The Brewery District's unique design will incorporate certain buildings from the Molson brewery that previously operated on the site. Upon completion of its two phases of development, the property is expected to comprise approximately 279,000 square feet of retail and 40,000 square feet of office, with a total of 393 at grade and 534 underground parking stalls. The project enjoys strong leasing interest and the Company is in advanced lease negotiations with various tenants. To date, Loblaws, GoodLife Fitness and Shoppers Drug Mart (Loblaws) have been secured. In addition to the mixed use development, the site includes 2.34 acres of development land that is zoned for high-rise residential which may be sold to a third party residential developer for construction of up to 430,000 square feet of residential density.

Following completion, The Brewery District is expected to be directly linked to the 120th Street Station on the West LRT line (light rapid transit) that is planned to be built by the City of Edmonton. Edmonton Brewery District is located diagonally across the street from the Company's existing 45,000 square foot Longstreet Shopping Centre.

Investment Properties at Cost with Bifurcation of Income-Producing and Development Activity Components

A summary of the Company's proportionate interest in total investment properties at cost as at December 31, 2014, with bifurcation of the income-producing and development activity components, is as follows:

As at December 31, 2014	Number of Sites/ Properties (1)	Square Feet (2) (in thousands)	Investment Cost (in millions) (3)	Fair Value (in millions)
Shopping centres – income-producing only	158	24,331	$ 5,857	
Same property with incremental redevelopment and expansion	13	81	22	
Major redevelopment	13	264	262	
Ground-up development	5	832	92	
Shopping centres with development activities (1) (3)	31	1,177	376	
Land parcels adjacent to/part of existing properties	34	768	97	
Land parcels adjacent to/part of existing properties available for expansion	4	37	—	
Other development related costs	—	—	9	
Adjacent land parcels (1)	38	805	106	
Total shopping centres with development activities or potential development activities	69	1,982	482	
Total shopping centres			$ 6,339	$ 7,551
Development land	4	439	75	73
Total		2,421	$ 6,414	$ 7,624

(1) Property counts of shopping centres undergoing development activities and adjacent land parcels are included in the total property count for income-producing shopping centres of 158.

(2) Includes both municipally approved developable commercial square feet and square feet the Company expects to be approved, excluding residential density until the zoning process is complete.

(3) Includes cost for phases under development only. Aggregate cost of the Company's investment under development is approximately $561 million, which includes shopping centres with development activities or potential of development activities of approximately $482 million, development land of approximately $75 million and residential development inventory of approximately $4 million. Refer to the "Business and Operations Review – 2014 Investment Property Development and Redevelopment Activities" section of this MD&A.

The Company has currently identified 2.4 million square feet available in the portfolio for future development of retail space, excluding 0.4 million square feet classified as held for sale (December 31, 2013 – 3.2 million square feet, including 0.2 million square feet classified as held for sale), as follows:

Shopping Centres with Development Activities

The Company currently has 1,177,000 square feet of retail space consisting of incremental redevelopment and expansion, major redevelopment and ground-up development that is planned with some buildings under construction. Refer to the "Business and Operations Review – 2014 Investment Property Development and Redevelopment Activities" section of this MD&A.

Adjacent Land Parcels

The Company has 38 land parcels adjacent to existing shopping centres with future redevelopment or expansion potential of approximately 805,000 square feet. Certain of these adjacent land parcels are in various stages of development and in various property categories.

Development Land

The Company has six land sites of which two are classified as held for sale. The four land sites being retained have potential, if developed, to provide a further 0.1 to 0.5 million square feet of GLA.

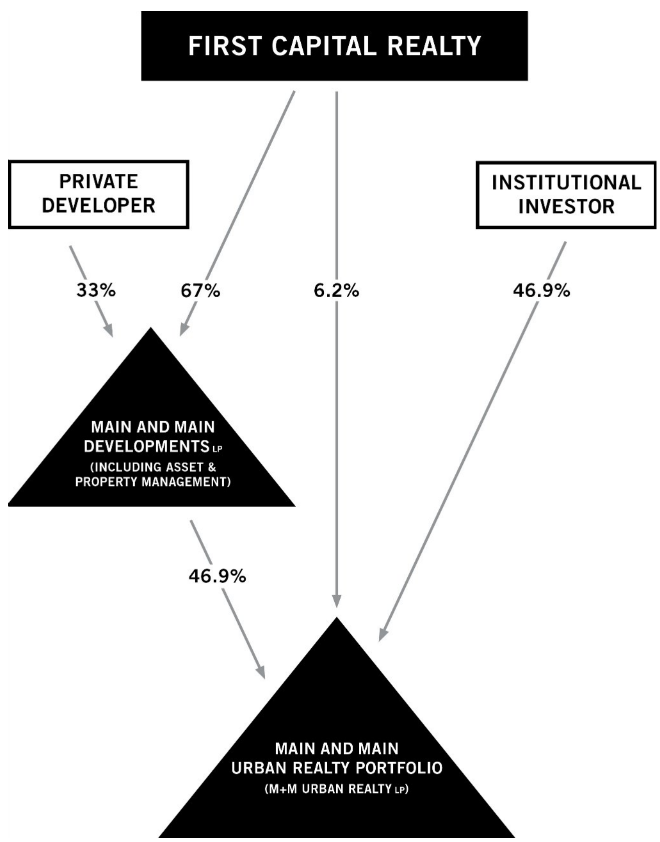
Development land by region is as follows:

Region	Number of Sites	Square Feet (in thousands)	Acreage	Fair Value (in millions)
Central	2	211	14	$ 9
Eastern	2	228	14	10
Western	—	—	—	—
Total	4	439	28	$ 19

Main and Main Developments

During the third quarter of 2014, the Company's Toronto and Ottawa urban development partnership, Main and Main Developments LP, sold a 46.9% interest in its real estate assets to a prominent Canadian institutional investor. As part of the transaction, Main and Main Developments was retained to provide asset and property management services for the real estate portfolio.

The transaction comprised the transfer of all of Main and Main Developments' real estate assets to a newly formed partnership (known as M+M Urban Realty LP ("Main and Main Urban Realty")) between the Company, Main and Main Developments and the institutional investor. First Capital Realty also continues to directly own a 67% interest in Main and Main Developments and also to primarily fund its private development partner's interest. The partners of Main and Main Urban Realty have collectively committed a total of $320.0 million of equity capital for the current and future growth and development of the Main and Main Urban Realty portfolio, of which First Capital Realty's direct and indirect commitment is approximately $167.0 million (of which $93.8 million has been invested as at December 31, 2014). Decisions in Main and Main Urban Realty are made unanimously as between Main and Main Developments and First Capital Realty together on the one hand, and the institutional investor on the other hand. The chart below illustrates in a simplified fashion the ownership of Main and Main Developments and Main and Main Urban Realty.



The Main and Main Developments management team brings a skill set and focus to the assembly and redevelopment of sites that are much smaller than the Company’s typical properties and are normally acquired or assembled via multiple adjacent parcel acquisitions, often from private individuals. Main and Main Developments’ core business strategy is to create value in the Main and Main Urban Realty portfolio through the strategic acquisition of assets in under-serviced transit-oriented urban retail nodes and then reposition, rezone and/or redevelop (including through mixed use development) these assets to their highest and best use, with a view to creating and owning new urban retail formats in high-demand locations. Each of Main and Main Urban Realty’s 18 assembly projects are located on a major street in Toronto or Ottawa. Two projects in Toronto and one project in Ottawa are in the pre-development planning stage. As at December 31, 2014, the fair value of the Main and Main Urban Realty’s portfolio was approximately $168.0 million. As at December 31, 2014, Main and Main Urban Realty had binding agreements to purchase six properties for an aggregate amount of $76.0 million, expected to close in 2015, subject to customary closing conditions. First Capital Realty's share of funding commitments at its interest is $40.4 million.

Residential Development Inventory

The Company has partnered with a Toronto-based condominium developer to develop its residential density projects at Shops at King Liberty in Toronto. The Company has a 50% interest in these two projects and recognizes its right to the assets and obligations for liabilities in its financial results. The Company's residential development inventory comprises the construction of rental or condominium units. The Company recognizes revenue from the sale of residential units upon substantial completion. The Company considers substantial completion for each residential unit to be the point at which the purchaser has paid all amounts due on interim closing and has the right to occupy the premises, has demonstrated collectability of the balance due at closing, and has received an undertaking from the property owners to be assigned title in due course, or when title has transferred.

Fuzion consists of 246 residential units in a condominium tower and approximately 9,000 square feet of retail space. Interim occupancy for the Fuzion residential units commenced during the first quarter of 2013 and registration and final closings occurred on all units in the first quarter of 2014. As at December 31, 2014, all units were sold, with possession and occupancy taken, however, the Company is in process of selling some remaining parking stalls. Proceeds at the Company’s 50% interest of approximately $29.8 million were received of which approximately $22.0 million was directed to repay the Company’s indebtedness on the project’s credit facility. The Company's total gain realized on its share of the project was $3.0 million. During the first quarter of 2014, the Company acquired the remaining 50% interest in the retail space from its partner.

The 1071 King Street development site has 100,000 square feet of density entitlements.

During the three months ended December 31, 2014, the King High Line mixed-use retail and residential project, with a fair value and invested cost of $25 million was transferred from residential development inventory to mixed-use shopping centres as a ground-up development (refer to “Business and Operations Review – Real Estate Investments – Portfolio Overview” section of this MD&A).

Capital Expenditures on Investment Properties

Capital expenditures are incurred by the Company for maintaining and/or renovating its existing shopping centres. In addition, the Company also incurs expenditures for the purposes of expansion, redevelopment and development activities.

Revenue sustaining capital expenditures are required for maintaining the Company's shopping centre infrastructure and revenues from leasing of existing space. Revenue sustaining capital expenditures are not recoverable from tenants. Typical costs relate to ongoing investments of capital for tenant leasing costs related to new and renewal leasing, and capital to maintain the physical aspects of its shopping centres such as roof replacement programs and resurfacing of parking lots.

Revenue enhancing capital expenditures are those expenditures that increase the revenue generating ability of the Company's shopping centres. Revenue enhancing capital expenditures are incurred in conjunction with or in contemplation of a development or redevelopment strategy, or related to acquisition, disposition or the same property categories. Capital expenditures incurred in development and redevelopment projects include pre-development costs, direct construction costs, borrowing costs, and overhead including applicable salaries and other direct costs of internal staff directly attributable to the projects under active development.

Additionally, certain tenant leases provide the ability to recover from tenants over time a portion of capital investments to maintain physical aspects of the Company's shopping centres as property operating costs.

Revenue enhancing or sustaining capital expenditures are dependent upon many factors, including the age and location of the Company's shopping centres. The Company owns and actively seeks to acquire older, well-located shopping centres in urban locations, where expenditures tend to be higher when they are subsequently repaired or conditions brought up to the Company's standards or redeveloped. As at December 31, 2014, the weighted average age based on year constructed or redeveloped and square footage, for the Company's total shopping centre portfolio was as follows:

	5 year or newer	6 – 10 years	11 – 15 years	16 – 20 years	Over 20 years
Total Portfolio	14%	27%	23%	12%	24%
Central	14%	28%	15%	21%	22%
Eastern	15%	26%	25%	7%	27%
Western	13%	25%	29%	6%	27%

In addition to property category, the Company also considers property age, the potential effects on occupancy and future rents per square foot, the time leasable space has been vacant and other factors when assessing whether a capital expenditure is revenue enhancing or sustaining.

The three-year weighted average rate of revenue sustaining expenditures on a same property basis for the year ended December 31, 2014 on an estimated annualized basis was \$0.83 per square foot compared to \$0.84 per square foot for 2013. The Company continues its expenditures on roof and parking lot replacements in the same property category at several of its shopping centres, which will reduce its ongoing maintenance expenditures at these centres going forward.

Revenue sustaining and enhancing capital expenditures on investment properties, which include shopping centres and development land, are as follows:

	Year ended December 31	
(thousands of dollars)	**2014**	2013
Revenue sustaining – same property – stable	**$ 12,252**	$ 11,691
Revenue sustaining – same property with incremental redevelopment and expansion	**3,570**	3,419
Revenue sustaining – total same property	**15,822**	15,110
Enhancing capital expenditures		
Revenue enhancing and other	**48,269**	49,546
Expenditures recoverable from tenants	**11,518**	14,463
Development expenditures	**177,892**	187,407
Total	**$ 253,501**	$ 266,526

Capital expenditures on the shopping centre portfolio by property categorization are as follows:

Year ended December 31						
(thousands of dollars)			**2014**			2013
	Same Property – Stable	**Same Property with incremental redevelopment and expansion**	**Total**	Same Property – Stable	Same Property with incremental redevelopment and expansion	Total
Revenue sustaining	**$ 12,252**	**$ 3,570**	**$ 15,822**	$ 11,691	$ 3,419	$ 15,110
Revenue enhancing and other	**23,601**	**4,728**	**28,329**	15,415	17,343	32,758
Expenditures recoverable from tenants	**7,026**	**2,328**	**9,354**	1,062	3,956	5,018
Development expenditures	**—**	**23,128**	**23,128**	—	38,548	38,548
Total – Same property	**$ 42,879**	**$ 33,754**	**$ 76,633**	$ 28,168	$ 63,266	$ 91,434
Major redevelopment			**101,181**			68,803
Ground-up development			**48,529**			65,272
Acquisitions – current year			**1,610**			1,822
Acquisitions – prior year			**6,478**			24,384
Investment properties classified as held for sale			**7,874**			2,894
Dispositions – current and prior year			**2,147**			2,345
Development land			**9,049**			9,572
Total			**$ 253,501**			$ 266,526

Leasing and Occupancy

Total portfolio occupancy as at December 31, 2014 increased to 96.0% from 95.5% as at December 31, 2013. Same property portfolio occupancy increased to 96.9% from 96.5% for the same period, and comprised 18.2 million occupied square feet. Occupancy for the remainder of the portfolio, including major redevelopments, ground-up developments, acquisitions, dispositions and assets held for sale, totaled 93.0% as at December 31, 2014, representing an increase from 92.2% as at December 31, 2013, and comprised 5.2 million occupied square feet, providing potential net operating income growth as the redevelopment, development and expansion activities are completed.

Occupancy of the Company's shopping centre portfolio by property categorization as at December 31, 2014 is as follows:

As at		**December 31, 2014**			December 31, 2013	
(square feet in thousands, except other data)	**Total Occupied Square Feet**	**% Occupied**	**Weighted Average Rate per Occupied Square Foot**	Total Occupied Square Feet	% Occupied	Weighted Average Rate per Occupied Square Foot
Same property – stable	**13,793**	**97.2%**	**$ 18.68**	13,821	96.7%	$ 18.35
Same property with incremental redevelopment and expansion	**4,413**	**96.1%**	**16.85**	4,385	96.1%	16.56
Total same property	**18,206**	**96.9%**	**18.24**	18,206	96.5%	17.92
Major redevelopment	**2,625**	**91.9%**	**18.68**	2,813	91.1%	17.89
Ground-up development	**825**	**94.2%**	**21.25**	663	98.2%	22.80
Investment properties classified as held for sale	**964**	**94.9%**	**12.55**	955	89.5%	12.57
Total portfolio before acquisitions and dispositions	**22,620**	**96.0%**	**18.16**	22,637	95.6%	17.83
Acquisitions – 2014	**426**	**91.9%**	**26.31**	—	—%	—
Acquisitions – 2013	**310**	**94.2%**	**26.94**	269	94.0%	27.92
Dispositions – 2014	**—**	**—%**	**—**	466	95.5%	18.30
Total	**23,356**	**96.0%**	**$ 18.42**	23,372	95.5%	$ 17.96

During 2014, the Company achieved a 9.6% rate increase per occupied square foot increase on 2,415,000 square feet of renewal leases over the expiring lease rates on the total portfolio basis. The rate increase for the same property portfolio amounted to 8.4% on 1,736,000 square feet and for the remainder of the portfolio to 12.9% on 679,000 square feet, demonstrating Management's ability to increase rents on renewals.

The Company also achieved 9.1% growth in rate per square foot on new tenant openings versus tenant closures on the total portfolio basis. This rate was 1.4% for the same property portfolio and 2.0% for the remainder of the portfolio.

The average rental rate per occupied square foot for the same property portfolio increased to $18.24 as at December 31, 2014 from $17.92 as at December 31, 2013. Management believes that the weighted average rental rate per square foot for the portfolio would be in the range of $23.00 to $25.00, if the portfolio were at market. The Company continues to seek well-located properties in urban markets with below market rent for future value creation activities. The weighted average lease term for the portfolio is 5.7 years as at December 31, 2014, excluding options in favour of tenants, and including month-to-month and other short-term leases with tenants in properties with pre-development activities underway. The weighted average lease term for the Company's top 10 tenants is 6.8 years as at December 31, 2014, excluding options in favour of tenants.

Changes in the Company's gross leasable area and occupancy for the total portfolio are set out below:

Year ended December 31, 2014	Total Same Property			Major redevelopment, ground-up, acquisitions and dispositions			Vacancy				Portfolio Total		
	Occupied Square Feet (thousands)	%	Weighted Average Rate per Occupied Square Foot	Occupied Square Feet (thousands)	%	Weighted Average Rate per Occupied Square Foot	Under Redevelop-ment Square Feet (thousands)	%	Vacant Square Feet (thousands)	%	Total Square Feet (thousands)	Occupied Square Feet %	Weighted Average Rate per Occupied Square Foot
December 31, 2013 [1]	**18,206**	**96.5%**	**$ 17.92**	**5,166**	**92.2%**	**$ 18.10**	**179**	**0.7%**	**911**	**3.7%**	**24,462**	**95.5%**	**$ 17.96**
Tenant openings	434		19.54	315		12.19	—		(749)		—		16.45
Tenant closures	(377)		(19.24)	(307)		(12.01)	—		684		—		(16.00)
Tenant closures for redevelopment	(2)		(23.99)	(210)		(12.18)	212		—		—		(12.29)
Developments – tenant openings coming on line	33		28.00	192		17.46	—		60		285		19.02
Redevelopments – tenant openings coming on line	—		—	4		23.98	(4)		—		—		23.98
Demolitions	—		—	—		—	(235)		(29)		(264)		—
Reclassification	(91)		—	51		—	(67)		24		(83)		—
Total portfolio before dispositions and acquisitions	18,203	96.9%	$ 18.23	5,211	92.8%	$ 18.50	85	0.3%	901	3.7%	24,400	96.0%	$ 18.29
Dispositions (at date of disposition)	—		—	(482)	89.6%	(18.51)	—		(56)		(538)	89.6%	(18.51)
Acquisitions (at date of acquisition)	3	57.6%	26.96	421	90.8%	25.55	—		45		469	90.4%	25.56
December 31, 2014	**18,206**	**96.9%**	**$ 18.24**	**5,150**	**93.0%**	**$ 19.07**	**85**	**0.3%**	**890**	**3.7%**	**24,331**	**96.0%**	**$ 18.42**
Renewals	1,736		$ 18.54	679		$ 18.63					2,415		$ 18.56
Renewals – expired	(1,736)		$ (17.10)	(679)		$ (16.50)					(2,415)		$ (16.93)
Net increase per square foot from renewals			$ 1.44			$ 2.13							$ 1.63
% Increase on renewal of expiring rents			8.4%			12.9%							9.6%
% Increase in rate per square foot – openings versus all closures			1.4%			2.0%							9.1%

[1] Opening balance is revised to reflect property categories consistent with current period status.

Individual buildings within a development are generally constructed only after obtaining commitments on a substantial portion of the space. Development and redevelopment coming on line include both leased and unleased space brought on line at completion of construction. The Company's completed development projects illustrate the potential future value of investments in ongoing development initiatives that are not yet generating income, but are expected to contribute to the growth of the Company.

During 2014, the Company completed 289,000 square feet in development and redevelopment activities. 229,000 square feet of this space were occupied during the year at the average rate of $19.09 per square foot (including 171,000 square feet of anchor tenants), and the remainder is expected to be leased in the next 12 months. The average lease rate on the space was above the average rate for the portfolio, thus realizing on the growth potential through development.

Year ended December 31, 2013	Total Same Property			Major redevelopment, ground-up, acquisitions and dispositions			Vacancy				Portfolio Total		
	Occupied Square Feet (thousands)	%	Weighted Average Rate per Occupied Square Foot	Occupied Square Feet (thousands)	%	Weighted Average Rate per Occupied Square Foot	Under Redevelop-ment Square Feet (thousands)	%	Vacant Square Feet (thousands)	%	Total Square Feet (thousands)	Occupied Square Feet %	Weighted Average Rate per Occupied Square Foot
December 31, 2012 [1]	**18,063**	**96.4%**	**$ 17.72**	**5,810**	**93.4%**	**$ 16.89**	**172**	**0.7%**	**924**	**3.7%**	**24,969**	**95.6%**	**$ 17.51**
Tenant openings	429		20.50	115		17.01	—		(544)		—		19.77
Tenant closures	(403)		(20.68)	(163)		(16.10)	—		566		—		(19.36)
Tenant closures for redevelopment	(30)		(18.60)	(91)		(21.64)	121		—		—		(20.87)
Developments – tenant openings coming on line	125		22.65	236		24.12	—		54		415		23.61
Redevelopments – tenant openings coming on line	15		8.61	88		22.69	(103)		—		—		20.56
Demolitions	—		—	—		—	—		(31)		(31)		—
Reclassification	28		—	(91)		—	(11)		3		(71)		—
Total portfolio before dispositions and acquisitions	18,227	96.5%	$ 17.92	5,904	92.2%	$ 17.21	179	0.7%	972	3.8%	25,282	95.4%	$ 17.74
Dispositions (at date of disposition)	(21)	84.6%	(13.45)	(1,009)	93.3%	(15.51)	—		(76)		(1,106)	93.1%	(15.47)
Acquisitions (at date of acquisition)				271	94.7%	27.82	—		15		286	94.8%	27.82
December 31, 2013	**18,206**	**96.5%**	**$ 17.92**	**5,166**	**92.2%**	**$ 18.10**	**179**	**0.7%**	**911**	**3.7%**	**24,462**	**95.5%**	**$ 17.96**
Renewals	985		$ 21.24	431		$ 17.49					1,416		$ 20.13
Renewals – expired	(985)		$(19.25)	(431)		$ (16.04)					(1,416)		$ (18.30)
Net increase per square foot from renewals			$ 1.99			$ 1.45							$ 1.83
% Increase on renewal of expiring rents			10.3 %			9.0%							10.0%
% Increase on openings versus all closures			(2.2)%			7.7%							1.3%

[1] Opening balance is revised to reflect property categories consistent with current period status.

Development and redevelopment coming on line in 2014 included the following:

Property Name	City	Province	Square Feet	Major Tenants of Developed Space
Same property with incremental redevelopment and expansion				
Hunt Club Marketplace [1]	Ottawa	ON	12,000	Spaces with leasing underway
Eagleson Place	Ottawa	ON	11,000	Kids & Company (Daycare)
Place Pointe-aux-Trembles	Montreal	QC	8,000	Double Pizza and spaces with leasing underway
Other properties			8,000	TD Canada Trust, Tim Hortons, Fresh East and spaces with leasing underway
Shops at New West	New Westminster	BC	5,000	Various tenants
Tomken Plaza	Mississauga	ON	6,000	Bulk Barn and Dairy Queen
Red Deer Village	Red Deer	AB	5,000	Spaces with leasing underway
Major redevelopment				
Yorkville Village Assets	Toronto	ON	13,000	Andrew's and various other tenants
Carré Lucerne Assets	Montreal	QC	12,000	Scotiabank, Subway and various other tenants
Mount Royal Village Assets	Calgary	AB	5,000	Calgary Family Dental
Ground-up development				
Place Viau Assets	Montreal	QC	116,000	Marshalls, Michael's, Econofitness, Dollarama and spaces with leasing underway
Carrefour du Plateau-des-Grives	Gatineau	QC	86,000	Canadian Tire
Acquisitions – current year				
Shops at King Liberty Assets	Toronto	ON	2,000	Various tenants
			289,000	
Total development brought on line			285,000	
Total other redevelopment brought on line			4,000	Leased to various tenants
			289,000	

[1] The Company has 33.33% ownership interest in the property. The square footage represents 100% of GLA that came on line.

Development and redevelopment coming on line in 2013 included the following:

Property Name	City	Province	Square Feet	Major Tenants of Developed Space
Same property with incremental redevelopment and expansion				
Eagleson Place	Ottawa	ON	27,000	Goodlife Fitness, The Beer Store
Carrefour St-David	Beauport	QC	22,000	Gold's Gym
Place Nelligan / Plaza St-René	Gatineau	QC	20,000	Dollarama, Pharmacie Brunet
Hunt Club Marketplace	Toronto	ON	20,000	Dollarama
Place Pointe-aux-Trembles	Montreal	QC	16,000	Dollarama
Gloucester City Centre	Ottawa	ON	13,000	PharmaPlus
Centre Commercial Côte St-Luc	Montreal	QC	6,000	McDonalds
Credit Valley Town Plaza	Mississauga	ON	6,000	TD Canada Trust
Other			7,000	RBC Royal Bank, Dollarama
Major redevelopment				
Port Place Shopping Centre	Nanaimo	BC	50,000	Dollarama, TimberWest
Deer Valley Marketplace	Calgary	AB	37,000	Shoppers Drug Mart (Loblaws), Dollarama, Pet Valu
Mount Royal Village	Calgary	AB	33,000	Goodlife Fitness
Carrefour Soumande	Vanier	QC	30,000	Spaces with leasing underway
Chartwell Shopping Centre	Toronto	ON	24,000	Tim Hortons
Victoria Park Centres	Toronto	ON	14,000	Dollarama, LCBO
Yorkville Village Assets	Toronto	ON	12,000	The Toronto Clinic
Other			20,000	Various tenants
Ground-up development				
Place Viau	Montreal	QC	100,000	Walmart
Carrefour du Plateau-des-Grives	Gatineau	QC	26,000	CIBC, Dollarama, McDonalds
Pergola Commons	Guelph	ON	20,000	The Keg Restaurant, State & Main Kitchen & Bar
Shops at King Liberty (Fuzion)	Toronto	ON	8,000	Structube
Leaside Village	Toronto	ON	7,000	Various tenants
Total			518,000	
Total development brought on line			415,000	
Total other redevelopment brought on line			103,000	Leased to various tenants
			518,000	

Lease Maturity Profile

The Company's lease maturity profile for its shopping centre portfolio as at December 31, 2014 was as follows:

Maturity Date [1]	Number of Stores	Occupied Square Feet (000s)	Percent of Total Square Feet	Annualized Minimum Rent at Expiration (000s)	Percent of Total Annualized Minimum Rent	Average Annual Minimum Rent per Square Foot at Expiration
Month-to-month tenants [2]	177	243	1.0%	$ 4,257	0.9%	$ 17.49
2015	572	2,025	8.4%	36,591	8.0%	18.07
2016	550	2,222	9.1%	35,932	8.0%	16.17
2017	580	2,926	12.0%	52,567	11.6%	17.96
2018	585	2,972	12.2%	53,576	11.9%	18.03
2019	560	2,612	10.7%	54,393	12.0%	20.83
2020	270	1,723	7.1%	30,627	6.8%	17.78
2021	199	1,291	5.3%	28,469	6.3%	22.06
2022	240	1,617	6.6%	38,217	8.5%	23.64
2023	183	1,695	7.0%	32,892	7.3%	19.40
2024	179	1,115	4.6%	24,050	5.3%	21.58
2025	68	604	2.5%	14,449	3.2%	23.92
Thereafter	96	2,311	9.5%	45,917	10.2%	19.87
Total or Weighted Average	4,259	23,356	96.0%	$ 451,937	100.0%	$ 19.35

[1] Excluding any contractual renewal options in favour of the tenants.

[2] Contains tenants on over hold including renewals and extensions under negotiation, month-to-month tenants and tenants in space at properties with future redevelopment.

Included in 2015 lease maturities of 2,025,000 square feet is 1,707,000 square feet related to the same property portfolio, which represents 84.3% of the lease maturities for the total shopping centre portfolio. The expiring leases on the same property basis generate an annual minimum rent of $30.2 million, representing 82.6% of the annual minimum rent from the expiring leases for 2015 for the total shopping centre portfolio.

The Company's expected future income through maturity from its existing in-place leases for its shopping centre portfolio as at December 31, 2014 included:

*(thousands of dollars)*Revenue Recognition Period	Minimum Rent [1]	Estimated Income from Operating and Tax Recoveries [2]
Q1, 2015	$ 103,503	$ 55,008
Q2, 2015	102,333	54,414
Q3, 2015	99,726	53,093
Q4, 2015	97,841	52,095
Total	$ 403,403	$ 214,610
2016	367,026	195,360
2017	326,800	174,074
2018	281,016	149,783
2019	229,877	122,566
Thereafter	893,667	478,066
Total	$ 2,501,789	$ 1,334,459

[1] Assumes non-exercise of optional periods by tenants.

[2] Income from operating cost and realty tax recoveries is estimated by applying the relative percentage to current year base rent to expected future minimum rent for each period.

Top Forty Tenants

As at December 31, 2014, 55.1% of the Company's annualized minimum rent came from its top 40 tenants (December 31, 2013 – 54.4%). Of those rents, 77.7% was from top 40 tenants that have investment grade credit ratings and who represent many of Canada's leading supermarket operators, drugstore chains, national and discount retailers, banks and other familiar shopping destinations.

	Tenant	Number of Stores	Square Feet (thousands)	Percent of Total Gross Leasable Area	Percent of Total Annualized Minimum Rent	DBRS Credit Rating	S&P Credit Rating	Moody's Credit Rating
1	Loblaws (1)	100	2,493	10.2%	10.2%	BBB	BBB	
2	Sobeys (2)	57	1,983	8.1%	6.8%	BBB (low)	BBB-	
3	Metro	34	1,217	5.0%	3.5%	BBB	BBB	
4	Canadian Tire	26	916	3.8%	3.1%	BBB (high)	BBB+	
5	Walmart	15	1,481	6.1%	3.0%	AA	AA	Aa2
6	TD Canada Trust	45	242	1.0%	2.0%	AA	AA-	Aa1
7	RBC Royal Bank	46	256	1.1%	2.0%	AA	AA-	Aa3
8	Dollarama	44	455	1.9%	1.7%	BBB		
9	CIBC	36	202	0.8%	1.6%	AA	A+	Aa3
10	GoodLife Fitness	19	429	1.8%	1.5%			
Top 10 Tenants Total		422	9,674	39.8%	35.4%			
11	Rona	4	421	1.7%	1.4%	BB (high)	BB+	
12	LCBO	21	218	0.9%	1.3%	AA (low)	AA-	Aa2
13	Rexall	19	168	0.7%	1.1%			
14	BMO	30	134	0.6%	1.0%	AA	A+	Aa3
15	London Drugs	9	231	1.0%	1.0%			
16	Staples	11	254	1.0%	0.9%		BBB-	Baa2
17	Scotiabank	22	121	0.5%	0.9%	AA	A+	Aa2
18	Tim Hortons	50	133	0.5%	0.9%	BB (low)		
19	Save-On-Foods	6	267	1.1%	0.8%			
20	Longo's	4	170	0.7%	0.7%			
21	Starbucks	44	71	0.3%	0.7%		A-	A3
22	Michaels	5	110	0.5%	0.6%		B	B3
23	Jean Coutu	12	155	0.6%	0.6%			
24	Subway	72	86	0.4%	0.6%			
25	Cara	22	97	0.4%	0.6%			
26	Winners	6	194	0.8%	0.6%		A+	A3
27	Toys "R" Us	4	156	0.6%	0.5%		B-	B3
28	Best Buy	5	140	0.6%	0.5%		BB	Baa2
29	Whole Foods Market	2	90	0.4%	0.5%		BBB-	
30	SAQ	22	95	0.4%	0.5%	A (high)	A+	Aa2
31	Reitmans	26	132	0.5%	0.5%			
32	Yum! Brands	29	58	0.2%	0.5%		BBB	Baa3
33	McDonald's	21	84	0.3%	0.5%		A	A2
34	Target	2	246	1.0%	0.5%		A	A2
35	The Beer Store	11	66	0.3%	0.4%	AA (low)	AA-	Aa2
36	The Home Depot	2	219	0.9%	0.4%	A	A	A2
37	Pet Valu	20	54	0.2%	0.3%			
38	Bulk Barn	12	58	0.2%	0.3%			
39	Uniprix	6	68	0.3%	0.3%			
40	Liquor Stores	13	51	0.2%	0.3%			
Top 40 Tenants Total		**934**	**14,021**	**57.6%**	**55.1%**			

(1) As at December 31, 2014, Loblaw Companies Limited ("Loblaws") comprises 10.2% of the Company's annualized minimum rent (December 31, 2013 – 4.2%) as a result of the merger of Loblaws and Shoppers Drug Mart completed in Q1 2014. The Company earned from Loblaws base rent revenue of $10.5 million and $42.1 million for the three months and year ended December 31, 2014, respectively.

