



**1490 East Hastings St.
Vancouver, BC**

Management's Discussion and Analysis

West Block
Toronto, ON



- (1) See Section 13, “Non-GAAP Financial Measures”, of this MD&A
- (2) To be read in conjunction with the “Forward-Looking Statements” included in the Notes for Readers located on page 2 of this MD&A

Notes for Readers

Please refer to the Choice Properties Real Estate Investment Trust (“Choice Properties” or the “Trust”) unaudited interim period condensed consolidated financial statements for the three months ended March 31, 2021 and accompanying notes (“Q1 2021 Financial Statements”) when reading this Management’s Discussion and Analysis (“MD&A”), as well as the Trust’s Audited Financial Statements and MD&A for the year ended December 31, 2020. In addition, this MD&A should be read in conjunction with the Trust’s “Forward-Looking Statements” as listed below. Choice Properties’ Q1 2021 Financial Statements have been prepared in accordance with International Financial Reporting Standards (“IFRS” or “GAAP”) and were authorized for issuance by the Board of Trustees (“Board”).

In addition to using performance measures determined in accordance with IFRS, Choice Properties’ management also measures performance using certain additional non-GAAP measures and provides these measures in this MD&A so that investors may do the same. Such measures do not have any standardized definitions prescribed under IFRS and are, therefore, unlikely to be comparable to similar measures presented by other real estate investment trusts or enterprises. Please refer to Section 13, “Non-GAAP Financial Measures” for a list of defined non-GAAP financial measures and reconciliations thereof.

This First Quarter Report, including this MD&A, contains forward-looking statements about Choice Properties’ objectives, plans, goals, aspirations, strategies, financial condition, results of operations, cash flows, performance, prospects, opportunities, and legal and regulatory matters. Specific statements with respect to anticipated future results and events can be found in various sections of this MD&A, including but not limited to, Section 3, “Investment Properties”, Section 5, “Results of Operations”, Section 6, “Leasing Activity”, Section 7, “Results of Operations - Segment Information”, and Section 12, “Outlook and Impact of COVID-19”. Forward-looking statements are typically identified by words such as “expect”, “anticipate”, “believe”, “foresee”, “could”, “estimate”, “goal”, “intend”, “plan”, “seek”, “strive”, “will”, “may”, “should” and similar expressions, as they relate to Choice Properties and its management.

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

Choice Properties’ expectation of operating and financial performance is based on certain assumptions, including assumptions about the Trust’s future growth potential, prospects and opportunities, industry trends, future levels of indebtedness, tax laws, economic conditions and

competition. Management’s estimates, beliefs and assumptions are inherently subject to significant business, economic, competitive and other uncertainties and contingencies regarding future events and as such, are subject to change. Choice Properties can give no assurance that such estimates, beliefs and assumptions will prove to be correct.

Numerous risks and uncertainties could cause the Trust’s actual results to differ materially from those expressed, implied or projected in the forward-looking statements, including those described in Section 11, “Enterprise Risks and Risk Management” of this MD&A and the Trust’s Annual Information Form (“AIF”) for the year ended December 31, 2020. Selected highlights of such risks and uncertainties include:

- the duration and impact of the COVID-19 pandemic on the business, operations and financial condition of Choice Properties and its tenants, as well as on consumer behaviours and the economy in general;
- changes in economic conditions, including changes in interest rates and the rate of inflation;
- failure by Choice Properties to effectively and efficiently manage its property and leasing management processes;
- the inability of Choice Properties to make acquisitions and dispositions of properties in accordance with its near and long-term strategies;
- failure by Choice Properties to anticipate, identify and react to demographic changes, including shifting consumer preferences toward digital commerce, which may result in a decrease in demand for physical space by retail tenants; and
- the inability of Choice Properties’ information technology infrastructure to support the requirements of Choice Properties’ business, failure by Choice Properties to identify and respond to business disruptions, or the occurrence of any internal or external security breaches, denial of service attacks, viruses, worms or other known or unknown cyber security or data breaches.

This is not an exhaustive list of the factors that may affect Choice Properties’ forward-looking statements. Other risks and uncertainties not presently known to Choice Properties could also cause actual results or events to differ materially from those expressed in its forward-looking statements.

Choice Properties’ financial results are impacted by adjustments to the fair value of the Class B LP units of Choice Properties Limited Partnership (the “Exchangeable Units”), unit-based compensation and investment properties. Exchangeable Units and unit-based compensation liabilities are recorded at

their fair value based on the market trading price of the Trust Units, which results in a negative impact to the financial results when the Trust Unit price rises and a positive impact when the Trust Unit price declines. Investment properties are recorded at fair value based on valuations performed by the Trust’s internal valuations team. These adjustments to fair value impact certain of the GAAP reported figures of the Trust, including net income.

Additional risks and uncertainties are discussed in Choice Properties’ materials filed with the Canadian securities regulatory authorities from time to time, including without limitation, the Trust’s AIF for the year ended December 31, 2020. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect Choice Properties’ expectations only as of the date of this First Quarter Report. Except as required by applicable law, Choice Properties does not undertake to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Choice Properties is an unincorporated, open ended mutual fund trust governed by the laws of the Province of Ontario and established pursuant to an amended and restated declaration of trust dated May 2, 2018, as may be amended, supplemented or restated from time to time (the “Declaration of Trust”). Choice Properties’ Trust Units are listed on the Toronto Stock Exchange (“TSX”) and are traded under the symbol “CHP.UN”.

The Trust was created in 2013 from the owned real estate of Loblaw Companies Limited (“Loblaw”), the Trust’s primary tenant and prior to November 2018, the Trust’s largest Unitholder. On November 1, 2018, Loblaw and George Weston Limited (“GWL”) completed a reorganization under which Loblaw spun out its direct effective interest in Choice Properties to its majority shareholder, GWL. As of March 31, 2021, GWL held a 61.8% direct effective interest in Choice Properties. Choice Properties’ ultimate parent is Wittington Investments, Limited (“Wittington”).

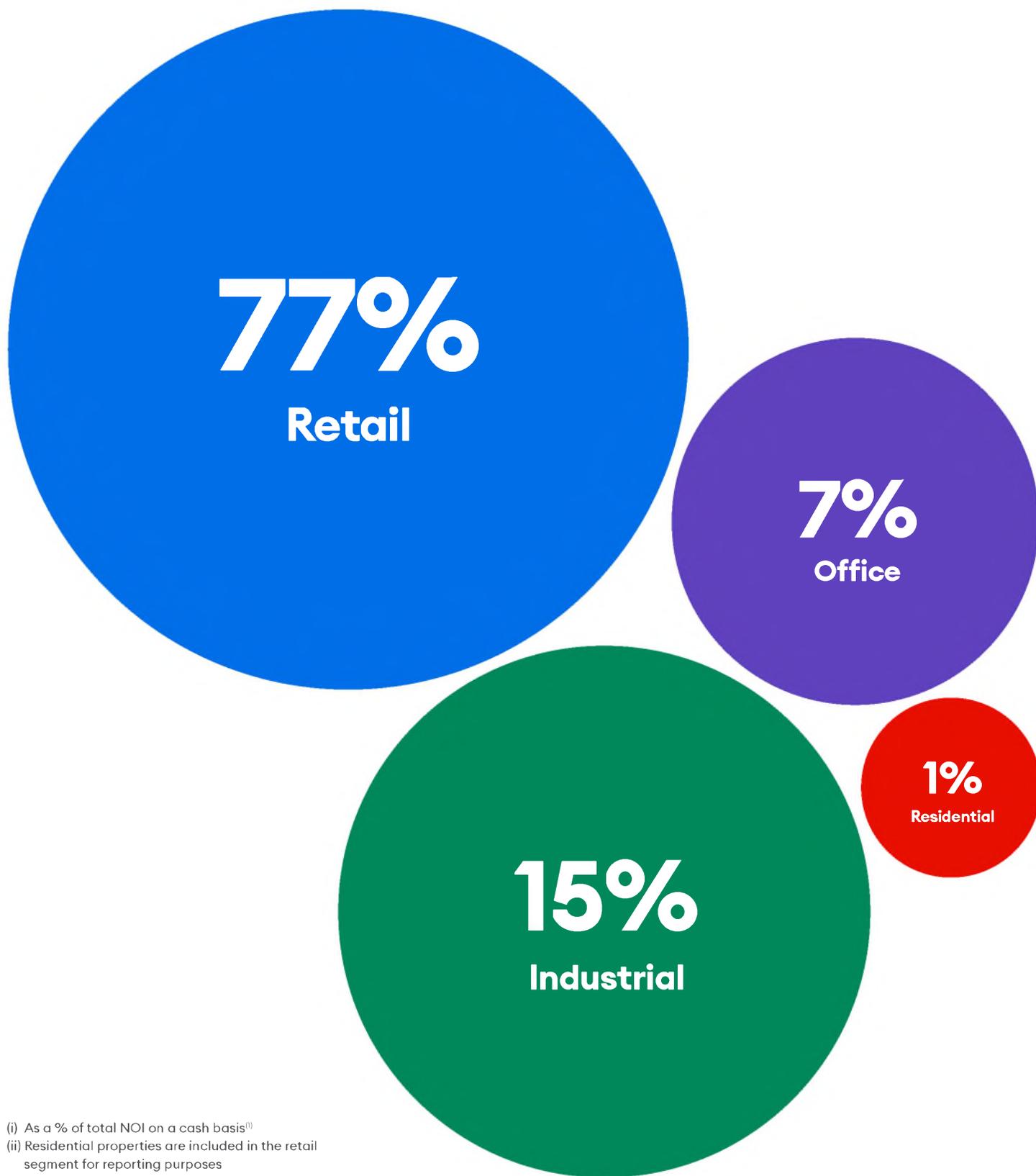
Additional information about Choice Properties has been filed electronically with the Canadian securities regulatory authorities through the System for Electronic Document Analysis and Retrieval (“SEDAR”) and is available online at www.sedar.com.

The information in this MD&A is current to April 29, 2021, unless otherwise noted.

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

Our Portfolio Mix

Portfolio Mix by Asset Class⁽ⁱ⁾⁽ⁱⁱ⁾
For the three months ended March 31, 2021



(i) As a % of total NOI on a cash basis⁽¹⁾

(ii) Residential properties are included in the retail segment for reporting purposes

A Stable Retail Portfolio

Strategic & Diversified Retail Tenant Mix

Management views the retail portion of the portfolio as the foundation for maintaining reliable cash flow. In addition to having a national footprint concentrated in Canada's largest markets, stability is attained through a strategic relationship and long-term leases with Loblaw, one of Canada's largest retailers.

This relationship provides Choice Properties with access to future tenancy and related opportunities with Loblaw, Shoppers Drug Mart and other members of the Loblaw group of companies.

The retail portfolio is primarily focused on necessity-based retail tenants.

	% of Retail NOI	Tenants
Grocery Stores & Pharmacy	71%	Loblaws SHOPPERS DRUG MART Sobeys metro Rexall save on foods
Specialty Retailers	6%	staples Indigo petvalu BEST BUY Michaels Where Creativity Happens™
Value Retailers	5%	DOLLARAMA Walmart COSTCO WHOLESALE WINNERS GIANT TIGER DOLLAR TREE
Essential Personal Service	5%	LCBO TD Scotiabank. SAQ CIBC RBC
Fitness & Other Personal Services	4%	GoodLife FITNESS LA FITNESS. Orangetheory FITNESS H&R BLOCK Great Clips™ IT'S GONNA BE GREAT KUMON
Restaurants & Cafes	4%	RECIPE rbi Starbucks McDonald's A&W All American Food SUBWAY™
Furniture & Home	4%	LOWE'S Leons HOMESENSE Inspiration from Occasional prices SleepCountry HOME DEPOT BED BATH & BEYOND™
Other	1%	
Total	100%	

Calculated as a % of total NOI on a cash basis¹⁾ for the three months ended March 31, 2021

Our Portfolio Mix

Industrial Portfolio

The industrial portfolio is centred around distribution facilities, warehouses, and buildings used for light manufacturing of a size and configuration that readily accommodates the diverse needs of a broad range of tenants. Management's focus in this sector is on large, purpose-built distribution assets for Loblaw and high-quality "generic" industrial assets. The properties are located in target distribution markets across Canada, where Choice Properties can build up critical mass to enjoy management efficiencies and to accommodate the expansion or contraction requirements of the tenant base. The term "generic" refers to a product that appeals to a wide range of potential users, so that the leasing or re-leasing time frame is reduced.



Office Portfolio

The office portfolio is focused on large, well-located buildings in target markets, with an emphasis on the downtown core in some of Canada's largest cities. Management's objective is to seek institutional partners for these assets as a means to diversify risk. As the managing partner, Choice Properties' overall returns are enhanced through the generation of fee income from the day-to-day management and leasing activities at these properties.



Residential Portfolio

The residential portfolio is a recent addition to the Choice Properties asset mix. Rental residential real estate provides additional income diversification and generates further investment opportunities for asset base growth. Many of these opportunities to develop residential properties are by densifying existing retail sites with residential buildings. The Choice Properties portfolio of residential properties is located in Canada's largest cities and includes both newly developed purpose-built rental buildings and residential-focused mixed-use communities, many of which are in close proximity to public transportation.



Top: Great Plains Business Park, Calgary, AB
Middle: 175 Bloor St E, Toronto, ON
Bottom: Rendering of 400 Kirkwood Ave, Ottawa, ON

Our Portfolio Mix



Retail

574

Properties

97.4%

Occupancy

45.1M

sq. ft. GLA



Industrial

122

Properties

97.0%

Occupancy

17.3M

sq. ft. GLA



Office

16

Properties

91.1%

Occupancy

3.6M

sq. ft. GLA



Residential⁽ⁱ⁾

3

Properties

0.2M

sq. ft. GLA



Development

15

Properties

5 Retail
3 Industrial
7 Residential



Total

730

Properties

97.0%

Occupancy

66.2M

sq. ft. GLA

(i) Residential properties are included in the retail segment for reporting purposes

Development Program

Rendering of
Golden Mile
Toronto, ON



Development initiatives are a key component of Choice Properties' business model, providing the opportunity to add high quality real estate at a reasonable cost. Choice Properties has internal development capabilities as well as established relationships with strong real estate developers. With significant intensification and redevelopment opportunities and a long-term pipeline of potential mixed-use development projects, Choice Properties is well positioned for long-term growth and value creation.

Development Program

Intensification

Intensifications are focused on adding at-grade retail density at our existing retail properties. These projects provide the opportunity to add new tenants and further expand our tenant mix. Choice Properties currently has two intensification projects under active construction.

Mixed-Use

Choice Properties currently has a number of sites planned for mixed-use development with six of these sites in an active pre-development stage. These properties are in key urban markets, including five sites in the Greater Toronto Area and one in the Greater Vancouver Area. These developments are residential focused, mixed-use communities with close proximity to public transportation. The projects are in various phases of planning and rezoning, and Choice Properties continues to work on finalizing any required land assemblies for these developments.

Greenfield

Development activities include greenfield projects that are primarily focused on unenclosed retail shopping centres and industrial parks. An advantage of greenfield developments is that they lend themselves to phased construction creating flexibility to time developments to take advantage of changing market conditions. Choice Properties currently has six active greenfield developments.

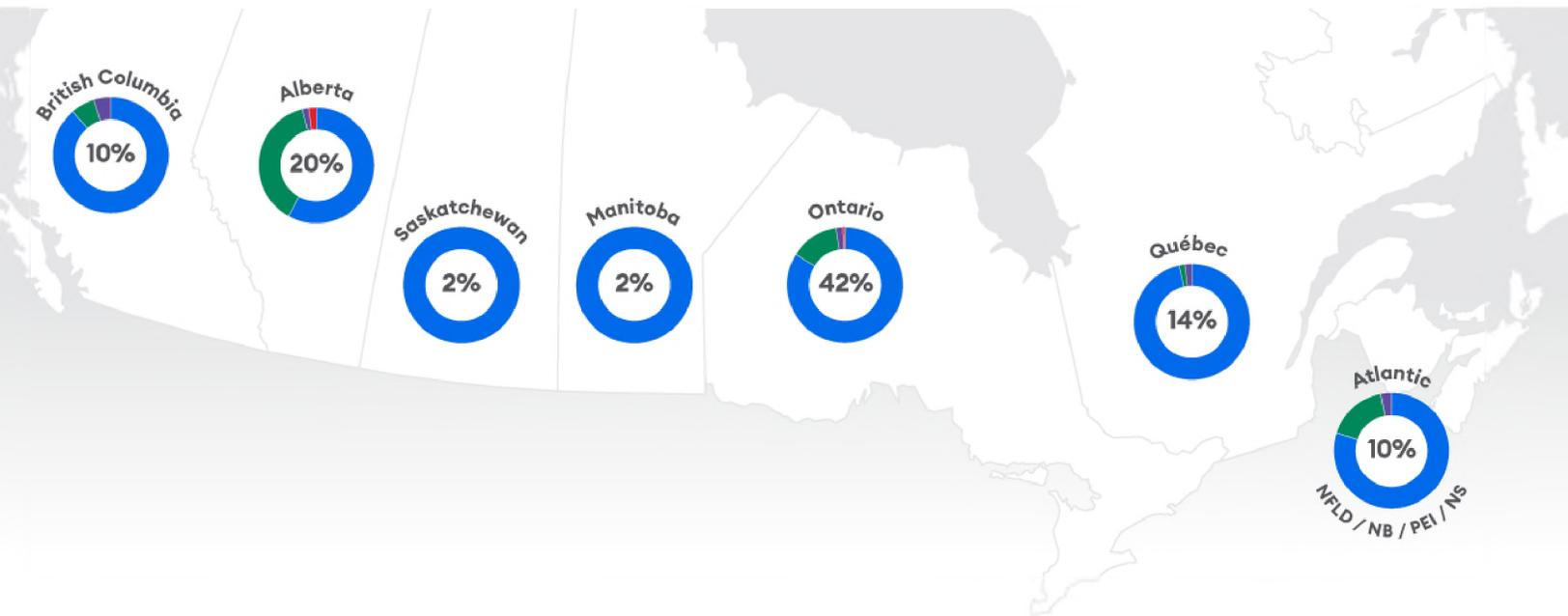
Residential

Choice Properties currently has four residential projects under active construction and four residential projects in the planning stages. These projects are well located in key cities in Ontario, including the Greater Toronto Area and Ottawa. These developments are primarily purpose-built rental assets with close proximity to major transit, local amenities, and well-established communities.



Ownership by Asset Class and Geography

Net operating income, cash basis, excluding bad debt expense⁽¹⁾⁽ⁱ⁾, shown in percentage below



● Retail ● Industrial ● Office ● Residential

	British Columbia		Alberta		Saskatchewan		Manitoba		Ontario		Quebec		Atlantic	
Total	47	Total	136	Total	17	Total	14	Total	287	Total	113	Total	101	
Retail	42	Retail	78	Retail	17	Retail	14	Retail	235	Retail	107	Retail	81	
Industrial	3	Industrial	54	Industrial	0	Industrial	0	Industrial	43	Industrial	4	Industrial	18	
Office	2	Office	2	Office	0	Office	0	Office	8	Office	2	Office	2	
Residential	0	Residential	2	Residential	0	Residential	0	Residential	1	Residential	0	Residential	0	

 **574**
Retail

 **122**
Industrial

 **16**
Office

 **3**
Residential

(i) For the three months ended March 31, 2021

Environmental, Social and Governance



Choice Properties aspires to develop healthy, resilient communities through our dedication to social, economic and environmental sustainability.

Over the past year, Choice Properties has focused on continuing to integrate Environmental, Social and Governance (“ESG”) matters into the Trust’s corporate strategy, making progress towards our sustainability targets, and enhancing reporting formats that provide visibility on the Trust’s progress and achievements against these objectives.

Choice Properties’ President and CEO acts as the executive sponsor for the Trust’s ESG program. He oversees the integration of ESG into business operations and has specific and quantifiable targets related to the program. Choice Properties employs a dedicated ESG team whose primary responsibility is to integrate the Trust’s ESG commitment into its day-to-day operations. The ESG team reports progress on this front to an ESG Steering Committee established by the Trust.

Environmental

Choice Properties continuously works to improve its environmental footprint within both its income producing and development portfolios so that it can do its part to preserve the planet for current and future generations.

Choice Properties' environmental programs include:

- Implementing programs which reduce resource use and emissions at income producing properties;
- Integrating climate-friendly design features into development projects; and
- Achieving green building certifications including BOMA BEST and LEED.

Social

Choice Properties promotes positive citizenship amongst its colleagues by empowering them to lead philanthropic initiatives for the communities in which they live and work.

Choice Properties is committed to nurturing and advancing a culture of diversity, equity and inclusion at all levels. We believe enduring value is created by recruiting and retaining individuals with varied experiences, talents and perspectives. An inclusive culture fosters greater creativity and innovation, empowering us to better serve and connect with the diverse communities in which we operate and build.

Governance

Choice Properties' Board of Trustees and management team are dedicated to strong governance practices designed to maintain high standards of oversight, accountability, integrity and ethics.

The Board oversees the Trust's ESG program. The Board also oversees the Trust's Enterprise Risk Management program, which identifies and manages risks relevant to ESG matters, including risks stemming from climate change.

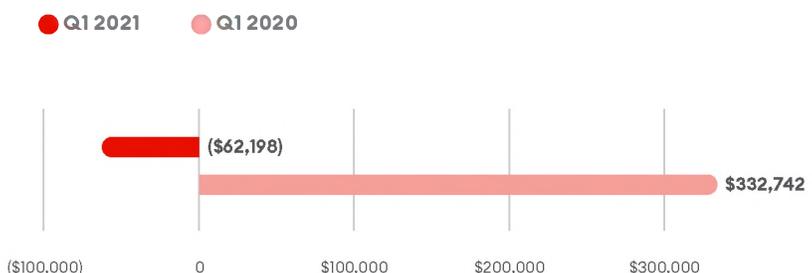
The Governance Committee of the Board reviews the Trust's ESG Report on an annual basis. The Governance Committee also receives periodic reports on the ESG program and performance against ESG targets from management, and advises the Board on the status of the ESG program. In 2020, the Governance Committee oversaw the continued development of the ESG program and the setting of diversity targets for both the Board and management.

Key Performance Indicators and Financial Information

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

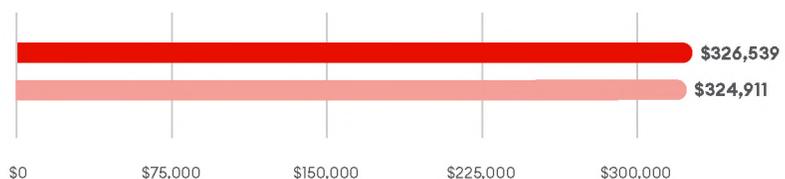
Net Income (Loss)

The quarterly decrease compared to the prior year was mainly due to an unfavourable change in the adjustment to fair value on the Exchangeable Units, partially offset by a favourable change in the fair value of investment properties, including those held within equity accounted joint ventures.



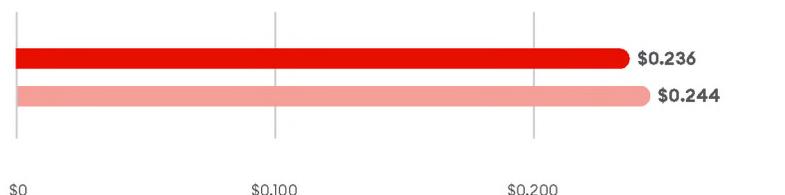
Rental Revenue (GAAP)

The quarterly increase in revenue was mainly due to the net contribution from acquisitions and development transfers completed in 2020 and an increase in lease surrender revenue, partially offset by declines due to foregone revenue from dispositions in 2020, vacancies in select retail and office assets, and a reduction in transient parking revenue in the office portfolio due to the impact of the pandemic on city centres.



FFO Per Unit Diluted⁽¹⁾

Funds from operations was relatively unchanged year-over-year, as an increase in non-recurring lease surrender revenue and savings from lower borrowing costs were partially offset by higher bad debt expense and a decline in interest income due to fewer mortgages receivable outstanding as compared to prior year. The results were also impacted by a higher than usual amount of excess cash on the balance sheet during the first quarter as a result of proceeds from property dispositions in 2020 as part of capital recycling initiatives.



The decline on a per unit basis was primarily due to the higher weighted average number of units outstanding as a result of: (i) the Trust units issued as consideration for the acquisition of two assets from Wittington in July 2020 and (ii) the Exchangeable Units issued as consideration for the acquisition of six assets from Weston Foods (Canada) Inc., a wholly-owned subsidiary of GWL, in December 2020.

AFFO Per Unit Diluted⁽¹⁾

Adjusted funds from operations increased during the current quarter primarily due to a reduction in tenant improvements and direct leasing costs compared to the prior year.



The decline on a per unit basis was primarily due to the higher weighted average number of units outstanding at March 31, 2021.

For the three months ended March 31, 2021, the AFFO payout ratio was 86.1%.

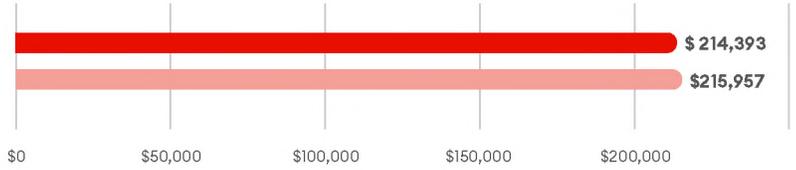
* As at and for the three months ended March 31, 2021 and 2020 (\$ thousands except where otherwise indicated)

● Q1 2021 ● Q1 2020

Same-Asset NOI, Cash Basis⁽¹⁾

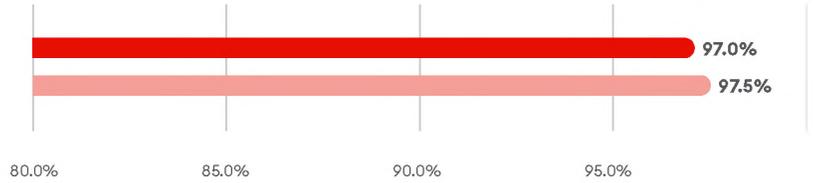
The decrease of 0.7% for the three months ended March 31, 2021, was mainly due to an increase in bad debt expense, a reduction in occupancy across select retail and office assets and lower parking revenue, partially offset by the contribution from contractual rental steps in the retail segment.

Excluding bad debt expense, same-asset NOI on a cash basis decreased by 0.3% for the three months ended March 31, 2021.



Period End Occupancy

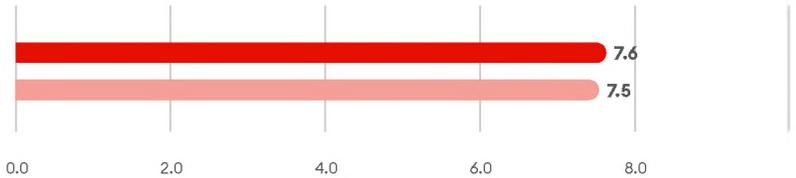
Overall period end occupancy decreased compared to the prior year, primarily due to vacancies in the Ontario and British Columbia retail portfolios, as well as the Alberta industrial portfolio, partially offset by the contributions from development transfers.



Normalized Debt to EBITDAFV⁽¹⁾

The increase in normalized debt to EBITDAFV is primarily due to an increase in bad debt expense during fiscal 2020 and 2021, partially offset by deleveraging from the use of proceeds from capital recycling activities.

