



Green
Shopping For Everyday Life 

FIRST CAPITAL REALTY INC.
2015

ANNUAL REPORT

Well Defined Strategy

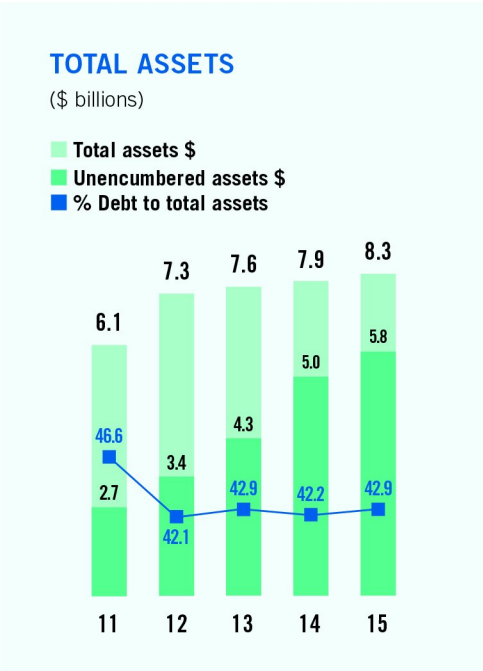
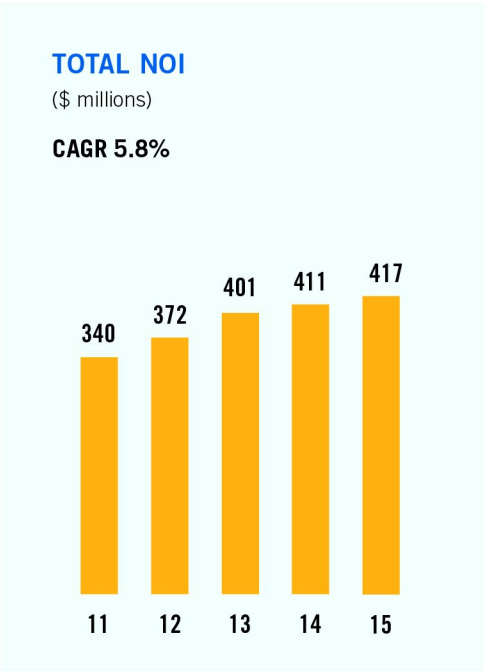
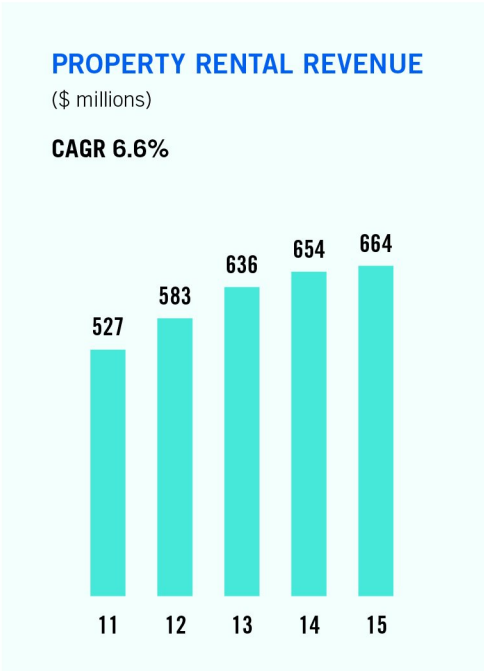
CORPORATE PROFILE

First Capital Realty (TSX: FCR) is one of Canada’s largest owners, developers and managers of grocery anchored, urban properties where people live and shop for everyday life. As at December 31, 2015, the Company owned interests in 158 properties, totaling approximately 24.4 million square feet of gross leasable area. At December 31, 2015, First Capital Realty had an enterprise value of \$8.0 billion. The common shares of the Company trade 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 growth in 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 focused and disciplined in acquiring well-located properties, primarily where there are value creation opportunities, including sites in close proximity 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 a competitive cost of capital.

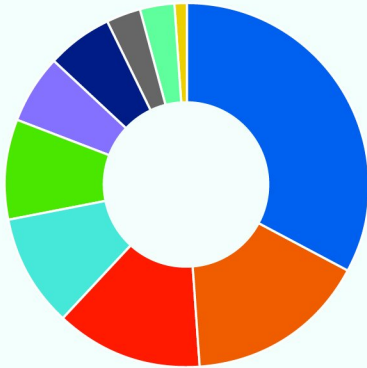


Best in Class Properties

URBAN MARKETS

High quality portfolio of Canadian urban retail assets

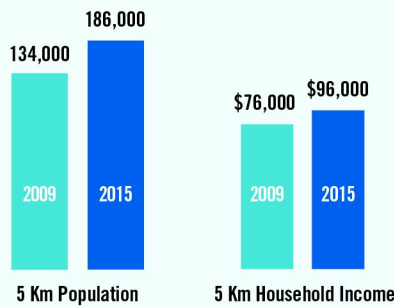
Approximately 95% of revenues from urban markets with high barriers to entry



Annual Minimum Rents as of December 31, 2015

PORTFOLIO DEMOGRAPHICS

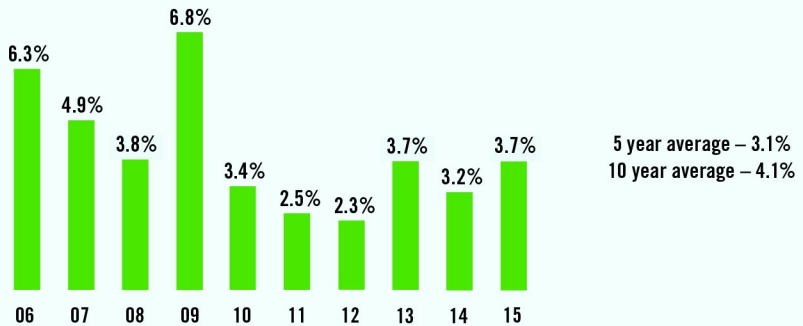
Industry leading demographic profile



FCR Portfolio Demographics

INDUSTRY LEADING PERFORMANCE

Track record of above industry average Same Property NOI growth



Total Same Property NOI Growth

INVESTMENT

Approximately \$1 billion planned investment in existing properties with development potential



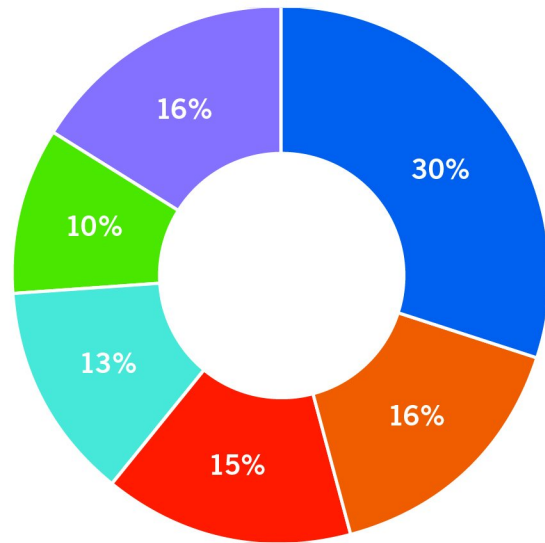
Sustainable Cash Flow

HIGHLIGHTS

- ➔ 139 of 158 properties or 88% are supermarket and/or drugstore anchored
- ➔ Over 80% of revenues comes from necessity based retail
- ➔ 9 of the top 10 tenants have investment grade credit ratings
- ➔ Track record of consistently high occupancy
- ➔ Investment grade credit ratings from Moody's: Baa(2) and DBRS: BBB (high)
- ➔ 22 consecutive years of paying dividends
- ➔ Focused sustainability program - Highest ranked real estate company in Corporate Knights "2015 Future 40 Responsible Corporate Leaders in Canada"

TENANT PROFILE

Annual minimum rents



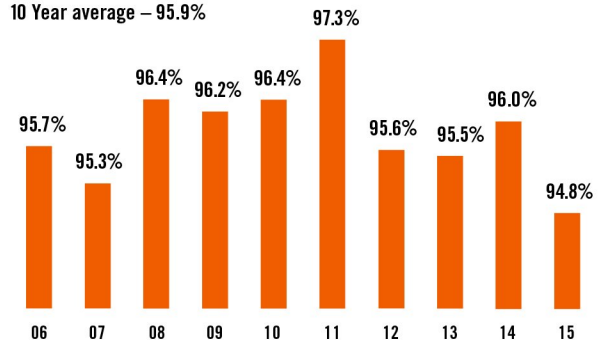
Supermarkets, drugstores and liquor stores	30%
National and discount retailers	16%
Medical, gyms, daycare and other personal uses	15%
Restaurants and casual dining	13%
Financial institutions	10%
Other tenants	16%
Total	100%

TOP 10 TENANTS



TOTAL PORTFOLIO OCCUPANCY

5 year average – 95.9%
10 Year average – 95.9%



Financial Highlights

As at December 31 (millions of dollars, except per share amounts)	2015	2014
Total assets	\$ 8,279	\$ 7,908
Total equity market capitalization ⁽¹⁾	\$ 4,139	\$ 4,038
Enterprise value ⁽¹⁾	\$ 8,031	\$ 7,762
Net debt to total assets ⁽²⁾	42.9%	42.2%
Annual dividend per common share	\$ 0.86	\$ 0.85

Operating Highlights

As at December 31 (millions of dollars, except per share amounts)	2015	2014
Property Rental Revenue ⁽²⁾	\$ 664	\$ 654
Net Operating Income ("NOI") ⁽¹⁾⁽²⁾	\$ 417	\$ 411
Funds from Operations ("FFO")⁽¹⁾⁽²⁾		
Operating FFO	\$ 236	\$ 220
Operating FFO per diluted share	\$ 1.05	\$ 1.04
FFO	\$ 221	\$ 209
FFO per diluted share	\$ 0.99	\$ 0.98
Adjusted Funds from Operations ("AFFO")⁽¹⁾⁽²⁾		
Operating AFFO	\$ 243	\$ 229
Operating AFFO per diluted share	\$ 1.02	\$ 1.00
AFFO	\$ 244	\$ 230
AFFO per diluted share	\$ 1.03	\$ 1.01

⁽¹⁾ These measures are not defined by IFRS. Refer to the company's Management's Discussion & Analysis for further information.

⁽²⁾ Reflects joint ventures proportionately consolidated.

Message from the President & CEO



We produced another year of solid operating performance in 2015 as we capitalized on the quality of our property portfolio, the capabilities of our operating and development platform, the strength of our tenant base, and the flexibility of our balance sheet. 2015 was also a year of transition as we initiated a full review of all aspects of our business with the goal of translating our industry leading track record of same property net operating income growth into higher growth in Operating Funds from Operations. We made solid progress with our business review and look to see the tangible benefits in the years ahead and to continue to deliver outperformance in shareholder returns.

Dear Fellow Shareholder,

At First Capital, 2015 will likely be remembered as a year of transition. In November 2014, we announced that our long-standing President and CEO, Dori Segal, had decided to step down from his position and shortly thereafter he was appointed Chairman of the Board. I'd like to express my sincere congratulations to Dori and to the executive team for their tremendous success in building First Capital Realty into one of Canada's most respected and well positioned real estate companies in a relatively short 15 years.

Since 2000, First Capital has established an enviable position in the Canadian real estate industry. Under Dori's leadership, the portfolio has grown to over \$8 billion in value and is regarded as one of the highest quality retail real estate portfolios in the country. As well, First Capital has established a leading development and operating platform that has been at the forefront of many evolving retail trends and continues to position us exceptionally well for the future.

I am extremely honoured to have been selected by the Board of Directors to lead First Capital into its next phase of growth as we take on the opportunities and challenges that lie ahead.

As First Capital's new President and CEO, I spent my first few months getting to know our assets and our people. This time allowed me to confirm what I believed prior to joining the Company; First Capital is an exceptional real estate business with a powerful platform and a lot of opportunity.

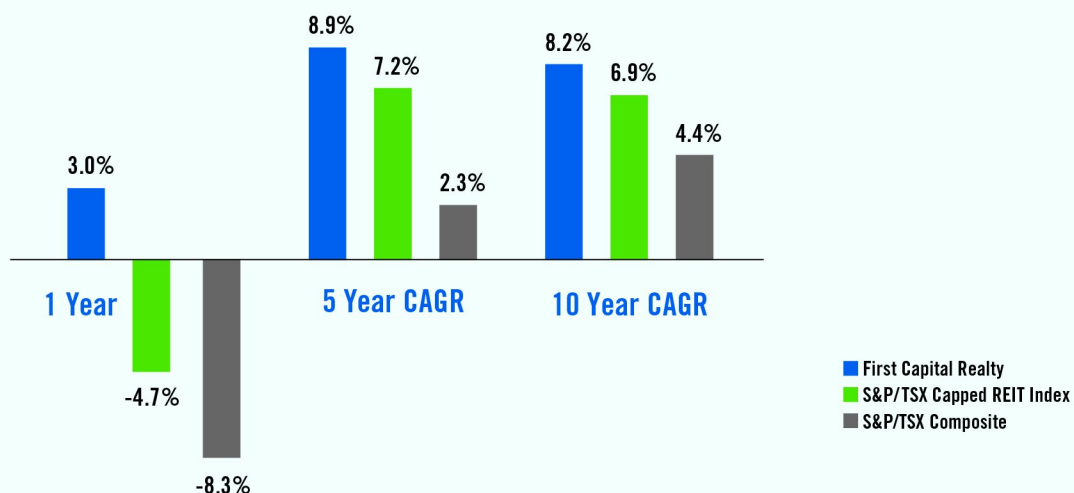
All businesses progress through a life cycle and based on where we were at in our life cycle, together with a new CEO and relatively new CFO, it was the appropriate time to undertake a comprehensive review of the business. To be clear, our company was and continues to be in great shape; this review was undertaken to get even better. Our goal was to identify areas where First Capital could enhance its performance and continue its track record of creating shareholder value over the long term. Importantly, we recognize that the essence of real estate is far too long term in nature to try to influence the short term.

With this objective in mind, early in the year we initiated a complete and comprehensive review of our business in order to better understand how we could achieve this goal. Our entire executive team was fully engaged in this process.

One of the outcomes of this process was the organizational restructuring announced in September. While the costs of this restructuring initiative negatively impacted our results in 2015, we are confident our new management structure and the other changes we made will improve our performance in 2016 and beyond.

Track Record of Outperformance

Total Returns vs. Indices as at December 31, 2015



Our core strategy of focusing on large, urban retail assets that are merchandised with Canada's leading retailers who provide necessity based goods and services has been an important part of our success. Our early focus on these types of assets has given us a real competitive advantage; our current portfolio would be near impossible to replicate today. Looking forward, this strategy positions us very well to succeed in the years ahead.

First Capital has a proven history of creating significant net asset value in aggregate dollars and on a per share basis. We will maintain our focus on value creation as a very important priority going forward. However, today our number one priority is to grow our Operating Funds from Operations (OFFO) per share. In short, our goal is to ensure First Capital translates its industry leading track record of growth in same property net operating income (NOI) into growth in OFFO per share.

Continuing Strong Operating Performance

We continued to perform very well at the property level in 2015. Despite the challenging economy and more difficult retail environment, we maintained high occupancy levels, realized above industry-average rental rate increases on lease renewals, and generated strong growth in same property NOI. A key measure of a real estate portfolio's year-over-year performance, same property NOI rose 3.7% in 2015 despite a 90 basis point decrease in same property portfolio occupancy mainly due to Target's decision to exit the Canadian market. This significant increase in Same Property NOI was driven primarily by higher rental rates versus the prior year.

In aggregate dollars, OFFO increased by 7.2% to \$236.1 million in 2015, up from \$220.3 million in 2014. On a per share basis, OFFO for the year was consistent with our expectations at \$1.05 per share, a 1.0% increase from the prior year. As mentioned, our top priority is to grow this number and I believe we have everything we need to achieve this goal.

In total, we renewed 1.8 million square feet of space during the year and achieved a rental rate increase on these renewals of 8.6%. Together with new space completed from our development program which had an average net rental rate of \$28.72 per square foot and new leasing in the balance of the portfolio where market rental rates are well in excess of those in-place, our total average net rental rate increased by 2.3% to \$18.84 per square foot, up from \$18.42 per square foot in 2014.

From a balance sheet perspective, we maintained a strong and flexible financial position at year end with a conservative debt to asset ratio. We continued to maintain a well-staggered debt maturity profile with a weighted average term to maturity of 5.5 years. We also reduced our weighted average interest rate to 4.7% at the end



Yorkville Village, Toronto

of 2015 from 4.8% in 2014. Importantly, we increased the size of our unencumbered assets by \$800 million to \$5.8 billion which represented 70% of our total assets at the end of 2015 and provides us with tremendous financial flexibility going forward.

While we are comfortable with our financial position today, our goal is to reduce our leverage over time, specifically our debt to EBITDA ratio, as well as our payout ratio in order to retain even more operating cash flow after the payment of dividends to more efficiently fund our on-going growth.

A High Quality Portfolio

Our high quality property portfolio consisted of 158 retail properties at year end, totaling approximately 24.4 million square feet of gross leasable area with an IFRS value of \$8.1 billion. Our properties are well-located in Canada's large urban growth markets where the population is expanding at a rate that exceeds the ability to add new retail space, providing significant barriers to entry.

Our shopping centres are occupied by Canada's leading retailers who provide necessity-based goods and services, meaning those that consumers buy regardless of the economic environment. At December 31, 2015 our portfolio included 125 grocery stores, 131 pharmacies, 92 liquor stores, 82 fitness facilities, 312 financial institutions and 895 coffee shops and restaurants, amongst many other retailers that consumers frequent as part of their everyday life. Notably, nearly 30% of our total rent is now earned from retailers whose businesses are e-commerce proof including fitness centres, medical service providers, nail and hair salons, restaurants, child care centres and numerous others.

It is the quality of our tenant base, and our focus on necessity-based retail in the best urban locations, that has generated such strong operating performance through both robust and challenging economic times, and will lead to continued growth and stability in the years ahead.

In 2015, we further improved our already high quality portfolio of retail assets. In total, we invested approximately \$276.0 million in development, re-development, acquisitions and intensification initiatives. During the year, we transferred 248,000 square feet of new urban retail space from development to our income producing portfolio at a cost of \$168.2 million in our key Toronto, Edmonton, Calgary and Montreal markets.

Development, re-development and asset re-positioning have been core competencies at First Capital since inception and is now one of our key competitive advantages. We currently have an active development program that will continue to add exceptional urban retail assets to our portfolio for years to come, assets that we simply cannot buy today. This area of our business represents one of our most important areas for growth going forward.

We are well underway with a number of large development projects that will be completed over the next two to three years. A good example is our Yorkville Village development in downtown Toronto where we made significant progress in 2015 with the redevelopment of the interior mall, the creation of a new entrance on Yorkville Avenue, an expansion and new façade along Avenue Road, and the major upgrade of the underground parking facility. We also made significant progress on the leasing front. Phase I of the interior mall is 155,000 square feet and is now nearly fully leased.

We also made notable progress on our Yorkville street front assets highlighted by a new long term lease with Chanel, who will relocate their current Bloor Street store into a new 8,500 square foot flagship boutique on Yorkville Avenue. We are very proud to have been selected by this luxury retailer which is a reflection



Mount Royal Village, Calgary



Brewery District, Edmonton



King High Line, Toronto

of the quality of our property and the positive demographic trends and retail transformation underway in this upscale neighbourhood.

Our King High Line development in Toronto's Liberty Village also progressed well in 2015. We are now working above grade on the retail space with the below grade parking garage largely complete. King High Line is also our first development property with a substantial residential rental component, and in July we announced a strategic partnership with Canadian Apartment Properties REIT to bring their proven operating platform to this project in addition to an equity investment.

We recognize that building and owning residential rental properties is a very different skill set and one that is not currently an area of expertise within First Capital. Adding residential is a natural evolution for many of our properties and a significant opportunity for us. We estimate we can add approximately 6.1 million square feet of residential density to our current properties in the short to medium term, growing to roughly 10 million square feet over the long term. However, we have tremendous development opportunities within our core urban retail focused assets which is and will continue to be our primary focus. Now is not the time to take our focus off our core business to expand into a new business like residential. That being said, we will still capitalize on the residential density opportunities within our portfolio. In some cases we will pursue strategic partnerships like we did in King High Line with best-in-class residential companies that acquire an equity interest for alignment and who will manage the operations of the residential component. In other cases, like in our Mount Royal Village development in Calgary and The Brewery District in Edmonton, we will sell the residential density rights to proven residential companies who will develop a high quality residential product that is complementary to our retained retail component.

These two large Alberta projects also saw meaningful progress in 2015. The redevelopment of our mixed-use phase at Mount Royal Village in Calgary is now complete with the city's first West Elm store successfully opening in addition to a new GoodLife Fitness, and several other great retailers for this desirable part of downtown Calgary. Pre-leasing at the next phase of this development, Mount Royal West, was very strong which allowed us to initiate construction on a new 95,000 square foot retail podium that will be largely occupied by an Urban Fare grocery store and a Canadian Tire store, each occupying one full level of the property.

In Edmonton, in close proximity to the Arena District where the city's new NHL arena complex is under construction, our Brewery District project also proceeded with active construction on several buildings with leases in-place with Loblaws City Market, Shoppers Drug Mart, GoodLife Fitness, and a two-level 40,000 square foot Mountain Equipment Co-op store, among many other retailers.

Mount Royal Village and the Brewery District are both located in areas that are experiencing strong population and residential density growth. Our properties will contribute to this growth as they will each have a residential component that has either been sold or is under agreement to sell to a proven residential developer.

Including these two Alberta projects, at year end we had six major active development projects underway, which at completion will comprise 1.3 million square feet at a total estimated cost of approximately \$1.0 billion at First Capital's share. We have also identified some of the next properties to be re-developed after this group. One of the competitive advantages we enjoy is the growth provided from the deep pipeline of development and re-development opportunities in the portfolio of properties we now own. Even without any external acquisitions, our current pipeline will keep us growing for many years to come. That being said, I do expect we will periodically add to this pipeline through the selective acquisition of properties with future development potential when appropriate.



Carré Lucerne, Montréal



Liberty Village, Toronto



3080 Yonge Street, Toronto

Outlook

This is a fascinating time to be in the real estate business. Retail trends are evolving at a faster rate than we have ever seen. The Canadian economy, significantly impacted by the low price of oil and other commodities, is expected to, at best, provide sluggish growth over the short term. The headlines are riddled with retailer failures and tenants are more selective than ever. But against that backdrop, we have focused on the micro factors that are within our control, particularly the location and quality of our real estate. One of the constants over multiple decades for retail and real estate is change. Another is strong demand, but only for the best locations.

Based on our experience in 2015, demand has never been stronger for great locations in Canada's major urban markets, and rents have never been higher for this type of real estate. We own a lot of this space which is the reason we continued to welcome new retailers into our portfolio in 2015 including Chanel in Yorkville, Mountain Equipment Co-op in Edmonton and IKEA at our Fairview Shopping Centre. It's also the reason we continued to enter into new leases with existing First Capital tenants including Loblaws, Whole Foods, Shoppers Drug Mart, Canadian Tire, West Elm, GoodLife Fitness, Starbucks, and many others.

We have a very high quality portfolio of urban retail assets with a track record of industry leading same property NOI growth, stability from our necessity based retail tenants with a strong covenant profile, an appropriate sized development and re-development program to contribute to our growth, an exceptional operating and development platform, and a strong and flexible balance sheet.

It is for these reasons that our Board, our executive team and our employees share my enthusiasm for our future. Real estate is a long term business and First Capital is best suited for investors with an investment horizon that extends over many years. In 2015, we focused on building on our already solid foundation. Many of the changes and decisions we made were done with the next decade and beyond in mind. I look forward to updating you with our progress.

Respectfully,

Adam Paul
President and Chief Executive Officer



MD&A

MANAGEMENT'S DISCUSSION AND ANALYSIS

MD&A

MANAGEMENT'S DISCUSSION AND ANALYSIS

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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", "FCR" 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, 2015 and 2014. It should be read in conjunction with the Company's audited annual consolidated financial statements for the years ended December 31, 2015 and 2014. 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 17, 2016.

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

FORWARD-LOOKING STATEMENT ADVISORY

Certain statements contained in 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 online 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 17, 2016 and are qualified by these cautionary statements.

BUSINESS OVERVIEW AND STRATEGY

First Capital Realty (TSX : FCR) is one of Canada's largest owners, developers and managers of grocery anchored, urban properties where people live and shop for everyday life. As at December 31, 2015, the Company owned interests in 158 properties, totaling approximately 24.4 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 growth in 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 focused and disciplined in acquiring well-located properties, primarily where there are value creation opportunities, including sites in close proximity 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 a competitive cost of capital.

















































Shopping for Everyday Life®

The Company primarily 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 who provide these essential products and services, including supermarkets, drugstores, banks, liquor stores, national and discount retailers, restaurants, fitness centres, 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 focused on ensuring the competitive position of its assets in their respective urban and retail trade areas and closely follows demographic profiles and shopping trends that may impact the performance of its properties.

In Management's view, shopping centres, including mixed-use properties with a meaningful retail component, located in urban markets with tenants who primarily provide non-discretionary goods and services, will be less sensitive to both economic cycles and changing retail trends, thus adding to the stability and growth of cash flow over the long term.