(2) Sobeys includes space occupied by Safeway Canada, resulting from the merger of the companies in 2013.

Loans, Mortgages and Other Real Estate Assets

As at (thousands of dollars)	**December 31, 2014**	December 31, 2013
Loans and mortgages receivable (a)	**$ 92,132**	$ 68,150
Available-for-sale (“AFS”) investments in equity securities	**4,099**	3,631
Total non-current loans, mortgages and other real estate assets	**96,231**	71,781
Fair value through profit or loss (“FVTPL”) investments in equity securities (b)	**33,370**	27,764
AFS investments in equity securities	**292**	455
Loans and mortgages receivable (c)	**46,067**	24,457
Loans receivable from sales of residential inventory	**—**	22,522
Other receivable	**249**	2,251
Total current loans, mortgages and other real estate assets	**79,978**	77,449
Total mortgages and other real estate assets	**$ 176,209**	$ 149,230

(a) Loans and mortgages receivable are secured by interests in investment properties or shares of entities owning investment properties and bear interest at a weighted average coupon and effective interest rate as at December 31, 2014 of 5.65% and 5.93% per annum, respectively (December 31, 2013 – 6.33% per annum). The loans and mortgages receivable mature between 2015 and 2025.

(b) The Company invests from time to time in publicly traded real estate and related securities. These securities are recorded at market value. Unrealized gains and losses on FVTPL securities are recorded in other gains (losses) and (expenses).

(c) The Company has loans and mortgages receivable secured by interests in investment properties or shares of entities owning investment properties and bear interest at a weighted average coupon and effective interest rate of 9.59% per annum (December 31, 2013 – 9.54% per annum). The loans and mortgages receivable mature between 2015 and 2025.

Scheduled principal receipts of loans and mortgages receivable as at December 31, 2014 are as follows:

(thousands of dollars, except other data)	Payments on Maturity	Weighted Average Effective Interest Rate
2015	$ 48,708	9.55%
2016	4,809	8.05%
2017	6,147	6.02%
2018	—	—%
2019	28,852	5.87%
2020 to 2025	48,004	5.53%
	$ 136,520	7.15%
Unamortized deferred financing fees, premiums and discounts, net and interest receivable	1,679	
	$ 138,199	
Current	$ 46,067	9.59%
Non-current	92,132	5.93%
	$ 138,199	7.15%

RESULTS OF OPERATIONS

Net Income

	Year ended December 31	
(thousands of dollars, except share and per share amounts)	**2014**	2013
Net income attributable to common shareholders	**$ 196,748**	$ 214,863
Net income per share attributable to common shareholders (diluted)	**$ 0.92**	$ 1.01
Weighted average number of common shares – diluted (in thousands)	**230,533**	229,948

Net income attributable to common shareholders for the year ended December 31, 2014 was $196.7 million or $0.92 per share (diluted) compared to $214.9 million or $1.01 per share (diluted) for the year ended December 31, 2013.

The 8.9% or $0.09 decrease in net income per share (diluted) was primarily due to higher net other losses and expenses largely related to executive transition expense, coupled with a lower fair value gain on investment properties and the related decrease in deferred income taxes compared to the prior year. The above decrease in net income was partially offset by an increase in total same property NOI.

Reconciliation of Consolidated Statements of Income, as presented, to the Company's Proportionate Interest

The following table provides the reconciliation of the Company's Consolidated Statements of Income, as presented in the audited annual consolidated financial statements, to proportionate interest.

						Year ended December 31
(thousands of dollars)			**2014**			2013
	Consolidated Statements of Income (Equity method)	**Adjustment for equity method to proportionate interest**	**Proportionate interest**	Consolidated Statements of Income (Equity method)	Adjustment for equity method to proportionate interest	Proportionate interest
				(Restated) [1]		*(Restated)* [1]
Property rental revenue	**$ 648,441**	**$ 5,169**	**$ 653,610**	$ 631,605	$ 4,324	$ 635,929
Property operating costs	**241,532**	**1,542**	**243,074**	233,595	1,384	234,979
Net operating income	**406,909**	**3,627**	**410,536**	398,010	2,940	400,950
Other income and expenses						
Interest and other income	**12,997**	**(179)**	**12,818**	10,501	—	10,501
Interest expense	**(173,321)**	**(510)**	**(173,831)**	(164,909)	(537)	(165,446)
Corporate expenses	**(31,191)**	**256**	**(30,935)**	(29,958)	—	(29,958)
Abandoned transaction costs	**(907)**	**(4)**	**(911)**	(2,231)	—	(2,231)
Amortization expense	**(3,552)**	**—**	**(3,552)**	(3,873)	—	(3,873)
Share of profit from joint ventures	**9,135**	**(9,135)**	**—**	2,334	(2,334)	—
Other gains (losses) and (expenses)	**(16,281)**	**(129)**	**(16,410)**	(4,280)	—	(4,280)
Increase in value of investment properties, net	**42,078**	**4,612**	**46,690**	60,833	(69)	60,764
	(161,042)	**(5,089)**	**(166,131)**	(131,583)	(2,940)	(134,523)
Income before income taxes	**245,867**	**(1,462)**	**244,405**	266,427	—	266,427
Deferred income taxes	**47,657**	**—**	**47,657**	51,418	—	51,418
Net income	**$ 198,210**	**$ (1,462)**	**$ 196,748**	$ 215,009	$ —	$ 215,009
Net income attributable to:						
Common shareholders	**$ 196,748**	**$ —**	**$ 196,748**	$ 214,863	$ —	$ 214,863
Non-controlling interest	**1,462**	**(1,462)**	**—**	146	—	$ 146
	$ 198,210	**$ (1,462)**	**$ 196,748**	$ 215,009	$ —	$ 215,009
Net income per share attributable to common shareholders:						
Basic	**$ 0.93**			$ 1.03		
Diluted	**$ 0.92**			$ 1.01		

[1] Refer to the "Adoption of New Accounting Standards" section of this MD&A for further details.

Funds from Operations and Adjusted Funds from Operations

In Management's view, funds from operations and adjusted funds from operations are commonly accepted and meaningful indicators of financial performance in the real estate industry. First Capital Realty believes that financial analysts, investors and shareholders are better served when the clear presentation of comparable period operating results generated from FFO and AFFO disclosures supplement IFRS disclosure. These measures are the primary methods used in analyzing real estate organizations in Canada. FFO and AFFO are not measures defined by IFRS and, as such, neither of them has a standard definition. The Company's method of calculating FFO and AFFO may be different from methods used by other corporations or REITs (real estate investment trusts) and, accordingly, may not be comparable to such other corporations or REITs. FFO and AFFO: (i) do not represent cash flow from operating activities as defined by IFRS, (ii) are not indicative of cash available to fund all liquidity requirements, including payment of dividends and capital for growth, and (iii) are not to be considered as alternatives to IFRS net income for the purpose of evaluating operating performance.

Funds from Operations

First Capital Realty calculates FFO in accordance with the recommendations of the Real Property Association of Canada ("REALpac"), as issued in a White Paper on FFO for IFRS. The use of FFO has been included for the purpose of improving the understanding of the operating results of the Company.

FFO is considered a meaningful additional financial measure of operating performance, as it excludes fair value gains and losses on investment properties. FFO also adjusts for certain items included in IFRS net income that may not be the most appropriate determinants of the long-term operating performance of the Company including certain cash and non-cash gains and losses, incremental leasing costs, property taxes reflected ratably, adjustments for equity accounted joint ventures and to non-controlling interest to reflect FFO attributable to the Company. FFO provides a perspective on the financial performance that is not immediately apparent from net income determined in accordance with IFRS. The weighted average number of diluted shares outstanding for FFO is calculated assuming conversion of only those convertible debentures outstanding that would have a dilutive effect upon conversion, at the holders' contractual conversion price.

FFO for the year ended December 31, 2014 totalled $209.0 million or $0.98 per share (diluted) compared to $215.5 million or $1.03 per share (diluted) for the year ended December 31, 2013. The 4.9% or $0.05 decrease in FFO per share (diluted) over the prior year is primarily due to higher interest expense, executive transition expense and higher net other gains in 2013 primarily arising from sale of residential inventory and a gain on settlement of litigation. This was partially offset by total same property NOI growth as compared to the prior year.

FFO excluding other gains (losses) and (expenses) for the year ended December 31, 2014 totalled $220.3 million or $1.04 per share (diluted) compared to $214.5 million or $1.03 per share (diluted) for the year ended December 31, 2013. The 1.0% or $0.01 increase in FFO per share (diluted) excluding other gains (losses) and (expenses) over the prior year was primarily due to total same property NOI growth and higher interest income from investments, which was partially offset by higher interest expense resulting from higher debt levels during 2014 compared to the prior year.

The Company's net income with proportionate interest is reconciled to FFO below:

	Year ended December 31	
(thousands of dollars)	**2014**	2013
		(Restated) [1]
Net income attributable to common shareholders	**$ 196,748**	$ 214,863
Add (deduct):		
Increase (decrease) in value of investment properties, net	**(46,690)**	(60,764)
Incremental leasing costs and other	**5,324**	4,731
Investment properties – selling costs	**5,088**	5,295
Adjustment for equity accounted joint ventures	**850**	—
Deferred income taxes	**47,657**	51,418
FFO	**$ 208,977**	$ 215,543

[1] Refer to the "Adoption of New Accounting Standards" section of this MD&A for further details.

The components of FFO with proportionate interest are as follows:

		Year ended December 31	
(thousands of dollars, except share and per share amounts and percentages)	% change	**2014**	2013
			(Restated) [(1)]
Net operating income		**$ 410,536**	$ 400,950
Interest expense		**(173,341)**	(165,446)
Corporate expenses and other		**(25,251)**	(25,373)
Abandoned transaction costs		**(911)**	(2,231)
Amortization expense (corporate assets and credit facility costs)		**(3,552)**	(3,873)
Interest and other income		**12,818**	10,501
FFO excluding other gains (losses) and (expenses)	2.7 %	**220,299**	214,528
Other gains (losses) and (expenses) [(2)]		**(11,322)**	1,015
FFO	(3.0)%	**$ 208,977**	$ 215,543
FFO per diluted share	(4.9)%	**$ 0.98**	$ 1.03
FFO per diluted share excluding other gains (losses) and (expenses)	1.0 %	**$ 1.04**	$ 1.03
Weighted average number of common shares – diluted – FFO (in thousands)	1.8 %	**212,537**	208,877

(1) Refer to the "Adoption of New Accounting Standards" section of this MD&A for further details.
(2) Refer to the "Results of Operations – Other Gains (Losses) and (Expenses)" section in the following pages for details.

Adjusted Funds from Operations

AFFO is calculated by adjusting FFO for non-cash and other items including interest payable in shares, adjustments for rental revenue recognized on a straight-line basis, non-cash compensation expense, same property capital expenditures and leasing costs for maintaining shopping centre infrastructures, certain other gains or losses, and adjustments to non-controlling interest to reflect AFFO attributable to the Company. Residential inventory pre-sale costs are recognized in AFFO when the Company recognizes revenue from the sale of residential units. The weighted average number of diluted shares outstanding for AFFO is adjusted to assume conversion of the outstanding convertible debentures, calculated using the holders' contractual conversion price.

AFFO for the year ended December 31, 2014 totalled $229.8 million or $1.01 per share (diluted) compared to $225.2 million or $1.00 per share (diluted) for the year ended December 31, 2013. The 1.0% or $0.01 increase in AFFO per share (diluted) over prior year is primarily due to growth in AFFO excluding other gains (losses) and (expenses) offset by higher net gains in 2013 arising from sale of residential inventory and a gain on settlement of litigation.

AFFO excluding other gains (losses) and (expenses) for the year ended December 31, 2014 totalled $228.6 million or $1.00 per share (diluted) compared to $218.5 million or $0.97 per share (diluted) for the year ended December 31, 2013. The 3.1% or $0.03 increase in AFFO per share (diluted) excluding other gains (losses) and (expenses) over prior year is primarily due to growth in FFO excluding other gains (losses) and (expenses) and a smaller adjustment for the impact of rental revenue recognized on a straight-line basis as compared to the prior year.

AFFO is calculated as follows:

		Year ended December 31	
(thousands of dollars, except share and per share amounts and percentages)	% change	**2014**	2013
FFO		**$ 208,977**	$ 215,543
Add (deduct):			
Interest expense payable in shares		**23,735**	23,292
Rental revenue recognized on a straight-line basis		**(5,821)**	(10,452)
Non-cash compensation expense		**2,721**	2,999
Same property revenue sustaining capital expenditures [1]		**(15,622)**	(14,090)
Change in cumulative unrealized losses (gains) on marketable securities		**1,501**	1,988
Losses on prepayments of debt		**3,973**	4,092
Hedge accounting losses (gains)		**80**	(301)
Pre-selling costs of residential inventory units		**(359)**	(127)
Executive transition expense		**7,280**	—
Costs not capitalized during development period [2]		**3,653**	2,549
Other adjustments		**(348)**	(283)
AFFO	2.0%	**229,770**	225,210
Deduct: other (gains) losses and expenses [3]		**(1,153)**	(6,667)
AFFO excluding other gains (losses) and (expenses)	4.6%	**$ 228,617**	$ 218,543
AFFO per diluted share	1.0%	**$ 1.01**	$ 1.00
AFFO per diluted share excluding other (gains) losses and expenses	3.1%	**$ 1.00**	$ 0.97
Weighted average number of common shares – diluted – AFFO (in thousands)	1.7%	**228,568**	224,767

(1) Estimated at $0.83 per square foot per annum (2013 – $0.84) on average gross leasable area of stable properties (based on an estimated three-year weighted average).
(2) The Company has added back costs not capitalized during the development period for accounting purposes that, in Management's view forms part of the cost of its development projects.
(3) Refer to the "Results of Operations – Other Gains (Losses) and (Expenses)" section in the following pages for details.

A reconciliation of cash provided by operating activities (an IFRS measure) to AFFO is presented below:

	Year ended December 31	
(thousands of dollars)	**2014**	2013
		(Restated) (1)
Cash provided by operating activities	**$ 269,092**	$ 212,967
Share of profit from joint ventures	**9,135**	2,435
Distribution from joint ventures	**(2,082)**	(2,062)
Adjustment for equity accounted entities	**(5,192)**	—
Realized gains on sale of marketable securities	**1,665**	2,564
Incremental leasing costs	**5,324**	4,747
Net change in non-cash operating items	**(14,222)**	287
Expenditures on residential development inventory	**8,503**	14,984
Receipts of proceeds from sales of residential inventory	**(29,849)**	—
Amortization expense	**(3,552)**	(3,873)
Non-cash interest expense and change in accrued interest	**(10,248)**	(3,852)
Settlement of restricted share units	**2,769**	1,879
Convertible debenture interest paid in common shares	**(19,913)**	(19,054)
Convertible debenture interest payable in common shares	**23,735**	23,292
Costs not capitalized during development period	**3,653**	2,549
Pre-selling costs of residential inventory	**(359)**	(127)
Executive transition expense	**7,280**	—
Gain on sale of residential inventory	**—**	2,966
Same property revenue sustaining capital expenditures	**(15,622)**	(14,090)
Non-controlling interest	**—**	(162)
Other adjustments	**(347)**	(240)
AFFO	**$ 229,770**	$ 225,210

(1) Refer to the "Adoption of New Accounting Standards" section of this MD&A for further details.

Net Operating Income ("NOI")

NOI is defined as property rental revenue less property operating costs. In Management's opinion, NOI is common and useful in analyzing the operating performance of the Company's shopping centre portfolio, and it is a primary method for analyzing real estate in Canada. NOI is not a measure defined by IFRS and as such there is no standard definition. As a result, NOI may not be comparable with similar measures presented by other entities. NOI is not to be construed as an alternative to net income or cash flow from operating activities determined in accordance with IFRS.

NOI increased to $410.5 million for the year ended December 31, 2014 from $401.0 million for the year ended December 31, 2013.

The increase in overall shopping centre portfolio NOI resulted from growth in base rent from tenants due to increases in rental rates from step-ups and lease renewals, as well as acquisitions and developments coming on line, where average rental rates and recovery terms were higher than the rental rates and recovery terms of disposed properties and closures of spaces for redevelopment. The overall occupancy increased by 0.5% to 96.0% as compared to 95.5% as at December 31, 2013. The increase in overall occupancy primarily arises as a result of the Company's development, redevelopment initiatives and leasing activities. On a same property basis, occupancy increased to 96.9% (December 31, 2013 – 96.5%). On a comparative period basis, the shopping centre portfolio size decreased by 0.1 million square feet due to net property dispositions partially offset by net development and redevelopment space coming on line.

The Company's proportionate interest in net operating income for the shopping centre portfolio is presented below:

	Year ended December 31	
(thousands of dollars, except other data)	**2014**	2013
Property rental revenue		
Base rent [1]	**$ 410,176**	$ 394,069
Operating cost recoveries	**96,972**	94,015
Realty tax recoveries	**120,751**	115,800
Rental revenue recognized on a straight-line basis	**5,821**	10,452
Lease surrender fees	**2,171**	924
Percentage rent	**2,957**	3,533
Prior year operating cost and tax recovery adjustments	**(1,779)**	1,464
Temporary tenants, storage, parking and other	**16,541**	15,672
Total property rental revenue	**653,610**	635,929
Property operating costs		
Recoverable operating expenses	**112,898**	109,358
Recoverable realty tax expenses	**134,380**	126,541
Prior year operating cost and tax expense adjustments	**(2,033)**	(819)
Other operating costs and adjustments	**(2,171)**	(101)
Total property operating costs	**243,074**	234,979
NOI	**$ 410,536**	$ 400,950
NOI margin	**62.8%**	63.0%
Operating cost recovery percentage	**85.9%**	86.0%
Tax recovery percentage	**89.9%**	91.5%

(1) Base rent includes annual minimum rents from gross and semi-gross leases.

The change in the total portfolio NOI margin is primarily driven by occupancy, non recoverable operating costs, operating costs and tax recovery margins and base rent growth. For the year ended December 31, 2014, the total portfolio NOI margin has decreased slightly to 62.8% from 63.0% when compared to the year ended December 31, 2013. The total portfolio operating costs and tax recoveries margin was 88.1% for the year ended December 31, 2014, a decrease of 0.8% from the prior year. These decreases are primarily due to lower recovery rates at a recently completed ground-up development.

The same property NOI margin and the same property recovery margin for the year ended December 31, 2014 remained consistent with the prior year.

The following table summarizes the Company's NOI margin, operating cost and tax recoveries margin, and occupancy by property category:

	NOI Margin		Operating Cost and Tax Recoveries Margin		% Occupied	
	Year ended December 31		Year ended December 31		As at December 31	
	2014	2013	**2014**	2013	**2014**	2013
Same property – stable	**64.2%**	64.5%	**92.3%**	92.3%	**97.2%**	96.7%
Same property with incremental redevelopment and expansion	**62.9%**	62.6%	**89.7%**	89.0%	**96.1%**	96.1%
Total same property	**63.9%**	64.1%	**91.7%**	91.6%	**96.9%**	96.5%
Major redevelopment	**57.0%**	57.2%	**77.1%**	79.0%	**91.9%**	91.1%
Ground-up development	**60.1%**	66.7%	**77.1%**	94.6%	**94.2%**	98.2%
Acquisitions – 2014	**65.1%**	—%	**86.3%**	—%	**91.9%**	—%
Acquisitions – 2013	**63.7%**	62.2%	**84.9%**	86.1%	**94.2%**	94.0%
Investment properties classified as held for sale	**61.7%**	58.4%	**81.0%**	79.8%	**94.9%**	89.5%
Dispositions and other	**65.2%**	65.2%	**91.3%**	88.7%	**—%**	95.5%
	62.8%	63.0%	**88.1%**	88.9%	**96.0%**	95.5%

The following table summarizes the Company's proportionate interest in NOI by property categorization:

		Year ended December 31	
(thousands of dollars, except for percentages)	% change	**2014**	2013
Same property – stable NOI	2.8%	**$ 243,410**	$ 236,812
Same property with incremental redevelopment and expansion NOI	5.0%	**64,991**	61,905
Total same property	3.2%	**308,401**	298,717
Major redevelopment		**48,299**	48,881
Ground-up development		**13,719**	10,319
Acquisitions – 2014		**4,258**	—
Acquisitions – 2013		**10,066**	6,243
Investment properties classified as held for sale		**12,217**	10,589
Dispositions – 2014		**6,674**	8,645
Dispositions – 2013		**126**	6,456
Rental revenue recognized on a straight-line basis		**5,821**	10,452
Development land		**955**	648
NOI		**$ 410,536**	$ 400,950

Same property NOI increased by 3.2% for the year ended December 31, 2014 compared to the year ended December 31, 2013, primarily as a result of increases in same property occupancy, rental rates due to step-ups, lease renewals, and tenant openings with higher rental rates than the rental rates on tenant closures.

In comparison to the year ended December 31, 2013, each region experienced growth in base rent and recoveries from tenants resulting from an increase in rental rates due to step-ups and lease renewals, in addition to net acquisitions and developments coming on line, with average rental rates and recovery terms in excess of the rental rates and recovery terms of disposed properties and closures of spaces for redevelopment.

The shopping centre portfolio NOI by segment at the Company's proportionate interest is as follows:

Year ended December 31, 2014 *(thousands of dollars)*		**Central Region**		**Eastern Region**		**Western Region**		**Subtotal**		**Other(1)**		**Total**
Property rental revenue	**$**	**276,208**	**$**	**172,305**	**$**	**205,990**	**$**	**654,503**	**$**	**(893)**	**$**	**653,610**
Property operating costs		**105,887**		**71,157**		**67,086**		**244,130**		**(1,056)**		**243,074**
Net operating income	**$**	**170,321**	**$**	**101,148**	**$**	**138,904**	**$**	**410,373**	**$**	**163**	**$**	**410,536**

Year ended December 31, 2013 *(thousands of dollars)*		Central Region		Eastern Region		Western Region		Subtotal		Other(1)		Total
Property rental revenue	$	273,516	$	165,040	$	198,406	$	636,962	$	(1,033)	$	635,929
Property operating costs		104,094		66,734		65,954		236,782		(1,803)		234,979
Net operating income	$	169,422	$	98,306	$	132,452	$	400,180	$	770	$	400,950

(1) Other items are principally operating costs and adjustments that are not attributable to a region.

Interest and Other Income

The Company's interest and other income is as follows:

		Year ended December 31		
(thousands of dollars)		**2014**		2013
Interest, dividend and distribution income from marketable securities and cash investments	**$**	**4,304**	$	3,695
Interest income from mortgages and loans receivable		**8,093**		5,911
Fees and other income		**421**		895
Total	**$**	**12,818**	$	10,501

The increase in interest and other income is primarily due to an increase in mortgages and loans receivable and marketable securities balances.

Fee income for the year ended December 31, 2013 relates primarily to fees received in connection with the sale of a portfolio of properties.

Interest Expense

The Company's proportionate share of interest expense is as follows:

	Year ended December 31	
(thousands of dollars)	**2014**	2013
Mortgages and credit facilities	**$ 64,353**	$ 75,769
Senior unsecured debentures	**108,156**	88,913
Convertible debenture (cashless)		
Coupon interest (payable in shares)	**19,910**	19,721
Accretion of discounts on bifurcation for accounting purposes	**1,595**	1,517
Amortization of deferred issue costs	**2,230**	2,054
	23,735	23,292
Interest capitalized to investment properties and residential inventory under development	**(22,413)**	(22,528)
Total interest expense	**$ 173,831**	$ 165,446

Mortgage and credit facilities interest expense decreased due to net repayments of mortgages during the past 12 months and due to the decrease in the weighted average borrowing rate from 5.21% per annum as at December 31, 2013 to 5.03% per annum as at December 31, 2014.

The increase in interest expense for the senior unsecured debentures for the year ended December 31, 2014 is primarily due to the issuances of $510.0 million principal amount senior unsecured debentures with a weighted average coupon rate of 4.60% (weighted average effective rate of 4.59%) during 2014 and the issuances of $450.0 million principal amount of senior unsecured debentures with a weighted average coupon rate of 3.97% (weighted average effective rate of 4.12%) in 2013, partially offset by the redemption of $225.0 million of principal amount with a weighted average coupon rate of 5.67% (weighted average effective rate of 5.84%) during 2014 and the redemption of $53.9 million of principal amount with a weighted average coupon rate of 5.36% (weighted average effective rate of 5.52%) during the year ended December 31, 2013 as described in the "Capital Structure and Liquidity" section of this MD&A.

The increase in convertible debentures interest expense for the year ended December 31, 2014 is a result of issuances in 2013 of $57.5 million in convertible debentures, partially offset by repurchases in the Normal Course Issuer Bid ("NCIB") of $4.2 million and $3.2 million during 2014 and 2013, respectively. Refer to the "Capital Structure and Liquidity" section of this MD&A.

During the years ended December 31, 2014 and 2013, approximately 11.4% and 12.0%, respectively, of interest expense was capitalized to real estate investments for properties undergoing development or redevelopment projects. Amounts capitalized are based on development and redevelopment projects actively underway. The decrease in capitalized interest percentage is commensurate with the decrease in qualified development and redevelopment expenditures primarily resulting from certain development and redevelopment projects completed during the year but only partially offset by new developments projects commenced. The reduction is also due to the sale of an interest in the assets of Main and Main Developments during the year.

Corporate Expenses

	Year ended December 31	
(thousands of dollars, except for percentages)	**2014**	2013
		(Restated)
Salaries, wages and benefits	**$ 24,177**	$ 23,389
Non-cash compensation	**2,599**	2,802
Other corporate costs	**10,777**	10,487
	37,553	36,678
Amounts capitalized to investment properties under development and residential inventory [1]	**(6,618)**	(6,720)
	$ 30,935	$ 29,958
Corporate expenses, excluding non-cash compensation and incremental leasing costs		
As a percentage of rental revenue	**3.5%**	3.5%
As a percentage of total assets	**0.3%**	0.3%

[1] Refer to the "Adoption of New Accounting Standards" section of this MD&A.

Net corporate expenses increased by 3.3% for the year ended December 31, 2014 as compared to the year ended December 31, 2013, and remained consistent with prior year as a percentage of total revenue and total assets. The increase is primarily as a result of increases in the number of team members and costs related to other corporate initiatives during the year, including ongoing investments in processes and systems.

Non-cash compensation is recognized over the respective vesting periods for options, restricted share units and deferred share units. These items are considered part of the total compensation for directors, senior management and other team members.

The Company manages all of its acquisitions, development and redevelopment and leasing activities internally. Certain internal costs directly related to development, including salaries and related costs for planning, zoning, leasing, construction, etc., are capitalized in accordance with IFRS to development projects and residential inventory, as incurred.

In March 2014, the IFRIC issued a decision related to the meaning of "incremental costs" in the context of initial direct leasing costs in IAS 17. The IFRIC determined that internal fixed costs, such as the salary costs of permanent staff involved in negotiating and arranging new leases, do not qualify as incremental costs within the context of IAS 17 and, therefore, should not be capitalized as initial direct leasing costs. The Company has adopted the interpretation effective January 1, 2014, with retrospective restatement of the prior period presented. Prior to the adoption of this interpretation, certain costs associated with the Company's internal leasing staff were capitalized to investment properties. The adoption of the interpretation has resulted in an increase in corporate expenses and an increase in fair value gains on investment properties. Refer to Note 3 to the audited annual consolidated financial statements for further details.

During the years ended December 31, 2014 and 2013, respectively, approximately 18.8% and 19.8% of compensation-related and other corporate expenses were capitalized to real estate investments for properties undergoing development or redevelopment projects. Amounts capitalized are based on development and pre-development projects underway. During the current year, certain development and redevelopment projects were completed resulting in lower capitalized corporate expenses. However, the Company has a number of projects in the pre-development stage for which corporate expenses are being capitalized. The timing of completion of development and redevelopment projects and the Company's current level of pre-development and early redevelopment activity is commensurate with the decrease in the level of corporate expenses capitalized compared to the prior year.

Other Gains (Losses) and (Expenses)

	Year ended December 31					
	2014			2013		
(thousands of dollars)	**Included in Consolidated Statements of Income**	**Included in FFO**	**Included in AFFO**	Included in Consolidated Statements of Income	Included in FFO	Included in AFFO
Realized gains on sale of marketable securities	**$ 1,665**	**$ 1,665**	**$ 1,665**	$ 2,564	$ 2,564	$ 2,564
Change in cumulative unrealized gains (losses) on marketable securities classified as FVTPL	**(1,501)**	**(1,501)**	**—**	(1,988)	(1,988)	—
Losses on prepayments of debt	**(3,973)**	**(3,973)**	**—**	(4,092)	(4,092)	—
Unrealized losses (gains) on hedges	**(80)**	**(80)**	**—**	301	301	—
Gain on settlement of litigation	**—**	**—**	**—**	1,376	1,376	1,376
Gain on foreign currency exchange	**2**	**2**	**2**	43	43	43
Pre-selling costs of residential inventory	**(155)**	**(155)**	**(514)**	(155)	(155)	(282)
Executive transition expense	**(7,280)**	**(7,280)**	**—**	—	—	—
Net gain on sale of residential inventory	**—**	**—**	**—**	2,966	2,966	2,966
Investment properties – selling costs	**(5,088)**	**—**	**—**	(5,295)	—	—
	$ (16,410)	**$ (11,322)**	**$ 1,153**	$ (4,280)	$ 1,015	$ 6,667

For the year ended December 31, 2014, the losses on prepayments of debt primarily relate to penalties on the early redemption of $100.0 million 5.32% Series F and $125.0 million 5.95% Series G senior unsecured debentures and penalties for the early repayment of $54.0 million of mortgages.

The losses on hedges represent the change in fair value for those derivatives to which the Company does not apply hedge accounting, as well as the ineffectiveness of those hedges to which the Company applies hedge accounting.

Investment properties – selling costs were incurred on dispositions of properties and properties held for sale.

Executive transition expense relates to the transition of the Chief Executive Officer ("CEO") to Executive Vice Chairman to support the Company's succession planning and growth, as well as, the departure of the former Chief Financial Officer.

For the year ended December 31, 2013, the net gain on sale of residential inventory relates to the residential units for which the owners have taken possession and occupancy at the Company's Fuzion condominium project (as discussed in the "Business and Operations Review – Residential Development Inventory" section of this MD&A).

Income Taxes

	Year ended December 31	
(thousands of dollars)	**2014**	2013
Deferred income taxes	**$ 47,657**	$ 51,418

Deferred income taxes decreased compared to the prior year primarily due to the change in the value of investment properties and the executive transition expense incurred in the year ended December 31, 2014.

CAPITAL STRUCTURE AND LIQUIDITY

Capital Employed

The ratios below include measures not specifically defined in IFRS. Refer to definition of these measures on the following page for additional information. Certain calculations are required pursuant to debt covenants and for this reason are meaningful measures.