Debt to EBITDAFV as at March 31, 2020, on a 12-month normalized basis excluded the non-GAAP and proforma results from the September 2019 disposition of a 30-property portfolio for \$426.3 million to an affiliate of Oak Street Real Estate Capital LLC (the "Oak Street disposition").



Development Spending (Proportionate)⁽¹⁾

Development activity reflects spending on active projects during the three months ended March 31, 2021.



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

During the three months ended March 31, 2021, approximately 35,000 square feet were transferred from properties under development to income producing.



First Quarter Financial Performance

During the three months ended March 31, 2021

Operating

- Reported net loss for the quarter of \$62.2 million. Included in this amount was a \$60.9 million adjustment due to a favourable change in the fair value of investment properties on a proportionate share basis⁽¹⁾, partially offset by \$1.9 million in bad debt expense, and a \$217.7 million decrease related to the adjustment to the fair value of the Exchangeable Units attributable to the unit price increase for Choice Properties during the quarter.
- Reported FFO per unit diluted⁽¹⁾ for the quarter was \$0.236. Excluding the effect of the bad debt expense, FFO per unit would have been \$0.239.
- AFFO per unit diluted⁽¹⁾ for the quarter was \$0.215. The increase in AFFO from prior year primarily reflects a reduction in tenant improvements and direct leasing costs.
- Same-asset NOI on a cash basis, excluding bad debt expense⁽¹⁾, decreased by 0.3% over the same quarter in 2020 primarily due to lower parking revenue and a reduction in occupancy across select retail and office assets, partially offset by contractual rental steps in the retail portfolio. Including bad debt expense, same-asset NOI on a cash basis⁽¹⁾ declined by 0.7%.
- Period end occupancy remained strong at 97.0%, with retail at 97.4%, industrial at 97.0% and office at 91.1%.
- Net fair value gain on investment properties was \$60.9 million on a proportionate share basis⁽¹⁾ primarily due to fair value gains at the Golden Mile mixed use development property and an office asset that was revalued following the co-owner's sale of its interest to a third party.

Financing

- The Trust completed \$26.7 million in new financing during the quarter:
 - Obtained CMHC financing for two Edmonton residential buildings, held within joint ventures, for \$22.3 million at share. The properties were financed at 2.04% maturing in March 2031.
 - Upfinanced a maturing mortgage for a retail property in Edmonton by \$4.4 million to a total of \$17.5 million, at share, at 2.67% maturing in February 2031.

Investing

- Completed \$163.4 million in acquisitions, including:
 - Acquired the Trust's joint venture partner's 50% interest in two industrial buildings in Calgary, Alberta, for \$25.4 million, thereby bringing the Trust's ownership interest to 100%; and
 - Acquired an 85% interest in approximately 300 developable acres of future industrial development land in Caledon, Ontario, for \$138.0 million. This purchase price comprised a \$100.0 million cash payment and a commitment to pay the remaining \$38.0 million balance contingent on certain milestones being met over the development lifecycle.
- Completed \$88.9 million in dispositions, including:
 - Sold the Trust's 70% interest in a 20 acre land parcel in Brampton, Ontario, for \$17.5 million; and
 - Sold the Trust's 50% interest in a 50 acre land parcel in Richmond Hill, Ontario, for \$66.4 million.
- Ongoing investment in the development program with \$20.6 million of spending during the quarter on a proportionate share basis⁽¹⁾.
- Transferred \$25.9 million of properties under development to income producing status during the quarter, delivering approximately 35,000 square feet of new GLA on a proportionate share basis⁽¹⁾.
- Announced the first phase of redevelopment at the Golden Mile Shopping Centre in Toronto, which represents an opportunity to transform the historical centre into a mixed use, mixed income, multi-generational transit-oriented community. For Choice Properties, phase one is expected to include a purpose-built rental building, ground floor retail uses, institutional uses and office spaces.



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The Weston Centre
Toronto, ON

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1. KEY PERFORMANCE INDICATORS AND SELECTED FINANCIAL INFORMATION

Choice Properties has identified key financial and operating performance indicators that were derived from, and should be read in conjunction with, the unaudited interim period condensed consolidated financial statements of the Trust dated March 31, 2021 and 2020. The analysis of the indicators focuses on trends and significant events affecting the financial condition and results of operations of the Trust.

As at or for the three months ended March 31 (\$ thousands except where otherwise indicated)	2021	2020
Number of investment properties	730	724
GLA (in millions of square feet)	66.2	65.6
Occupancy*	97.0%	97.5%
Total assets (GAAP)	\$ 15,738,670	\$ 15,325,461
Total liabilities (GAAP)	\$ (12,348,480)	\$ (11,953,370)
Rental revenue (GAAP)	\$ 326,539	\$ 324,911
Net income (loss)	\$ (62,198)	\$ 332,742
Net income (loss) per unit diluted	\$ (0.086)	\$ 0.475
FFO ⁽¹⁾ per unit diluted*	\$ 0.236	\$ 0.244
FFO ⁽¹⁾ payout ratio*	78.4%	75.9%
AFFO ⁽¹⁾ per unit diluted*	\$ 0.215	\$ 0.217
AFFO ⁽¹⁾ payout ratio*	86.1%	85.4%
Distribution declared per Unit	\$ 0.185	\$ 0.185
Weighted average number of Units outstanding – diluted	722,930,485	700,625,695
Debt to total assets ⁽ⁱ⁾	42.3%	43.8%
Debt service coverage ⁽ⁱⁱ⁾	3.2x	3.1x
Normalized Debt to EBITDAFV ⁽¹⁾⁽ⁱ⁾⁽ⁱⁱⁱ⁾	7.6x	7.5x
Indebtedness ^(iv) – weighted average term to maturity*	5.6 years	6.1 years
Indebtedness ^(iv) – weighted average interest rate*	3.64%	3.76%

* Denotes a key performance indicator

- (i) Debt ratios exclude Exchangeable Units, see Section 4, "Liquidity and Capital Resources". The ratios are non-GAAP financial measures calculated based on the Trust Indentures, as supplemented.
- (ii) As at March 31, 2020, Debt to EBITDAFV calculated on a trailing 12-month normalized basis excludes the effect of the Oak Street disposition.
- (iii) Normalized Debt to EBITDAFV, net of cash, was 7.4x at March 31, 2021 and 7.5x at March 31, 2020.
- (iv) Indebtedness reflects senior unsecured debentures and mortgages only.

2. BALANCE SHEET

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

(\$ thousands)	As at March 31, 2021			As at December 31, 2020		
	GAAP Basis	Reconciliation	Proportionate Share Basis ⁽¹⁾	GAAP Basis	Reconciliation	Proportionate Share Basis ⁽¹⁾
Assets						
Investment properties	\$ 14,584,000	\$ 982,000	\$ 15,566,000	\$ 14,389,000	\$ 1,015,000	\$ 15,404,000
Equity accounted joint ventures	552,158	(552,158)	—	573,649	(573,649)	—
Financial real estate assets	68,373	(68,373)	—	68,373	(68,373)	—
Mortgages, loans and notes receivable	225,602	—	225,602	263,946	—	263,946
Intangible assets	28,750	—	28,750	29,000	—	29,000
Accounts receivable and other assets	117,212	31,399	148,611	116,055	562	116,617
Cash and cash equivalents	162,575	15,411	177,986	207,219	16,498	223,717
Total Assets	\$ 15,738,670	\$ 408,279	\$ 16,146,949	\$ 15,647,242	\$ 390,038	\$ 16,037,280
Liabilities and Equity						
Long term debt	\$ 6,484,489	\$ 350,349	\$ 6,834,838	\$ 6,485,521	\$ 363,450	\$ 6,848,971
Exchangeable Units	5,366,865	—	5,366,865	5,149,182	—	5,149,182
Trade payables and other liabilities	497,126	57,930	555,056	489,999	26,588	516,587
Total Liabilities	12,348,480	408,279	12,756,759	12,124,702	390,038	12,514,740
Equity						
Unitholders' equity	3,390,190	—	3,390,190	3,514,739	—	3,514,739
Non-controlling interests	—	—	—	7,801	—	7,801
Total Equity	3,390,190	—	3,390,190	3,522,540	—	3,522,540
Total Liabilities and Equity	\$ 15,738,670	\$ 408,279	\$ 16,146,949	\$ 15,647,242	\$ 390,038	\$ 16,037,280

Balance Sheet Analysis (GAAP Basis)

Line Item	\$ Change	Variance Commentary
Investment properties	\$ 195,000	The increase compared to December 31, 2020 is primarily attributable to transfers from equity accounted joint ventures of \$143,000, a favourable fair value adjustment on investment properties of \$59,000, development and operating capital expenditures of \$18,600 and straight line rent amortization of \$4,400, partially offset by dispositions of \$30,000.
Equity accounted joint ventures	(21,491)	<p>In February 2021, the Trust completed the acquisition of its joint venture partner's 50% interest in two industrial buildings in Calgary, Alberta, for \$23,400, thereby bringing the Trust's ownership interest to 100%. Upon obtaining control of the joint venture, the Trust transferred the entire property, valued at \$143,000, to investment properties.</p> <p>In addition, there were also distributions of \$70,800 during the quarter, primarily as a result of receiving the proceeds from the sale of the Trust's 50% interest in a 50 acre land parcel in Richmond Hill, Ontario.</p> <p>The above noted decreases were partially offset by the contribution to fund the March 2021 acquisition of an 85% interest in a new equity accounted joint venture for \$138,000, as well as a favourable adjustment in the fair value for properties held in joint ventures.</p>
Mortgages, loans and notes receivable	(38,344)	The decrease was primarily attributable to the repayment of notes receivable advanced to GWL at December 31, 2020. In addition, during the quarter, a specific mortgage receivable was settled upon acquisition of the underlying investment property which was used as security for the mortgage. These declines were partially offset by additional mortgage advances to various partners and notes advanced to GWL during the period.
Intangible assets	(250)	The decrease was attributable to amortization of the Trust's intangible assets during the period.
Working Capital	(50,614)	Net change was primarily due to a reduction in cash and short-term investments, as excess cash was utilized for development and transaction activity during the quarter.
Long term debt	(1,032)	Net decrease was primarily attributable to the regular principal repayments of the mortgages outstanding, partially offset by upfinancing and takeout financing of various mortgages and construction loans during the quarter.
Exchangeable Units	217,683	As this liability is measured at fair value, the change was due to the increase in the unit price for Choice Properties since December 31, 2020.
Unitholders' equity	(124,549)	Net decrease was primarily due to the year-to-date net loss and distributions to Unitholders.

3. INVESTMENT PROPERTIES

To expand the portfolio and participate in development opportunities, Choice Properties owns varying interests in real estate entities that hold investment properties. Under GAAP, many of these interests are recorded as equity accounted joint ventures and, as such, the Trust's share of the investment properties owned by these entities is presented on the balance sheet as a summarized value, not as part of the total investment properties. In addition, the Trust also has financial real estate assets which are not included with its investment properties as prepared under GAAP. Refer to Section 13.1, "Investment Properties Reconciliation", for a reconciliation of the continuity of investment properties determined in accordance with GAAP.

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

As at or for the period ended March 31, 2021 (\$ thousands)	Income producing properties	Properties under development	Investment Properties ⁽ⁱ⁾
GAAP balance, beginning of period	\$ 14,199,000	\$ 190,000	\$ 14,389,000
Adjustments to reflect investment properties held in equity accounted joint ventures and as financial real estate assets on a proportionate share basis ⁽ⁱ⁾	728,000	287,000	1,015,000
Non-GAAP proportionate share balance ⁽¹⁾ , beginning of period	14,927,000	477,000	15,404,000
Acquisitions of investment properties ⁽ⁱⁱ⁾	25,375	138,000	163,375
Capital expenditures			
Development capital ⁽ⁱⁱⁱ⁾	—	19,700	19,700
Building improvements	238	—	238
Capitalized interest ^(iv)	—	872	872
Operating capital expenditures			
Property capital	2,591	—	2,591
Direct leasing costs	1,254	—	1,254
Tenant improvement allowances	4,628	—	4,628
Amortization of straight-line rent	4,823	—	4,823
Transfers from properties under development	25,923	(25,923)	—
Dispositions	—	(96,376)	(96,376)
Adjustment to fair value of investment properties	29,168	31,727	60,895
Non-GAAP proportionate share balance⁽¹⁾, March 31, 2021	\$ 15,021,000	\$ 545,000	\$ 15,566,000

- (i) Refer to Section 13.1, "Investment Properties Reconciliation" for a reconciliation of the continuity of investment properties determined in accordance with GAAP.
(ii) Includes acquisition costs.
(iii) Development capital included \$901 of site intensification payments paid to Loblaw for the three months ended March 31, 2021 (December 31, 2020 - \$995).
(iv) Interest was capitalized to qualifying development projects based on a weighted average interest rate of 3.68% (December 31, 2020 - 3.70%).

Included in certain investment properties acquired from Loblaw is excess land with development potential. Choice Properties will compensate Loblaw, over time, with intensification payments determined by a site intensification payment grid as outlined in the Strategic Alliance Agreement (see Section 9, "Related Party Transactions"), should Choice Properties pursue activity resulting in the intensification of the excess land. The fair value of this excess land has been recorded in the consolidated financial statements.

3.1 Valuation Method

Investment properties are measured at fair value, primarily determined using the discounted cash flow method. Under this methodology, discount rates are applied to the projected annual operating cash flows, generally over a minimum term of ten years, including a terminal value based on a capitalization rate applied to the estimated NOI⁽¹⁾ in the terminal year. The portfolio is internally valued with external appraisals performed each quarter for a portion of the portfolio. The majority of the properties will be subject to an external appraisal at least once over a four-year period. The fair value of investment properties reflects, among other things, rental income from current leases and assumptions about rental income from future leases in light of current market conditions.

Valuations are most sensitive to changes in capitalization rates. Choice Properties' valuation inputs, including capitalization rates, are supported by quarterly reports from independent nationally recognized valuation firms. Below are the weighted averages of key rates used in the valuation models for the Trust's investment properties (including financial real estate assets and those properties held within equity accounted joint ventures) by asset class:

As at March 31, 2021	Retail	Industrial	Office	Total Investment Properties
Discount rate	6.97%	6.50%	6.20%	6.83%
Terminal capitalization rate	6.22%	5.72%	5.31%	6.06%
Overall capitalization rate	6.06%	5.49%	5.14%	5.89%

As at December 31, 2020	Retail	Industrial	Office	Total Investment Properties
Discount rate	6.97%	6.52%	6.21%	6.84%
Terminal capitalization rate	6.22%	5.73%	5.32%	6.07%
Overall capitalization rate	6.06%	5.50%	5.15%	5.90%

Valuation Commentary

The Trust recorded a favourable adjustment to the fair value of investment properties of \$60.9 million for the three months ended March 31, 2021, on a proportionate share basis⁽¹⁾. The adjustment was mainly due to fair value gains at the Trust's Golden Mile mixed use development property and an office asset that was revalued following the co-owner's sale of its interest to a third party.

The Trust revalued its portfolio primarily through adjustments to contractual changes in cash flows, changes in market rents, pending transactions and macro considerations. A gain was recognized in the Trust's Greater Toronto Area industrial portfolio, reflecting the strength in leasing and investment fundamentals in this segment and market. Grocery-anchored retail continued to demonstrate ongoing resilience, resulting in stable fair values in the quarter.

During the three months ended March 31, 2021, management determined that no major changes in discount rates were warranted. The net increase in the fair value of investment properties for the quarter was primarily due to a change in leasing assumptions in the industrial portfolio as well as known investment transactions.

3.2 Investment Property Transactions

Acquisitions of Investment Properties

The following table summarizes the investment properties acquired in the three months ended March 31, 2021:

(\$ thousands except where otherwise indicated)

Location	Date of Acquisition	Segment	Ownership Interest Acquired	GLA (square feet)	Purchase Price incl. Related Costs	Consideration		
						Mortgage Receivable Settlement	Contingent Consideration ⁽ⁱ⁾	Cash
Acquisitions from third-parties								
Calgary, AB	Feb 1	Industrial	50% ⁽ⁱⁱ⁾	277,676	\$ 25,375	\$ 4,846	\$ —	\$ 20,529
Caledon, ON	Mar 30	Land ⁽ⁱⁱⁱ⁾	85%	N/A	138,000	—	38,000	100,000
Total acquisitions				277,676	\$ 163,375	\$ 4,846	\$ 38,000	\$ 120,529

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

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

(iii) Land was acquired for future industrial development.

Disposition of Investment Properties

The following table summarizes the investment properties disposed in the three months ended March 31, 2021:

(\$ thousands except where otherwise indicated)

Location	Date of Disposition	Segment	Ownership Interest	Sale Price excl. Selling Costs	Consideration
					Cash
Investment properties					
Brampton, ON	Jan 19	Land ⁽ⁱ⁾	70%	\$ 25,000	\$ 25,000
Richmond Hill, ON	Feb 1	Land	50%	66,375	66,375
Brampton, ON	Mar 31	Land	50%	5,000	5,000
Total dispositions				\$ 96,375	\$ 96,375

(i) On January 19, 2021, Choice Properties sold its 70% interest which resulted in a disposition of the property under development for \$25.0 million and a distribution to the subsidiary's 30% non-controlling interest for \$7.8 million.

3.3 Completed Developments

For the three months ended March 31, 2021, Choice Properties completed a total of \$25.9 million in development projects delivering 35,267 square feet of retail space with a weighted average project yield of 7.5%.

During the quarter, the Trust completed the final phase of its retail redevelopment in Kitchener, Ontario, delivering 8,325 square feet of additional retail space. This multi-phased redevelopment fully transformed an aging retail shopping centre into a modern neighbourhood shopping centre with over 135,000 square feet of retail space with a focus on necessity based tenants including grocery, pharmacy, liquor, restaurants and medical services.

For the three months ended March 31, 2021, Choice Properties transferred the following from properties under development to income producing properties as presented on a proportionate share basis⁽¹⁾:

(\$ thousands except where otherwise indicated)

Project / Location	Completion date	Ownership %	Transferred GLA (square feet)	Cost of assets transferred	Expected yield on cost ⁽²⁾
Commercial					
Retail					
1 Sunwapta West, Edmonton, AB	Q1 2021	50 %	N/A ⁽ⁱ⁾	\$ 13,415	5.7 %
2 Mavis Rd. and Elmcreek Rd., Mississauga, ON	Q1 2021	100 %	20,413	7,615	9.7 %
3 Pioneer Park Dr., Kitchener, ON	Q1 2021	100 %	8,325	2,883	8.6 %
4 9th Street E., Cornwall, ON	Q1 2021	100 %	6,529	2,010	9.8 %
Total transferred properties at cost			35,267	\$ 25,923	7.5 %
Total transfers at fair value within income producing properties				\$ 33,350	

(i) The development was a land lease which is excluded from the total portfolio square footage for lease reporting purposes.

3.4 Development Activities

Development initiatives are a key component of Choice Properties' business model, providing the Trust with an opportunity to add high quality real estate at a reasonable cost. The Trust continues to drive long-term growth and value creation through the development of commercial and residential projects and has a significant long-term pipeline of potential mixed-use projects. The Trust views its development activities through the stages of the development lifecycle, including the process of potential site identification, planning and rezoning, construction, and finally to development completion.

Choice Properties' development program on a proportionate share basis⁽¹⁾ as at March 31, 2021, is summarized below:

(\$ thousands except where otherwise indicated)

Project type	Section	GLA ⁽ⁱ⁾⁽ⁱⁱ⁾ (square feet)	Investment ⁽ⁱ⁾⁽ⁱⁱⁱ⁾		
		Estimated upon completion ⁽²⁾	To-date	Estimated cost to completion ⁽²⁾	Estimated total
Projects under active development					
Commercial	3.5	242,000	\$ 26,307	\$ 33,100	\$ 59,407
Residential	3.5	553,000	162,219	157,400	319,619
Subtotal projects under active development		795,000	188,526	190,500	379,026
Developments in planning					
Commercial	3.6		206,097		
Residential & Mixed-Use	3.7	6,689,000	85,028		
Subtotal developments in planning		6,689,000	291,125		
Total development - cost		7,484,000	\$ 479,651		
Total development - fair value			\$ 545,000		

(i) Choice Properties' share.

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

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

3.5 Properties Under Active Development

Projects under active development are sites under construction or sites with appropriate approvals in place which are expected to commence construction in the next six to twelve months. Currently, the Trust has eight active commercial projects and four active residential projects. Upon completion, the projects under active development are expected to deliver a total of 242,000 square feet of commercial space and 742 residential units at the Trust's ownership share. The Trust has invested a total of \$188.5 million to date and is expected to invest an additional \$190.5 million over the next one to three years to complete these projects⁽²⁾.

Projects Under Active Development – Commercial

The Trust continues to invest in commercial development projects through intensification of its existing retail assets and development of greenfield land. The Trust currently has 242,000 square feet of active commercial development, which is expected to be completed in the next one to two years.

The following table details the Trust's commercial projects under active development on a proportionate share basis⁽¹⁾ as of March 31, 2021:

(\$ thousands except where otherwise indicated)			GLA ⁽ⁱ⁾ (square feet)		Investment ⁽ⁱⁱ⁾			Expected stabilized yield ⁽²⁾
Project / Location	Ownership %	Expected completion date ⁽ⁱⁱⁱ⁾	Estimated upon completion ⁽²⁾	% Leased	To-date	Estimated cost to completion ⁽²⁾	Estimated total	
Retail								
1 Harvest Hills Market, Edmonton, AB	50%	H1 2021	51,000	100 %	\$ 8,623	\$ 4,900	\$ 13,523	5.75%-6.25%
2 Harvest Pointe, Edmonton, AB	50%	H1 2021	18,000	100 %	4,676	1,400	6,076	5.75%-6.25%
3 Clair Rd. E, Guelph, ON	100%	H2 2021	17,000	100 %	4,318	1,900	6,218	7.00%-7.50%
4 Glen Erin Dr., Mississauga, ON	100%	H2 2021	17,000	100 %	7	5,800	5,807	7.00%-7.50%
5 West Block, Toronto, ON	100%	H2 2021	22,000	— %	5,422	6,000	11,422	8.00%-8.50%
6 Erin Ridge Retail Lands, St. Albert, AB	50%	H2 2021	3,000	100 %	407	600	1,007	6.00%-6.50%
7 Oshawa Gateway, Oshawa, ON	50%	H1 2022	7,000	100 %	1,282	2,300	3,582	6.25%-6.75%
Subtotal retail developments			135,000		24,735	22,900	47,635	6.50%-7.00%
Industrial								
1 Horizon Business Park, Edmonton, AB	50%	H1 2022	107,000	— %	1,572	10,200	11,772	6.50%-7.00%
Subtotal industrial developments			107,000		1,572	10,200	11,772	6.50%-7.00%
Total active commercial developments			242,000		\$ 26,307	\$ 33,100	\$ 59,407	6.50%-7.00%

(i) Choice Properties' share.

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

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

Projects Under Active Development - Residential

Choice Properties has four residential projects under active development. Construction continues at the developments on Liberty House and The Brixton in Toronto, Ontario. The Trust expects both projects to complete construction in 2021 with The Brixton expecting first occupancy in spring 2021 and Liberty House expecting first occupancy in late 2021. The Trust has also commenced construction at the Bovaird West project in Brampton, Ontario, with excavation expected to be completed by spring 2021. Site work and excavation work has also commenced at the Kirkwood Avenue property in Ottawa, Ontario.

The following table details the Trust's residential projects under active development on a proportionate share basis⁽¹⁾ as of March 31, 2021:

(\$ thousands except where otherwise indicated)				GLA ⁽ⁱ⁾ (square feet)	Investment ⁽ⁱⁱ⁾			
Project / Location	Ownership %	Expected completion date	Estimated number of units ⁽ⁱ⁾	Estimated upon completion ⁽²⁾	To-date	Estimated cost to completion ⁽²⁾	Estimated total	Expected stabilized yield ⁽²⁾
1 The Brixton, Toronto, ON ⁽ⁱⁱⁱ⁾	47 %	H1 2021	187	189,000	\$ 82,873	\$ 12,000	\$ 94,873	4.50%-5.00%
2 Liberty House, Toronto, ON ^(iv)	47 %	H2 2021	207	128,000	62,134	16,800	78,934	4.50%-5.00%
3 Bovaird West, Brampton, ON ^(v)	50 %	H2 2023	222	150,000	12,982	78,500	91,482	4.00%-4.50%
4 Kirkwood Ave., Ottawa, ON	50 %	H2 2023	126	86,000	4,230	50,100	54,330	4.75%-5.25%
Total residential			742	553,000	\$ 162,219	\$ 157,400	\$ 319,619	4.50%-5.00%

(i) Choice Properties' share.

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

(iii) Total GLA under development includes 32,000 square feet of commercial development.

(iv) Total GLA under development includes 1,000 square feet of commercial development.

(v) At Bovaird West, the total project includes 71 units and 49,000 square feet of condominium development which the Trust expects to sell at a future date.

3.6 Commercial Development in Planning

Beyond the projects under active development, Choice Properties continues to grow and create value through its pipeline of potential commercial developments. As of March 31, 2021, the Trust has identified 25 sites with potential for future commercial development. This includes 22 opportunities at existing retail sites and three industrial sites, including 300 acres of developable land in Caledon, Ontario, which the Trust purchased during the quarter for \$138.0 million. The development plan for each property is subject to the Trust's completion of its full review of each opportunity. A given project scope may change over time or the Trust may decide not to proceed with that development upon completion of full due diligence. To date, the Trust has invested a total of \$206.1 million on these sites.

(\$ thousands except where otherwise indicated)		
Project Type	Number of Sites	Investment To-date ⁽ⁱ⁾⁽ⁱⁱ⁾
Retail	22	\$ 53,965
Industrial	3	152,132
Total commercial development in planning	25	\$ 206,097

(i) Choice Properties' share.

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

3.7 Residential and Mixed-Use Development in Planning

Mixed-use development represents a key component of Choice Properties' long-term development strategy. The Trust endeavours to create enduring value through high-quality mixed-used assets with a significant rental residential component. Leveraging the Trust's sizable portfolio in key urban markets, Choice Properties believes there are considerable value creation opportunities through rezoning existing grocery anchored assets into mixed-use sites.

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

During the three months ended March 31, 2021, Choice announced a partnership with The Daniels Corporation to revitalize and redevelop phase one of the 19-acre Golden Mile Shopping Centre at Eglinton Ave. E. in Toronto, Ontario. Phase one will include two condominium towers, a purpose-built rental building, ground floor retail uses, institutional uses and office spaces. The project is in the planning phase and the Trust expects to commence construction in 2023.

As of March 31, 2021, the Trust has obtained zoning approval on one residential development, has submitted applications for four projects and is planning to submit zoning applications on five additional projects over the next one to three years. A total of \$85.0 million has been invested to date on land acquisition and initial development and planning costs.

