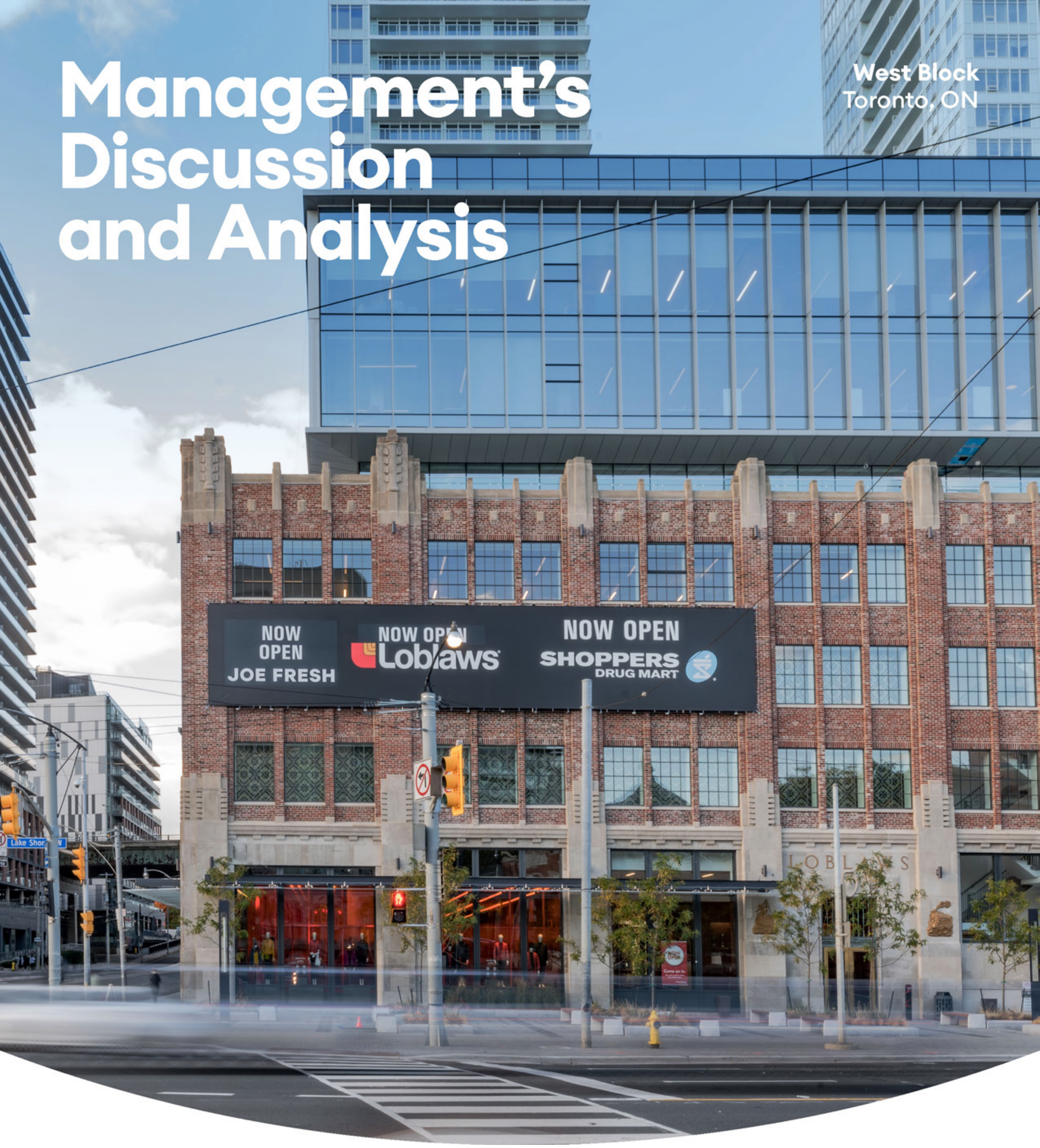
2021 Third Quarter Report

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 and nine months ended September 30, 2021 and accompanying notes ("Q3 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' Q3 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 Third 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 Third 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 April 30, 2021, as may be amended, supplemented or restated from time to time (the "Declaration of Trust"). Choice Properties' Trust Units are listed on the Toronto Stock Exchange ("TSX") and are traded under the symbol "CHP.UN".

George Weston Limited ("GWL") is the controlling unitholder of the Trust and the controlling shareholder of Loblaw Companies Limited ("Loblaw"), the Trust's largest tenant. As of September 30, 2021, GWL held a 61.7% direct effective interest in Choice Properties. Choice Properties' ultimate parent is Wittington Investments, Limited ("Wittington"), the controlling shareholder of GWL.