As at (thousands of dollars, except for other data)	**December 31, 2014**	December 31, 2013
Common shares outstanding (in thousands)	**216,374**	208,356
Mortgages and credit facilities (principal amount)	**$ 1,166,251**	$ 1,350,307
Mortgage on equity accounted joint ventures (principal amount at the Company's interest)	**10,425**	10,859
Senior unsecured debentures (principal amount)	**2,160,000**	1,875,000
Convertible debentures (principal amount)	**388,174**	392,917
Equity capitalization		
Common shares (based on closing per share price of $18.66; December 31, 2013 – $17.71)	**4,037,543**	3,689,981
Total enterprise value (total capital employed)	**$ 7,762,393**	$ 7,319,064
Net debt to enterprise value [1]	**42.9%**	44.3%
Net debt to total assets [1]	**42.2%**	42.9%
Net debt to total assets (at invested cost) [1]	**49.6%**	50.5%
Net debt to total assets (based on unsecured debt covenants) [1] [2] [3]	**43.0%**	44.6%
Net debt to EBITDA [1]	**8.2**	8.2
Net debt to EBITDA – on run rate on components of EBITDA [1]	**8.2**	8.2
Weighted average interest rate on fixed rate debt and senior unsecured debentures	**4.9%**	5.1%
Weighted average maturity on mortgages, other secured debt and senior unsecured debentures (years) [4]	**5.9**	5.3
Unencumbered aggregate assets to unsecured debt		
Total, based on IFRS value [5]	**2.3**	2.3
Based on unsecured debt covenants [2] [6]	**2.2**	2.2
EBITDA interest coverage [1] [2]	**2.3**	2.3
EBITDA interest coverage excluding capitalized interest on development [1]	**2.7**	2.8

(1) Calculated with the joint ventures proportionately consolidated.
(2) Calculations required under the Company's credit facility agreements or indenture governing the senior unsecured debentures.
(3) Includes investment properties at IFRS value, calculated using the average capitalization rate over the last 10 fiscal quarters.
(4) Weighted average term to maturity is calculated net of cash balances as at the end of the year.
(5) Includes all unencumbered assets at IFRS values.
(6) Includes unencumbered assets as defined by debt covenants, except investment properties under development and deferred tax assets, with shopping centres valued under IFRS using the average capitalization rate over the last 10 fiscal quarters.

Measures used in these ratios are defined below:

- Enterprise value consists of the market value of the Company's common shares, the par value of senior unsecured debentures and convertible debentures, and principal amounts outstanding on mortgages and credit facilities;
- Debt consists of principal amounts outstanding on credit facilities and mortgages, and the par value of senior unsecured debentures. Convertible debentures are excluded as it is the Company's intention to continue to satisfy its obligations of principal and interest payments in respect of all of its outstanding convertible debentures by the issuance of common shares;
- Net debt is calculated as Debt, as defined above, reduced by cash balances at the end of the year;
- Secured indebtedness includes mortgages and credit facilities which are collateralized against investment property;
- EBITDA, as adjusted, is calculated as net income, adding back income tax expense, interest expense and amortization and excluding the increase or decrease in the value of investment properties, other gains (losses) and (expenses) and other non-cash or non-recurring items. The Company also adjusts for incremental leasing costs and costs not capitalized during the development period, which are recognized adjustments to FFO and AFFO, respectively.
- Run rate is an annualized NOI for a property based upon the existing tenants in place and current operating cost profile for the property;
- Unencumbered assets include the value of assets that have not been pledged as security under any credit agreement or mortgage. The unencumbered asset value ratio is calculated as unencumbered assets divided by the principal amount of the unsecured debt, which consists of the senior unsecured debentures.

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

The Company continues to make progress in reducing the cost of debt and extending and staggering debt maturities. Improvements have been made in key debt metrics over the past several years including weighted average interest rate, weighted average remaining term, and interest coverage ratios.

Since January 1, 2013, the Company has issued $960 million of unsecured debt for terms from 8.4 years to 11.1 years using certain proceeds to repay early over $475 million in debt and over $266 million in debt upon maturity resulting in a extension of the term to maturity for all term debt from 5.3 years at January 1, 2013 to 5.9 years at December 31, 2014. In addition, the Company increased its equity capital by approximately $174 million since the beginning of 2013.

These financings, along with planned and completed financings subsequent to December 31, 2014, and availability on existing credit facilities, address substantially all of the remaining contractual 2015 debt maturities and contractually committed costs to complete current development projects.

The Company also uses convertible debentures as a part of its overall capital structure. Consistent with First Capital Realty's practice, it is the Company's current intention to continue to satisfy its obligations of principal and interest payments in respect of all of its outstanding convertible debentures through the issuance of common shares. Since issuance, the Company has made all principal and interest payments on its convertible debentures using common shares.

The Company intends to maintain financial strength to achieve the lowest cost of debt and equity capital over the long term. When it is deemed appropriate, the Company will raise equity as a source of financing and may strategically sell non-core assets to best redeploy capital and take advantage of market opportunities.

Credit Ratings

Since November 14, 2012, DBRS rates the Company's senior unsecured debentures as BBB (high) with a stable trend. According to DBRS, a credit rating in the BBB category is generally an indication of adequate credit quality and an acceptable capacity for the payment of financial obligations. DBRS indicates that BBB rated obligations may be vulnerable to future events. A rating trend, expressed as positive, stable or negative, provides guidance in respect of DBRS' opinion regarding the outlook for the rating in question.

Since November 20, 2012, Moody's rates the Company's senior unsecured debentures as Baa2 with a stable outlook. As defined by Moody's, a credit rating of Baa2 denotes that these debentures are subject to moderate credit risk and are of medium grade and, as such, may possess certain speculative characteristics. A rating outlook provided by Moody's, expressed as positive, stable, negative or developing, is an opinion regarding the outlook for the rating in question over the medium term.

Consolidated Debt and Principal Amortization Maturity Profile

(thousands of dollars)	Mortgages and Other Secured Debt	Senior Unsecured Debentures	Total	% Due
2015	$ 251,027	$ —	$ 251,027	7.6%
2016	182,056	—	182,056	5.5%
2017	104,588	250,000	354,588	10.7%
2018	140,741	150,000	290,741	8.7%
2019	121,528	150,000	271,528	8.2%
2020	58,841	175,000	233,841	7.0%
2021	84,418	175,000	259,418	7.8%
2022	156,343	450,000	606,343	18.2%
2023	3,523	300,000	303,523	9.1%
2024	62,281	300,000	362,281	10.9%
2025 - 2026	905	210,000	210,905	6.3%
	1,166,251	2,160,000	3,326,251	100.0%
Add (deduct): unamortized deferred financing costs and premium and discounts, net	7,159	(10,826)	(3,667)	
	$ 1,173,410	$ 2,149,174	$ 3,322,584	

Mortgages and Credit Facilities

The changes in the book value of the Company's mortgages and credit facilities during the year ended December 31, 2014, excluding the $10.4 million mortgage on an equity accounted joint venture, are set out below:

(thousands of dollars, except for percentages)	Mortgages and Other Secured Debt	Weighted Average Interest Rate	Outstanding cheques	Secured Credit Facilities	Weighted Average Interest Rate	Total
Balance, December 31, 2013	$ 1,361,583	5.21%	$ 5,000	$ —	—	$ 1,366,583
Additional borrowings	79,533	4.03%	—	45,000	3.00%	124,533
Vendor take back	2,500	6.00%	—	—		2,500
Repayments	(208,488)	5.93%	(5,000)	(45,000)	—	(258,488)
Scheduled amortization	(36,058)	—%	—	—	—	(36,058)
Assumed mortgages on sale of investment properties	(21,541)	4.03%	—	—	—	(21,541)
Amortization and expensing of issue costs and net premium	(4,119)	—	—	—	—	(4,119)
Balance, December 31, 2014	$ 1,173,410	5.03%	$ —	$ —	—%	$ 1,173,410

As at December 31, 2014, 99.3% (December 31, 2013 – 97.0%) of the outstanding mortgage and property-specific debt liabilities bore interest at fixed interest rates. The fixed mortgage rates provide an effective matching for rental income from leases, which typically have fixed terms ranging from 5 to 10 years, and incremental contractual rent steps during the term of the lease. The average remaining term of mortgages outstanding has decreased from 4.0 years as at December 31, 2013 on $1.4 billion of mortgages to 3.8 years as at December 31, 2014 on $1.2 billion of mortgages after reflecting the application of cash balances, borrowing activity, assumptions and repayments during the year.

During the year ended December 31, 2014, the Company prepaid or repaid at maturity $208.5 million amount of mortgage financing with a weighted average interest rate of 5.93% per annum.

During the year ended December 31, 2014, the Company financed approximately $82.0 million of mortgages which were secured on four of its properties.

Mortgages and Other Secured Debt Maturity and Lender Type Profile

					Breakdown of Mortgage Maturities by Type of Lender (as a percentage)		
(thousands of dollars, except for percentages)	Scheduled Amortization	Payments on Maturity	Total	Weighted Average Interest Rate	Banks	Conduits	Insurance Co's and Pension Funds
2015	$ 30,132	$ 220,895	$ 251,027	4.98%	11.1%	31.7%	57.2%
2016	24,523	157,533	182,056	5.09%	33.1%	5.2%	61.7%
2017	21,686	82,902	104,588	5.17%	7.6%	39.2%	53.2%
2018	17,696	123,045	140,741	5.53%	4.9%	0.4%	94.7%
2019	14,814	106,714	121,528	6.36%	33.8%	0.1%	66.1%
2020	12,983	45,858	58,841	5.20%	10.6%	1.1%	88.3%
2021	11,021	73,397	84,418	5.05%	70.9%	0.9%	28.2%
2022	5,691	150,652	156,343	3.98%	35.3%	10.3%	54.4%
2023	3,523	—	3,523	—%	47.4%	—%	52.6%
2024	2,707	59,574	62,281	3.97%	64.4%	—%	35.6%
2025 and thereafter	905	—	905	—%	—%	—%	100.0%
	$ 145,681	$ 1,020,570	$ 1,166,251	5.03%	26.3%	12.7%	61.0%
Add (deduct): unamortized deferred financing costs and premium and discounts, net			7,159				
			$ 1,173,410				

The Company's strategy is to manage its long-term debt by staggering maturity dates in order to mitigate risk associated with short-term volatility in the debt markets. As at December 31, 2014, the Company had mortgages maturing in 2015 of $220.9 million, at an average interest rate of 4.98% per annum and $30.1 million of scheduled amortization of principal balances in 2015. The Company's liquidity position, which was approximately $0.9 billion as at December 31, 2014, including $17.4 million in cash, provides the Company with significant flexibility in addressing 2015 maturities. Coupon interest rates range from 2.73% to 7.24% on existing mortgage debt. Mortgage debt by region is $568.0 million for the Central region, $188.0 million for the Eastern region and $409.0 million for the Western region.

Credit Facilities

The Company has the flexibility under its credit facilities to draw funds based on bank prime rates, Canadian bankers' acceptances ("BA"), LIBOR-based advances or U.S. prime for U.S. dollar-denominated borrowings or Euro dollars. The BAs currently provide the Company with the lowest cost means of borrowing under these credit facilities. The credit facilities provide liquidity primarily for financing acquisitions, development and redevelopment activities and for general corporate purposes.

On June 13, 2014, the Company completed an increase and extension of its senior unsecured revolving credit facility with a syndicate of nine banks, increasing the availability from $600 million to $700 million and extending the maturity to June

30, 2017. The facility pricing was also reduced from BA + 1.325% or Prime rate + 0.325% to BA + 1.20% or Prime rate + 0.20%. On December 1, 2014, the Company completed an additional increase of this senior unsecured revolving credit facility, increasing the availability from $700 million to $800 million on the same terms.

On June 30, 2014, the Company extended the maturity of, and reduced the pricing on its $75 million secured credit facility. The maturity has been extended by one year to December 31, 2015 and the facility pricing has been reduced from BA + 1.25% or Prime rate + 0.25% to BA + 1.125% or Prime rate + 0.125%.

The following table summarizes the details of the Company's lines of credit as at December 31, 2014:

(thousands of dollars, except other data)	Borrowing Capacity	Amounts Drawn	Outstanding Letters of Credit	Available to be Drawn	Interest Rates	Maturity Date
Secured by development properties	$ 75,000	$ —	$ (23)	$ 74,977	BA + 1.125% or Prime + 0.125%	December 31, 2015
Unsecured	800,000	—	(42,174)	757,826	BA + 1.20% or Prime + 0.20% or US$ LIBOR + 1.20%	June 30, 2017
Total secured and unsecured facilities	$ 875,000	$ —	$ (42,197)	$ 832,803		

Senior Unsecured Debentures

(thousands of dollars, except for other data)				Interest Rate			Principal Outstanding	
Maturity Date	Interest Payment Dates	Series	Date of Issue	Coupon	Effective	Remaining Term to Maturity (yrs)	**December 31, 2014**	December 31, 2013
October 30, 2014	April 30, October 30	F	April 5, 2007	5.32%	5.47%	—	**$ —**	$ 100,000
June 1, 2015	June 1, December 1	G	November 20, 2009	5.95%	6.13%	—	**—**	125,000
January 31, 2017	July 31, January 31	H	January 21, 2010	5.85%	5.99%	2.1	**125,000**	125,000
November 30, 2017	May 30, November 30	I	April 13, 2010	5.70%	5.85%	2.9	**50,000**	50,000
November 30, 2017	May 30, November 30	I	April 13, 2010	5.70%	5.82%	2.9	**25,000**	25,000
November 30, 2017	May 30, November 30	I	June 14, 2010	5.70%	5.70%	2.9	**50,000**	50,000
August 30, 2018	February 28, August 30	J	July 12, 2010	5.25%	5.66%	3.7	**50,000**	50,000
November 30, 2018	May 31, November 30	K	August 25, 2010	4.95%	5.30%	3.9	**50,000**	50,000
November 30, 2018	May 31, November 30	K	October 26, 2010	4.95%	5.04%	3.9	**50,000**	50,000
July 30, 2019	January 30, July 30	L	January 21, 2011	5.48%	5.61%	4.6	**150,000**	150,000
April 30, 2020	April 30, October 30	M	March 30, 2011	5.60%	5.73%	5.3	**110,000**	110,000
April 30, 2020	April 30, October 30	M	June 13, 2011	5.60%	5.39%	5.3	**65,000**	65,000
March 1, 2021	March 1, September 1	N	April 4, 2012	4.50%	4.63%	6.2	**175,000**	175,000
January 31, 2022	January 31, July 31	O	June 1, 2012	4.43%	4.56%	7.1	**100,000**	100,000
January 31, 2022	January 31, July 31	O	July 17, 2012	4.43%	4.42%	7.1	**50,000**	50,000
January 31, 2022	January 31, July 31	O	August 29, 2013	4.43%	4.83%	7.1	**50,000**	50,000
December 5, 2022	June 5, December 5	P	December 5, 2012	3.95%	4.16%	7.9	**150,000**	150,000
December 5, 2022	June 5, December 5	P	January 14, 2013	3.95%	4.20%	7.9	**100,000**	100,000
October 30, 2023	April 30, October 30	Q	March 26, 2013	3.90%	4.06%	8.8	**125,000**	125,000
October 30, 2023	April 30, October 30	Q	May 15, 2013	3.90%	3.90%	8.8	**175,000**	175,000
August 30, 2024	August 30, February 28	R	January 20, 2014	4.79%	4.91%	9.7	**150,000**	—
August 30, 2024	August 30, February 28	R	February 18, 2014	4.79%	4.63%	9.7	**75,000**	—
August 30, 2024	August 30, February 28	R	March 11, 2014	4.79%	4.43%	9.7	**75,000**	—
July 31, 2025	July 31, January 31	S	June 17, 2014	4.32%	4.43%	10.6	**150,000**	—
July 31, 2025	July 31, January 31	S	July 14, 2014	4.32%	4.33%	10.6	**60,000**	—
Weighted Average/Total				4.71%	4.81%	7.0	**$ 2,160,000**	$ 1,875,000

On January 20, 2014, the Company completed the issuance of $150.0 million principal amount of senior unsecured debentures, Series R, due August 30, 2024. These debentures bear interest at a coupon rate of 4.79% per annum payable semi-annually commencing August 30, 2014. On February 18, 2014, the Company completed the issuance of an additional $75 million principal amount of the senior unsecured debentures, Series R, which was a re-opening of this series of debentures with an effective rate of 4.63% per annum. On March 11, 2014, the Company completed the issuance of an additional $75 million principal amount of the senior unsecured debentures, Series R, which was a second re-opening of this series of debentures with an effective rate of 4.43% per annum.

On June 17, 2014, the Company completed the issuance of $150.0 million principal amount of senior unsecured debentures, Series S, due July 31, 2025. These debentures bear interest at a coupon rate of 4.32% per annum payable semi-annually commencing January 31, 2015. On July 14, 2014, the Company completed the issuance of an additional $60 million principal amount of the senior unsecured debentures, Series S, which was a re-opening of this series of debentures with an effective rate of 4.33% per annum.

On July 14, 2014, the Company redeemed $50.0 million principal amount outstanding of its $100.0 million 5.32% Series F senior unsecured debentures due October 30, 2014. The debentures were redeemed at a price of $1,011.77 for each $1,000 principal amount of debentures outstanding. In addition, accrued and unpaid interest was paid on the debentures up to but excluding the redemption date. In connection with the redemption, total cash of $51.0 million was paid to the holders, which consisted of $50.0 million of principal, $0.5 million in premium and $0.5 million in accrued but unpaid interest. On August 7, 2014, the remaining outstanding aggregate principal amount of this series of debentures was redeemed at a price of $1,009.13 for each $1,000 principal amount of debentures outstanding. In addition, accrued and unpaid interest was paid on the debentures up to but excluding the redemption date. In connection with the redemption, total cash of $51.2 million was paid to the holders, which consisted of $50.0 million of principal, $0.5 million in premium and $0.7 million in accrued but unpaid interest.

On December 29, 2014, the Company redeemed the $125.0 million principal amount outstanding of its 5.95% Series G senior unsecured debentures due June 1, 2015. The debentures were redeemed at a price of $1,017.72 for each $1,000 principal amount of debentures outstanding. In addition, accrued and unpaid interest was paid on the debentures up to but excluding the redemption date. In connection with the redemption, total cash of $127.8 million was paid to the holders, which consisted of $125.0 million of principal, $2.2 million in premium and $0.6 million in accrued but unpaid interest.

Convertible Debentures

(thousands of dollars, except other data)

As at December 31, 2014

				Interest Rate						
Maturity Date	Interest Payment Dates	Series	Date of Issue	Coupon	Effective	Remaining Term to Maturity (yrs)	Principal at Issue Date	**Principal**	**Liability**	**Equity**
June 30, 2017	March 31 September 30	D	December 30, 2009	5.70%	6.88%	2.5	$ 50,000	**$ 42,903**	**$ 41,756**	**$ 983**
January 31, 2019	March 31 September 30	E	April 28, 2011	5.40%	6.90%	4.1	57,500	**56,593**	**53,608**	**2,158**
January 31, 2019	March 31 September 30	F	August 9, 2011	5.25%	6.07%	4.1	57,500	**56,549**	**54,904**	**384**
March 31, 2018	March 31 September 30	G	December 15, 2011	5.25%	6.66%	3.3	50,000	**49,927**	**47,900**	**1,154**
March 31, 2017	March 31 September 30	H	February 16, 2012	4.95%	6.51%	2.3	75,000	**72,561**	**70,228**	**1,446**
July 31, 2019	March 31 September 30	I	May 22, 2012	4.75%	6.19%	4.6	52,500	**52,500**	**49,841**	**1,439**
February 28, 2020	March 31 September 30	J	February 19, 2013	4.45%	5.34%	5.2	57,500	**57,141**	**55,040**	**400**
				5.08%	6.35%	3.7	$ 400,000	**$ 388,174**	**$ 373,277**	**$ 7,964**

(i) Principal and Interest

The Company uses convertible debentures as a part of its overall capital structure. Consistent with First Capital Realty's practice, it is the Company's current intention to continue to satisfy its obligations of principal and interest payments in respect of all of its outstanding convertible debentures by the issuance of common shares. Since issuance, the Company has made all principal and interest payments on its convertible debentures using common shares.

During the year ended December 31, 2014, 1.1 million common shares (year ended December 31, 2013 – 1.1 million common shares) were issued totalling $19.9 million (year ended December 31, 2013 – $19.1 million) to pay interest to holders of convertible debentures.

(ii) Principal Redemptions

For the year ended December 31, 2014, the Company issued 22,104 common shares in connection with $0.5 million convertible debentures redeemed or converted.

(iii) Normal Course Issuer Bid

On August 27, 2014, the Company renewed its NCIB for all of its then outstanding series of convertible unsecured subordinated debentures. The NCIB will expire on August 26, 2015 or such earlier date as First Capital Realty completes its purchases pursuant to the NCIB. All purchases made under the NCIB are at market prices prevailing at the time of purchase determined by or on behalf of First Capital Realty.

For the years ended December 31, 2014 and 2013, principal amounts of convertible debentures purchased and amounts paid for the purchases are represented in the table below:

	Year ended December 31			
(thousands of dollars)	**2014**		2013	
	Principal Amount Purchased	**Amount Paid**	Principal Amount Purchased	Amount Paid
Total	**$ 4,243**	**$ 4,295**	$ 3,175	$ 3,426

Shareholders' Equity

Shareholders' equity amounted to $3.5 billion as at December 31, 2014, compared to $3.3 billion as at December 31, 2013.

On September 12, 2014, the Company issued 5,250,000 common shares at a price of $19.06 per share for gross proceeds of $100.0 million, with 883,000 and 167,000 of these units purchased by affiliates of Gazit-Globe Ltd. and Alony-Hetz Properties and Investments Ltd., respectively (refer to the "Related Party Transactions" section of this MD&A for additional information). Issue costs associated with the offering were approximately $2.7 million.

As at December 31, 2014, the Company had 216.4 million (December 31, 2013 – 208.4 million) issued and outstanding common shares with a stated capital of $2.6 billion (December 31, 2013 – $2.5 billion). During the year ended December 31, 2014, a total of 8.0 million common shares were issued for proceeds of $146.0 million as follows: 5.3 million shares from public offerings, 1.1 million shares for interest payments on convertible debentures and 1.6 million shares from the exercise of common share options and RSUs.

As at February 10, 2015, there were 221.1 million common shares outstanding.

Share Purchase Options

As at December 31, 2014, the Company had outstanding 5.0 million share purchase options, with an average exercise price of $16.89. The options are exercisable by the holder at any time after vesting up to 10 years from the date of grant. The options have been issued at various times pursuant to the Company's stock option plan to the employees, officers and directors of the Company. The options granted permit the holder to acquire shares at an exercise price approximately equal to the market price of such shares at the date the option is granted. The purpose of granting options is to encourage the holder to acquire an ownership interest in the Company over a period of time, which acts as a financial incentive to align the interests of the holder with the long-term interests of the Company and its shareholders.

If all options outstanding as at December 31, 2014 were exercised, approximately 5.0 million shares would be issued and the Company would receive proceeds of $83.7 million.

Liquidity

As at (millions of dollars)	**December 31, 2014**	December 31, 2013
Revolving credit facilities	**$ 875**	$ 675
Cash and cash equivalents	**17**	5
Unencumbered assets		
Total, based on IFRS value [1]	**4,959**	4,292
Based on debt covenants [2]	**4,801**	4,038

[1] Includes all unencumbered assets at IFRS values.
[2] Includes unencumbered assets as defined by debt covenants, except investment properties under development and deferred taxes, with shopping centres valued under IFRS at the average capitalization rate over the last 10 fiscal quarters.

Cash flow from operations is dependent on occupancy levels of properties, rental rates achieved, collections of rent and costs to maintain or lease space. The Company's strategy is to maintain debt in the range of 35% to 50% of enterprise value based on current market conditions. As at December 31, 2014, this debt ratio was 42.9% based on the Company's calculation. Maturing debt is generally repaid from proceeds from existing liquidity.

Cash and cash equivalents were $17.4 million as at December 31, 2014 (December 31, 2013 – $5.0 million). As at December 31, 2014, the Company had secured and unsecured credit facilities totalling $875.0 million of which $832.8 million is available to be drawn. The Company also had unencumbered assets with a fair value of approximately $5.0 billion. During the year ended December 31, 2014, the Company issued $510.0 million of senior unsecured debentures. This increased liquidity was partially used to prepay or repay $208.5 million of mortgage debt during the year ended December 31, 2014. As a result, the Company also held average cash balances of approximately $139.2 million during the year. These transactions demonstrate the Company's access to capital and various sources of financing. Management believes that it has sufficient resources to meet its operational and investing requirements in the near and longer term based on the availability of capital in various markets.

The Company has historically used secured mortgages, term loans and revolving credit facilities, senior unsecured debentures, convertible debentures and equity issues to finance its growth and repay debt. The actual level and type of future borrowings will be determined based on prevailing interest rates, various costs of debt and equity capital, capital market conditions and Management's general view of the required leverage in the business.

Cash Flows

	Year ended December 31	
(thousands of dollars)	**2014**	2013
Adjusted cash flow from operating activities	**$ 233,524**	$ 228,238
Net change in non-cash operating items	**14,222**	(287)
Receipts of proceeds from sales of residential inventory	**29,849**	—
Expenditures on residential development inventory	**(8,503)**	(14,984)
Cash provided by operating activities	**269,092**	212,967
Cash provided by financing activities	**65,663**	72,072
Cash used in investing activities	**(322,379)**	(344,079)
Net change in cash and cash equivalents	**$ 12,376**	$ (59,040)

Operating Activities

For the year ended December 31, 2014, cash provided by operating activities increased primarily due to cash flow generated from growth in net operating income from the Company's shopping centre portfolio, the receipts of proceeds from sales of residential inventory, the timing of receipts and payments on working capital and other non-cash items and decreased expenditures on residential development inventory.

Financing Activities

For the year ended December 31, 2014, financing activities are lower as a result of higher debenture repayments partially offset by the issuance of common shares and debentures during the year. These activities are more fully described in the "Capital Structure and Liquidity" section of this MD&A.

Investing Activities

The decrease in cash used in investing activities for the year ended December 31, 2014 is primarily as a result of higher net proceeds from property dispositions and lower advances on loans and mortgages receivable, partially offset by higher capital expenditures on investment properties as compared to the prior year activity. Details of the Company's investments in acquisitions and developments are provided in the "Business and Operations Review" section of this MD&A.

Contractual Obligations

	Payments Due by Period				
(thousands of dollars)	2015	2016 to 2017	2018 to 2019	Thereafter	Total
Mortgages					
Scheduled amortization	$ 30,132	$ 46,209	$ 32,510	$ 36,830	$ 145,681
Payments on maturity	220,895	240,435	229,759	329,481	1,020,570
Total mortgage obligations	251,027	286,644	262,269	366,311	1,166,251
Mortgage on equity accounted joint venture	10,425	—	—	—	10,425
Senior unsecured debentures	—	250,000	300,000	1,610,000	2,160,000
Loans and mortgage payable	36	3,608	—	—	3,644
Interest obligations [1]	158,271	269,903	208,580	259,451	896,205
Land leases (expiring between 2023 and 2061)	969	1,960	1,988	17,300	22,217
Contractual committed costs to complete current development projects	99,399	10,045	—	—	109,444
Other committed costs	24,126	65,522	—	—	89,648
Total contractual obligations [2]	$ 544,253	$ 887,682	$ 772,837	$ 2,253,062	$ 4,457,834

(1) Interest obligations include expected interest payments on mortgages and credit facilities as at December 31, 2014 (assuming balances remain outstanding through to maturity) and senior unsecured debentures, as well as standby credit facility fees.
(2) Consistent with existing practice, it is the Company's current intention to continue to satisfy its obligations of principal and interest payments in respect of all of its outstanding convertible debentures by the issuance of common shares and, as such, convertible debentures have been excluded from this table.

In addition, the Company has $42.2 million of outstanding letters of credit that have been issued by financial institutions primarily to support certain of the Company's obligations related to its development projects.

The Company's estimated cost to complete properties currently under development is $308.9 million, of which $109.4 million is contractually committed. The balance of the costs to complete will only be committed once leases are signed and/or construction activities are underway. These contractual and potential obligations primarily consist of construction contracts and additional planned development expenditures and are expected to be funded in the normal course as the work is completed.

Contingencies

The Company is involved in litigation and claims which arise from time to time in the normal course of business. In the opinion of Management, none of these contingencies, individually or in the aggregate, would result in a liability that would have a material adverse effect on the financial position of the Company.

The Company is contingently liable, jointly and severally, for approximately $68.2 million (December 31, 2013 – $60.0 million) to various lenders in connection with certain obligations, including loans advanced to its partners secured by the partners' interest in the entity and underlying assets.

DIVIDENDS

The Company has paid regular quarterly dividends to common shareholders since it commenced operations as a public company in 1994. Dividends on the common shares, if any, that are declared are at the discretion of the Board of Directors and are set from time to time after taking into consideration the Company's capital requirements, its alternative sources of capital and common industry cash distribution practices.

	Year ended December 31	
	2014	2013
Regular dividends paid per common share	**$ 0.85**	$ 0.84
Payout ratio calculated as a percentage of:		
Funds from operations	**86.7%**	81.6%
Funds from operations excluding other gains (losses) and (expenses)	**81.7%**	81.6%
Adjusted funds from operations	**84.2%**	84.0%
Adjusted funds from operations excluding other gains (losses) and (expenses)	**85.0%**	86.6%

Quarterly Dividend

The Company announced that it will pay a first quarter dividend of $0.215 per common share on April 9, 2015 to shareholders of record on March 27, 2015.

SUMMARY OF FINANCIAL RESULTS OF LONG-TERM DEBT GUARANTORS

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

The following tables set forth selected consolidating summary information for the Company for the periods identified below presented separately for (i) First Capital Realty (denoted as FCR); (ii) guarantor subsidiaries; (iii) non-guarantor subsidiaries; (iv) consolidating adjustments; and (v) the total consolidated amounts.

Statement of Income Data	FCR [1]		Guarantors [2]		Non-Guarantors [3]		Consolidation Adjustments [4]		Total Consolidated	
(millions of dollars)									Year ended December 31	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
Property rental revenue	**$ 262**	$ 252	**$ 414**	$ 405	**$ 6**	$ 5	**$ (34)**	$ (30)	**$ 648**	$ 632
NOI	**164**	156	**243**	240	**4**	4	**(4)**	(2)	**407**	398
Net income attributable to common shareholders	**208**	215	**213**	218	**14**	3	**(238)**	(221)	**197**	215

Balance Sheet Data	FCR (1)		Guarantors (2)		Non-Guarantors (3)		Consolidation Adjustments (4)		Total Consolidated	
(millions of dollars)									As at December 31	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
Current assets	**$ 233**	$ 203	**$ 231**	$ 129	**$ 15**	$ 3	**$ (130)**	$ (3)	**$ 349**	$ 332
Non-current assets	**6,977**	6,630	**4,570**	4,324	**292**	176	**(4,280)**	(3,866)	**7,559**	7,264
Current liabilities	**424**	544	**231**	110	**256**	17	**(417)**	(56)	**494**	615
Non-current liabilities	**3,278**	2,966	**610**	635	**—**	122	**28**	(65)	**3,916**	3,658

(1) This column accounts for investments in all subsidiaries of FCR under the equity method.
(2) This column accounts for investments in subsidiaries of the Company other than the guarantors under the equity method.
(3) This column accounts for investments in all subsidiaries of the Company other than guarantors on a combined basis.
(4) This column includes the necessary amounts to eliminate the inter-company balances between FCR, the guarantors, and other subsidiaries to arrive at the information for the Company on a consolidated basis.

RELATED PARTY TRANSACTIONS

(a) Major Shareholder

Gazit-Globe Ltd. ("Gazit") is the principal shareholder of the Company, and, as of December 31, 2014, beneficially owns 44.0% (December 31, 2013 – 45.3%) of the common shares of the Company. Norstar Holdings Inc. is the ultimate controlling party. As of December 31, 2014, Alony-Hetz Properties and Investments Ltd. (''Alony-Hetz'') also beneficially owns 8.3% (December 31, 2013 – 8.5%) of the common shares of the Company. Alony-Hetz and Gazit have entered into a shareholders' agreement pursuant to which, among other terms, (i) Gazit has agreed to vote its common shares of the Company in favour of the election of up to two representatives of Alony-Hetz to the Board of Directors of the Company, and (ii) Alony-Hetz has agreed to vote its common shares of the Company in favour of the election of the nominees of Gazit as the remaining directors of the Company.