Shopping for Everyday Life®

	# OF STORES	% OF RENT	TENANTS
Supermarkets	125	17.2%	     
Pharmacies	131	9.4%	     
Liquor Stores	92	3.3%	    
Financial Institutions	312	9.8%	     
Restaurants	895	13.4%	     
Medical & Personal Services	999	10.6%	  
Fitness Facilities	82	3.4%	  
Daycare Centres & Schools	55	0.8%	  
National & Discount Retailers	457	16.5%	    
Other Tenants	1,079	15.6%	    

As of December 31, 2015

Urban Focus

The Company targets specific urban markets in Canada with stable and/or growing populations. Specifically, the Company intends to continue to operate primarily in and around its target urban markets which include the Greater Toronto Area (including the Golden Horseshoe Area and London); Greater Calgary Area; Greater Edmonton Area; Greater Vancouver Area (including Vancouver Island); Greater Montreal Area; Greater Ottawa Area (including Gatineau region); and Quebec City. Over 95% of the Company's annual minimum rent is derived from these markets.

The Company has achieved critical mass in its target markets, which helps generate economies of scale and operating synergies, as well as deep local knowledge of its properties, tenants, neighbourhoods and 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 continue to get stronger over time, therefore attracting high quality tenants with rent growth potential.

Markets*



• Greater Toronto Area	33%
• Greater Montreal Area	16%
• Greater Calgary Area	13%
• Greater Vancouver Area	10%
• Greater Edmonton Area	9%
• Greater Ottawa Area	6%
• Golden Horseshoe Area	6%
• London Area	3%
• Quebec City	3%
• Red Deer and Other	1%
Total	100%

* Annual Minimum Rents as of December 31, 2015

Real Estate Investments

Acquisitions

Management seeks to acquire well-located, high quality retail properties and sites in the Company's target urban markets. 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 properties in close proximity. These 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. They also provide more flexibility to offer the appropriate merchandising mix, providing a better overall retail product and service offering for consumers in the property's trade area. Management believes that its adjacent site acquisitions result in a stronger retail offering 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 strong trade areas within its existing urban markets where the Company does not yet have a presence.

Dispositions

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

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. Redevelopment activities are focused primarily on older, well-located shopping centres that the Company owns. 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 in which they are situated, an existing tenant base and the ability to increase density through land use intensification. Redevelopment projects are carefully managed to minimize tenant downtime.

When possible, 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, give 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, a secular trend that is occurring in most major cities around the world. The Company’s land use intensification activities are focused primarily on increasing retail space on a property and, to a lesser degree, adding mixed-use density, including residential and office space. 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.

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.

Proactive Management

The Company views proactive management of its portfolio 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 high 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 employed by the Company. The Company’s executive leadership team is centralized at the Company’s head office location in Toronto, which ensures that best practices, procedures and standards are applied consistently across the Company’s operating markets. Property management and operations are executed through local operating platforms in all major urban markets. 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.

Cost of Capital

The Company seeks to maintain financial strength and flexibility in order to achieve a competitive 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, revolving credit facilities, bank indebtedness, convertible debentures and equity provides financing flexibility and reduces risks, while generating an attractive risk-adjusted return on investment, taking into account the long-term business strategy of the Company. The Company also recycles capital through the selective disposition of full or partial interests in properties. When 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. 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.

OUTLOOK AND CURRENT BUSINESS ENVIRONMENT

Since 2001, First Capital Realty has successfully grown its business across the country, focusing on key urban markets, dramatically enhancing the quality of its portfolio and generating modest accretion in funds from operations, while reducing leverage and achieving an investment grade credit rating. The Company expects to continue to grow its business and portfolio of high quality properties in urban markets 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's cash flow.

Changing Consumer Habits

The Company continues to observe several demographic and other trends that may affect demand for retail goods and services, including an increasing reliance by consumers on online information to influence their purchasing decisions and an increasing desire to purchase products online, as well as an aging population which is increasingly focused on convenience and health-related goods and services. There is also a shift in consumer demand driven by an increasing number 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 or frequent trips to the grocery store, fitness centres, coffee shops and/or restaurants. Management is proactively responding to these consumer changes through its tenant mix, unit sizes and shopping centre locations and designs.

Evolving Retail Landscape

Over the past several years, the Company has observed an increase in entry and/or expansion into the Canadian marketplace by several major U.S. retailers including Whole Foods Market, Walmart, Marshalls, and others. Additionally, there were two major corporate transactions involving four of the Company's tenants: the purchase of Shoppers Drug Mart by Loblaw and the purchase of Safeway Canada by Sobeys. Although this repositioning resulted in new opportunities for the Company, it also resulted in an increasingly competitive retail landscape in Canada. More recently, a number of retailers have announced store closures and/or bankruptcies, including Mexx, Future Shop, Black's, Nine West and Target. 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 and have the potential to impact retail rental rates and leasing fundamentals.

As a result of these ongoing changes, the Company remains highly focused 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 shopping trends, as well as retailer responses to these trends, and 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.

In Management’s view, shopping centres and mixed-use properties located in urban markets with tenants providing non-discretionary goods and services, will be less sensitive to both economic cycles and evolving retail trends, thus providing more stable and growing cash flow over the long term.

Growth

For the year ended December 31, 2015, the Same Property portfolio delivered strong net operating income growth of 3.7% compared to the prior year. The growth in net operating income was primarily due to rental rate step-ups, lease renewals at higher rates and lease surrender fees. These increases were partially offset by a decrease in Same Property occupancy primarily as a result of the closure of one Target store in the Same Property category during the second quarter, as well as the closure of a Canadian Tire store during the third quarter.

As at December 31, 2015, the Same Property portfolio was 95.9% occupied and the total portfolio was 94.8% occupied. The Company had 0.5% of the portfolio held as vacant space for redevelopment.

Urban municipalities where the Company operates continue to focus on increasing density within the existing boundaries of infrastructure. This provides the Company with multiple development and redevelopment opportunities in its existing portfolio of urban properties, which includes an inventory of adjacent land sites and development land. As at December 31, 2015, the Company had identified approximately 13.9 million square feet of incremental density available in the portfolio for future development including (3.3 million square feet of retail and 10.6 million square feet of residential space), of which approximately 1.0 million square feet of development projects are currently underway.

Development activities continue to provide the Company with growth within its existing portfolio of assets. These activities also typically generate higher returns on investment 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 that is associated more 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 development activities and will continue to manage carefully the risks associated with such projects.

During the year, the Company delivered 248,000 square feet of developed and redeveloped space of which 235,000 square feet was occupied at an average net rental rate of \$28.72 per square foot, well above the average rent for the entire portfolio.

On September 22, 2015, the Company announced an organizational restructure to streamline and enhance the efficiency of its operations. The restructuring includes realigning the executive leadership team from a regional structure to a centralized structure, removing redundancy and over-capacity, streamlining work processes and procedures, and upgrading information systems. The restructuring resulted in the elimination of 60 roles representing approximately 13% of the workforce. The Company recognized restructuring costs totaling \$13.1 million during the year, including a \$6.4 million non-cash write-off of an investment in proprietary information technology systems that the Company is in the process of replacing with lower cost third-party solutions. The Company expects to recognize further restructuring charges of approximately \$1.0 million to \$3.0 million over the next few quarters bringing the total estimated restructuring costs to \$14.0 million to \$16.0 million. As a result of the restructuring and related organizational enhancements, the Company expects annualized savings to be approximately \$4.5 million to \$5.5 million.

Transaction Activity

The property acquisition environment remains extremely competitive for assets of similar quality to those owned by the Company. There are typically multiple bids on high quality properties, and asset valuations reflect strong demand for well-located income-producing assets. In addition, well-located urban properties rarely trade in the market and attract significant competition when they do. 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 Operating FFO over the long term. Therefore, the Company expects to focus on development and redevelopment of existing assets as the primary means to grow the portfolio while continuing to make selective acquisitions that complement the existing portfolio.

During the year, the Company acquired ten properties for \$95.3 million. The properties are located within close proximity to existing shopping centres undergoing major redevelopments in Toronto and Calgary adding 157,200 square feet of leasable area to the portfolio. Additionally, the Company invested \$276.0 million in development and redevelopment activities during the period.

The Company continues to evaluate its properties and will occasionally dispose of non-core properties. This allows the Company to recycle capital into its core urban redevelopment projects where population, rent growth and consumer trends present the opportunity for better long-term growth. During the year, the Company disposed of three non-core properties totaling 136,700 square feet and 0.7 acres for total gross proceeds of \$23.1 million.

Economy and Access to Capital

Canada's economy contracted in the first half of 2015 primarily due to the significant decline in oil prices over the past year. The Bank of Canada cut interest rates twice in 2015 as a result of the increased economic uncertainty. The U.S. continues to show positive signs of accelerating growth but other global economic markets remain uncertain. Long-term Canadian bond yields declined while market volatility remained high during the year ended December 31, 2015. Although the equity and long-term debt markets remain accessible, pricing can vary based on the current market outlook for growth and interest rates. The Company will continue to focus on maintaining access to all sources of long-term capital at a reasonable cost.

In January 2015, the Company completed the issuance of an additional \$90.0 million principal amount of its Series S senior unsecured debentures. The debentures have an effective interest rate of 3.9%, and mature on July 31, 2025 which represented a term to maturity of 10.5 years at the time of issuance. The Company repaid \$218.8 million of mortgages during the year with a weighted average effective interest rate of 4.9%. The Company replaced a portion of this debt with \$110.1 million of new mortgages with a weighted average effective interest rate of 3.3%. As at December 31, 2015, the Company had \$3.3 billion of unsecured debentures and mortgages outstanding at a weighted average effective interest rate of 4.7% and a weighted average term to maturity of 5.5 years.

In February 2015, the Company issued 4.4 million common shares at a price of \$19.80 for gross proceeds of \$86.5 million.

In June 2015, the Company redeemed the remainder of its 5.70% convertible debentures at par and satisfied its principal and interest payment obligations by issuing common shares. Additionally, the Company extended the maturity of its operating credit facility to June 2020. As at December 31, 2015, unencumbered assets increased to \$5.8 billion from \$5.0 billion at December 31, 2014.

These financing activities will continue to support the Company's ongoing development and redevelopment activities.

Outlook

Management is focused on the following five areas to achieve its objectives through 2016 and into 2017:

- development, redevelopment and repositioning activities including land use intensification;
- selective acquisitions of strategic assets and sites in close proximity to existing properties in the Company's target urban markets;
- proactive portfolio management that results in higher rent growth;
- increase efficiency and productivity of operations; and
- maintain financial strength and flexibility to achieve a competitive cost of capital over the long-term.

Overall, Management is confident that the quality of the Company's consolidated balance sheet and the defensive nature of its assets will continue to serve it well in the current environment and into the future.

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 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 2015, the Company was ranked twentieth in Corporate Knights Future 40 Responsible Corporate Leaders in Canada. This ranking evaluated more than 200 companies with revenues of less than \$2.0 billion dollars or maintaining fewer than 2,000 employees in 2013 for their sustainability and disclosure practices. In June 2015, the Company responded to the 2015 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, 2015, 103 projects comprising 3.3 million square feet of GLA were certified to LEED standards. Another 43 projects comprising 1.4 million square feet of GLA are registered for 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, 2015, 103 properties comprising 9.3 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 focused 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.

SUMMARY CONSOLIDATED INFORMATION AND HIGHLIGHTS

As at December 31	2015	2014	2013
Operations Information			
Number of properties	158	158	164
GLA (square feet)	24,431,000	24,331,000	24,462,000
Occupancy – Same Property – stable ⁽¹⁾	95.8%	96.8%	96.1%
Total portfolio occupancy	94.8%	96.0%	95.5%
Development pipeline and adjacent land (GLA) ⁽²⁾			
Retail pipeline	3,326,000	2,421,000	3,181,000
Residential pipeline ⁽³⁾	10,612,000	N/A	N/A
Average rate per occupied square foot	\$ 18.84	\$ 18.42	\$ 17.96
GLA developed and brought online	248,000	289,000	518,000
Same Property – stable NOI – increase over prior year ^{(1) (4)}	4.1%	2.8%	2.7%
Total Same Property NOI – increase over prior year ^{(1) (4)}	3.7%	3.2%	3.7%
Financial Information			
Investment properties – shopping centres ⁽⁵⁾	\$ 7,870,719	\$ 7,474,329	\$ 7,126,008
Investment properties – development land ⁽⁵⁾	\$ 36,353	\$ 35,462	\$ 166,043
Total assets	\$ 8,278,526	\$ 7,908,184	\$ 7,596,255
Mortgages ⁽⁵⁾	\$ 1,024,002	\$ 1,165,625	\$ 1,358,798
Credit facilities	\$ 224,635	\$ 7,785	\$ 7,785
Senior unsecured debentures	\$ 2,244,091	\$ 2,149,174	\$ 1,861,953
Convertible debentures	\$ 327,343	\$ 373,277	\$ 374,012
Shareholders' equity	\$ 3,639,952	\$ 3,470,271	\$ 3,319,370
Capitalization and Leverage			
Shares outstanding (in thousands)	225,538	216,374	208,356
Enterprise value ⁽⁶⁾	\$ 8,031,000	\$ 7,762,000	\$ 7,319,000
Net debt to total assets ^{(6) (7) (8)}	42.9%	42.2%	42.9%
Weighted average maturity on mortgages and senior unsecured debentures (years)	5.5	5.9	5.9

	Year ended December 31		
	2015	2014	2013
Revenues, Income and Cash Flows			
Revenues and other income ⁽⁹⁾	\$ 672,494	\$ 661,438	\$ 642,106
Net operating income ("NOI") ⁽⁹⁾⁽¹⁰⁾	\$ 411,743	\$ 406,909	\$ 398,010
Increase in value of investment properties, net ⁽⁹⁾	\$ 37,773	\$ 42,078	\$ 60,833
Net income attributable to common shareholders	\$ 203,865	\$ 196,748	\$ 214,863
Net income per share attributable to common shareholders (diluted)	\$ 0.91	\$ 0.92	\$ 1.01
Cash provided by operating activities	\$ 244,433	\$ 271,861	\$ 214,846
Adjusted cash flow from operating activities ⁽⁶⁾	\$ 243,922	\$ 236,293	\$ 228,238
Dividends			
Regular dividends	\$ 192,781	\$ 181,317	\$ 175,092
Regular dividends per common share	\$ 0.86	\$ 0.85	\$ 0.84
Weighted average number of common shares – diluted (in thousands)	235,870	230,533	229,948
Funds from Operations ("FFO") ⁽¹⁰⁾			
Operating FFO ⁽¹⁰⁾⁽¹²⁾	\$ 236,069	\$ 220,299	\$ 214,528
Operating FFO per diluted share	\$ 1.05	\$ 1.04	\$ 1.03
Operating FFO payout ratio	81.9%	81.7%	81.6%
FFO	\$ 221,265 ⁽¹¹⁾	\$ 208,977	\$ 215,543
FFO per diluted share	\$ 0.99 ⁽¹¹⁾	\$ 0.98	\$ 1.03
FFO payout ratio	86.9% ⁽¹¹⁾	86.7%	81.6%
Adjusted Funds from Operations ("AFFO") ⁽¹⁰⁾			
Operating AFFO ⁽¹⁰⁾⁽¹³⁾	\$ 242,808	\$ 228,617	\$ 218,543
Operating AFFO per diluted share	\$ 1.02	\$ 1.00	\$ 0.97
Operating AFFO payout ratio	84.3%	85.0%	86.6%
AFFO	\$ 243,592	\$ 229,770	\$ 225,210
AFFO per diluted share	\$ 1.03	\$ 1.01	\$ 1.00
AFFO payout ratio	83.5%	84.2%	84.0%

⁽¹⁾ Same Property – stable NOI and Total Same Property NOI are measures of operating performance not defined by IFRS. Refer to the "Business and Operations Review – Real Estate Investments - Investment Property Categories" section of this MD&A.

⁽²⁾ Square footage does not include potential development on properties held through the Company's Main and Main Developments LP ("Main and Main Developments") joint venture. Refer to the "Business and Operations Review – Properties Under Development – Main and Main Developments" section of this MD&A.

⁽³⁾ Prior year amounts have not been disclosed.

⁽⁴⁾ Calculated based on the year-to-date NOI.

⁽⁵⁾ Includes properties classified as held for sale.

⁽⁶⁾ Enterprise value, Net debt to total assets and Adjusted cash flow from operating activities are measures not defined by IFRS. Refer to the "Capital Structure and Liquidity – Capital Employed" section of this MD&A.

⁽⁷⁾ Calculated with joint ventures accounted for on the equity basis under IFRS, proportionately consolidated.

⁽⁸⁾ Calculated net of cash balances as at the end of the period.

⁽⁹⁾ Calculated excluding the Company's proportionate share of joint ventures accounted for on an equity basis under IFRS.

⁽¹⁰⁾ NOI, FFO, Operating FFO, AFFO and Operating AFFO are measures of operating performance not defined by IFRS. Refer to the "Results of Operations – Net Operating Income ("NOI"), Non-IFRS Supplemental Financial Measures" section of this MD&A.

⁽¹¹⁾ Refer to the organizational restructuring discussion under the "Outlook and Current Business Environment" section of this MD&A for related impact.

⁽¹²⁾ Previously referred to as "FFO excluding other gains (losses) and (expenses)" in the Company's 2014 Annual Report.

⁽¹³⁾ Previously referred to as "AFFO excluding other gains (losses) and (expenses)" in the Company's 2014 Annual Report.

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 better reflect 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 redevelopment activities or to major redevelopment.

Same Property with redevelopment – 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 in close proximity 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 – consists of properties that meet the held for sale criteria under International Financial Reporting Standards ("IFRS").

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 Balance Sheets 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 include the Company's two equity accounted joint ventures, net of non-controlling interests, and its share of revenues, expenses, assets and liabilities at the Company's ownership interest.

Management presents the proportionate share of the Company's interests in its two joint ventures in the determination of many key performance measures. Management views this method as relevant in demonstrating the Company's ability to manage and monitor the underlying financial performance and cash flows of the related investments. This presentation also depicts the extent to which the underlying assets are leveraged, which are included in the Company's debt metrics.

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

<i>As at</i>	December 31, 2015		December 31, 2014	
	Consolidated Balance Sheet ⁽¹⁾	Adjustments to Proportionate Interest	Proportionate Interest	Proportionate Interest
ASSETS				
Investment properties – shopping centres	\$ 7,779,482	\$ 105,141	\$ 7,884,623	\$ 7,364,745
Investment properties – development land	29,853	50,702	80,555	53,776
Investment in joint ventures	160,119	(160,119)	—	—
Investment properties classified as held for sale	97,737	—	97,737	205,133
Other	211,335	10,056	221,391	267,778
Total assets	\$ 8,278,526	\$ 5,780	\$ 8,284,306	\$ 7,891,432
LIABILITIES				
Mortgages	\$ 1,024,002	\$ 2,662	\$ 1,026,664	\$ 1,176,038
Credit facilities	224,635	30,953	255,588	7,785
Other	3,361,575	527	3,362,102	3,237,338
Total liabilities	4,610,212	34,142	4,644,354	4,421,161
EQUITY				
Shareholders' equity	3,639,952	—	3,639,952	3,470,271
Non-controlling interest	28,362	(28,362)	—	—
Total equity	3,668,314	(28,362)	3,639,952	3,470,271
Total liabilities and equity	\$ 8,278,526	\$ 5,780	\$ 8,284,306	\$ 7,891,432

⁽¹⁾ Certain assets & liabilities have been grouped for purposes of this reconciliation.

Portfolio Overview

As at December 31, 2015, the Company had interests in 158 investment properties – shopping centres, that were 94.8% occupied with a total GLA of 24.4 million square feet. This compares to 158 investment properties – shopping centres which were 96.0% occupied with a total GLA of 24.3 million square feet as at December 31, 2014. The average size of the shopping centres is approximately 155,000 square feet, ranging from approximately 9,200 to over 577,000 square feet.

The Same Property portfolio includes shopping centres categorized in Same Property – stable and Same Property with redevelopment. The Same Property portfolio is comprised of 144 properties totaling 21.2 million square feet of GLA with a fair value of \$6.4 billion. These properties represent 91.1% of the Company's property count, 86.9% of its GLA and 80.0% of its fair value. During the year ended December 31, 2015, these properties generated \$358.2 million of NOI which is 85.9% of the Company's total NOI.

The balance of the Company's real estate assets consists of shopping centres with significant value enhancement opportunities which are in various stages of redevelopment, shopping centres acquired in 2015 or 2014 and properties in close proximity to them as well as properties held for sale.

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

As at	December 31, 2015					December 31, 2014				
	Number of Properties	GLA (000s sq. ft.)	Fair Value	Occupancy	Weighted Average Rate per Occupied Square Foot	Number of Properties	GLA (000s sq. ft.)	Fair Value	Occupancy	Weighted Average Rate per Occupied Square Foot
<i>(millions of dollars, except other data)</i>										
Same Property – stable	129	18,463	\$ 5,691	95.8%	\$ 18.71	128	18,511	\$ 5,486	96.8%	\$ 18.48
Same Property with redevelopment	15	2,762	689	96.4%	16.63	15	2,663	640	96.9%	16.38
Total Same Property	144	21,225	6,380	95.9%	18.44	143	21,174	6,126	96.8%	18.22
Major redevelopment	8	1,907	904	83.5%	22.55	8	1,887	866	89.5%	20.45
Ground-up development	3	601	313	93.2%	17.84	3	528	264	90.9%	18.55
Acquisitions – 2015 ⁽¹⁾	—	98	81	87.1%	35.99	—	—	—	—%	—
Acquisitions – 2014	2	468	207	92.7%	26.86	2	473	192	92.0%	26.40
Investment properties classified as held for sale ⁽²⁾⁽³⁾	1	132	91	100.0%	13.49	1	132	81	100.0%	13.07
Dispositions – 2015	—	—	—	—%	—	1	137	22	93.1%	12.65
Total	158	24,431	\$ 7,976	94.8%	\$ 18.84	158	24,331	\$ 7,551	96.0%	\$ 18.42

⁽¹⁾ Properties in close proximity to existing properties.

⁽²⁾ The number of properties and GLA exclude a shopping centre that is 50% held for sale. The GLA and property count for this shopping centre is included in Same Property with redevelopment.

⁽³⁾ The fair value excludes development land held for sale of \$6.5 million.

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

As at	December 31, 2015							December 31, 2014					
<i>(millions of dollars, except other data)</i>	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	6,601	\$ 2,825	96.4%	\$ 21.96	33%	44	6,637	\$ 2,674	96.6%	\$ 21.23	32%	
Golden Horseshoe Area	8	1,570	383	97.1%	15.64	6%	8	1,604	382	99.0%	15.11	6%	
London Area	7	777	163	96.3%	14.82	3%	7	691	166	98.0%	15.40	3%	
	59	8,948	3,371	96.5%	20.23	42%	59	8,932	3,222	97.1%	19.66	41%	
Eastern Region													
Greater Montreal Area	34	4,891	1,199	90.8%	15.33	16%	35	5,019	1,173	93.6%	15.02	17%	
Greater Ottawa Area	11	1,990	465	95.9%	16.72	6%	11	1,964	427	97.1%	16.61	7%	
Quebec City	5	1,011	175	95.6%	10.82	3%	5	1,009	168	96.1%	11.20	3%	
Other	2	215	37	100.0%	12.94	—%	1	121	23	98.2%	13.90	—%	
	52	8,107	1,876	92.9%	15.04	25%	52	8,113	1,791	94.8%	14.91	27%	
Western Region													
Greater Calgary Area	15	2,553	977	97.6%	22.54	13%	15	2,454	911	98.3%	21.81	12%	
Greater Vancouver Area	19	2,177	927	94.5%	22.26	10%	19	2,192	870	93.8%	22.22	10%	
Greater Edmonton Area	12	2,402	752	92.1%	18.91	9%	12	2,396	684	95.0%	18.38	9%	
Red Deer	1	244	73	95.2%	20.17	1%	1	244	73	98.8%	19.73	1%	
	47	7,376	2,729	94.8%	21.23	33%	47	7,286	2,538	95.9%	20.74	32%	
Total	158	24,431	\$ 7,976	94.8%	\$ 18.84	100%	158	24,331	\$ 7,551	96.0%	\$ 18.42	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 \$3.7 billion (2014 - \$3.5 billion) or 46% (2014 - 46%) of the Company's aggregate \$8.0 billion value. These assets, as a percentage of the Company's aggregate value, reflects the Company's focus on larger, but fewer strategic assets in its target urban markets.

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 as follows:

<i>(millions of dollars)</i>	Year ended December 31	
	2015	2014
Balance at beginning of period	\$ 7,474	\$ 7,126
Acquisitions		
Shopping centres and additional adjacent spaces	95	170
Land parcels in close proximity to existing properties	1	38
Development activities and property improvements	275	246
Reclassifications from development land	2	41
Reclassification from residential development inventory	—	25
Increase (decrease) in value of investment properties, net	40	47
Dispositions	(23)	(184)
Reclassification to equity accounted joint ventures	—	(34)
Other changes	7	(1)
Balance at end of period	\$ 7,871	\$ 7,474
Investment in joint ventures – shopping centres ⁽¹⁾	105	77
Proportionate interest end of period ⁽²⁾	\$ 7,976	\$ 7,551

⁽¹⁾ At the Company's proportionate interest.

⁽²⁾ Includes investment properties classified as held for sale as at December 31, 2015 and 2014 totaling \$91 million and \$187 million, respectively.