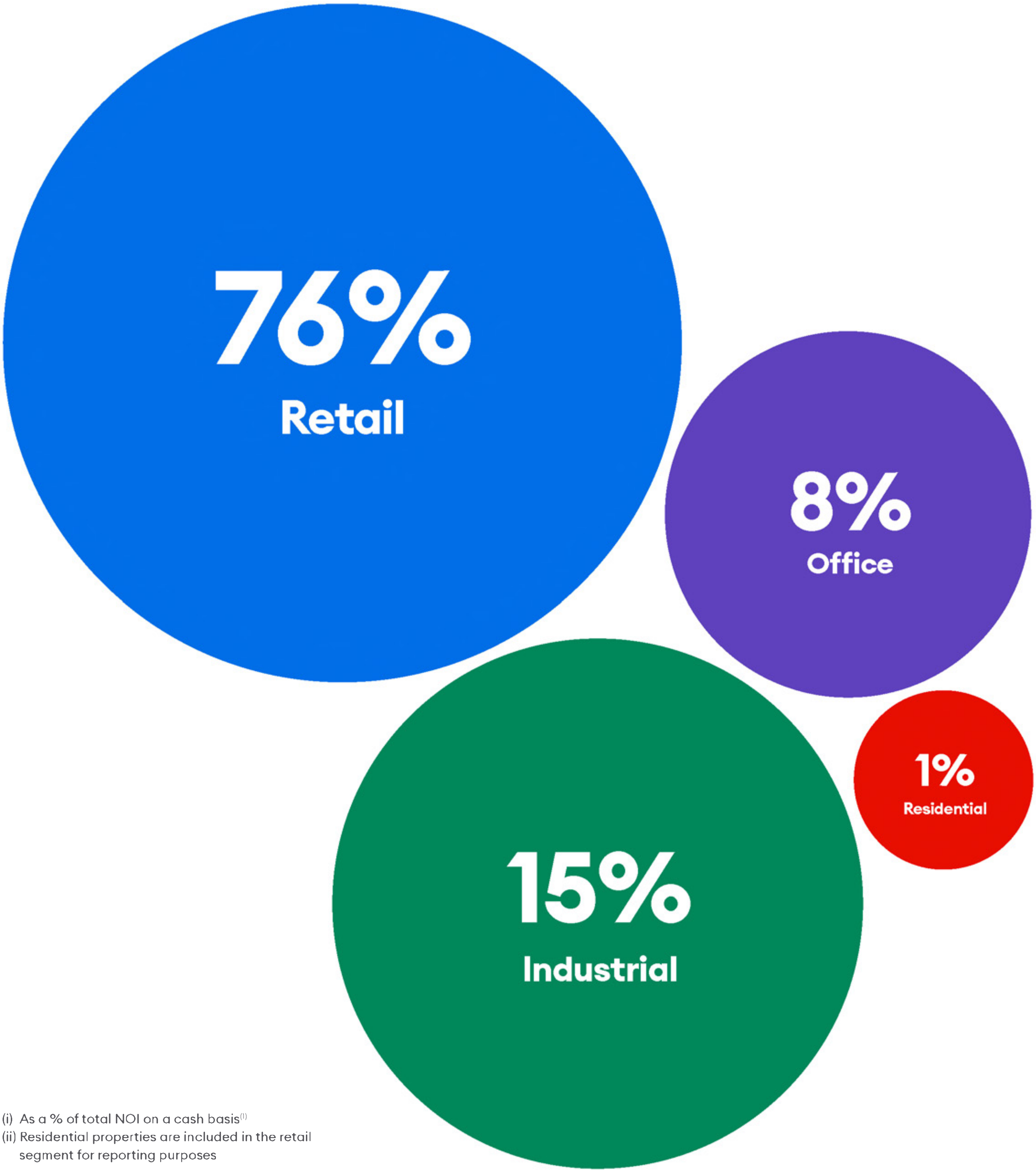
Additional information about Choice Properties has been filed electronically with the Canadian securities regulatory authorities through the System for Electronic Document Analysis and Retrieval ("SEDAR") and is available online at www.sedar.com.

The information in this MD&A is current to November 3, 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 September 30, 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	70%	Loblaws, Shoppers Drug Mart, Sobeys, metro, Rexall, save on foods
Specialty Retailers	6%	Canadian Tire, staples, Indigo, petvalu, Best Buy, Michaels
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, Kumon
Restaurants & Cafes	4%	Recipe, rbi restaurant brands international, Starbucks, McDonald's, A&W, Subway
Furniture & Home	4%	Lowe's, Leon's, HomeSense, Sleep Country, The Home Depot, Bed Bath & Beyond
Other	2%	
Total	**100%**	

Calculated as a % of total NOI on a cash basis[1] for the three months ended September 30, 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: Horizon Business Park, Edmonton, AB
Middle: 175 Bloor St E, Toronto, ON
Bottom: Rendering of Element, Ottawa, ON

Our Portfolio Mix

Segment	Properties	Occupancy	sq. ft. GLA
Retail	576 Properties	97.4% Occupancy	45.3M sq. ft. GLA
Industrial	122 Properties	97.6% Occupancy	17.3M sq. ft. GLA
Office	16 Properties	88.7% Occupancy	3.6M sq. ft. GLA
Residential(i)	4 Properties		0.3M sq. ft. GLA
Total	718 Income Producing Properties	97.0% Occupancy	66.5M 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 ten intensification projects under active construction.