The following table details the Trust's mixed-use development projects by zoning status as of March 31, 2021:

(\$ thousands except where otherwise indicated)					Estimated GLA ⁽ⁱ⁾⁽ⁱⁱ⁾ ('000 square feet)			Investment to-date ⁽ⁱⁱⁱ⁾	
Project / Location	Type	Ownership %	Acreage	Estimated number of units	Commercial	Residential	Total		
Zoning approved									
1	Sheppard Ave. W., Toronto, ON	Residential	50 %	0.3	100	5	64	69	\$ 6,141
Subtotal zoning approved				0.3	100	5	64	69	6,141
Zoning applications submitted									
1	Dundas St. W., Toronto, ON	Mixed-use	100 %	13.0	2,600	900	1,600	2,500	37,028
2	Eglinton Ave. E., Toronto, ON	Mixed-use	100 %	19.0	3,800	300	3,200	3,500	6,967
3	Grenville & Grosvenor, Toronto, ON	Residential	50 %	0.5	350	8	255	263	22,353
4	Woodbine Ave., Toronto, ON	Mixed-use	100 %	1.7	400	23	334	357	2,169
Subtotal zoning applications submitted				34.2	7,150	1,231	5,389	6,620	68,517
Zoning applications to be submitted									
1	North Rd., Coquitlam, BC	Mixed-use	100 %	7.8	—	—	—	—	603
2	South Service Rd., Mississauga, ON	Mixed-use	100 %	10.4	—	—	—	—	384
3	Broadview Ave., Toronto, ON	Mixed-use	100 %	3.2	—	—	—	—	521
4	Parkway Forest Dr., Toronto, ON	Residential	50 %	0.6	—	—	—	—	229
5	Warden Ave., Toronto, ON	Residential	100 %	6.5	—	—	—	—	8,633
Subtotal zoning applications to be submitted				28.5	—	—	—	—	10,370
Total mixed-use projects in planning				63.0	7,250	1,236	5,453	6,689	\$ 85,028

(i) Choice Properties' share.

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

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

Zoning Applications Approved

Obtaining zoning is a significant milestone in the development lifecycle. Zoning approval allows the Trust to unlock significant land value through the realization of residential density potential. Once zoning is approved, the next phase of the development process is obtaining all necessary permits, which allows the project to proceed to active development with construction commencement.

Project / Location	Description
Sheppard Avenue West, Toronto, ON	The 0.6 acre site is located at the northeast corner of Allen Road and Sheppard Avenue West in Toronto. The site is approximately 400 meters from the Sheppard West TTC subway station and in close proximity to Downsview Park and Downsview Airport. The current development plans include a 15 storey residential building comprising 10,000 square feet of commercial GLA and approximately 200 residential units at a 100% ownership share. As of March 31, 2021, the Trust has invested a total of \$6.1 million to date and expects construction to commence in the next 12-18 months.

Zoning Applications Submitted

Choice Properties has submitted zoning applications for four mixed-use developments in Toronto, Ontario. As of March 31, 2021, the Trust has invested a total of \$68.5 million to date on land acquisition and initial development and planning costs.

Project / Location	Description
Dundas Street West, Toronto, ON	The approximately 13 acre site is located at the southeast corner of Dundas Street West and Bloor Street West in Toronto. The site is at the intersection of several major transit corridors including a TTC subway station, a GO train station and the Union-Pearson Express train. The current redevelopment plans contemplate a large mixed-use community integrated with the surrounding transit services with a focus on high density residential, office, retail and other community uses. The submitted application proposes approximately 2.5 million square feet of total ground floor area, including 0.9 million square feet of commercial GLA, and approximately 2,600 residential units. The development plan contemplates neighbourhood retail and community uses, including 2.5 acre public park and a newly built high school. The Official Plan Application was submitted to the City of Toronto and Choice Properties is preparing a Rezoning Application for submission to the City.
Eglinton Avenue East, Toronto, ON	The approximately 19 acre site is located along Eglinton Avenue in the Golden Mile district of Toronto. The current redevelopment plans contemplate a large, mixed-use master-plan community to be built in phases with a focus on high density residential and retail uses. The site is directly adjacent to new transit stations along the first phase of the Eglinton Crosstown LRT, which is currently under construction. The current plan includes approximately 3.5 million square feet of total ground floor area, with 0.3 million square feet of commercial GLA and approximately 3,800 residential units. The development will transform the area through the introduction of the Golden Mile Community Innovation District by bringing together expertise from all stakeholders including community organizations, the local councillor, and post-secondary educational institutions. The development will create a community comprising of retail, residential, institutional and office uses along with privately owned public spaces including a new park. The Official Plan and Zoning By-law Amendment Applications were submitted to the City of Toronto and the Trust is working with the City on their Secondary Planning Study for the Golden Mile Area.
Grenville & Grosvenor, Toronto, ON	The approximately 1-acre site is well located in the area of Yonge Street and College Street in downtown Toronto. The current development plan contemplates two residential towers providing a total 526,000 square feet of total ground floor area, including 16,000 square feet of commercial GLA and approximately 700 rental residential units. Approximately 30% of the residential units will be affordable housing units. The Official Plan and Zoning By-law Amendment Applications were submitted to the City of Toronto and the Trust is looking to commence construction before the end of 2021.
Woodbine Avenue, Toronto, ON	The approximately 1.6 acre site is located at the north east intersection of Woodbine Avenue and Danforth Avenue in the Danforth neighbourhood of Toronto. The site is directly adjacent to the Woodbine TTC subway station. The current redevelopment plan includes at grade grocery retail, upgraded TTC access and two mixed-use residential buildings with a potential density of approximately 400 residential units. The design of this project will incorporate the urban design significance of the Danforth neighbourhood and sustainable architecture. The current plan includes a large privately owned public space located off Woodbine Avenue, which provides a seamless transition from the existing neighbourhood to the new retail offering proposed at grade. The Rezoning Application was submitted to the City of Toronto and the Trust is in the final stage of discussions with the City Planning and is working towards a Site Plan Application.

3.8 Future Pipeline

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

3.9 Development Project Capital

Choice Properties expects to invest a total of approximately \$370.0 million at the Trust's ownership share⁽¹⁾, by the end of the year 2023⁽²⁾.

(\$ thousands)	2021	2022	2023	Total
Intensification	\$ 8,000	\$ 28,000	\$ 17,000	\$ 53,000
Greenfield	29,000	6,000	4,000	39,000
Residential	70,000	90,000	92,000	252,000
Mixed-Use	8,000	9,000	9,000	26,000
Estimated total capital annual spend⁽¹⁾	\$ 115,000	\$ 133,000	\$ 122,000	\$ 370,000

3.10 Mortgages, Loans and Notes Receivable

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

(\$ thousands)	As at March 31, 2021	As at December 31, 2020
Mortgages receivable	\$ 152,244	\$ 165,470
Loans receivable	137	2,285
Notes receivable from related party	73,221	96,191
Mortgages, loans and notes receivable	\$ 225,602	\$ 263,946

Non-interest bearing short-term notes totalling \$96,191 were repaid by GWL in January 2021. Non-interest bearing short-term notes totalling \$73,221 were issued during the three months ended March 31, 2021 to GWL.

The Trust has approximately \$150 million of secured mortgages to other third-party borrowers. These loans are with borrowers who are strategic development partners of the Trust and have strong credit metrics.

4. LIQUIDITY AND CAPITAL RESOURCES

4.1 Major Cash Flow Components

For the periods ended March 31 (\$ thousands)	Three Months		
	2021	2020	Change
Cash and cash equivalents, beginning of period - GAAP basis	\$ 207,219	\$ 41,990	\$ 165,229
Cash flows from operating activities	148,632	104,147	44,485
Cash flows from (used in) investing activities	(23,357)	138,465	(161,822)
Cash flows from (used in) financing activities	(169,919)	(204,960)	35,041
Cash and cash equivalents, end of period - GAAP basis	\$ 162,575	\$ 79,642	\$ 82,933

Cash Flows from Operating Activities

Three Months

The increase in cash flows from operating activities is mainly due to lower working capital requirements, coupled with a decrease in cash interest payments as a result of lower borrowing levels.

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

Cash Flows from (used in) Investing Activities

Three Months

The decrease in cash flows from investing activities was mainly due to the increase in net contributions to equity accounted joint ventures, driven primarily by funds utilized for acquisitions during the quarter in Caledon, Ontario and Calgary, Alberta, as discussed in Section 3.2. The net equity accounted joint venture contributions were partially offset by a decrease from net repayments of mortgages, loans and notes receivable, and a decrease in net proceeds received from completed investment property dispositions due to a lower level of transaction activity when compared to the prior year.

Cash Flows from (used in) Financing Activities

Three Months

The decrease in cash used in financing activities was primarily due to the decrease in cash distributions paid on the Exchangeable Units. In addition, in the prior year the Trust had net debenture repayments, while also drawing on its credit facility, neither of which occurred in the current quarter.

4.2 Liquidity and Capital Structure

Choice Properties expects to fund its ongoing operations and finance future growth primarily through the use of: (i) existing cash; (ii) cash flows from operations; (iii) short term financing through the committed credit facility; (iv) the issuance of unsecured debentures and equity (including Exchangeable Units), subject to market conditions; and (v) secured mortgages. Given reasonable access to capital markets, Choice Properties does not foresee any impediments in obtaining financing to satisfy its short- and long-term financial obligations, including its capital investment commitments⁽²⁾.

(\$ thousands)	As at	As at	Change
	March 31, 2021	December 31, 2020	
Cash and cash equivalents - proportionate share basis ⁽¹⁾	\$ 177,986	\$ 223,717	\$ (45,731)
Unused portion of the credit facility	1,500,000	1,500,000	—
Liquidity	\$ 1,677,986	\$ 1,723,717	\$ (45,731)
Unencumbered assets - proportionate share basis⁽¹⁾	\$ 12,400,000	\$ 12,200,000	\$ 200,000

Base Shelf Prospectus

On March 4, 2020, Choice Properties filed a Short Form Base Shelf Prospectus allowing for the issuance of up to \$2,000,000 of Units and debt securities, or any combination thereof over a 25-month period.

4.3 Components of Total Debt

Choice Properties' debt structure was as follows:

As at March 31, 2021 (\$ thousands)	Proportionate Share Basis ⁽¹⁾			
	GAAP Basis	Proportionate Share Basis ⁽¹⁾	Weighted average term to maturity (years)	Weighted average interest rate (%)
Construction loans	\$ 4,662	\$ 134,043	0.7	2.08%
Credit facility	—	—	—	—%
Less: Debt placement costs ⁽¹⁾	—	—		
Variable rate debt	4,662	134,043	0.7	2.08%
Senior unsecured debentures	5,275,000	5,275,000	5.7	3.61%
Mortgages payable	1,225,343	1,448,579	5.3	3.78%
Less: Debt placement costs, discounts and premiums	(20,516)	(22,784)		
Fixed rate debt	6,479,827	6,700,795	5.6	3.64%
Total debt, net	\$ 6,484,489	\$ 6,834,838		

⁽¹⁾ Unamortized debt placement costs for the credit facility as at March 31, 2021 of \$2,979 have been included in other assets.

As at December 31, 2020 (\$ thousands)	Proportionate Share Basis ⁽¹⁾			
	GAAP Basis	Proportionate Share Basis ⁽¹⁾	Weighted average term to maturity (years)	Weighted average interest rate (%)
Construction loans	\$ 25,193	\$ 166,169	0.8	2.18%
Credit facility	—	—	—	—%
Less: Debt placement costs	—	—		
Variable rate debt	25,193	166,169	0.8	2.18%
Senior unsecured debentures	5,275,000	5,275,000	6.0	3.61%
Mortgages payable	1,206,638	1,431,451	5.3	3.82%
Less: Debt placement costs, discounts and premiums	(21,310)	(23,649)		
Fixed rate debt	6,460,328	6,682,802	5.9	3.65%
Total debt, net	\$ 6,485,521	\$ 6,848,971		

⁽¹⁾ Unamortized debt placement costs for the credit facility as at December 31, 2020 of \$3,337 have been included in other assets.

Construction Loans

For the purpose of financing the development of certain retail, industrial and residential properties, various investments in equity accounted joint ventures and co-ownerships have variable rate non-revolving construction facilities in which certain subsidiaries of the Trust guarantee its own share. These construction loans, which mature throughout 2021 and 2022, have a maximum amount available to be drawn at the Trust's ownership interest of \$193,766 (December 31, 2020 - \$226,145).

As at March 31, 2021, \$134,043 was drawn and the construction loans had a weighted average effective interest rate of 2.08% and a weighted average term to maturity of 0.7 years.

Credit Facility

Choice Properties has a \$1,500,000 senior unsecured committed revolving credit facility maturing May 4, 2023, provided by a syndicate of lenders. The credit facility bears interest at variable rates of either Prime plus 0.20% or Bankers' Acceptance rate plus 1.20%. The pricing is contingent on Choice Properties' credit ratings from either DBRS and S&P remaining at BBB (high). As at March 31, 2021, there were no drawings under the syndicated facility.

The credit facility contains certain financial covenants. As at March 31, 2021, the Trust was in compliance with all its financial covenants for the credit facility.

Summary of Total Debt Activities

The following outlines the net changes to the components of Choice Properties' variable rate debt on a non-GAAP proportionate share basis⁽¹⁾ during the three months ended March 31, 2021:

For the three months ended March 31, 2021 (\$ thousands)	Credit facility	Construction loans	Total variable rate debt
Principal balance outstanding, beginning of period	\$ —	\$ 166,169	\$ 166,169
Net advances (repayments)	—	(32,126)	(32,126)
Principal balance outstanding, end of period	\$ —	\$ 134,043	\$ 134,043

The following outlines the changes to the components of Choice Properties' fixed rate debt on a non-GAAP proportionate share basis⁽¹⁾ during the three months ended March 31, 2021:

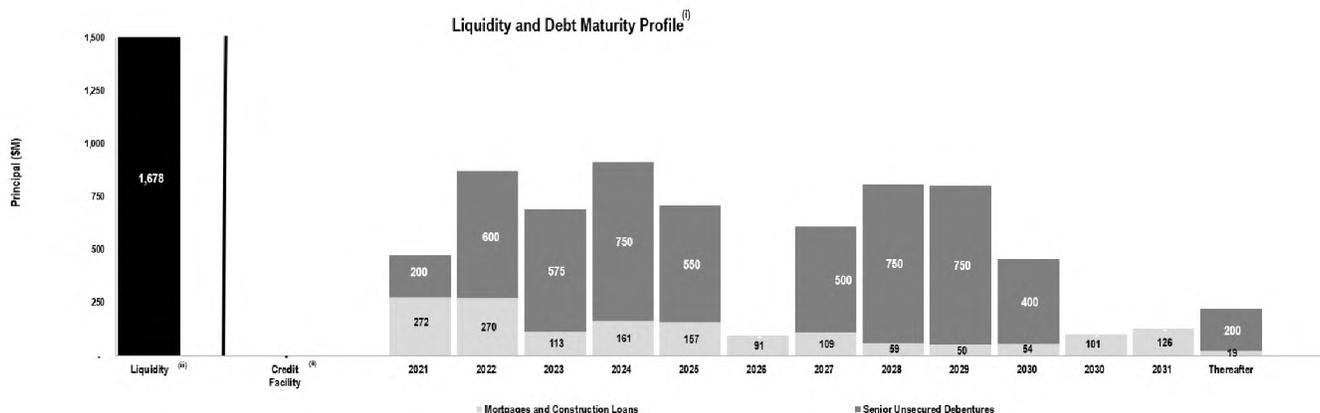
For the three months ended March 31, 2021 (\$ thousands)	Senior unsecured debentures	Mortgages payable	Total fixed rate debt
Principal balance outstanding, beginning of period	\$ 5,275,000	\$ 1,431,451	\$ 6,706,451
Issuances and advances	—	26,571	26,571
Repayments	—	(9,443)	(9,443)
Principal balance outstanding, end of period	\$ 5,275,000	\$ 1,448,579	\$ 6,723,579

Schedules of Repayments and Cash Flow Activities

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

As at March 31, 2021 (\$ thousands)	Credit facility	Construction loans	Senior unsecured debentures	Mortgages payable	Total
2021	\$ —	\$ 89,033	\$ 200,000	\$ 183,069	\$ 472,102
2022	—	45,010	600,000	224,623	869,633
2023	—	—	575,000	113,461	688,461
2024	—	—	750,000	161,482	911,482
2025	—	—	550,000	156,905	706,905
Thereafter	—	—	2,600,000	609,039	3,209,039
Total debt outstanding	\$ —	\$ 134,043	\$ 5,275,000	\$ 1,448,579	\$ 6,857,622

In order to reduce refinancing risk, Choice Properties attempts to stagger debt maturities and future financing obligations to ensure no large maturities or financing needs occur in any one year.



- (i) Presented on a proportionate share basis⁽¹⁾.
- (ii) The credit facility matures on May 4, 2023.
- (iii) Includes cash and cash equivalents.

4.4 Financial Condition

Choice Properties is subject to certain financial and non-financial covenants in its senior unsecured debentures and credit facility that include maintaining certain leverage and debt service ratios. These ratios are monitored by management on an ongoing basis to ensure compliance. Choice Properties was in compliance with all these covenants as at March 31, 2021 and December 31, 2020.

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

		As at March 31, 2021	As at December 31, 2020
Debt to Total Assets Ratio⁽ⁱ⁾	Limit: Maximum excluding convertible debt is 60.0%	42.3%	42.7%
Debt Service Coverage Ratio⁽ⁱⁱ⁾	Limit: Minimum 1.5x	3.2x	3.2x
Debt to EBITDAFV^{(i)(ii)(iv)}		7.6x	7.6x
Interest Coverage Ratio⁽ⁱ⁾⁽ⁱⁱⁱ⁾		3.7x	3.7x

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

(ii) Refer to Section 13.8, "Earnings Before Interest, Taxes, Depreciation, Amortization and Fair Value", for a reconciliation of net income to EBITDAFV used in this ratio.

(iii) Refer to Section 13.7, "Net Interest Expense and Other Financing Charges Reconciliation", for a reconciliation of proportionate share basis⁽ⁱ⁾ to GAAP basis for net interest expense and other financing charges used in the ratio.

(iv) Normalized Debt to EBITDAFV, net of cash, was 7.4x at March 31, 2021 and December 31, 2020.

4.5 Credit Ratings

Choice Properties' debt securities are rated by two independent credit rating agencies: DBRS and S&P. Choice Properties' ratings are linked to and equivalent to those of Loblaw, largely because of Loblaw's significant relationship with the Trust, and the contractual arrangements and the strategic relationship between the Trust and Loblaw. On September 17, 2020, DBRS upgraded the Choice Properties rating to BBB (high) with a stable trend, while on June 22, 2020, S&P confirmed the Choice Properties rating at BBB with a stable outlook. A credit rating of BBB- or higher is an investment grade rating.

The following table sets out the current credit ratings for Choice Properties as at March 31, 2021:

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

4.6 Unit Equity

Unit equity, for the purposes of this MD&A, includes both Units and Exchangeable Units, which are economically equivalent to Units and receive equal distributions. The following is a continuity of Choice Properties' unit equity:

	Three months ended March 31, 2021	Year ended December 31, 2020
Units, beginning of period	326,941,663	310,292,869
Units issued to related party as part of investment properties acquisition	—	16,500,000
Distribution in Units	—	2,277,457
Consolidation of Units	—	(2,277,457)
Units issued under unit-based compensation arrangements	174,455	307,877
Units repurchased for unit-based compensation arrangements	(174,455)	(159,083)
Units, end of period	326,941,663	326,941,663
Exchangeable Units, beginning of period	395,786,525	389,961,783
Units issued to related party as part of investment properties acquisition	—	5,824,742
Exchangeable Units, end of period	395,786,525	395,786,525
Total Units and Exchangeable Units, end of period	722,728,188	722,728,188

Units Issued to Related Party as part of Investment Properties Acquisition

During the year ended December 31, 2020, the acquisition of two office assets from Wittington was satisfied in full by the issuance of 16,500,000 Units of Choice Properties, while the acquisition of six industrial assets from a wholly-owned subsidiary of GWL was satisfied in full by the issuance of 5,824,742 Exchangeable Units.

Distribution in Units and Consolidation of Units

As a result of the increase in taxable income generated primarily from dispositions completed in the year ended December 31, 2020, the Board declared a special non-cash distribution payable on December 31, 2020, of 2,277,457 Units at \$0.09 per Unit totalling \$29,425. Immediately following the issuance of Units, the Units were consolidated such that each Unitholder held the same number of Units after the consolidation as each Unitholder held prior to the special non-cash distribution.

Normal Course Issuer Bid ("NCIB")

Choice Properties may from time to time purchase Units in accordance with the rules prescribed under applicable stock exchange or regulatory policies. On November 13, 2020, Choice Properties received approval from the TSX to purchase up to 25,846,904 Units during the twelve-month period from November 19, 2020 to November 18, 2021, by way of a NCIB over the facilities of the TSX or through alternative trading systems. Choice Properties intends to file a Notice of Intention to make a NCIB with the TSX upon the expiry of its current NCIB.

Units Issued under Unit-Based Compensation Arrangements

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

Units Repurchased for Unit-Based Compensation Arrangement

The Trust acquired Units under its NCIB during the three months ended March 31, 2021 and the year ended December 31, 2020, which were then granted to certain employees in connection with the Unit-Settled Restricted Unit Plan, and are subject to vesting conditions and disposition restrictions.

Distributions

In the three months ended March 31, 2021, Choice Properties declared \$133,706 in distributions (March 31, 2020 - \$129,561), including distributions to holders of Exchangeable Units, which are reported as interest expense. The distributions declared for the periods ended March 31, 2021 and March 31, 2020 were as follows:

For the periods ended March 31 (\$ thousands)	Three Months		
	2021	2020	Change
Total distributions declared	\$ 133,706	\$ 129,561	\$ 4,145

Choice Properties' Board retains full discretion with respect to the timing and quantum of distributions, however the total income distributed will not be less than the amount necessary to ensure the Trust will not be liable to pay income taxes under Part I of the *Income Tax Act (Canada)*. The taxable income allocated to the Trust and Exchangeable Unitholders may vary in certain taxation years. Over time, such differences, in aggregate, are expected to be minimal.

At its most recent meeting on April 29, 2021, the Board reviewed and approved the current rate of distributions of \$0.74 per unit per annum. In determining the amount of distributions to be made to Unitholders, Choice Properties' Board considers many factors, including provisions in its Declaration of Trust, macro-economic and industry specific environments, the overall financial condition of the Trust, future capital requirements, debt covenants, and taxable income. In accordance with Choice Properties' Distribution Policy, management and the Board regularly review Choice Properties' rate of distributions to assess the stability of cash and non-cash distributions.

Distribution Reinvestment Plan ("DRIP")

Choice Properties instituted a DRIP that allows eligible Unitholders to elect to automatically reinvest their regular monthly cash distributions in additional Units and to receive a bonus distribution in Units equivalent to 3% of each distribution. On April 25, 2018, the Board suspended the DRIP commencing with the distribution declared in May 2018. The DRIP will remain suspended until further notice.

4.7 Adjusted Cash Flow from Operations ("ACFO")

Adjusted Cash Flow from Operations⁽¹⁾ excludes most of the short-term fluctuations in non-cash working capital, such as property tax instalments, and the timing of semi-annual debenture instalments, although some fluctuations between quarters for operational cash flows still exist. ACFO⁽¹⁾ also adjusts cash flows from operating activities for the working capital required for operating capital expenditures to maintain productive capacity of the investment properties which adds volatility to the values due to seasonality of capital projects. Management includes this non-GAAP measure in its assessment of cash flow available for distributions. Refer to Section 13.5, "Adjusted Cash Flow from Operations", for a reconciliation of ACFO⁽¹⁾ to cash flows from operating activities, as determined in accordance with GAAP.

The table below summarizes the ACFO⁽¹⁾ metrics:

For the periods ended March 31 (\$ thousands)	Three Months		
	2021	2020	Change
Adjusted Cash Flow from Operations ⁽¹⁾	\$ 152,219	\$ 159,011	\$ (6,792)
Cash distributions declared	(133,706)	(129,561)	(4,145)
Cash retained after cash distributions	\$ 18,513	\$ 29,450	\$ (10,937)
ACFO ⁽¹⁾ payout ratio	87.8 %	81.5 %	6.3 %

Three Months

ACFO decreased compared to the prior year primarily as a result of an unfavourable adjustment for changes in sustainable non-cash working capital, partially offset by a decrease in cash interest payments as a result of lower borrowing levels.

The ACFO payout ratio increased primarily due to a combination of the decline in ACFO noted above, along with an increase in cash distributions declared. The increase in cash distributions was due to a higher number of Trust and Exchangeable Units outstanding, as Trust and Exchangeable Units were issued as consideration for certain assets acquired during the prior year.

4.8 Financial Instruments

Designated hedging derivatives consist of interest rate swaps to hedge the interest rate associated with an equivalent amount of variable rate mortgages. During the three months ended March 31, 2021, an interest rate swap was settled upon maturity of the underlying variable rate mortgage. As at March 31, 2021, the interest rates ranged from 1.8% to 4.4% (December 31, 2020 - 1.8% to 4.4%).

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

(\$ thousands)	Maturity Date	Notional Amount	As at March 31, 2021	As at December 31, 2020
Derivative assets				
Interest rate swaps		\$ —	\$ —	377
Derivative liabilities				
Interest rate swaps	Mar 2022 - Sep 2026	193,700	6,106	6,560

During the three months ended March 31, 2021, Choice Properties recorded an unrealized fair value loss in OCI of \$708 (March 31, 2020 - fair value loss of \$5,297).

4.9 Off-Balance Sheet Arrangements

Choice Properties issues letters of credit to support guarantees related to its investment properties including maintenance and development obligations to municipal authorities. As at March 31, 2021, the aggregate gross potential liability related to these letters of credit totalled \$33,668 including \$1,543 posted by Loblaw with the Province of Ontario and City of Toronto on behalf of Choice Properties related to deferral of land transfer tax on properties acquired from Loblaw subsequent to the initial public offering (December 31, 2020 - \$33,916 including \$1,543 posted by Loblaw).

5. RESULTS OF OPERATIONS

Choice Properties' results, as reported under GAAP, for the three months ended March 31, 2021 and March 31, 2020 are summarized below:

For the periods ended March 31 (\$ thousands)	Three Months			
	2021	2020	Change	% Change
Net Operating Income				
Rental revenue	\$ 326,539	\$ 324,911	\$ 1,628	0.5 %
Property operating costs	(100,136)	(98,820)	(1,316)	1.3 %
	226,403	226,091	312	0.1 %
Other Income and Expenses				
Interest income	4,148	3,493	655	18.8 %
Fee income	1,039	1,248	(209)	(16.7)%
Net interest expense and other financing charges	(133,563)	(133,879)	316	(0.2)%
General and administrative expenses	(9,574)	(9,686)	112	(1.2)%
Share of income (loss) from equity accounted joint ventures	8,069	(4,267)	12,336	(289.1)%
Amortization of intangible assets	(250)	(250)	—	— %
Foreign exchange gain reclassified from other comprehensive income	—	1,184	(1,184)	(100.0)%
Acquisition transaction costs and other related expenses	—	(1,589)	1,589	(100.0)%
Other fair value gains (losses), net	477	633	(156)	(24.6)%
Adjustment to fair value of Exchangeable Units	(217,683)	386,062	(603,745)	(156.4)%
Adjustment to fair value of investment properties	58,743	(136,298)	195,041	(143.1)%
Income (Loss) before Income Taxes	(62,191)	332,742	(394,933)	(118.7)%
Income tax expense	(7)	—	(7)	— %
Net Income (Loss)	\$ (62,198)	\$ 332,742	\$ (394,940)	(118.7)%

Three Months

The quarterly decrease in net income compared to the prior year was mainly due to an unfavourable change in the adjustment to fair value on the Exchangeable Units, partially offset by a favourable change in the fair value of investment properties, including those held within equity accounted joint ventures.