2015 Acquisitions

Income-producing properties – Shopping Centres and Additional Adjacent Spaces

During the year ended December 31, 2015, the Company acquired ten properties in close proximity to existing shopping centres, as summarized in the table below:

Count	Property	City/Province	Quarter Acquired	GLA (square feet)	Acquisition Cost (in millions)
1.	880-16th Ave., 1508-8th Street (Mount Royal Village)	Calgary, AB	Q1	42,400	\$ 23.4
2.	Yorkville Village adjacent properties	Toronto, ON	Q1-Q3	—	2.3
3.	1030 King St. West (Shops at King Liberty)	Toronto, ON	Q2	17,900	25.7
4.	930, 932-17th Ave. SW (Mount Royal Village)	Calgary, AB	Q2	9,600	6.0
5.	43 Hanna Ave. (Shops at King Liberty)	Toronto, ON	Q3	1,200	0.8
6.	97 McKenzie Town Blvd. (McKenzie Towne Centre)	Calgary, AB	Q3	7,900	7.5
7.	850-16th Avenue (Mount Royal Village)	Calgary, AB	Q3	10,600	6.2
8.	3270 Rue Langelier (Centre Commercial Domaine)	Montreal, QC	Q4	16,600	2.8
9.	1000 Wellington (Griffintown)	Montreal, QC	Q4	22,400	14.3
10.	3903-3945, 34 St. NW (Meadowbrook II) ⁽¹⁾	Edmonton, AB	Q4	28,600	6.3
	Total			157,200	\$ 95.3

⁽¹⁾ The Company previously owned 50% interest in the property, and the Company acquired the remaining 50% interest in 2015. The square footage acquired was previously included in the Company's total gross leasable area.

Development Properties

During the year ended December 31, 2015, the Company invested \$1.4 million in the acquisition of two development properties, comprising 0.2 acres for future development of retail and mixed-use space, as summarized in the table below:

Count	Property Name	City/Province	Quarter Acquired	Acreage	Acquisition Cost (in millions)	
Land parcels adjacent to existing properties						
1.	3009 Blvd. St-Charles (Centre Kirkland-St. Charles)	Kirkland, QC	Q2	0.2	\$	0.9
2.	1200 Block of Marine Drive (Pemberton Plaza)	North Vancouver, BC	Q2	—		0.5
Total land parcels adjacent to existing properties				0.2	\$	1.4

2014 Acquisitions

Income-producing Properties – Shopping Centres and Additional Adjacent Spaces

2014 income producing property acquisitions are summarized in the table below:

Count	Property Name	City/Province	Quarter Acquired	GLA (square feet)	Acreage	Acquisition Cost (in millions)	
1.	Seton Gateway	Calgary, AB	Q1	128,000	—	\$	36.6
2.	Plaza Baie d'Urfe, 90 Morgan St. (Centre Commerciale Beaconsfield)	Baie d'Urfe, QC	Q1	60,600	—		9.4
3.	10416 – 80 Avenue (Old Strathcona)	Edmonton, AB	Q1	14,000	—		3.0
4.	8031 Williams Road (Broadmoor Shopping Centre)	Richmond, BC	Q1	—	0.3		1.8
5.	Shops at King Liberty (adjacent property)	Toronto, ON	Q1	— ⁽¹⁾	—		1.4
6.	Kingsway Mews (adjacent land)	Edmonton, AB	Q1	—	0.3		0.5
7.	25 Industrial Road (Leaside Village Assets)	Toronto, ON	Q2	—	1.3		2.9
8.	Douglas Crescent (Langley Mall)	Langley, BC	Q2	—	0.5		0.8
9.	100 Peel St. (Griffintown)	Montreal, QC	Q3	127,000	—		42.2
10.	Shops of Oakville South (South Oakville Properties)	Toronto, ON	Q3	99,000	—		27.1 ⁽²⁾
11.	801 Columbia Street (Shops at New West)	New Westminster, BC	Q3	—	0.2		2.2
12.	150 East Liberty Street (Shops at King Liberty)	Toronto, ON	Q3	1,000	—		1.4
13.	Yorkville Village Assets (adjacent properties)	Toronto, ON	Q1-Q4	28,200	0.1		32.8
14.	Lanaudiere Assets	Montreal, QC	Q4	—	— ⁽¹⁾		32.6
15.	Tim Horton's (Place Quatre Bourgeois)	Quebec City, QC	Q4	3,200	—	\$	3.2
16.	3080 Yonge Street (adjacent land)	Toronto, ON	Q4	—	—		2.6
17.	940 17th Avenue SW (Mount Royal Village)	Calgary, AB	Q4	7,100	—		4.6
18.	128 Atlantic Avenue (Shops at King Liberty)	Toronto, ON	Q4	1,000	—		1.4
19.	The Brewery District (land parcel)	Edmonton, AB	Q4	—	0.8		1.4
Total				469,100	3.5	\$	207.9

⁽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 Properties

2014 development land acquisitions are summarized in the table below:

Count	Property Name	City/Province	Quarter Acquired	Acreage	Acquisition Cost (in millions)
1.	Main and Main Developments ⁽¹⁾	Toronto, ON	Q1	0.2	\$ 3.6
2.	Main and Main Developments ⁽¹⁾	Toronto, ON	Q2	0.2	15.4
Total				0.4	\$ 19.0

⁽¹⁾ Refer to the "2015 Investment Property Development and Redevelopment Activities – Main and Main Developments" section of this MD&A.

2015 Dispositions

During the year ended December 31, 2015, the Company sold three properties, representing 136,700 square feet of GLA for gross proceeds of \$23.1 million. These dispositions are in line with the Company's strategy of increasing the portfolio's focus on core urban markets.

Count	Property Name	City/Province	Quarter Sold	GLA (square feet)	Acreage	Gross Sales Price (in millions)
1.	Plaza Delson	Delson, QC	Q1	136,700	—	
2.	717 Hillside Ave.	Toronto, ON	Q2	—	0.1	
3.	497-501 Wellington Rd.	London, ON	Q3	—	0.6	
Total				136,700	0.7	\$ 23.1

2014 Dispositions

2014 dispositions are summarized in the table below:

Count	Property Name	City/Province	Quarter Sold	GLA (square feet)	Acreage	Gross Sales Price (in millions)
1.	Village des Valeurs	Laval, QC	Q1	26,800	—	
2.	Kingsway Mews (land portion)	Edmonton, AB	Q1	—	0.2	
3.	Longwood Station	Nanaimo, BC	Q2	104,200	—	
4.	Creditview & Mayfield	Brampton, ON	Q2	—	10.8	
5.	Burnhamthorpe & Trafalgar	Oakville, ON	Q2	—	12.5	
6.	The Brewery District (land parcel) ⁽¹⁾	Edmonton, AB	Q2	—	0.6	
7.	800 King Street ⁽²⁾	Toronto, ON	Q2	—	—	
8.	Belmont Professional Centre	Kitchener, ON	Q3	46,500	—	
9.	Coronation Medical Centre	Kitchener, ON	Q3	35,100	—	
10.	Main and Main Developments	Toronto, ON	Q3	—	8.9	
11.	Northfield Centre	Kitchener, ON	Q4	52,400	—	
12.	31 Sunpark Plaza	Calgary, AB	Q4	124,700	—	
13.	Nepean Medical Centre	Ottawa, ON	Q4	46,900	—	
14.	Place Bordeaux	Gatineau, QC	Q4	29,000	—	
15.	Valley Creek Plaza	Mississauga, ON	Q4	23,200	—	
16.	Plaza Delson	Delson, QC	Q4	49,200	15.1	
Total				538,000	48.1	\$ 245.7

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

⁽²⁾ Refer to the "2015 Investment Property Development and Redevelopment Activities – Main and Main Developments" section of this MD&A for additional information.

Impact of Acquisitions and Dispositions on 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, 2015 and 2014 is as follows:

	Run rate NOI of properties acquired		Run rate NOI of properties sold	
	2015	2014	2015	2014
Central Region	\$ 902	\$ 1,776	\$ —	\$ 6,594
Eastern Region	615	5,420	1,510	1,850
Western Region	2,340	2,511	—	4,281
Total	\$ 3,857	\$ 9,707	\$ 1,510	\$ 12,725

Capital Expenditures

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 generally not recoverable from tenants. However, certain leases provide the ability to recover from tenants, over time, a portion of capital expenditures to maintain the physical aspects of the Company's shopping centres. Revenue sustaining capital expenditures generally include tenant improvement costs related to new and renewal leasing, and capital expenditures required to maintain the physical aspects of the shopping centres, such as roof replacements 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, a strategic repositioning after an acquisition, or in advance of a planned disposition to maximize the potential sale price. 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 redeveloped to meet the Company's standards. The Company also considers property age, the potential effects on occupancy and future rent per square foot, the time leasable space has been vacant and other factors when assessing whether a capital expenditure is revenue enhancing or sustaining.

Capital expenditures incurred in development and redevelopment projects include pre-development costs, direct construction costs, leasing costs, tenant improvements, borrowing costs, and overhead including applicable salaries and other direct costs of internal staff directly attributable to the projects under active development.

Capital expenditures on investment properties by type and property category are as follows:

Year ended December 31	2015		2014	
	Total Same Property	Other Property Categories	Total	Total
Revenue sustaining	\$ 18,394	\$ —	\$ 18,394	\$ 15,822
Revenue enhancing	44,076	2,799	46,875	48,269
Expenditures recoverable from tenants	9,991	277	10,268	11,518
Development expenditures	29,378	171,060	200,438	177,892
Total	\$ 101,839	\$ 174,136	\$ 275,975	\$ 253,501

MANAGEMENT'S DISCUSSION AND ANALYSIS – continued

During the year ended December 31, 2015, capital expenditures totaled \$276.0 million compared to \$253.5 million for the prior year. The \$22.5 million increase was primarily the result of higher development expenditures related to large ground-up and major redevelopment projects underway during the year ended December 31, 2015 including Yorkville Village, King High Line and The Edmonton Brewery District. Revenue sustaining capital expenditures increased by \$2.6 million over the prior year primarily as a result of a major infrastructure project undertaken and completed at a property during 2015.

Fair Valuation of Investment Properties

During the year ended December 31, 2015, the weighted average stabilized capitalization rate of the Company's investment property portfolio decreased from 5.8% as at December 31, 2014 to 5.7%, including the impact of dispositions, acquisitions, and development activities. The Company experienced a decrease in the weighted average stabilized capitalization rate due to capitalization rate compression throughout the portfolio, primarily in the Greater Vancouver Area. The Company's proportionate interest in the net increase in value of investment properties was \$45.0 million for the year ended December 31, 2015.

The values of the Company's proportionate interest in its shopping centres and associated capitalization rates by region were as follows as at December 31, 2015 and December 31, 2014:

As at December 31, 2015					
<i>(millions of dollars, except other data)</i>	Number of Properties	Capitalization Rate			Fair Value
		Weighted Average	Median	Range	
Central Region	59	5.5%	5.8%	4.5%-7.5%	\$ 3,371
Eastern Region	52	6.1%	6.0%	5.3%-7.5%	1,876
Western Region	47	5.5%	5.8%	4.5%-6.5%	2,729
Total or Weighted Average	158	5.7%	5.8%	4.5%-7.5%	\$ 7,976

As at December 31, 2014					
<i>(millions of dollars, except other data)</i>	Number of Properties	Capitalization Rate			Fair Value
		Weighted Average	Median	Range	
Central Region	59	5.6%	5.8%	4.8%-8.2%	\$ 3,222
Eastern Region	52	6.2%	6.0%	5.0%-7.5%	1,791
Western Region	47	5.7%	5.8%	5.0%-7.0%	2,538
Total or Weighted Average	158	5.8%	6.0%	4.8%-8.2%	\$ 7,551

Properties Under Development

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 activities include redevelopment on stable properties, major redevelopment, and ground-up projects. Additionally, properties under development include land with future development potential. All development activities are strategically managed to reduce risk, and properties are generally developed after obtaining anchor lease commitments. Individual buildings within a development are generally constructed only after obtaining commitments on a substantial portion of the space.

Development Pipeline

The Company has identified approximately 13.9 million square feet of incremental density available in the portfolio for future development of which 1.0 million square feet is currently under development.

A breakdown of the active development and incremental density within the portfolio by component and type is as follows:

As at December 31, 2015	Square Feet (in thousands)		
	Retail	Residential	Total
Active Development			
Same Property with redevelopment	53	—	53
Major redevelopment	254	—	254
Ground-up development	419	312	731
	726	312	1,038
Future uncommitted incremental density			
Medium term	1,600	5,800	7,400
Long term	1,000	4,500	5,500
	2,600	10,300	12,900
Total development pipeline	3,326	10,612	13,938

The Company will assess its course of action with respect to the 5.8 million square feet of uncommitted potential medium term residential density within its portfolio on a case by case basis given the specifics of each property. The Company's course of action for each property may include selling the property, selling the residential density rights, entering into a joint venture with a partner to develop the property or undertaking the development of the property on its own. The majority of this density is expected to commence development over the medium term (within approximately seven years).

The Company has additionally identified long term development potential of up to 1.0 million square feet of retail and 4.5 million square feet of residential GLA, which may become realizable over the longer term.

In addition to the Company's development pipeline, information regarding the development potential of the Company's Main and Main Developments joint venture can be found in the "Main and Main Developments" section of this MD&A.

Development Spend by Component

Development and redevelopment projects may occur in phases with the completed component of the project included in income-producing properties and the incomplete component included in properties under development. As at December 31, 2015, the Company had \$564 million of properties and land under development at invested cost.

A breakdown of invested cost on development activities by component is as follows:

As at December 31, 2015 (in millions of dollars)	Number of Properties	Square Feet ⁽¹⁾⁽²⁾ (in thousands)	Invested Cost		
			Active Development	Pre- Development	Total
Same Property with redevelopment	4	53	\$ 22	\$ 6	\$ 28
Major redevelopment	8	254	149	102	251
Ground-up development	3	731	128	19	147
Total 2015 development and redevelopment activities	15	1,038	\$ 299	\$ 127	\$ 426
Total development land and adjacent land parcels				\$ 138	\$ 138
Total				\$ 265	\$ 564

⁽¹⁾ Includes 312,000 square feet of residential rental apartments for which the Company's interest is 50%.

⁽²⁾ Square footage related to active development only.

2015 Development and Redevelopment Coming Online and Space Going Offline

Development and redevelopment coming online includes both leased and unleased space brought online 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 the three months and year ended December 31, 2015, the Company completed 102,000 and 248,000 square feet, respectively, in development and redevelopment activities. During the year, 235,000 square feet of this space was occupied at an average rental rate of \$28.72 per square foot, 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 and redevelopment activities.

For the three months ended December 31, 2015, the Company had tenant closures for redevelopment of 4,000 square feet at an average rental rate of \$26.93 per square foot. For the year ended December 31, 2015, the Company had tenant closures for redevelopment of 90,000 square feet at an average rental rate of \$17.06 per square foot. Of this 90,000 square feet, 30,000 square feet was demolished during the fourth quarter.

Active Development and Redevelopment Activities

The Company's properties with development and redevelopment activities currently in progress are expected to have a weighted average going-in NOI yield of 5.3% upon completion. 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 current forecast costs, if final lease terms include shortfalls from base rent, operating cost or property tax recoveries, or if there are other unforeseen events that cause actual results to differ from assumptions. The quality of the Company's construction is consistent with its strategy of long-term ownership and value creation, and factors in the Company's high standards in construction, lighting, parking, access, pedestrian amenities, accessibility, as well as development to LEED standards.

A summary of the Company's development and redevelopment activities is as follows:

As at December 31, 2015								
	Planned Square Feet Upon Completion	Existing Square Feet	Square Feet Under Development	Total Estimated Cost incl. Land	Under Active Development	Income- producing Properties	Estimated Cost to Complete	
	(in thousands)			at invested Cost (in millions)				
Same Property with redevelopment								
Active development	53	—	53	\$ 41	\$ 22	—	\$ 19	
Major redevelopment								
Active development	952	698	254	765	149	504	112	
Ground-up development								
Active development and at completion	1,332	601	731	444	128	202	114	
Total	2,337	1,299	1,038	\$ 1,250	\$ 299	\$ 706	\$ 245	

Costs to complete the development, redevelopment and expansion activities underway are estimated to be approximately \$245 million. Costs to complete Same Property related developments are planned at \$19 million in 2016. Costs to complete major redevelopments and ground-up developments, respectively, are planned at \$64 million and \$51 million in 2016, and \$48 million and \$63 million thereafter.

The Company's development and redevelopment activities are presented in the tables below by investment property category and additionally by development status (active development, at completion or in pre-development).

Same Property with Redevelopment

The Company classifies 15 properties as Same Property with redevelopment including the four properties listed in the table below, seven properties with projects completed in prior periods and four in early pre-development planning stage. Of the approximately 53,000 square feet under active redevelopment, 36,000 square feet is subject to committed leases at a weighted average rate of \$35.59 per square foot. The Company is currently in various stages of negotiations for the remaining planned space.

Highlights of the Company's Same Property with redevelopment projects as at December 31, 2015 are as follows:

As at December 31, 2015		(in millions)					
Count/Property	Tenants	Square Feet Under Development (in thousands)	Target Completion Date ⁽¹⁾	Total Estimated Cost incl. Land	Invested Cost	Estimated Cost to Complete	
Active redevelopment							
1.	Wellington Corners, London, ON	BMO	4	H1 2016	\$ 2	\$ 1	1
	Kingston Square, Toronto, ON ⁽²⁾	Tim Hortons, The Beer Store	8	H1 2016	8	6	2
2.	Pemberton Plaza, Vancouver, BC	TD Canada Trust, Willowbrae Childcare Academy	22	H1 2016	18	10	8
3.	Fairway Plaza, Kitchener, ON		15	H1 2016	9	4	5
4.	Loblaws Plaza, Ottawa, ON		4	H2 2016	4	1	3
Total Same Property with redevelopment			53		\$ 41	\$ 22	\$ 19

⁽¹⁾ H1 and H2 refer to the first six months of the year and the last six months of the year, respectively.

⁽²⁾ This property forms part of an existing stable income-producing property.

Major Redevelopment

The Company classifies eight properties as properties with major redevelopment activities. Of the approximately 254,000 square feet under active redevelopment, 95,000 square feet is subject to committed leases at a weighted average rate of \$33.95 per square foot. As construction on these redevelopment projects occurs in phases, there continue to be ongoing negotiations in various stages with certain retailers for the remaining planned space.

Highlights of the Company's current major redevelopment underway as at December 31, 2015, including costs for completed phases, are as follows:

As at December 31, 2015

Count/Property	Major Tenants/Development Status	(in thousands)			Target Completion Date ⁽²⁾	(in millions)			
		Planned Square Feet Upon Completion	Completed or Existing Square Feet ⁽¹⁾	Square Feet Under Development		Total Estimated Cost incl. Land	Invested Cost	Estimated Cost to Complete	
Active development									
1.	Yorkville Village Assets, Toronto, ON	Whole Foods Market, Equinox Fitness	285	226	59	H1 2017 ⁽³⁾	\$ 377	\$ 339	\$ 38
2.	Carre Lucerne Assets, Montreal, QC	Provigo, Pharmaprix, Scotiabank	118	80	38	H2 2017	55	52	3
3.	3080 Yonge Street, Toronto, ON	Loblaws	245	183	62	H2 2017	112	78	34
4.	Mount Royal Village Assets, Calgary, AB	London Drugs, Urban Fare, GoodLife Fitness, Canadian Tire	304	209	95	H1 2018	221	184	37
			952	698	254		\$ 765	\$ 653	\$ 112
Pre-development									
1.	Humbertown Shopping Centre, Toronto, ON	Advanced entitlements		108					
2.	Place Portobello Assets, Brossard, QC	Planning underway		577					
3.	Semiahmoo Shopping Centre, Surrey, BC	Planning underway		230					
4.	Macleod Trail Assets, Calgary, AB	Planning underway		300					
				1,215	—		\$ 102	\$ —	
Total major redevelopment				1,913	254		\$ 765	\$ 755	\$ 112

⁽¹⁾ Includes vacant units held for redevelopment.

⁽²⁾ H1 and H2 refer to the first six months of the year and the last six months of the year, respectively.

⁽³⁾ Mall completion is H1 2017; partial redevelopment of street assets is 2018 and beyond.

Ground-up Development

The Company classifies three properties as ground-up development properties underway or completed. Properties under active development are comprised of approximately 731,000 square feet of which 419,000 square feet is retail space, including 101,000 square feet subject to committed leases at a weighted average rate of \$27.61 per square foot, and 312,000 square feet is residential rental apartments. As construction on ground-up developments occurs in phases, there continues to be ongoing negotiations in various stages with retailers for the remaining planned space.

Highlights of the Company's current ground-up projects underway as at December 31, 2015, including costs for completed phases, are as follows:

As at December 31, 2015									
Count/Property	Major Tenants/Development Status	(in thousands)			Target Completion Date ⁽⁴⁾	(in millions)			
		Planned Square Feet Upon Completion	Completed or Existing Square Feet ⁽¹⁾	Square Feet Under Development		Total Estimated Cost incl. Land	Invested Cost	Estimated Cost to Complete	
Active development									
1.	The Brewery District Edmonton, AB ⁽¹⁾	Loblaws City Market, GoodLife Fitness, Shoppers Drug Mart, Mountain Equipment Co-op	308	43	265	H2 2017	\$ 90	\$ 62	\$ 28
	King High Line (Shops at King Liberty), Toronto, ON ⁽¹⁾⁽²⁾⁽³⁾		466	—	466	H2 2018	155	72	83
			774	43	731		\$ 245	\$ 134	\$ 111
At completion									
1.	Place Viau Assets, Montreal, QC	Walmart, Michaels, Marshalls, Dollarama	335	335	—	H1 2015	\$ 144	\$ 141	\$ 3
2.	Carrefour du Plateau-des-Grives, Gatineau, QC	Canadian Tire, Sports Experts	223	223	—	H1 2015	55	55	—
			558	558	—		\$ 199	\$ 196	\$ 3
Pre-development									
	Rutherford Marketplace, Vaughan, ON (Residential) ⁽²⁾		—	—	—		\$	19	
			—	—	—		\$	19	
Total ground-up development			1,332	601	731		\$ 444	\$ 349	\$ 114

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

⁽²⁾ These land parcels are additional phases forming part of existing stable income-producing properties.

⁽³⁾ The square feet under development comprises 154,000 square feet of retail and 312,000 square feet of residential space. The Company and its development partner have entered into a binding agreement to sell, upon substantial completion, a 1/3 managing interest in the residential component of the property to Canadian Apartment Properties REIT.

⁽⁴⁾ H1 and H2 refer to the first six months of the year and the last six months of the year, respectively.

Main and Main Developments

The Company has an interest in a Toronto and Ottawa urban development partnership (known as M+M Urban Realty LP (“Main and Main Urban Realty”)) between the Company, Main and Main Developments (itself, a joint venture between the Company and a private developer) and a prominent Canadian institutional investor. The partners of Main and Main Urban Realty have collectively committed a total of \$320.0 million of equity capital for current and future growth and the 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 \$96.7 million has been invested as at December 31, 2015). Main and Main Developments was retained to provide asset and property management services for the real estate portfolio.

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-served, 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 22 assembly projects are located on a major street in Toronto or Ottawa. Two projects are in the active development phase and seven projects are in the pre-development planning stage. As at December 31, 2015, the fair value of the Main and Main Urban Realty property portfolio was approximately \$248.1 million.

Main and Main Urban Realty has identified a total of approximately 2.5 million square feet of additional GLA available in its portfolio, comprised of 0.5 million square feet for future retail and 2.0 million square feet for future residential development. The Company's proportionate interest in Main and Main Urban Realty is 37.7%.

Leasing and Occupancy

Total Same Property occupancy decreased from 96.8% as at December 31, 2014 to 95.9% as at December 31, 2015 primarily as a result of the closure of a Target store in the second quarter, as well as the closure of a Canadian Tire store in the third quarter. Total portfolio occupancy, which decreased from 96.0% as at December 31, 2014 to 94.8% as at December 31, 2015, was primarily driven by the decrease in total Same Property occupancy, as well as the closure of another Target store (included in the major redevelopment property category), partially offset by the impact of the Company's leasing, development and redevelopment initiatives.

Occupancy of the Company's shopping centre portfolio by property categorization was as follows:

As at	December 31, 2015			December 31, 2014		
	Total Occupied Square Feet	% Occupied	Weighted Average Rate per Occupied Square Foot	Total Occupied Square Feet	% Occupied	Weighted Average Rate per Occupied Square Foot
<i>(square feet in thousands, except other data)</i>						
Same Property – stable	17,693	95.8%	\$ 18.71	17,911	96.8%	\$ 18.48
Same Property with redevelopment	2,662	96.4%	16.63	2,582	96.9%	16.38
Total Same Property	20,355	95.9%	18.44	20,493	96.8%	18.22
Major redevelopment	1,593	83.5%	22.55	1,690	89.5%	20.45
Ground-up development	560	93.2%	17.84	480	90.9%	18.55
Investment properties classified as held for sale	132	100.0%	13.49	132	100.0%	13.07
Total portfolio before acquisitions and dispositions	22,640	94.9%	18.68	22,795	96.1%	18.36
Acquisitions – 2015	85	87.1%	35.99	—	—%	—
Acquisitions – 2014	434	92.7%	26.86	434	92.0%	26.40
Dispositions – 2015	—	—%	—	127	93.1%	12.65
Total	23,159	94.8%	\$ 18.84	23,356	96.0%	\$ 18.42

During the three months ended December 31, 2015, the Company achieved a 7.6% overall rate increase per occupied square foot on 327,000 square feet of renewal leases over the expiring lease rates, of which the rate increase for the Same Property portfolio was 7.9% on 273,000 square feet of renewals.

The average rental rate per occupied square foot for the total portfolio increased from \$18.83 as at September 30, 2015 to \$18.84 as at December 31, 2015 primarily due to rent escalations.