During the third quarter of 2014, Gazit and Alony-Hetz purchased 883,000 and 167,000 of the common shares of the Company, respectively, under the Company's 5,250,000 common share equity offering for $19.06 per share. Gazit and Alony-Hetz purchased the common shares as part of and at the same price as the public offering, and no underwriting commissions were paid by the Company in connection with the common shares purchased by them.

Corporate and other amounts receivable include amounts due from Gazit. Gazit reimburses the Company for certain accounting and administrative services provided to it by the Company.

Such amounts consist of the following:

	Year ended December 31	
(thousands of dollars)	**2014**	2013
Reimbursements for professional services	**$ 591**	$ 720

As at December 31, 2014, amounts due from Gazit were $0.2 million (December 31, 2013 – $0.2 million).

(b) Subsidiaries of the Company

The audited annual consolidated financial statements include the financial statements of First Capital Realty and First Capital Holdings Trust. First Capital Holdings Trust is the only significant subsidiary of First Capital Realty and is wholly owned by the Company.

SUBSEQUENT EVENTS

(a) Senior Unsecured Debentures Issued

On January 26, 2015, the Company completed the issuance of an additional $90.0 million principal amount of the Series S senior unsecured debentures, which was a re-opening of this series of debentures. These debentures bear interest at a coupon rate of 4.32% per annum, payable semi-annually commencing July 31, 2015. The debentures were sold at a price of $104.943 per $100 principal amount, plus accrued interest, with an effective yield to investors of 3.750% per annum if held to maturity.

(b) Equity Issuance

Subsequent to year end, the Company issued 4,370,000 common shares at $19.80 per common share for gross proceeds of approximately $86.5 million. Issue costs were approximately $3.7 million.

(c) Dividend

The Company announced that it will pay a first quarter dividend of $0.215 per common share on April 9, 2015 to shareholders of record on March 27, 2015.

QUARTERLY FINANCIAL INFORMATION

(thousands of dollars, except per share and other data, and thousands of shares)	2014 Q4	2014 Q3	2014 Q2	2014 Q1	2013 Q4	2013 Q3	2013 Q2	2013 Q1
Property rental revenue	$ 162,071	$ 162,306	$ 161,197	$ 162,867	$ 161,094	$ 154,804	$ 157,910	$ 157,797
Property operating costs	59,549	58,545	59,155	64,283	58,588	56,435	58,518	60,054
Net operating income	102,522	103,761	102,042	98,584	102,506	98,369	99,392	97,743
Increase (decrease) in value of investment properties, net [1]	12,086	(7,196)	43,476	(6,288)	2,261	1,125	41,848	15,599
Net income attributable to common shareholders	44,807	39,020	77,707	35,214	47,901	41,078	73,163	52,720
Net income per share attributable to common shareholders:								
Basic	0.21	0.18	0.37	0.17	0.23	0.20	0.35	0.25
Diluted	0.21	0.18	0.36	0.17	0.23	0.20	0.34	0.25
Weighted average number of diluted common shares outstanding – EPS	226,114	215,360	231,141	209,597	228,908	208,819	225,785	211,581
FFO	$ 48,080	$ 53,405	$ 54,031	$ 53,461	$ 55,816	$ 53,535	$ 53,305	$ 52,879
FFO per diluted share	0.22	0.25	0.26	0.26	0.27	0.26	0.26	0.25
Cash provided by operating activities	82,593	58,236	56,016	70,131	84,556	51,228	38,951	38,220
Weighted average number of diluted common shares outstanding – FFO	217,299	212,367	210,786	209,597	209,486	208,819	209,010	208,207
AFFO	$ 61,460	$ 57,370	$ 56,961	$ 53,978	$ 57,190	$ 56,069	$ 57,699	$ 54,252
AFFO per diluted share	0.26	0.25	0.25	0.24	0.25	0.25	0.26	0.24
Weighted average number of diluted shares outstanding – AFFO	233,784	228,983	227,449	226,260	226,183	225,539	225,785	223,686
Regular dividend	$ 0.215	$ 0.215	$ 0.21	$ 0.21	$ 0.21	$ 0.21	$ 0.21	$ 0.21
Fair value of investment properties – shopping centres	7,474,329	7,386,709	7,283,908	7,210,150	7,126,008	6,996,401	6,920,530	6,940,557
Weighted average capitalization rate of shopping centres	5.79%	5.82%	5.85%	5.86%	5.86%	5.89%	5.89%	5.98%
Total assets	$ 7,908,184	$ 8,075,552	$ 8,017,673	$ 7,784,774	$ 7,596,255	$ 7,580,839	$ 7,531,620	$ 7,518,732
Total mortgages and credit facilities	1,173,410	1,230,026	1,269,633	1,245,691	1,366,583	1,371,047	1,387,240	1,547,530
Shareholders' equity	3,470,271	3,468,010	3,363,510	3,321,059	3,319,370	3,313,802	3,304,866	3,267,033
Other data								
Number of properties	158	163	164	164	164	164	164	172
Gross leasable area (in thousands)	24,331	24,555	24,373	24,525	24,462	24,313	24,123	25,029
Occupancy %	96.0%	95.9%	95.5%	95.3%	95.5%	95.0%	95.2%	95.1%

[1] Increase (decrease) in value of investment properties, net have been restated for 2013 only. Refer to the "Adoption of New Accounting Standards" section of this MD&A.

Refer to the applicable MD&A and the quarterly financial statements for discussion and analysis relating to the first three quarters of 2014 and the four quarters in 2013.

FOURTH QUARTER 2014 OPERATIONS AND RESULTS

Investment Property Development and Redevelopment Activities

During the fourth quarter of 2014, the Company invested $49.4 million in the acquisition of eight additional spaces and adjacent land parcels totalling 27,700 square feet and 0.8 acres.

For the three months ended December 31, 2014, the increase in value of investment properties, net was $10.9 million resulting from the decrease in the weighted average stabilized capitalization rate from 5.82% to 5.79% during the quarter.

In addition to acquisitions of income-producing properties and development lands, the Company invested $85.0 million during the fourth quarter in its active development projects as well as in certain improvements to existing properties.

The Company also sold six properties comprising 325,400 square feet of gross leasable area for a total of $97.1 million.

Capital Expenditures on Investment Properties

Revenue sustaining and enhancing capital expenditures on investment properties, which include shopping centres and development land, are as follows:

	Three months ended December 31	
(thousands of dollars)	**2014**	2013
Revenue sustaining – same property – stable	**$ 2,678**	$ 3,744
Revenue sustaining – same property with incremental redevelopment and expansion	**2,182**	1,296
Revenue sustaining – total same property	**4,860**	5,040
Enhancing capital expenditures		
Revenue enhancing and other	**20,823**	13,006
Expenditures recoverable from tenants	**4,276**	8,784
Development expenditures	**55,079**	49,031
Total	**$ 85,038**	$ 75,861

Leasing and Occupancy

In the fourth quarter of 2014, the Company increased its occupancy to 96.0% from 95.9%, achieved a 4.2% increase on 809,000 square feet of renewal leases over the expiry rates and increased its average rate per square foot to $18.42 from $18.34.

Changes in the Company's gross leasable area and occupancy for its shopping centre portfolio in the fourth quarter of 2014 are set out below:

Three months ended December 31, 2014	Total Same Property			Major redevelopment, ground-up, acquisitions and dispositions			Vacancy				Portfolio Total		
	Occupied Square Feet (thousands)	%	Weighted Average Rate per Occupied Square Foot	Occupied Square Feet (thousands)	%	Weighted Average Rate per Occupied Square Foot	Under Redevelop-ment Square Feet (thousands)	%	Vacant Square Feet (thousands)	%	Total Square Feet (thousands)	Occupied Square Feet %	Weighted Average Rate per Occupied Square Foot
September 30, 2014 [(1)]	**18,170**	**96.8%**	**$ 18.15**	**5,384**	**93.0%**	**$ 18.98**	**52**	**0.2%**	**949**	**3.9%**	**24,555**	**95.9%**	**$ 18.34**
Tenant openings	105		18.90	203		8.69	—		(308)	—	—		12.18
Tenant closures	(88)		(19.49)	(151)		(9.37)	—		239	—	—		(13.09)
Tenant closures for redevelopment	—		—	(106)		(8.28)	106		—	—	—		(8.28)
Developments – tenant openings coming on line	—		—	25		9.30	—		43	—	68		9.30
Redevelopments – tenant openings coming on line	—		—	—		—	—		—	—	—		—
Demolitions	—		—	—		—	(72)		—	—	(72)		—
Reclassification	16		—	57		—	(1)		5	—	77		—
Total portfolio before dispositions and acquisitions	18,203	96.9%	$ 18.23	5,412	92.6%	$ 19.09	85	0.3%	928	3.8%	24,628	95.9%	$ 18.43
Dispositions (at date of disposition)	—	—	—	(285)	87.6%	(19.97)			(40)		(325)	87.7%	(19.97)
Acquisitions (at date of acquisition)	3	57.6%	26.96	23	100.0%	25.08			2		28	92.9%	25.28
December 31, 2014	**18,206**	**96.9%**	**$ 18.24**	**5,150**	**93.0%**	**$ 19.07**	**85**	**0.3%**	**890**	**3.7%**	**24,331**	**96.0%**	**$ 18.42**
Renewals	526		$ 14.99	283		$ 17.75					809		$ 15.96
Renewals – expired	(526)		$ (14.60)	(283)		$ (16.61)					(809)		$ (15.31)
Net increase per square foot from renewals			$ 0.39			$ 1.14							$ 0.65
% Increase on renewal of expiring rents			2.7%			6.9%							4.2%

(1) Opening balance is revised to reflect property categories consistent with current period status.

Total development and redevelopment of 68,000 square feet was completed in the three months ended December 31, 2014 compared with 172,000 square feet developed in the three months ended December 31, 2013. The occupied development and redevelopment space was leased at an average rental rate of $9.30 per square foot for the three months ended December 31, 2014 compared to $20.37 per square foot during the comparative period of 2013.

Development and redevelopment coming on line during the fourth quarter of 2014 included the following:

Property Name	City	Province	Square Feet	Major Tenants of Developed Space
Same property with incremental redevelopment and expansion				
Place Pointe-aux-Trembles	Montreal	QC	1,000	Double Pizza and spaces with leasing underway
Major redevelopment				
Yorkville Village Assets	Toronto	ON	2,000	Various tenants
Ground-up development				
Place Viau Assets	Montreal	QC	63,000	Econofitness, Dollarama and spaces with leasing underway
Acquisitions – current year				
Shops at King Liberty Assets	Toronto	ON	2,000	Various tenants
Total development brought on line			68,000	

In the fourth quarter of 2013, gross new leasing totalled 348,000 square feet including development and redevelopment space coming on line compared to 375,000 square feet in the fourth quarter of 2012. This gross new leasing generated additional annual minimum rent of approximately $6.8 million. Renewal leasing totalled 768,000 square feet with a 10.2% increase over expiring lease rates.

Changes in the Company's gross leasable area and occupancy for the shopping centre portfolio in the fourth quarter of 2013 are set out below:

Three months ended December 31, 2013	Total Same Property			Major redevelopment, ground-up, acquisitions and dispositions			Vacancy				Portfolio Total		
	Occupied Square Feet (thousands)	%	Weighted Average Rate per Occupied Square Foot	Occupied Square Feet (thousands)	%	Weighted Average Rate per Occupied Square Foot	Under Redevelop-ment Square Feet (thousands)	%	Vacant Square Feet (thousands)	%	Total Square Feet (thousands)	Occupied Square Feet %	Weighted Average Rate per Occupied Square Foot
September 30, 2013 [1]	**18,060**	**96.1%**	**$ 17.83**	**5,036**	**91.2%**	**$ 17.74**	**192**	**0.8%**	**1,025**	**4.2%**	**24,313**	**95.0%**	**$ 17.83**
Tenant openings	160		19.76	36		15.03	—		(196)		—		18.90
Tenant closures	(82)		(21.69)	(25)		(16.61)	—		107		—		(20.51)
Tenant closures for redevelopment	(6)		(27.46)	(8)		(18.44)	14		—		—		(22.13)
Developments – tenant openings coming on line	59		20.54	59		20.45	—		20		138		20.50
Redevelopments – tenant openings coming on line	9		11.17	25		23.18	(34)		—		—		19.83
Demolitions	—		—	—		—	—		—		—		—
Reclassification	6		—	(8)		—	7		(33)		(28)		—
Total portfolio before dispositions and acquisitions	18,206	96.5%	$ 17.92	5,115	91.9%	$ 17.93	179	0.7%	923	3.8%	24,423	95.5%	$ 17.92
Dispositions (at date of disposition)				(21)	52.5%	(18.64)			(19)		(40)	52.5%	(18.64)
Acquisitions (at date of acquisition)				72	91.1%	30.19			7		79	91.1%	30.19
December 31, 2013	**18,206**	**96.5%**	**$ 17.92**	**5,166**	**92.2%**	**$ 18.10**	**179**	**0.7%**	**911**	**3.7%**	**24,462**	**95.5%**	**$ 17.96**
Renewals	490		$ 21.36	278		$ 15.85					768		$ 19.37
Renewals – expired	(490)		$ (19.41)	(278)		$ (14.35)					(768)		$ (17.58)
Net increase per square foot from renewals			$ 1.95			$ 1.50							$ 1.79
% Increase on renewal of expiring rents			10.0%			10.5%							10.2%

[1] Opening balance is revised to reflect property categories consistent with current period status.

Net Income

	Three months ended December 31	
(thousands of dollars, except share and per share amounts)	**2014**	2013
Net income attributable to common shareholders	**$ 44,807**	$ 47,901
Net income per share attributable to common shareholders (diluted)	**$ 0.21**	$ 0.23
Weighted average number of common shares – diluted (in thousands)	**226,114**	228,908

Net income attributable to common shareholders for the three months ended December 31, 2014 was $44.8 million or $0.21 per share (diluted) compared to $47.9 million or $0.23 per share (diluted) for the three months ended December 31, 2013.

The 8.7% or $0.02 decrease in net income per share (diluted) over the prior year period was primarily due to higher net other losses and expenses, primarily related to executive transition expense and losses on prepayment of debt, which was partially offset by higher total same property NOI and a higher fair value gain on investment properties as compared to the prior year period.

Reconciliation of Consolidated Statements of Income, as presented, to the Company's Proportionate Interest

The following table provides the reconciliation of the Company's Consolidated Statements of Income, as presented in the audited annual consolidated financial statements, to proportionate interest.

			Three months ended December 31			
(thousands of dollars)			**2014**			2013
	Consolidated Statements of Income (Equity method)	**Adjustment for equity method to proportionate interest**	**Proportionate interest**	Consolidated Statements of Income (Equity method)	Adjustment for equity method to proportionate interest	Proportionate interest
				(Restated) [1]		*(Restated)* [1]
Property rental revenue	**$ 162,071**	**$ 1,711**	**$ 163,782**	$ 161,094	$ 1,116	$ 162,210
Property operating costs	**59,549**	**517**	**60,066**	58,588	352	58,940
Net operating income	**102,522**	**1,194**	**103,716**	102,506	764	103,270
Other income and expenses						
Interest and other income	**4,135**	**(181)**	**3,954**	2,766	—	2,766
Interest expense	**(43,893)**	**(126)**	**(44,019)**	(40,940)	(132)	(41,072)
Corporate expenses	**(8,396)**	**256**	**(8,140)**	(8,282)	—	(8,282)
Abandoned transaction costs	**(147)**	**(4)**	**(151)**	(950)	—	(950)
Amortization expense	**(373)**	**—**	**(373)**	(1,008)	—	(1,008)
Share of profit from joint ventures	**1,295**	**(1,295)**	**—**	611	(611)	—
Other gains (losses) and (expenses)	**(12,277)**	**(70)**	**(12,347)**	(423)	—	(423)
Increase (decrease) in value of investment properties, net	**12,086**	**(1,236)**	**10,850**	2,262	(21)	2,241
	(47,570)	**(2,656)**	**(50,226)**	(45,964)	(764)	(46,728)
Income before income taxes	**54,952**	**(1,462)**	**53,490**	56,542	—	56,542
Deferred income taxes	**10,057**	**—**	**10,057**	8,506	—	8,506
Net income	**$ 44,895**	**$ (1,462)**	**$ 43,433**	$ 48,036	$ —	$ 48,036

[1] Refer to the "Adoption of New Accounting Standards" section of this MD&A for further details.

Funds from Operations

FFO for the three months ended December 31, 2014 totalled $48.1 million or $0.22 per share (diluted) compared to $55.8 million or $0.27 per share (diluted) in the same prior year period. The 18.5% or $0.05 decrease in FFO per share (diluted) over the prior year period was primarily due to higher net other losses and expenses mainly related to executive transition expense and losses on prepayment of debt as compared to the same prior year period.

FFO excluding other gains (losses) and (expenses) for three months ended December 31, 2014 totalled $57.6 million or $0.27 per share (diluted) compared to $55.7 million or $0.27 per share (diluted) in the same prior year period. The increase was primarily due to higher interest from mortgages and loans receivable and lower corporate expenses, partially offset by higher interest expense as a result of higher debt levels compared to the same prior year period.

The Company's net income with proportionate interest is reconciled to FFO below:

	Three months ended December 31	
(thousands of dollars)	**2014**	2013
		(Restated) [1]
Net income attributable to common shareholders	**$ 43,433**	$ 47,901
Add (deduct):		
Increase (decrease) in value of investment properties, net	**(10,850)**	(2,241)
Incremental leasing costs and other	**1,774**	1,077
Investment properties – selling costs	**2,816**	573
Adjustment for equity accounted joint ventures	**850**	—
Deferred income taxes	**10,057**	8,506
FFO	**$ 48,080**	$ 55,816

[1] Refer to the "Adoption of New Accounting Standards" section of this MD&A for further details.

The components of FFO with proportionate interest are as follows:

	Three months ended December 31		
(thousands of dollars, except share and per share amounts and percentages)	% change	**2014**	2013
			(Restated) [1]
Net operating income		**$ 103,716**	$ 103,270
Interest expense		**(43,531)**	(41,072)
Corporate expenses and other		**(6,004)**	(7,340)
Abandoned transaction costs		**(151)**	(950)
Amortization expense (corporate assets and credit facility costs)		**(373)**	(1,008)
Interest and other income		**3,954**	2,766
FFO excluding other gains (losses) and (expenses)	3.5 %	**57,611**	55,666
Other gains (losses) and (expenses) [2]		**(9,531)**	150
FFO	(13.9)%	**$ 48,080**	$ 55,816
FFO per diluted share	(18.5)%	**$ 0.22**	$ 0.27
FFO per diluted share excluding other gains (losses) and (expenses)	— %	**$ 0.27**	$ 0.27
Weighted average number of common shares – diluted – FFO (in thousands)	3.7 %	**217,299**	209,486

[1] Refer to the "Adoption of New Accounting Standards" section of this MD&A for further details.
[2] Refer to the "Fourth Quarter 2014 Operations and Results – Other Gains (Losses) and (Expenses)" section in the following pages for details.

Adjusted Funds from Operations

AFFO for the three months ended December 31, 2014 totalled $61.5 million or $0.26 per share (diluted) compared to $57.2 million or $0.25 per share (diluted) for the same prior year period. AFFO excluding other gains (losses) and (expenses) for the three months ended December 31, 2014 totalled $61.1 million or $0.26 per share (diluted) compared to $57.1 million or $0.25 per share (diluted) for the same prior year period. The 4.0% or $0.01 increase in AFFO per share (diluted) excluding other gains (losses) and (expenses) over the prior year period is primarily due to growth in FFO excluding other gains (losses) and (expenses) and a smaller adjustment for the impact of rental revenue recognized on a straight-line basis compared to the same prior year period.

AFFO is calculated as follows:

		Three months ended December 31	
(thousands of dollars, except share and per share amounts and percentages)	% change	**2014**	2013
FFO		**$ 48,080**	$ 55,816
Add (deduct):			
Interest expense payable in shares		**5,966**	5,982
Rental revenue recognized on a straight-line basis		**(893)**	(2,637)
Non-cash compensation expense		**619**	737
Same property revenue sustaining capital expenditures [1]		**(3,652)**	(3,523)
Change in cumulative unrealized losses (gains) on marketable securities		**2,160**	(149)
Losses on prepayments of debt		**2,406**	29
Hedge accounting losses (gains)		**—**	(11)
Pre-selling costs of residential inventory units		**(496)**	61
Executive transition expense		**5,830**	—
Costs not capitalized during development period [2]		**1,546**	947
Other adjustments		**(106)**	(62)
AFFO	7.5%	**61,460**	57,190
Deduct: other (gains) losses and expenses [3]		**(368)**	(80)
AFFO excluding other gains (losses) and (expenses)	7.0%	**$ 61,092**	$ 57,110
AFFO per diluted share	4.0%	**$ 0.26**	$ 0.25
AFFO per diluted share excluding other (gains) losses and expenses	4.0%	**$ 0.26**	$ 0.25
Weighted average number of common shares – diluted – AFFO (in thousands)	3.4%	**233,784**	226,183

(1) Estimated at $0.83 per square foot per annum (2013 – $0.84) on average gross leasable area of stable properties (based on an estimated three-year weighted average).
(2) The Company has added back costs not capitalized during the development period for accounting purposes that, in Management's view forms part of the cost of its development projects.
(3) Refer to the "Fourth Quarter 2014 Operations and Results – Other Gains (Losses) and (Expenses)" section for details.

A reconciliation of cash provided by operating activities (an IFRS measure) to AFFO is presented below:

	Three months ended December 31	
(thousands of dollars)	**2014**	2013
		(Restated) [1]
Cash provided by operating activities	**$ 82,593**	$ 84,569
Share of profit from joint ventures	**1,295**	625
Distribution from joint ventures	**(456)**	(530)
Adjustment for equity accounted entities	**613**	—
Realized gains on sale of marketable securities	**881**	80
Incremental leasing costs	**1,774**	1,083
Net change in non-cash operating items	**(31,547)**	(37,184)
Expenditures on residential development inventory	**1,850**	3,599
Receipts of proceeds from sales of residential inventory	**—**	—
Amortization expense	**(373)**	(1,008)
Non-cash interest expense and change in accrued interest	**(7,024)**	818
Convertible debenture interest paid in common shares	**—**	—
Convertible debenture interest payable in common shares	**5,966**	5,982
Costs not capitalized during development period	**1,546**	947
Pre-selling costs of residential inventory	**(498)**	61
Executive transition expense	**5,830**	—
Gain on sale of residential inventory	**—**	—
Same property revenue sustaining capital expenditures	**(3,652)**	(3,523)
Non-controlling interest	**—**	(142)
Other adjustments	**(107)**	(66)
AFFO	**$ 61,460**	$ 57,190

(1) Refer to the "Adoption of New Accounting Standards" section of this MD&A for further details.

Net Operating Income

NOI increased to approximately $103.7 million for the three months ended December 31, 2014 from $103.3 million for the same prior year period.

The increase in overall shopping centre portfolio NOI resulted from growth in base rent from tenants due to increases in rental rates from step-ups and lease renewals, as well as acquisitions and developments coming on line, where average rental rates and recovery terms were higher than the rental rates and recovery terms of disposed properties and closures of spaces for redevelopment. The overall occupancy increased by 0.5% as compared to 95.5% as at December 31, 2013. The increase in overall occupancy primarily arises as a result of the Company's development, redevelopment initiatives and leasing activities. On a same property basis, occupancy increased to 96.9% (December 31, 2013 – 96.5%). On a comparative period basis, the shopping centre portfolio size decreased by 0.1 million square feet due to net property dispositions partially offset by net development and redevelopment space coming on line.

The change in NOI margin is primarily driven by occupancy, non-recoverable operating costs, operating costs and tax recovery margins and base rent growth. For the three months ended December 31, 2014, the total portfolio NOI margin has decreased slightly to 63.3% from 63.7% compared to the three months ended December 31, 2013. The total portfolio operating cost and tax recovery margin was 86.2% for the three months ended December 31, 2014, a decrease of 3.1% from the same prior year period. These decreases were primarily due to lower recovery rates at a recently completed ground-up development.

For the three months ended December 31, 2014, same property NOI margin increased by 0.7% to 64.6% from 63.9% compared to the three months ended December 31, 2013 due to an increase in occupancy, increase in rental rates from step-ups and lease renewals. For the three months ended December 31, 2014, the same property recovery margin remained consistent compared to the same prior year period.

	Three months ended December 31	
(thousands of dollars, except other data)	**2014**	2013
Property rental revenue		
Base rent [1]	**$ 103,049**	$ 98,782
Operating cost recoveries	**23,315**	24,705
Realty tax recoveries	**30,018**	28,882
Rental revenue recognized on a straight-line basis	**893**	2,637
Lease surrender fees	**682**	273
Percentage rent	**1,438**	1,696
Prior year operating cost and tax recovery adjustments	**110**	1,071
Temporary tenants, storage, parking and other	**4,277**	4,164
Total property rental revenue	**163,782**	162,210
Property operating costs		
Recoverable operating expenses	**28,292**	28,720
Recoverable realty tax expenses	**33,567**	31,263
Prior year operating cost and tax expense adjustments	**(430)**	(45)
Other operating costs and adjustments	**(1,363)**	(998)
Total property operating costs	**60,066**	58,940
NOI	**$ 103,716**	$ 103,270
NOI margin	**63.3%**	63.7%
Operating cost recovery percentage	**82.4%**	86.0%
Tax recovery percentage	**89.4%**	92.4%

[1] Base rent includes annual minimum rents from gross and semi-gross leases.

The following table summarizes the Company's NOI margin, operating cost and tax recoveries margin, and occupancy by property category:

	NOI Margin		Operating Cost and Tax Recoveries Margin		% Occupied	
	Three months ended December 31		Three months ended December 31		As at December 31	
	2014	2013	**2014**	2013	**2014**	2013
Same property – stable	**65.1%**	64.3%	**91.8%**	92.2%	**97.2%**	96.7%
Same property with incremental redevelopment and expansion	**62.9%**	62.5%	**87.5%**	91.1%	**96.1%**	96.1%
Total same property	**64.6%**	63.9%	**90.8%**	91.1%	**96.9%**	96.5%
Major redevelopment	**59.3%**	59.6%	**74.1%**	76.5%	**91.9%**	91.1%
Ground-up development	**54.8%**	64.6%	**71.5%**	94.1%	**94.2%**	98.2%
Acquisitions – 2014	**56.6%**	—%	**83.4%**	—%	**91.9%**	—%
Acquisitions – 2013	**61.4%**	68.0%	**92.5%**	98.7%	**94.2%**	94.0%
Investment properties classified as held for sale	**56.3%**	58.2%	**75.7%**	78.7%	**94.9%**	89.5%
Dispositions and other	**83.6%**	79.6%	**60.5%**	150.4%	**—%**	95.5%
	63.3%	63.7%	**86.2%**	89.3%	**96.0%**	95.5%

Same property NOI increased by 4.1% for the three months ended December 31, 2014 compared to the same prior year period, primarily as a result of increases in same property occupancy, rental rates due to step-ups, lease renewals, and tenant openings with higher rental rates than the rental rates on tenant closures. This is offset by the slight decrease in NOI margin due to an increase in other non-recoverable operating costs and prior year operating costs and tax recovery adjustments.

The following table summarizes the Company's proportionate interest in NOI by property categorization:

		Three months ended December 31	
(thousands of dollars, except for percentages)	% change	**2014**	2013
Same property – stable NOI	3.3%	**$ 62,696**	$ 60,699
Same property with incremental redevelopment and expansion NOI	7.4%	**16,602**	15,455
Total same property	4.1%	**79,298**	76,154
Major redevelopment		**12,472**	13,346
Ground-up development		**3,064**	2,702
Acquisitions – 2014		**2,051**	—
Acquisitions – 2013		**2,324**	2,533
Investment properties classified as held for sale		**2,634**	2,700
Dispositions – 2014		**785**	2,650
Dispositions – 2013		**80**	—
Rental revenue recognized on a straight-line basis		**893**	2,637
Development land		**115**	548
NOI		**$ 103,716**	$ 103,270

For the three months ended December 31, 2014 in comparison to the same prior year period, both Eastern and Western regions experienced growth in base rent and recoveries from tenants resulting from an increase in rental rates due to step-ups and lease renewals, in addition to net acquisitions and developments coming on line, with average rental rates and recovery terms in excess of the rental rates and recovery terms of disposed properties and closures of spaces for redevelopment. The Central region NOI decreased for the three months ended December 31, 2014 in comparison to the same prior year period due to the disposition of shopping centres during the fourth quarter of 2014.

The shopping centre portfolio NOI by segment at the Company's proportionate interest is as follows:

Three months ended December 31, 2014 *(thousands of dollars)*	**Central Region**	**Eastern Region**	**Western Region**	**Subtotal**	**Other[1]**	**Total**
Property rental revenue	**$ 67,938**	**$ 44,620**	**$ 51,319**	**$ 163,877**	**$ (95)**	**$ 163,782**
Property operating costs	**25,831**	**18,713**	**16,141**	**60,685**	**(619)**	**60,066**
Net operating income	**$ 42,107**	**$ 25,907**	**$ 35,178**	**$ 103,192**	**$ 524**	**$ 103,716**

Three months ended December 31, 2013 *(thousands of dollars)*	Central Region	Eastern Region	Western Region	Subtotal	Other[1]	Total
Property rental revenue	$ 70,847	$ 42,429	$ 49,095	$ 162,371	$ (161)	$ 162,210
Property operating costs	26,540	17,084	15,913	59,537	(597)	58,940
Net operating income	$ 44,307	$ 25,345	$ 33,182	$ 102,834	$ 436	$ 103,270

[1] Other items are principally operating costs and adjustments that are not attributable to a region.

Interest and Other Income

The Company's interest and other income is as follows:

		Three months ended December 31		
(thousands of dollars)		**2014**		2013
Interest, dividend and distribution income from marketable securities and cash investments	**$**	**1,218**	$	1,037
Interest income from mortgages and loans receivable		**2,473**		1,729
Fees and other income		**263**		—
	$	**3,954**	$	2,766

The increase in interest and other income for the three months ended December 31, 2014 is primarily due to an increase in mortgages and loans receivable and marketable securities balances.

Interest Expense

The Company's proportionate share of interest expense is as follows:

		Three months ended December 31		
(thousands of dollars)		**2014**		2013
Mortgages and credit facilities	**$**	**15,191**	$	17,490
Senior unsecured debentures		**27,933**		23,431
Convertible debenture (cashless)				
Coupon interest (payable in shares)		**4,977**		5,040
Accretion of discounts on bifurcation for accounting purposes		**411**		393
Amortization of deferred issue costs		**578**		549
		5,966		5,982
Interest capitalized to investment properties and residential inventory under development		**(5,071)**		(5,831)
Total interest expense	**$**	**44,019**	$	41,072

Mortgage and credit facilities interest expense for the three months ended December 31, 2014 has decreased due to net repayments of mortgages during the past 12 months and due to the decrease in the weighted average borrowing rate to 5.03% per annum as at December 31, 2014 from 5.21% per annum as at December 31, 2013.

The increase in interest expense for the senior unsecured debentures for the three months ended December 31, 2014 is primarily due to the issuances of $510.0 million principal amount senior unsecured debentures with a weighted average coupon rate of 4.60% (weighted average effective rate of 4.59%) during 2014 and the issuance of $450.0 million principal amount of senior unsecured debentures with a weighted average coupon rate of 3.97% (weighted average effective rate of 4.12%) in 2013. These issuances were partially offset by the repayment of $125 million principal amount with a weighted average coupon rate of 5.95% (weighted average effective rate of 6.13%) during 2014 and the repayment of $53.9 million principal amount with a weighted average coupon rate of 5.36% (weighted average effective rate of 5.52%) during the year ended December 31, 2013 as described in the "Capital Structure and Liquidity" section of this MD&A.