Adjustments to fair value can vary widely from quarter-to-quarter as they are impacted by market factors such as the Trust's Unit price and market capitalization rates.

Rental Revenue and Property Operating Costs

For the periods ended March 31 (\$ thousands)	Three Months		
	2021	2020	Change
Net Operating Income			
Rental revenue	\$ 326,539	\$ 324,911	\$ 1,628
Property operating costs	(100,136)	(98,820)	(1,316)
	\$ 226,403	\$ 226,091	\$ 312

Three Months

The quarterly increase in revenue was mainly due to the net contribution from acquisitions and development transfers completed in 2020 and an increase in lease surrender revenue, partially offset by declines due to foregone revenue from dispositions in 2020, vacancies in select retail and office assets, and a reduction in transient parking revenue in the office portfolio due to the impact of the pandemic on city centres.

Property operating costs increased primarily due to a higher level of bad debt expense recorded for tenants affected by the pandemic.

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

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

Interest Income

For the periods ended March 31 (\$ thousands)	Three Months		
	2021	2020	Change
Interest income on mortgages and loans receivable	\$ 2,686	\$ 3,111	\$ (425)
Interest income earned from financial real estate assets	1,100	370	730
Other interest income	362	12	350
Interest Income	\$ 4,148	\$ 3,493	\$ 655

Three Months

The increase is primarily due to contributions from prior year financial real estate asset acquisitions, along with income earned from short term investments, partially offset by declines in interest income due to a reduction in outstanding mortgages, loans and notes receivable as compared to the prior year.

Fee Income

Fees charged to third-parties include property management fees, leasing fees and project management fees relating to co-owned properties which serves as a cash flow supplement to enhance returns from the co-owned assets. Until the arrangements were terminated effective December 31, 2020, Choice Properties provided property management services to Loblaw and administered certain services in connection with Loblaw's gas bar subleases (see Section 9, "Related Party Transactions"). Choice Properties provides Wittington with property management services for certain properties with third-party tenancies on a fee for service basis.

For the periods ended March 31 (\$ thousands)	Three Months		
	2021	2020	Change
Fees charged to related party	\$ 127	\$ 220	\$ (93)
Fees charged to third-parties	912	1,028	(116)
Fee Income	\$ 1,039	\$ 1,248	\$ (209)

Three Months

Fee income is impacted by changes in the portfolio and the timing of leasing transactions and project activity. Compared to prior year, the decline in fee income can be primarily attributed to a reduction in project and leasing fees, coupled with a decline in related party fee income due to the termination of the property management agreement and sublease administration agreement with Loblaw as at December 31, 2020.

Net Interest Expense and Other Financing Charges

For the periods ended March 31 (\$ thousands)	Three Months		
	2021	2020	Change
Interest on senior unsecured debentures	\$ 46,914	\$ 46,359	\$ 555
Interest on mortgages	12,086	12,373	(287)
Interest on credit facility	897	3,016	(2,119)
Interest on right-of-use asset	39	64	(25)
Distributions on Exchangeable Units ⁽ⁱ⁾	73,221	72,143	1,078
Amortization of debt discounts and premiums	110	(599)	709
Amortization of debt placement costs	1,042	1,223	(181)
Capitalized interest	(746)	(700)	(46)
Net interest expense and other financing charges	\$ 133,563	\$ 133,879	\$ (316)

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

Three Months

The quarterly decrease was primarily due to a general reduction in indebtedness as the Trust utilized proceeds from transaction activity in the prior year to repay its credit facility in full, while also benefiting from refinancing activity over the last year at lower interest rates, partially offset by an increase in distributions on the Exchangeable Units due to a higher number of Exchangeable Units outstanding.

General and Administrative Expenses

For the periods ended March 31 (\$ thousands)	Three Months		
	2021	2020	Change
Salaries, benefits and employee costs	\$ 12,623	\$ 12,393	\$ 230
Investor relations and other public entity costs	603	652	(49)
Professional fees	1,099	777	322
Information technology costs	1,504	962	542
Services Agreement expense charged by related party ⁽ⁱ⁾	799	774	25
Amortization of other assets	288	10	278
Office related costs	390	789	(399)
Other	93	346	(253)
	17,399	16,703	696
Less:			
Capitalized to investment properties	(1,635)	(1,437)	(198)
Allocated to recoverable operating expenses	(6,190)	(5,580)	(610)
General and administrative expenses	\$ 9,574	\$ 9,686	\$ (112)

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

Three Months

The quarterly decline was primarily due to higher salary related and information technology costs, much of which was allocated to recoverable operating expenses or capitalized to investment properties, as applicable. In addition, the Trust had a decline in office related costs and other items such as advertising and travel related costs compared to the prior year, primarily due to timing of activity as a result of the pandemic, which was partially offset by an increase in professional fees.

Other Fair Value Gains (Losses), Net

For the periods ended March 31 (\$ thousands)	Three Months		
	2021	2020	Change
Adjustment to fair value of unit-based compensation	\$ 477	\$ 633	\$ (156)
Other fair value gains (losses), net	\$ 477	\$ 633	\$ (156)

Three Months

Unit-based compensation liabilities are recorded at their fair value based on the market trading price of the Trust Units, which results in a negative impact to the financial results when the Trust Unit price rises and a positive impact when the Trust Unit price declines.

6. LEASING ACTIVITY

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

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

The following table details the changes for in-place occupancy by segment for the three months ended March 31, 2021:

(in thousands of square feet except where otherwise indicated)	December 31, 2020			Expiries	New	Renewals	Subtotal: Portfolio Absorption changes ⁽ⁱ⁾	Acquired / (Disposed) vacancy	Three Months March 31, 2021			
	Leasable	Occupied	Occupied %						Leasable	Occupied	Occupied %	
Retail	45,108	43,940	97.4 %	(326)	51	279	4	27	6	45,141	43,971	97.4 %
Industrial	17,158	16,699	97.3 %	(166)	53	67	(46)	126	13	17,297	16,779	97.0 %
Office	3,604	3,320	92.1 %	(65)	3	26	(36)	11	2	3,617	3,295	91.1 %
Total	65,870	63,959	97.1 %	(557)	107	372	(78)	164	21	66,055	64,045	97.0 %

(i) Represents changes in occupied square footage arising from acquisitions, dispositions, intensifications, expansions, and transfers from properties under development.

Three Months

Period end occupancy declined slightly primarily due negative absorption in the Alberta industrial portfolio and British Columbia office portfolio, partially offset by acquisitions and development transfers in the Alberta industrial portfolio.

Choice Properties' principal tenant, Loblaw, represents 55.3% of its total GLA (December 31, 2020 - 55.3%). At March 31, 2021, the weighted average lease term-to-maturity on the Loblaw leases was 7.2 years (December 31, 2020 - 7.4 years).

(in millions of square feet except where otherwise indicated)	As at March 31, 2021			As at December 31, 2020		
	Portfolio GLA	Occupied GLA	Occupancy (%)	Portfolio GLA	Occupied GLA	Occupancy (%)
Loblaw banners	36.5	36.5	100.0%	36.4	36.4	100.0%
Third-party tenants	29.5	27.5	93.2%	29.4	27.5	93.5%
Total commercial GLA	66.0	64.0	97.0%	65.8	63.9	97.1%

The lease maturity profile for Choice Properties' portfolio as at March 31, 2021, was as follows:

(in thousands of square feet except where otherwise indicated)	Third-party GLA	Loblaw GLA	Total GLA	Expiring GLA as a % of total GLA	Expiring annualized base rent (\$ 000's)	Average expiring base rent (per square foot)
Month-to-month	371	90	461	0.8 %	\$ 5,681	\$ 12.32
2021	1,518	—	1,518	2.4 %	20,307	13.38
2022	3,154	74	3,228	4.9 %	45,168	13.99
2023	3,314	3,890	7,204	10.8 %	100,698	13.98
2024	3,155	2,922	6,077	9.2 %	83,757	13.78
2025	3,439	3,218	6,657	10.1 %	89,619	13.46
2026	3,038	2,737	5,775	8.7 %	91,318	15.81
2027 & Thereafter	9,592	23,533	33,125	50.1 %	540,069	16.30
Occupied GLA	27,581	36,464	64,045	97.0 %	976,617	15.25
Vacant GLA	2,010	—	2,010	3.0 %	—	—
Total	29,591	36,464	66,055	100.0 %	\$ 976,617	\$ 14.78

(in thousands of square feet except where otherwise indicated)	Retail segment		Industrial segment		Office segment		Total	
	GLA	Expiring GLA as a % of total GLA	GLA	Expiring GLA as a % of total GLA	GLA	Expiring GLA as a % of total GLA	GLA	Expiring GLA as a % of total GLA
Month-to-month	393	0.6%	30	—%	38	0.2%	461	0.8 %
2021	716	1.1%	628	1.0%	174	0.3%	1,518	2.4 %
2022	1,247	1.9%	1,586	2.4%	395	0.6%	3,228	4.9 %
2023	4,873	7.4%	2,002	3.0%	329	0.4%	7,204	10.8 %
2024	4,164	6.3%	1,597	2.4%	316	0.5%	6,077	9.2 %
2025	4,437	6.7%	1,977	3.0%	243	0.4%	6,657	10.1 %
2026	4,702	7.1%	819	1.2%	254	0.4%	5,775	8.7 %
2027 & Thereafter	23,439	35.5%	8,140	12.3%	1,546	2.3%	33,125	50.1 %
Occupied GLA	43,971		16,779		3,295		64,045	97.0 %
Vacant GLA	1,170	1.8%	518	0.8%	322	0.4%	2,010	3.0 %
Total	45,141	68.4%	17,297	26.1%	3,617	5.5%	66,055	100.0 %

Top 10 Tenants

Choice Properties' ten largest tenants for the three months ended March 31, 2021, represented approximately 64.0% of gross rental revenue, as calculated on a proportionate share basis⁽¹⁾. The names noted below may be the names of the parent entities and are not necessarily the parties to the leases.

Tenants	% of Gross Rental Revenue	GLA (square feet)
1. Loblaws	55.9 %	36,464
2. Canadian Tire	2.1 %	1,605
3. TJX Companies	1.0 %	617
4. Dollarama	1.0 %	535
5. Goodlife	0.8 %	386
6. Canada Cartage	0.7 %	672
7. Staples	0.7 %	426
8. Liquor Control Board of Ontario (LCBO)	0.6 %	220
9. TD Canada Trust	0.6 %	159
10. Weston Foods	0.6 %	1,176
Total	64.0 %	42,260

7. RESULTS OF OPERATIONS - SEGMENT INFORMATION

7.1 Net Income and Segment NOI Reconciliation

Choice Properties operates in three reportable segments: retail, industrial and office. Management measures and evaluates the performance of the Trust based on net operating income which is presented by segment below at the proportionate share of the related revenue and expenses for these properties, while other net income (loss) items are reviewed on a consolidated GAAP basis.

The following table reconciles net income on a proportionate share basis⁽¹⁾ to net income (loss) as determined in accordance with GAAP for the three months ended March 31, 2021:

(\$ thousands)	Retail	Industrial	Office	Proportionate Share Basis ⁽¹⁾	Consolidation and eliminations ⁽⁶⁾	GAAP Basis
Rental revenue, excluding straight line rental revenue and lease surrender revenue	\$ 259,154	\$ 47,175	\$ 29,332	\$ 335,661	\$ (14,723)	\$ 320,938
Property operating costs	(80,041)	(12,735)	(13,252)	(106,028)	5,892	(100,136)
Net Operating Income, Cash Basis⁽¹⁾	179,113	34,440	16,080	229,633	(8,831)	220,802
Straight line rental revenue	1,340	1,678	1,805	4,823	(346)	4,477
Lease surrender revenue	615	1	508	1,124	—	1,124
Net Operating Income, Accounting Basis	181,068	36,119	18,393	235,580	(9,177)	226,403
Other Income and Expenses						
Interest income				2,815	1,333	4,148
Fee income				1,039	—	1,039
Net interest expense and other financing charges				(135,490)	1,927	(133,563)
General and administrative expenses				(9,574)	—	(9,574)
Share of income (loss) from equity accounted joint ventures				—	8,069	8,069
Amortization of intangible assets				(250)	—	(250)
Other fair value gains (losses), net				477	—	477
Adjustment to fair value of Exchangeable Units				(217,683)	—	(217,683)
Adjustment to fair value of investment properties				60,895	(2,152)	58,743
Income before Income Taxes				(62,191)	—	(62,191)
Income tax expense				(7)	—	(7)
Net Income (Loss)				\$ (62,198)	\$ —	\$ (62,198)

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

7.2 Net Operating Income Summary⁽¹⁾

NOI⁽¹⁾ is a supplemental measure of operating performance widely used in the real estate industry. There is no industry-defined definition of NOI⁽¹⁾. Refer to Section 13.2, “Net Operating Income”, of this MD&A, for a definition of NOI⁽¹⁾ and a reconciliation to net income (loss) determined in accordance with GAAP.

Management also measures performance of operating segments using NOI⁽¹⁾ as calculated on a proportionate share basis⁽¹⁾ and, in particular, same-asset NOI which isolates Management’s success at dealing with certain key performance factors. “Same-Asset” refers to those properties that were owned and operated by Choice Properties for the entire 15 months ended March 31, 2021, and where such properties had no changes to income as a result of acquisitions, dispositions, new developments, redevelopments and expansions, intensifications, transfers, or demolitions (collectively, “Transactions”). NOI related to Transactions for the period are presented separately from the same-asset financial results.

Choice Properties’ NOI⁽¹⁾ is calculated on a proportionate share basis⁽¹⁾ to incorporate Choice Properties’ investment in equity accounted joint ventures as if they were owned directly for the three months ended March 31, 2021 and March 31, 2020 as summarized below.

Summary - Accounting Basis

For the periods ended March 31 (\$ thousands)	Three Months			
	2021	2020	Change	% Change
Rental revenue	\$ 311,576	\$ 314,665	\$ (3,089)	(1.0)%
Straight line rental revenue	1,418	3,889	(2,471)	(63.5)%
Property operating costs excluding bad debt expense	(95,602)	(97,938)	2,336	(2.4)%
Same-Asset NOI, Accounting Basis, excluding bad debt expense	217,392	220,616	(3,224)	(1.5)%
Bad debt expense	(1,581)	(770)	(811)	105.3 %
Same-Asset NOI, Accounting Basis	215,811	219,846	(4,035)	(1.8)%
Transactions NOI including straight line rental revenue, excluding bad debt expense	19,000	16,178	2,822	
Bad debt expense	(355)	(129)	(226)	
Transactions NOI, Accounting Basis	18,645	16,049	2,596	
Lease surrender revenue	1,124	115	1,009	
Total NOI, Accounting Basis	\$ 235,580	\$ 236,010	\$ (430)	

Summary - Cash Basis

For the periods ended March 31 (\$ thousands)	Three Months			
	2021	2020	Change	% Change
Rental revenue	\$ 311,576	\$ 314,665	\$ (3,089)	(1.0)%
Property operating costs excluding bad debt expense	(95,602)	(97,938)	2,336	(2.4)%
Same-Asset NOI, Cash Basis, excluding bad debt expense	215,974	216,727	(753)	(0.3)%
Bad debt expense	(1,581)	(770)	(811)	105.3 %
Same-Asset NOI, Cash Basis	214,393	215,957	(1,564)	(0.7)%
Transactions NOI excluding bad debt expense	15,595	15,703	(108)	
Bad debt expense	(355)	(129)	(226)	
Transactions NOI, Cash Basis	15,240	15,574	(334)	
Total NOI, Cash Basis	\$ 229,633	\$ 231,531	\$ (1,898)	

Three Months

Same-asset NOI on a cash basis for the three months ended March 31, 2021, decreased mainly due to an increase in bad debt expense, a reduction in occupancy across select retail and office assets and lower parking revenue, partially offset by the contribution from contractual rental steps in the retail segment.

Transaction NOI declined primarily due to the foregone income from prior year dispositions and an increase in bad debt expense, partially offset by the contribution from acquisitions and development transfers.

Retail Segment

For the periods ended March 31 (\$ thousands)	Three Months			
	2021	2020	Change	% Change
Rental revenue	\$ 243,684	\$ 245,493	\$ (1,809)	(0.7)%
Property operating costs excluding bad debt expense	(74,352)	(76,260)	1,908	(2.5)%
Same-Asset NOI, Cash Basis, excluding bad debt expense	169,332	169,233	99	0.1 %
Bad debt expense	(1,047)	(764)	(283)	37.0 %
Same-Asset NOI, Cash Basis	168,285	168,469	(184)	(0.1)%
Transactions NOI excluding bad debt expense	11,159	15,507	(4,348)	
Bad debt expense	(331)	(130)	(201)	
Transactions NOI, Cash Basis	10,828	15,377	(4,549)	
Total NOI, Cash Basis	\$ 179,113	\$ 183,846	\$ (4,733)	

Three Months

Same-asset NOI excluding bad debt expense was flat year-over-year, as contractual rental steps across the retail portfolio and an increase in renewal rates for various tenants was partially offset by declines due to a reduction in capital recoveries due to lower interest rates and vacancies at select properties in Quebec and British Columbia.

Transaction NOI declined primarily due to the foregone income from prior year dispositions, partially offset by the contribution from acquisitions and development transfers.

Industrial Segment

For the periods ended March 31 (\$ thousands)	Three Months			
	2021	2020	Change	% Change
Rental revenue	\$ 43,658	\$ 43,309	\$ 349	0.8 %
Property operating costs excluding bad debt expense	(12,066)	(11,827)	(239)	2.0 %
Same-Asset NOI, Cash Basis, excluding bad debt expense	31,592	31,482	110	0.3 %
Bad debt expense	(95)	(6)	(89)	N/M
Same-Asset NOI, Cash Basis	31,497	31,476	21	0.1 %
Transactions NOI excluding bad debt expense	2,943	(85)	3,028	
Bad debt expense	—	—	—	
Transactions NOI, Cash Basis	2,943	(85)	3,028	
Total NOI, Cash Basis	\$ 34,440	\$ 31,391	\$ 3,049	

Three Months

Same-asset NOI excluding bad debt expense increased by 0.3% on a cash basis primarily due to a higher renewal spreads in Ontario, partially offset by increased vacancies at specific small and mid-bay locations in Alberta.

Transaction NOI increased as compared to the prior year mainly due to the contribution from acquisitions and development transfers.

Office Segment

For the periods ended March 31 (\$ thousands)	Three Months			
	2021	2020	Change	% Change
Rental revenue	\$ 24,234	\$ 25,863	\$ (1,629)	(6.3)%
Property operating costs excluding bad debt expense	(9,184)	(9,851)	667	(6.8)%
Same-Asset NOI, Cash Basis, excluding bad debt expense	15,050	16,012	(962)	(6.0)%
Bad debt expense	(439)	—	(439)	N/M
Same-Asset NOI, Cash Basis	14,611	16,012	(1,401)	(8.7)%
Transactions NOI excluding bad debt expense	1,493	281	1,212	
Bad debt expense	(24)	1	(25)	
Transactions NOI, Cash Basis	1,469	282	1,187	
Total NOI, Cash Basis	\$ 16,080	\$ 16,294	\$ (214)	

Three Months

Same-asset NOI excluding bad debt expense decreased by 6.0% on a cash basis primarily due to lower transient parking revenue and vacancy in Alberta and British Columbia.

The increase in transaction NOI was mainly due to the contribution from two office assets in Toronto that were acquired in the third quarter of 2020.

7.3 Other Key Performance Indicators

FFO⁽¹⁾ and AFFO⁽¹⁾ are included in the Trust's summary of key performance indicators. See Section 13, "Non-GAAP Financial Measures", of this MD&A, for details on how these measures are defined, calculated and reconciled to GAAP financial measures and why management uses these measures. FFO⁽¹⁾ and AFFO⁽¹⁾ for the three months ended March 31, 2021 and March 31, 2020 are summarized below:

For the periods ended March 31 (\$ thousands)	Three Months		
	2021	2020	Change
Funds from Operations ⁽¹⁾	\$ 170,608	\$ 170,670	\$ (62)
FFO ⁽¹⁾⁽ⁱ⁾ per unit basic	\$ 0.236	\$ 0.244	\$ (0.008)
FFO ⁽¹⁾⁽ⁱ⁾ per unit diluted	\$ 0.236	\$ 0.244	\$ (0.008)
FFO ⁽¹⁾⁽ⁱ⁾ payout ratio - diluted	78.4 %	75.9 %	2.5 %
Adjusted Funds from Operations ⁽¹⁾	\$ 155,316	\$ 151,773	\$ 3,543
AFFO ⁽¹⁾⁽ⁱ⁾ per unit basic	\$ 0.215	\$ 0.217	\$ (0.002)
AFFO ⁽¹⁾⁽ⁱ⁾ per unit diluted	\$ 0.215	\$ 0.217	\$ (0.002)
AFFO ⁽¹⁾⁽ⁱ⁾ payout ratio - diluted	86.1 %	85.4 %	0.7 %
Distribution declared per Unit	\$ 0.185	\$ 0.185	\$ —
Weighted average Units outstanding - basic	722,728,188	700,307,857	22,420,331
Weighted average Units outstanding - diluted	722,930,485	700,625,695	22,304,790
Number of Units outstanding, end of period	722,728,188	700,403,446	22,324,742

Funds from Operations ("FFO")⁽¹⁾

FFO⁽¹⁾ is calculated in accordance with the Real Property Association of Canada's *White Paper on Funds from Operations & Adjusted Funds from Operations for IFRS* issued in February 2019. From time to time the Trust may enter into transactions that materially impact the calculation and are excluded from the calculation for management's review purposes. Refer to Section 13.3, "Funds from Operations", for a reconciliation of FFO⁽¹⁾ to net income determined in accordance with GAAP.

Three Months

Funds from operations was relatively unchanged year-over-year, as an increase in non-recurring lease surrender revenue and savings from lower borrowing costs were partially offset by higher bad debt expense and a decline in interest income due to fewer mortgages receivable outstanding as compared to prior year. The results were also impacted by a higher than usual amount of excess cash on the balance sheet during the first quarter as a result of proceeds from property dispositions in 2020 as part of capital recycling initiatives.

The decline on a per unit basis was primarily due to the higher weighted average number of units outstanding as a result of: (i) the Trust units issued as consideration for the acquisition of two assets from Wittington in July 2020 and (ii) the Exchangeable Units issued as consideration for the acquisition of six assets from Weston Foods (Canada) Inc., a wholly-owned subsidiary of GWL, in December 2020.

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

Choice Properties calculates AFFO⁽¹⁾ in accordance with the Real Property Association of Canada's *White Paper on Funds from Operations & Adjusted Funds from Operations for IFRS* issued in February 2019. From time to time the Trust may enter into transactions that materially impact the calculation and are excluded from the calculation for management's review purposes. Refer to Section 13.4, "Adjusted Funds from Operations", for a reconciliation of AFFO⁽¹⁾ to net income determined in accordance with GAAP.

Three Months

Adjusted funds from operations increased during the current quarter primarily due to a reduction in tenant improvements and direct leasing costs compared to the prior year.

The decline on a per unit basis was primarily due to the higher weighted average number of units outstanding at March 31, 2021, as discussed above.

The increase in the AFFO payout ratio was primarily as a result of the higher weighted average number of units outstanding, partially offset by the increase in AFFO for the current quarter.

Operating Capital Expenditures

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

For the periods ended March 31 (\$ thousands)	Three Months		
	2021	2020	Change
Property capital	\$ 2,591	\$ 2,259	\$ 332
Leasing capital:			
Direct leasing costs	1,254	2,733	(1,479)
Tenant improvements	4,628	7,469	(2,841)
Total operating capital expenditures, proportionate share basis⁽¹⁾	\$ 8,473	\$ 12,461	\$ (3,988)

Property Capital

Property capital expenditures incurred to sustain the existing GLA for investment properties are considered to be operational and are deducted in the calculation of AFFO⁽¹⁾ and ACFO⁽¹⁾. During the three months ended March 31, 2021, Choice Properties incurred \$2,591 of property capital expenditures, which may be recoverable from tenants under the terms of their leases over the useful life of the improvements (2020 - \$2,259). Recoverable capital improvements may include items such as parking lot resurfacing and roof replacements. These items are recorded as part of investment properties and the recoveries from tenants are recorded as revenue.

Leasing Capital

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

8. QUARTERLY RESULTS OF OPERATIONS

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

(\$ thousands except where otherwise indicated)	First Quarter 2021	Fourth Quarter 2020	Third Quarter 2020	Second Quarter 2020	First Quarter 2020	Fourth Quarter 2019	Third Quarter 2019	Second Quarter 2019
Number of investment properties	730	731	725	724	724	726	726	756
Gross leasable area (in millions of square feet)	66.2	66.1	66.1	65.6	65.6	65.8	65.5	68.0
Occupancy	97.0 %	97.1 %	97.0 %	96.8 %	97.5 %	97.7 %	97.8 %	97.7 %
Rental revenue (GAAP)	\$ 326,539	\$ 321,862	\$ 308,956	\$ 314,885	\$ 324,911	\$ 317,986	\$ 323,306	\$ 324,289
Net income (loss)	\$ (62,198)	\$ 116,570	\$ 97,186	\$ (95,813)	\$ 332,742	\$ 293,261	\$ (210,796)	\$ 238,310
Net income (loss) per Unit	\$ (0.086)	\$ 0.161	\$ 0.136	\$ (0.137)	\$ 0.475	\$ 0.419	\$ (0.301)	\$ 0.341
Net income (loss) per Unit diluted	\$ (0.086)	\$ 0.162	\$ 0.137	\$ (0.137)	\$ 0.475	\$ 0.419	\$ (0.301)	\$ 0.347
Net operating income, cash basis ⁽ⁱ⁾	\$ 229,633	\$ 230,353	\$ 229,891	\$ 216,431	\$ 231,531	\$ 234,949	\$ 239,047	\$ 234,715
FFO ⁽ⁱ⁾	\$ 170,608	\$ 171,519	\$ 169,173	\$ 140,645	\$ 170,670	\$ 165,795	\$ 174,982	\$ 170,241
FFO ⁽ⁱ⁾ per Unit - diluted	\$ 0.236	\$ 0.239	\$ 0.238	\$ 0.201	\$ 0.244	\$ 0.237	\$ 0.250	\$ 0.248
AFFO ⁽ⁱ⁾	\$ 155,316	\$ 136,054	\$ 147,594	\$ 131,173	\$ 151,773	\$ 129,187	\$ 152,032	\$ 151,803
AFFO ⁽ⁱ⁾ per Unit - diluted	\$ 0.215	\$ 0.189	\$ 0.207	\$ 0.187	\$ 0.217	\$ 0.184	\$ 0.217	\$ 0.221
Distribution declared per Unit	\$ 0.185	\$ 0.185	\$ 0.185	\$ 0.185	\$ 0.185	\$ 0.185	\$ 0.185	\$ 0.185
Market price per Unit - closing	\$ 13.56	\$ 13.01	\$ 12.78	\$ 12.74	\$ 12.92	\$ 13.91	\$ 14.44	\$ 13.68
Units outstanding, period end	722,728,188	722,728,188	716,903,446	700,403,446	700,403,446	700,254,652	700,247,802	699,572,174
Debt to total assets ⁽ⁱⁱ⁾	42.3 %	42.7 %	43.8 %	44.3 %	43.8 %	43.1 %	43.5 %	45.0 %
Debt service coverage ⁽ⁱⁱ⁾	3.2x	3.2x	3.0x	2.6x	3.1x	3.0x	3.1x	3.0x

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

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

9. RELATED PARTY TRANSACTIONS

Choice Properties' parent corporation is GWL which as at March 31, 2021, held either directly or indirectly, a 61.8% effective interest in the Trust through ownership of 50,661,415 Units and all of the Exchangeable Units, which are economically equivalent to and exchangeable to Units. GWL is also the parent company of Loblaw, with ownership of 52.6% of Loblaw's outstanding common shares as at March 31, 2021. Choice Properties' ultimate parent is Wittington Investments, Limited.