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

Three months ended December 31, 2015	Total Same Property			Major redevelopment, ground-up, acquisitions and dispositions			Vacancy				Total Portfolio		
	Occupied Square Feet (thousands)	%	Weighted Average Rate per Occupied Square Foot	Occupied Square Feet (thousands)	%	Weighted Average Rate per Occupied Square Foot	Under Redevelopment Square Feet (thousands)	%	Vacant Square Feet (thousands)	%	Total Square Feet (thousands)	Occupied Square Feet %	Weighted Average Rate per Occupied Square Foot
September 30, 2015 ⁽¹⁾	20,243	95.8%	\$ 18.50	2,721	87.3%	\$ 21.28	163	0.7%	1,129	4.7%	24,256	94.7%	\$ 18.83
Tenant openings	206		16.83	21		15.98	—		(227)		—		16.75
Tenant closures	(183)		(19.19)	(27)		(18.62)	—		210		—		(19.12)
Tenant closures for redevelopment	(2)		(35.00)	(2)		(15.44)	4		—		—		(26.93)
Developments – tenant openings coming online ⁽²⁾	4		22.85	98		25.41	—		—		102		25.31
Demolitions	—		—	—		—	(30)		—		(30)		—
Reclassification	87		—	(23)		—	(4)		7		67		—
Total portfolio before 2015 acquisitions and dispositions	20,355	96.0%	\$ 18.44	2,788	87.6%	\$ 21.65	133	0.5%	1,119	4.6%	24,395	94.9%	\$ 18.83
Acquisitions (at date of acquisition)	—	—%	—	16	70.8%	40.58	—		20		36	44.4%	40.58
December 31, 2015	20,355	95.9%	\$ 18.44	2,804	87.5%	\$ 21.75	133	0.5%	1,139	4.7%	24,431	94.8%	\$ 18.84
Renewals	273		\$ 22.35	54		\$ 24.61					327		\$ 22.73
Renewals – expired	(273)		\$(20.71)	(54)		\$(23.25)					(327)		\$(21.13)
Net change per square foot from renewals			\$ 1.64			\$ 1.36							\$ 1.60
% Increase on renewal of expiring rents			7.9 %			5.8 %							7.6 %

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

⁽²⁾ For further discussion of development and redevelopment coming online and under development vacancy, refer to the "Properties Under Development – 2015 Development and Redevelopment Coming Online and Space Going Offline" section of this MD&A.

During the year ended December 31, 2015, the Company achieved a 8.6% overall rate increase per occupied square foot on 1,761,000 square feet of renewal leases over the expiring lease rates, of which the rate increase for the Same Property portfolio was 9.2% on 1,607,000 square feet of renewals.

The average rental rate per occupied square foot for the total portfolio increased from \$18.42 as at December 31, 2014 to \$18.84 as at December 31, 2015 primarily due to rent escalations. 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS – continued

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

Year ended December 31, 2015	Total Same Property			Major redevelopment, ground-up, acquisitions and dispositions			Vacancy				Total Portfolio		
	Occupied Square Feet (thousands)	%	Weighted Average Rate per Occupied Square Foot	Occupied Square Feet (thousands)	%	Weighted Average Rate per Occupied Square Foot	Under Redevelopment Square Feet (thousands)	%	Vacant Square Feet (thousands)	%	Total Square Feet (thousands)	Occupied Square Feet %	Weighted Average Rate per Occupied Square Foot
December 31, 2014 ⁽¹⁾	20,493	96.8%	\$ 18.21	2,863	90.7%	\$ 19.87	84	0.3%	891	3.7%	24,331	96.0%	\$ 18.42
Tenant openings	661		18.20	87		20.85	—		(748)		—		18.51
Tenant closures	(924)		(16.71)	(228)		(13.74)	—		1,152		—		(16.12)
Tenant closures for redevelopment	(30)		(22.41)	(60)		(14.39)	90		—		—		(17.06)
Developments – tenant openings coming online ⁽²⁾	37		24.56	198		29.49	—		13		248		28.72
Demolitions	—		—	—		—	(93)		(75)		(168)		—
Reclassification	110		—	(14)		—	52		(117)		31		—
Total portfolio before 2015 acquisitions and dispositions	20,347	96.0%	\$ 18.45	2,846	87.9%	\$ 20.86	133	0.5%	1,116	4.6%	24,442	94.9%	\$ 18.74
Acquisitions (at date of acquisition)	8	37.7%	25.10	85	81.9%	35.74	—		33		126	73.8%	34.83
Dispositions (at date of disposition)	—	—	—	(127)	93.1%	(12.65)	—		(10)		(137)	92.7%	(12.65)
December 31, 2015	20,355	95.9%	\$ 18.44	2,804	87.5%	\$ 21.75	133	0.5%	1,139	4.7%	24,431	94.8%	\$ 18.84
Renewals	1,607		\$ 20.12	154		\$ 25.79					1,761		\$ 20.62
Renewals – expired	(1,607)		\$ (18.42)	(154)		\$ (24.94)					(1,761)		\$ (18.99)
Net change per square foot from renewals			\$ 1.70			\$ 0.85							\$ 1.63
% Increase on renewal of expiring rents			9.2%			3.4%							8.6%
% Increase in rate per square foot – openings versus all closures			7.8%			50.3%							14.3%

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

⁽²⁾ For further discussion of development and redevelopment coming online and under development vacancy, refer to the "Properties Under Development – 2015 Development and Redevelopment Coming Online and Space Going Offline" section of this MD&A.

Top Forty Tenants

As at December 31, 2015, 54.9% of the Company's annualized minimum rent came from its top 40 tenants (December 31, 2014 – 55.1%). Of these rents, 76.1% came from tenants that have investment grade credit ratings and who represent many of Canada's leading supermarkets, drugstores, national and discount retailers, banks and other familiar shopping destinations. The weighted average lease term for the Company's top 10 tenants was 6.5 years as at December 31, 2015, excluding contractual renewal options.

Rank	Tenant ^{(1) (2)}	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.	Loblaw Companies Limited ("Loblaw")	100	2,484	10.2%	10.4%	BBB	BBB	
2.	Sobeys	55	1,946	8.0%	6.6%	BBB (low)	BBB-	
3.	Metro	33	1,172	4.8%	3.5%	BBB	BBB	
4.	Walmart	15	1,483	6.1%	3.0%	AA	AA	Aa2
5.	Canadian Tire	25	855	3.5%	2.8%	BBB (high)	BBB+	
6.	TD Canada Trust	46	243	1.0%	2.1%	AA	AA-	Aa1
7.	RBC Royal Bank	47	250	1.0%	2.0%	AA	AA-	Aa3
8.	Dollarama	51	495	2.0%	1.8%	BBB		
9.	GoodLife Fitness	25	562	2.3%	1.8%			
10.	CIBC	36	202	0.8%	1.5%	AA	A+	Aa3
Top 10 Tenants Total		433	9,692	39.7%	35.5%			
11.	Rona	4	421	1.7%	1.4%	BB (high)	BB+	
12.	LCBO	21	214	0.9%	1.3%	AA (low)	A+	Aa2
13.	Rexall	19	170	0.7%	1.1%			
14.	BMO	30	135	0.6%	1.1%	AA	A+	Aa3
15.	London Drugs	9	231	0.9%	1.0%			
16.	Restaurant Brands International	55	144	0.6%	1.0%	BB (low)	B+	
17.	Staples	11	278	1.1%	1.0%		BBB-	Baa2
18.	Scotiabank	22	121	0.5%	0.9%	AA	A+	Aa2
19.	Save-On-Foods	6	267	1.1%	0.9%			
20.	Longo's	4	170	0.7%	0.8%			
21.	Starbucks	44	71	0.3%	0.7%		A-	A2
22.	Jean Coutu	12	157	0.6%	0.6%			
23.	Subway	73	87	0.4%	0.6%			
24.	Cara	21	94	0.4%	0.6%			
25.	Winners	6	193	0.8%	0.5%		A+	A2
26.	Whole Foods Market	2	90	0.4%	0.5%		BBB-	Baa3
27.	Michaels	5	110	0.4%	0.5%			
28.	SAQ	20	88	0.4%	0.5%	A (high)	A+	Aa2
29.	McDonald's	21	84	0.3%	0.5%		BBB+	Baa1
30.	Toys "R" Us	3	127	0.5%	0.4%		B-	B3
31.	Reitmans	24	124	0.5%	0.4%			
32.	The Beer Store	11	66	0.3%	0.4%	AA (low)	A+	Aa2
33.	Yum! Brands	28	53	0.2%	0.4%		BB	Ba3
34.	The Home Depot	2	219	0.9%	0.4%	A	A	A2
35.	Williams-Sonoma	2	38	0.2%	0.4%			
36.	Liquor Stores	14	54	0.2%	0.3%			
37.	Pet Valu	19	54	0.2%	0.3%			
38.	Bulk Barn	12	58	0.2%	0.3%			
39.	Uniprix	6	68	0.3%	0.3%			
40.	Best Buy	3	88	0.4%	0.3%		BB+	Baa1
Top 40 Tenants Total		942	13,766	56.4%	54.9%			

⁽¹⁾ The names noted above may be the names of the parent entities and are not necessarily the covenants under the leases.

⁽²⁾ Tenants noted above include all banners of the respective retailer.

Lease Maturity Profile

The Company's lease maturity profile for its shopping centre portfolio as at December 31, 2015, excluding any contractual renewal options, is as follows:

Maturity Date	Number of Stores	Occupied Square Feet (thousands)	Percent of Total Square Feet	Annualized Minimum Rent at Expiration (thousands)	Percent of Total Annualized Minimum Rent	Average Annual Minimum Rent per Square Foot at Expiration
Month-to-month tenants ⁽¹⁾	145	288	1.2%	\$ 4,769	1.0%	\$ 16.58
2016	575	2,105	8.6%	32,462	7.0%	15.42
2017	599	2,928	12.0%	51,788	11.2%	17.69
2018	607	2,972	12.2%	53,894	11.7%	18.13
2019	591	2,698	11.0%	56,053	12.2%	20.77
2020	544	2,633	10.8%	52,004	11.3%	19.75
2021	251	1,579	6.5%	33,319	7.2%	21.10
2022	240	1,577	6.5%	37,843	8.2%	24.00
2023	183	1,515	6.2%	30,951	6.7%	20.42
2024	176	1,080	4.4%	23,177	5.0%	21.46
2025	187	995	4.1%	24,551	5.3%	24.67
2026	45	414	1.7%	9,742	2.1%	23.51
Thereafter	94	2,375	9.6%	50,111	11.1%	21.11
Total or Weighted Average	4,237	23,159	94.8%	\$ 460,664	100.0%	\$ 19.89

⁽¹⁾ Contains tenants on over hold including renewals and extensions under negotiation, month-to-month tenants and tenants in space at properties with future redevelopment.

The weighted average lease term for the portfolio was 5.5 years as at December 31, 2015, excluding contractual renewal options, and including month-to-month and other short-term leases with tenants in properties with pre-development activities underway.

The Company's expected future income through maturity from its existing in-place leases for its shopping centre portfolio as at December 31, 2015 included:

(thousands of dollars) Revenue Recognition Period	Minimum Rent ⁽¹⁾	Estimated Income from Operating and Tax Recoveries ⁽²⁾
Q1, 2016	\$ 105,841	\$ 55,957
Q2, 2016	105,518	55,784
Q3, 2016	104,869	55,412
Q4, 2016	102,808	54,370
Total	\$ 419,036	\$ 221,523
2017	378,087	200,125
2018	334,453	177,021
2019	281,666	149,080
2020	228,078	121,111
Thereafter	875,379	468,357
Total	\$ 2,516,699	\$ 1,337,217

⁽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.

Loans, Mortgages and Other Real Estate Assets

As at	December 31, 2015	December 31, 2014
Non-current		
Loans and mortgages receivable (a)	\$ 120,173	\$ 92,132
Available-for-sale ("AFS") investment in limited partnership	4,269	4,099
Total non-current	\$ 124,442	\$ 96,231
Current		
Loans and mortgages receivable (a)	\$ 23,499	\$ 46,067
Fair value through profit or loss ("FVTPL") investments in equity securities (b)	11,907	33,370
AFS investments in equity securities	—	292
Other receivable	70	249
Total current	\$ 35,476	\$ 79,978
Total	\$ 159,918	\$ 176,209

(a) Loans and mortgages receivable are primarily secured by interests in investment properties or shares of entities owning investment properties.

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

RESULTS OF OPERATIONS

Net Income

	Three months ended December 31		Year ended December 31	
	2015	2014	2015	2014
Net income attributable to common shareholders	\$ 38,947	\$ 44,807	\$ 203,865	\$ 196,748
Net income per share attributable to common shareholders (diluted)	\$ 0.17	\$ 0.21	\$ 0.91	\$ 0.92
Weighted average number of common shares – diluted (in thousands)	226,537	226,114	235,870	230,533

For the three months ended December 31, 2015, net income attributable to common shareholders was \$38.9 million or \$0.17 per share (diluted) compared to \$44.8 million or \$0.21 per share (diluted) for the same prior year period.

The decrease in net income attributable to common shareholders of 13.1% or \$5.9 million, was primarily due to a decrease in the value of investment properties of \$9.5 million recorded in the fourth quarter compared to an increase in value of investment properties of \$12.1 million for the fourth quarter of 2014. The decrease was partially offset by a decrease in other gains (losses) and (expenses) of \$12.7 million and lower interest expense of \$2.3 million.

For the year ended December 31, 2015, net income attributable to common shareholders was \$203.9 million or \$0.91 per share (diluted) compared to \$196.7 million or \$0.92 per share (diluted) for the prior year. The increase in net income attributable to common shareholders of 3.6% or \$7.1 million, was primarily due to higher NOI of \$4.8 million and lower interest expense of \$9.8 million, offset by higher deferred income tax expense of \$8.2 million.

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

The following tables provide the reconciliation of the Company's consolidated statements of income, as presented in the audited annual consolidated financial statements, to its proportionate interest.

	Three months ended December 31					
	2015			2014		
	Consolidated Statements of Income	Adjustment to proportionate interest	Proportionate interest	Consolidated Statements of Income	Adjustment to proportionate interest	Proportionate interest
Property rental revenue	\$ 164,630	\$ 1,947	\$ 166,577	\$ 162,071	\$ 1,711	\$ 163,782
Property operating costs	60,949	584	61,533	59,549	517	60,066
Net operating income	103,681	1,363	105,044	102,522	1,194	103,716
Other income and expenses						
Interest and other income	3,311	258	3,569	4,135	(181)	3,954
Interest expense	(41,631)	(146)	(41,777)	(43,893)	(126)	(44,019)
Corporate expenses	(8,558)	238	(8,320)	(8,396)	256	(8,140)
Abandoned transaction costs	(71)	—	(71)	(147)	(4)	(151)
Amortization expense	(708)	(15)	(723)	(373)	—	(373)
Share of profit from joint ventures	2,012	(2,012)	—	1,295	(1,295)	—
Other gains (losses) and (expenses)	387	(27)	360	(12,277)	(70)	(12,347)
Increase (decrease) in value of investment properties, net	(9,541)	387	(9,154)	12,086	138	12,224
	(54,799)	(1,317)	(56,116)	(47,570)	(1,282)	(48,852)
Income before income taxes	48,882	46	48,928	54,952	(88)	54,864
Deferred income taxes	9,981	—	9,981	10,057	—	10,057
Net income	\$ 38,901	\$ 46	\$ 38,947	\$ 44,895	\$ (88)	\$ 44,807
Net income attributable to:						
Common shareholders	\$ 38,947	\$ —	\$ 38,947	\$ 44,807	\$ —	\$ 44,807
Non-controlling interest	(46)	46	—	88	(88)	—
	\$ 38,901	\$ 46	\$ 38,947	\$ 44,895	\$ (88)	\$ 44,807
Net income per share attributable to common shareholders:						
Basic	\$ 0.17			\$ 0.21		
Diluted	\$ 0.17			\$ 0.21		

	Year ended December 31					
	2015			2014		
	Condensed Consolidated Statements of Income	Adjustment to proportionate interest	Proportionate interest	Condensed Consolidated Statements of Income	Adjustment to proportionate interest	Proportionate interest
Property rental revenue	\$ 656,643	\$ 7,401	\$ 664,044	\$ 648,441	\$ 5,169	\$ 653,610
Property operating costs	244,900	2,277	247,177	241,532	1,542	243,074
Net operating income	411,743	5,124	416,867	406,909	3,627	410,536
Other income and expenses						
Interest and other income	15,851	(62)	15,789	12,997	(179)	12,818
Interest expense	(163,481)	(706)	(164,187)	(173,321)	(510)	(173,831)
Corporate expenses	(35,660)	955	(34,705)	(31,191)	256	(30,935)
Abandoned transaction costs	(786)	—	(786)	(907)	(4)	(911)
Amortization expense	(2,892)	(26)	(2,918)	(3,552)	—	(3,552)
Share of profit from joint ventures	12,178	(12,178)	—	9,135	(9,135)	—
Other gains (losses) and (expenses)	(15,155)	(188)	(15,343)	(16,281)	(129)	(16,410)
Increase in value of investment properties, net	37,773	7,226	44,999	42,078	4,612	46,690
	(152,172)	(4,979)	(157,151)	(161,042)	(5,089)	(166,131)
Income before income taxes	259,571	145	259,716	245,867	(1,462)	244,405
Deferred income taxes	55,843	8	55,851	47,657	—	47,657
Net income	\$ 203,728	\$ 137	\$ 203,865	\$ 198,210	\$ (1,462)	\$ 196,748
Net income attributable to:						
Common shareholders	\$ 203,865	\$ —	\$ 203,865	\$ 196,748	\$ —	\$ 196,748
Non-controlling interest	(137)	137	—	1,462	(1,462)	—
	\$ 203,728	\$ 137	\$ 203,865	\$ 198,210	\$ (1,462)	\$ 196,748
Net income per share attributable to common shareholders:						
Basic	\$ 0.91			\$ 0.93		
Diluted	\$ 0.91			\$ 0.92		

Net Operating Income

NOI is defined as property rental revenue less property operating costs. NOI is commonly used as a primary method for analyzing real estate performance in Canada and, in Management's opinion, is useful in analyzing the operating performance of the Company's shopping centre portfolio. 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.

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

	Three months ended December 31		Year ended December 31	
	2015	2014	2015	2014
Property rental revenue				
Base rent	\$ 104,891	\$ 103,049	\$ 415,005	\$ 410,176
Operating cost recoveries	24,553	23,315	94,751	96,972
Realty tax recoveries	29,427	30,018	124,016	120,751
Straight-line rent adjustment	1,313	893	4,927	5,821
Lease surrender fees	631	682	4,292	2,171
Percentage rent	1,564	1,438	3,709	2,957
Prior year operating cost and tax recovery adjustments	(269)	110	386	(1,779)
Temporary tenants, storage, parking and other	4,467	4,277	16,958	16,541
Total property rental revenue	166,577	163,782	664,044	653,610
Property operating costs				
Recoverable operating expenses	28,317	28,292	109,696	112,898
Recoverable realty tax expenses	33,059	33,567	138,280	134,380
Prior year operating cost and tax expense adjustments	(354)	(430)	(521)	(2,033)
Other operating costs and adjustments	511	(1,363)	(278)	(2,171)
Total property operating costs	61,533	60,066	247,177	243,074
NOI	\$ 105,044	\$ 103,716	\$ 416,867	\$ 410,536
NOI margin	63.1%	63.3%	62.8%	62.8%

For the three months ended December 31, 2015, NOI increased \$1.3 million to \$105.0 million from \$103.7 million for the same prior year period. For the year ended December 31, 2015, NOI increased \$6.3 million to \$416.9 million from \$410.5 million for the prior year. The increase in NOI resulted from rent escalations, lease surrender fees, as well as acquisitions and developments coming online, partially offset by the loss of NOI from properties disposed. The increase in lease surrender fee income was primarily due to two major lease terminations in the second quarter of 2015.

Total portfolio NOI margin decreased by 0.2% for the three months ended December 31, 2015 compared to the fourth quarter of 2014 due to a drop in occupancy of 1.2%. For the year ended December 31, 2015, total portfolio NOI margin has remained flat year over year, primarily due to higher lease surrender fee income offset by the drop in occupancy of 1.2% over the prior year.

Same Property NOI Margin

The following table summarizes the Company's Same Property NOI margin, operating cost and tax recoveries margin, and occupancy:

	NOI Margin		Operating Cost and Tax Recoveries Margin		% Occupied	
	Year ended December 31		Year ended December 31		As at December 31	
	2015	2014	2015	2014	2015	2014
Same Property – stable	64.0%	63.7%	92.0%	91.3%	95.8%	96.8%
Same Property with redevelopment	62.7%	63.3%	89.2%	91.2%	96.4%	96.9%
Total Same Property	63.9%	63.7%	91.7%	91.3%	95.9%	96.8%

For the year ended December 31, 2015, Total Same Property NOI margin improved to 63.9% from 63.7% for the prior year, primarily due to a higher Same Property recovery margin of 91.7%, an improvement of 0.4% from the prior year. The improvement in operating cost and tax recovery margins over prior year mainly relate to increased recoveries from recoverable capital projects and increased prior year recoveries as a result of tax reassessments. The Total Same Property occupancy rate decreased from 96.8% as at year ended December 31, 2014 to 95.9% as at December 31, 2015 primarily due to the closure of one Target store in the Same Property portfolio in the second quarter and the closure of a Canadian Tire location in Edmonton during the third quarter of 2015.

NOI by Property Category

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

	Three months ended December 31			Year ended December 31		
	% change	2015	2014	% change	2015	2014
Same Property – stable	1.2 %	\$ 80,410	\$ 79,425	4.1%	\$ 322,336	\$ 309,647
Same Property with redevelopment	(0.9)%	9,007	9,086	0.4%	35,883	35,733
Total Same Property	1.0 %	89,417	88,511	3.7%	358,219	345,380
Major redevelopment		7,917	9,137		31,420	34,879
Ground-up development		1,993	1,057		6,379	5,766
Acquisitions – 2015		788	—		1,902	—
Acquisitions – 2014		2,494	2,049		9,208	6,108
Investment properties classified as held for sale		1,004	653		3,937	3,072
Dispositions – 2015		16	451		63	1,787
Dispositions – 2014		8	867		397	6,800
Straight-line rent adjustment		1,313	892		4,927	5,822
Development land		94	99		415	922
NOI		\$ 105,044	\$ 103,716		\$ 416,867	\$ 410,536

For the three months and year ended December 31, 2015, Same Property NOI increased by 1.0% and 3.7%, respectively, compared to the prior year periods, primarily due to rent escalations as well as two significant lease surrender fees received in the second quarter, partially offset by the impact of a decrease in Same Property occupancy.

NOI by Region

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

Three months ended December 31, 2015	Central Region	Eastern Region	Western Region	Subtotal	Other ⁽¹⁾	Total
Property rental revenue	\$ 69,906	\$ 45,629	\$ 51,519	\$ 167,054	\$ (477)	\$ 166,577
Property operating costs	27,280	19,171	15,715	62,166	(633)	61,533
NOI	\$ 42,626	\$ 26,458	\$ 35,804	\$ 104,888	\$ 156	\$ 105,044

Three months ended December 31, 2014	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
NOI	\$ 42,107	\$ 25,907	\$ 35,178	\$ 103,192	\$ 524	\$ 103,716

Year ended December 31, 2015	Central Region	Eastern Region	Western Region	Subtotal	Other ⁽¹⁾	Total
Property rental revenue	\$ 280,036	\$ 178,105	\$ 208,527	\$ 666,668	\$ (2,624)	\$ 664,044
Property operating costs	106,525	76,155	67,224	249,904	(2,727)	247,177
NOI	\$ 173,511	\$ 101,950	\$ 141,303	\$ 416,764	\$ 103	\$ 416,867

Year ended December 31, 2014	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
NOI	\$ 170,321	\$ 101,148	\$ 138,904	\$ 410,373	\$ 163	\$ 410,536

⁽¹⁾ Other items principally consist of intercompany eliminations.

Interest and Other Income

For the three months and year ended December 31, 2015, interest and other income totaled \$3.6 million and \$15.8 million, compared to \$4.0 million and \$12.8 million for the same prior year periods, respectively. The increase of \$3.0 million compared to the prior year is primarily due to new fees earned from the Company's joint venture partnerships, higher interest income from loans and mortgages receivable, offset by lower income from marketable securities that were largely disposed of in the first quarter of 2015.

Interest Expense

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

	Three months ended December 31		Year ended December 31	
	2015	2014	2015	2014
Mortgages	\$ 12,330	\$ 14,694	\$ 51,654	\$ 62,315
Credit facilities	1,874	497	4,410	2,038
Senior unsecured debentures	26,999	27,933	106,844	108,156
Convertible debentures (non-cash)	5,177	5,966	22,118	23,735
Interest capitalized	(4,603)	(5,071)	(20,839)	(22,413)
Interest expense	\$ 41,777	\$ 44,019	\$ 164,187	\$ 173,831

For the three months and year ended December 31, 2015, interest expense decreased by \$2.2 million and \$9.6 million, respectively, due to repayment and maturity of mortgages with higher effective interest rates and borrowing of new mortgages at lower effective interest rates as well as greater use of credit facilities at lower interest rates.

During the year ended December 31, 2015 and 2014, approximately 11.3% and 11.4%, respectively, of interest expense was capitalized to real estate investments for properties undergoing development or redevelopment projects. Amounts capitalized are dependent on gross interest expense paid, on the phase and magnitude of development and redevelopment projects actively underway as well as the portfolio weighted average interest rate. The decrease in capitalized interest over the prior year is due to the lower weighted average interest rate and timing of completion of existing developments and the commencement of new development projects.