The decrease in convertible debentures interest expense for the three months ended December 31, 2014 is a result of repurchases in the NCIB of $4.2 million and $3.2 million during 2014 and 2013, respectively, partially offset by net issuances in 2013 of $55.5 million. Refer to the "Capital Structure and Liquidity" section of this MD&A for additional information.

During the three months ended December 31, 2014 and 2013, respectively, approximately 10.3% and 12.4% of interest expense was capitalized to real estate investments for properties undergoing development or redevelopment projects. Amounts capitalized are based on development and redevelopment projects actively underway. The decrease in capitalized interest percentage is commensurate with the decrease in qualified development and redevelopment expenditures primarily resulting from certain development and redevelopment projects completed during the year but only partially offset by new developments projects commenced. The reduction is also due to the sale of an interest in the assets of Main and Main Developments in the third quarter.

Corporate Expenses

	Three months ended December 31	
(thousands of dollars, except for percentages)	**2014**	2013
		(Restated)
Salaries, wages and benefits	**$ 5,930**	$ 6,893
Non-cash compensation	**606**	695
Other corporate costs	**2,788**	2,605
	9,324	10,193
Amounts capitalized to investment properties under development and residential inventory [1]	**(1,184)**	(1,911)
	$ 8,140	$ 8,282
Corporate expenses, excluding non-cash compensation and incremental leasing costs		
As a percentage of rental revenue	**3.7%**	4.0%
As a percentage of total assets	**0.3%**	0.3%

[1] Refer to the "Adoption of New Accounting Standards" section of this MD&A.

The overall level of net corporate expenses has decreased by 1.7% for the three months ended December 31, 2014, as compared to the same prior year period. The variances are primarily a result of the timing of the recognition of incentive compensation in the prior year period.

Non-cash compensation is recognized over the respective vesting periods for options, restricted share units and deferred share units. These items are considered part of the total compensation for directors, senior management and other team members.

The Company manages all of its acquisitions, development and redevelopment and leasing activities internally. Certain internal costs directly related to development, including salaries and related costs for planning, zoning, leasing, construction, etc., are capitalized in accordance with IFRS to development projects and residential inventory, as incurred.

Other Gains (Losses) and (Expenses)

	Three months ended December 31					
	2014			2013		
(thousands of dollars)	**Included in Consolidated Statements of Income**	**Included in FFO**	**Included in AFFO**	Included in Consolidated Statements of Income	Included in FFO	Included in AFFO
Realized gains on sale of marketable securities	**$ 882**	**$ 882**	**$ 882**	$ 80	$ 80	$ 80
Change in cumulative unrealized gains (losses) on marketable securities classified as FVTPL	**(2,161)**	**(2,161)**	**—**	149	149	—
Losses on prepayments of debt	**(2,406)**	**(2,406)**	**—**	(29)	(29)	—
Unrealized losses (gains) on hedges	**—**	**—**	**—**	11	11	—
Pre-selling costs of residential inventory	**(16)**	**(16)**	**(514)**	(61)	(61)	—
Executive transition expense	**(5,830)**	**(5,830)**	**—**	—	—	—
Investment properties – selling costs	**(2,816)**	**—**	**—**	(573)	—	—
	$ (12,347)	**$ (9,531)**	**$ 368**	$ (423)	$ 150	$ 80

For the three months ended December 31, 2014, the losses on prepayments of debt primarily relate to penalties on the early redemption of $125.0 million of the 5.95% Series G senior unsecured debentures.

The gains on hedges represent the change in fair value for those derivatives to which the Company does not apply hedge accounting, as well as the ineffectiveness of those hedges to which the Company applies hedge accounting.

Investment properties – selling costs were incurred on dispositions of properties and properties held for sale.

Executive transition expense for the three months ended December 31, 2014 relates to the transition of the Chief Executive Officer to Executive Vice Chairman to support the Company's succession planning and growth.

Income Taxes

	Three months ended December 31	
(thousands of dollars)	**2014**	2013
Deferred income taxes	**$ 10,057**	$ 8,506

Deferred income taxes increased compared to the same prior year period primarily due to the changes associated with investment properties.

Mortgages and Credit Facilities

During the three months ended December 31, 2014, the Company repaid $25.5 million of mortgage financings relating to three properties with a weighted average interest rate of 6.32%, and the mortgage financing of $21.5 million was assumed by the purchaser on the sale of an investment property.

During the three months ended December 31, 2013, the Company repaid $46.6 million amount of mortgage financing relating to three properties with a weighted average interest rate of 3.69%.

Cash Flows

	Three months ended December 31	
(thousands of dollars)	**2014**	2013
Adjusted cash flow from operating activities	**$ 52,896**	$ 50,984
Net change in non-cash operating items	**31,547**	37,184
Expenditures on residential development inventory	**(1,850)**	(3,599)
Cash provided by operating activities	**82,593**	84,569
Cash used in financing activities	**(203,705)**	(52,930)
Cash used in investing activities	**(83,453)**	(104,711)
Net change in cash and cash equivalents	**$ (204,565)**	$ (73,072)

Operating Activities

Cash provided by operating activities decreased over the prior year period primarily due to the timing of receipts and payments on working capital and other non-cash items, partially offset by increased cash flow growth in net operating income from the Company's shopping centre portfolio as well as decreased expenditures on residential development inventory.

Financing Activities

Cash used in financing activities increased over the same prior year period primarily as a result of the redemption of Series G senior unsecured debentures of approximately $127.8 million. These activities are more fully described in the "Capital Structure and Liquidity" section of this MD&A.

Investing Activities

Cash used in investing activities decreased over the same prior year period as a result of higher net proceeds from dispositions offset by increased capital expenditures on investment properties. Details of the Company's investments in acquisitions and developments are provided in the "Business and Operations Review" section of this MD&A.

SUMMARY OF SIGNIFICANT ACCOUNTING ESTIMATES AND POLICIES

Summary of Critical Accounting Estimates

First Capital Realty's significant accounting policies are described in Note 2 to the audited annual consolidated financial statements for the year ended December 31, 2014. Management believes that the policies that are most subject to estimation and Management's judgment are those outlined below.

Fair Value

Fair value is defined as the amount at which an item can be bought or sold between independent, knowledgeable parties under no compulsion to act, as opposed to a forced or liquidation sale.

Quoted market prices in active markets are usually the best evidence of fair value when they are available. Market prices are usually available for marketable securities and other actively traded financial instruments owned by the Company. When quoted market prices are not available, estimates of fair value are based on the best information available, including comparable market data and other valuation techniques, including discounted cash flows and other models based on future cash flows.

Where the valuation method chosen is based on future cash flows, the Company would be required to make estimates that incorporate assumptions of economic conditions, local market conditions, the potential uses of assets, and other factors.

As a result, the Company's determination of fair value could vary under differing circumstances and result in different calculations. The most significant areas that are affected by fair value estimates in the Company's consolidated financial statements are:

- estimates of fair values of investment properties;
- valuation of financial instruments both for disclosure and measurement purposes; and
- valuation of stock options using the Black-Scholes model.

The method of determination of the fair value of investment properties is discussed in detail elsewhere in this MD&A under "Valuation of Investment Properties under IFRS".

Fair Value of Financial Instruments

The Company is required to determine the fair value of its loans, mortgages and credit facilities payable, senior unsecured and convertible debentures payable, loans and mortgages receivable, marketable securities and derivatives. The fair values of the convertible debentures and marketable securities are based on quoted market prices. The fair values of the other financial instruments are calculated using internally developed models as follows:

- Mortgages and credit facilities payable are calculated based on current market rates plus risk-adjusted spread on discounted cash flows.
- Senior unsecured debentures are based on closing bid risk-adjusted spreads and current underlying Government of Canada bond yields on discounted cash flows, also incorporating interest rate quotations provided by financial institutions.
- Derivative instruments are determined using present value forward pricing and swap calculations at interest rates that reflect current market conditions.
- Loans and mortgages receivable are calculated based on current market rates plus borrower level risk-adjusted spreads on discounted cash flows, adjusted for allowances for non-payment and collateral related risk.

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

A 1% increase or decrease in the interest rate used to determine the fair value of the mortgages payable would change the fair value of the mortgages payable by $38.7 million and $41.1 million, respectively. Similarly, a 1% increase or decrease in the interest rate used to determine the fair value of the senior unsecured debentures would change the fair value by $186.9 million and $76.7 million, respectively, and for the derivative instruments would change the fair value by $15.4 million and $16.9 million, respectively. For loans and mortgages receivable, a 1% increase or decrease in the interest rate used to determine the fair value would result in a change of $4.6 million and $4.9 million, respectively.

Financial Instruments

The critical judgments inherent in the application of the policies with respect to financial instruments include applying the criteria to designate financial instruments as FVTPL, which are acquired principally for the purpose of selling in the short term.

Hedge Accounting

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

Income Taxes

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

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

Key Management Personnel

Judgment has been made in identifying the key management personnel for purposes of compensation disclosure. The Company considers those with the authority and responsibility for planning, directing and controlling the activities of the Company to be the Board of Directors and certain members of senior management.

FUTURE ACCOUNTING POLICY CHANGES

The Company is currently evaluating the impact of the following future accounting policy changes.

Financial Instruments

IFRS 9, "Financial Instruments" ("IFRS 9"), was issued in July 2014, which will replace IAS 39, "Financial Instruments: Recognition and Measurement" ("IAS 39"). IFRS 9 addresses the classification and measurement of all financial assets and financial liabilities within the scope of the current IAS 39 and a new expected loss impairment model that will require more timely recognition of expected credit losses and a substantially-reformed model for hedge accounting. Also included are the requirements to measure debt-based financial assets at either amortized cost or fair value through profit or loss ("FVTPL") and to measure equity-based financial assets as either held-for-trading or as fair value through other comprehensive income ("FVTOCI"). No amounts are reclassified out of other comprehensive income ("OCI") if the FVTOCI option is elected. Additionally, embedded derivatives in financial assets would no longer be bifurcated and accounted for separately under IFRS 9.

A new general hedge accounting standard, part of IFRS 9 (2013), was issued in November 2013 permitting additional hedging strategies used for risk management to qualify for hedge accounting.

The IASB has set January 1, 2018 as the effective date for the mandatory application of IFRS 9. Earlier adoption is permitted if initial application is prior to February 1, 2015. The Company is in the process of assessing the impact of IFRS 9 on its consolidated financial statements and will not be early adopting the standard.

Revenue from Contracts with Customers

IFRS 15, "Revenue from Contracts with Customers" ("IFRS 15"), was issued in May 2014, which will replace IAS 11, "Construction Contracts", IAS 18, "Revenue Recognition", IFRIC 13, "Customer Loyalty Programmes", IFRIC 15, "Agreements for the Construction of Real Estate", IFRIC 18, "Transfers of Assets from Customers", and SIC-31, "Revenue – Barter Transactions Involving Advertising Services". IFRS 15 provides a single, principles based five-step model that will apply to all contracts with customers with limited exceptions, including, but not limited to, leases within the scope of IAS 17; financial instruments and other contractual rights or obligations within the scope of IFRS 9, IFRS 10, "Consolidated Financial Statements" and IFRS 11, "Joint Arrangements". In addition to the five-step model, the standard specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. The incremental costs of obtaining a contract must be recognized as an asset if the entity expects to recover these costs. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities.

IFRS 15 is required for annual periods beginning on or after January 1, 2017. Earlier adoption is permitted. The Company is in the process of assessing the impact of IFRS 15 on its consolidated financial statements.

CONTROLS AND PROCEDURES

As at December 31, 2014, the Chief Executive Officer and the Chief Financial Officer of the Company, with the assistance of other staff and Management of the Company to the extent deemed necessary, have designed the Company's disclosure controls and procedures to provide reasonable assurance that information required to be disclosed in the various reports filed or submitted by the Company under securities legislation is recorded, processed, summarized and reported accurately and have designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

In May 2013, the Committee of Sponsoring Organizations of the Treadway Commission published an updated version (the "COSO 2013 Framework") of its 1992 COSO Framework. The COSO 2013 Framework further formalizes the principles embedded in the original 1992 COSO Framework, incorporates business and operating environment changes over the past two decades and improves the 1992 COSO Framework's ease of use and application.

The Chief Executive Officer and the Chief Financial Officer of the Company have evaluated, or caused the evaluation of, under their supervision, the effectiveness of the Company's disclosure controls and procedures and its internal controls over financial reporting (each as defined in National Instrument 52-109-Certification of Disclosure in Issuers' Annual and Interim Filings) as at December 31, 2014, and have concluded that such disclosure controls and procedures and internal controls over financial reporting were operating effectively. Management assessed the effectiveness of internal controls over financial reporting using the COSO 2013 Framework.

The Company did not make any changes in its internal controls over financial reporting during the quarter ended December 31, 2014 that have had, or are reasonably likely to have, a material effect on the Company's internal controls over financial reporting. On an ongoing basis, the Company will continue to analyze its controls and procedures for potential areas of improvement.

Management does recognize that any controls and procedures, no matter how well designed and operated, can only provide reasonable assurance and not absolute assurance of achieving the desired control objectives. In the unforeseen event that lapses in the disclosure controls and procedures or internal controls over financial reporting occur and/or mistakes happen, the Company intends to take the necessary steps to minimize the consequences thereof.

RISKS AND UNCERTAINTIES

First Capital Realty, as an owner of income-producing properties and development properties, is exposed to numerous business risks in the normal course of its business that can impact both short- and long-term performance. Income-producing and development properties are affected by general economic conditions and local market conditions such as oversupply of similar properties or a reduction in tenant demand. It is the responsibility of Management, under the supervision of the Board of Directors, to identify and, to the extent possible, mitigate or minimize the impact of all such business risks. The major categories of risk the Company encounters in conducting its business and some of the actions it takes to mitigate these risks are outlined below. The Company's most current Annual Information Form provides a more detailed discussion of these and other risks and can be found on SEDAR at www.sedar.com and the Company's website at www.firstcapitalrealty.ca.

Economic Conditions and Ownership of Real Estate

Real property investments are affected by various factors including changes in general economic conditions (such as the availability of long-term mortgage financings and fluctuations in interest rates) and in local market conditions (such as an oversupply of space or a reduction in demand for real estate in the area), the attractiveness of the properties to tenants, competition from other real estate developers, managers and owners in seeking tenants, the ability of the owner to provide adequate maintenance at an economic cost, and various other factors. The economic conditions in the markets in which the Company operates can also have a significant impact on the Company's tenants and, in turn, the Company's financial success. Adverse changes in general or local economic conditions can result in some retailers being unable to sustain viable businesses and meet their lease obligations to the Company, and may also limit the Company's ability to attract new or replacement tenants.

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

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

In addition, the value of real property and any improvements may depend on the success of its tenants' operations as well as their credit and financial stability. Anchor tenants generally occupy large amounts of square footage, pay a significant portion of the total rents at a property and contribute to the success of other tenants by drawing significant numbers of customers to a property. The closing of one or more anchor stores at a property could have a significant adverse effect on that property. The Company's financial position and results of operations would be adversely affected if tenants become unable to pay rent or other charges on a timely basis or if the Company is unable to lease a significant amount of available space in its properties on economically favourable terms.

Real property investments are relatively illiquid and generally cannot be sold quickly. This illiquidity will likely limit the ability of the Company to vary its portfolio promptly in response to changed economic or investment conditions. The Company's inability to respond quickly to changes in the performance of its investments could adversely affect its ability to meet its obligations, its financial position and its results of operations.

Lease Renewals and Rental Increases

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

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

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

Debt service obligations reduce the funds available for operations, acquisitions, development activities and other business opportunities. There is a possibility that the Company's internally generated cash may not be sufficient to repay all of its outstanding indebtedness. Upon the expiry of the term of the financing on any particular property owned by the

Company, refinancing on a conventional mortgage loan basis may not be available in the amount required or may be available only on terms less favourable to the Company than the existing financing. The Company may elect to repay certain indebtedness through the issuance of equity securities or the sale of assets, where appropriate.

Interest rates have a significant effect on the profitability of commercial properties as interest represents a significant cost in the ownership of real property where debt financing is used as a source of capital. The Company has a total of $0.8 billion principal amount of fixed rate interest-bearing instruments outstanding including mortgages, senior unsecured debentures and convertible debentures maturing between January 1, 2015 and December 31, 2017 at a weighted average coupon interest rate of 5.53%. If these amounts were refinanced at an average interest rate that was 100 basis points higher or lower than the existing rate, the Company's annual interest cost would respectively increase or decrease by $8.2 million. In addition, as at December 31, 2014, the Company had $7.8 million principal amount of debt (or 1% of the Company's aggregate mortgage debt as of such date) at floating interest rates.

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

Changes to Credit Ratings

Any credit rating that is assigned to the senior unsecured debentures may not remain in effect for any given period of time or may be lowered, withdrawn or revised by one or more of the rating agencies if, in their judgment, circumstances so warrant. Any lowering, withdrawal or revision of a credit rating may have an adverse effect on the market price of the senior unsecured debentures, may affect a debenture holder's ability to sell its senior unsecured debentures and may affect the Company's access to financial markets and its cost of borrowing.

Acquisition, Expansion, Development, Redevelopment and Strategic Dispositions

The key to the Company's ongoing success will be its ability to create and enhance value through the skill, creativity and effectiveness of its Management team and the opportunities which the market presents.

The Company competes for suitable real property investments with individuals, corporations, real estate investment companies, trusts and other institutions (both Canadian and foreign) which may seek real property investments similar to those desired by the Company. Many of these investors may also have financial resources, which are comparable to, or greater than, those of the Company. An increase in the availability of investment funds, and an increase of interest in real property investments, increases competition for real property investments, thereby increasing purchase prices and reducing the yield therefrom.

Increased competition in the real estate market leads to lower capitalization rates for new acquisitions in certain of the markets in which the Company operates. Lower capitalization rates mean a smaller spread between the Company's cost of capital and return on acquisitions and may therefore have a negative impact on the Company's earnings growth.

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

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

The Company's redevelopment and intensification activities are focussed primarily on increasing retail space on a property and to a lesser degree, adding mixed-use density, including residential projects and office uses. Residential property development and redevelopment is a relatively new line of business for the Company. As a result, development risks associated with such projects may be greater due to the Company's more limited experience in this area.

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

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

Geographic and Tenant Concentration

As at December 31, 2014, approximately 45%, 23%, 22% and 10% of First Capital Realty's annualized minimum rent was from, and approximately 42%, 28%, 21% and 9% of the Company's gross leasable area was located in, the provinces of Ontario, Quebec, Alberta and British Columbia, respectively. Moreover, within each of these provinces, the Company's portfolio is concentrated predominantly in selected urban markets. As a result, economic, real estate and other general conditions in one or more markets where First Capital Realty has a concentration of shopping centres will significantly affect the Company's revenues and the value of its properties. Business layoffs or downsizing, industry slowdowns, declines in real estate values, changing demographics, increases in insurance costs and real estate taxes and other factors may adversely affect the economic climate in the markets in which the Company operates. Any resulting reduction in demand for retail properties in one or more markets where First Capital Realty has a concentration of shopping centres will adversely affect the Company's financial position, results of operations and the value of its properties concerned.

The Company's top 10 tenants represented 35.4% of the Company's annualized minimum rent and occupied 39.8% of the Company's gross leasable area. First Capital Realty's single largest tenant, Loblaws, (which operates stores under multiple banners and formats), accounts for 10.2% of the Company's annual minimum rent and 10.2% of the Company's gross leasable area. In the event that one or more tenants of the Company that individually or collectively account for an important amount of the Company's annual minimum rent experience financial difficulty and are unable to pay rent or fulfill their lease commitments, the Company's financial position, results of operations and the value of its properties concerned would be adversely affected.

Competition

The real estate business is competitive. Numerous other developers, managers and owners of retail properties compete with the Company in seeking tenants. Some of the properties located in the same markets as the Company's properties may be newer, better located and/or have stronger anchor tenants than the Company's properties. The existence of developers, managers and owners in such markets and competition for the Company's tenants could adversely affect the Company's ability to lease space in its properties in such markets and on the rents charged or concessions granted. In addition, the internet and other technologies are expected to play a more significant role in consumer preferences and shopping patterns in the future, which may present a competitive risk to the Company that is not easily assessed at this time. Any of the aforementioned factors could have an adverse effect on the Company's financial position and results of operations.

Residential Development Sales and Leasing

First Capital Realty is and expects to be increasingly involved in the development of mixed-use properties that include residential condominiums and rental apartments. These developments are often carried out with an experienced residential developer as the Company's partner. Purchaser demand for residential condominiums is cyclical and is significantly affected by changes in general and local economic and industry conditions, such as employment levels, availability of financing for home buyers, interest rates, consumer confidence, levels of new and existing homes for sale, demographic trends and housing demand. As a residential landlord in its properties that include rental apartments, First Capital Realty is subject to the risks inherent in the multi-unit residential rental property industry. In addition to the risks highlighted above, these include exposure to private individual tenants (as opposed to commercial tenants in the Company's retail properties), fluctuations in occupancy levels, the inability to achieve economic rents (including anticipated increases in rent), controlling bad debt exposure, rent control regulations, increases in operating costs including the costs of utilities (residential leases are often "gross" leases under which the landlord is not able to pass on costs to its residents), the imposition of increased taxes or new taxes and capital investment requirements.

Financial Covenants

First Capital Realty's revolving credit facilities and its outstanding senior unsecured debentures contain customary covenants and conditions, including, among others, compliance with various financial ratios and restrictions upon the incurrence of additional indebtedness and liens on the Company's properties. Furthermore, the terms of some of this indebtedness may adversely affect the Company's ability to consummate transactions that result in a change of control. The existing mortgages also contain customary negative covenants such as those that limit the Company's ability, without the prior consent of the lender, to further mortgage the applicable property. If the Company were to breach covenants in these debt agreements, the lender could declare a default and require the Company to repay the debt immediately. If the Company fails to make such repayment in a timely manner, the lender may be entitled to take possession of any property securing the loan. If the lenders declared a default under the Company's revolving credit facilities, all amounts outstanding thereunder would become due and payable and the Company's ability to borrow in future periods could be restricted. In addition, any such default or indebtedness in excess of an agreed amount, unless waived, would constitute a default under First Capital Realty's revolving credit facilities and senior unsecured debentures, giving rise to the acceleration of such indebtedness.

Environmental Matters

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

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

Partnerships

Some of First Capital Realty's properties are partially owned by non-affiliated partners through partnership, co-ownership and limited liability corporate venture arrangements (collectively, "partnerships"). As a result, the Company does not control all decisions regarding those properties and may be required to take actions that are in the interest of the partners collectively, but not in the Company's sole best interests. Accordingly, First Capital Realty may not be able to favourably resolve any issues that arise with respect to such decisions, or the Company may have to take legal action or provide financial or other inducements to partners to obtain such resolution.

Significant Shareholders

As of December 31, 2014, Chaim Katzman, the Chairman of the Board of Directors of First Capital Realty, and several of the Company's shareholders affiliated with Mr. Katzman (the "Gazit Group"), including Gazit-Globe and related entities, beneficially owned approximately 44.0% of the outstanding Common Shares. Gazit-Globe is a public company listed on the Toronto Stock Exchange, on the New York Stock Exchange and on the Tel-Aviv Stock Exchange. Additional information concerning Gazit-Globe is available in its public disclosure. Dori J. Segal, the Executive Vice-Chairman, President and Chief Executive Officer of First Capital Realty, is also the Executive Vice Chairman of Gazit-Globe. Mr. Segal and his spouse directly and indirectly, own shares of the holding company (Norstar Holdings Inc., a corporation listed on the Tel-Aviv Stock Exchange) which controls Gazit-Globe and they have entered into a shareholders' agreement with Mr. Katzman under which they have agreed, among other things, to vote for certain nominees to, and to constitute, the board of this holding company in an agreed manner, and to certain participation rights in the event that either Mr. Katzman or Mr. Segal and his spouse wish to sell any of their shares of this holding company. In addition, Mr. Katzman has been given voting control over some shares held by Mr. Segal's spouse in another entity which itself owns shares of the holding company under the terms of a power of attorney. As of December 31, 2014, Mr. Segal directly owns 720,000 common shares of Gazit-Globe, representing approximately 0.4% of the outstanding common shares of Gazit-Globe.

In addition, as of December 31, 2014, Alony-Hetz beneficially owned approximately 8.3% of the Common Shares. Alony-Hetz and Gazit-Globe have entered into a shareholders' agreement pursuant to which, among other terms, (i) Gazit-Globe has agreed to vote its common shares of the Company in favour of the election of up to two representatives of Alony-Hetz to the Board of Directors of the Company and (ii) Alony-Hetz has agreed to vote its common shares of the Company in favour of the election of the nominees of Gazit-Globe as the remaining directors of the Company.

The market price of the Common Shares could decline materially if the Company's significant shareholders sell some or all of their Common Shares or are perceived by the market as intending to sell such Common Shares. In addition, so long as the Gazit Group maintains a controlling interest in the Company, it will generally be able to approve any matter submitted to a vote of shareholders of the Company which requires the approval of a simple majority of shareholders voting at the meeting, including, among other things, the election of the Board. The Gazit Group will also be able to exercise a controlling influence in the event of a take-over bid for First Capital Realty. This level of ownership may discourage third parties from seeking to acquire control of the Company, which in turn may adversely affect the market price of the Common Shares.

Moreover, members of the Gazit Group have pledged a substantial portion of their common shares to secure revolving credit facilities made available to them by commercial banks (the "Gazit Group Credit Facilities"). Based on information from the Gazit Group, First Capital Realty believes that currently approximately 77.9% of the common shares reported as beneficially owned by the Gazit Group (representing approximately 34.3% of the outstanding common shares of First Capital Realty) are pledged to secure the Gazit Group Credit Facilities. While First Capital Realty has not been provided with a copy of the Gazit Group Credit Facilities or the related pledge agreements, it has been advised by the Gazit Group that if one of the Gazit Group members defaults on any of their obligations under the Gazit Group Credit Facilities or the related pledge agreements, the related lenders may have certain rights over the pledged Common Shares, including without limitation, the right to sell the pledged Common Shares in one or more public or private sales. Any such event could cause the Company's Common Share price (and the price of other securities convertible into Common Shares, including the Convertible Debentures) to decline materially. Many of the occurrences that could result in a default under the Gazit Group Credit Facilities and, among other things, foreclosure of the pledged Common Shares are out of First Capital Realty's control and are unrelated to its operations.

In addition, because a significant number of Common Shares are pledged to secure the Gazit Group Credit Facilities, the occurrence of an event of default could result in a sale of such pledged Common Shares that would trigger an effective change of control of First Capital Realty, even when such a change may not be in the best interests of the shareholders of the Company or may have a material adverse effect on the Company.

The foregoing information regarding Gazit Group has been provided by the Gazit Group and has not been independently verified. There can be no assurances that such information is complete, and as such there may be additional relevant information not included in the foregoing.

Investments Subject to Credit and Market Risk

The Company occasionally extends credit to third parties in connection with partnerships, the sale of assets or other transactions. First Capital Realty also invests in marketable and other equity securities. The Company is exposed to risk in the event that the values of its loans and/or its investments decrease due to the overall market conditions, business failure, and/or other nonperformance by the counterparties or investees.

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CONSOLIDATED FINANCIAL STATEMENTS

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Management's Responsibility

The Company's consolidated financial statements and Management's Discussion and Analysis ("MD&A") are the responsibility of Management and have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The preparation of consolidated financial statements and the MD&A necessarily involves the use of estimates based on Management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. In addition, in preparing this financial information, Management must make determinations as to the relevancy of information to be included, and estimates and assumptions that affect the reported information. The MD&A also includes information regarding the impact of current transactions and events, sources of liquidity and capital resources, operating trends, risks and uncertainties. Actual results in the future may differ materially from the present assessment of this information because future events and circumstances may not occur as expected. The consolidated financial statements have been properly prepared within reasonable limits of materiality and in light of information available up to February 11, 2015.

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

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

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

Dori J. Segal
President and Chief Executive Officer
Toronto, Ontario
February 11, 2015

Kay Brekken
Executive Vice President and Chief Financial Officer

Independent Auditors' Report

To the Shareholders of First Capital Realty Inc.
We have audited the accompanying consolidated financial statements of First Capital Realty Inc., which comprise the consolidated balance sheets as at December 31, 2014 and 2013, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of First Capital Realty Inc. as at December 31, 2014 and 2013, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Ernst & Young LLP

Chartered Accountants
Licensed Public Accountants

Toronto, Ontario
February 11, 2015

Consolidated Balance Sheets

As at *(thousands of Canadian dollars)*	Notes	**December 31, 2014**	December 31, 2013
ASSETS			
Non-Current Assets			
Real Estate Investments			
Investment properties – shopping centres	5	**$ 7,287,650**	$ 6,989,055
Investment properties – development land	5	**17,008**	147,497
Investment in joint ventures	6	**138,578**	38,166
Loans, mortgages and other real estate assets	7	**96,231**	71,781
Total real estate investments		**7,539,467**	7,246,499
Other non-current assets	10	**19,415**	17,965
Total non-current assets		**7,558,882**	7,264,464
Current Assets			
Cash and cash equivalents	30(d)	**17,351**	4,975
Loans, mortgages and other real estate assets	8	**79,978**	77,449
Residential development inventory		**3,922**	21,569
Amounts receivable	9	**16,580**	18,600
Other assets	10	**26,338**	53,699
		144,169	176,292
Investment properties classified as held for sale	5(d)	**205,133**	155,499
Total current assets		**349,302**	331,791
Total assets		**$ 7,908,184**	$ 7,596,255
LIABILITIES			
Non-Current Liabilities			
Mortgages and credit facilities	12	**$ 919,453**	$ 1,089,969
Senior unsecured debentures	13	**2,149,174**	1,762,026
Convertible debentures	14	**373,277**	374,012
Other liabilities	15	**20,555**	21,476
Deferred tax liabilities	23	**453,903**	410,278
Total non-current liabilities		**3,916,362**	3,657,761
Current Liabilities			
Current portion of mortgages and credit facilities	12	**253,957**	254,367
Current portion of senior unsecured debentures	13	**—**	99,927
Accounts payable and other liabilities	16	**240,024**	238,945
		493,981	593,239
Mortgages on investment properties classified as held for sale	5(d), 12	**—**	22,247
Total current liabilities		**493,981**	615,486
Total liabilities		**4,410,343**	4,273,247
EQUITY			
Shareholders' equity	17	**3,470,271**	3,319,370
Non-controlling interest	27	**27,570**	3,638
Total equity		**3,497,841**	3,323,008
Total liabilities and equity		**$ 7,908,184**	$ 7,596,255

See accompanying notes to the consolidated financial statements.