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

Loblaw represents approximately 55.9% of Choice Properties' quarterly rental revenue on a proportionate share basis⁽¹⁾ and 55.3% of its commercial GLA as at March 31, 2021 (December 31, 2020 - 55.6% and 55.3%, respectively).

Acquisitions and Dispositions

There were no related party acquisitions or dispositions during the three months ended March 31, 2021.

Services Agreement

For the three months ended March 31, 2021, GWL provided Choice Properties with corporate, administrative and other support services for an annualized cost of \$3,095 (2020 - \$3,095).

Strategic Alliance Agreement

The Strategic Alliance Agreement creates a series of rights and obligations between Choice Properties and Loblaw intended to establish a preferential and mutually beneficial business and operating relationship. The Strategic Alliance Agreement expires on July 5, 2023. The Strategic Alliance Agreement provides Choice Properties with important rights that are expected to meaningfully contribute to the Trust's growth. Subject to certain exceptions, rights include:

- Choice Properties has the right of first offer to purchase any property in Canada that Loblaw seeks to sell;
- Loblaw is generally required to present shopping centre property acquisitions in Canada to Choice Properties to allow the Trust a right of first opportunity to acquire the property itself; and
- Choice Properties has the right to participate in future shopping centre developments involving Loblaw.

Included in certain investment properties acquired from Loblaw is excess land with development potential. In accordance with the Strategic Alliance Agreement, Choice Properties will compensate Loblaw, over time, with intensification payments, as Choice Properties pursues development, intensification or redevelopment of such excess land. The payments to Loblaw are calculated in accordance with a payment grid that takes into account the region, market ranking and type of use for the property.

Property Management Agreement

Choice Properties provided Loblaw with property management services for Loblaw's properties with third-party tenancies on a fee for service basis with automatic one-year renewals. The property management agreement was terminated effective December 31, 2020.

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

Sublease Administration Agreement

On July 17, 2017, in connection with Loblaw's sale of substantially all of its gas bar operations, Choice Properties agreed to provide Loblaw with certain administrative services in respect of the subleases on a fee for service basis for an initial five-year term with automatic one-year renewals. The sublease administration agreement was terminated effective December 31, 2020.

Site Intensification Payments

Choice Properties compensated Loblaw with intensification payments of \$901 in connection with completed gross leasable area for which tenants took possession during the three months ended March 31, 2021 (December 31, 2020 - \$995).

Distributions on Exchangeable Units

GWL, directly or indirectly, holds all of the Exchangeable Units issued by Choice Properties Limited Partnership, a subsidiary of Choice Properties. During the three months ended March 31, 2021, distributions declared on the Exchangeable Units totalled \$73,221 (March 31, 2020 - \$72,143). As at March 31, 2021, Choice Properties had distributions on Exchangeable Units payable to GWL of \$97,628 (December 31, 2020 - \$120,598).

Trust Unit Distributions

In the three months ended March 31, 2021, Choice Properties declared cash distributions of \$9,372 on the Units held by GWL (March 31, 2020 - \$9,372). As at March 31, 2021, \$3,124 of Trust Unit distributions declared were payable to GWL (December 31, 2020 - \$3,124). There were no non-cash distributions settled through the issuance of additional Trust Units during the three months ended March 31, 2021 and 2020.

In the three months ended March 31, 2021, Choice Properties declared cash distributions of \$3,053 on the Units held by Wittington (March 31, 2020 - \$nil). As at March 31, 2021, \$1,018 of Trust Unit distributions declared were payable to Wittington (December 31, 2020 - \$1,018). There were no non-cash distributions settled through the issuance of additional Trust Units during the three months ended March 31, 2021 and 2020.

10. INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

In designing such controls, it should be recognized that due to inherent limitations, any controls, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives and may not prevent or detect misstatements. Additionally, management is required to use judgment in evaluating controls and procedures.

Changes in Internal Control over Financial Reporting

There were no changes in Choice Properties' internal controls over financial reporting in the first quarter of 2021 that materially affected or are reasonably likely to materially affect the Trust's internal control over financial reporting.

11. ENTERPRISE RISKS AND RISK MANAGEMENT

A detailed full set of risks applicable to the Choice Properties business are included in the Trust's AIF for the year ended December 31, 2020 and MD&A in the 2020 Annual Report, which are hereby incorporated by reference. The 2020 Annual Report and AIF are available online on www.sedar.com; those risks and risk management strategies remain unchanged.

12. OUTLOOK AND IMPACT OF COVID-19⁽²⁾

Choice Properties is a leading Real Estate Investment Trust that creates enduring value through the ownership, operation and development of high-quality commercial and residential properties. Our goal is to provide net asset value appreciation, stable net operating income growth and capital preservation, all with a long-term focus. Although there remains uncertainty on the longer-term impacts of the COVID-19 pandemic, Choice Properties remains confident that its business model and disciplined approach to financial management will continue to position it well.

Our diversified portfolio of retail, industrial and office properties is 97.0% occupied and leased to high-quality tenants across Canada. Our portfolio is primarily leased to grocery stores, pharmacies or other necessity-based tenants, and logistics providers, who continue to perform well in this environment and provide stability to our overall portfolio. This stability is evident by our rent collections, which were 98% for the first quarter.

We continue to advance our development initiatives, which provide us with the best opportunity to add high-quality real estate to our portfolio at a reasonable cost. We have a mix of development projects ranging in size, scale and complexity, including retail intensification projects which provide incremental growth to our existing sites, to larger, more complex mixed-use developments which will drive net asset value growth in the future. The majority of our active development pipeline is focused on growing our rental residential portfolio. We expect to complete construction on two of our rental residential projects underway in Toronto later this year and have commenced construction on two additional high-rise residential projects, including one project in Brampton located next to the Mount Pleasant GO Station and one in the Westboro neighbourhood in Ottawa.

During the quarter we announced a new partnership with The Daniels Corporation for the first phase of our plan to revitalize and redevelop our Golden Mile Shopping Centre in Toronto. This project is adjacent to the new Eglinton Crosstown light rail transit line and envisions the transformation of our existing retail site into a mixed-use and transit-oriented community. The first phase of the project will include two condominium towers, a purpose-built rental building, and ground floor retail and institutional uses. The project is in the planning phase and we expect to commence construction in 2023.

Capital recycling remains an important part of our strategy as we continue to seek opportunities to improve our portfolio quality. In the first quarter, we completed the disposition of two parcels of non-strategic development land. Proceeds from the dispositions were used to acquire an 85% ownership interest in approximately 300 developable acres of future industrial development land in Caledon, Ontario. The land is well located and represents a unique opportunity for us to significantly increase our existing footprint in a very strong industrial market.

We have a strong balance sheet that positions us well to manage broader market volatility brought about by the COVID-19 pandemic. Our disciplined approach to financial management is based on a conservative approach to leverage and financing risk by maintaining strong leverage ratios and a staggered debt maturity profile. For 2021, the Trust has approximately \$470 million of debt obligations coming due, a manageable amount which we intend to refinance with longer term debt or repay with excess cash on hand. From a liquidity perspective, the Trust has approximately \$1.7 billion of available cash comprised of \$1.5 billion as the unused portion of the Trust's revolving credit facility and \$178.0 million in cash and cash equivalents, in addition to approximately \$12.4 billion in unencumbered assets.

Update on Rent Collection⁽²⁾

Rent collection for the first quarter was at the higher end of collections within the industry and was primarily due to the stability of the Trust's necessity-based portfolio.

For the three months ended March 31, 2021, the Trust collected or expects to collect approximately 98% of contractual rents:

% Collected	First Quarter 2021
Retail	98 %
Industrial	99 %
Office	98 %
Total	98 %

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

The Trust's assessment of expected credit losses is inherently subjective due to the forward-looking nature of the assessments. As a result, the value of the expected credit loss is subject to a degree of uncertainty and is made on the basis of assumptions which may not prove to be accurate given the uncertainty caused by COVID-19. Based on its review, the Trust recorded bad debt expense of \$1.9 million in property operating costs, on a proportionate share basis⁽¹⁾, during the three months ended March 31, 2021, with a corresponding amount recorded as an expected credit loss against its rent receivables.

(\$ thousands)	Three months ended March 31, 2021	As a %
Total recurring tenant billings	\$ 368,927	100.0 %
Less: Amounts received and deferrals repaid to date	(361,208)	97.9 %
Balance outstanding	7,719	2.1 %
Total rents expected to be collected pursuant to deferral arrangements	(749)	(0.2)%
Total rents to be collected excluding collectible deferrals	6,970	1.9 %
Less: Provision recorded related to recurring tenant billings	(1,936)	(0.5)%
Balance expected to be recovered in time	\$ 5,034	1.4 %

The Trust's provision for recurring tenant billings for the three months ended March 31, 2021, is comprised of the following:

(\$ thousands)	Three months ended March 31, 2021
Provisions for tenants with negotiated rent abatements	\$ (511)
Provisions for additional expected credit losses	(1,425)
Total provision recorded related to recurring tenant billings	\$ (1,936)

13. NON-GAAP FINANCIAL MEASURES

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

Non-GAAP Measure	Description	Reconciliation
Proportionate Share	<ul style="list-style-type: none"> Represents financial information adjusted to reflect the Trust's equity accounted joint ventures and financial real estate assets and its share of net income (losses) from equity accounted joint ventures and financial real estate assets on a proportionately consolidated basis at the Trust's ownership percentage of the related investment. Management views this method as relevant in demonstrating the Trust's ability to manage the underlying economics of the related investments, including the financial performance and cash flows and the extent to which the underlying assets are leveraged, which is an important component of risk management. 	<p>Section 2, "Balance Sheet"</p> <p>Section 7.1, "Net Income and Segment NOI Reconciliation"</p>
Net Operating Income ("NOI"), Accounting Basis	<ul style="list-style-type: none"> Defined as property rental revenue including straight line rental revenue, reimbursed contract revenue and lease surrender revenue, less direct property operating expenses and realty taxes, and excludes certain expenses such as interest expense and indirect operating expenses in order to provide results that reflect a property's operations before consideration of how it is financed or the costs of operating the entity in which it is held. Management believes that NOI is an important measure of operating performance for the Trust's commercial real estate assets that is used by real estate industry analysts, investors and management, while also being a key input in determining the fair value of the Choice Properties portfolio. 	<p>Section 7.1, "Net Income and Segment NOI Reconciliation"</p>
NOI, Cash Basis	<ul style="list-style-type: none"> Defined as property rental revenue excluding straight line rental revenue, direct property operating expenses and realty taxes and excludes certain expenses such as interest expense and indirect operating expenses in order to provide results that reflect a property's operations before consideration of how it is financed or the costs of operating the entity in which it is held. Useful measure in understanding period-over-period changes in income from operations due to occupancy, rental rates, operating costs and realty taxes. 	<p>Section 7.1, "Net Income and Segment NOI Reconciliation"</p>
Same-Asset NOI, Cash Basis and Same-Asset NOI, Accounting Basis	<ul style="list-style-type: none"> Same-asset NOI is used to evaluate the period-over-period performance of those properties owned and operated by Choice Properties since January 1, 2020, inclusive. NOI from properties that have been (i) purchased, (ii) disposed, or (iii) subject to significant change as a result of new development, redevelopment, expansion, or demolition (collectively, "Transactions") are excluded from the determination of same-asset NOI. Same-asset NOI, Cash Basis, is useful in evaluating the realization of contractual rental rate changes embedded in lease agreements and/or the expiry of rent-free periods, while also being a useful measure in understanding period-over-period changes in NOI due to occupancy, rental rates, operating costs and realty taxes, before considering the changes in NOI that can be attributed to the Transactions and development activities. 	<p>Section 7.2, "Net Operating Income Summary"</p>

<p>Funds from Operations (“FFO”)</p>	<ul style="list-style-type: none"> • Calculated in accordance with the Real Property Association of Canada’s (“REALpac”) <i>White Paper on Funds from Operations & Adjusted Funds from Operations for IFRS</i> issued in February 2019. • Management considers FFO to be a useful measure of operating performance as it adjusts for items included in net income (or net loss) that do not arise from operating activities or do not necessarily provide an accurate depiction of the Trust’s past or recurring performance, such as adjustments to fair value of Exchangeable Units, investment properties and unit-based compensation. From time to time the Trust may enter into transactions that materially impact the calculation and are eliminated from the calculation for management’s review purposes. • Management uses and believes that FFO is a useful measure of the Trust’s performance that, when compared period over period, reflects the impact on operations of trends in occupancy levels, rental rates, operating costs and realty taxes, acquisition activities and interest costs. 	<p>Section 13.3, “Funds from Operations”</p>
<p>Adjusted Funds from Operations (“AFFO”)</p>	<ul style="list-style-type: none"> • Calculated in accordance with REALpac’s <i>White Paper on Funds from Operations & Adjusted Funds from Operations for IFRS</i> issued in February 2019. • Management considers AFFO to be a useful measure of operating performance as it further adjusts FFO for capital expenditures that sustain income producing properties and eliminates the impact of straight-line rent. AFFO is impacted by the seasonality inherent in the timing of executing property capital projects. • In calculating AFFO, FFO is adjusted by excluding straight-line rent adjustments, as well as costs incurred relating to internal leasing activities and property capital projects. Working capital changes, viewed as short-term cash requirements or surpluses, are deemed financing activities pursuant to the methodology and are not considered when calculating AFFO. • Capital expenditures which are excluded and not deducted in the calculation of AFFO comprise those which generate a new investment stream, such as constructing a new retail pad during property expansion or intensification, development activities or acquisition activities. • Accordingly, AFFO differs from FFO in that AFFO excludes from its definition certain non-cash revenues and expenses recognized under IFRS, such as straight-line rent, but also includes capital and leasing costs incurred during the period which are capitalized for IFRS purposes. From time to time the Trust may enter into transactions that materially impact the calculation and are eliminated from the calculation for management’s review purposes. 	<p>Section 13.4, “Adjusted Funds from Operations”</p>
<p>Adjusted Cash Flow from Operations (“ACFO”)</p>	<ul style="list-style-type: none"> • Calculated in accordance with REALpac’s <i>White Paper on Adjusted Cashflow from Operations (ACFO) for IFRS</i> issued in February 2019. • Management views ACFO as a useful measure of the cash generated from operations after providing for operating capital requirements, and in evaluating the ability of Choice Properties to fund distributions to Unitholders. ACFO adjusts cash flows from operations as calculated under GAAP including, but not limited to, removing the effects of distributions on Exchangeable Units, deducting amounts for property capital expenditures to sustain existing GLA and for leasing capital expenditures. • The resulting ACFO will include the impact of the seasonality of property capital expenditures and the impact of fluctuations from normal operating working capital, such as changes to net rent receivable from tenants, trade accounts payable and accrued liabilities. • From time to time the Trust may enter into transactions that materially impact the calculation and are eliminated from the calculation for management’s review purposes. 	<p>Section 13.5, “Adjusted Cash Flow from Operations”</p>
<p>FFO, AFFO and ACFO Payout Ratios</p>	<ul style="list-style-type: none"> • FFO, AFFO and ACFO payout ratios are supplementary measures used by Management to assess the sustainability of the Trust’s distribution payments. • The ratios are calculated using cash distributions declared by FFO, AFFO and ACFO, as applicable. 	<p>Section 7.3, “Other Key Performance Indicators”</p>

Earnings before Interest, Taxes, Depreciation, Amortization and Fair Value (“EBITDAFV”)	<ul style="list-style-type: none"> Defined as net income attributable to Unitholders, reversing, where applicable, income taxes, interest expense, amortization expense, depreciation expense, adjustments to fair value and other adjustments as allowed in the Trust Indentures, as supplemented. Management believes EBITDAFV is useful in assessing the Trust’s ability to service its debt, finance capital expenditures and provide for distributions to its Unitholders. 	Section 13.8, “Earnings before Taxes, Depreciation, Amortization and Fair Value”
Cash Retained after Distributions	<ul style="list-style-type: none"> Represents the portion of ACFO retained within Choice Properties which can be used to invest in new acquisitions, development properties and capital activity. 	Section 13.6, “Distribution Excess / Shortfall Analysis”
Total Debt	<ul style="list-style-type: none"> Defined as variable rate debt (construction loans and credit facility) and fixed rate debt (senior unsecured debentures and mortgages), as measured on a proportionate share basis, and does not include the Exchangeable Units which are included as part of Unit Equity on account of the Exchangeable Units being economically equivalent and receiving equal distributions to the Trust Units. Total Debt is also presented on a net basis to include the impact of other finance charges such as debt placement costs and discounts or premiums. 	Section 4.3, “Components of Total Debt”
Debt to Total Assets	<ul style="list-style-type: none"> Determined by dividing Total Debt (as defined above) by total assets as presented on a proportionate basis and can be interpreted as the proportion of the Trust’s assets that are financed by debt. Management believes this ratio is useful in evaluating the Trust’s flexibility to incur additional financial leverage. 	Section 4.4, “Financial Condition”
Debt Service Coverage	<ul style="list-style-type: none"> Calculated as EBITDAFV divided by interest expense on the Total Debt and all regularly scheduled principal payments made with respect to indebtedness during such period (other than any balloon, bullet or similar principal payable at maturity or which repays such indebtedness in full). This ratio is calculated based on the Trust Indentures, as supplemented. The debt service coverage ratio is useful in determining the ability of Choice Properties to service the interest requirements of its outstanding debt. 	Section 4.4, “Financial Condition”
Debt to EBITDAFV, Normalized Debt to EBITDAFV, and Normalized Debt to EBITDAFV, net of cash	<ul style="list-style-type: none"> Calculated as Total Debt divided by EBITDAFV. This ratio is used to assess the financial leverage of Choice Properties, to measure its ability to meet financial obligations and to provide a snapshot of its balance sheet strength. Management presents this ratio on a trailing 12-month normalized basis to exclude the proforma results of the Oak Street disposition revenue. Management also presents this ratio on a trailing 12-month normalized basis to exclude the proforma results of the Oak Street disposition, with Total Debt calculated as net of cash and cash equivalents at the measurement date. 	Section 4.4, “Financial Condition”
Interest Coverage	<ul style="list-style-type: none"> Calculated as EBITDAFV divided by interest expense on the Total Debt incurred by Choice Properties for the period. The interest coverage ratio is useful in determining Choice Properties’ ability to service the interest requirements of its outstanding debt. 	Section 4.4, “Financial Condition”

13.1 Investment Properties Reconciliation

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

As at or for the period ended March 31, 2021 (\$ thousands)	Three Months		
	GAAP Basis	Reconciliation	Proportionate Share Basis ⁽¹⁾
Balance, beginning of period	\$ 14,389,000	\$ 1,015,000	\$ 15,404,000
Acquisitions of investment properties ⁽ⁱ⁾	—	163,375	163,375
Capital expenditures			
Development capital	9,416	10,284	19,700
Building improvements	525	(287)	238
Capitalized interest	746	126	872
Operating capital expenditures			
Property capital	2,684	(93)	2,591
Direct leasing costs	1,044	210	1,254
Tenant improvement allowances	4,262	366	4,628
Amortization of straight-line rent	4,477	346	4,823
Transfer from equity accounted joint ventures	143,103	(143,103)	—
Dispositions	(30,000)	(66,376)	(96,376)
Adjustment to fair value of investment properties	58,743	2,152	60,895
Balance, as at March 31, 2021	\$ 14,584,000	\$ 982,000	\$ 15,566,000

(i) Includes acquisition costs.

13.2 Net Operating Income

The following table reconciles net income (loss), as determined in accordance with GAAP, to NOI, Cash Basis, for the periods ended as indicated. Refer to Section 7, “Results of Operations - Segment Information” and Section 13, “Non-GAAP Financial Measures”, for further details about this non-GAAP measure.

For the periods ended March 31 (\$ thousands)	Three Months		
	2021	2020	Change
Net income (loss)	\$ (62,198)	\$ 332,742	\$ (394,940)
Straight line rental revenue	(4,477)	(4,025)	(452)
Lease surrender revenue	(1,124)	(115)	(1,009)
General and administrative expenses	9,574	9,686	(112)
Fee income	(1,039)	(1,248)	209
Net interest expense and other financing charges	133,563	133,879	(316)
Interest income	(4,148)	(3,493)	(655)
Share of income (loss) from equity accounted joint ventures	(8,069)	4,267	(12,336)
Amortization of intangible assets	250	250	—
Foreign exchange gain reclassified from other comprehensive income	—	(1,184)	1,184
Acquisition transaction costs and other related expenses	—	1,589	(1,589)
Other fair value gains (losses), net	(477)	(633)	156
Adjustment to fair value of Exchangeable Units	217,683	(386,062)	603,745
Adjustment to fair value of investment properties	(58,743)	136,298	(195,041)
Income tax expense	7	—	7
Net Operating Income, Cash Basis	220,802	221,951	(1,149)
Adjustments for equity accounted joint ventures	8,831	9,580	(749)
Net Operating Income, Cash Basis - Proportionate Share⁽¹⁾	\$ 229,633	\$ 231,531	\$ (1,898)

13.3 Funds from Operations

The following table reconciles net income, as determined in accordance with GAAP, to Funds from Operations for the periods ended as indicated. Refer to Section 7, “Results of Operations - Segment Information” and Section 13, “Non-GAAP Financial Measures”, for further details about this non-GAAP measure.

For the periods ended March 31 (\$ thousands)	Three Months		
	2021	2020	Change
Net income (loss)	\$ (62,198)	\$ 332,742	\$ (394,940)
Add (deduct) impact of the following:			
Amortization of intangible assets	250	250	—
Foreign exchange gain reclassified from other comprehensive income	—	(1,184)	1,184
Acquisition transaction costs and other related expenses	—	1,589	(1,589)
Other fair value gains (losses), net	(477)	(633)	156
Adjustment to fair value of Exchangeable Units	217,683	(386,062)	603,745
Adjustment to fair value of investment properties	(58,743)	136,298	(195,041)
Adjustment to fair value of investment property held in equity accounted joint ventures	(2,152)	11,908	(14,060)
Interest otherwise capitalized for development in equity accounted joint ventures	1,021	1,547	(526)
Exchangeable Units distributions	73,221	72,143	1,078
Internal expenses for leasing	1,996	2,072	(76)
Income tax expense	7	—	7
Funds from Operations	\$ 170,608	\$ 170,670	\$ (62)
FFO per Unit - diluted ⁽ⁱ⁾	\$ 0.236	\$ 0.244	\$ (0.008)
FFO payout ratio - diluted ⁽ⁱ⁾⁽ⁱⁱ⁾	78.4 %	75.9 %	2.5 %
Distribution declared per Unit	\$ 0.185	\$ 0.185	\$ —
Weighted average Units outstanding - diluted	722,930,485	700,625,695	22,304,790

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

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

For the periods ended March 31 (\$ thousands)	Three Months		
	2021	2020	Change
Net operating income, cash basis	\$ 229,633	\$ 231,531	\$ (1,898)
Straight line rental revenue	4,823	4,364	459
Lease surrender revenue	1,124	115	1,009
Net operating income, accounting basis	\$ 235,580	\$ 236,010	\$ (430)
Interest income	2,815	3,505	(690)
Fee income	1,039	1,248	(209)
Net interest expense and other financing charges	(135,490)	(136,169)	679
Distributions on Exchangeable Units	73,221	72,143	1,078
Interest otherwise capitalized for development in equity accounted joint ventures	1,021	1,547	(526)
General and administrative expenses	(9,574)	(9,686)	112
Internal expenses for leasing	1,996	2,072	(76)
Funds from Operations	\$ 170,608	\$ 170,670	\$ (62)
FFO per Unit - diluted ⁽ⁱ⁾	\$ 0.236	\$ 0.244	\$ (0.008)
FFO payout ratio - diluted ⁽ⁱⁱ⁾	78.4 %	75.9 %	2.5 %
Distribution declared per Unit	\$ 0.185	\$ 0.185	\$ —
Weighted average Units outstanding - diluted	722,930,485	700,625,695	22,304,790

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

13.4 Adjusted Funds from Operations

The following table reconciles FFO to AFFO for the periods ended as indicated. Refer to Section 7, “Results of Operations - Segment Information” and Section 13, “Non-GAAP Financial Measures”, for further details about this non-GAAP measure.

For the periods ended March 31 (\$ thousands)	Three Months		
	2021	2020	Change
Funds from Operations	\$ 170,608	\$ 170,670	\$ (62)
Add (deduct) impact of the following:			
Internal expenses for leasing	(1,996)	(2,072)	76
Straight line rental revenue	(4,823)	(4,364)	(459)
Property capital	(2,591)	(2,259)	(332)
Direct leasing costs	(1,254)	(2,733)	1,479
Tenant improvements	(4,628)	(7,469)	2,841
Adjusted Funds from Operations	\$ 155,316	\$ 151,773	\$ 3,543
AFFO per unit - diluted ⁽ⁱ⁾	\$ 0.215	\$ 0.217	\$ (0.002)
AFFO payout ratio - diluted ⁽ⁱⁱ⁾	86.1 %	85.4 %	0.7 %
Distribution declared per Unit	\$ 0.185	\$ 0.185	\$ —
Weighted average Units outstanding - diluted	722,930,485	700,625,695	22,304,790

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

13.5 Adjusted Cash Flow from Operations

The following table reconciles cash flows from operating activities to ACFO, as determined in accordance with GAAP, for the periods ended as indicated. Refer to Section 4.7, “Adjusted Cash Flow from Operations” and Section 13, “Non-GAAP Financial Measures”, for further details about this non-GAAP measure.