Corporate Expenses

The Company's proportionate share of corporate expenses is as follows:

	Three months ended December 31		Year ended December 31	
	2015	2014	2015	2014
Salaries, wages and benefits	\$ 6,645	\$ 5,930	\$ 28,513	\$ 24,177
Non-cash compensation	673	606	2,941	2,599
Other corporate costs	3,057	2,788	11,182	10,777
Total corporate expenses	10,375	9,324	42,636	37,553
Amounts capitalized to investment properties under development	(2,055)	(1,184)	(7,931)	(6,618)
Corporate expenses	\$ 8,320	\$ 8,140	\$ 34,705	\$ 30,935

For the three months ended December 31, 2015, net corporate expenses increased by \$0.2 million to \$8.3 million compared to the fourth quarter of 2014 primarily as a result of higher compensation expense. For the year ended December 31, 2015, net corporate expenses increased by \$3.8 million to \$34.7 million compared to the prior year primarily as a result of higher employee compensation expense of \$2.7 million and the impact of Main and Main Developments of \$1.8 million. The Company's corporate expenses relating to Main and Main Developments increased as a result of the partial sale of its real estate assets to an institutional investor during the third quarter of 2014. The Company (through Main and Main Developments) also earned management fee income from the institutional investor of \$0.7 million and \$1.4 million, respectively, for the three months and year ended December 31, 2015, which partially offsets the increased corporate expenses.

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 and so forth, are capitalized in accordance with IFRS to development projects and residential inventory, as incurred.

During the year ended December 31, 2015 and 2014, approximately 20.0% and 18.9%, respectively, 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. Changes in capitalized corporate expenses are primarily the result of timing of completion of development and redevelopment projects and the Company's current level of pre-development and early redevelopment activity.

Other Gains (Losses) and (Expenses)

The Company's proportionate share of other gains, losses and expenses is as follows:

	Three months ended December 31					
	2015			2014		
	Proportionate Statement of Income	Included in FFO	Included in AFFO	Proportionate Statement of Income	Included in FFO	Included in AFFO
Realized gains on sale of marketable securities	\$ —	\$ —	\$ —	\$ 882	\$ 882	\$ 882
Unrealized gains (losses) on marketable securities classified as FVTPL	636	636	—	(2,160)	(2,160)	—
Losses on prepayments of debt	(71)	(71)	—	(2,407)	(2,407)	—
Pre-selling costs of residential inventory	(15)	(15)	—	(16)	(16)	(514)
Executive transition expense	—	—	—	(5,830)	(5,830)	—
Investment properties selling costs	(64)	—	—	(2,816)	—	—
Restructuring costs	(126)	(126)	—	—	—	—
	\$ 360	\$ 424	\$ —	\$ (12,347)	\$ (9,531)	\$ 368

	Year ended December 31					
	2015			2014		
	Proportionate Statement of Income	Included in FFO	Included in AFFO	Proportionate Statement of Income	Included in FFO	Included in AFFO
Realized gains on sale of marketable securities	\$ 784	\$ 784	\$ 784	\$ 1,665	\$ 1,665	\$ 1,665
Unrealized losses on marketable securities classified as FVTPL	(2,022)	(2,022)	—	(1,501)	(1,501)	—
Losses on prepayments of debt	(310)	(310)	—	(3,973)	(3,973)	—
Unrealized losses on hedges	—	—	—	(80)	(80)	—
Pre-selling costs of residential inventory and other	(171)	(171)	—	(153)	(153)	(512)
Executive transition expense	—	—	—	(7,280)	(7,280)	—
Investment properties selling costs	(539)	—	—	(5,088)	—	—
Restructuring costs	(13,085)	(13,085)	—	—	—	—
Total	\$ (15,343)	\$ (14,804)	\$ 784	\$ (16,410)	\$ (11,322)	\$ 1,153

For the three months ended December 31, 2015, the Company recognized a \$0.4 million gain in its proportionate statement of income compared to a \$12.3 million loss in the fourth quarter of 2014. The overall gain was primarily due to higher unrealized gains on marketable securities recognized in the current quarter. The loss in the fourth quarter of 2014 was primarily due to executive transition expense and losses on prepayments of debt.

For the year ended December 31, 2015, the Company recognized a \$15.3 million loss in its proportionate statement of income compared to a \$16.4 million loss in 2014. The overall loss in 2015 was primarily due to restructuring costs recognized in the third quarter, in connection with the Company's organizational restructuring to streamline and enhance the effectiveness of its operations. The restructuring costs of \$13.1 million were primarily comprised of severance benefits, as well as a \$6.4 million non-cash write-off of an investment in proprietary information technology systems. The overall loss in the year ended December 31, 2014 was primarily due to executive transition expense and investment property selling costs.

Income Taxes

For the three months ended December 31, 2015, deferred income tax expense totaled \$10.0 million compared to \$10.1 million for the same prior year period. For the year ended December 31, 2015, deferred income tax expense totaled \$55.9 million compared to \$47.7 million for the prior year. The increase of \$8.2 million over the prior year is primarily due to an increase in the corporate income tax rate in the Province of Alberta in the second quarter of 2015.

Non-IFRS Supplemental Financial Measures

In Management's view, FFO and AFFO are commonly accepted and meaningful indicators of financial performance in the real estate industry. 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

The Company calculates FFO in accordance with the recommendations of the Real Property Association of Canada ("REALpac"). 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 as well as certain other items included in the Company's net income that may not be the most appropriate determinants of the long-term operating performance of the Company, such as investment property selling costs and deferred income taxes. FFO provides a perspective on the financial performance of the Company that is not immediately apparent from net income determined in accordance with IFRS. A reconciliation from net income attributable to common shareholders to FFO can be found below.

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

	Three months ended December 31		Year ended December 31	
	2015	2014	2015	2014
Net income attributable to common shareholders	\$ 38,947	\$ 44,807	\$ 203,865	\$ 196,748
Add (deduct):				
Decrease (increase) in value of investment properties	9,154	(12,224)	(44,999)	(46,690)
Incremental leasing costs	674	1,774	3,373	5,324
Investment properties – selling costs	64	2,816	539	5,088
Adjustment for equity accounted joint ventures	28	850	2,636	850
Deferred income taxes	9,981	10,057	55,851	47,657
FFO	\$ 58,848	\$ 48,080	\$ 221,265	\$ 208,977

Operating FFO

Management considers Operating FFO as its key operating performance measure that, when compared period over period, reflects the impact on its core operations, such as changes in net operating income, interest expense, corporate expenses and other income. Therefore, Operating FFO excludes the impact of certain items in other gains (losses) and (expenses) that are not considered part of the Company's on-going core operations.

The weighted average number of diluted shares outstanding for FFO and Operating 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS – continued

The components of Operating FFO and FFO at proportionate interest are as follows:

	Three months ended December 31			Year ended December 31		
	% change	2015	2014	% change	2015	2014
Net operating income		\$ 105,044	\$ 103,716		\$ 416,867	\$ 410,536
Interest and other income		3,569	3,954		15,789	12,818
Interest expense ⁽¹⁾		(41,048)	(43,531)		(161,551)	(173,341)
Corporate expenses ⁽²⁾		(8,347)	(6,004)		(31,332)	(25,251)
Abandoned transaction costs		(71)	(151)		(786)	(911)
Amortization expense (corporate assets and credit facility costs)		(723)	(373)		(2,918)	(3,552)
Operating FFO ⁽³⁾	1.4 %	58,424	57,611	7.2%	236,069	220,299
Other gains (losses) and (expenses) ⁽⁴⁾		424	(9,531)		(14,804)	(11,322)
FFO	22.4 %	\$ 58,848	\$ 48,080	5.9%	\$ 221,265	\$ 208,977
FFO per diluted share	18.2 %	\$ 0.26	\$ 0.22	1.0%	\$ 0.99	\$ 0.98
Operating FFO per diluted share	(3.7)%	\$ 0.26	\$ 0.27	1.0%	\$ 1.05	\$ 1.04
Weighted average number of common shares – diluted – FFO (in thousands)	4.3 %	226,537	217,299	5.4%	224,069	212,537

⁽¹⁾ Includes an adjustment to capitalize interest related to the Company's equity accounted joint ventures in accordance with the recommendations of REALpac.

⁽²⁾ Includes an adjustment to capitalize incremental leasing costs in accordance with the recommendations of REALpac.

⁽³⁾ Previously referred to as "FFO excluding other gains (losses) and (expenses)" in the Company's 2014 Annual Report.

⁽⁴⁾ Refer to the "Results of Operations – Other Gains (Losses) and (Expenses)" section of this MD&A.

For the three months ended December 31, 2015, Operating FFO totaled \$58.4 million or \$0.26 per share (diluted) compared to \$57.6 million or \$0.27 per share (diluted) in the same prior year period. The 1.4% increase in Operating FFO in total dollars was primarily due to higher NOI and lower interest expense compared to the same prior year period, partially offset by higher corporate expenses. The 3.7% or \$0.01 per share decrease was due to a higher number of common shares outstanding compared to the same prior year period. For the three months ended December 31, 2015, FFO totaled \$58.8 million or \$0.26 per share (diluted) compared to \$48.1 million or \$0.22 per share (diluted) in the same prior year period. The increase in FFO was primarily due to the \$9.5 million of other losses and expenses incurred in the fourth quarter of 2014.

For the year ended December 31, 2015, Operating FFO totaled \$236.1 million or \$1.05 per share (diluted) compared to \$220.3 million or \$1.04 per share (diluted) for the prior year. The 1.0% or \$0.01 per share (diluted) increase is primarily due to higher NOI and interest and other income and lower interest expense compared to the prior year, partially offset by higher corporate expenses. For the year ended December 31, 2015, FFO totaled \$221.3 million or \$0.99 per share (diluted) compared to \$209.0 million or \$0.98 per share (diluted) for the prior year primarily due to higher NOI, interest and other income and lower interest expense partially offset by higher corporate expenses. For the year ended December 31, 2015, FFO excluding restructuring costs would have totaled \$234.4 million or \$1.05 per share (diluted).

Adjusted Funds from Operations and Operating AFFO

AFFO is a supplementary measure that the Company uses to measure operating cash flow generated from the business. In calculating AFFO, the Company adjusts FFO for non-cash and other items including interest payable in shares, straight-line rent adjustment, non-cash compensation expense, Same Property capital expenditures and leasing costs for maintaining shopping centre infrastructures and certain other gains or losses. Residential inventory pre-sale costs are recognized in AFFO when the Company recognizes revenue from the sale of residential units. In addition, the Company calculates Operating AFFO by excluding from AFFO the effects of certain other gains (losses) and (expenses) that are not deemed part of the Company's on-going core operations. The weighted average number of diluted shares outstanding for AFFO is adjusted to assume conversion of all the outstanding convertible debentures, calculated using the holders' contractual conversion price to be consistent with the treatment of the interest expense payable in shares in AFFO.

Operating AFFO and AFFO are calculated as follows:

	Three months ended December 31				Year ended December 31	
	% change	2015	2014	% change	2015	2014
Operating FFO		\$ 58,424	\$ 57,611		\$ 236,069	\$ 220,299
Add (deduct):						
Interest expense payable in shares		5,177	5,966		22,118	23,735
Straight-line rent adjustment		(1,313)	(893)		(4,927)	(5,821)
Non-cash compensation expense		730	619		3,098	2,721
Same Property revenue sustaining capital expenditures ⁽¹⁾		(4,097)	(3,652)		(17,574)	(15,622)
Costs not capitalized during development period ⁽²⁾		643	1,546		4,317	3,653
Other adjustments		(66)	(105)		(293)	(348)
Operating AFFO ⁽³⁾	(2.6)%	\$ 59,498	\$ 61,092	6.2%	\$ 242,808	\$ 228,617
Realized gain on marketable securities		—	368		784	1,153
AFFO	(3.2)%	\$ 59,498	\$ 61,460	6.0%	\$ 243,592	\$ 229,770
AFFO per diluted share	(3.8)%	\$ 0.25	\$ 0.26	2.0%	\$ 1.03	\$ 1.01
Operating AFFO per diluted share	(3.8)%	\$ 0.25	\$ 0.26	2.0%	\$ 1.02	\$ 1.00
Weighted average number of common shares – diluted – AFFO (in thousands)	2.8 %	240,409	233,784	4.0%	237,633	228,568

⁽¹⁾ Estimated at \$0.85 per square foot per annum (2014 – \$0.83) on average gross leasable area of same 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⁾ Previously referred to as "AFFO excluding other gains (losses) and (expenses)" in the Company's 2014 Annual Report.

For the three months ended December 31, 2015, Operating AFFO and AFFO decreased by a \$0.01 per share (diluted) primarily due to lower interest expense payable in shares as a result of the convertible debenture redemption and higher costs for Same Property revenue sustaining capital expenditures.

For the year ended December 31, 2015, Operating AFFO and AFFO increased by \$0.02 per share (diluted) primarily as a result of higher Operating FFO, partially offset by an increase in Same Property revenue sustaining capital expenditures.

MANAGEMENT'S DISCUSSION AND ANALYSIS – continued

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

	Three months ended December 31		Year ended December 31	
	2015	2014	2015	2014
Cash provided by operating activities	\$ 84,757	\$ 87,478	\$ 244,433	\$ 271,861
Adjustments for equity accounted joint ventures	801	1,452	5,287	1,861
Realized gains on sale of marketable securities	—	882	784	1,665
Incremental leasing costs and other	674	1,774	3,373	5,324
Net change in non-cash operating items	(17,554)	(31,547)	(563)	(14,222)
Adjustments for residential inventory	—	(762)	208	(21,705)
Amortization expense	(708)	(373)	(2,892)	(3,552)
Non-cash interest expense	(5,023)	(1,063)	539	(6,426)
Costs not capitalized during development period	643	1,546	4,317	3,653
Executive transition expense	—	5,830	—	7,280
Same Property revenue sustaining capital expenditures	(4,097)	(3,652)	(17,574)	(15,622)
Cash component of restructuring costs	68	—	5,972	—
Other adjustments	(63)	(105)	(292)	(347)
AFFO	\$ 59,498	\$ 61,460	\$ 243,592	\$ 229,770

CAPITAL STRUCTURE AND LIQUIDITY

Total Capital Employed

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 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.

As at	December 31, 2015	December 31, 2014
Liabilities (principal amounts outstanding)		
Bank indebtedness	\$ 26,200	\$ —
Mortgages	1,020,358	1,158,466
Credit facilities	224,635	7,785
Mortgages under equity accounted joint ventures (at the Company's proportionate interest)	2,749	10,425
Credit facilities under equity accounted joint venture (at the Company's proportionate interest)	30,953	—
Senior unsecured debentures	2,250,000	2,160,000
Convertible debentures	337,271	388,174
Equity capitalization		
Common shares (based on closing per share price of \$18.35; December 31, 2014 – \$18.66)	4,138,622	4,037,543
Total enterprise value	\$ 8,030,788	\$ 7,762,393

Key Metrics

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

The ratios below include measures not specifically defined in IFRS. Refer to definitions of these measures below for additional information.

As at	December 31, 2015	December 31, 2014
Weighted average effective interest rate on mortgages and senior unsecured debentures	4.7%	4.8%
Weighted average maturity on mortgages and senior unsecured debentures (years)	5.5	5.9
Net debt to total assets ⁽¹⁾	42.9%	42.2%
Net debt to EBITDA ⁽¹⁾	8.7	8.2
Unencumbered aggregate assets ⁽²⁾	5,783,452	4,959,208
Unencumbered aggregate assets to unsecured debt, based on fair value ⁽²⁾	2.3	2.3
EBITDA interest coverage ⁽¹⁾	2.5	2.3

⁽¹⁾ Calculated with all joint ventures proportionately consolidated.

⁽²⁾ Includes all unencumbered assets at fair values.

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, mortgages payable and amounts drawn under credit facilities and bank indebtedness;
- Debt consists of principal amounts outstanding on credit facilities and mortgages, and the par value of senior unsecured debentures. Convertible debentures are excluded as the Company has the option 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;
- 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.
- 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.

Credit Ratings

Since November 2012, DBRS has rated 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 2012, Moody's has rated 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

	Mortgages	Credit Facilities	Senior Unsecured Debentures	Total	% Due
2016	\$ 182,212	\$ 7,785	\$ —	\$ 189,997	5.5%
2017	106,867	—	250,000	356,867	10.2%
2018	144,300	21,850	150,000	316,150	9.1%
2019	123,878	—	150,000	273,878	7.8%
2020	61,267	195,000	175,000	431,267	12.2%
2021	86,922	—	175,000	261,922	7.4%
2022	156,319	—	450,000	606,319	17.4%
2023	6,331	—	300,000	306,331	8.8%
2024	65,180	—	300,000	365,180	10.5%
2025	58,788	—	300,000	358,788	10.3%
2026	28,294	—	—	28,294	0.8%
	1,020,358	224,635	2,250,000	3,494,993	100.0%
Add (deduct): unamortized deferred financing costs, premiums and discounts, net	3,644	—	(5,909)	(2,265)	
Total	\$ 1,024,002	\$ 224,635	\$ 2,244,091	\$ 3,492,728	

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. The Company also intends to maintain financial strength to achieve a reasonable 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.

Mortgages

The changes in the Company's mortgages during the year ended December 31, 2015, excluding mortgages on equity accounted joint ventures, are set out below:

Year ended December 31, 2015	Amount	Weighted Average Effective Interest Rate
Balance at beginning of year	\$ 1,165,625	4.7%
Mortgage borrowings	110,100	3.3%
Mortgage assumed on acquisition	1,453	2.1%
Mortgage repayments	(218,841)	4.9%
Scheduled amortization on mortgages	(30,818)	—
Amortization and expensing of financing costs and net premium	(3,517)	—
Balance at end of year	\$ 1,024,002	4.5%

As at December 31, 2015, 100% (December 31, 2014 – 100%) of the outstanding mortgages bore interest at fixed interest rates. The average remaining term of mortgages outstanding increased from 3.8 years as at December 31, 2014 on \$1.2 billion of mortgages to 4.1 years as at December 31, 2015 on \$1.0 billion of mortgages after reflecting borrowing activity and repayments during the year.

Mortgage Maturity Profile

As at December 31, 2015	Scheduled Amortization	Payments on Maturity	Total	Weighted Average Effective Interest Rate
2016	\$ 26,770	\$ 155,442	\$ 182,212	4.0%
2017	23,965	82,902	106,867	4.0%
2018	19,979	124,321	144,300	5.4%
2019	17,164	106,714	123,878	6.5%
2020	15,409	45,858	61,267	5.3%
2021	13,525	73,397	86,922	4.4%
2022	8,365	147,954	156,319	4.0%
2023	6,331	—	6,331	0.0%
2024	5,606	59,574	65,180	4.1%
2025	2,893	55,895	58,788	3.6%
2026	169	28,125	28,294	3.4%
	\$ 140,176	\$ 880,182	\$ 1,020,358	4.5%
Add: unamortized deferred financing costs and premiums, net			3,644	
Total			\$ 1,024,002	

As at December 31, 2015, the Company had mortgages maturing in 2016 of \$155.4 million, at an average effective interest rate of 4.0% per annum, as well as \$26.8 million of scheduled amortization of principal balances.

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. The credit facilities provide liquidity primarily for financing acquisitions, development and redevelopment activities and for general corporate purposes.

In the second quarter, the Company completed an extension of its senior unsecured revolving credit facility to June 30, 2020 from June 30, 2017 previously, on the same terms.

In the third quarter, one of the Company's joint ventures obtained a new construction facility to finance the construction of one its development projects. The facility has a borrowing capacity of \$225 million plus \$5.0 million available for letters of credit.

The Company did not renew its \$75 million operating facility upon its maturity on December 31, 2015.

The following table summarizes the details of the Company's credit facilities as at December 31, 2015:

As at December 31, 2015	Borrowing Capacity	Amounts Drawn	Bank Overdraft and Outstanding Letters of Credit	Available to be Drawn	Interest Rates	Maturity Date
Revolving operating facility:						
Unsecured facility	\$ 800,000	\$ (195,000)	\$ (55,563)	\$ 549,437	BA + 1.20% or Prime + 0.20% or US\$ LIBOR + 1.20%	June 30, 2020
Secured construction facilities						
Maturing 2018	112,500	(21,850)	—	90,650	BA + 1.125% or Prime + 0.125%	February 13, 2018
Maturing 2016	7,953	(7,785)	(75)	93	BA + 1.125% or Prime + 0.125%	March 31, 2016
Total credit facilities	\$ 920,453	\$ (224,635)	\$ (55,638)	\$ 640,180		

Senior Unsecured Debentures

As at December 31, 2015		Interest Rate		Remaining Term to Maturity	Principal Outstanding	
Series	Maturity Date	Interest Payment Dates	Coupon	Effective	(years)	
H	January 31, 2017	January 31, July 31	5.85%	5.99%	1.1	\$ 125,000
I	November 30, 2017	May 30, November 30	5.70%	5.79%	1.9	125,000
J	August 30, 2018	February 28, August 30	5.25%	5.66%	2.7	50,000
K	November 30, 2018	May 31, November 30	4.95%	5.17%	2.9	100,000
L	July 30, 2019	January 30, July 30	5.48%	5.61%	3.6	150,000
M	April 30, 2020	April 30, October 30	5.60%	5.60%	4.3	175,000
N	March 1, 2021	March 1, September 1	4.50%	4.63%	5.2	175,000
O	January 31, 2022	January 31, July 31	4.43%	4.59%	6.1	200,000
P	December 5, 2022	June 5, December 5	3.95%	4.18%	6.9	250,000
Q	October 30, 2023	April 30, October 30	3.90%	3.97%	7.8	300,000
R	August 30, 2024	August 30, February 28	4.79%	4.72%	8.7	300,000
S	July 31, 2025	January 31, July 31	4.32%	4.24%	9.6	300,000
Weighted Average or Total			4.70%	4.78%	6.1	\$ 2,250,000

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. The \$90.0 million issued bear an effective interest rate of 3.86% per annum with a coupon payable semi-annually on January 31 and July 31.

Convertible Debentures

As at December 31, 2015		Interest Rate		Remaining Term to Maturity (yrs)	Principal at Issue Date	Principal	Liability	Equity	
Series	Maturity Date	Interest Payment Dates	Coupon						Effective
E	January 31, 2019	March 31 September 30	5.40%	6.90%	3.1	\$ 57,500	\$ 55,060	\$ 52,793	\$ 2,099
F	January 31, 2019	March 31 September 30	5.25%	6.07%	3.1	57,500	53,720	52,506	365
G	March 31, 2018	March 31 September 30	5.25%	6.66%	2.3	50,000	49,582	48,144	1,146
H	March 31, 2017	March 31 September 30	4.95%	6.51%	1.3	75,000	71,006	69,697	1,415
I	July 31, 2019	March 31 September 30	4.75%	6.19%	3.6	52,500	51,604	49,579	1,414
J	February 28, 2020	March 31 September 30	4.45%	5.34%	4.2	57,500	56,299	54,624	394
Weighted Average/Total			5.00%	6.28%	2.8	\$ 350,000	\$ 337,271	\$ 327,343	\$ 6,833

(i) Principal and Interest

During the year ended December 31, 2015, 1.0 million common shares (year ended December 31, 2014 – 1.1 million common shares) were issued totaling \$18.9 million (year ended December 31, 2014 – \$19.9 million) to pay interest to holders of convertible debentures.

(ii) Principal Redemption and Holder Conversion

On June 30, 2015, the Company redeemed its remaining Series D 5.70% convertible debentures at par by issuing common shares in satisfaction of the remaining principal outstanding and interest owing.

During the year ended December 31, 2015, the Company issued 38,827 common shares in connection with \$0.7 million convertible debentures converted by the holder.

(iii) Normal Course Issuer Bid

On August 27, 2015, the Company renewed its NCIB for all of its then outstanding series of convertible debentures. The NCIB will expire on August 26, 2016 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.

For the year ended December 31, 2015 and 2014, principal amounts of convertible debentures purchased and amounts paid for the purchases are represented in the table below:

Year ended December 31	2015		2014	
	Principal Amount Purchased	Amount Paid	Principal Amount Purchased	Amount Paid
Total	\$ 12,289	\$ 12,436	\$ 4,243	\$ 4,295

Shareholders' Equity

Shareholders' equity amounted to \$3.6 billion as at December 31, 2015, compared to \$3.5 billion as at December 31, 2014.

As at December 31, 2015, the Company had 225.5 million (December 31, 2014 – 216.4 million) issued and outstanding common shares with a stated capital of \$2.8 billion (December 31, 2014 – \$2.6 billion). During the year ended December 31, 2015, a total of 9.2 million common shares were issued as follows: 4.4 million shares from public offerings, 2.2 million shares for the redemption of the Series D convertible debenture, 1.6 million shares from the exercise of common share options, Restricted Share Units ("RSUs") and Deferred Share Units ("DSUs") and 1.0 million shares for interest payments on convertible debentures.

As at February 16, 2016, there were 225.6 million common shares outstanding.

Share Purchase Options

As at December 31, 2015, the Company had 4.2 million share purchase options outstanding, with an average exercise price of \$17.55, which, if exercised, would result in the Company receiving proceeds of \$74.1 million.

Liquidity

Liquidity risk exists due to the possibility of the Company not being able to generate sufficient cash flow, and/or not having access to sufficient debt and equity capital to fund its ongoing operations and growth and to refinance or meet existing payment obligations.

The Company manages its liquidity risk by staggering debt maturities; renegotiating expiring credit arrangements proactively; using revolving credit facilities; maintaining a large pool of unencumbered assets; and issuing equity when considered appropriate.