Approved by the Board of Directors:

Chaim Katzman
Chairman of the Board

Dori J. Segal
Director

Consolidated Statements of Income

		Year ended December 31	
(thousands of Canadian dollars, except per share amounts)	**Notes**	**2014**	2013
			(Restated – Note 3)
Property rental revenue		**$ 648,441**	$ 631,605
Property operating costs		**241,532**	233,595
Net operating income	18	**406,909**	398,010
Other income and expenses			
Interest and other income	19	**12,997**	10,501
Interest expense	20	**(173,321)**	(164,909)
Corporate expenses	21	**(31,191)**	(29,958)
Abandoned transaction costs		**(907)**	(2,231)
Amortization expense		**(3,552)**	(3,873)
Share of profit from joint ventures	6	**9,135**	2,334
Other gains (losses) and (expenses)	22	**(16,281)**	(4,280)
Increase in value of investment properties, net	5	**42,078**	60,833
		(161,042)	(131,583)
Income before income taxes		**245,867**	266,427
Deferred income taxes	23	**47,657**	51,418
Net income		**$ 198,210**	$ 215,009
Net income attributable to:			
Common shareholders		**$ 196,748**	$ 214,863
Non-controlling interest	27	**1,462**	146
		$ 198,210	$ 215,009
Net income per share attributable to common shareholders:			
Basic	24	**$ 0.93**	$ 1.03
Diluted	24	**$ 0.92**	$ 1.01

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Comprehensive Income

		Year ended December 31	
(thousands of Canadian dollars)	**Notes**	**2014**	2013
Net income		**$ 198,210**	$ 215,009
Other comprehensive (loss) income			
Items that may be reclassified subsequently to net income			
Unrealized gains (losses) on available-for-sale marketable securities		**13**	(254)
Reclassification of gains on available-for-sale marketable securities to net income		**69**	58
Unrealized (losses) gains on cash flow hedges		**(12,537)**	4,392
Reclassification of net losses on cash flow hedges to net income		**557**	949
		(11,898)	5,145
Deferred tax (recovery) expense	23	**(3,235)**	1,372
Other comprehensive (loss) income	29(b)	**(8,663)**	3,773
Comprehensive income		**$ 189,547**	$ 218,782
Comprehensive income attributable to:			
Common shareholders		**$ 188,085**	$ 218,636
Non-controlling interest		**1,462**	146
		$ 189,547	$ 218,782

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Changes in Equity

(thousands of Canadian dollars)	Retained Earnings	Accumulated Other Comprehensive Loss	Share Capital	Contributed Surplus and Other Equity Items	Total Shareholders' Equity	Non-Controlling Interest	Total Equity
		(Note 29(a))	*(Note 17(a))*	*(Note 17(b))*			
December 31, 2013	$ 817,867	$ (407)	$ 2,457,310	$ 44,600	$ 3,319,370	$ 3,638	$ 3,323,008
Changes during the year:							
Net income	196,748	—	—	—	196,748	1,462	198,210
Issuance of common shares	—	—	102,834	—	102,834	—	102,834
Issue costs, net of tax and other	—	—	(2,700)	—	(2,700)	—	(2,700)
Dividends	(181,317)	—	—	—	(181,317)	—	(181,317)
Convertible debentures, net	—	—	19,914	(80)	19,834	—	19,834
Redemption and conversion of convertible debentures	—	—	500	—	500	—	500
Options, deferred share units and restricted share units, net	—	—	22,747	918	23,665	—	23,665
Other comprehensive loss	—	(8,663)	—	—	(8,663)	—	(8,663)
Contributions from non-controlling interest	—	—	—	—	—	22,470	22,470
December 31, 2014	$ 833,298	$ (9,070)	$ 2,600,605	$ 45,438	$ 3,470,271	$ 27,570	$ 3,497,841

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Changes in Equity

(thousands of Canadian dollars)	Retained Earnings	Accumulated Other Comprehensive Loss	Share Capital	Contributed Surplus and Other Equity Items	Total Shareholders' Equity	Non-Controlling Interest	Total Equity
		(Note 29(a))	*(Note 17(a))*	*(Note 17(b))*			
December 31, 2012	$ 778,096	$ (4,180)	$2,426,836	$ 44,416	$3,245,168	$ 3,386	$3,248,554
Changes during the year:							
Net income	214,863	—	—	—	214,863	146	215,009
Issue costs, net of tax and other	—	—	1,247	—	1,247	—	1,247
Dividends	(175,092)	—	—	—	(175,092)	—	(175,092)
Convertible debenture, net	—	—	19,054	233	19,287	—	19,287
Options, deferred share units and restricted share units, net	—	—	8,496	1,628	10,124	—	10,124
Expiry of warrants	—	—	1,677	(1,677)	—	—	—
Other comprehensive income	—	3,773	—	—	3,773	—	3,773
Contributions from non-controlling interest	—	—	—	—	—	106	106
December 31, 2013	$ 817,867	$ (407)	$2,457,310	$ 44,600	$3,319,370	$ 3,638	$3,323,008

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

		Year ended December 31	
(thousands of Canadian dollars)	**Notes**	**2014**	2013
OPERATING ACTIVITIES			
Net income		**$ 198,210**	$ 215,009
Adjustments for:			
Increase in value of investment properties, net	5	**(42,078)**	(60,833)
Interest expense	20	**173,321**	164,909
Capitalized interest	20	**22,413**	22,528
Cash interest paid	20	**(165,574)**	(164,532)
Amortization expense		**3,552**	3,873
Share of profit of joint ventures	6	**(9,135)**	(2,334)
Distribution from joint ventures		**2,082**	2,062
Items not affecting cash and other items	30(a)	**50,733**	47,556
Net change in non-cash operating items	30(b)	**14,222**	(287)
Receipts of proceeds from sales of residential inventory		**29,849**	—
Expenditures on residential development inventory		**(8,503)**	(14,984)
Cash provided by operating activities		**269,092**	212,967
FINANCING ACTIVITIES			
Mortgage financings and credit facilities			
Borrowings, net of financing costs		**126,315**	45,804
Mortgage financings and loans on residential development inventory		**—**	7,689
Repayment of mortgage and loans on residential development inventory and other		**(13,543)**	—
Principal installment payments		**(36,058)**	(38,904)
Repayments		**(254,247)**	(220,722)
Issuance of senior unsecured debentures, net of issue costs	13	**510,288**	445,765
Repayment of senior unsecured debentures	13	**(228,260)**	(55,350)
Issuance of convertible debentures, net of issue costs	14	**—**	55,497
Purchase of convertible debentures	14(b)	**(4,295)**	(3,430)
Issuance of common shares, net of issue costs		**120,880**	9,743
Payment of dividends		**(177,887)**	(174,126)
Contributions from non-controlling interest		**22,470**	106
Cash provided by financing activities		**65,663**	72,072
INVESTING ACTIVITIES			
Acquisition of shopping centres	5(c)	**(206,007)**	(177,539)
Acquisition of development land	5(c)	**(19,050)**	(36,441)
Net proceeds from property dispositions	5(d)	**209,707**	191,274
Deferred purchase price of shopping centre	16	**(4,993)**	—
Contribution to joint ventures		**(6,985)**	—
Capital expenditures on investment properties		**(253,501)**	(266,526)
Changes in investing-related prepaid expenses and other liabilities		**2,481**	(4,659)
Changes in loans, mortgages and other real estate assets	30(c)	**(44,031)**	(50,188)
Cash used in investing activities		**(322,379)**	(344,079)
Net increase (decrease) in cash and cash equivalents		**12,376**	(59,040)
Cash and cash equivalents, beginning of year		**4,975**	64,015
Cash and cash equivalents, end of year	30(d)	**$ 17,351**	$ 4,975

See accompanying notes to the consolidated financial statements.

Notes to the Consolidated Financial Statements

1. DESCRIPTION OF THE COMPANY

First Capital Realty Inc. (the “Company”) is a corporation existing under the laws of Ontario, Canada, and engages in the business of acquiring, developing, redeveloping, owning and managing well-located, high quality urban retail-centered properties. The Company is listed on the Toronto Stock Exchange (“TSX”) under the symbol “FCR”, and its head office is located at 85 Hanna Avenue, Suite 400, Toronto, Ontario, M6K 3S3.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

(b) Basis of presentation

The audited annual consolidated financial statements are prepared on a going concern basis and have been presented in Canadian dollars rounded to the nearest thousand, unless otherwise indicated. The accounting policies set out below have been applied consistently in all material respects. Changes in standards effective for the current year are described in Note 3 – “Change in Accounting Policies”, and for future accounting periods are described in Note 4 – “Future Accounting Policy Changes”.

Comparative information in the financial statements includes reclassification of certain balances to provide consistency with current period classification. The current period classification more appropriately reflects the Company's core operations and any changes are not material to the financial statements as a whole.

Additionally, management, in measuring the Company's performance or making operating decisions, distinguishes its operations on a geographical basis. The Company operates in Canada and has three operating segments: Eastern, which includes operations primarily in Quebec and Ottawa; Central, which includes the Company’s Ontario operations excluding Ottawa; and Western, which includes operations in Alberta and British Columbia. Operating segments are reported in a manner consistent with internal reporting provided to the chief operating decision maker, who is the President and Chief Executive Officer.

These audited annual consolidated financial statements were approved by the Board of Directors and authorized for issue on February 11, 2015.

(c) Basis of consolidation

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

(d) Business combinations

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

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

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

(e) Investments in joint arrangements

The Company accounts for its investment in joint ventures using the equity method and accounts for investments in joint operations by recognizing the Company's direct rights to assets, obligations for liabilities, revenues and expenses. Under the equity method, the interest in the joint venture is carried in the balance sheet at cost plus post-acquisition changes in the Company's share of the net assets of the joint ventures, less distributions received and less any impairment in the value of individual investments. The Company's income statement reflects the share of the results of operations of the joint ventures after tax.

(f) Investment properties

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

(i) Shopping centres

Shopping centres include the Company's shopping centre portfolio, properties currently under development or redevelopment, and any adjacent land parcels available for expansion but not currently under development.

(ii) Development land

Development land includes land parcels which are not part of one of the Company's existing shopping centres and which are at various stages of development planning, primarily for future retail occupancy.

(iii) Investment properties classified as held for sale

Investment property is classified as assets 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.

Valuation method

Investment properties are recorded at fair value, which reflects current market conditions, at each balance sheet date. Gains and losses from changes in fair values are recorded in net income in the period in which they arise.

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

The Company has three approaches to determine the fair value of an investment property at the end of each reporting period:

1. External appraisals – by an independent national appraisal firm, in accordance with professional appraisal standards and IFRS. On an annual basis, the Company has a minimum threshold of approximately 25% (as measured by fair value) of the property portfolio requiring external appraisal.
2. Internal appraisals – by certified staff appraisers employed by the Company, in accordance with professional appraisal standards and IFRS.
3. Value updates – primarily consisting of management review of the key assumptions from previous appraisals and updating the value for changes in the property cash flow, physical condition and changes in market conditions.

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

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

The Company makes no adjustments for portfolio premiums and discounts, nor for any value attributable to the Company's management platform, as required by IFRS.

Shopping centres are appraised primarily based on stabilized cash flows from existing tenants with the property in its existing state, since purchasers typically focus on expected income. External and internal appraisals are conducted using and placing reliance on both the direct capitalization method and the discounted cash flow method (including the estimated proceeds from a potential future disposition). Value updates use the direct capitalization method.

Properties undergoing development, redevelopment or expansion are valued using the stabilized cash flows expected upon completion, with a deduction for costs to complete the project; capitalization rates are adjusted to reflect lease-up assumptions and construction risk, when appropriate. Adjacent land parcels held for future development are valued based on comparable sales of commercial land.

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

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

The Company's investment property is measured using Level 3 inputs (in accordance with IFRS fair value hierarchy), as not all significant inputs are based on observable market data (unobservable inputs). These unobservable inputs reflect the entity's own assumptions about the assumptions that market participants would use in pricing investment property, and are developed based on the best information available in the circumstances (which includes the reporting entity's own data).

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

Incremental initial direct leasing costs are added to the cost of investment properties. Refer to Note 3 – "Change in Accounting Policies" for further discussion.

(g) Residential development inventory

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

The cost of residential development inventory includes borrowing costs directly attributable to projects under active development. The amount of borrowing costs capitalized is determined first by reference to borrowings specific to the project, where relevant, and otherwise by applying a weighted average capitalization rate for the Company's other borrowings to eligible expenditures. Borrowing costs are not capitalized on residential development inventory where no development activity is taking place. Residential development inventory is presented separately on the consolidated balance sheets as current assets. Residential development inventory is classified as current because the Company intends to sell this asset in the normal operating cycle.

(h) Taxation

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

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

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

Current and deferred income taxes relating to items recognized in equity are charged directly to equity.

(i) Provisions

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

(j) Share-based payments

Equity-settled share-based compensation, including stock options, restricted share units and deferred share units, is measured at the fair value of the grants on the grant date. The fair value of options is estimated using an accepted option pricing model, as appropriate to the instrument. The cost of equity-settled share-based compensation is recognized on a proportionate basis consistent with the vesting features of each grant.

(k) Revenue recognition

(i) Investment properties

The Company has not transferred substantially all of the risks and benefits of ownership of its investment properties and, therefore, accounts for leases with its tenants as operating leases.

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

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

Rental revenue also includes percentage participating rents based on tenant sales, and recoveries of operating expenses and property taxes. Percentage participating rents are recognized when the sales thresholds set out in the leases have been met. Operating expense recoveries are recognized in the period that recoverable costs are chargeable to tenants.

(ii) Residential development inventory

The Company's residential development inventory comprises the construction and sale of residential condominium units. The Company recognizes revenue from the sale of residential units upon substantial completion. The Company considers substantial completion for each residential unit to be the point in which the purchaser has paid all amounts due on interim closing, has the right to occupy the premises, has demonstrated collectability of the balance due at closing, and has received an undertaking from the Company to be assigned title in due course, or when title has transferred.

(l) Financial instruments and derivatives

All financial instruments are required to be measured at fair value on initial recognition. Measurement in subsequent periods depends on whether the financial instrument has been classified as fair value through profit or loss (“FVTPL”), available-for-sale (“AFS”), held-to-maturity, loans and receivables or other liabilities.

Derivative instruments are recorded in the consolidated balance sheets at fair value, including those derivatives that are embedded in financial or non-financial contracts and which are not closely related to the host contract.

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

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

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

	Classification	Measurement
Financial assets		
Marketable securities designated as AFS	AFS	Fair value
Derivative assets	FVTPL	Fair value
Loans and mortgages receivable	Loans and receivables	Amortized cost
Marketable securities designated as FVTPL	FVTPL	Fair value
Amounts receivable	Loans and receivables	Amortized cost
Loans receivable from sales of residential inventory	Loans and receivables	Amortized cost
Cash and cash equivalents	Loans and receivables	Amortized cost
Restricted cash	Loans and receivables	Amortized cost
Financial liabilities		
Mortgages payable	Other liabilities	Amortized cost
Amounts outstanding under credit facilities	Other liabilities	Amortized cost
Senior unsecured debentures	Other liabilities	Amortized cost
Convertible debentures	Other liabilities	Amortized cost
Accounts payable and other liabilities	Other liabilities	Amortized cost
Derivative liabilities	FVTPL	Fair value

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

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

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

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

(iii) Level 3 Inputs – inputs for the asset or liability that are not based on observable market data (unobservable inputs). These unobservable inputs reflect the entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability, and are developed based on the best information available in the circumstances (which might include the reporting entity's own data).

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

(m) Cash and cash equivalents

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

(n) Critical judgments in applying accounting policies

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

(i) Investment properties

In applying the Company's policy with respect to investment properties, judgment is applied in determining whether certain costs are additions to the carrying amount of the property and, for properties under development, identifying the point at which capitalization of borrowing and other costs ceases. Judgment is also applied in determining the extent and frequency of external and internal appraisals in order to estimate fair values and value updates.

(ii) Hedge accounting

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

(iii) Income taxes

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

(o) Critical accounting estimates and assumptions

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

Additional critical accounting estimates and assumptions include those used for determining the values of financial instruments for disclosure purposes (Note 26), estimating deferred taxes, allocation of convertible debentures liability and equity components, assessing the allowance for doubtful accounts on trade receivables, and estimating the fair value of share-based compensation (Note 17).

3. CHANGE IN ACCOUNTING POLICIES

The Company adopted each of the standards below on January 1, 2014:

(a) Levies

IFRIC 21, "Levies" ("IFRIC 21") clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued ratably only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. The interpretation applies to realty taxes and has been applied retrospectively. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. The interpretation does not apply to accounting for income taxes or fines and penalties.

The primary consideration for the Company, in the adoption of IFRIC 21, relates to the timing of recognizing a liability to pay realty taxes. The adoption of IFRIC 21 did not result in a material impact to the consolidated financial statements, as the relevant municipal legislation governing realty taxes indicates that recognition progressively through the year is appropriate, which is consistent with the Company's historic accounting.

(b) Internal leasing costs

In March 2014, the IFRS Interpretations Committee ("IFRIC") issued an agenda decision related to the meaning of "incremental costs" in the context of initial direct leasing costs in IAS 17, "Leases" ("IAS 17"). The IFRIC determined that internal fixed costs, such as the salary costs of permanent staff involved in negotiating and arranging new leases, do not qualify as incremental costs within the context of IAS 17 and, therefore, should not be capitalized as initial direct leasing costs.

Prior to January 1, 2014, the Company's accounting policy was to capitalize internal leasing costs of the Company to investment properties, which was then adjusted to fair value through net income. Adoption of this agenda decision resulted in an increase in corporate expenses and an increase in fair value gains (or decrease in fair value losses) on investment properties in the consolidated statements of income, with no change in net income. There is no material impact on the consolidated balance sheets or the consolidated statements of cash flows.

The impact of the Company's adoption of the agenda decision on the consolidated statements of income for the year ended December 31, 2013 is as follows:

Year ended December 31		
(thousands of Canadian dollars)		2013
Increase in value of investment properties, net	$	4,747
Increase in corporate expenses		4,747
Net income impact		—

4. FUTURE ACCOUNTING POLICY CHANGES

Financial instruments

IFRS 9, "Financial Instruments" ("IFRS 9"), was issued in July 2014, which will replace IAS 39, "Financial Instruments: Recognition and Measurement" ("IAS 39"). IFRS 9 addresses the classification and measurement of all financial assets and financial liabilities within the scope of the current IAS 39 and a new expected credit loss impairment model that will require more timely recognition of expected credit losses and a substantially reformed model for hedge accounting. Included also are the requirements to measure debt-based financial assets at either amortized cost or fair value through profit or loss ("FVTPL") and to measure equity-based financial assets as either held-for-trading or as fair value through other comprehensive income ("FVTOCI"). No amounts are reclassified out of other comprehensive income ("OCI") if the FVTOCI option is elected. Additionally, embedded derivatives in financial assets would no longer be bifurcated and accounted for separately under IFRS 9.

A new general hedge accounting standard, part of IFRS 9 (2013), was issued in November 2013 permitting additional hedging strategies used for risk management to qualify for hedge accounting.

The IASB has set January 1, 2018 as the effective date for the mandatory application of IFRS 9. The Company is in the process of assessing the impact of IFRS 9 on its consolidated financial statements.

Revenue from contracts with customers

IFRS 15, "Revenue from Contracts with Customers" ("IFRS 15"), was issued in May 2014, and replaces IAS 11, "Construction Contracts", IAS 18, "Revenue Recognition", IFRIC 13, "Customer Loyalty Programmes", IFRIC 15, "Agreements for the Construction of Real Estate", IFRIC 18, "Transfers of Assets from Customers", and SIC-31, "Revenue – Barter Transactions Involving Advertising Services". IFRS 15 provides a single, principles-based five-step model that will apply to all contracts with customers with limited exceptions, including, but not limited to, leases within the scope of IAS 17; financial instruments and other contractual rights or obligations within the scope of IFRS 9, IFRS 10, "Consolidated Financial Statements" and IFRS 11, "Joint Arrangements". In addition to the five-step model, the standard specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. The incremental costs of obtaining a contract must be recognized as an asset if the entity expects to recover these costs. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities.

IFRS 15 is required for annual periods beginning on or after January 1, 2017. Earlier adoption is permitted. The Company is in the process of assessing the impact of IFRS 15 on its consolidated financial statements.

5. INVESTMENT PROPERTIES

(a) Activity

					Year ended December 31, 2014	
(thousands of Canadian dollars)	Central Region	Eastern Region	Western Region	Total	Shopping Centres	Development Land
Balance at beginning of year	$ 3,141,304	$ 1,639,162	$ 2,511,585	$ 7,292,051	$ 7,126,008	$ 166,043
Acquisitions	88,940	87,798	50,164	226,902	207,852	19,050
Capital expenditures	111,051	74,362	68,088	253,501	246,257	7,244
Reclassifications between shopping centres and development land	—	—	—	—	40,988	(40,988)
Reclassification from residential development inventory	25,151	—	—	25,151	25,151	—
Increase (decrease) in value of investment properties, net	62,801	(26,959)	6,236	42,078	47,162	(5,084)
Straight-line rent and other changes	1,591	1,984	2,275	5,850	5,850	—
Dispositions	(140,394)	(31,814)	(73,508)	(245,716)	(183,513)	(62,203)
Reclassification to equity accounted joint ventures [1]	(82,900)	—	—	(82,900)	(34,300)	(48,600)
Revaluation of deferred purchase price of shopping centre (Note 16)	—	—	(7,126)	(7,126)	(7,126)	—
Balance at end of year	$ 3,207,544	$ 1,744,533	$ 2,557,714	$ 7,509,791	$ 7,474,329	$ 35,462
Investment properties – non-current					$ 7,287,650	$ 17,008
Investment properties classified as held for sale					186,679	18,454
Total					$ 7,474,329	$ 35,462

(1) Effective September 25, 2014, a subsidiary controlled by the Company sold all of its real estate assets to a newly created joint venture between the Company, the subsidiary, and an institutional investor, in exchange for cash consideration and an equity interest in the joint venture. The Company's direct and indirect investment in the new joint venture is accounted for using the equity method. Refer to Note 6 – "Investment in Joint Ventures" for additional information.

					Year ended December 31, 2013	
(thousands of Canadian dollars)	Central Region	Eastern Region	Western Region	Total	Shopping Centres	Development Land
	(Restated – Note 3)	*(Restated – Note 3)*	*(Restated – Note 3)*	*(Restated – Note 3)*	*(Restated – Note 3)*	*(Restated – Note 3)*
Balance at beginning of year	$ 2,975,141	$ 1,588,179	$ 2,413,163	$ 6,976,483	$ 6,849,078	$ 127,405
Acquisitions	130,481	24,090	70,094	224,665	188,224	36,441
Capital expenditures	89,397	107,124	70,005	266,526	254,804	11,722
Dispositions	(93,231)	(92,401)	(56,559)	(242,191)	(232,486)	(9,705)
Reclassifications between shopping centres and development land	—	—	—	—	1,528	(1,528)
Increase in value of investment properties, net	37,583	9,818	13,432	60,833	59,125	1,708
Straight-line rent and other changes	1,933	2,352	1,450	5,735	5,735	—
Balance at end of year	$ 3,141,304	$ 1,639,162	$ 2,511,585	$ 7,292,051	$ 7,126,008	$ 166,043
Investment properties – non-current					$ 6,989,055	$ 147,497
Investment properties classified as held for sale					136,953	18,546
Total					$ 7,126,008	$ 166,043

Investment properties with a fair value of $2.7 billion (December 31, 2013 – $3.0 billion) are pledged as security for $1.2 billion in mortgages and credit facilities.

(b) Investment property valuation

Capitalization rates and stabilized net operating income ("SNOI"), by region, for investment properties – shopping centres are set out in the table below:

As at		**December 31, 2014**			December 31, 2013	
Shopping Centres	**Fair Value (1) ($ millions)**	**SNOI (2) ($ millions)**	**Weighted Average Capitalization Rate**	Fair Value (1) ($ millions)	SNOI (2) ($ millions)	Weighted Average Capitalization Rate
Central Region	**$ 3,200.0**	**$ 177.0**	**5.63%**	$ 3,021.9	$ 167.0	5.75%
Eastern Region	**1,736.0**	**104.0**	**6.18%**	1,630.7	104.0	6.31%
Western Region	**2,538.0**	**143.0**	**5.74%**	2,473.4	143.0	5.70%
	$ 7,474.0	**$ 424.0**	**5.79%**	$ 7,126.0	$ 414.0	5.86%

(1) Fair value of properties under development includes a deduction for costs to complete of $308.9 million as at December 31, 2014 (December 31, 2013 – $95.5 million).

(2) SNOI is not a measure defined by IFRS. SNOI reflects long-term, stable property operations, assuming a certain level of vacancy, capital and operating expenditures required to maintain a stable occupancy rate. The average vacancy rates used in determining SNOI for non-anchor tenants generally range from 2% to 5%.

The sensitivity of the fair values of shopping centres to capitalization rates as at December 31, 2014 is set out in the table below:

As at December 31, 2014	*(millions of Canadian dollars)*
(Decrease) increase in capitalization rate	Resulting increase (decrease) in value of shopping centres
(0.75)%	$ 1,023
(0.50)%	$ 650
(0.25)%	$ 310
0.25%	$ (285)
0.50%	$ (547)
0.75%	$ (789)

Additionally, a 1% increase or decrease in SNOI would result in an increase or decrease, respectively, in the fair value of shopping centres of $69 million. A 1% increase in SNOI coupled with a 0.25% decrease in capitalization rate would result in an increase in the fair value of shopping centres of $382 million, and a 1% decrease in SNOI coupled with a 0.25% increase in capitalization rate would result in a decrease in the fair value of shopping centres of $351 million.

(c) Investment properties – Acquisitions

During the years ended December 31, 2014 and 2013, the Company acquired shopping centres and development lands for rental income and future development and redevelopment opportunities as follows:

Year ended December 31	**2014**		2013	
(thousands of Canadian dollars)	**Shopping Centres**	**Development Land**	Shopping Centres	Development Land
Total purchase price, including acquisition costs	**$ 207,852**	**$ 19,050**	$ 188,224	$ 36,441
Deferred purchase price and ground lease liabilities	**(1,845)**	**—**	—	—
Mortgage assumptions and vendor take-back mortgages on acquisitions	**—**	**—**	(9,957)	—
Difference between principal amount and fair value of assumed mortgage financing	**—**	**—**	(728)	—
Total cash paid	**$ 206,007**	**$ 19,050**	$ 177,539	$ 36,441

(d) Investment properties classified as held for sale

The Company has certain investment properties classified as held for sale. These properties are considered to be non-core assets and are as follows:

As at (thousands of Canadian dollars, except other data)	**December 31, 2014**	December 31, 2013
Aggregate fair value	**$ 205,133**	$ 155,499
Mortgages secured by investment properties classified as held for sale	**$ —**	$ 22,247
Weighted average coupon interest rate of mortgages secured by investment properties	**—%**	4.03%

For the years ended December 31, 2014 and 2013, the Company sold shopping centres and development land as follows:

Year ended December 31	**2014**	2013
(thousands of Canadian dollars)	**Shopping Centres and Development Land**	Shopping Centres and Development Land
Total sales price [(1)]	**$ 245,716**	$ 242,191
Mortgages assumed and vendor take-back mortgages on sale	**(30,921)**	(45,788)
Property selling costs	**(5,088)**	(5,129)
Total cash proceeds	**$ 209,707**	$ 191,274

(1) Total sales price by region is: Central $140 million (2013 – $93 million); Eastern $32 million (2013 – $93 million); and Western $74 million (2013 – $56 million).

(e) Reconciliation of investment properties to total assets

Shopping centres and development land by region are as set out in the tables below:

As at December 31, 2014 *(thousands of Canadian dollars)*	**Central Region**	**Eastern Region**	**Western Region**	**Total**
Total shopping centres and development land [(1)]	**$ 3,207,544**	**$ 1,744,533**	**$ 2,557,714**	**$ 7,509,791**
A reconciliation of shopping centres and development land to total assets is as follows:				
Cash and cash equivalents				**17,351**
Loans, mortgages and other real estate assets				**176,209**
Other assets				**45,753**
Amounts receivable				**16,580**
Investment in joint ventures				**138,578**
Residential development inventory				**3,922**
Total assets				**$ 7,908,184**

As at December 31, 2013 *(thousands of Canadian dollars)*	Central Region	Eastern Region	Western Region	Total
Total shopping centres and development land [(1)]	$ 3,141,304	$ 1,639,162	$ 2,511,585	$ 7,292,051
A reconciliation of shopping centres and development land to total assets is as follows:				
Cash and cash equivalents				4,975
Loans, mortgages and other real estate assets				149,230
Other assets				71,664
Amounts receivable				18,600
Investment in joint ventures				38,166
Residential development inventory				21,569
Total assets				$ 7,596,255

(1) Includes investment properties classified as held for sale.

6. INVESTMENT IN JOINT VENTURES

The Company contractually controls Main and Main Developments LP (“MMLP”), a subsidiary in which it holds a 67% ownership interest, until such time that all loans receivable to the joint venture partner have been paid in full. At such time that the loans receivable to the Company are paid in full, all decisions regarding the activities of MMLP will require unanimous consent of the partners (refer to Note 27 – "Subsidiary with Non-controlling Interest").

Effective September 25, 2014, MMLP sold its real estate assets to a newly created joint venture, M+M Urban Realty LP (“Main and Main Urban Realty”) between the Company, MMLP and an institutional investor, in exchange for cash consideration and an equity interest in Main and Main Urban Realty. Upon closing of the transaction, the Company, through direct and indirect investment, owns on a consolidated basis a 53.1% interest in Main and Main Urban Realty, which the Company has determined to be a joint venture as all decisions regarding the activities of Main and Main Urban Realty are made unanimously as between MMLP and the Company on one hand, and the institutional investor on the other hand. Accordingly, the Company accounts for its interests in Main and Main Urban Realty using the equity method.

In addition, the Company has a 50% ownership interest in a joint venture that operates a shopping centre located in Ottawa, Ontario which is accounted for using the equity method.

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

As at *(in thousands of Canadian dollars)*	**December 31, 2014**	December 31, 2013
Total assets	**$ 290,099**	$ 101,012
Total liabilities	**23,232**	24,680
Net assets at 100%	**266,867**	76,332
The Company's investment in equity accounted joint ventures	**$ 138,578**	$ 38,166

For the year ended *(in thousands of Canadian dollars)*	**December 31, 2014**	December 31, 2013
Revenue	**$ 11,057**	$ 8,649
Expenses	**4,618**	3,843
Increase (decrease) in value of investment properties, net	**11,723**	(138)
Net income and total comprehensive income at 100%	**18,162**	4,668
The Company's share of income in equity accounted joint ventures	**$ 9,135**	$ 2,334

The Company has received distributions of $2.1 million from the joint ventures in both 2014 and 2013, and made contributions of $7.0 million and nil to the joint ventures in 2014 and 2013, respectively.

As at December 31, 2014, Main and Main Urban Realty had outstanding commitments to purchase six properties for an aggregate amount of $76.0 million, expected to close in 2015, subject to customary closing conditions. The Company's share of funding commitments at its interest is $40.4 million.

Main and Main Urban Realty has no contingent liabilities or material capital commitments as at December 31, 2014 and 2013. The joint venture is restricted from distributing its profits until it obtains the consent of the joint venture partners.

7. LOANS, MORTGAGES AND OTHER REAL ESTATE ASSETS (NON-CURRENT)

As at (thousands of Canadian dollars)	**December 31, 2014**	December 31, 2013
Loans and mortgages receivable (a)	**$ 92,132**	$ 68,150
Available-for-sale ("AFS") investments in equity securities	**4,099**	3,631
Total	**$ 96,231**	$ 71,781

(a) Loans and mortgages receivable are secured by interests in investment properties or shares of entities owning investment properties and bear interest at a weighted average coupon and effective interest rate as at December 31, 2014 of 5.65% and 5.93% per annum, respectively (December 31, 2013 – coupon and effective interest rate of 6.33% per annum). The loans and mortgages receivable mature between 2015 and 2025.

Scheduled principal receipts of current and non-current loans and mortgages receivable as at December 31, 2014 are as follows:

(thousands of Canadian dollars, except other data)	Payments on Maturity	Weighted Average Effective Interest Rate
2015	$ 48,708	9.55%
2016	4,809	8.05%
2017	6,147	6.02%
2018	—	—%
2019	28,852	5.87%
2020 to 2025	48,004	5.53%
	136,520	7.15%
Unamortized deferred financing fees, premiums and discounts, net and interest receivable	1,679	
	$ 138,199	
Current (Note 8)	$ 46,067	9.59%
Non-current	92,132	5.93%
	$ 138,199	7.15%

8. LOANS, MORTGAGES AND OTHER REAL ESTATE ASSETS (CURRENT)

As at (thousands of Canadian dollars)	**December 31, 2014**	December 31, 2013
FVTPL investments in equity securities (a)	**$ 33,370**	$ 27,764
AFS investments in equity securities	**292**	455
Loans and mortgages receivable (b)	**46,067**	24,457
Loans receivable from sales of residential inventory	**—**	22,522
Other receivable	**249**	2,251
Total	**$ 79,978**	$ 77,449

(a) The Company invests from time to time in publicly traded real estate and related securities. These securities are recorded at market value. Unrealized gains and losses on FVTPL securities are recorded in other gains (losses) and (expenses).