For the periods ended March 31 (\$ thousands)	Three Months		
	2021	2020	Change
Cash flows from operating activities	\$ 148,632	\$ 104,147	\$ 44,485
Add (deduct) impact of the following:			
Net interest expense and other financing charges in excess of interest paid ⁽ⁱ⁾	(50,054)	(41,801)	(8,253)
Distributions on Exchangeable Units included in net interest expense and other financing charges	73,221	72,143	1,078
Interest and other income in excess of interest received ⁽ⁱ⁾	538	1,347	(809)
Interest otherwise capitalized for development in equity accounted joint ventures	1,021	1,547	(526)
Portion of internal expenses for leasing relating to development activity	998	1,036	(38)
Property capital expenditures on a proportionate share basis	(2,591)	(2,259)	(332)
Leasing capital expenditures on a proportionate share basis	(5,882)	(10,202)	4,320
Acquisition transaction costs and other related expenses	—	1,589	(1,589)
Adjustments for proportionate share of income from equity accounted joint ventures ⁽ⁱⁱ⁾	5,917	7,641	(1,724)
Adjustment for changes in non-cash working capital items not indicative of sustainable operating cash flows ⁽ⁱⁱⁱ⁾	(19,581)	23,823	(43,404)
Adjusted Cash Flow from Operations	\$ 152,219	\$ 159,011	\$ (6,792)
Cash distributions declared	133,706	129,561	4,145
Cash retained after distributions	\$ 18,513	\$ 29,450	\$ (10,937)
ACFO payout ratio^(iv)	87.8 %	81.5 %	6.3 %

- (i) The timing of the recognition of interest expense and income differs from the payment and collection. The ACFO calculations for the periods ended March 31, 2021 and March 31, 2020 were adjusted for this factor to make the periods more comparable⁽²⁾.
- (ii) Excludes adjustment to fair value of investment properties for equity accounted joint ventures.
- (iii) ACFO is adjusted each quarter for fluctuations in non-cash working capital due to the timing of transactions for realty taxes prepaid or payable, and prepaid insurance. The payments for these operating expenses tend to have quarterly, seasonal fluctuations that even out on an annual basis. ACFO is also adjusted each quarter to remove fluctuations in non-cash working capital due to capital expenditure accruals, which are not related to sustainable operating activities.
- (iv) ACFO payout ratio is calculated as the cash distributions declared divided by the ACFO.

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

For the periods ended March 31 (\$ thousands)	Three Months		
	2021	2020	Change
Net change in non-cash working capital ⁽ⁱ⁾	\$ 13,846	\$ (19,220)	\$ 33,066
Adjustment for changes in non-cash working capital items not indicative of sustainable operating cash flows	(19,581)	23,823	(43,404)
Net non-cash working capital increase included in ACFO	\$ (5,735)	\$ 4,603	\$ (10,338)

- (i) As calculated under GAAP and disclosed in the Trust’s unaudited interim period condensed consolidated financial statements.

13.6 Distribution Excess / Shortfall Analysis

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

For the periods ended March 31 (\$ thousands)	Three Months		
	2021	2020	Change
Cash flows from operating activities	\$ 148,632	\$ 104,147	\$ 44,485
Less: Cash distributions declared	(133,706)	(129,561)	(4,145)
Excess of cash flows provided by operating activities over cash distributions declared	\$ 14,926	\$ (25,414)	\$ 40,340

For the periods ended March 31 (\$ thousands)	Three Months		
	2021	2020	Change
Net income (loss)	\$ (62,198)	\$ 332,742	\$ (394,940)
Add: Distributions on Exchangeable Units included in net interest expense and other financing charges	73,221	72,143	1,078
Net income (loss) attributable to Unitholders excluding distributions on Exchangeable Units	11,023	404,885	(393,862)
Less: Cash distributions declared	(133,706)	(129,561)	(4,145)
Excess (shortfall) of net income (loss) attributable to Unitholders, less distributions on Exchangeable Units, over cash distributions declared	\$ (122,683)	\$ 275,324	\$ (398,007)

For the periods ended March 31 (\$ thousands)	Three Months		
	2021	2020	Change
Adjusted Cash Flow from Operations ⁽¹⁾	\$ 152,219	\$ 159,011	\$ (6,792)
Less: Cash distributions declared	(133,706)	(129,561)	(4,145)
Excess of ACFO after distributions	\$ 18,513	\$ 29,450	\$ (10,937)

Choice Properties' cash flows provided by operating activities exceeded its cash distributions declared for the three months ended March 31, 2021.

Management anticipates that distributions declared will, in the foreseeable future, continue to vary from net income as this GAAP measure includes adjustments to fair value and other non-cash items⁽²⁾.

13.7 Net Interest Expense and Other Financing Charges Reconciliation

The following tables reconcile net interest expense and other financing charges on a proportionate share basis⁽¹⁾ to net interest expense and other financing charges as determined in accordance with GAAP for the three months ended March 31, 2021 and 2020:

For the three months ended March 31 (\$ thousands)	2021			2020		
	Proportionate Share Basis ⁽¹⁾	Consolidation and eliminations ⁽ⁱ⁾	GAAP Basis	Proportionate Share Basis ⁽¹⁾	Consolidation and eliminations ⁽ⁱ⁾	GAAP Basis
Interest on senior unsecured debentures	\$ 46,914	\$ —	\$ 46,914	\$ 46,359	\$ —	\$ 46,359
Interest on mortgages and construction loans	14,063	(1,977)	12,086	14,681	(2,308)	12,373
Interest on credit facility	897	—	897	3,016	—	3,016
Subtotal (for use in Debt Service Coverage⁽¹⁾ calculation)	61,874	(1,977)	59,897	64,056	(2,308)	61,748
Distributions on Exchangeable Units ⁽ⁱⁱ⁾	73,221	—	73,221	72,143	—	72,143
Subtotal (for use in EBITDAFV⁽¹⁾ calculation)	135,095	(1,977)	133,118	136,199	(2,308)	133,891
Interest on right of use lease liability	39	—	39	64	—	64
Amortization of debt discounts and premiums	164	(54)	110	(558)	(41)	(599)
Amortization of debt placement costs	1,064	(22)	1,042	1,256	(33)	1,223
Capitalized interest	(872)	126	(746)	(792)	92	(700)
Net interest expense and other financing charges	\$ 135,490	\$ (1,927)	\$ 133,563	\$ 136,169	\$ (2,290)	\$ 133,879

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

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

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

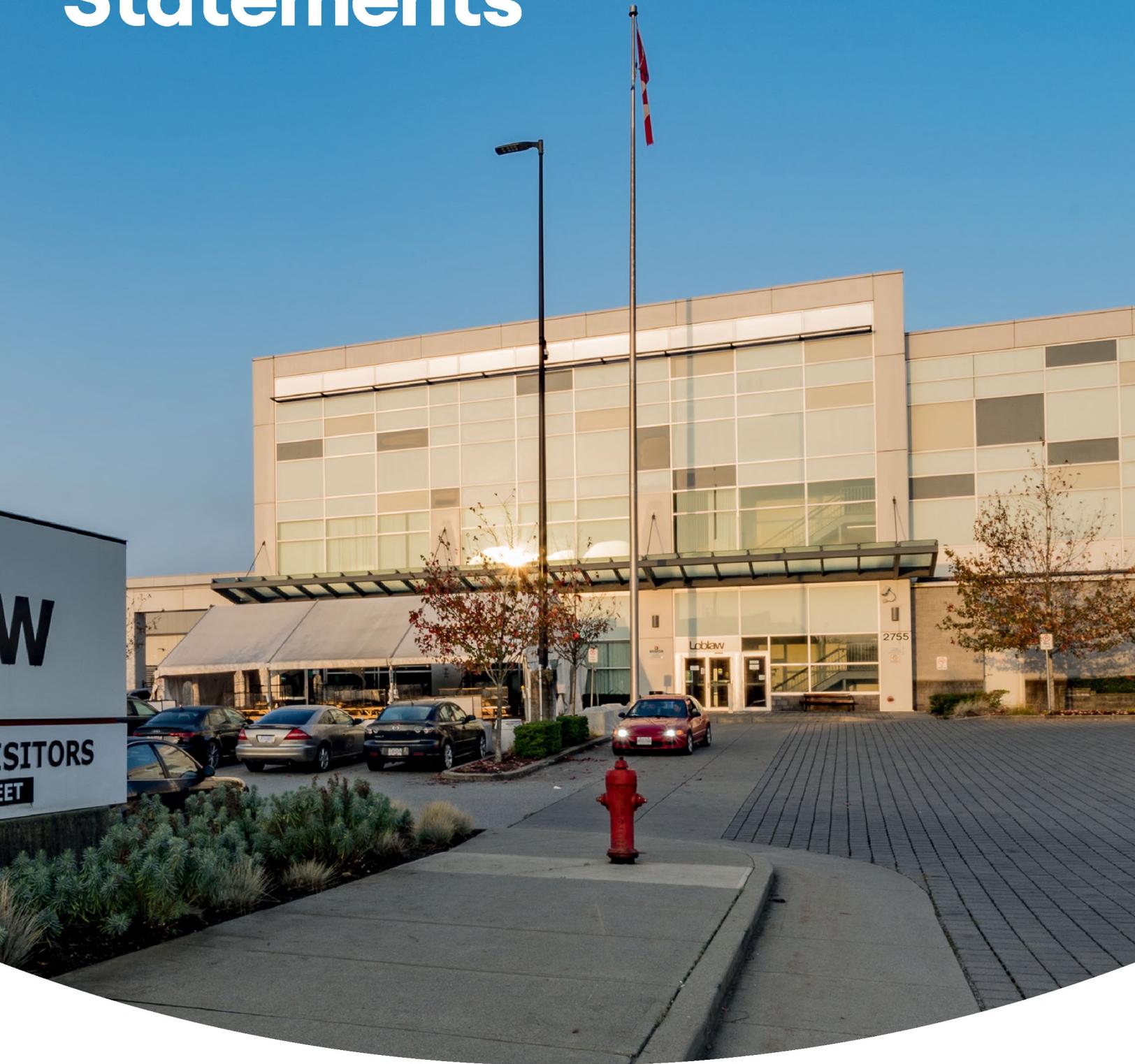
The following table reconciles net income, as determined in accordance with GAAP, to EBITDAFV for the periods ended as indicated. Refer to Section 13, "Non-GAAP Financial Measures", for further details about this non-GAAP measure.

For the periods ended March 31 (\$ thousands)	Three Months		
	2021	2020	Change
Net income (loss)	\$ (62,198)	\$ 332,742	\$ (394,940)
Add (deduct) impact of the following:			
Acquisition transaction costs and other related expenses	—	1,589	(1,589)
Other fair value gains (losses), net	(477)	(633)	156
Adjustment to fair value of Exchangeable Units	217,683	(386,062)	603,745
Adjustment to fair value of investment properties	(58,743)	136,298	(195,041)
Adjustment to fair value of investment property held in equity accounted joint ventures	(2,152)	11,908	(14,060)
Interest expense ⁽ⁱ⁾	135,095	136,199	(1,104)
Amortization of other assets	288	10	278
Amortization of intangible assets	250	250	—
Income tax expense	7	—	7
Earnings Before Interest, Taxes, Depreciation, Amortization and Fair Value (EBITDAFV)	\$ 229,753	\$ 232,301	\$ (2,548)

(i) As calculated in Section 13.7, "Net Interest Expense and Other Financing Charges Reconciliation".

Financial Statements

Loblaw Distribution Centre
Surrey, BC



Financial Results

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Choice Properties Real Estate Investment Trust
Condensed Consolidated Balance Sheets

(in thousands of Canadian dollars)	Note	As at	
		March 31, 2021	December 31, 2020
Assets			
Investment properties	4	\$ 14,584,000	\$ 14,389,000
Equity accounted joint ventures	5	552,158	573,649
Financial real estate assets	8	68,373	68,373
Mortgages, loans and notes receivable	9	225,602	263,946
Intangible assets	10	28,750	29,000
Accounts receivable and other assets	11	117,212	116,055
Cash and cash equivalents	27 (c)	162,575	207,219
Total Assets		\$ 15,738,670	\$ 15,647,242
Liabilities and Equity			
Long term debt	12	\$ 6,484,489	\$ 6,485,521
Exchangeable Units	14	5,366,865	5,149,182
Trade payables and other liabilities	16	497,126	489,999
Total Liabilities		12,348,480	12,124,702
Equity			
Unitholders' equity		3,390,190	3,514,739
Non-controlling interests	7	—	7,801
Total Equity		3,390,190	3,522,540
Total Liabilities and Equity		\$ 15,738,670	\$ 15,647,242

Contingent Liabilities and Financial Guarantees (Note 29)

See accompanying notes to the unaudited interim period condensed consolidated financial statements

Approved on behalf of the Board of Trustees

[signed]

Galen G. Weston

Chair, Board of Trustees

[signed]

Karen Kinsley

Chair, Audit Committee

Choice Properties Real Estate Investment Trust
Condensed Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)

(in thousands of Canadian dollars)	Note	Three Months	
		March 31, 2021	March 31, 2020
Net Operating Income			
Rental revenue	18	\$ 326,539	\$ 324,911
Property operating costs	19	(100,136)	(98,820)
		226,403	226,091
Other Income and Expenses			
Interest income	20	4,148	3,493
Fee income	21	1,039	1,248
Net interest expense and other financing charges	22	(133,563)	(133,879)
General and administrative expenses	23	(9,574)	(9,686)
Share of income (loss) from equity accounted joint ventures	5	8,069	(4,267)
Amortization of intangible assets	10	(250)	(250)
Foreign exchange gain reclassified from other comprehensive income		—	1,184
Acquisition transaction costs and other related expenses		—	(1,589)
Other fair value gains (losses), net	24	477	633
Adjustment to fair value of Exchangeable Units	14	(217,683)	386,062
Adjustment to fair value of investment properties	4	58,743	(136,298)
Income (Loss) before income taxes		(62,191)	332,742
Income tax expense	15	(7)	—
Net Income (Loss)		\$ (62,198)	\$ 332,742
Net Income (Loss)		\$ (62,198)	\$ 332,742
Other Comprehensive Income (Loss)			
Foreign exchange gain (loss) on currency translation		—	1,016
Foreign exchange gain on currency translation reclassified to earnings		—	(1,184)
Unrealized gain (loss) on designated hedging instruments	25	(708)	(5,297)
Other comprehensive income (loss)		(708)	(5,465)
Comprehensive Income (Loss)		\$ (62,906)	\$ 327,277

See accompanying notes to the unaudited interim period condensed consolidated financial statements

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

		Attributable to Choice Properties' Unitholders						
(in thousands of Canadian dollars)	Note	Trust Units	Cumulative net income	Accumulated other comprehensive loss	Cumulative distributions to Unitholders	Total Unitholders' equity	Non-controlling interests	Total equity
Equity, December 31, 2020		\$ 3,652,620	\$ 811,734	\$ (4,986)	\$ (944,629)	\$ 3,514,739	\$ 7,801	\$ 3,522,540
Net loss		—	(62,198)	—	—	(62,198)	—	(62,198)
Other comprehensive loss		—	—	(708)	—	(708)	—	(708)
Distributions		—	—	—	(60,485)	(60,485)	—	(60,485)
Reclassification of vested Unit-Settled Restricted Units liability to equity	14	1,176	—	—	—	1,176	—	1,176
Units repurchased for unit-based compensation arrangements	14	(2,334)	—	—	—	(2,334)	—	(2,334)
Distribution to non-controlling interests	7	—	—	—	—	—	(7,801)	(7,801)
Equity, March 31, 2021		\$ 3,651,462	\$ 749,536	\$ (5,694)	\$ (1,005,114)	\$ 3,390,190	\$ —	\$ 3,390,190

		Attributable to Choice Properties' Unitholders						
(in thousands of Canadian dollars)	Note	Trust Units	Cumulative net income	Accumulated other comprehensive income	Cumulative distributions to Unitholders	Total Unitholders' equity	Non-controlling interests	Total equity
Equity, December 31, 2019		\$ 3,409,836	\$ 361,049	\$ (1,264)	\$ (679,404)	\$ 3,090,217	\$ 7,801	\$ 3,098,018
Net income		—	332,742	—	—	332,742	—	332,742
Other comprehensive loss		—	—	(5,465)	—	(5,465)	—	(5,465)
Distributions		—	—	—	(57,399)	(57,399)	—	(57,399)
Units issued under unit-based compensation arrangements	14	4,841	—	—	—	4,841	—	4,841
Reclassification of vested Unit-Settled Restricted Units liability to equity	14	1,700	—	—	—	1,700	—	1,700
Units repurchased for unit-based compensation arrangements	14	(2,346)	—	—	—	(2,346)	—	(2,346)
Equity, March 31, 2020		\$ 3,414,031	\$ 693,791	\$ (6,729)	\$ (736,803)	\$ 3,364,290	\$ 7,801	\$ 3,372,091

See accompanying notes to the unaudited interim period condensed consolidated financial statements

Choice Properties Real Estate Investment Trust
Condensed Consolidated Statements of Cash Flows

(in thousands of Canadian dollars)	Note	Three Months	
		March 31, 2021	March 31, 2020
Operating Activities			
Net income (loss)		\$ (62,198)	\$ 332,742
Net interest expense and other financing charges	22	133,563	133,879
Interest paid		(83,509)	(92,078)
Interest income	20	(4,148)	(3,493)
Interest income received		3,610	2,143
Share of (income) loss from equity accounted joint ventures	5	(8,069)	4,267
Items not affecting cash and other items	27 (a)	155,537	(254,093)
Net change in non-cash working capital	27 (b)	13,846	(19,220)
Cash Flows from Operating Activities		148,632	104,147
Investing Activities			
Acquisitions of investment properties	3	—	(21,840)
Additions to investment properties	4	(17,931)	(26,558)
Contributions to equity accounted joint ventures	5	(140,303)	(9,384)
Distributions from equity accounted joint ventures	5	70,841	8,147
Mortgages, loans and notes receivable advances	9	(73,959)	(71,515)
Mortgages, loans and notes receivable repayments	9	107,995	149,923
Proceeds from dispositions	3	30,000	109,692
Cash Flows from (used in) Investing Activities		(23,357)	138,465
Financing Activities			
Proceeds from issuance of debentures, net	12	—	497,207
Repayments of debentures	12	—	(550,000)
Net advances (repayments) of mortgages payable	12	18,705	(8,367)
Net advances on construction loans	12	(20,531)	171
Net advances (repayments) of credit facility	13	—	108,000
Cash received on exercise of options	17	—	1,799
Cash paid on vesting of restricted and performance units		(1,282)	(1,633)
Repurchase of Units for unit-based compensation arrangement	14	(2,334)	(2,346)
Distributions paid on Exchangeable Units		(96,191)	(192,382)
Distributions paid on Trust Units		(60,485)	(57,409)
Distribution to non-controlling interests	7	(7,801)	—
Cash Flows from (used in) Financing Activities		(169,919)	(204,960)
Change in cash and cash equivalents		(44,644)	37,652
Cash and cash equivalents, beginning of period		207,219	41,990
Cash and Cash Equivalents, End of Period	27 (c)	\$ 162,575	\$ 79,642

Supplemental disclosure of non-cash operating activities (Note 27)
See accompanying notes to the unaudited interim period condensed consolidated financial statements

Note 1. Nature and Description of the Trust

Choice Properties Real Estate Investment Trust (“Choice Properties” or the “Trust”) is an unincorporated, open-ended mutual fund trust governed by the laws of the Province of Ontario and established pursuant to a declaration of trust amended and restated as of May 2, 2018, as may be amended from time to time (the “Declaration of Trust”). Choice Properties, Canada’s preeminent diversified real estate investment trust, is the owner, manager and developer of a high-quality portfolio of commercial retail, industrial, office and residential properties across Canada. The principal, registered, and head office of Choice Properties is located at 22 St. Clair Avenue East, Suite 700, Toronto, Ontario, M4T 2S5. Choice Properties’ trust units (“Trust Units” or “Units”) are listed on the Toronto Stock Exchange (“TSX”) and are traded under the symbol “CHP.UN”.

Choice Properties commenced operations on July 5, 2013, when it issued Units and debt for cash pursuant to an initial public offering (the “IPO”) and completed the acquisition of 425 properties from Loblaw Companies Limited and its subsidiaries (“Loblaw”). Pursuant to a reorganization transaction on November 1, 2018, Loblaw spun out its 61.6% effective interest in Choice Properties to George Weston Limited (“GWL”). As at March 31, 2021, GWL held either directly or indirectly, a 61.8% effective interest in Choice Properties. Choice Properties’ ultimate parent is Wittington Investments, Limited (“Wittington”).

The principal subsidiaries of the Trust included in Choice Properties’ consolidated financial statements are Choice Properties Limited Partnership (the “Partnership”), Choice Properties GP Inc. (the “General Partner”) and CPH Master Limited Partnership (“CPH Master LP”).

Note 2. Significant Accounting Policies

The significant accounting policies and critical accounting estimates and judgments as disclosed in the 2020 audited annual consolidated financial statements for Choice Properties have been applied consistently in the preparation of these unaudited interim period condensed consolidated financial statements. The unaudited interim period condensed consolidated financial statements are presented in Canadian dollars.

Statement of Compliance

The unaudited interim period condensed consolidated financial statements of Choice Properties are prepared in accordance with International Financial Reporting Standards (“IFRS” or “GAAP”) and International Accounting Standard (“IAS”) 34, “Interim Financial Reporting”, as issued by the International Accounting Standards Board (“IASB”). These unaudited interim period condensed consolidated financial statements should be read in conjunction with the Trust’s audited consolidated financial statements and accompanying notes for the year ended December 31, 2020.

These unaudited interim period condensed consolidated financial statements were authorized for issuance by the Board of Trustees (“Board”) for Choice Properties on April 29, 2021.

Impact of COVID-19

The outbreak of the novel strain of coronavirus, specifically identified as “COVID-19”, has resulted in the federal and provincial governments enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses resulting in an economic slowdown. Global equity and capital markets have also experienced significant volatility. The governments have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions.

It is not possible to forecast with certainty the duration and full scope of the economic impact of COVID-19 and other consequential changes it will have on the Trust’s business and operations, both in the short term and in the long term. In a long term scenario, certain aspects of the Trust’s business and operations that could potentially be impacted include rental income, occupancy, tenant inducements, future demand for space, and market rents, which all ultimately impact the underlying valuation of investment property.

In the preparation of these unaudited interim period condensed consolidated financial statements, the Trust has incorporated the potential impact of COVID-19 into its estimates and assumptions that affect the carrying amounts of its assets and liabilities, and the reported amount of its results using the best available information as of March 31, 2021. Actual results could differ from those estimates. The estimates and assumptions that the Trust considers critical and/or could be impacted by COVID-19 include those underlying the valuation of investment properties, the carrying amount of its investment in equity accounted joint ventures, the estimate of any expected credit losses on its accounts receivable or mortgages, loans and notes receivable and determining the values of financial instruments for disclosure purposes.

Note 3. Investment Property and Other Transactions

The following table summarizes the investment properties acquired in the three months ended March 31, 2021:

(\$ thousands)						Consideration		
Location	Date of Acquisition	Segment	Ownership Interest Acquired	Purchase Price	Purchase Price incl. Related Costs	Mortgage Receivable Settlement	Contingent Consideration ⁽ⁱ⁾	Cash
Equity accounted joint ventures								
Calgary, AB	Feb 1	Industrial	50% ⁽ⁱⁱ⁾	\$ 25,375	\$ 25,375	\$ 4,846	\$ —	\$ 20,529
Caledon, ON	Mar 30	Land ⁽ⁱⁱⁱ⁾	85%	138,000	138,000	—	38,000	100,000
Total acquisitions in equity accounted joint ventures				\$ 163,375	\$ 163,375	\$ 4,846	\$ 38,000	\$ 120,529

- (i) The acquisition was funded through a \$100,000 cash payment and a commitment to pay the remaining balance based on certain milestones being met over the development lifecycle.
- (ii) Represents additional ownership interest acquired increasing the ownership interest in this property to 100%. As a result, this property has been transferred from an equity accounted joint venture to a consolidated investment property as of the acquisition date.
- (iii) Land was acquired for future industrial development.

The following table summarizes the investment properties sold in the three months ended March 31, 2021:

(\$ thousands except where otherwise indicated)						Consideration	
Location	Date of Disposition	Segment	Ownership Interest	Sale Price excl. Selling Costs	Cash		
Investment properties							
Brampton, ON	Jan 19	Land ⁽ⁱ⁾	70%	\$ 25,000	\$ 25,000		
Brampton, ON	Mar 31	Land	50%	5,000	5,000		
Dispositions of investment properties				30,000	30,000		
Equity accounted joint ventures							
Richmond Hill, ON	Feb 1	Land	50%	66,375	66,375		
Total dispositions in equity accounted joint ventures				66,375	66,375		
Total dispositions				\$ 96,375	\$ 96,375		

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

Note 4. Investment Properties

(\$ thousands)	Note	Income producing properties	Properties under development	Three months ended March 31, 2021	Year ended December 31, 2020
Balance, beginning of period		\$ 14,199,000	\$ 190,000	\$ 14,389,000	\$ 14,373,000
Acquisitions - including purchase costs of \$nil (2020 - \$10,283)		—	—	—	458,959
Capital expenditures					
Development capital ⁽ⁱ⁾		—	9,416	9,416	57,693
Building improvements		525	—	525	10,948
Capitalized interest ⁽ⁱⁱ⁾	22	—	746	746	4,231
Operating capital expenditures					
Property capital		2,684	—	2,684	33,112
Direct leasing costs		1,044	—	1,044	6,519
Tenant improvement allowances		4,262	—	4,262	19,269
Amortization of straight-line rent		4,477	—	4,477	13,946
Transfer from equity accounted joint ventures	5	143,103	—	143,103	42,687
Transfers from properties under development		12,508	(12,508)	—	—
Dispositions	3	—	(30,000)	(30,000)	(391,878)
Disposition to equity accounted joint venture		—	—	—	(19,468)
Adjustment to fair value of investment properties		29,397	29,346	58,743	(220,018)
Balance, end of period		\$ 14,397,000	\$ 187,000	\$ 14,584,000	\$ 14,389,000

(i) Development capital included \$901 of site intensification payments paid to Loblaw (December 31, 2020 - \$995) (Note 30).

(ii) Interest was capitalized to qualifying development projects based on a weighted average interest rate of 3.68% (December 31, 2020 - 3.70%).

Included in certain investment properties acquired from Loblaw is excess land with development potential. Choice Properties will compensate Loblaw, over time, with intensification payments determined by a site intensification payment grid as outlined in the Strategic Alliance Agreement (Note 30) should Choice Properties pursue activity resulting in the intensification of such excess land. The fair value of this excess land has been recorded in the unaudited interim period condensed consolidated financial statements.

Valuation Methodology and Process

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

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

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

Income Producing Properties

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

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

Properties Under Development

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

Impact of COVID-19

The Trust reviewed its future cash flow projections and the valuation of its properties in light of the COVID-19 pandemic during the three months ended March 31, 2021. The Trust expects that COVID-19 will have the most notable impact on its non-grocery anchored retail portfolio. The carrying value for the Trust's investment properties reflects its best estimate for the highest and best use as at March 31, 2021.

It is not possible to forecast with certainty the duration and full scope of the economic impact of COVID-19 and other consequential changes it will have on the Trust's business and operations, both in the short term and in the long term. In a long term scenario, certain aspects of the Trust's business and operations that could potentially be impacted include rental income, occupancy, tenant inducements, future demand for space, and market rents, which all ultimately impact the underlying valuation of its investment properties.

Significant Valuation Assumptions

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

Total Income Producing Properties	As at March 31, 2021		As at December 31, 2020	
	Range	Weighted average	Range	Weighted average
Discount rate	4.75% - 11.45%	6.83%	4.75% - 11.45%	6.83%
Terminal capitalization rate	4.00% - 10.95%	6.07%	4.00% - 10.95%	6.07%
Retail				
Discount rate	5.00% - 11.45%	6.97%	5.00% - 11.45%	6.97%
Terminal capitalization rate	4.50% - 10.95%	6.23%	4.50% - 10.95%	6.23%
Industrial				
Discount rate	4.75% - 9.00%	6.48%	4.75% - 9.00%	6.50%
Terminal capitalization rate	4.00% - 8.50%	5.71%	4.00% - 8.50%	5.73%
Office				
Discount rate	5.25% - 8.50%	6.20%	5.25% - 8.50%	6.21%
Terminal capitalization rate	4.25% - 7.75%	5.31%	4.25% - 7.75%	5.32%

The significant assumptions and inputs used in the valuation techniques to estimate the fair value of income producing properties are classified as Level 3 in the fair value hierarchy as certain inputs for the valuation are not based on observable market data points.