Sources of liquidity primarily consist of cash flow from operations, cash and cash equivalents, and availability under the Company's existing revolving credit facilities. If necessary, the Company is also able to obtain financing on its unencumbered assets. The following table summarizes the Company's liquidity position:

As at (millions of dollars)	December 31, 2015	December 31, 2014
Total available under credit facilities	\$ 640	\$ 875
Cash and cash equivalents	9	17
Unencumbered assets		
Total, based on fair value	5,783	4,959
Based on debt covenants ⁽¹⁾	5,512	4,801

⁽¹⁾ Includes unencumbered assets as defined by debt covenants, excluding investment properties under development and deferred taxes, with shopping centres valued under IFRS at the average capitalization rate over the last 10 fiscal quarters.

MANAGEMENT'S DISCUSSION AND ANALYSIS – continued

The Company has historically used mortgages, credit facilities, senior unsecured debentures, convertible debentures and equity issuances 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 view of the appropriate leverage in the business. 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.

Planned and completed financings subsequent to December 31, 2015, and availability on existing credit facilities, address substantially all of the contractual 2016 debt maturities and contractually committed costs to complete current development projects.

Cash Flows

Cash flow from operating activities represents the Company's primary source of liquidity for servicing debt and funding planned revenue sustaining expenditures, corporate expenses and dividends to shareholders. Interest and other income and cash on hand are other sources of liquidity.

	Three months ended December 31		Year ended December 31	
	2015	2014	2015	2014
Cash provided by operating activities	\$ 84,757	\$ 87,478	\$ 244,433	\$ 271,861
Cash provided by (used in) financing activities	3,913	(206,474)	63,572	62,894
Cash used in investing activities	(99,197)	(85,570)	(342,392)	(322,379)
Net change in cash and cash equivalents	\$ (10,527)	\$ (204,566)	\$ (34,387)	\$ 12,376

Adjusted cash flow from operating activities is not a measure defined by IFRS. Management defines this measure as 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.

	Three months ended December 31		Year ended December 31	
	2015	2014	2015	2014
Cash provided by operating activities	\$ 84,757	\$ 87,478	\$ 244,433	\$ 271,861
Net change in non-cash operating items	(17,554)	(31,547)	(563)	(14,222)
Receipts of proceeds from sales of residential inventory	—	(2,138)	—	(29,849)
Expenditures on residential development inventory	—	1,872	52	8,503
Adjusted cash flow from operating activities	\$ 67,203	\$ 55,665	\$ 243,922	\$ 236,293

For the year ended December 31, 2015, adjusted cash flow from operating activities improved by \$7.6 million primarily due to higher NOI of \$4.8 million and lower cash interest paid associated with operating activities of \$1.3 million.

Contractual Obligations

	Payments Due by Period					Total
	2016	2017 to 2018	2019 to 2020	Thereafter		
Scheduled mortgage principal amortization	\$ 26,770	\$ 43,944	\$ 32,573	\$ 36,889	\$ 140,176	
Mortgage principal repayments on maturity	155,442	207,223	152,572	364,945	880,182	
Mortgages under equity accounted joint ventures	—	2,749	—	—	2,749	
Credit facilities	7,785	21,850	195,000	—	224,635	
Credit facilities under equity accounted joint venture	2,711	28,242	—	—	30,953	
Senior unsecured debentures	—	400,000	325,000	1,525,000	2,250,000	
Interest obligations ⁽¹⁾	158,568	269,839	200,371	208,924	837,702	
Land leases (expiring between 2023 and 2061)	947	1,939	1,962	16,210	21,058	
Contractually committed costs to complete current development projects	56,227	18,974	—	—	75,201	
Other committed costs	155,525	7,250	—	—	162,775	
Total contractual obligations ⁽²⁾	\$ 563,975	\$ 1,002,010	\$ 907,478	\$ 2,151,968	\$ 4,625,431	

⁽¹⁾ Interest obligations include expected interest payments on mortgages and credit facilities as at December 31, 2015 (assuming balances remain outstanding through to maturity) and senior unsecured debentures, as well as standby credit facility fees.

⁽²⁾ The Company has the option 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 has \$55.6 million of bank overdrafts and outstanding letters of credit 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 \$245.0 million, of which \$75.2 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 \$78.4 million (December 31, 2014 – \$68.2 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 are declared 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.

<i>(in dollars)</i>	Three months ended December 31		Year ended December 31	
	2015	2014	2015	2014
Regular dividends paid per common share	\$ 0.215	\$ 0.215	\$ 0.86	\$ 0.85

Quarterly Dividend

The Company announced that it will pay a first quarter dividend of \$0.215 per common share on April 12, 2016 to shareholders of record on March 30, 2016.

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 present select 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) consolidation adjustments; and (v) the total consolidated amounts.

Statement of Income Data	FCR ⁽¹⁾		Guarantors ⁽²⁾		Non-Guarantors ⁽³⁾		Consolidation Adjustments ⁽⁴⁾		Total Consolidated	
<i>(millions of dollars)</i>	Year ended December 31									
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Property rental revenue	\$ 269	\$ 262	\$ 420	\$ 414	\$ 8	\$ 6	\$ (40)	\$ (34)	\$ 657	\$ 648
NOI	170	164	244	243	5	4	(7)	(4)	412	407
Net income attributable to common shareholders	203	208	297	213	8	14	(304)	(238)	204	197

Balance Sheet Data	FCR ⁽¹⁾		Guarantors ⁽²⁾		Non-Guarantors ⁽³⁾		Consolidation Adjustments ⁽⁴⁾		Total Consolidated	
<i>(millions of dollars)</i>	As at December 31, 2015									
Current assets	\$	135	\$	230	\$	23	\$	(218)	\$	170
Non-current assets		7,715		4,910		334		(4,851)		8,108
Current liabilities		559		210		263		(584)		448
Non-current liabilities		3,623		589		89		(138)		4,163

Balance Sheet Data	FCR ⁽¹⁾		Guarantors ⁽²⁾		Non-Guarantors ⁽³⁾		Consolidation Adjustments ⁽⁴⁾		Total Consolidated	
<i>(millions of dollars)</i>	As at December 31, 2014									
Current assets	\$	233	\$	231	\$	15	\$	(130)	\$	349
Non-current assets		6,977		4,570		292		(4,280)		7,559
Current liabilities		424		231		256		(419)		492
Non-current liabilities		3,278		610		—		31		3,919

⁽¹⁾ This column accounts for investments in all subsidiaries of FCR under the equity method.

⁽²⁾ This column accounts for investments in subsidiaries of FCR other than the guarantors under the equity method.

⁽³⁾ This column accounts for investments in all subsidiaries of FCR 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

Major Shareholder

Gazit-Globe Ltd. ("Gazit") is the principal shareholder of the Company, and, as of December 31, 2015, beneficially owned 42.2% (December 31, 2014 – 44.0%) of the common shares of the Company. Norstar Holdings Inc. is the ultimate controlling party. As of December 31, 2015, Alony-Hetz Properties and Investments Ltd. ("Alony-Hetz") also beneficially owns 6.2% (December 31, 2014 – 8.3%) 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 as directed by Gazit with respect to the election of the remaining directors of the Company. Subsequent to the year ended December 31, 2015, Gazit and Alony-Hetz disposed of 6,500,000 and 980,000 common shares, respectively, of the Company, reducing their beneficial ownership to 39.3% and 5.8%.

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.

Joint Venture

During the three months and year ended December 31, 2015, a subsidiary of Main and Main Developments earned property-related and asset management fees from MMUR, which are included in interest and other income on a proportionate basis in the amount of \$0.8 million and \$1.7 million, respectively.

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

On February 1, 2016, the Company purchased a 100% interest in a 171,000 square foot shopping centre in South Surrey, B.C. for \$78 million and, in a separate transaction, disposed of a 50% non-managing interest in three properties totaling 269,500 square feet in Lachenaie, Quebec, for \$71 million.

QUARTERLY FINANCIAL INFORMATION

	2015				2014			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
<i>(share counts in thousands)</i>								
Property rental revenue	\$ 164,630	\$ 161,409	\$ 166,630	\$ 163,974	\$ 162,071	\$ 162,306	\$ 161,197	\$ 162,867
Net operating income	103,681	103,355	104,614	100,093	102,522	103,761	102,042	98,584
Net income attributable to common shareholders	38,947	24,750	94,267	45,901	44,807	39,020	77,707	35,214
Net income per share attributable to common shareholders:								
Basic	\$ 0.17	\$ 0.11	\$ 0.42	\$ 0.21	\$ 0.21	\$ 0.18	\$ 0.37	\$ 0.17
Diluted	\$ 0.17	\$ 0.11	\$ 0.41	\$ 0.21	\$ 0.21	\$ 0.18	\$ 0.36	\$ 0.17
Weighted average number of diluted common shares outstanding – EPS	226,537	225,536	241,494	223,652	226,114	215,360	231,141	209,597
Cash provided by operating activities	\$ 84,757	\$ 59,811	\$ 62,172	\$ 37,696	\$ 84,472	\$ 58,236	\$ 56,016	\$ 70,131
Operating FFO	\$ 58,424	\$ 61,651	\$ 60,940	\$ 55,054	\$ 57,611	\$ 55,202	\$ 55,412	\$ 52,073
Operating FFO per diluted share	\$ 0.26	\$ 0.27	\$ 0.27	\$ 0.25	\$ 0.27	\$ 0.26	\$ 0.26	\$ 0.25
FFO	\$ 58,848	\$ 47,477	\$ 59,509	\$ 55,432	\$ 48,080	\$ 53,405	\$ 54,031	\$ 53,461
FFO per diluted share	\$ 0.26	\$ 0.21	\$ 0.27	\$ 0.25	\$ 0.22	\$ 0.25	\$ 0.26	\$ 0.26
Weighted average number of diluted common shares outstanding – FFO	226,537	225,537	223,298	220,861	217,299	212,367	210,786	209,597
AFFO	\$ 59,498	\$ 62,306	\$ 63,824	\$ 57,960	\$ 61,460	\$ 57,370	\$ 56,961	\$ 53,978
AFFO per diluted share	\$ 0.25	\$ 0.26	\$ 0.27	\$ 0.24	\$ 0.26	\$ 0.25	\$ 0.25	\$ 0.24
Operating AFFO	\$ 59,498	\$ 62,306	\$ 63,905	\$ 57,095	\$ 61,092	\$ 57,223	\$ 56,805	\$ 53,495
Operating AFFO per diluted share	\$ 0.25	\$ 0.26	\$ 0.27	\$ 0.24	\$ 0.26	\$ 0.25	\$ 0.25	\$ 0.24
Weighted average number of diluted shares outstanding – AFFO	240,409	239,504	237,381	237,315	233,784	228,983	227,449	226,260
Regular dividend	\$ 0.215	\$ 0.215	\$ 0.215	\$ 0.215	\$ 0.215	\$ 0.215	\$ 0.21	\$ 0.21
Total assets	\$ 8,278,526	\$ 8,212,411	\$ 8,124,267	\$ 8,022,510	\$ 7,908,184	\$ 8,075,552	\$ 8,017,673	\$ 7,784,774
Total mortgages and credit facilities	1,248,637	1,201,018	1,094,150	1,093,808	1,173,410	1,230,026	1,269,633	1,245,691
Shareholders' equity	3,639,952	3,645,911	3,660,290	3,566,144	3,470,271	3,468,010	3,363,510	3,321,059
Other data								
Number of properties	158	158	157	157	158	163	164	164
Gross leasable area (in thousands)	24,431	24,256	24,270	24,238	24,331	24,555	24,373	24,525
Total portfolio occupancy %	94.8%	94.7%	94.7%	95.6%	96.0%	95.9%	95.5%	95.3%

CRITICAL ACCOUNTING ESTIMATES

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. Management believes that the policies that are most subject to estimation and Management's judgment are those outlined below.

Judgments

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.

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.

Estimates and Assumptions

Valuation of Investment properties

The fair value of investment properties is determined by Management using the following three approaches 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.

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.

Refer to Note 2(f) of the audited consolidated financial statements for the year ended December 31, 2015 for further information on the estimates and assumptions made by Management in connection with the fair values of investment properties.

Fair Valuation of Financial Instruments

The Company is required to determine the fair value of its loans, mortgages and credit facilities, 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 are calculated based on market interest 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.

Income 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.

Additional critical accounting estimates and assumptions include those used for determining the 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.

FUTURE ACCOUNTING POLICY CHANGES

The IASB has issued new standards and amendments to existing standards. These changes are not yet adopted by the Company and could have an impact on future periods. These changes are described in detail below:

Financial instruments

IFRS 9, "Financial Instruments" ("IFRS 9"), was issued in July 2014, and replaces 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 introduced 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. 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 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 “Leases”; 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, 2018. Earlier adoption is permitted. The Company is in the process of assessing the impact of IFRS 15 on its consolidated financial statements.

Leases

IFRS 16, “Leases” (“IFRS 16”), was issued in January 2016, and replaces IAS 17, “Leases” (“IAS 17”). IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Certain leases will be exempt from these requirements. The most significant effect expected of the new requirements will be an increase in lease assets and financial liabilities for companies with material off-balance sheet leases. Lessor accounting requirements under IFRS 16 are carried forward from IAS 17 and accordingly, leases may be classified and accounted for as operating or finance leases by lessors.

IFRS 16 is required for annual periods beginning on or after January 1, 2019. Earlier adoption is permitted. The Company does not expect any significant impact on its consolidated financial statements.

CONTROLS AND PROCEDURES

As at December 31, 2015, 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 the design of its internal controls over financial reporting, First Capital Realty used the 2013 framework published by the Committee of Sponsoring Organizations of the Treadway Commission (the “2013 COSO Framework”).

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, 2015, and have concluded that such disclosure controls and procedures and internal controls over financial reporting were operating effectively.

The Company did not make any changes in its internal controls over financial reporting during the year ended December 31, 2015 that have had, or are reasonably likely to have, a material effect on the Company’s internal controls over financial reporting. The Company continues to analyze its controls and procedures for potential areas of improvement on an ongoing basis.

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, fluctuations in interest rates and unemployment levels) 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. The Company may also incur significant costs in making improvements or repairs to a property required in order to re-lease vacated premises to a new tenant.

First Capital Realty's net income could be adversely affected in the event of a downturn in the business, or the bankruptcy or insolvency, of any anchor store or anchor tenant. Anchor tenants generally occupy large amounts of leasable area, 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.

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.

The amount of indebtedness outstanding could require the Company to dedicate a substantial portion of its cash flow from operations to service its debt, thereby reducing funds available for operations, acquisitions, development activities and other business opportunities that may arise. 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 \$0.9 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 5.3%. 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 \$8.8 million. In addition, as at December 31, 2015, the Company had \$224.6 million principal amount of debt (or 6% of the Company's aggregate 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.

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. Refer to "Corporate Structure - Credit Ratings". Any lowering, withdrawal or revision of a credit rating may have an adverse effect on the market price of the senior unsecured debentures and the other securities of the Company, may adversely affect a securityholder's ability to sell its senior unsecured debentures or other securities of the Company and may adversely affect the Company's access to financial markets and its cost of borrowing.

Acquisition, Expansion, Development, Redevelopment and Strategic Dispositions

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; (v) the Company's investigation of a property or building prior to acquisition, may fail to reveal various liabilities, which could reduce the cash flow from the property or increase its acquisition cost; and (vi) representations and warranties obtained from third party vendors may not adequately protect against unknown, unexpected or undisclosed liabilities and any recourse against such vendors may be limited by the financial capacity of such vendors.

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) an increase in interest rates during the life of the development or redevelopment.

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.

In addition, 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.

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 the markets in which the Company operates, or any increase in supply of available space in such markets (due to new construction, tenant insolvencies or other vacancy) 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 increasingly play a more significant role in consumer preferences and shopping patterns, which presents an evolving competitive risk to the Company that is not easily assessed. 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 homebuyers, 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.

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

The Company has investments in properties with 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, 2015, Chaim Katzman, a director of the Company (formerly the Chairman of the Board of Directors of the Company), and several of the Company's shareholders affiliated with Mr. Katzman (the "Gazit Group"), including Gazit-Globe and related entities, beneficially owned approximately 42.2% of the outstanding Common Shares. Gazit-Globe is a public company listed on the Toronto Stock Exchange, the New York Stock Exchange and the Tel-Aviv Stock Exchange. Additional information concerning Gazit-Globe is available in its public disclosure. Dori J. Segal, the Chairman of the Board of Directors of First Capital Realty, is also the Executive Vice Chairman of Gazit-Globe. Mr. Katzman as well as 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 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.

In addition, as of December 31, 2015, Alony-Hetz beneficially owned approximately 6.2% 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.

Subsequent to the year ended December 31, 2015, Gazit and Alony-Hetz disposed of 6,500,000 and 980,000 common shares, respectively, of the Company, reducing their beneficial ownership to 39.3% and 5.8%. The Company's most current Annual Information Form contains additional information concerning the Company's significant shareholders.

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 significant interest in the Company, it may be able to exercise a controlling influence over the outcome of 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. The Gazit Group will also be able to exercise a controlling influence in the

MANAGEMENT'S DISCUSSION AND ANALYSIS – continued

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"). The occurrence of an event of default under the Gazit Group Credit Facilities 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 the 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.



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 17, 2016.

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.



Adam E. Paul
President and Chief Executive Officer
Toronto, Ontario
February 17, 2016



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, 2015 and 2014, 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 audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on 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, 2015 and 2014, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The logo for Ernst & Young LLP is written in a stylized, cursive script.

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
February 17, 2016

Consolidated Balance Sheets

As at (thousands of dollars)	Notes	December 31, 2015	December 31, 2014
ASSETS			
Non-current Assets			
Real Estate Investments			
Investment properties – shopping centres	4	\$ 7,779,482	\$ 7,287,650
Investment properties – development land	4	29,853	17,008
Investment in joint ventures	5	160,119	138,578
Loans, mortgages and other real estate assets	6	124,442	96,231
Total real estate investments		8,093,896	7,539,467
Other non-current assets	8	14,284	19,415
Total non-current assets		8,108,180	7,558,882
Current Assets			
Cash and cash equivalents	27(d)	9,164	17,351
Loans, mortgages and other real estate assets	6	35,476	79,978
Residential development inventory		—	3,922
Amounts receivable	7	17,705	16,580
Other assets	8	10,264	26,338
		72,609	144,169
Investment properties classified as held for sale	4(d)	97,737	205,133
Total current assets		170,346	349,302
Total assets		\$ 8,278,526	\$ 7,908,184
LIABILITIES			
Non-current Liabilities			
Mortgages	10	\$ 839,891	\$ 919,453
Credit facilities	10	216,850	—
Senior unsecured debentures	11	2,244,091	2,149,174
Convertible debentures	12	327,343	373,277
Other liabilities	13	29,685	22,925
Deferred tax liabilities	20	504,701	453,903
Total non-current liabilities		4,162,561	3,918,732
Current Liabilities			
Bank indebtedness	27(d)	26,200	—
Mortgages	10	184,111	246,172
Credit facilities	10	7,785	7,785
Accounts payable and other liabilities	13	229,555	237,654
Total current liabilities		447,651	491,611
Total liabilities		4,610,212	4,410,343
EQUITY			
Shareholders' equity	14	3,639,952	3,470,271
Non-controlling interest	24	28,362	27,570
Total equity		3,668,314	3,497,841
Total liabilities and equity		\$ 8,278,526	\$ 7,908,184

Refer to accompanying notes to the consolidated financial statements.

Approved by the Board of Directors:



Jon Hagan
Director



Adam E. Paul
Director

Consolidated Statements of Income

<i>(thousands of dollars, except per share amounts)</i>	Note	Year ended December 31	
		2015	2014
Property rental revenue		656,643 \$	648,441
Property operating costs		244,900	241,532
Net operating income	15	411,743	406,909
Other income and expenses			
Interest and other income	16	15,851	12,997
Interest expense	17	(163,481)	(173,321)
Corporate expenses	18	(35,660)	(31,191)
Abandoned transaction costs		(786)	(907)
Amortization expense		(2,892)	(3,552)
Share of profit from joint ventures	5	12,178	9,135
Other gains (losses) and (expenses)	19	(15,155)	(16,281)
Increase (decrease) in value of investment properties, net	4	37,773	42,078
		(152,172)	(161,042)
Income before income taxes		259,571	245,867
Deferred income taxes	20	55,843	47,657
Net income		203,728 \$	198,210
Net income attributable to:			
Common shareholders		203,865 \$	196,748
Non-controlling interest	24	(137)	1,462
		203,728 \$	198,210
Net income per share attributable to common shareholders:			
Basic	21	0.91 \$	0.93
Diluted	21	0.91 \$	0.92

Refer to accompanying notes to the consolidated financial statements.

Consolidated Statements of Comprehensive Income

	Year ended December 31		
<i>(thousands of dollars)</i>	Note	2015	2014
Net income		\$ 203,728	\$ 198,210
Other comprehensive income (loss)			
Unrealized gains (losses) on available-for-sale marketable securities ⁽¹⁾	26	(34)	13
Reclassification of losses on available-for-sale marketable securities to net income	26	147	69
Unrealized losses on cash flow hedges ⁽¹⁾	26	(12,232)	(12,537)
Reclassification of net losses on cash flow hedges to net income	26	1,101	557
		(11,018)	(11,898)
Deferred tax recovery	26	(3,026)	(3,235)
Other comprehensive income (loss)		(7,992)	(8,663)
Comprehensive income		\$ 195,736	\$ 189,547
Comprehensive income attributable to:			
Common shareholders		\$ 195,873	\$ 188,085
Non-controlling interest	24	(137)	1,462
		\$ 195,736	\$ 189,547

⁽¹⁾ Items that may subsequently be reclassified to net income

Refer to accompanying notes to the consolidated financial statements.

Consolidated Statements of Changes in Equity

<i>(thousands of dollars)</i>	Retained Earnings	Accumulated Other Comprehensive Loss	Share Capital	Contributed Surplus and Other Equity Items	Total Shareholders' Equity	Non-Controlling Interest	Total Equity
			<i>(Note 14(a))</i>	<i>(Note 14(b))</i>			
December 31, 2014	\$ 833,298	\$ (9,070)	\$2,600,605	\$ 45,438	\$3,470,271	\$ 27,570	\$3,497,841
Changes during the period:							
Net income	203,865	—	—	—	203,865	(137)	203,728
Issuance of common shares	—	—	87,277	—	87,277	—	87,277
Issue costs, net of tax and other	—	—	(2,749)	—	(2,749)	—	(2,749)
Dividends	(192,781)	—	—	—	(192,781)	—	(192,781)
Convertible debenture interest paid in common shares	—	—	18,857	—	18,857	—	18,857
Redemption and conversion of convertible debentures	—	—	38,614	(891)	37,723	—	37,723
Options, deferred share units and restricted share units, net	—	—	26,379	(898)	25,481	—	25,481
Other comprehensive loss	—	(7,992)	—	—	(7,992)	—	(7,992)
Contributions from non-controlling interest, net	—	—	—	—	—	929	929
December 31, 2015	\$ 844,382	\$ (17,062)	\$2,768,983	\$ 43,649	\$3,639,952	\$ 28,362	\$3,668,314

<i>(thousands of dollars)</i>	Retained Earnings	Accumulated Other Comprehensive Loss	Share Capital	Contributed Surplus and Other Equity Items	Total Shareholders' Equity	Non-Controlling Interest	Total Equity
			<i>(Note 14(a))</i>	<i>(Note 14(b))</i>			
December 31, 2013	\$ 817,867	\$ (407)	\$2,457,310	\$ 44,600	\$ 3,319,370	\$ 3,638	\$3,323,008
Changes during the period:							
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 debenture interest paid in common shares	—	—	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, net	—	—	—	—	—	22,470	22,470
December 31, 2014	\$ 833,298	\$ (9,070)	\$2,600,605	\$ 45,438	\$ 3,470,271	\$ 27,570	\$3,497,841

Refer to accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

<i>(thousands of dollars)</i>	Note	Year ended December 31	
		2015	2014
OPERATING ACTIVITIES			
Net income		\$ 203,728	\$ 198,210
Adjustments for:			
(Increase) decrease in value of investment properties, net	4	(37,773)	(42,078)
Interest expense	17	163,481	173,321
Amortization expense		2,892	3,552
Share of profit of joint ventures	5	(12,178)	(9,135)
Distributions from joint ventures	5	2,505	2,082
Cash interest paid associated with operating activities	17	(141,900)	(143,161)
Items not affecting cash and other items	27(a)	63,167	53,502
Net change in non-cash operating items	27(b)	563	14,222
Proceeds from sales of residential inventory		—	29,849
Expenditures on residential development inventory		(52)	(8,503)
Cash provided by operating activities		244,433	271,861
FINANCING ACTIVITIES			
Mortgages and credit facilities			
Borrowings, net of financing costs	10	325,274	126,315
Principal instalment payments	10	(30,817)	(36,058)
Repayments		(218,535)	(254,247)
Repayment of loans on residential development inventory		(3,572)	(5,228)
Issuance of senior unsecured debentures, net of issue costs	11	93,573	510,288
Repayment of senior unsecured debentures	11	—	(228,260)
Settlement of hedges		(5,363)	(8,315)
Repurchase of convertible debentures	12(c)	(12,436)	(4,295)
Issuance of common shares, net of issue costs		104,727	118,111
Payment of dividends		(190,208)	(177,887)
Net contributions from (distributions to) non-controlling interest		929	22,470
Cash provided by (used in) financing activities		63,572	62,894
INVESTING ACTIVITIES			
Acquisition of shopping centres	4(c)	(96,246)	(206,007)
Acquisition of development land	4(c)	—	(19,050)
Net proceeds from property dispositions	4(d)	22,668	209,707
Deferred purchase price of shopping centre	13	—	(4,993)
Distributions from joint ventures		45,098	—
Contributions to joint ventures		(56,967)	(6,985)
Capital expenditures on investment properties		(275,973)	(253,501)
Changes in investing-related prepaid expenses and other liabilities		2,514	2,481
Changes in loans, mortgages and other real estate assets	27(c)	16,514	(44,031)
Cash used in investing activities		(342,392)	(322,379)
Net increase (decrease) in cash and cash equivalents (bank indebtedness)		(34,387)	12,376
Cash and cash equivalents (bank indebtedness), beginning of year		17,351	4,975
Cash and cash equivalents (bank indebtedness), end of year	27(d)	\$ (17,036)	\$ 17,351

Refer to accompanying notes to the consolidated financial statements.