(b) The Company has loans and mortgages receivable secured by interests in investment properties (or shares of entities owning investment properties) and bear interest at a weighted average coupon and effective interest rate of 9.59% per annum (December 31, 2013 – 9.54% per annum). The loans and mortgages receivable mature during the 12 months ending December 31, 2015. Refer to Note 7(a).

9. AMOUNTS RECEIVABLE

As at (thousands of Canadian dollars)	**December 31, 2014**	December 31, 2013
Trade receivables (net of allowances for doubtful accounts of $3.1 million (December 31, 2013 – $2.8 million))	**$ 15,106**	$ 17,161
Construction and development related chargebacks and receivables	**374**	348
Corporate and other amounts receivable	**1,100**	1,091
Total	**$ 16,580**	$ 18,600

The Company determines its allowance for doubtful accounts on a tenant-by-tenant basis considering lease terms, industry conditions, and the status of the tenant's account, among other factors.

10. OTHER ASSETS

As at (thousands of Canadian dollars)	**Notes**	**December 31, 2014**	December 31, 2013
Non-current			
Fixtures, equipment and computer hardware and software (net of accumulated amortization of $5.3 million)		**$ 9,721**	$ 8,070
Deferred financing costs on credit facilities (net of accumulated amortization of $2.7 million)		**1,591**	1,451
Environmental indemnity and insurance proceeds receivable	15	**5,418**	8,444
Deposits and costs on investment properties under option		**2,000**	—
Held to maturity investment in bond		**685**	—
Total		**$ 19,415**	$ 17,965
Current			
Deposits and costs on investment properties under option		**$ 4,144**	$ 8,095
Prepaid expenses		**7,388**	6,648
Other deposits		**792**	2,826
Restricted cash	16 (b)	**13,733**	10,366
Derivatives at fair value	16 (a)	**281**	3,148
Residential inventory deposits		**—**	5,189
Held to maturity investment in bond (a)	16(c)	**—**	17,427
Total		**$ 26,338**	$ 53,699

(a) In connection with the acquisition of a property, the Company assumed a third-party loan that had previously been defeased. The loan was repaid in full in November 2014 at maturity. The defeasance collateral was a bond issued by an agency of the Canadian federal government which had an effective interest rate of 1.25% per annum (contractual rate of 5.96% per annum) and was settled in November 2014 (Note 16(c)).

11. CAPITAL MANAGEMENT

The Company manages its capital, taking into account the long-term business objectives of the Company, to provide stability and reduce risk while generating an acceptable return on investment over the long term to shareholders. The Company's capital structure currently includes common shares, senior unsecured debentures, convertible debentures and secured and unsecured term financings and revolving credit facilities, which together provide the Company with financing flexibility to meet its capital needs. Primary uses of capital include development activities, acquisitions, capital improvements, leasing costs and debt principal repayments. The actual level and type of future financings to fund these capital requirements will be determined based on prevailing interest rates, various costs of debt and/or equity capital, capital market conditions and management's general view of the required leverage in the business.

The components of the Company's capital are set out in the table below:

As at (thousands of Canadian dollars, except per share amounts)	**December 31, 2014**	December 31, 2013
Liabilities (principal amounts outstanding)		
Mortgages	**$ 1,166,251**	$ 1,350,307
Mortgage on equity accounted joint venture (at the Company's interest)	**10,425**	10,859
Senior unsecured debentures	**2,160,000**	1,875,000
Convertible debentures	**388,174**	392,917
Equity Capitalization		
Common shares (based on closing per share price of $18.66; December 31, 2013 – $17.71)	**4,037,543**	3,689,981
	$ 7,762,393	$ 7,319,064

The Company monitors a number of financial ratios in conjunction with its credit agreements and financial planning. In accordance with the terms of the Company's credit agreements, all ratios are calculated with joint ventures proportionately consolidated, unless otherwise noted, as set out in the table below:

As at	Measure/ Covenant	**December 31, 2014**	December 31, 2013
Net debt to enterprise value	N/A	**42.9%**	44.3%
Net debt to total assets (investment properties at cost)	<65%		
Joint ventures proportionately consolidated		**49.7%**	50.5%
Joint ventures proportionately consolidated, cash balances, net		**49.6%**	50.5%
Net debt to total assets (investment properties at IFRS value)	<65%		
Joint ventures proportionately consolidated		**42.4%**	43.0%
Joint ventures proportionately consolidated, cash balances, net		**42.2%**	42.9%
Joint ventures proportionately consolidated, cash balances, net, using ten quarter average capitalization rate [(1)]		**43.0%**	44.6%
Net debt to EBITDA	N/A	**8.2**	8.2
Unencumbered aggregate assets to unsecured debt (investment properties at IFRS value)	>1.30		
Joint ventures proportionately consolidated		**2.3**	2.3
Joint ventures proportionately consolidated, using ten quarter average capitalization rate [(1)(2)]		**2.2**	2.2
Unencumbered aggregate assets to unsecured debt (investment properties at cost)	>1.30		
Joint ventures proportionately consolidated		**1.8**	1.9
Shareholders' equity, using four quarter average (billions of Canadian dollars) [(1)]	>$1.4B	**$ 3.4**	$ 3.3
Secured indebtedness to total assets (investment properties at fair value) [(1)]	<40%	**15.0%**	18.2%

Year ended	Measure/ Covenant	**December 31, 2014**	December 31, 2013
Interest coverage (EBITDA to interest expense)			
Joint ventures proportionately consolidated [(1)]	>1.65	**2.3**	2.3
Fixed charges coverage (consolidated EBITDA to debt service)			
Joint ventures proportionately consolidated [(1)]	>1.5	**1.9**	1.9

(1) Calculations required under the Company's credit facility agreements or indenture governing the senior unsecured debentures.
(2) Includes unencumbered assets as defined by debt covenants, except investment properties under development and deferred tax assets, with shopping centres valued under IFRS using the average capitalization rate over the last ten fiscal quarters.

The above ratios include measures not specifically defined in IFRS. Certain calculations are required pursuant to debt covenants and for this reason are meaningful measures. Measures used in these ratios are defined as follows:

- Debt consists of principal amounts outstanding on mortgages and credit facilities and the par value of senior unsecured debentures. Convertible debentures are excluded as it is the Company's intention to continue to satisfy its obligations of principal and interest payments in respect of all of its outstanding convertible debentures by the issuance of common shares.
- Net debt is calculated as Debt, as defined above, reduced by cash balances at the end of the year.
- Secured indebtedness includes mortgages which are collateralized against investment property.
- Enterprise value consists of the market value of the Company's common shares, the par value of senior unsecured debentures and convertible debentures, and principal amounts outstanding on mortgages, loans and credit facilities.
- EBITDA, as adjusted, is calculated as net income, adding back income tax expense, interest expense and amortization and excluding the increase or decrease in the value of investment properties, other gains (losses) and (expenses) and other non-cash or non-recurring items. The Company also adjusts for incremental leasing costs and costs not capitalized during the development period, which are recognized adjustments to FFO and AFFO, respectively.
- Fixed charges include regular principal and interest payments and capitalized interest in the calculation of interest expense and do not include non-cash interest on convertible debentures.
- Unencumbered assets include the value of assets that have not been pledged as security under any credit agreement or mortgage. The unencumbered asset value ratio is calculated as unencumbered assets divided by the principal amount of the unsecured debt, which consists of the senior unsecured debentures.

The Company's strategy involves maintaining its moderate leverage and continuing to improve the interest coverage and fixed charges coverage ratios to allow continued access to capital at the lowest possible cost. The Company's senior unsecured debentures are currently rated BBB (high) with a stable trend by Dominion Bond Rating Service Ltd. and Baa2 with a stable outlook by Moody's Investors Service.

The Company's long-term financing strategy is based on maintaining flexibility in accessing various forms of debt and equity capital by maintaining a pool of unencumbered assets and investment grade credit ratings from rating agencies. The Company periodically re-evaluates its overall financing and capital execution strategy to ensure the best access to available capital at the lowest possible cost.

The Company is subject to financial covenants in agreements governing its senior unsecured debentures and secured revolving credit facilities. Based on the above calculations, the Company remains in compliance with all of its applicable financial covenants.

12. MORTGAGES AND CREDIT FACILITIES

(i) Mortgages

As at (thousands of Canadian dollars)	**December 31, 2014**	December 31, 2013
Fixed rate mortgages	**$ 1,165,625**	$ 1,331,833
Floating rate mortgages and secured credit facilities	**7,785**	29,750
Outstanding cheques	**—**	5,000
	$ 1,173,410	$ 1,366,583
Current	**$ 253,957**	$ 254,367
Mortgages on investment properties classified as held for sale	**—**	22,247
Non-current	**919,453**	1,089,969
	$ 1,173,410	$ 1,366,583

Mortgages and the secured credit facilities are secured by investment properties. Of the fair value of investment properties of $7.5 billion as at December 31, 2014 (December 31, 2013 – $7.3 billion), approximately $2.7 billion (December 31, 2013 – $3.0 billion) has been pledged as security under the mortgages and the secured credit facilities (Note 5(a)).

Mortgages bear coupon interest at a weighted average interest rate of 5.03% per annum as at December 31, 2014 (December 31, 2013 – 5.21% per annum) and mature in the years ranging from 2015 to 2025. The weighted average effective interest rate on all fixed rate mortgage financing as at December 31, 2014 is 4.70% per annum (December 31, 2013 – 4.90% per annum).

(ii) Credit facilities

On June 13, 2014, the Company completed an increase and extension of its senior unsecured revolving credit facility with a syndicate of nine banks, increasing the availability from $600 million to $700 million and extending the maturity to June 30, 2017. The facility pricing was also reduced from BA + 1.325% or Prime rate + 0.325% to BA + 1.20% or Prime rate + 0.20%. On December 1, 2014, the Company completed an additional increase to this senior unsecured revolving credit facility, increasing the availability from $700 million to $800 million on the same terms.

On June 30, 2014, the Company extended the maturity of, and reduced the pricing on its $75 million secured credit facility. The maturity has been extended by one year to December 31, 2015 and the facility pricing has been reduced from BA + 1.25% or Prime rate + 0.25% to BA + 1.125% or Prime rate + 0.125%.

The following table summarizes the details of the Company's credit facilities as at December 31, 2014:

(thousands of Canadian dollars, except other data)	Borrowing Capacity	Amounts Drawn	Outstanding Letters of Credit	Available to be Drawn	Interest Rates	Maturity Date
Secured by development properties	$ 75,000	$ —	$ (23)	$ 74,977	BA + 1.125% or Prime + 0.125%	December 31, 2015
Unsecured	800,000	—	(42,174)	757,826	BA + 1.20% or Prime + 0.20% or US$ LIBOR + 1.20%	June 30, 2017
Total facilities	$ 875,000	$ —	$ (42,197)	$ 832,803		

Principal repayments of mortgages and credit facilities outstanding as at December 31, 2014 are as follows:

(thousands of Canadian dollars, except other data)	Scheduled Amortization	Payments on Maturity	Total	Coupon Weighted Average Interest Rate
2015	$ 30,132	$ 220,895	$ 251,027	4.98%
2016	24,523	157,533	182,056	5.09%
2017	21,686	82,902	104,588	5.17%
2018	17,696	123,045	140,741	5.53%
2019	14,814	106,714	121,528	6.36%
2020 to 2025	36,830	329,481	366,311	4.39%
	$ 145,681	$ 1,020,570	$ 1,166,251	5.03%
Unamortized deferred financing costs, premiums and discounts, net			7,159	
			$ 1,173,410	

As at December 31, 2014, the Company had mortgages maturing of $220.9 million at an average interest rate of 4.98% per annum and $30.1 million of scheduled amortization of principal balances in 2015. Subsequent to December 31, 2014, the Company paid mortgages totalling $12.3 million upon maturity, and expects to pay an additional $58.2 million upon maturity in the first quarter of 2015.

13. SENIOR UNSECURED DEBENTURES

As at (thousands of Canadian dollars, except other data)							**December 31, 2014**	December 31, 2013
			Interest Rate					
Maturity Date	Series	Date of Issue	Coupon	Effective		**Principal Outstanding**	**Liability**	Liability
October 30, 2014	F	April 5, 2007	5.32%	5.47%	**$**	**—**	**$ —**	$ 99,927
June 1, 2015	G	November 20, 2009	5.95%	6.13%		**—**	**—**	124,699
January 31, 2017	H	January 21, 2010	5.85%	5.99%		**125,000**	**124,653**	124,501
November 30, 2017	I	April 13, 2010	5.70%	5.85%		**50,000**	**49,801**	49,740
November 30, 2017	I	April 13, 2010	5.70%	5.82%		**25,000**	**24,921**	24,898
November 30, 2017	I	June 14, 2010	5.70%	5.70%		**50,000**	**49,995**	49,993
August 30, 2018	J	July 12, 2010	5.25%	5.66%		**50,000**	**49,498**	49,328
November 30, 2018	K	August 25, 2010	4.95%	5.30%		**50,000**	**49,390**	49,254
November 30, 2018	K	October 26, 2010	4.95%	5.04%		**50,000**	**49,839**	49,802
July 30, 2019	L	January 21, 2011	5.48%	5.61%		**150,000**	**149,230**	149,083
April 30, 2020	M	March 30, 2011	5.60%	5.73%		**110,000**	**109,356**	109,255
April 30, 2020	M	June 13, 2011	5.60%	5.39%		**65,000**	**65,628**	65,727
March 1, 2021	N	April 4, 2012	4.50%	4.63%		**175,000**	**173,835**	173,675
January 31, 2022	O	June 1, 2012	4.43%	4.56%		**100,000**	**99,253**	99,165
January 31, 2022	O	July 17, 2012	4.43%	4.42%		**50,000**	**50,032**	50,037
January 31, 2022	O	August 29, 2013	4.43%	4.83%		**50,000**	**48,806**	48,664
December 5, 2022	P	December 5, 2012	3.95%	4.16%		**150,000**	**147,923**	147,708
December 5, 2022	P	January 14, 2013	3.95%	4.20%		**100,000**	**98,304**	98,133
October 30, 2023	Q	March 26, 2013	3.90%	4.06%		**125,000**	**123,507**	123,374
October 30, 2023	Q	May 15, 2013	3.90%	3.90%		**175,000**	**174,992**	174,990
August 30, 2024	R	January 20, 2014	4.79%	4.91%		**150,000**	**148,619**	—
August 30, 2024	R	February 18, 2014	4.79%	4.63%		**75,000**	**75,910**	—
August 30, 2024	R	March 11, 2014	4.79%	4.43%		**75,000**	**77,093**	—
July 31, 2025	S	June 17, 2014	4.32%	4.43%		**150,000**	**148,597**	—
July 31, 2025	S	July 14, 2014	4.32%	4.33%		**60,000**	**59,992**	—
			4.71%	4.81%	**$**	**2,160,000**	**$ 2,149,174**	$ 1,861,953
Current							**$ —**	$ 99,927
Non-current							**2,149,174**	1,762,026
							$ 2,149,174	$ 1,861,953

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

On January 20, 2014, the Company completed the issuance of $150.0 million principal amount of senior unsecured debentures, Series R, due August 30, 2024. These debentures bear interest at a coupon rate of 4.79% per annum payable semi-annually commencing August 30, 2014. On February 18, 2014, the Company completed the issuance of an additional $75.0 million principal amount of the senior unsecured debentures, Series R, which was a re-opening of this series of debentures with an effective rate of 4.63% per annum. On March 11, 2014, the Company completed the issuance of an additional $75.0 million principal amount of the senior unsecured debentures, Series R, which was a second re-opening of this series of debentures with an effective rate of 4.43% per annum.

On June 17, 2014, the Company completed the issuance of $150.0 million principal amount of senior unsecured debentures, Series S, due July 31, 2025. These debentures bear interest at a coupon rate of 4.32% per annum payable semi-annually commencing January 31, 2015. On July 14, 2014, the Company completed the issuance of an additional

$60.0 million principal amount of the senior unsecured debentures, Series S, which was a re-opening of this series of debentures with an effective rate of 4.33% per annum.

On July 14, 2014, the Company redeemed $50.0 million principal amount outstanding of its $100.0 million 5.32% Series F senior unsecured debentures due October 30, 2014. The debentures were redeemed at a price of $1,011.77 for each $1,000 principal amount of debentures outstanding. In addition, accrued and unpaid interest was paid on the debentures up to but excluding the redemption date. In connection with the redemption, total cash of $51.0 million was paid to the holders, which consisted of $50.0 million of principal, $0.5 million in premium and $0.5 million in accrued but unpaid interest. On August 7, 2014, the Company redeemed the remaining outstanding aggregate principal amount of this series of debentures redeemed at a price of $1,009.13 for each $1,000 principal amount of debentures outstanding. In addition, accrued and unpaid interest was paid on the debentures up to but excluding the redemption date. In connection with the redemption, total cash of $51.2 million was paid to the holders, which consisted of $50.0 million of principal, $0.5 million in premium and $0.7 million in accrued but unpaid interest.

On December 29, 2014, the Company redeemed the $125.0 million principal amount outstanding of its 5.95% Series G senior unsecured debentures due June 1, 2015. The debentures were redeemed at a price of $1,017.72 for each $1,000 principal amount of debentures outstanding. In addition, accrued and unpaid interest was paid on the debentures up to but excluding the redemption date. In connection with the redemption, total cash of $127.8 million was paid to the holders, which consisted of $125.0 million of principal, $2.2 million in premium (Note 22) and $0.6 million in accrued but unpaid interest.

14. CONVERTIBLE DEBENTURES

As at (thousands of Canadian dollars, except other data)				**December 31, 2014**			December 31, 2013		
		Interest Rate							
Maturity Date	Date of Issue	Coupon	Effective	**Principal**	**Liability**	**Equity**	Principal	Liability	Equity
June 30, 2017	December 30, 2009	5.70%	6.88%	**$ 42,903**	**$ 41,756**	**$ 983**	$ 42,917	$ 41,362	$ 984
January 31, 2019	April 28, 2011	5.40%	6.90%	**56,593**	**53,608**	**2,158**	57,500	53,844	2,192
January 31, 2019	August 9, 2011	5.25%	6.07%	**56,549**	**54,904**	**384**	57,500	55,477	390
March 31, 2018	December 15, 2011	5.25%	6.66%	**49,927**	**47,900**	**1,154**	50,000	47,427	1,155
March 31, 2017	February 16, 2012	4.95%	6.51%	**72,561**	**70,228**	**1,446**	75,000	71,620	1,495
July 31, 2019	May 22, 2012	4.75%	6.19%	**52,500**	**49,841**	**1,439**	52,500	49,277	1,439
February 28, 2020	February 19, 2013	4.45%	5.34%	**57,141**	**55,040**	**400**	57,500	55,005	403
		5.08%	6.35%	**$ 388,174**	**$ 373,277**	**$ 7,964**	$ 392,917	$ 374,012	$ 8,058

(a) Principal and interest

The Company has the option of repaying the convertible debentures on maturity through the issuance of common shares at 97% of the weighted average trading price of the Company's common shares. The Company also has the option of paying the semi-annual interest through the issuance of common shares valued in the same manner. In addition, the Company has the option of repaying the convertible debentures prior to the maturity date under certain circumstances, either in cash or in common shares. Consistent with existing practice, it is the Company's current intention to continue to satisfy its obligations of principal and interest payments in respect of all of its outstanding convertible debentures by the issuance of common shares. Since issuance, the Company has made all principal and interest payments on its convertible debentures using common shares.

During the year ended December 31, 2014, 1.1 million common shares (year ended December 31, 2013 – 1.1 million common shares) were issued for $19.9 million (year ended December 31, 2013 – $19.1 million) to pay interest to holders of the convertible debentures. Each series of the Company's convertible unsecured subordinated debentures bears interest payable semi-annually and is convertible at the option of the holders in the conversion periods into common shares of the Company at the conversion prices indicated below.

Maturity Date	Coupon Rate	TSX	Holder Option to Convert at the Conversion Price	Company Option to Redeem at Principal Amount (conditional [1])	Company Option to Redeem at Principal Amount [2]	Conversion Price
June 30, 2017	5.70%	FCR.DB.D	2009-2016	Jun 30, 2013 - Jun 29, 2015	Jun 30, 2015 - Jun 30, 2017	$18.75
January 31, 2019	5.40%	FCR.DB.E	2011-2019	Jan 31, 2015 - Jan 30, 2017	Jan 31, 2017 - Jan 31, 2019	$22.62
January 31, 2019	5.25%	FCR.DB.F	2011-2019	Jan 31, 2015 - Jan 30, 2017	Jan 31, 2017 - Jan 31, 2019	$23.77
March 31, 2018	5.25%	FCR.DB.G	2011-2018	Mar 31, 2015 - Mar 30, 2016	Mar 31, 2016 - Mar 30, 2018	$23.25
March 31, 2017	4.95%	FCR.DB.H	2012-2017	Mar 31, 2015 - Mar 30, 2016	Mar 31, 2016 - Mar 31, 2017	$23.75
July 31, 2019	4.75%	FCR.DB.I	2012-2019	Jul 31, 2015 - Jul 30, 2017	Jul 31, 2017 - Jul 31, 2019	$26.75-$27.75 [3]
February 28, 2020	4.45%	FCR.DB.J	2013-2020	Feb 28, 2016 - Feb 27, 2018	Feb 28, 2018 - Feb 28, 2020	$26.75-$27.75 [4]

(1) Period of time during which the Company may redeem the debentures at their principal amount plus accrued and unpaid interest, provided that the volume weighted average trading price for the 20 consecutive trading days ending five days prior to the notice of redemption is not less than 125% of the Conversion Price, by giving between 30 and 60 days' written notice.

(2) Period of time during which the Company may redeem the debentures at their principal amount plus accrued and unpaid interest by giving between 30 and 60 days' written notice.

(3) These debentures are convertible at the option of the holder into common shares of the Company at a conversion price of $26.75 per common share until July 31, 2017 and $27.75 per common share thereafter.

(4) These debentures are convertible at the option of the holder into common shares of the Company at a conversion price of $26.75 per common share until February 28, 2018 and $27.75 per common share thereafter.

(b) Principal redemptions

For the year ended December 31, 2014, the Company issued 22,104 common shares in connection with $0.5 million convertible debentures redeemed or converted.

(c) Normal course issuer bid

On August 27, 2014, the Company renewed its normal course issuer bid ("NCIB") for all of its then outstanding series of convertible unsecured subordinated debentures. The NCIB will expire on August 26, 2015 or such earlier date as the Company completes its purchases pursuant to the NCIB. All purchases made under the NCIB are at market prices prevailing at the time of purchase determined by or on behalf of the Company.

For the years ended December 31, 2014 and 2013, principal amounts of convertible debentures purchased and amounts paid for the purchases are represented in the table below:

(thousands of Canadian dollars)	**Year ended December 31, 2014**		Year ended December 31, 2013	
	Principal Amount Purchased	**Amount Paid**	Principal Amount Purchased	Amount Paid
Total	**$ 4,243**	**$ 4,295**	$ 3,175	$ 3,426

15. OTHER LIABILITIES

As at (thousands of Canadian dollars)	**December 31, 2014**	December 31, 2013
Asset retirement obligations (a)	**$ 8,973**	$ 11,168
Ground leases payable	**9,883**	10,308
Deferred purchase price of investment property – shopping centre	**1,699**	—
	$ 20,555	$ 21,476

(a) The Company has obligations for environmental remediation at certain sites within its property portfolio. The amounts recorded as liabilities are net of those environmental indemnity and insurance proceeds receivable (Note 10).

16. ACCOUNTS PAYABLE AND OTHER LIABILITIES

As at (thousands of Canadian dollars)	**Note**	**December 31, 2014**	December 31, 2013
Trade payables and accruals		**$ 57,841**	$ 46,618
Construction and development payables		**46,399**	41,260
Dividends payable		**46,520**	43,755
Interest payable		**39,192**	32,021
Tenant deposits		**22,130**	18,779
Derivatives at fair value (a)		**2,370**	936
Short positions in marketable securities (b)		**12,467**	8,089
Mortgage payable		**3,572**	8,800
Loan payable (c)	10(a)	**—**	17,427
Deferred purchase price of investment property – shopping centre		**9,533**	21,260
		$ 240,024	$ 238,945

(a) The Company enters into forward contracts and interest rate swaps as part of its strategy for managing certain interest rate risks. For those contracts to which the Company has applied hedge accounting, the Company has recorded the changes in fair value for the effective portion of the derivative in OCI from the date of designation. For those interest rate swaps to which the Company does not apply hedge accounting, the change in fair value is recognized in other gains (losses) and (expenses) (Note 22).

The fair values of the Company's asset (liability) hedging instruments are as follows:

As at (thousands of Canadian dollars)	Designated as Hedging Instrument	Maturity	**December 31, 2014**	December 31, 2013
Bond forward contracts	Yes	January 2015	**$ 281**	$ 321
Interest rate swaps	Yes	March 2022 - July 2024	**(2,370)**	2,827
Interest rate swaps	N/A	N/A	**—**	(936)
			$ (2,089)	$ 2,212

(b) The Company invests from time to time in long and short positions in publicly traded real estate and related securities, which are recorded at market value (Note 8). As at December 31, 2014, a restricted cash balance of $13.7 million (Note 10) was maintained on account with the Company's security broker as collateral for the Company's investment in short positions.

(c) In connection with the acquisition of a property, the Company assumed a third-party loan that had previously been defeased. The loan was repaid in full in November 2014 at maturity. The defeasance collateral was a bond issued by an agency of the Canadian federal government which had an effective interest rate of 1.25% per annum (contractual rate of 5.96% per annum) and was settled in November 2014 (Note 10(a)).

17. SHAREHOLDERS' EQUITY

(a) Share capital

The authorized share capital of the Company consists of an unlimited number of authorized preference shares and common shares. The preference shares may be issued from time to time in one or more series, each series comprising the number of shares, designations, rights, privileges, restrictions and conditions which the Board of Directors determines by resolution; preference shares are non-voting and rank in priority to the common shares with respect to dividends and distributions upon dissolution. No preference shares have been issued. The common shares carry one vote each and participate equally in the income of the Company and the net assets of the Company upon dissolution. Dividends are payable on the common shares as and when declared by the Board of Directors.

The following table sets forth the particulars of the issued and outstanding common shares of the Company:

		Year ended December 31, 2014			Year ended December 31, 2013		
(thousands of Canadian dollars and thousands of common shares)	**Note**	**Number of Common Shares**		**Stated Capital**	Number of Common Shares		Stated Capital
Issued and outstanding at beginning of year		**208,356**	**$**	**2,457,310**	206,546	$	2,426,836
Payment of interest on convertible debentures	14	**1,132**		**19,914**	1,102		19,054
Redemption and conversion of convertible debentures	14	**22**		**500**	—		—
Exercise of options		**1,446**		**22,747**	600		8,496
Issuance of common shares		**5,418**		**102,834**	108		1,623
Expiry of warrants		**—**		**—**	—		1,677
Share issue costs and other, net of tax effect		**—**		**(2,700)**	—		(376)
Issued and outstanding at end of year		**216,374**	**$**	**2,600,605**	208,356	$	2,457,310

On September 12, 2014, the Company issued 5,250,000 common shares at a price of $19.06 per share for gross proceeds of $100.0 million with 883,000 and 167,000 of these shares purchased by affiliates of Gazit-Globe Ltd. and Alony-Hetz Properties and Investments Ltd., respectively. Refer to Note 32 – "Related Party Transactions" for additional information. Issue costs associated with the offering were approximately $2.7 million.

On August 2, 2013, 5.6 million warrants, which were exercisable at $19.75, expired without exercise. The Company reclassified the remaining warrant balance from contributed surplus and other equity items to share capital.

(b) Contributed surplus and other equity items

Contributed surplus and other equity items comprise the following:

(thousands of Canadian dollars)	**Year ended December 31, 2014**				Year ended December 31, 2013				
	Contributed Surplus	**Convertible Debentures Equity Component**	**Options Restricted and Deferred Share Units**	**Total**	Contributed Surplus	Convertible Debentures Equity Component	Options Restricted and Deferred Share Units	Warrants	Total
		(Note 14)				(Note 14)			
Balance at beginning of year	**$ 19,278**	**$ 8,058**	**$ 17,264**	**$ 44,600**	$19,401	$ 7,702	$15,636	$ 1,677	$ 44,416
Issuance of convertible debentures	**—**	**(19)**	**—**	**(19)**	—	403	—	—	403
Purchase of convertible debentures	**14**	**(75)**	**—**	**(61)**	(123)	(47)	—	—	(170)
Options vested	**—**	**—**	**903**	**903**	—	—	1,171	—	1,171
Exercise of options	**—**	**—**	**(1,060)**	**(1,060)**	—	—	(223)	—	(223)
Deferred share units vested	**—**	**—**	**928**	**928**	—	—	870	—	870
Restricted share units vested	**—**	**—**	**2,916**	**2,916**	—	—	1,668	—	1,668
Exercise of restricted share units	**—**	**—**	**(2,769)**	**(2,769)**	—	—	(1,858)	—	(1,858)
Expiry of warrants	**—**	**—**	**—**	**—**	—	—	—	(1,677)	(1,677)
Balance at end of year	**$ 19,292**	**$ 7,964**	**$ 18,182**	**$ 45,438**	$ 19,278	$ 8,058	$ 17,264	$ —	$ 44,600

(c) Stock options

As of December 31, 2014, the Company is authorized to grant up to 15.2 million (December 31, 2013 – 15.2 million) common share options to the employees, officers and directors of the Company. As of December 31, 2014, 3.3 million (December 31, 2013 – 3.8 million) common share options are available to be granted. Options granted by the Company generally expire 10 years from the date of grant and vest over five years.

The outstanding options as at December 31, 2014 have exercise prices ranging from $9.81 – $19.02 (December 31, 2013 – $9.81 – $18.97) and comprise the following:

(In Canadian dollars, except other data)	**December 31, 2014**					December 31, 2013				
	Outstanding Options			**Vested Options**		Outstanding Options			Vested Options	
Exercise Price Range ($)	**Number of Common Shares Issuable (in thousands)**	**Weighted Average Exercise Price per Common Share**	**Weighted Average Remaining Life (years)**	**Number of Common Shares Issuable (in thousands)**	**Weighted Average Exercise Price per Common Share**	Number of Common Shares Issuable (in thousands)	Weighted Average Exercise Price per Common Share	Weighted Average Remaining Life (years)	Number of Common Shares Issuable (in thousands)	Weighted Average Exercise Price per Common Share
9.81 – 10.81	**85**	**$ 9.81**	**4.2**	**85**	**$ 9.81**	130	$ 9.85	4.7	130	$ 9.85
13.00 – 14.26	**436**	**$ 13.76**	**4.1**	**436**	**$ 13.76**	1,162	$ 13.76	4.8	1,162	$ 13.76
15.46 – 16.96	**2,343**	**$ 16.44**	**3.2**	**2,070**	**$ 16.53**	2,849	$ 16.38	4.1	2,352	$ 16.51
17.77 – 19.02	**2,092**	**$ 18.35**	**8.3**	**377**	**$ 18.34**	1,827	$ 18.48	8.1	299	$ 18.17
9.81 – 19.02	**4,956**	**$ 16.89**	**5.4**	**2,968**	**$ 16.16**	5,968	$ 16.37	5.5	3,943	$ 15.61

During the year ended December 31, 2014, $0.6 million (year ended December 31, 2013 – $1.0 million) was recorded as an expense related to stock options.