Independent Appraisals

Properties are typically independently appraised at the time of acquisition. In addition, Choice Properties has engaged independent nationally-recognized valuation firms to appraise its investment properties such that the majority of the portfolio will be independently appraised at least once over a four-year period. When an independent appraisal is obtained, the internal valuation team assesses all major inputs used by the independent valuers in preparing their reports and holds discussions with them on the reasonableness of their assumptions. Where warranted, adjustments will be made to the internal valuations to reflect the assumptions contained in the external valuations. The Trust will record the internal value in its consolidated financial statements.

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

(\$ thousands except where otherwise indicated)	2021		2020	
	Number of investment properties	Fair value	Number of investment properties	Fair value
March 31	18	\$ 625,000	18	\$ 765,000
June 30	—	—	18	850,000
September 30	—	—	18	675,000
December 31	—	—	21	715,000
Total	18	\$ 625,000	75	\$ 3,005,000

Fair Value Sensitivity

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

Rate Sensitivity	Terminal Capitalization Rate			Discount Rate		
	Weighted Average Terminal Capitalization Rate	Fair Value	Change in Fair Value	Weighted Average Discount Rate	Fair Value	Change in Fair Value
(0.75)%	5.32 %	\$ 15,605,000	\$ 1,208,000	6.08 %	\$ 15,292,000	\$ 895,000
(0.50)%	5.57 %	15,164,000	767,000	6.33 %	14,988,000	591,000
(0.25)%	5.82 %	14,765,000	368,000	6.58 %	14,684,000	287,000
— %	6.07 %	14,397,000	—	6.83 %	14,397,000	—
0.25%	6.32 %	14,070,000	(327,000)	7.08 %	14,119,000	(278,000)
0.50%	6.57 %	13,763,000	(634,000)	7.33 %	13,849,000	(548,000)
0.75%	6.82 %	13,471,000	(926,000)	7.58 %	13,577,000	(820,000)

Note 5. Equity Accounted Joint Ventures

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

	As at March 31, 2021		As at December 31, 2020	
	Number of joint ventures	Ownership interest	Number of joint ventures	Ownership interest
Retail	15	25% - 75%	16	25% - 75%
Industrial	1	50%	2	50%
Residential	3	47% - 50%	3	47% - 50%
Land, held for development	2	50% - 85%	1	50 %
Total equity accounted joint ventures	21		22	
Choice Properties' investment in equity accounted joint ventures (\$ thousands)		\$ 552,158		\$ 573,649

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

(\$ thousands)	Three months ended March 31, 2021
Balance, beginning of period	\$ 573,649
Contributions to equity accounted joint ventures	140,303
Distributions from equity accounted joint ventures	(70,841)
Total cash flow activities	69,462
Transfers from equity accounted joint venture to consolidated investments	(141,868)
Acquisition of equity accounted joint venture partner's interest upon settlement of mortgage receivable	4,846
Contingent consideration payable recognized on acquisition within equity accounted joint venture	38,000
Share of income (loss) from equity accounted joint ventures	8,069
Total non-cash activities	(90,953)
Balance, end of period	\$ 552,158

Note 6. Co-Ownership Property Interests

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

	As at March 31, 2021		As at December 31, 2020	
	Number of co-owned properties	Ownership interest	Number of co-owned properties	Ownership interest
Retail	39	50% - 75%	39	50% - 75%
Industrial	2	50% - 67%	2	50% - 67%
Office	6	50%	6	50%
Residential	6	50%	6	50%
Land, held for development	1	50%	1	50%
Total co-ownership property interests	54		54	

Note 7. Subsidiaries

On November 7, 2014, Choice Properties acquired a 70% controlling interest in Choice Properties PRC Brampton Limited Partnership ("Brampton LP"), a subsidiary which holds land intended for future retail development in Brampton, Ontario. As a result, Choice Properties consolidated the results of this subsidiary and recognized a 30% non-controlling interest for the interests of PL Ventures Ltd., a subsidiary of PenEquity Realty Corporation ("PenEquity"). On January 19, 2021, Choice Properties sold its 70% interest in Brampton LP which resulted in a disposition of the property under development for \$25,000 and a distribution to the subsidiary's non-controlling interest of \$7,801.

Note 8. Financial Real Estate Assets

(\$ thousands)	Note	As at March 31, 2021	As at December 31, 2020
Balance, beginning of period		\$ 68,373	\$ 22,800
Acquisitions		—	46,712
Additions		—	9
Interest income (loss) from financial real estate assets due to changes in value	20	—	(1,148)
Balance, end of period		\$ 68,373	\$ 68,373

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

Note 9. Mortgages, Loans and Notes Receivable

(\$ thousands)	Note	As at March 31, 2021	As at December 31, 2020
Mortgages receivable classified as amortized cost ⁽ⁱ⁾		\$ 98,499	\$ 111,882
Mortgages receivable classified as fair value through profit and loss ("FVTPL")		53,745	53,588
Loans receivable classified as amortized cost ⁽ⁱ⁾		137	2,285
Notes receivable from related party classified as amortized cost ⁽ⁱ⁾	30	73,221	96,191
Mortgages, loans and notes receivable		\$ 225,602	\$ 263,946
Classified as:			
Non-current		\$ 111,672	\$ 117,457
Current		113,930	146,489
		\$ 225,602	\$ 263,946

(i) The fair value of the mortgages, loans and notes receivable classified as amortized cost was \$170,430 (December 31, 2020 - \$208,700) (Note 25).

Mortgages and Loans Receivable

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

	March 31, 2021		December 31, 2020	
	Weighted average effective interest rate	Weighted average term to maturity (years)	Weighted average effective interest rate	Weighted average term to maturity (years)
Mortgages receivable	7.41%	2.2	7.31%	2.1
Loans receivable	8.00%	3.4	8.00%	3.7
Total	7.41%	2.2	7.32%	2.2

Notes Receivable from Related Party

Non-interest bearing short-term notes totalling \$96,191 were repaid by GWL in January 2021 (Note 30). Non-interest bearing short-term notes totalling \$73,221 were issued during the three months ended March 31, 2021 to GWL (Note 30).

Schedules of Maturity and Cash Flow Activities

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

(\$ thousands)	2021	2022	2023	2024	2025	Thereafter	Total
Principal repayments							
Mortgages receivable	\$ 14,614	\$ 83,422	\$ —	\$ 46,874	\$ —	\$ 6,239	\$ 151,149
Loans receivable	—	—	—	137	—	—	137
Notes receivable from related party	73,221	—	—	—	—	—	73,221
Total principal repayments	87,835	83,422	—	47,011	—	6,239	224,507
Interest accrued	1,095	—	—	—	—	—	1,095
Total repayments	\$ 88,930	\$ 83,422	\$ —	\$ 47,011	\$ —	\$ 6,239	\$ 225,602

Notes to the Unaudited Interim Period Condensed Consolidated Financial Statements

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

	March 31, 2021			
(\$ thousands)	Mortgages receivable	Loans receivable	Notes receivable from related party	Mortgages, loans and notes receivable
Balance, beginning of period	\$ 165,470	\$ 2,285	\$ 96,191	\$ 263,946
Advances	429	309	73,221	73,959
Repayments	(9,358)	(2,446)	(96,191)	(107,995)
Interest received	(2,099)	(49)	—	(2,148)
Total cash flow activities	(11,028)	(2,186)	(22,970)	(36,184)
Settlement upon acquisition of investment property	(4,846)	—	—	(4,846)
Interest accrued	2,648	38	—	2,686
Total non-cash activities	(2,198)	38	—	(2,160)
Balance, end of period	\$ 152,244	\$ 137	\$ 73,221	\$ 225,602

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

The Trust has approximately \$150 million of secured mortgages to other third-party borrowers. These loans are with borrowers who are strategic development partners of the Trust and have strong credit metrics. In the event of a large commercial real estate market correction, the fair market value of an underlying property may be unable to support the investment. The Trust mitigates this risk by obtaining guarantees and registered mortgage charges, which are often cross-collateralized on several different commercial properties that are in various stages of development.

Note 10. Intangible Assets

Choice Properties' intangible assets relate to the third-party revenue streams associated with property and asset management contracts for co-ownership property interests and joint ventures. The Trust has the continuing rights, based on the co-ownership agreements, to property and asset management fees from investment properties where it manages the interests of co-owners. As at March 31, 2021, the carrying value, net of accumulated amortization of \$1,250 (December 31, 2020 - \$1,000), was \$28,750 (December 31, 2020 - \$29,000).

Note 11. Accounts Receivable and Other Assets

(\$ thousands)	Note	As at March 31, 2021	As at December 31, 2020
Rent receivables ⁽ⁱ⁾ - net of expected credit loss of \$17,819 (2020 - \$20,041)		\$ 15,430	\$ 19,341
Accrued recovery income		18,476	13,375
Lease receivable		19,702	19,405
Other receivables		8,766	13,474
Cost-to-complete receivable	30	8,501	13,721
Due from related parties ⁽ⁱⁱ⁾	30	43	—
Restricted cash		733	780
Prepaid property taxes		14,214	10,070
Prepaid insurance		5,102	185
Other assets		17,370	17,846
Right-of-use assets - net of accumulated amortization of \$1,381 (2020 - \$1,241)		3,940	4,081
Deferred tax asset	15	1,981	1,981
Deferred acquisition costs and deposits on land		2,954	1,419
Designated hedging derivatives	25	—	377
Accounts receivable and other assets		\$ 117,212	\$ 116,055
Classified as:			
Non-current		\$ 37,563	\$ 38,104
Current		79,649	77,951
		\$ 117,212	\$ 116,055

(i) Includes net rent receivable of \$1,078 from Loblaw, \$nil from GWL and \$nil from Wittington (December 31, 2020 - \$36, \$13 and \$131) (Note 30).

(ii) Other net receivables due from related parties includes \$43 from GWL (December 31, 2020 - \$nil) (Note 30).

Rent receivables

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

The Trust's assessment of expected credit losses is inherently subjective due to the forward-looking nature of the assessments. As a result, the value of the expected credit loss is subject to a degree of uncertainty and is made on the basis of assumptions which may not prove to be accurate with the unprecedented uncertainty caused by COVID-19.

Note 12. Long Term Debt

(\$ thousands)	As at March 31, 2021	As at December 31, 2020
Senior unsecured debentures	\$ 5,256,475	\$ 5,255,529
Mortgages payable	1,223,352	1,204,799
Construction loans	4,662	25,193
Long term debt	\$ 6,484,489	\$ 6,485,521
Classified as:		
Non-current	\$ 5,853,033	\$ 6,158,246
Current	631,456	327,275
	\$ 6,484,489	\$ 6,485,521

Senior Unsecured Debentures

(\$ thousands)				As at March 31, 2021	As at December 31, 2020
Series	Issuance / Assumption Date	Maturity Date	Effective Interest Rate		
B	Jul. 5, 2013	Jul. 5, 2023	4.90%	\$ 200,000	\$ 200,000
D	Feb. 8, 2014	Feb. 8, 2024	4.29%	200,000	200,000
F	Nov. 24, 2015	Nov. 24, 2025	4.06%	200,000	200,000
G	Mar. 7, 2016	Mar. 7, 2023	3.20%	250,000	250,000
H	Mar. 7, 2016	Mar. 7, 2046	5.27%	100,000	100,000
I	Jan. 12, 2018	Mar. 21, 2022	3.01%	300,000	300,000
J	Jan. 12, 2018	Jan. 10, 2025	3.55%	350,000	350,000
K	Mar. 8, 2018	Sep. 9, 2024	3.56%	550,000	550,000
L	Mar. 8, 2018	Mar. 8, 2028	4.18%	750,000	750,000
M	Jun. 11, 2019	Jun. 11, 2029	3.53%	750,000	750,000
N	Mar. 3, 2020	Mar. 4, 2030	2.98%	400,000	400,000
O	Mar. 3, 2020	Mar. 4, 2050	3.83%	100,000	100,000
P	May 22, 2020	May 21, 2027	2.85%	500,000	500,000
9	Jul. 4, 2013	Sep. 20, 2021	3.57%	200,000	200,000
10	Jul. 4, 2013	Sep. 20, 2022	3.84%	300,000	300,000
D-C	May 4, 2018	Jan. 18, 2023	3.30%	125,000	125,000
Total principal outstanding				5,275,000	5,275,000
Debt discounts and premiums - net of accumulated amortization of \$15,774 (2020 - \$15,522)				(1,762)	(2,014)
Debt placement costs - net of accumulated amortization of \$12,995 (2020 - \$12,301)				(16,763)	(17,457)
Senior unsecured debentures				\$ 5,256,475	\$ 5,255,529

As at March 31, 2021, the senior unsecured debentures had a weighted average effective interest rate of 3.61% and a weighted average term to maturity of 5.7 years (December 31, 2020 - 3.61% and 6 years, respectively). Senior unsecured debentures Series B through Series P were issued by the Trust, Series D-C was assumed by the Trust on May 4, 2018, following the acquisition of Canadian Real Estate Investment Trust, and Series 9 and Series 10 were issued by the Partnership.

Mortgages Payable

(\$ thousands)	As at March 31, 2021	As at December 31, 2020
Mortgage principal	\$ 1,225,343	\$ 1,206,638
Net debt discounts and premiums - net of accumulated amortization of \$5,744 (2020 - \$5,602)	(1,076)	(934)
Debt placement costs - net of accumulated amortization of \$148 (2020 - \$138)	(915)	(905)
Mortgages payable	\$ 1,223,352	\$ 1,204,799

As at March 31, 2021, the mortgages had a weighted average effective interest rate of 3.78% and a weighted average term to maturity of 5.5 years (December 31, 2020 - 3.83% and 5.5 years, respectively).

Construction Loans

As at March 31, 2021, \$4,662 was outstanding on the construction loans (December 31, 2020 - \$25,193), with a weighted average effective interest rate of 2.07% and a weighted average term to maturity of 0.5 years and is due on demand (December 31, 2020 - 2.42% and 0.3 years, respectively).

For the purpose of financing the development of certain retail, industrial and residential properties, various investments in equity accounted joint ventures and co-ownerships have variable rate non-revolving construction facilities in which certain subsidiaries of the Trust guarantee its own share. These construction loans, which mature throughout 2021 and 2022, have a maximum amount available to be drawn at the Trust's ownership interest of \$193,766, of which \$188,077 relates to equity accounted joint ventures as at March 31, 2021 (December 31, 2020 - \$226,145 and \$198,002 respectively).

Schedules of Repayments and Cash Flow Activities

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

(\$ thousands)	2021	2022	2023	2024	2025	Thereafter	Total
Senior unsecured debentures	\$ 200,000	\$ 600,000	\$ 575,000	\$ 750,000	\$ 550,000	\$ 2,600,000	\$ 5,275,000
Mortgages payable	86,397	217,479	110,054	157,955	153,254	500,204	1,225,343
Construction loans	4,662	—	—	—	—	—	4,662
Total	\$ 291,059	\$ 817,479	\$ 685,054	\$ 907,955	\$ 703,254	\$ 3,100,204	\$ 6,505,005

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

(\$ thousands)	March 31, 2021			
	Senior unsecured debentures	Mortgages payable	Construction loans	Long term debt
Balance, beginning of period	\$ 5,255,529	\$ 1,204,799	\$ 25,193	\$ 6,485,521
Issuances and advances	—	26,571	—	26,571
Repayments	—	(7,866)	(20,531)	(28,397)
Total cash flow activities	—	18,705	(20,531)	(1,826)
Amortization of debt discounts and premiums	252	(142)	—	110
Amortization of debt placement costs	694	(10)	—	684
Total non-cash activities	946	(152)	—	794
Balance, end of period	\$ 5,256,475	\$ 1,223,352	\$ 4,662	\$ 6,484,489

Note 13. Credit Facility

Choice Properties has a \$1,500,000 senior unsecured committed revolving credit facility maturing May 4, 2023, provided by a syndicate of lenders. The credit facility bears interest at variable rates of either Prime plus 0.20% or Bankers' Acceptance rate plus 1.20%. The pricing is contingent on Choice Properties' credit ratings from either DBRS and S&P remaining at BBB (high). As at March 31, 2021, there were no drawings under the syndicated facility. The unamortized balance for debt placement costs at March 31, 2021 of \$2,979 have been included in other assets (Note 11) (December 31, 2020 - \$3,337).

The credit facility contains certain financial covenants. As at March 31, 2021, the Trust was in compliance with all its financial covenants for the credit facility.

Note 14. Unitholders' Equity

Trust Units (authorized - unlimited)

Each Trust Unit ("Unit") represents a single vote at any meeting of Unitholders and entitles the Unitholder to receive a pro-rata share of all distributions. With certain restrictions, a Unitholder has the right to require Choice Properties to redeem its Units on demand. Upon receipt of a redemption notice by Choice Properties, all rights to and under the Units tendered for redemption shall be surrendered and the holder thereof shall be entitled to receive a price per unit as determined by a market formula and shall be paid in accordance with the conditions provided for in the Declaration of Trust.

Exchangeable Units (authorized - unlimited)

Exchangeable Units issued by the Partnership are economically equivalent to Units, receive distributions equal to the distributions paid on the Units and are exchangeable, at the holder's option, to Units. All Exchangeable Units are held, directly or indirectly, by GWL.

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

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

Special Voting Units

Each Exchangeable Unit is accompanied by one Special Voting Unit which provides the holder thereof with a right to vote on matters respecting the Trust equal to the number of Units that may be obtained upon the exchange of the Exchangeable Units for which each Special Voting Unit is attached.

Units Outstanding

	Note	As at March 31, 2021		As at December 31, 2020	
(\$ thousands except where otherwise indicated)		Units	Amount	Units	Amount
Units, beginning of period		326,941,663	\$ 3,652,620	310,292,869	\$ 3,409,836
Units issued to related party as part of investment properties acquisition	30	—	—	16,500,000	208,935
Distribution in Units		—	—	2,277,457	29,425
Consolidation of Units		—	—	(2,277,457)	—
Units issued under unit-based compensation arrangements	17	174,455	—	307,877	4,841
Reclassification of vested Unit-Settled Restricted Units liability to equity		—	1,176	—	1,929
Units repurchased for unit-based compensation arrangements	17	(174,455)	(2,334)	(159,083)	(2,346)
Units, end of period		326,941,663	\$ 3,651,462	326,941,663	\$ 3,652,620
Exchangeable Units, beginning of period		395,786,525	\$ 5,149,182	389,961,783	\$ 5,424,368
Units issued to related party as part of investment properties acquisition		—	—	5,824,742	79,100
Adjustment to fair value of Exchangeable Units		—	217,683	—	(354,286)
Exchangeable Units, end of period		395,786,525	\$ 5,366,865	395,786,525	\$ 5,149,182
Total Units and Exchangeable Units, end of period		722,728,188		722,728,188	

Units Issued to Related Party as part of Investment Properties Acquisition

During the year ended December 31, 2020, the acquisition of two office assets from Wittington was satisfied in full by the issuance of 16,500,000 Units of Choice Properties, while the acquisition of six industrial assets from a wholly-owned subsidiary of GWL was satisfied in full by the issuance of 5,824,742 Exchangeable Units.

Distribution in Units and Consolidation of Units

As a result of the increase in taxable income generated primarily from dispositions completed in the year ended December 31, 2020, the Board declared a special non-cash distribution payable on December 31, 2020, of 2,277,457 Units at \$0.09 per Unit totalling \$29,425. Immediately following the issuance of Units, the Units were consolidated such that each Unitholder held the same number of Units after the consolidation as each Unitholder held prior to the special non-cash distribution.

Normal Course Issuer Bid (“NCIB”)

Choice Properties may from time to time purchase Units in accordance with the rules prescribed under applicable stock exchange or regulatory policies. On November 13, 2020, Choice Properties received approval from the TSX to purchase up to 25,846,904 Units during the twelve-month period from November 19, 2020 to November 18, 2021, by way of a NCIB over the facilities of the TSX or through alternative trading systems. Choice Properties intends to file a Notice of Intention to make a NCIB with the TSX upon the expiry of its current NCIB.

Units Issued under Unit-Based Compensation Arrangements

Units were issued as part of settlements under the Unit Option Plan and grants under the Unit-Settled Restricted Unit Plan, as applicable (Note 17).

Units Repurchased for Unit-Based Compensation Arrangement

The Trust acquired Units under its NCIB during the three months ended March 31, 2021 and the year ended December 31, 2020, which were then granted to certain employees in connection with the Unit-Settled Restricted Unit Plan, and are subject to vesting conditions and disposition restrictions.

Distributions

Choice Properties' Board retains full discretion with respect to the timing and quantum of distributions, however the total income distributed will not be less than the amount necessary to ensure the Trust will not be liable to pay income taxes under Part I of the *Income Tax Act (Canada)* (Note 15). The taxable income allocated to the Trust and Exchangeable Unitholders may vary in certain taxation years. Over time, such differences, in aggregate, are expected to be minimal.

In the three months ended March 31, 2021, Choice Properties declared cash distributions of \$0.185 per unit (March 31, 2020 - \$0.185), or \$133,706 in aggregate, including distributions to holders of Exchangeable Units, which are reported as interest expense (March 31, 2020 - \$129,561). Distributions declared to Unitholders of record at the close of business on the last business day of a month are paid on or about the 15th day of the following month.

The holders of Exchangeable Units may elect to defer receipt of all, or a portion of distributions declared by the Partnership until the first date following the end of the fiscal year. If the holder elects to defer, the Partnership will loan the holder the amount equal to the deferred distribution without interest, and the loan will be due and payable in full on the first business day following the end of the fiscal year the loan was advanced.

Distribution Reinvestment Plan ("DRIP")

Choice Properties instituted a DRIP that allows eligible Unitholders to elect to automatically reinvest their regular monthly cash distributions in additional Units and to receive a bonus distribution in Units equivalent to 3% of each distribution. On April 25, 2018, the Board suspended the DRIP commencing with the distribution declared in May 2018. The DRIP will remain suspended until further notice.

Base Shelf Prospectus

On March 4, 2020, Choice Properties filed a Short Form Base Shelf Prospectus allowing for the issuance of up to \$2,000,000 of Units and debt securities, or any combination thereof over a 25-month period.

Note 15. Income Taxes

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

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

(\$ thousands)	Three Months	
	March 31, 2021	March 31, 2020
Current income tax recovery (expense)	\$ (7)	\$ —
Deferred income tax recovery (expense)	—	—
Income tax expense	\$ (7)	\$ —

A deferred income tax asset of \$1,981 (Note 11) was recognized due to temporary differences between the carrying value and the tax basis of net assets held in the Trust's taxable subsidiaries (December 31, 2020 - \$1,981).

Note 16. Trade Payables and Other Liabilities

(\$ thousands)	Note	As at	
		March 31, 2021	December 31, 2020
Trade accounts payable		\$ 35,776	\$ 20,493
Accrued liabilities and provisions		111,620	108,016
Accrued acquisition transaction costs and other related expenses		38,654	38,655
Accrued capital expenditures ⁽ⁱ⁾		62,804	59,765
Accrued interest expense		33,598	57,171
Due to related party ⁽ⁱⁱ⁾	30	99,052	121,264
Contingent consideration	3	38,000	—
Unit-based compensation	17	10,298	12,930
Distributions payable ⁽ⁱⁱⁱ⁾		20,344	20,344
Right-of-use lease liabilities		4,073	4,224
Tenant deposits		20,284	19,867
Deferred revenue		16,517	20,710
Designated hedging derivatives	25	6,106	6,560
Trade payables and other liabilities		\$ 497,126	\$ 489,999
Classified as:			
Non-current		\$ 11,078	\$ 13,734
Current		486,048	476,265
		\$ 497,126	\$ 489,999

(i) Includes payable to Loblaw of \$13,693 for construction allowances (2020 - \$7,869) (Note 30).

(ii) Includes distributions accrued on Exchangeable Units of \$97,628 payable to GWL (2020 - \$120,598); \$1,350 payable for shared costs incurred by GWL, the Services Agreement expense and other related party charges (2020 - \$332); and \$74 of reimbursed contract revenue and other related party charges payable to Loblaw (2020 - \$308).

(iii) Includes distributions payable to GWL of \$3,124 and Wittington of \$1,018 (December 31, 2020 - \$3,124 and \$1,018) (Note 30).

Note 17. Unit-Based Compensation

(\$ thousands)	Three Months	
	March 31, 2021	March 31, 2020
Unit Option plan	\$ (161)	\$ (283)
Restricted Unit plans	506	778
Performance Unit plan	145	57
Trustee Deferred Unit plan	334	78
Unit-based compensation expense	\$ 824	\$ 630
Recorded in:		
General and administrative expenses	\$ 1,301	\$ 1,263
Adjustment to fair value of unit-based compensation	(477)	(633)
	\$ 824	\$ 630

As at March 31, 2021, the carrying value of the unit-based compensation liability was \$10,298 (December 31, 2020 - \$12,930) (Note 16).

Unit Option Plan

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

	Three months ended March 31, 2021		Year ended December 31, 2020	
	Number of awards	Weighted average exercise price/unit	Number of awards	Weighted average exercise price/unit
Outstanding Unit Options, beginning of period	1,082,640	\$ 12.54	1,287,314	\$ 12.51
Exercised	—	\$ —	(148,794)	\$ 12.09
Cancelled	—	\$ —	(54,414)	\$ 13.15
Expired	—	\$ —	(1,466)	\$ 13.93
Outstanding Unit Options, end of period	1,082,640	\$ 12.54	1,082,640	\$ 12.54
Unit Options exercisable, end of period	934,672	\$ 12.60	706,804	\$ 12.56

Restricted Unit Plans

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

Restricted Unit Plan

Restricted Units ("RU") entitle certain employees to receive the value of the RU award in cash or Units at the end of the applicable vesting period, which is usually three years in length. The RU plan provides for the crediting of additional RUs in respect of distributions paid on Units for the period when a RU is outstanding. The fair value of each RU granted is measured based on the market value of a Trust Unit at the balance sheet date. No RUs had vested as at March 31, 2021 (December 31, 2020 - nil).

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

(Number of awards)	Three months ended March 31, 2021	Year ended December 31, 2020
Outstanding Restricted Units, beginning of period	405,713	484,544
Granted	104,873	69,227
Reinvested	5,823	24,451
Exercised	(100,179)	(161,044)
Cancelled	—	(11,465)
Outstanding Restricted Units, end of period	416,230	405,713

Unit-Settled Restricted Unit Plan

Under the terms of the Unit-Settled Restricted Unit ("URU") plan, certain employees are granted URUs which are subject to vesting conditions and disposition restrictions. Typically, full vesting of the URUs will not occur until the employee has remained with Choice Properties for three or five years from the date of grant. Depending on the nature of the grant, the URUs are subject to a six- or seven-year holding period during which the Units cannot be disposed. There were 819,013 URUs vested but still subject to disposition restrictions as at March 31, 2021 (December 31, 2020 - 764,385).