Notes to the Consolidated Financial Statements

1. DESCRIPTION OF THE COMPANY

First Capital Realty Inc. ("First Capital Realty", "FCR", or 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 as well as for future accounting periods are described in Note 3 – "Adoption of New and Amended IFRS Pronouncements".

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 17, 2016.

(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 its 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 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.

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

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 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.

(g) 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.

(h) 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.

(i) 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 in the consolidated statements of income on a proportionate basis consistent with the vesting features of each grant.

(j) Revenue recognition

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 rents based on tenant sales, and recoveries of operating expenses and property taxes. Percentage 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.

(k) 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		
Investments designated as AFS	AFS	Fair value
Derivative assets	FVTPL	Fair value
Loans and mortgages receivable	Loans and receivables	Amortized cost
Equity securities designated as FVTPL	FVTPL	Fair value
Amounts receivable	Loans and receivables	Amortized cost
Cash and cash equivalents	Loans and receivables	Amortized cost
Restricted cash	Loans and receivables	Amortized cost
Financial liabilities		
Mortgages	Other liabilities	Amortized cost
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 Company’s own assumptions about the data 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.

(l) Cash and cash equivalents

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

(m) 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.

(n) 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 23), 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 14).

3. ADOPTION OF NEW AND AMENDED IFRS PRONOUNCEMENTS

The Company has adopted the new and amended International Financial Reporting Standards ("IFRS") pronouncement listed below as at January 1, 2015, in accordance with the transitional provisions outlined.

(a) Investment Property (Annual Improvements 2011-2013 Cycle)

The amended IAS 40, "Investment Property" ("IAS 40") is effective for annual periods beginning on or after July 1, 2014. The amended IAS 40 clarifies that judgment is required to determine whether the acquisition of an investment property is the acquisition of an asset or a group of assets or a business combination within the scope of IFRS 3, "Business Combinations". The adoption of the amendment by the Company did not result in a material impact to the consolidated financial statements.

(b) Recent Accounting Pronouncements Not Yet Adopted

The IASB has issued new standards and amendments to existing standards. These changes are not yet adopted by the Company and could have an impact on future periods. These changes are described in detail below:

Financial instruments

IFRS 9, "Financial Instruments" ("IFRS 9"), was issued in July 2014, and replaces 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 introduced 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. 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 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.

The revised hedge accounting model permits additional hedging strategies used for risk management to qualify for hedge accounting.

IFRS 9 is required for annual periods beginning on or after January 1, 2018. 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 "Leases"; 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, 2018. Earlier adoption is permitted. The Company is in the process of assessing the impact of IFRS 15 on its consolidated financial statements.

Leases

IFRS 16, “Leases” (“IFRS 16”), was issued in January 2016, and replaces IAS 17, “Leases” (“IAS 17”). IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Certain leases will be exempt from these requirements. The most significant effect expected of the new requirements will be an increase in lease assets and financial liabilities for lessees with material off-balance sheet leases. Lessor accounting requirements under IFRS 16 are carried forward from IAS 17 and accordingly, leases will continue to be classified and accounted for as operating or finance leases by lessors.

IFRS 16 is required for annual periods beginning on or after January 1, 2019. Earlier adoption is permitted. The Company does not expect any significant impact on its consolidated financial statements.

4. INVESTMENT PROPERTIES

(a) Activity

The following tables summarize the changes in the Company’s investment properties for the years ended December 31, 2015 and 2014:

					Year ended December 31, 2015	
	Central Region	Eastern Region	Western Region	Total	Shopping Centres	Development Land
Balance at beginning of year	\$ 3,207,544	\$ 1,744,533	\$ 2,557,714	\$ 7,509,791	\$ 7,474,329	\$ 35,462
Acquisitions	29,030	18,539	50,130	97,699	97,699	—
Capital expenditures	115,596	69,091	91,289	275,976	275,133	843
Reclassifications between shopping centres and development land	—	—	—	—	1,546	(1,546)
Reclassification from residential development inventory	4,016	—	—	4,016	—	4,016
Increase (decrease) in value of investment properties, net	(20,100)	12,705	45,168	37,773	40,195	(2,422)
Straight-line rent and other changes	3,383	(2,374)	3,945	4,954	4,954	—
Dispositions	(1,610)	(21,527)	—	(23,137)	(23,137)	—
Balance at end of year	\$ 3,337,859	\$ 1,820,967	\$ 2,748,246	\$ 7,907,072	\$ 7,870,719	\$ 36,353
Investment properties					\$ 7,779,482	\$ 29,853
Investment properties classified as held for sale					91,237	6,500
Total					\$ 7,870,719	\$ 36,353

Year ended December 31, 2014						
	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 venture ⁽¹⁾	(82,900)	—	—	(82,900)	(34,300)	(48,600)
Revaluation of deferred purchase price of shopping centre	—	—	(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 5 – "Investment in Joint Ventures" for additional information.

Investment properties with a fair value of \$2.4 billion (December 31, 2014 – \$2.7 billion) are pledged as security for \$1.2 billion in mortgages and credit facilities.

(b) Investment property valuation

Capitalization rates by region for investment properties – shopping centres are set out in the table below:

As at	December 31, 2015			December 31, 2014	
	Fair Value (\$ millions)	Weighted Average Capitalization Rate		Fair Value (\$ millions)	Weighted Average Capitalization Rate
Shopping Centres					
Central Region	\$ 3,328	5.5%	\$ 3,200	5.6%	
Eastern Region	1,814	6.1%	1,736	6.2%	
Western Region	2,729	5.5%	2,538	5.7%	
Total or Weighted Average	\$ 7,871	5.7%	\$ 7,474	5.8%	

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The sensitivity of the fair values of shopping centres to capitalization rates as at December 31, 2015 is set out in the table below:

As at December 31, 2015	<i>(millions of dollars)</i>
(Decrease) Increase in capitalization rate	Resulting increase (decrease) in value of shopping centres
(0.75)%	\$ 1,119
(0.50)%	\$ 709
(0.25)%	\$ 337
0.25%	\$ (312)
0.50%	\$ (597)
0.75%	\$ (860)

Additionally, a 1% increase or decrease in stabilized net operating income ("SNOI") would result in a \$72 million increase or a \$75 million decrease, respectively, in the fair value of shopping centres. 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%. 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 \$414 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 \$382 million.

(c) Investment properties – Acquisitions

During the years ended December 31, 2015 and 2014, the Company acquired shopping centres and development land for rental income and future development and redevelopment opportunities as follows:

Year ended December 31	2015		2014	
	Shopping Centres	Development Land	Shopping Centres	Development Land
Total purchase price, including acquisition costs	\$ 97,699	\$ —	\$ 207,852	\$ 19,050
Deferred purchase price and ground lease liabilities	—	—	(1,845)	—
Mortgage assumption on acquisition	(1,453)	—	—	—
Total cash paid	\$ 96,246	\$ —	\$ 206,007	\$ 19,050

(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	December 31, 2015	December 31, 2014
Aggregate fair value	\$ 97,737	\$ 205,133

The decrease of \$107.4 million in investment properties classified as held for sale from December 31, 2014, arises from 2015 dispositions of \$23.1 million with the remainder being transferred back to investment properties – shopping centres and investment properties – development land resulting from a slower disposition program than previously planned.

For the years ended December 31, 2015 and 2014, the Company sold shopping centres and development land as follows:

	Year ended December 31	
	2015	2014
	Shopping Centres and Development Land	Shopping Centres and Development Land
Total sales price ⁽¹⁾	\$ 23,137	\$ 245,716
Mortgages assumed and vendor take-back mortgages on sale	—	(30,921)
Property selling costs	(469)	(5,088)
Total cash proceeds	\$ 22,668	\$ 209,707

⁽¹⁾ Total sales price by region is: Central \$1.6 million (2014 – \$140 million); Eastern \$21.5 million (2014 – \$32 million); and Western \$nil (2014 – \$74 million).

(e) Reconciliation of investment properties to total assets

Shopping centres and development land by region and a reconciliation to total assets are set out in the tables below:

As at December 31, 2015	Central Region	Eastern Region	Western Region	Total
Total shopping centres and development land ⁽¹⁾	\$ 3,337,859	\$ 1,820,967	\$ 2,748,246	\$ 7,907,072
Cash and cash equivalents				9,164
Loans, mortgages and other real estate assets				159,918
Other assets				24,548
Amounts receivable				17,705
Investment in joint ventures				160,119
Total assets				\$ 8,278,526

As at December 31, 2014	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
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

⁽¹⁾ Includes investment properties classified as held for sale.

5. INVESTMENT IN JOINT VENTURES

As at December 31, 2015, the Company had interests in two joint ventures that it accounts for using the equity method. The Company, through direct and indirect investment, owns on a consolidated basis a 53.1% interest in M+M Urban Realty LP (“Main and Main Urban Realty”), a joint venture between the Company, Main and Main Developments LP (“MMLP”, further described in Note 24) and an institutional investor. The Company has determined that Main and Main Urban Realty is a joint venture as all decisions regarding its activities are made unanimously as between MMLP and the Company on one hand, and the institutional investor on the other hand. In addition, the Company has a 50% interest in a joint venture that operates a shopping centre known as “College Square” located in Ottawa, Ontario.

Summarized financial information of the joint ventures’ financial position and performance is set out below:

As at	December 31, 2015	December 31, 2014
Total assets	\$ 399,759	\$ 290,099
Total liabilities	93,649	23,232
Net assets at 100%	306,110	266,867
The Company's investment in equity accounted joint ventures	\$ 160,119	\$ 138,578
For the year ended	December 31, 2015	December 31, 2014
Revenue	\$ 16,940	\$ 11,057
Expenses	7,865	4,618
Increase in value of investment properties, net	9,545	11,723
Income before income taxes	18,620	18,162
Current income taxes	\$ 15	\$ —
Net income and total comprehensive income at 100%	\$ 18,605	\$ 18,162
The Company's share of income in equity accounted joint ventures	\$ 12,178	\$ 9,135

As at December 31, 2015, MMLP and its joint venture partners have collectively committed a total of \$320.0 million of equity capital for the current growth and the future development of the Main and Main Urban Realty portfolio. As at December 31, 2015, the Company’s direct and indirect commitment was approximately \$167.0 million, of which \$96.7 million had been invested as at December 31, 2015 (December 31, 2014 – \$93.8 million).

During 2015, the Company received distributions from its joint ventures of \$47.6 million (2014 - \$2.1 million) and made contributions to its joint ventures of \$57.0 million (2014 - \$7.0 million).

As at December 31, 2015, Main and Main Urban Realty had outstanding commitments related to acquisitions, subject to customary closing conditions, as well as capital commitments for an aggregate amount of \$39.9 million. There were no outstanding commitments for College Square as at December 31, 2015. The Company’s share of these outstanding commitments relating to its joint ventures at its interest is \$21.2 million. Main and Main Urban Realty and College Square did not have any contingent liabilities as at December 31, 2015 and 2014.

6. LOANS, MORTGAGES AND OTHER REAL ESTATE ASSETS

As at	December 31, 2015	December 31, 2014
Non-current		
Loans and mortgages receivable (a)	\$ 120,173	\$ 92,132
AFS investment in limited partnership	4,269	4,099
Total non-current	\$ 124,442	\$ 96,231
Current		
Loans and mortgages receivable (a)	\$ 23,499	\$ 46,067
FVTPL investments in equity securities (b)	\$ 11,907	\$ 33,370
AFS investments in equity securities	—	292
Other receivable	70	249
Total current	\$ 35,476	\$ 79,978
Total	\$ 159,918	\$ 176,209

(a) Loans and mortgages receivable are secured by interests in investment properties or shares of entities owning investment properties. As at December 31, 2015, the non-current balance of these receivables bear interest at weighted average coupon and effective interest rates of 6.3% (December 31, 2014 – 5.7% and 5.9% per annum, respectively) and mature between 2017 and 2025. The current balance of loans and mortgages receivable bears interest at a weighted average coupon and effective interest rate of 6.1% and 6.2% per annum, respectively (December 31, 2014 – 9.6% per annum).

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

Scheduled principal receipts of loans and mortgages receivable as at December 31, 2015 are as follows:

	Payments on Maturity	Weighted Average Effective Interest Rate
2016	\$ 23,010	6.10%
2017	3,254	7.30%
2018	2,880	10.00%
2019	64,987	6.70%
2020	73	0.00%
2021 to 2025	47,786	5.50%
	141,990	6.30%
Unamortized deferred financing fees, net	1,682	
	\$ 143,672	

7. AMOUNTS RECEIVABLE

As at	December 31, 2015	December 31, 2014
Trade receivables (net of allowances for doubtful accounts of \$2.8 million; 2014 – \$3.1 million)	\$ 16,064	\$ 15,106
Construction and development related chargebacks and receivables	780	374
Corporate and other amounts receivable	861	1,100
Total	\$ 17,705	\$ 16,580

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.

8. OTHER ASSETS

As at	Notes	December 31, 2015	December 31, 2014
Non-current			
Fixtures, equipment and computer hardware and software (net of accumulated amortization of \$3.9 million; 2014 - \$5.3 million)		\$ 3,153	\$ 9,721
Deferred financing costs on credit facilities (net of accumulated amortization of \$3.1 million; 2014 - \$2.7 million)		2,172	1,591
Environmental indemnity and insurance proceeds receivable	13(a)	8,274	5,418
Deposits and costs on investment properties under option		—	2,000
Held-to-maturity investment in bond		685	685
Total non-current		\$ 14,284	\$ 19,415
Current			
Deposits and costs on investment properties under option		\$ 3,824	\$ 4,144
Prepaid expenses		4,457	7,388
Other deposits		1,924	792
Restricted cash		59	13,733
Derivatives at fair value	23	—	281
Total current		\$ 10,264	\$ 26,338
Total		\$ 24,548	\$ 45,753

9. 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 to shareholders over the long term. The Company's capital structure currently includes common shares, senior unsecured debentures, mortgages, convertible debentures, revolving credit facilities and bank indebtedness, 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 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's strategy also involves maintaining its moderate leverage and continuing to improve the interest coverage and fixed charge coverage ratios to allow continued access to capital at a reasonable 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.

Periodically, the Company re-evaluates its overall financing and capital execution strategy to ensure the best access to available capital at a reasonable cost.

The components of the Company's capital are set out in the table below:

As at	December 31, 2015	December 31, 2014
Liabilities (principal amounts outstanding)		
Bank indebtedness	\$ 26,200	\$ —
Mortgages	1,020,358	1,158,466
Credit facilities	224,635	7,785
Mortgages under equity accounted joint venture (at the Company's interest)	3,878	10,425
Credit facilities under equity accounted joint venture (at the Company's interest)	43,669	—
Senior unsecured debentures	2,250,000	2,160,000
Convertible debentures	337,271	388,174
Equity Capitalization		
Common shares (based on closing per share price of \$18.35; December 31, 2014 – \$18.66)	4,138,622	4,037,543
Total	\$ 8,044,633	\$ 7,762,393

The Company is subject to financial covenants in agreements governing its senior unsecured debentures and its credit facilities. In accordance with the terms of the Company's credit agreements, all ratios are calculated with joint ventures proportionately consolidated. As at December 31, 2015, the Company remains in compliance with all of its applicable financial covenants. The following table summarizes a number of the Company's key ratios:

As at	Measure/ Covenant	December 31, 2015	December 31, 2014
Net debt to total assets		42.9%	42.2%
Unencumbered aggregate assets to unsecured debt, using 10 quarter average capitalization rate ⁽¹⁾	≥1.3	2.2	2.2
Shareholders' equity, using four quarter average (billions) ⁽¹⁾	>\$1.6B	\$ 3.6	\$ 3.4
Secured indebtedness to total assets ⁽¹⁾	<35%	13.1%	15.0%
For the rolling four quarters ended			
Interest coverage (EBITDA to interest expense) ⁽¹⁾	>1.65	2.5	2.3
Fixed charge coverage (EBITDA to debt service) ⁽¹⁾	>1.50	2.1	1.9

⁽¹⁾ Calculations required under the Company's credit facility agreements or indenture governing the senior unsecured debentures.

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 the Company has the option 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 any draws under the secured 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.

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- 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 and excludes properties under development. 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.

10. MORTGAGES AND CREDIT FACILITIES

As at	December 31, 2015	December 31, 2014
Fixed rate mortgages	\$ 1,024,002	\$ 1,165,625
Unsecured facility	195,000	—
Secured construction facilities	29,635	7,785
Mortgages and credit facilities	\$ 1,248,637	\$ 1,173,410
Current	\$ 191,896	\$ 253,957
Non-current	1,056,741	919,453
Total	\$ 1,248,637	\$ 1,173,410

Mortgages and secured construction facilities are secured by the Company's investment properties. As at December 31, 2015, approximately \$2.4 billion (December 31, 2014 – \$2.7 billion) of investment properties of \$7.9 billion (December 31, 2014 – \$7.5 billion) had been pledged as security under the mortgages and the secured facility (Note 4(a)).

As at December 31, 2015, mortgages bear coupon interest at a weighted average coupon rate of 4.8% per annum (December 31, 2014 – 5.0% per annum) and mature in the years ranging from 2016 to 2026. The weighted average effective interest rate on all mortgages as at December 31, 2015 is 4.5% per annum (December 31, 2014 – 4.7% per annum).

Principal repayments of mortgages outstanding as at December 31, 2015 are as follows:

	Scheduled Amortization	Payments on Maturity	Total	Weighted Average Effective Interest Rate
2016	\$ 26,770	\$ 155,442	\$ 182,212	4.0%
2017	23,965	82,902	106,867	4.0%
2018	19,979	124,321	144,300	5.4%
2019	17,164	106,714	123,878	6.5%
2020	15,409	45,858	61,267	5.3%
2021 to 2026	36,889	364,945	401,834	3.9%
	\$ 140,176	\$ 880,182	\$ 1,020,358	4.5%
Unamortized deferred financing costs and premiums, net			3,644	
Total			\$ 1,024,002	

Effective June 30, 2015, the Company extended the maturity of its \$800 million unsecured facility to June 30, 2020 on the same terms.

The following table summarizes the details of the Company's credit facilities as at December 31, 2015:

As at December 31, 2015	Borrowing Capacity	Amounts Drawn	Bank Overdraft and Outstanding Letters of	Available to be Drawn	Interest Rates	Maturity Date
Revolving Operating Facilities						
Unsecured facility	\$ 800,000	\$ (195,000)	\$ (55,563)	\$ 549,437	BA + 1.20% or Prime + 0.20% or US\$ LIBOR + 1.20%	June 30, 2020
Secured Construction Facilities						
Maturing 2018	112,500	(21,850)	—	90,650	BA + 1.125% or Prime + 0.125%	February 13, 2018
Maturing 2016	7,953	(7,785)	(75)	93	BA + 1.125% or Prime + 0.125%	March 31, 2016
Total credit facilities	\$ 920,453	\$ (224,635)	\$ (55,638)	\$ 640,180		

During the year, one of the Company's development projects, in which the Company has a 50% interest, obtained a new facility to finance the construction of its project. The facility has a borrowing capacity of \$225 million plus \$5.0 million available for letters of credit. The Company did not renew its \$75 million operating facility upon its maturity on December 31, 2015.

11. SENIOR UNSECURED DEBENTURES

As at		Interest Rate		December 31, 2015		December 31, 2014
Series	Maturity Date	Coupon	Effective	Principal Outstanding	Liability	Liability
H	January 31, 2017	5.85%	5.99%	\$ 125,000	\$ 124,814	\$ 124,653
I	November 30, 2017	5.70%	5.79%	125,000	124,809	124,717
J	August 30, 2018	5.25%	5.66%	50,000	49,678	49,498
K	November 30, 2018	4.95%	5.17%	100,000	99,411	99,229
L	July 30, 2019	5.48%	5.61%	150,000	149,382	149,230
M	April 30, 2020	5.60%	5.60%	175,000	174,985	174,984
N	March 1, 2021	4.50%	4.63%	175,000	174,002	173,835
O	January 31, 2022	4.43%	4.59%	200,000	198,323	198,091
P	December 5, 2022	3.95%	4.18%	250,000	246,637	246,227
Q	October 30, 2023	3.90%	3.97%	300,000	298,643	298,499
R	August 30, 2024	4.79%	4.72%	300,000	301,466	301,622
S	July 31, 2025	4.32%	4.24%	300,000	301,941	208,589
Weighted Average/Total		4.70%	4.78%	\$ 2,250,000	\$ 2,244,091	\$ 2,149,174

Interest on the senior unsecured debentures is payable semi-annually and principal is payable on maturity.

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.

12. CONVERTIBLE DEBENTURES

As at		December 31, 2015						December 31, 2014		
Series	Maturity Date	Interest Rate		Principal	Liability	Equity	Principal	Liability	Equity	
		Coupon	Effective							
D	June 30, 2017	5.70%	6.88%	\$ —	\$ —	\$ —	\$ 42,903	\$ 41,756	\$ 983	
E	January 31, 2019	5.40%	6.90%	55,060	52,793	2,099	56,593	53,608	2,158	
F	January 31, 2019	5.25%	6.07%	53,720	52,506	365	56,549	54,904	384	
G	March 31, 2018	5.25%	6.66%	49,582	48,144	1,146	49,927	47,900	1,154	
H	March 31, 2017	4.95%	6.51%	71,006	69,697	1,415	72,561	70,228	1,446	
I	July 31, 2019	4.75%	6.19%	51,604	49,579	1,414	52,500	49,841	1,439	
J	February 28, 2020	4.45%	5.34%	56,299	54,624	394	57,141	55,040	400	
Weighted Average/Total		5.00%	6.28%	\$ 337,271	\$ 327,343	\$ 6,833	\$ 388,174	\$ 373,277	\$ 7,964	

(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 20-day volume weighted average trading price of the Company's common shares ending five days prior to maturity date. The Company also has the option of paying the semi-annual interest through the issuance of common shares. 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.

During the year ended December 31, 2015, 1.0 million common shares (year ended December 31, 2014 – 1.1 million common shares) were issued for \$18.9 million (year ended December 31, 2014 – \$19.9 million) to pay interest to holders of the convertible debentures. Each series of the Company's convertible 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
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 redemption and holder conversion

On June 30, 2015, the Company redeemed its remaining Series D 5.70% convertible debentures at par by issuing common shares in satisfaction of the remaining principal outstanding and interest owing.

During the year ended December 31, 2015, the Company issued 38,827 common shares in connection with \$0.7 million convertible debentures converted by the holder.

(c) Normal course issuer bid

On August 27, 2015, the Company renewed its normal course issuer bid (“NCIB”) for all of its then outstanding series of convertible debentures. The NCIB will expire on August 26, 2016 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 year ended December 31, 2015 and 2014, principal amounts of convertible debentures purchased and amounts paid for the purchases are represented in the table below:

Year ended December 31	2015		2014	
	Principal Amount Purchased	Amount Paid	Principal Amount Purchased	Amount Paid
Total	\$ 12,289	\$ 12,436	\$ 4,243	\$ 4,295

13. ACCOUNTS PAYABLE AND OTHER LIABILITIES

As at	Note	December 31, 2015	December 31, 2014
Non-current			
Asset retirement obligations (a)		\$ 8,353	\$ 8,973
Ground leases payable		9,789	9,883
Derivatives at fair value	23	8,171	2,370
Deferred purchase price of investment property – shopping centre		1,699	1,699
Deferred income		1,673	—
Total non-current		\$ 29,685	\$ 22,925
Current			
Trade payables and accruals		\$ 59,222	\$ 57,841
Construction and development payables		49,593	46,399
Dividends payable		48,491	46,520
Interest payable		38,537	39,192
Tenant deposits		23,391	22,130
Derivatives at fair value	23	788	—
Short positions in marketable securities		—	12,467
Loan payable		—	3,572
Deferred purchase price of investment property – shopping centre		9,533	9,533
Total current		\$ 229,555	\$ 237,654
Total		\$ 259,240	\$ 260,579

- (a) The Company has obligations for environmental remediation at certain sites within its property portfolio. The Company has also recognized a related environmental indemnity and insurance proceeds receivable in other assets (Note 8).

14. 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		2015		2014	
	Note	Number of Common Shares	Stated Capital	Number of Common Shares	Stated Capital
Issued and outstanding at beginning of year		216,374	\$ 2,600,605	208,356	\$ 2,457,310
Payment of interest on convertible debentures	12	1,024	18,857	1,132	19,914
Redemption and conversion of convertible debentures	12	2,152	38,614	22	500
Exercise of options and restricted and deferred share units		1,577	26,379	1,446	22,747
Issuance of common shares		4,411	87,277	5,418	102,834
Share issue costs and other, net of tax effect		—	(2,749)	—	(2,700)
Issued and outstanding at end of year		225,538	\$ 2,768,983	216,374	\$ 2,600,605

On February 3, 2015, the Company issued 4.4 million common shares at a price of \$19.80 per share for gross proceeds of \$86.5 million. Issue costs associated with the offering were approximately \$3.7 million.