(In Canadian dollars, except other data)	**Year ended December 31, 2014**		Year ended December 31, 2013	
	Number of Common Shares Issuable (in thousands)	**Weighted Average Exercise Price**	Number of Common Shares Issuable (in thousands)	Weighted Average Exercise Price
Outstanding at beginning of year	**5,968**	**$ 16.37**	5,676	$ 15.65
Granted (a)	**784**	**18.05**	1,036	18.97
Exercised (b)	**(1,447)**	**14.99**	(600)	13.80
Forfeited	**(234)**	**18.15**	(118)	17.67
Expired	**(115)**	**18.81**	(26)	17.02
Outstanding at end of year	**4,956**	**$ 16.89**	5,968	$ 16.37

(a) The fair value associated with the options issued was calculated using the Black-Scholes model for option valuation based on the following assumptions:

	Year ended December 31	
	2014	2013
Share options granted (thousands)	**784**	1,036
Term to expiry	**10 years**	10 years
Exercise price	**$ 18.05**	$ 18.97
Weighted average volatility rate	**15.0%**	15.0%
Weighted average expected option life	**6 years**	6 years
Weighted average dividend yield	**4.68%**	4.32%
Weighted average risk free interest rate	**1.78%**	1.39%
Fair value (thousands)	**$ 883**	$ 1,233

(b) The weighted average market share price at which options were exercised for the year ended December 31, 2014 was $18.31 (year ended December 31, 2013 – $19.05).

(d) Share unit plans

The Company's share unit plans include a Directors' Deferred Share Unit Plan and a Restricted Share Unit Plan. Under the plans, a participant is entitled to receive one common share, or equivalent cash value, at the Company's option, (i) in the case of a Deferred Share Unit ("DSU"), upon redemption by the holder after the date that the holder ceases to be a director of the Company and any of its subsidiaries (the "Retirement Date") but no later than December 15 of the first calendar year commencing after the Retirement Date, and (ii) in the case of a Restricted Share Unit ("RSU") on December 15 of the third calendar year following the year in respect of which the RSU is granted. Holders of RSUs and DSUs receive dividends in the form of additional units when the Company declares dividends on its common shares.

	Year ended December 31, 2014		Year ended December 31, 2013	
(in thousands)	**Deferred Share Units**	**Restricted Share Units**	Deferred Share Units	Restricted Share Units
Outstanding at beginning of year	**393**	**286**	345	302
Granted (a)	**39**	**193**	31	117
Dividends declared	**20**	**17**	17	18
Exercised	**—**	**(168)**	—	(121)
Forfeited	**—**	**—**	—	(30)
Outstanding at end of year	**452**	**328**	393	286
Share units available to be granted based on the current reserve	**303**	**890**	187	435
Expense recorded for the period *(thousands of Canadian dollars)*	**$ 780**	**$ 1,507**	$ 795	$ 1,382

(a) The fair value of the DSUs granted during the year ended December 31, 2014 was \$0.7 million (year ended December 31, 2013 – \$0.6 million), measured based on the Company's prevailing share price on the date of grant. The fair value of the RSUs granted during the year ended December 31, 2014 was \$3.3 million (year ended December 31, 2013 – \$2.2 million), measured based on the Company's share price on the date of grant.

18. NET OPERATING INCOME

Net operating income is as follows:

Year ended December 31, 2014 *(thousands of Canadian dollars)*	**Central Region**	**Eastern Region**	**Western Region**	**Subtotal**	**Other [1]**	**Total**
Property rental revenue	**\$ 276,208**	**\$ 167,136**	**\$ 205,990**	**\$ 649,334**	**\$ (893)**	**\$ 648,441**
Property operating costs	**105,887**	**69,615**	**67,086**	**242,588**	**(1,056)**	**241,532**
Net operating income	**\$ 170,321**	**\$ 97,521**	**\$ 138,904**	**\$ 406,746**	**\$ 163**	**\$ 406,909**

Year ended December 31, 2013 *(thousands of Canadian dollars)*	Central Region	Eastern Region	Western Region	Subtotal	Other [1]	Total
Property rental revenue	\$ 273,516	\$ 160,716	\$ 198,406	\$ 632,638	\$ (1,033)	\$ 631,605
Property operating costs	104,094	65,350	65,954	235,398	(1,803)	233,595
Net operating income	\$ 169,422	\$ 95,366	\$ 132,452	\$ 397,240	\$ 770	\$ 398,010

[1] Other items are principally operating costs and other adjustments that are not attributable to a region.

Property operating costs for the year ended December 31, 2014 includes \$22.0 million (year ended December 31, 2013 – \$20.5 million) related to employee compensation.

19. INTEREST AND OTHER INCOME

		Year ended December 31	
(thousands of Canadian dollars)	**Notes**	**2014**	2013
Interest, dividend and distribution income from marketable securities and cash investments	7,8	**\$ 4,304**	\$ 3,695
Interest income from mortgages and loans receivable	7,8	**8,034**	5,911
Fees and other income		**659**	895
		\$ 12,997	\$ 10,501

20. INTEREST EXPENSE

		Year ended December 31	
(thousands of Canadian dollars)	**Note**	**2014**	2013
Mortgages and credit facilities		**$ 63,843**	$ 75,232
Senior unsecured debentures		**108,156**	88,913
Convertible debentures			
Coupon interest		**19,910**	19,721
Accretion of discounts		**1,595**	1,517
Amortization of deferred issue costs		**2,230**	2,054
Total interest expense		**195,734**	187,437
Interest capitalized to investment properties and residential development inventory		**(22,413)**	(22,528)
Interest expense		**$ 173,321**	$ 164,909
Convertible debenture interest paid in common shares	14	**(19,913)**	(19,054)
Change in accrued interest		**(7,171)**	(1,775)
Effective interest rate in excess of coupon rate on senior unsecured and convertible debentures		**(1,247)**	(1,471)
Effective interest in excess of coupon interest on assumed mortgages		**4,145**	4,699
Other non-cash interest expense		**(5,974)**	(5,304)
Interest capitalized to investment properties and residential development inventory		**22,413**	22,528
Cash interest paid		**$ 165,574**	$ 164,532

21. CORPORATE EXPENSES

	Year ended December 31	
(thousands of Canadian dollars)	**2014**	2013
		(Restated – Note 3)
Salaries, wages and benefits	**$ 24,284**	$ 23,389
Non-cash compensation	**2,599**	2,802
Other corporate costs	**10,926**	10,487
	37,809	36,678
Amounts capitalized to investment properties under development and residential inventory	**(6,618)**	(6,720)
Total	**$ 31,191**	$ 29,958

22. OTHER GAINS (LOSSES) AND (EXPENSES)

		Year ended December 31	
(thousands of Canadian dollars)	**Note**	**2014**	2013
Realized gains on sale of marketable securities		**$ 1,665**	$ 2,564
Change in cumulative unrealized (losses) gains on marketable securities classified as FVTPL		**(1,501)**	(1,988)
Losses on prepayments of debt		**(3,973)**	(4,092)
Unrealized (losses) gains on hedges	16(a)	**(80)**	301
Gain on settlement of litigation		**—**	1,376
Gain on foreign currency exchange		**2**	43
Pre-selling costs of residential inventory (a)		**(26)**	(155)
Executive transition expense		**(7,280)**	—
Net gain on sale of residential inventory (a)		**—**	2,966
Investment properties – selling costs		**(5,088)**	(5,295)
Total		**$ (16,281)**	$ (4,280)

(a) The components of the Company's net gain on sale of residential inventory are as follows:

	Year ended December 31	
(thousands of Canadian dollars)	**2014**	2013
Sales	**$ 999**	$ 28,850
Cost of sales	**(999)**	(25,884)
Net gain on sale	**$ —**	$ 2,966

23. INCOME TAXES

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

(thousands of Canadian dollars)	December 31, 2013	Net income	Recognized in OCI	Equity and other	**December 31, 2014**
Deferred taxes related to non-capital losses and capital losses	$ (13,172)	$ (5,943)	$ (1,375)	$ (898)	**$ (21,388)**
Deferred tax liabilities related to difference in tax and book basis primarily related to real estate, net	423,450	53,600	(1,860)	101	**475,291**
Net deferred taxes	$ 410,278	$ 47,657	$ (3,235)	$ (797)	**$ 453,903**

As at December 31, 2014, the Company had approximately $81.7 million of non-capital losses which expire between 2015 and 2034.

(thousands of Canadian dollars)	December 31, 2012	Net income	Recognized in OCI	Equity and other	December 31, 2013
Deferred taxes related to non-capital losses and capital losses	$ (12,763)	$ 247	$ —	$ (656)	$ (13,172)
Deferred tax liabilities related to difference in tax and book basis primarily related to real estate, net	369,932	51,171	1,372	975	423,450
Net deferred taxes	$ 357,169	$ 51,418	$ 1,372	$ 319	$ 410,278

As at December 31, 2013, the Company had approximately $50.1 million of non-capital losses which expire between 2014 and 2033.

The major components of income tax expense include the following:

	Year ended December 31	
(thousands of Canadian dollars)	**2014**	2013
Deferred income taxes	**$ 47,657**	$ 51,418

The following reconciles the Company's statutory tax rate to its effective tax rate for the years ended December 31, 2014 and 2013:

	Year ended December 31	
(thousands of Canadian dollars)	**2014**	2013
Income tax expense at the Canadian federal and provincial income tax rate of 26.20% (2013 – 26.26%)	**$ 64,417**	$ 69,965
(Decrease) increase in income taxes due to:		
Non-taxable portion of capital gains and other	**(16,063)**	(19,443)
Non-deductible interest	**419**	398
Changes in timing of reversals	**—**	630
Other	**(1,116)**	(132)
Deferred income taxes	**$ 47,657**	$ 51,418

24. PER SHARE CALCULATIONS

The following table sets forth the computation of per share amounts:

	Year ended December 31	
(thousands of Canadian dollars, except per share amounts and other data)	**2014**	2013
Net income attributable to common shareholders	**$ 196,748**	$ 214,863
Adjustment for dilutive effect of convertible debentures, net of tax	**15,374**	17,321
Income for diluted per share amounts	**$ 212,122**	$ 232,184
(in thousands)		
Weighted average number of shares outstanding for basic per share amounts	**211,999**	208,227
Options	**539**	650
Convertible debentures	**17,995**	21,071
Weighted average diluted share amounts	**230,533**	229,948
Basic net income per share attributable to common shareholders	**$ 0.93**	$ 1.03
Diluted net income per share attributable to common shareholders	**$ 0.92**	$ 1.01

The following securities were not included in the diluted net income per share calculation as the effect would have been anti-dilutive:

Year ended December 31	Number of Shares if Exercised			
(in Canadian dollars, number of options in thousands)	**Exercise Price**	**2014**	Exercise Price	2013
Common share options	**$ 18.97**	**766**	$ 17.90	833
Common share options	**$ 19.02**	**50**	$ 18.97	994
Common share options	**$ 18.41**	**240**	$ —	—
Convertible debentures - 5.70%	**$ 18.75**	**2,234**	$ —	—

Regular dividends paid per common share were $0.85 for the year ended December 31, 2014 (year ended December 31, 2013 – $0.84).

25. RISK MANAGEMENT

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

(a) Interest rate risk

The Company structures its financings so as to stagger the maturities of its debt, thereby mitigating its exposure to interest rate and other credit market fluctuations. A portion of the Company's mortgages, loans and credit facilities are floating rate instruments. From time to time, the Company may enter into interest rate swap contracts or other financial instruments to modify the interest rate profile of its outstanding debt or highly probable future debt issuances without an exchange of the underlying principal amount. The fair value of the Company's derivative assets and liabilities (Note 16(a)) and other contracts as at December 31, 2014 is a net liability of $2.1 million due to changes in interest rates since the inception of the contracts. A 100 basis point increase in the yield curve for these contracts would increase the Company's net asset and OCI by $15.4 million. A 100 basis point decrease in the yield curve for these contracts would decrease the Company's net asset and OCI by $16.9 million.

Interest represents a significant cost in financing the ownership of real property. The Company has a total of $0.8 billion principal amount of fixed rate interest-bearing instruments outstanding including mortgages, senior unsecured debentures and convertible debentures maturing between January 1, 2015 and December 31, 2017 at a weighted average coupon interest rate of 5.53%. If these amounts were refinanced at an average interest rate that was 100 basis points higher or lower than the existing rate, the Company's annual interest cost would respectively increase or decrease by $8.2 million.

The Company's loans and mortgages receivable (current and non-current) earn interest at fixed rates. If the loans were refinanced at 100 basis points higher or lower than the existing rate, the Company's annual interest income and, accordingly, equity, would respectively increase or decrease by approximately $1.4 million.

(b) Credit risk

Credit risk arises from the possibility that tenants and/or debtors may experience financial difficulty and be unable or unwilling to fulfill their lease commitments or loan obligations. The Company mitigates the risk of credit loss by investing in well-located properties in urban markets that attract high quality tenants, ensuring that its tenant mix is diversified, and by limiting its exposure to any one tenant. As at December 31, 2014, Loblaw Companies Limited ("Loblaws") accounts for 10.2% of the Company's annualized minimum rent and has an investment grade credit rating. Other than Loblaws, no other tenant accounts for more than 6.8% of the annualized minimum rent. A tenant's success over the term of its lease and its ability to fulfill its lease obligations is subject to many factors. There can be no assurance that a tenant will be able to fulfill all of its existing commitments and leases up to the expiry date.

The Company's leases typically have lease terms between 5 and 20 years and may include clauses to enable periodic upward revision of the rental rates, and lease contract extension at the option of the lessee.

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

(thousands of Canadian dollars)	**2014**
Within 1 year	**$ 403,403**
After 1 year, but not more than 5 years	**1,204,719**
More than 5 years	**893,667**
	$ 2,501,789

(c) Liquidity risk

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

An analysis of the Company's contractual maturities of its material financial liabilities and other contractual commitments as at December 31, 2014 is set out below:

	Payments Due by Period				
(thousands of Canadian dollars)	2015	2016 to 2017	2018 to 2019	Thereafter	Total
Mortgages					
Scheduled amortization	$ 30,132	$ 46,209	$ 32,510	$ 36,830	$ 145,681
Payments on maturity	220,895	240,435	229,759	329,481	1,020,570
Total mortgage obligations	251,027	286,644	262,269	366,311	1,166,251
Mortgage on equity accounted joint venture	10,425	—	—	—	10,425
Senior unsecured debentures	—	250,000	300,000	1,610,000	2,160,000
Loan and mortgage payable	36	3,608	—	—	3,644
Interest obligations (1)	158,271	269,903	208,580	259,451	896,205
Land leases (expiring between 2023 and 2061)	969	1,960	1,988	17,300	22,217
Contractual committed costs to complete current development projects	99,399	10,045	—	—	109,444
Other committed costs	24,126	65,522	—	—	89,648
Total contractual obligations (2)	$ 544,253	$ 887,682	$ 772,837	$ 2,253,062	$ 4,457,834

(1) Interest obligations include expected interest payments on mortgages and credit facilities as at December 31, 2014 (assuming balances remain outstanding through to maturity), and senior unsecured debentures, as well as standby credit facility fees.

(2) Consistent with existing practice, it is the Company's current intention to continue to satisfy its obligations of principal and interest payments in respect of all of its outstanding convertible debentures by the issuance of common shares, and as such convertible debentures have been excluded from this table.

The Company's total estimated costs to complete development projects currently under construction are $308.9 million, with $109.4 million contractually committed as at December 31, 2014.

The Company manages its liquidity risk by staggering debt maturities; renegotiating expiring credit arrangements proactively; using lines of credit; and issuing equity when considered appropriate. As at December 31, 2014, there was nil (December 31, 2013 – nil) of cash advances drawn against the Company's revolving credit facilities.

In addition, as at December 31, 2014, the Company has $42.2 million (December 31, 2013 – $43.4 million) of outstanding letters of credit that have been issued by financial institutions primarily to support certain of the Company's contractual obligations.

26. FINANCIAL ASSETS AND LIABILITIES

Fair value

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

	Notes	Carrying Amount		Fair Value	
(in Canadian dollars)		**2014**	2013	**2014**	2013
Financial assets					
FVTPL investments in equity securities	8	**$ 33,370**	$ 27,764	**$ 33,370**	$ 27,764
AFS investments in equity securities (Current and Non-Current)	7,8	**4,391**	4,086	**4,391**	4,086
Loans and mortgages receivable (Current and Non-Current)	7,8	**136,520**	91,570	**136,569**	91,570
Derivatives at fair value	10	**281**	3,148	**281**	3,148
Financial liabilities					
Mortgages and credit facilities	12	**$ 1,173,410**	$ 1,366,583	**$ 1,227,879**	$ 1,384,810
Senior unsecured debentures	13	**2,149,174**	1,861,953	**2,326,507**	1,915,997
Convertible debentures	14	**373,277**	374,012	**392,003**	390,093
Derivatives at fair value	16	**2,370**	936	**2,370**	936
Short positions in marketable securities	16	**12,467**	8,089	**12,467**	8,089

The fair values of the Company's cash and cash equivalents, amounts receivable, deposits, loans receivable from sales of residential inventory, restricted cash and accounts payable and other liabilities approximate their carrying values as at December 31, 2014 and 2013 due to their short term nature.

The fair values of the Company's investments in FVTPL and AFS equity instruments as well as the short positions in marketable securities, are based on quoted market prices. The Company has an investment in a fund classified as Level 3 AFS equity instrument, for which the fair value is based on the fair value of the properties held in the fund.

The fair value of the Company's loans and mortgages receivable, classified as Level 3, are calculated based on current market rates plus borrower level risk-adjusted spreads on discounted cash flows, adjusted for allowances for non-payment and collateral related risk. As at December 31, 2014, the risk-adjusted interest rates ranged from 4.00% to 11.00% (December 31, 2013 – 4.25% to 11.00%).

The fair value of the Company's mortgages and credit facilities payable are calculated based on current market rates plus risk-adjusted spreads on discounted cash flows. As at December 31, 2014, these rates ranged from 2.38% to 3.37% (December 31, 2013 – 2.63% to 4.39%).

The fair value of the senior unsecured debentures are based on closing bid risk-adjusted spreads and current underlying Government of Canada bond yields on discounted cash flows. For the purpose of this calculation, the Company uses, among others, interest rate quotations provided by financial institutions. As at December 31, 2014, these rates ranged from 1.98% to 3.88% (December 31, 2013 – 1.73% to 4.85%).

The fair values of the convertible debentures are based on the TSX closing bid prices.

The fair value of derivative instruments is determined using present value forward pricing and swap calculations at interest rates that reflect current market conditions. The models also take into consideration the credit quality of counterparties, interest rate curves and forward rate curves. As at December 31, 2014, the interest rates ranged from 1.88% to 3.71% (December 31, 2013 – 2.77% to 4.50%).

The fair value hierarchy of financial instruments measured at fair value on the consolidated balance sheet is as follows:

As at		**December 31, 2014**			December 31, 2013		
(thousands of Canadian dollars)	**Notes**	**Level 1**	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
Financial assets							
FVTPL investments in equity securities	8	**$ 33,370**	**$ —**	**$ —**	$ 27,764	$ —	$ —
AFS investments in equity securities	7,8	**292**	**—**	**4,099**	455	—	3,631
Derivatives at fair value – assets	10	**—**	**281**	**—**	—	3,148	—
Financial Liabilities							
Derivatives at fair value – liabilities	16	**—**	**2,370**	**—**	—	936	—
Short positions in marketable securities	16	**12,467**	**—**	**—**	8,089	—	—

The fair value hierarchy of financial instruments that are not measured at fair value on the consolidated balance sheets, but whose fair values are disclosed above are as follows:

As at		**December 31, 2014**			December 31, 2013		
(thousands of Canadian dollars)	**Notes**	**Level 1**	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
Financial assets							
Loans and mortgages receivable (Current and Non-Current)	7,8	**$ —**	**$ —**	**$ 136,569**	$ —	$ —	$ 91,570
Financial liabilities							
Mortgages and credit facilities	12	**—**	**1,227,879**	**—**	—	1,384,810	—
Senior unsecured debentures	13	**—**	**2,326,507**	**—**	—	1,915,997	—
Convertible debentures	14	**392,003**	**—**	**—**	390,093	—	—

27. SUBSIDIARY WITH NON-CONTROLLING INTEREST

The Company contractually controls MMLP, a subsidiary in which it holds a 67% ownership interest, until such time that all loans receivable to the joint venture partner have been paid in full. At such time that the loans receivable to the Company are repaid, all decisions regarding the activities of MMLP will require unanimous consent of the partners.

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

(thousands of Canadian dollars)	**December 31, 2014**	December 31, 2013
Non-current assets	**$ 83,416**	$ 134,614
Current assets	**705**	779
Total assets	**$ 84,121**	$ 135,393
Non-current liabilities	**—**	80,031
Current liabilities	**548**	43,419
Total liabilities	**548**	123,450
Net assets	**$ 83,573**	$ 11,943
Non-controlling interests	**$ 27,570**	$ 3,638

		Year ended December 31		
(thousands of Canadian dollars)		**2014**		2013
Revenue	**$**	**5,367**	$	5,719
Expenses		**5,010**		5,229
Increase (decrease) in value of investment properties, net		**4,108**		(49)
Net income	**$**	**4,465**	$	441
Non-controlling interests	**$**	**1,462**	$	146

		Year ended December 31		
(thousands of Canadian dollars)		**2014**		2013
Cash provided by operating activities	**$**	**6,827**	$	152
Cash provided by financing activities		**61,290**		38,106
Cash used in investing activities		**(68,689)**		(38,365)
Net decrease in cash and cash equivalents	**$**	**(572)**	$	(107)

28. CO-OWNERSHIP INTERESTS

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

		Ownership Interest	
Property	**Location**	**December 31, 2014**	December 31, 2013
Bow Valley Crossing (land)	Calgary, AB	**75%**	75%
Edmonton Brewery District	Edmonton, AB	**50%**	50%
Fuzion and King High Line	Toronto, ON	**50%**	50%
Hunt Club Marketplace	Ottawa, ON	**33%**	33%
Hunt Club – Petrocan	Ottawa, ON	**50%**	50%
Kanata Terry Fox (land)	Ottawa, ON	**50%**	50%
Lanaudiere Assets	Montreal, QC	**100%**	50%
Mclaughlin Corners	Brampton, ON	**50%**	50%
Meadowbrook Centre (II)	Edmonton, AB	**50%**	50%
Midland (land)	Midland, ON	**50%**	50%
Seton Gateway	Calgary, AB	**50%**	—%
Sherwood Towne Square	Sherwood Park, AB	**50%**	50%
South Oakville Properties	Oakville, ON	**50%**	—%
West Oaks Mall	Abbotsford, BC	**50%**	50%
West Springs Village	Edmonton, AB	**50%**	50%

Summarized below is the financial information for the co-ownerships as a total at the Company's interest.

As at (thousands of Canadian dollars)	**December 31, 2014**	December 31, 2013
Non-current assets	**$ 318,556**	$ 220,491
Current assets	**11,593**	4,670
Total assets	**$ 330,149**	$ 225,161
Non-current liabilities	**$ 255,465**	$ 150,084
Current liabilities	**17,174**	4,738
Total liabilities	**$ 272,639**	$ 154,822
Net assets	**$ 57,510**	$ 70,339

(thousands of Canadian dollars)	Year ended December 31	
	2014	2013
Revenue	**$ 20,631**	$ 16,244
Expenses	**9,070**	6,890
Increase (decrease) in value of investment properties, net	**(709)**	1,065
Net income	**$ 10,852**	$ 10,419

29. SUPPLEMENTAL OTHER COMPREHENSIVE INCOME (LOSS) INFORMATION

(a) Accumulated other comprehensive loss

Year ended December 31			**2014**			2013
(thousands of Canadian dollars)	**Opening Balance January 1**	**Net Change During the Year**	**Closing Balance December 31**	Opening Balance January 1	Net Change During the Year	Closing Balance December 31
Change in cumulative unrealized (losses) gains on available-for-sale marketable securities	**$ (124)**	**$ 71**	**$ (53)**	$ 19	$ (143)	$ (124)
Unrealized losses on cash flow hedges	**(283)**	**(8,734)**	**(9,017)**	(4,199)	3,916	(283)
Accumulated other comprehensive loss	**$ (407)**	**$ (8,663)**	**$ (9,070)**	$ (4,180)	$ 3,773	$ (407)

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

Year ended December 31			**2014**			2013
(thousands of Canadian dollars)	**Before-Tax Amount**	**Tax (Expense) Recovery**	**Net of Tax Amount**	Before-Tax Amount	Tax (Expense) Recovery	Net of Tax Amount
Unrealized gains (losses) on AFS marketable securities	**$ 13**	**$ (2)**	**$ 11**	$ (254)	$ 68	$ (186)
Reclassification of gains (losses) on AFS marketable securities to net income	**69**	**(9)**	**60**	58	(15)	43
Unrealized (losses) gains on cash flow hedges	**(12,537)**	**3,392**	**(9,145)**	4,392	(1,172)	3,220
Reclassification of losses on cash flow hedges to net income	**557**	**(146)**	**411**	949	(253)	696
Other comprehensive (loss) income	**$ (11,898)**	**$ 3,235**	**$ (8,663)**	$ 5,145	$ (1,372)	$ 3,773

30. SUPPLEMENTAL CASH FLOW INFORMATION

(a) Items not affecting cash and other items

		Year ended December 31	
(thousands of Canadian dollars)	**Note**	**2014**	2013
Rental revenue recognized on a straight-line basis		**$ (5,851)**	$ (10,483)
Investment properties – selling costs	22	**5,088**	5,295
Realized gains on sale of marketable securities	22	**(1,665)**	(2,564)
Change in cumulative unrealized losses (gains) on marketable securities classified as FVTPL	22	**1,501**	1,988
Losses on prepayments of debt	22	**3,973**	4,092
Gain on sale of residential inventory	22	**—**	(2,966)
Non-cash compensation expense		**2,721**	2,999
Settlement of restricted share units		**(2,769)**	(1,879)
Gain on foreign currency exchange	22	**(2)**	(43)
Deferred income taxes	23	**47,657**	51,418
Unrealized (gains) losses on hedges	22	**80**	(301)
		$ 50,733	$ 47,556

(b) Net change in non-cash operating items

The net change in non-cash operating assets and liabilities consists of the following:

	Year ended December 31	
(thousands of Canadian dollars)	**2014**	2013
Amounts receivable	**$ 1,854**	$ (3,383)
Prepaid expenses	**(871)**	(1,070)
Trade payables and accruals	**8,206**	2,822
Tenant security and other deposits	**5,135**	1,824
Other working capital changes	**(102)**	(480)
	$ 14,222	$ (287)

(c) Changes in loans, mortgages and other real estate assets

	Year ended December 31	
(thousands of Canadian dollars)	**2014**	2013
Increase in loans and mortgages receivable, net	**$ (39,133)**	$ (38,506)
Investment in marketable securities, net	**(36,921)**	(43,051)
Proceeds from disposition of marketable securities	**32,023**	31,369
	$ (44,031)	$ (50,188)

(d) Cash and cash equivalents

	Year ended December 31	
As at (thousands of Canadian dollars)	**2014**	2013
Cash	**$ 17,251**	$ 4,679
Term deposits	**100**	296
	$ 17,351	$ 4,975

31. COMMITMENTS AND CONTINGENCIES

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

(b) The Company is contingently liable, jointly and severally or as guarantor, for approximately $68.2 million (December 31, 2013 – $60.0 million) to various lenders in connection with certain third party obligations, including, without limitation, loans advanced to its joint venture partners secured by the partners' interest in the joint ventures and underlying assets.

(c) The Company is contingently liable by way of letters of credit in the amount of $42.2 million (December 31, 2013 – $43.4 million), issued by financial institutions on the Company's behalf in the ordinary course of business.

(d) The Company has obligations as lessee under long-term finance leases for land. Annual commitments under these ground leases are approximately $1.0 million (December 31, 2013 – $1.0 million) with a total obligation of $22.2 million (December 31, 2013 – $23.5 million).

(e) The Company is involved, in the normal course of business, in discussions, and has various agreements, with respect to possible acquisitions of new properties and dispositions of existing properties in its portfolio. None of these commitments or contingencies, individually or in aggregate, would have a significant impact on the financial position of the Company.

(f) The Company has a call option, which expires in October 2022, to purchase an adjacent property. At the same time, there is a put option on the property by the owner that is exercisable between October 2015 and October 2022.

32. RELATED PARTY TRANSACTIONS

(a) Major Shareholder

Gazit-Globe Ltd. ("Gazit") is the principal shareholder of the Company and, as of December 31, 2014, beneficially owns 44.0% (December 31, 2013 – 45.3%) of the common shares of the Company. Norstar Holdings Inc. is the ultimate controlling party. As of December 31, 2014, Alony-Hetz Properties and Investments Ltd. (''Alony-Hetz'') also beneficially owns 8.3% (December 31, 2013 – 8.5%) of the common shares of the Company. Alony-Hetz and Gazit have entered into a shareholders' agreement pursuant to which, among other terms, (i) Gazit has agreed to vote its common shares of the Company in favour of the election of up to two representatives of Alony-Hetz to the Board of Directors of the Company, and (ii) Alony-Hetz has agreed to vote its common shares of the Company in favour of the election of the nominees of Gazit as the remaining directors of the Company.

During the third quarter of 2014, Gazit and Alony-Hetz purchased 883,000 and 167,000 of the common shares of the Company, respectively, under the Company's 5,250,000 common share equity offering for $19.06 per share. Gazit and Alony-Hetz purchased the common shares as part of and at the same price as the public offering (refer to Note 17(a)), and no underwriting commissions were paid by the Company in connection with the common shares purchased by them.

Corporate and other amounts receivable include amounts due from Gazit. Gazit reimburses the Company for certain accounting and administrative services provided to it by the Company.

Such amounts consist of the following:

	Year ended December 31	
(thousands of Canadian dollars)	**2014**	2013
Reimbursements for professional services	**$ 591**	$ 720

As at December 31, 2014, amounts due from Gazit were $0.2 million (December 31, 2013 – $0.2 million).

(b) Subsidiaries of the Company

The audited annual consolidated financial statements include the financial statements of First Capital Realty and First Capital Holdings Trust. First Capital Holdings Trust is the only significant subsidiary of First Capital Realty and is wholly owned by the Company.

(c) Compensation of Key Management Personnel

Aggregate compensation for directors and the Chief Executive and Chief Financial Officers included in corporate expenses is as follows:

	Year ended December 31	
(thousands of Canadian dollars)	**2014**	2013
Salaries and short-term employee benefits	**$ 2,051**	$ 2,567
Share-based compensation (non-cash compensation expense)	**1,862**	1,871
Executive transition expense	**7,280**	—
	$ 11,193	$ 4,438

33. SUBSEQUENT EVENTS

(a) Senior Unsecured Debentures Issued

On January 26, 2015, the Company completed the issuance of an additional $90.0 million principal amount of the Series S senior unsecured debentures, which was a re-opening of this series of debentures. These debentures bear interest at a coupon rate of 4.32% per annum, payable semi-annually commencing July 31, 2015. The debentures were sold at a price of $104.943 per $100 principal amount, plus accrued interest.

(b) Equity Issuance

Subsequent to year end, the Company issued 4,370,000 common shares at $19.80 per common share for gross proceeds of approximately $86.5 million. Issue costs were approximately $3.7 million.

(c) Dividend

The Company announced that it will pay a first quarter dividend of $0.215 per common share on April 9, 2015 to shareholders of record on March 27, 2015.

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TORONTO STOCK EXCHANGE LISTINGS
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FCR.DB.D
5.40% Convertible Debentures:
FCR.DB.E
5.25% Convertible Debentures:
FCR.DB.F
5.25% Convertible Debentures:
FCR.DB.G
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FCR.DB.H
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President and Chief Executive Officer
(until February 15, 2015)

Adam Paul
President and Chief Executive Officer
(effective February 16, 2015)

Kay Brekken
Executive Vice President and
Chief Financial Officer

Brian Kozak
Executive Vice President, Western Canada

Gregory J. Menzies
Executive Vice President, Eastern Canada

Jodi M. Shpigel
Senior Vice President, Central Canada

Roger J. Chouinard
General Counsel and Corporate Secretary

Ralph Huizinga
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President and Chief Executive Officer,
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