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

(Number of awards)	Three months ended March 31, 2021	Year ended December 31, 2020
Outstanding Unit-Settled Restricted Units, beginning of period	588,534	624,419
Granted	174,455	159,083
Vested	(141,055)	(194,968)
Outstanding Unit-Settled Restricted Units, end of period	621,934	588,534

Performance Unit Plan

Performance Units (“PU”) entitle certain employees to receive the value of the PU award in cash or Units at the end of the applicable performance period, which is usually three years in length, based on the Trust achieving certain performance conditions. The PU plan provides for the crediting of additional PUs in respect of distributions paid on Units for the period when a PU is outstanding. The fair value of each PU granted is measured based on the market value of a Trust Unit at the balance sheet date. There were no PUs vested as at March 31, 2021 (December 31, 2020 - nil).

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

(Number of awards)	Three months ended March 31, 2021	Year ended December 31, 2020
Outstanding Performance Units, beginning of period	135,695	103,868
Granted	77,356	59,273
Reinvested	2,157	7,241
Exercised	(30,336)	(40,205)
Cancelled	—	(3,543)
Added by performance factor	—	9,061
Outstanding Performance Units, end of period	184,872	135,695

Trustee Deferred Unit Plan

Non-management members of the Board are required to receive a portion of their annual retainer in the form of Deferred Units (“DU”) and may also elect to receive up to 100% of their remaining fees in DUs. Distributions paid earn fractional DUs, which are treated as additional awards. The fair value of each DU granted is measured based on the market value of a Unit at the balance sheet date. All DUs vest when granted, however, they cannot be exercised while Trustees are members of the Board.

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

(Number of awards)	Three months ended March 31, 2021	Year ended December 31, 2020
Outstanding Trustee Deferred Units, beginning of period	368,290	277,139
Granted	21,754	76,632
Reinvested	5,182	17,338
Exercised	(45,544)	(2,819)
Outstanding Trustee Deferred Units, end of period	349,682	368,290

Note 18. Rental Revenue

Rental revenue is comprised of the following:

(\$ thousands)	Related Parties ⁽ⁱ⁾	Third-party	Three months ended March 31, 2021	Related Parties ⁽ⁱ⁾	Third-party	Three months ended March 31, 2020
Base rent	\$ 131,709	\$ 88,856	\$ 220,565	\$ 131,096	\$ 87,085	\$ 218,181
Property tax and insurance recoveries	38,112	26,293	64,405	38,832	25,773	64,605
Operating cost recoveries	16,052	21,963	38,015	17,003	22,374	39,377
Lease surrender and other revenue	16	3,538	3,554	—	2,748	2,748
Rental revenue	\$ 185,889	\$ 140,650	\$ 326,539	\$ 186,931	\$ 137,980	\$ 324,911

(i) Refer to Note 30, Related Party Transactions.

Choice Properties enters into long-term lease contracts with tenants for space in its properties. Initial lease terms are generally between three and ten years for commercial units and longer terms for food store anchors. Leases generally provide for the tenant to pay Choice Properties base rent, with provisions for contractual increases in base rent over the term of the lease, plus operating cost, property tax and insurance recoveries. Many of the leases with Loblaw are for stand-alone retail sites. Loblaw is directly responsible for the operating costs on such sites.

Note 19. Property Operating Costs

(\$ thousands)	Three Months	
	March 31, 2021	March 31, 2020
Property taxes and insurance	\$ 68,853	\$ 68,213
Recoverable operating costs	29,135	29,198
Non-recoverable operating costs	2,148	1,409
Property operating costs	\$ 100,136	\$ 98,820

Included in non-recoverable operating expenses are expected credit losses of \$1,640 for the three months ended March 31, 2021 (2020 - \$862). Refer to Note 11 for discussion on rents receivable and the related expected credit losses.

Note 20. Interest Income

(\$ thousands)	Note	Three Months	
		March 31, 2021	March 31, 2020
Interest income on mortgages and loans receivable	9	\$ 2,686	\$ 3,111
Interest income earned from financial real estate assets	8	1,100	370
Other interest income		362	12
Interest income		\$ 4,148	\$ 3,493

Note 21. Fee Income

(\$ thousands)	Note	Three Months	
		March 31, 2021	March 31, 2020
Fees charged to related party	30	\$ 127	\$ 220
Fees charged to third-parties		912	1,028
Fee income		\$ 1,039	\$ 1,248

Note 22. Net Interest Expense and Other Financing Charges

(\$ thousands)	Note	Three Months	
		March 31, 2021	March 31, 2020
Interest on senior unsecured debentures		\$ 46,914	\$ 46,359
Interest on mortgages and construction loans		12,086	12,373
Interest on credit facility		897	3,016
Interest on right-of-use lease liabilities	16	39	64
Amortization of debt discounts and premiums	12	110	(599)
Amortization of debt placement costs	12,13	1,042	1,223
Distributions on Exchangeable Units ⁽ⁱ⁾	30	73,221	72,143
		134,309	134,579
Less: Capitalized interest ⁽ⁱⁱ⁾	4	(746)	(700)
Net interest expense and other financing charges		\$ 133,563	\$ 133,879

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

(ii) Interest was capitalized to qualifying development projects based on a weighted average interest rate of 3.68% (2020 - 3.72%).

Note 23. General and Administrative Expenses

(\$ thousands)	Note	Three Months	
		March 31, 2021	March 31, 2020
Salaries, benefits and employee costs		\$ 12,623	\$ 12,393
Investor relations and other public entity costs		603	652
Professional fees		1,099	777
Information technology costs		1,504	962
Services Agreement expense charged by related party	30	799	774
Amortization of other assets		288	10
Office related costs		390	789
Other		93	346
Total general and administrative expenses		17,399	16,703
Less:			
Capitalized to investment properties		(1,635)	(1,437)
Allocated to recoverable operating expenses		(6,190)	(5,580)
General and administrative expenses		\$ 9,574	\$ 9,686

Note 24. Other Fair Value Gains (Losses), Net

(\$ thousands)	Note	Three Months	
		March 31, 2021	March 31, 2020
Adjustment to fair value of unit-based compensation	17	\$ 477	\$ 633
Other fair value gains (losses), net		\$ 477	\$ 633

Note 25. Financial Instruments

The following table presents the fair value hierarchy of financial assets and liabilities, excluding those classified as amortized cost that are short term in nature.

(\$ thousands)	Note	As at March 31, 2021				As at December 31, 2020			
		Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets									
Fair value through profit and loss:									
Mortgages, loans and notes receivable	9	\$ —	\$ —	\$ 53,745	\$ 53,745	\$ —	\$ —	\$ 53,588	\$ 53,588
Lease receivable	11	—	—	19,702	19,702	—	—	19,405	19,405
Financial real estate assets	8	—	—	68,373	68,373	—	—	68,373	68,373
Designated hedging derivatives	11	—	—	—	—	—	377	—	377
Amortized cost:									
Mortgages, loans and notes receivable - SPPI	9	—	—	170,430	170,430	—	—	208,700	208,700
Cash and cash equivalents	27 (c)	162,575	—	—	162,575	207,219	—	—	207,219
Liabilities									
Fair value through profit and loss:									
Exchangeable Units	14	5,366,865	—	—	5,366,865	5,149,182	—	—	5,149,182
Unit-based compensation	16	—	10,298	—	10,298	—	12,930	—	12,930
Designated hedging derivatives	16	—	6,106	—	6,106	—	6,560	—	6,560
Amortized cost:									
Long term debt	12	—	6,857,668	—	6,857,668	—	7,071,105	—	7,071,105
Credit facility	13	—	—	—	—	—	—	—	—

The carrying value of the Trust’s assets and liabilities approximated fair value except for long term debt. The fair value of Choice Properties’ senior unsecured debentures was calculated using market trading prices for similar instruments, whereas the fair values for the mortgages was calculated by discounting future cash flows using appropriate discount rates. There were no transfers between levels of the fair value hierarchy during the periods.

Designated Hedging Derivatives

Designated hedging derivatives consist of interest rate swaps to hedge the interest rate associated with an equivalent amount of variable rate mortgages. During the three months ended March 31, 2021, an interest rate swap was settled upon maturity of the underlying variable rate mortgage. As at March 31, 2021, the interest rates ranged from 1.8% to 4.4% (December 31, 2020 - 1.8% to 4.4%).

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

(\$ thousands)	Maturity Date	Notional Amount	As at March 31, 2021	As at December 31, 2020
Derivative assets				
Interest rate swaps		\$ —	\$ —	377
Derivative liabilities				
Interest rate swaps	Mar 2022 - Sep 2026	\$ 193,700	6,106	6,560

During the three months ended March 31, 2021, the Trust recorded an unrealized fair value loss in OCI of \$708 (March 31, 2020 - fair value loss of \$5,297).

Note 26. Capital Management

In order to maintain or adjust its capital structure, Choice Properties may issue new Units and debt, repay debt, or adjust the amount of distributions paid to Unitholders. For further discussion on how Choice Properties manages its capital structure, refer to Note 28, “Capital Management”, of the 2020 audited annual consolidated financial statements.

Note 27. Supplemental Cash Flow Information**(a) Items not affecting cash and other items**

(\$ thousands)	Note	Three Months	
		March 31, 2021	March 31, 2020
Straight line rental revenue	4	\$ (4,477)	\$ (4,025)
Unit based compensation expense included in general and administrative expenses	17	1,301	1,263
Amortization of intangible assets	10	250	250
Foreign exchange gain reclassified from other comprehensive income		—	(1,184)
Adjustment to fair value of Exchangeable Units	14	217,683	(386,062)
Adjustment to fair value of investment properties	4	(58,743)	136,298
Other fair value (gains) losses, net	24	(477)	(633)
Items not affecting cash and other items		\$ 155,537	\$ (254,093)

(b) Net change in non-cash working capital

(\$ thousands)	Note	Three Months	
		March 31, 2021	March 31, 2020
Net change in accounts receivable and other assets	11	\$ (1,157)	\$ (33,800)
Add back (deduct):			
Net change in deferred financing costs included in other assets	11	(358)	—
Change to designated hedging derivative assets	11	(377)	(63)
Net change in trade payables and other liabilities	16	7,127	(137,399)
Add back (deduct):			
Net change in distributions payable	16	—	10
Net change in unit-based compensation liability	16	2,632	1,752
Net change to accrued interest expense		44,760	152,094
Contingent consideration payable recognized on acquisition within equity accounted joint venture	3	(38,000)	—
Trade payables and other liabilities transferred from equity accounted joint venture	4, 5	(1,235)	—
Change to designated hedging derivative liabilities	16	454	(5,234)
Impact of currency translation		—	3,420
Net change in non-cash working capital		\$ 13,846	\$ (19,220)

(c) Cash and cash equivalents

(\$ thousands)	As at	
	March 31, 2021	December 31, 2020
Cash	\$ 65,621	\$ 72,248
Short-term investments	96,954	134,971
Cash and cash equivalents	\$ 162,575	\$ 207,219

Note 28. Segment Information

Choice Properties operates in three reportable segments: retail, industrial and office. The segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker, determined to be the Chief Executive Officer (“CEO”) of the Trust. The CEO measures and evaluates the performance of the Trust based on net operating income, cash basis.

Net operating income, cash basis, is defined as property rental revenue less straight line rental revenue, lease surrender revenue, direct property operating expenses and realty taxes and excludes certain expenses such as interest expense and indirect operating expenses in order to provide results that reflect a property’s operations before consideration of how it is financed or the costs of operating the entity in which it is held. The amounts are presented by property type below and included in these unaudited interim period condensed consolidated financial statements at the proportionate share. The remaining net income (loss) items and the balance sheet are reviewed on a consolidated basis by the CEO and therefore are not included in the segmented disclosure below.

The chart below presents net operating income for the three months ended March 31, 2021, in a manner consistent with internal reporting. The accounting policies of the segments presented here are the same as those described in Note 2.

(\$ thousands)	Retail	Industrial	Office	Consolidation and eliminations ⁽ⁱ⁾	Three months ended March 31, 2021
Rental revenue	\$ 261,109	\$ 48,854	\$ 31,645	\$ (15,069)	\$ 326,539
Property operating costs	(80,041)	(12,735)	(13,252)	5,892	(100,136)
Net Operating Income, Accounting Basis	181,068	36,119	18,393	(9,177)	226,403
Less:					
Straight line rental revenue	(1,340)	(1,678)	(1,805)	346	(4,477)
Lease surrender revenue	(615)	(1)	(508)	—	(1,124)
Net Operating Income, Cash Basis	179,113	34,440	16,080	(8,831)	220,802
Add back: cash basis reconciling items					5,601
Net operating income, accounting basis					226,403
Interest income					4,148
Fee income					1,039
Net interest expense and other financing charges					(133,563)
General and administrative expenses					(9,574)
Share of income (loss) from equity accounted joint ventures					8,069
Amortization of intangible assets					(250)
Other fair value gains (losses), net					477
Adjustment to fair value of Exchangeable Units					(217,683)
Adjustment to fair value of investment properties					58,743
Income (Loss) before income taxes					(62,191)
Income tax expense					(7)
Net Income (Loss)					\$ (62,198)

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

Notes to the Unaudited Interim Period Condensed Consolidated Financial Statements

The chart below presents net operating income for the three months ended March 31, 2020, in a manner consistent with internal reporting. The accounting policies of the segments presented here are the same as those described in Note 2.

(\$ thousands)	Retail	Industrial	Office	Consolidation and eliminations ⁽ⁱ⁾	Three months ended March 31, 2020
Rental revenue	\$ 269,271	\$ 44,231	\$ 26,915	\$ (15,506)	\$ 324,911
Property operating costs	(82,396)	(12,003)	(10,008)	5,587	(98,820)
Net Operating Income, Accounting Basis	186,875	32,228	16,907	(9,919)	226,091
Less:					
Straight line rental revenue	(3,020)	(837)	(507)	339	(4,025)
Lease surrender revenue	(9)	—	(106)	—	(115)
Net Operating Income, Cash Basis	183,846	31,391	16,294	(9,580)	221,951
Add back: cash basis reconciling items					4,140
Net operating income, accounting basis					226,091
Interest income					3,493
Fee income					1,248
Net interest expense and other financing charges					(133,879)
General and administrative expenses					(9,686)
Share of income (loss) from equity accounted joint ventures					(4,267)
Amortization of intangible assets					(250)
Foreign exchange gain reclassified from other comprehensive income					1,184
Acquisition transaction costs and other related expenses					(1,589)
Other fair value gains (losses), net					633
Adjustment to fair value of Exchangeable Units					386,062
Adjustment to fair value of investment properties					(136,298)
Income (Loss) before income taxes					332,742
Income tax expense					—
Net Income (Loss)					\$ 332,742

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

Note 29. Contingent Liabilities and Financial Guarantees

Choice Properties is involved in and potentially subject to various claims by third-parties arising from the normal course of conduct of its business including regulatory, property and environmental claims. In addition, Choice Properties is potentially subject to regular audits from federal and provincial tax authorities, and as a result of these audits may receive assessments and reassessments. Although such matters cannot be predicted with certainty, management currently considers Choice Properties' exposure to such claims and litigation, to the extent not covered by Choice Properties' insurance policies or otherwise provided for, not to be material to the unaudited interim period condensed consolidated financial statements, but they may have a material impact in future periods.

a. Legal Proceedings

Choice Properties is potentially the subject of various legal proceedings and claims that arise in the ordinary course of business. The outcome of all these proceedings and claims is uncertain. Based on information currently available, any proceedings and claims, individually and in the aggregate, are not expected to have a material impact on Choice Properties.

b. Guarantees

Choice Properties issues letters of credit to support guarantees related to its investment properties including maintenance and development obligations to municipal authorities. As at March 31, 2021, the aggregate gross potential liability related to these letters of credit totalled \$33,668 including \$1,543 posted by Loblaw with the Province of Ontario and City of Toronto on behalf of Choice Properties related to deferral of land transfer tax on properties acquired from Loblaw subsequent to the IPO (Note 30) (December 31, 2020 - \$33,916 including \$1,543 posted by Loblaw).

Choice Properties' credit facility and senior unsecured debentures are guaranteed by each of the General Partner, the Partnership and any other person that becomes a subsidiary of Choice Properties (with certain exceptions). In the case of default by the Trust, the indenture trustee will be entitled to seek redress from the guarantors for the guaranteed obligations in the same manner and upon the same terms that it may seek to enforce the obligations of the Trust. These guarantees are intended to eliminate structural subordination, which would otherwise arise as a consequence of Choice Properties' assets being primarily held in various subsidiaries of the Trust.

CPH Master LP guarantees certain debt assumed by purchasers in connection with past dispositions of properties made by Canadian Real Estate Investment Trust prior to being acquired by the Trust in May 2018. These guarantees will remain until the debt is modified, refinanced or extinguished. Credit risks arise in the event that the purchasers default on repayment of their debt. These credit risks are mitigated by the recourse which the Trust has under these guarantees, in which case the Trust would have a claim against the underlying property. The estimated amount of debt at March 31, 2021 subject to such guarantees, and therefore the maximum exposure to credit risk, was \$35,411 with an estimated weighted average remaining term of 2.3 years (December 31, 2020 - \$35,671 and 2.5 years, respectively).

c. Commitments

Choice Properties has entered into contracts for development and property capital projects and has other contractual obligations such as operating rents. The Trust is committed to future payments of approximately \$339,000, of which \$50,000 relates to equity accounted joint ventures as at March 31, 2021 (December 31, 2020 - \$376,000 and \$55,000, respectively).

d. Contingent Liabilities

The Trust held debt obligations in the amount of \$190,505 in its equity accounted joint ventures as at March 31, 2021 (December 31, 2020 - \$191,873). Generally, the Trust is only liable for its proportionate share of the obligations of the co-ownerships and equity accounted joint ventures in which it participates, except in limited circumstances. Credit risk arises in the event that the partners default on the payment of their proportionate share of such obligations. This credit risk is mitigated as the Trust generally has recourse under its co-ownership agreements and joint venture arrangements in the event of default of its partners, in which case the Trust's claim would be against both the underlying real estate investments and the partners that are in default. Management believes that the assets of its co-ownerships and joint ventures are sufficient for the purpose of satisfying any obligation of the Trust should the Trust's partner default.

Note 30. Related Party Transactions

Choice Properties' parent corporation is GWL which as at March 31, 2021, held either directly or indirectly, a 61.8% effective interest in the Trust through ownership of 50,661,415 Units and all of the Exchangeable Units, which are economically equivalent to and exchangeable to Units. GWL is also the parent company of Loblaw, with ownership of 52.6% of Loblaw's outstanding common shares as at March 31, 2021. Choice Properties' ultimate parent is Wittington Investments, Limited.

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

Transactions and Agreements with GWL**Services Agreement**

For the three months ended March 31, 2021, GWL provided Choice Properties with corporate, administrative and other support services for an annualized cost of \$3,095 (2020 - \$3,095).

Distributions on Exchangeable Units and Notes Receivable

GWL, directly or indirectly, holds all of the Exchangeable Units issued by Choice Properties Limited Partnership, a subsidiary of Choice Properties. During the three months ended March 31, 2021, distributions declared on the Exchangeable Units totalled \$73,221 (March 31, 2020 - \$72,143). As at March 31, 2021, Choice Properties had distributions on Exchangeable Units payable to GWL of \$97,628 (December 31, 2020 - \$120,598).

Trust Unit Distributions

In the three months ended March 31, 2021, Choice Properties declared cash distributions of \$9,372 on the Units held by GWL (March 31, 2020 - \$9,372). As at March 31, 2021, \$3,124 of Trust Unit distributions declared were payable to GWL (December 31, 2020 - \$3,124). There were no non-cash distributions settled through the issuance of additional Trust Units during the three months ended March 31, 2021 and 2020.

Transaction Summary as Reflected in the Consolidated Financial Statements

Transactions with GWL recorded in the consolidated statements of income (loss) and comprehensive income (loss) were comprised as follows:

(\$ thousands)	Note	Three Months	
		March 31, 2021	March 31, 2020
Rental revenue	18	\$ 3,421	\$ 827
Services Agreement expense	23	(799)	(774)
Interest expense and other financing charges	22	(73,221)	(72,143)

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

(\$ thousands)	Note	As at	As at
		March 31, 2021	December 31, 2020
Notes receivable	9	\$ 73,221	\$ 96,191
Rent receivable	11	—	13
Other receivables	11	43	—
Exchangeable Units	14	(5,366,865)	(5,149,182)
Accrued liabilities	16	(1,350)	(332)
Distributions payable on Exchangeable Units	16	(97,628)	(120,598)
Distributions payable	16	(3,124)	(3,124)
Due to GWL and subsidiaries		\$ (5,395,703)	\$ (5,177,032)

Transactions and Agreements with Loblaw**Strategic Alliance Agreement**

The Strategic Alliance Agreement creates a series of rights and obligations between Choice Properties and Loblaw intended to establish a preferential and mutually beneficial business and operating relationship. The Strategic Alliance Agreement expires on July 5, 2023. The Strategic Alliance Agreement provides Choice Properties with important rights that are expected to meaningfully contribute to the Trust's growth. Subject to certain exceptions, rights include:

- Choice Properties has the right of first offer to purchase any property in Canada that Loblaw seeks to sell;
- Loblaw is generally required to present shopping centre property acquisitions in Canada to Choice Properties to allow the Trust a right of first opportunity to acquire the property itself; and
- Choice Properties has the right to participate in future shopping centre developments involving Loblaw.

Included in certain investment properties acquired from Loblaw is excess land with development potential. In accordance with the Strategic Alliance Agreement, Choice Properties will compensate Loblaw, over time, with intensification payments, as Choice Properties pursues development, intensification or redevelopment of such excess land. The payments to Loblaw are calculated in accordance with a payment grid that takes into account the region, market ranking and type of use for the property.

Property Management Agreement

Choice Properties provided Loblaw with property management services for Loblaw's properties with third-party tenancies on a fee for service basis with automatic one-year renewals. The property management agreement was terminated effective December 31, 2020.

Sublease Administration Agreement

On July 17, 2017, in connection with Loblaw's sale of substantially all of its gas bar operations, Choice Properties agreed to provide Loblaw with certain administrative services in respect of the subleases on a fee for service basis for an initial five-year term with automatic one-year renewals. The sublease administration agreement was terminated effective December 31, 2020.

Site Intensification Payments

Included in certain investment properties acquired from Loblaw is excess land with development potential. Choice Properties will compensate Loblaw, over time, with intensification payments, as Choice Properties pursues development, intensification or redevelopment of such excess lands. The payments to Loblaw are calculated in accordance with a payment grid, set out in the Strategic Alliance Agreement, that takes into account the region, market ranking and type of use for the property.

Choice Properties compensated Loblaw with intensification payments of \$901 in connection with completed gross leasable area for which tenants took possession during the three months ended March 31, 2021 (December 31, 2020 - \$995).

Letters of Credit

As at March 31, 2021, letters of credit totalling \$1,543 were posted by Loblaw with the Province of Ontario and City of Toronto on behalf of Choice Properties related to deferral of land transfer tax on properties acquired from Loblaw (December 31, 2020 - \$1,543) (Note 29).

Transaction Summary as Reflected in the Consolidated Financial Statements

Loblaw is the largest tenant for Choice Properties, representing approximately 55.8% of Choice Properties' rental revenue for the three months ended March 31, 2021 (March 31, 2020 - 57.3%) and 55.2% of its gross leasable area as at March 31, 2021 (December 31, 2020 - 55.3%). Transactions with Loblaw recorded in the consolidated statements of income (loss) and comprehensive income (loss) were comprised as follows:

(\$ thousands)	Note	Three Months	
		March 31, 2021	March 31, 2020
Rental revenue	18	\$ 182,076	\$ 186,104
Fee income	21	65	220

Notes to the Unaudited Interim Period Condensed Consolidated Financial Statements

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

(\$ thousands)	Note	As at	
		March 31, 2021	December 31, 2020
Rent receivable	11	\$ 1,078	\$ 36
Accrued liabilities	16	(74)	—
Construction allowances payable	16	(13,693)	(7,869)
Reimbursed contract payable	16	—	(308)
Due to Loblaw		\$ (12,689)	\$ (8,141)

Transactions and Agreements with Wittington

Property Management Agreement

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

Trust Unit Distributions

In the three months ended March 31, 2021, Choice Properties declared cash distributions of \$3,053 on the Units held by Wittington (March 31, 2020 - \$nil). As at March 31, 2021, \$1,018 of Trust Unit distributions declared were payable to Wittington (December 31, 2020 - \$1,018). There were no non-cash distributions settled through the issuance of additional Trust Units during the three months ended March 31, 2021 and 2020.

Transaction Summary as Reflected in the Consolidated Financial Statements

Transactions with Wittington recorded in the consolidated statements of income (loss) and comprehensive income (loss) were comprised as follows:

(\$ thousands)	Note	Three Months	
		March 31, 2021	March 31, 2020
Rental revenue	18	\$ 392	\$ —
Fee income	21	62	—

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

(\$ thousands)	Note	As at	
		March 31, 2021	December 31, 2020
Rent receivable	11	\$ —	\$ 131
Cost-to-complete receivable	11	8,501	13,721
Distributions payable	16	(1,018)	(1,018)
Due from Wittington and subsidiaries		\$ 7,483	\$ 12,834

Corporate Profile

Choice Properties is a leading Real Estate Investment Trust that creates enduring value through the ownership, operation and development of high-quality commercial and residential properties.

We believe that value comes from creating spaces that improve how our tenants and communities come together to live, work, and connect. We strive to understand the needs of our tenants and manage our properties to the highest standard. We aspire to develop healthy, resilient communities through our dedication to social, economic, and environmental sustainability. In everything we do, we are guided by a shared set of values grounded in Care, Ownership, Respect and Excellence.

Conference Call and Webcast

Management will host a conference call on Friday, April 30, 2021 at 9:00AM (ET) with a simultaneous audio webcast. To access via teleconference, please dial (647) 427-7450 or (888) 231-8191. A playback will be made available two hours after the event at (416) 849-0833 or (855) 859-2056, access code: 3856238. The link to the audio webcast will be available on www.choicereit.ca in the “Investors” section under “Events & Webcasts”.

Head Office

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M4T 2S5
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Toll free: 1-855-322-2122
Fax: 416-628-7777

Stock Exchange Listing and Symbol

The Trust's Units are listed on the Toronto Stock Exchange and trade under the symbol “CHP.UN”.

Distribution Policy

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

Independent Auditors

KPMG LLP
Chartered Professional Accountants
Toronto, Canada

Registrar and Transfer Agent

AST Trust Company (Canada)
P.O. Box 700, Station B
Montreal, QC, H3B 3K3
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Investor Relations

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Additional financial information has been filed electronically with various securities regulators in Canada through the System for Electronic Document Analysis and Retrieval (SEDAR), www.sedar.com. Choice Properties holds a conference call shortly following the release of its quarterly results. These calls are archived in the Investor Relations section of the Trust's website, www.choicereit.ca.

Trustees

Galen G. Weston - Chair

Executive Chairman, Loblaw Companies Limited
Chairman and Chief Executive Officer, George Weston Limited

Kerry D. Adams²

President, K. Adams & Associates Limited

Christie J.B. Clark¹

Corporate Director

L. Jay Cross¹

President, The Howard Hughes Corporation

Graeme M. Eadie²

Corporate Director

Karen A. Kinsley¹

Corporate Director

R. Michael Latimer²

Corporate Director

Nancy H.O. Lockhart²

Corporate Director

Dale R. Ponder¹

Co-Chair, Osler, Hoskin and Harcourt LLP

¹ Audit Committee

² Governance, Compensation and Nominating Committee

Ce rapport est disponible en français.



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