Regular dividends paid per common share were \$0.86 for the year ended December 31, 2015 (year ended December 31, 2014 – \$0.85).

(b) Contributed surplus and other equity items

Contributed surplus and other equity items comprise the following:

Year ended December 31	2015				2014			
	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	Total
		(Note 12)				(Note 12)		
Balance at beginning of year	\$ 19,292	\$ 7,964	\$ 18,182	\$ 45,438	\$ 19,278	\$ 8,058	\$ 17,264	\$ 44,600
Issuance of convertible debentures	—	—	—	—	—	(19)	—	(19)
Redemption of convertible debentures in common shares	—	(885)	—	(885)	—	—	—	—
Repurchase of convertible debentures	240	(246)	—	(6)	14	(75)	—	(61)
Options vested	—	—	652	652	—	—	903	903
Exercise of options	—	—	(1,280)	(1,280)	—	—	(1,060)	(1,060)
Deferred share units granted	—	—	984	984	—	—	928	928
Restricted share units vested	—	—	2,617	2,617	—	—	2,916	2,916
Exercise of restricted and deferred share units	—	—	(3,871)	(3,871)	—	—	(2,769)	(2,769)
Balance at end of year	\$ 19,532	\$ 6,833	\$ 17,284	\$ 43,649	\$ 19,292	\$ 7,964	\$ 18,182	\$ 45,438

(c) Stock options

As of December 31, 2015, the Company is authorized to grant up to 15.2 million (December 31, 2014 – 15.2 million) common share options to the employees, officers and directors of the Company. As of December 31, 2015, 2.7 million (December 31, 2014 – 3.3 million) common share options are available to be granted to the employees, officers and directors of the Company. In addition, as at December 31, 2015, 4.2 million common share options were outstanding. 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, 2015 have exercise prices ranging from \$9.81 – \$19.96 (December 31, 2014 – \$9.81 – \$19.02).

As at	December 31, 2015									
	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
16.34 – 17.84	1,284	\$ 17.18	3.2	995	\$ 17.01	1,815	\$ 17.15	3.9	1,379	\$ 16.95
17.85 – 18.40	1,023	\$ 18.18	8.1	239	\$ 17.90	600	\$ 17.90	7.3	224	\$ 17.90
18.41 – 19.96	1,170	\$ 19.06	8.1	295	\$ 18.88	1,056	\$ 18.85	8.6	153	\$ 18.97
9.81 – 19.96	4,220	\$ 17.55	5.9	2,152	\$ 16.73	4,956	\$ 16.89	5.4	2,968	\$ 16.16

During the year ended December 31, 2015, \$0.4 million (year ended December 31, 2014 – \$0.6 million) was recorded as an expense related to stock options.

Year ended December 31	2015		2014	
	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	4,956	\$ 16.89	5,968	\$ 16.37
Granted (a)	907	18.93	784	18.05
Exercised (b)	(1,338)	15.84	(1,446)	14.99
Forfeited	(305)	18.46	(235)	18.15
Expired	—	—	(115)	18.81
Outstanding at end of year	4,220	\$ 17.55	4,956	\$ 16.89

(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	2015	2014
Share options granted (thousands)	907	784
Term to expiry	10 years	10 years
Exercise price	\$ 18.93	\$ 18.05
Weighted average volatility rate	15.0%	15.0%
Weighted average expected option life	6 years	6 years
Weighted average dividend yield	4.56%	4.68%
Weighted average risk free interest rate	1.20%	1.78%
Fair value (thousands)	\$ 920	\$ 883

(b) The weighted average market share price at which options were exercised for the year ended December 31, 2015 was \$19.17 (year ended December 31, 2014 – \$18.31).

(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 of grant for RSUs granted prior to June 1, 2015, and, for all subsequent RSUs granted, on the third anniversary of the grant date. Holders of DSUs and RSUs receive dividends in the form of additional units when the Company declares dividends on its common shares.

Year ended December 31	2015				2014
<i>(in thousands)</i>	Deferred Share Units	Restricted Share Units	Deferred Share Units	Restricted Share Units	
Outstanding at beginning of year	452	328	393	286	
Granted (a)	29	121	39	193	
Dividends declared	17	16	20	17	
Exercised	(149)	(88)	—	(168)	
Forfeited	—	(3)	—	—	
Outstanding at end of year	349	374	452	328	
Share units available to be granted based on the current reserve	258	343	303	890	
Expense recorded for the year	\$ 670	\$ 1,888	\$ 780	\$ 1,507	

(a) The fair value of the DSUs granted during the year ended December 31, 2015 was \$0.5 million (year ended December 31, 2014 – \$0.7 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, 2015 was \$1.8 million (year ended December 31, 2014 – \$3.3 million), measured based on the Company’s share price on the date of grant.

15. NET OPERATING INCOME

Net operating income is as follows:

Year ended December 31, 2015	Central Region	Eastern Region	Western Region	Subtotal	Other ⁽¹⁾	Total
Property rental revenue	\$ 277,163	\$ 173,577	\$ 208,527	\$ 659,267	\$ (2,624)	\$ 656,643
Property operating costs	105,602	74,802	67,224	247,628	(2,728)	244,900
Net operating income	\$ 171,561	\$ 98,775	\$ 141,303	\$ 411,639	\$ 104	\$ 411,743

Year ended December 31, 2014	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

⁽¹⁾ Other items principally consist of intercompany eliminations.

For the year ended December 31, 2015, property operating costs includes \$21.9 million (year ended December 31, 2014 – \$22.0 million) related to employee compensation.

16. INTEREST AND OTHER INCOME

	Note	Year ended December 31	
		2015	2014
Interest, dividend and distribution income from marketable securities and cash investments	6	\$ 1,605	\$ 4,304
Interest income from loans and mortgages receivable	6	9,366	8,034
Fees and other income		4,880	659
Total		\$ 15,851	\$ 12,997

17. INTEREST EXPENSE

	Note	Year ended December 31	
		2015	2014
Mortgages	10	\$ 51,327	\$ 61,806
Credit facilities	10	4,031	2,037
Senior unsecured debentures	11	106,844	108,156
Convertible debentures (non-cash)	12	22,118	23,735
Total interest expense		184,320	195,734
Interest capitalized to investment properties under development		(20,839)	(22,413)
Interest expense		\$ 163,481	\$ 173,321
Convertible debenture interest paid in common shares	12	(18,857)	(19,913)
Change in accrued interest		655	(7,171)
Effective interest rate in excess of coupon interest rate on senior unsecured and convertible debentures		(788)	(1,247)
Coupon interest rate in excess of effective interest rate on assumed mortgages		3,692	4,145
Amortization of deferred financing costs		(6,283)	(5,974)
Cash interest paid associated with operating activities		\$ 141,900	\$ 143,161

18. CORPORATE EXPENSES

	Year ended December 31	
	2015	2014
Salaries, wages and benefits	\$ 29,164	\$ 24,284
Non-cash compensation	2,941	2,599
Other corporate costs	11,486	10,926
Total corporate expenses	43,591	37,809
Amounts capitalized to investment properties under development	(7,931)	(6,618)
Corporate expenses	\$ 35,660	\$ 31,191

19. OTHER GAINS (LOSSES) AND (EXPENSES)

	Note	Year ended December 31	
		2015	2014
Realized gains on sale of marketable securities		\$ 784	\$ 1,665
Unrealized losses on marketable securities classified as FVTPL		(2,022)	(1,501)
Losses on prepayments of debt		(310)	(3,973)
Unrealized losses on hedges	23	—	(80)
Pre-selling costs of residential inventory		—	(24)
Executive transition expense		—	(7,280)
Investment properties selling costs		(522)	(5,088)
Restructuring costs		(13,085)	—
Total		\$ (15,155)	\$ (16,281)

During the year, the Company announced an organizational restructuring to streamline and enhance the effectiveness of operations. The Company recognized restructuring costs of \$13.1 million for year ended December 31, 2015, primarily related to severance benefits, as well as a \$6.4 million non-cash write-off of an investment in proprietary information technology systems.

20. INCOME TAXES

The sources of deferred tax balances and movements are as follows:

	December 31, 2014	Net income	Recognized in OCI	Equity and other	December 31, 2015
Deferred taxes related to non-capital losses	\$ (21,388)	\$ (14,157)	\$ (1,421)	\$ (1,028)	\$ (37,994)
Deferred tax liabilities related to difference in tax and book basis primarily related to real estate, net	475,291	70,000	(1,605)	(991)	542,695
Net deferred taxes	\$ 453,903	\$ 55,843	\$ (3,026)	\$ (2,019)	\$ 504,701

As at December 31, 2015, the Company had approximately \$143.8 million of non-capital losses which expire between 2016 and 2035.

	December 31, 2013	Net income	Recognized in OCI	Equity and other	December 31, 2014
Deferred taxes related to non-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.

The following reconciles the Company's expected tax expense computed at the statutory tax rate to its actual tax expense for the years ended December 31, 2015 and 2014:

	Year ended December 31	
	2015	2014
Income tax expense at the Canadian federal and provincial income tax rate of 26.4% (2014 – 26.2%)	\$ 68,527	\$ 64,417
Increase (decrease) in income taxes due to:		
Non-taxable portion of capital gains and other	(19,574)	(16,063)
Impact of change in statutory income tax rate	7,375	—
Non-deductible interest expense	414	419
Other	(899)	(1,116)
Deferred income taxes	\$ 55,843	\$ 47,657

The Canadian federal and provincial income tax rate increased primarily due to an increase in the general corporate income tax rate in the Province of Alberta during the second quarter of 2015.

21. PER SHARE CALCULATIONS

The following table sets forth the computation of per share amounts:

	Year ended December 31	
	2015	2014
Net income attributable to common shareholders	\$ 203,865	\$ 196,748
Adjustment for dilutive effect of convertible debentures, net of tax	10,037	15,374
Income for diluted per share amounts	\$ 213,902	\$ 212,122
<i>(in thousands)</i>		
Weighted average number of shares outstanding for basic per share amounts	223,644	211,999
Options	424	539
Convertible debentures	11,802	17,995
Weighted average diluted share amounts	235,870	230,533

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 <i>(in dollars, number of options in thousands)</i>	Number of Shares if Exercised			
	Exercise Price	2015	Exercise Price	2014
Common share options	\$ 19.96	246	\$ 18.97	766
Common share options	—	—	\$ 19.02	50
Common share options	—	—	\$ 18.41	240
Convertible debentures - 5.70%	—	—	\$ 18.75	2,234
Convertible debentures - 5.40%	\$ 22.62	2,795	—	—
Convertible debentures - 5.25%	\$ 23.25	2,491	—	—

22. 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, bond forwards 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.

Interest represents a significant cost in financing the ownership of real property. The Company has a total of \$0.9 billion principal amount of fixed rate interest-bearing instruments outstanding including mortgages, senior unsecured debentures and convertible debentures maturing between January 1, 2016 and December 31, 2018 at a weighted average coupon interest rate of 5.3%. 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 \$8.8 million.

The Company's loans and mortgages receivable 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 from tenants 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, 2015, Loblaw Companies Limited ("Loblaw") accounts for 10.4% of the Company's annualized minimum rent and has an investment grade credit rating. Other than Loblaw, no other tenant accounts for more than 10% 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 typically mitigates the risk of credit loss from debtors by obtaining registered mortgage charges on real estate properties.

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:

<i>(thousands of Canadian dollars)</i>	2015
Within 1 year	\$ 419,036
After 1 year, but not more than 5 years	1,222,284
More than 5 years	875,379
	\$ 2,516,699

(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, 2015 is set out below:

	Payments Due by Period				
	2016	2017 to 2018	2019 to 2020	Thereafter	Total
Scheduled mortgage principal amortization	\$ 26,770	\$ 43,944	\$ 32,573	\$ 36,889	\$ 140,176
Mortgage principal repayments on maturity	155,442	207,223	152,572	364,945	880,182
Mortgages under equity accounted joint ventures	—	3,878	—	—	3,878
Credit facilities	7,785	21,850	195,000	—	224,635
Credit facilities under equity accounted joint venture	3,825	39,844	—	—	43,669
Senior unsecured debentures	—	400,000	325,000	1,525,000	2,250,000
Interest obligations ⁽¹⁾	157,769	269,068	200,146	208,924	835,907
Land leases (expiring between 2023 and 2061)	947	1,939	1,962	16,210	21,058
Contractual committed costs to complete current development projects	56,227	18,974	—	—	75,201
Other committed costs	155,525	7,250	—	—	162,775
Total contractual obligations ⁽²⁾	\$ 564,290	\$ 1,013,970	\$ 907,253	\$ 2,151,968	\$ 4,637,481

⁽¹⁾ Interest obligations include expected interest payments on mortgages and credit facilities as at December 31, 2015 (assuming balances remain outstanding through to maturity), and senior unsecured debentures, as well as standby credit facility fees.

⁽²⁾ The Company has the option 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 manages its liquidity risk by staggering debt maturities; renegotiating expiring credit arrangements proactively; using revolving credit facilities; and issuing equity when considered appropriate. As at December 31, 2015, there was \$195.0 million (December 31, 2014 – nil) of cash advances drawn against the Company's revolving credit facilities.

In addition, as at December 31, 2015, the Company has \$55.6 million (December 31, 2014 – \$42.2 million) of bank overdrafts and outstanding letters of credit issued by financial institutions primarily to support certain of the Company's contractual obligations.

23. FAIR VALUE MEASUREMENT

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	
		2015	2014	2015	2014
Financial assets					
FVTPL investments in equity securities	6	\$ 11,907	\$ 33,370	\$ 11,907	\$ 33,370
AFS investments in equity securities	6	4,269	4,391	4,269	4,391
Loans and mortgages receivable	6	143,672	138,199	141,354	136,569
Derivatives at fair value	8	—	281	—	281
Financial liabilities					
Mortgages	10	\$ 1,024,002	\$ 1,165,625	\$ 1,048,090	\$ 1,220,094
Credit facilities	10	224,635	7,785	224,635	7,785
Senior unsecured debentures	11	2,244,091	2,149,174	2,414,392	2,326,507
Convertible debentures	12	327,343	373,277	341,874	392,003
Derivatives at fair value	13	8,959	2,370	8,959	2,370
Short positions in marketable securities	13	—	12,467	—	12,467

The fair values of the Company's cash and cash equivalents, amounts receivable, deposits, restricted cash and accounts payable and other liabilities approximate their carrying values as at December 31, 2015 and 2014 due to their short term nature.

The fair values of the Company's investments in FVTPL as well as any 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 securities, 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, 2015, the risk-adjusted interest rates ranged from 4.0% to 10.0% (December 31, 2014 – 4.0% to 11.0%).

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, 2015, these rates ranged from 2.3% to 3.3% (December 31, 2014 – 2.4% to 3.4%).

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, 2015, these rates ranged from 1.7% to 3.8% (December 31, 2014 – 2.0% to 3.9%).

The fair values of the convertible debentures are based on the TSX closing bid prices.

The fair value hierarchy of financial instruments on the audited annual consolidated balance sheets is as follows:

As at	Note	December 31, 2015			December 31, 2014		
		Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Measured at fair value							
Financial Assets							
FVTPL investments in equity securities	6	\$ 11,907	\$ —	\$ —	\$ 33,370	\$ —	\$ —
AFS investments in equity securities	6	—	—	4,269	292	—	4,099
Derivatives at fair value – assets	8	—	—	—	—	281	—
Financial Liabilities							
Derivatives at fair value – liabilities	13	—	8,959	—	—	2,370	—
Short positions in marketable securities	13	—	—	—	12,467	—	—
Measured at amortized cost							
Financial Assets							
Loans and mortgages receivable	6	\$ —	\$ —	\$ 141,354	\$ —	\$ —	\$ 136,569
Financial Liabilities							
Mortgages	10	—	1,048,090	—	—	1,220,094	—
Credit facilities	10	—	224,635	—	—	7,785	—
Senior unsecured debentures	11	—	2,414,392	—	—	2,326,507	—
Convertible debentures	12	341,874	—	—	392,003	—	—

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 other comprehensive income 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 19).

The fair values of the Company's asset (liability) hedging instruments are as follows:

As at	Designated as Hedging Instrument	Maturity	December 31, 2015	December 31, 2014
Bond forward contracts	Yes	January 2016	\$ (788)	\$ 281
Interest rate swaps	Yes	March 2022 - June 2025	(8,171)	(2,370)
Net			\$ (8,959)	\$ (2,089)

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, 2015, the interest rates ranged from 1.5% to 3.2% (December 31, 2014 – 1.9% to 3.7%).

24. 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 from 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:

	December 31, 2015	December 31, 2014
Non-current assets	\$ 84,724	\$ 83,416
Current assets	1,746	705
Total assets	\$ 86,470	\$ 84,121
Non-current liabilities	—	—
Current liabilities	502	548
Total liabilities	502	548
Net assets	\$ 85,968	\$ 83,573
Non-controlling interests	\$ 28,362	\$ 27,570

	Year ended December 31	
	2015	2014
Revenue	\$ 2,168	\$ 4,887
Share of profit from joint venture	602	480
Expenses	3,189	5,010
Increase in value of investment properties, net	—	4,108
Net income	\$ (419)	\$ 4,465
Non-controlling interests	\$ (137)	\$ 1,462

	Year ended December 31	
	2015	2014
Cash provided by operating activities	\$ (940)	\$ 6,827
Cash provided by financing activities	2,813	61,290
Cash used in investing activities	(706)	(68,689)
Net decrease in cash and cash equivalents	\$ 1,167	\$ (572)

25. CO-OWNERSHIP INTERESTS

The Company has co-ownership interests 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.

Property	Location	Ownership Interest	
		December 31, 2015	December 31, 2014
Bow Valley Crossing (land)	Calgary, AB	75%	75%
The Edmonton Brewery District	Edmonton, AB	50%	50%
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%
Mclaughlin Corners	Brampton, ON	50%	50%
Meadowbrook Centre (II)	Edmonton, AB	100%	50%
Midland (land)	Midland, ON	50%	50%
Seton Gateway	Calgary, AB	50%	50%
Sherwood Park	Sherwood Park, AB	50%	50%
South Oakville Properties ⁽¹⁾	Oakville, ON	50%	50%
West Oaks Mall	Abbotsford, BC	50%	50%
West Springs Village	Calgary, AB	50%	50%

⁽¹⁾ South Oakville Properties includes one property at 50% interest, with the remaining properties held at 100% interest.

26. SUPPLEMENTAL OTHER COMPREHENSIVE INCOME (LOSS)

INFORMATION

(a) Accumulated other comprehensive loss

Year ended December 31	2015			2014		
	Opening Balance January 1	Net Change During the Year	Closing Balance December 31, 2015	Opening Balance January 1	Net Change During the Year	Closing Balance December 31, 2015
Unrealized (losses) gains on AFS investments in equity securities	\$ (53)	\$ 98	\$ 45	\$ (124)	\$ 71	\$ (53)
Unrealized losses on cash flow hedges	(9,017)	(8,090)	(17,107)	(283)	(8,734)	(9,017)
Accumulated other comprehensive loss	\$ (9,070)	\$ (7,992)	\$ (17,062)	\$ (407)	\$ (8,663)	\$ (9,070)

(b) Tax effects relating to each component of other comprehensive (loss) income

Year ended December 31	2015			2014		
	Before-Tax Amount	Tax (Expense) Recovery	Net of Tax Amount	Before-Tax Amount	Tax (Expense) Recovery	Net of Tax Amount
Unrealized (losses) gains on AFS investments in equity securities	\$ (34)	\$ 5	\$ (29)	\$ 13	\$ (2)	\$ 11
Reclassification of gains (losses) on AFS equity securities to net income	147	(20)	127	69	(9)	60
Unrealized (losses) gains on cash flow hedges	(12,232)	3,334	(8,898)	(12,537)	3,392	(9,145)
Reclassification of losses on cash flow hedges to net income	1,101	(293)	808	557	(146)	411
Other comprehensive (loss) income	\$ (11,018)	\$ 3,026	\$ (7,992)	\$ (11,898)	\$ 3,235	\$ (8,663)

27. SUPPLEMENTAL CASH FLOW INFORMATION

(a) Items not affecting cash and other items

	Note	Year ended December 31	
		2015	2014
Straight-line rent adjustment		\$ (4,957)	\$ (5,851)
Investment properties – selling costs	19	522	5,088
Realized gains on sale of marketable securities	19	(784)	(1,665)
Unrealized losses (gains) on marketable securities classified as FVTPL	19	2,022	1,501
Losses on prepayments of debt	19	310	3,973
Non-cash compensation expense		3,098	2,721
Deferred income taxes	20	55,843	47,657
Unrealized losses on hedges	19	—	80
Other non-cash items		7,113	(2)
Total		\$ 63,167	\$ 53,502

(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	
	2015	2014
Amounts receivable	\$ (1,124)	\$ 1,854
Prepaid expenses	1,237	(871)
Trade payables and accruals	2,173	8,206
Tenant security and other deposits	1,749	5,135
Other working capital changes	(3,472)	(102)
Total	\$ 563	\$ 14,222

(c) Changes in loans, mortgages and other real estate assets

	Year ended December 31	
	2015	2014
Advances of loans and mortgages receivable	\$ (48,349)	\$ (39,396)
Repayments of loans and mortgages receivable	43,445	263
Investment in marketable securities, net	(3,154)	(36,921)
Proceeds from disposition of marketable securities	24,572	32,023
Net	\$ 16,514	\$ (44,031)

(d) Cash and cash equivalents (bank indebtedness)

As at	December 31, 2015	December 31, 2014
Cash ⁽¹⁾	\$ 9,164	\$ 17,251
Term deposits	—	100
Bank indebtedness	(26,200)	—
Total	\$ (17,036)	\$ 17,351

⁽¹⁾ Principally consisting of cash related to co-ownerships and properties managed by third parties.

28. 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 \$78.4 million (December 31, 2014 – \$68.2 million) to various lenders in connection with certain third-party obligations, including, without limitation, loans advanced to its joint arrangement partners secured by the partners' interest in the joint arrangements and underlying assets.
- (c) The Company is contingently liable by way of letters of credit in the amount of \$29.4 million (December 31, 2014 – \$42.2 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 leases for land. Annual commitments under these ground leases are approximately \$0.9 million (December 31, 2014 – \$1.0 million) with a total obligation of \$21.1 million (December 31, 2014 – \$22.2 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 is contingently liable by way of a put option on a property by the owner that is exercisable up to October 2022.

29. RELATED PARTY TRANSACTIONS

(a) Major Shareholder

Gazit-Globe Ltd. (“Gazit”) is the principal shareholder of the Company and, as of December 31, 2015, beneficially owns 42.2% (December 31, 2014 – 44.0%) of the common shares of the Company. Norstar Holdings Inc. is the ultimate controlling party. As of December 31, 2015, Alony-Hetz Properties and Investments Ltd. (“Alony-Hetz”) also beneficially owns 6.2% (December 31, 2014 – 8.3%) 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 as directed by Gazit with respect to the election of the remaining directors of the Company. Subsequent to the year ended December 31, 2015, Gazit and Alony-Hetz disposed of 6,500,000 and 980,000 common shares, respectively, of the Company, reducing their beneficial ownership to 39.3% and 5.8%.

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	
	2015	2014
Reimbursements for professional services	\$ 213	\$ 591

As at December 31, 2015, amounts due from Gazit were \$0.1 million (December 31, 2014 – \$0.2 million).

(b) Joint venture

During the year ended December 31, 2015, a subsidiary of MMLP earned property-related and asset management fees from MMUR, which are included in the Company’s consolidated fees and other income in the amount of \$1.9 million (December 31, 2014 – \$0.4 million).

(c) Subsidiaries of the Company

These audited annual consolidated financial statements include the financial statements of First Capital Realty and all of First Capital Realty’s subsidiaries, including First Capital Holdings Trust. First Capital Holdings Trust is the only significant subsidiary of First Capital Realty and is wholly owned by the Company.

(d) Compensation of Key Management Personnel

Aggregate compensation for directors and the Chief Executive Officer and Chief Financial Officer included in corporate expenses is as follows:

	Year ended December 31	
	2015	2014
Salaries and short-term employee benefits	\$ 3,225	\$ 2,051
Share-based compensation (non-cash compensation expense)	1,661	1,862
Executive transition expense	—	7,280
	\$ 4,886	\$ 11,193

30. SUBSEQUENT EVENTS

The Company announced that it will pay a first quarter dividend of \$0.215 per common share on April 12, 2016 to shareholders of record on March 30, 2016.

On February 1, 2016, the Company purchased a 100% interest in a 171,000 square foot shopping centre in South Surrey, B.C. for \$78 million and, in a separate transaction, disposed of a 50% non-managing interest in three properties totaling 269,500 square feet in Lachenaie, Quebec, for \$71 million.

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TORONTO STOCK EXCHANGE LISTINGS

Common shares: FCR
5.40% Convertible Debentures:
FCR.DB.E
5.25% Convertible Debentures:
FCR.DB.F
4.75% Convertible Debentures:
FCR.DB.I
4.45% Convertible Debentures:
FCR.DB.J

TRANSFER AGENT

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Kay Brekken
*Executive Vice President and
Chief Financial Officer*

Gregory J. Menzies
Executive Vice President

Gareth Burton
Senior Vice President, Construction

Carmine Francella
Senior Vice President, Leasing

Maryanne McDougald
Senior Vice President, Operations

Jodi M. Shpigel
Senior Vice President, Development

Roger J. Chouinard
General Counsel and Corporate Secretary

Sandra Levy
Vice President, People and Corporate Affairs

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