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 seven active greenfield developments.

Mixed-Use

Choice Properties currently has a number of sites planned for mixed-use development with seven of these sites in an active pre-development stage. These properties are in key urban markets, including six 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.

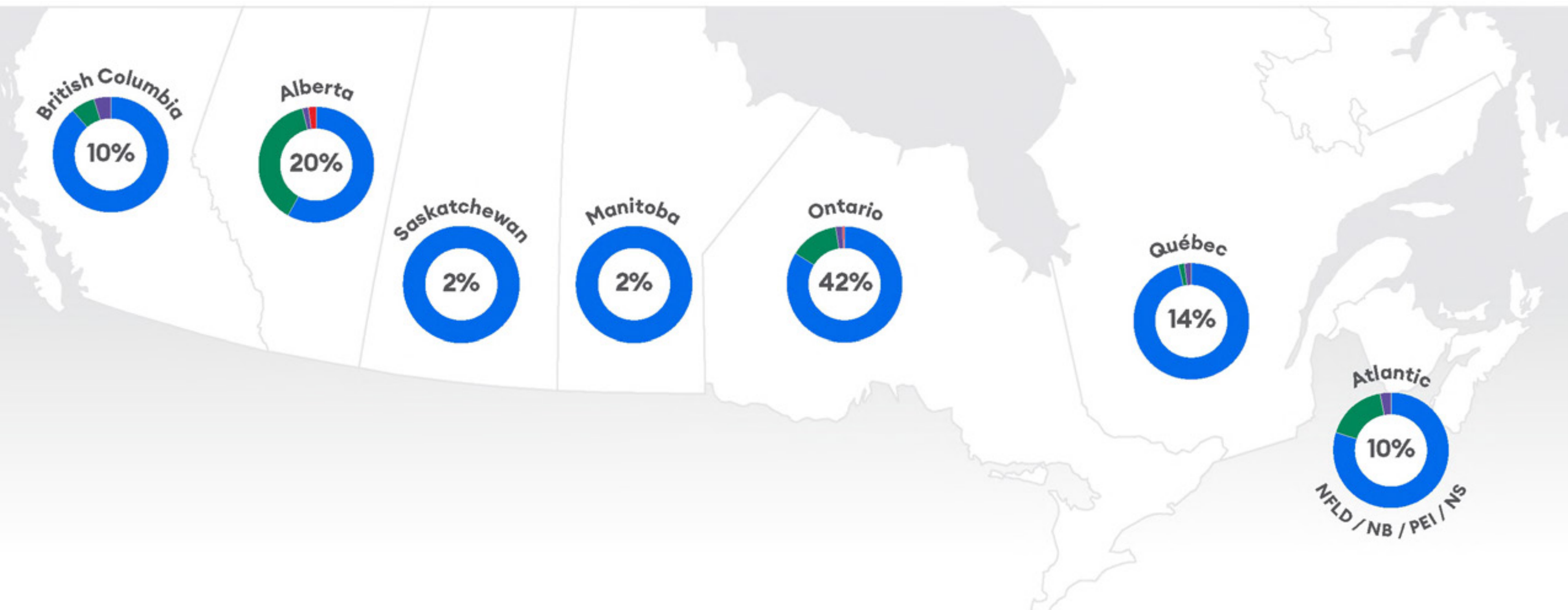
Residential

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.

Rendering of
Grenville& Grosvenor
Toronto, ON

Ownership by Asset Class and Geography

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



Retail Industrial Office Residential

	British Columbia	Alberta	Saskatchewan	Manitoba	Ontario	Quebec	Atlantic
Total	**47**	**137**	**17**	**14**	**289**	**113**	**101**
Retail	42	79	17	14	236	107	81
Industrial	3	54	0	0	43	4	18
Office	2	2	0	0	8	2	2
Residential	0	2	0	0	2	0	0

576 Retail

122 Industrial

16 Office

4 Residential

(i) For the three months ended September 30, 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 and oversees the integration of ESG into business operations, including the 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 Trust's Board and management are dedicated to strong governance practices designed to maintain high standards of oversight, accountability, integrity and ethics. Details regarding the Trust's governance practices can be found in the Trust's 2020 Management Proxy Circular.

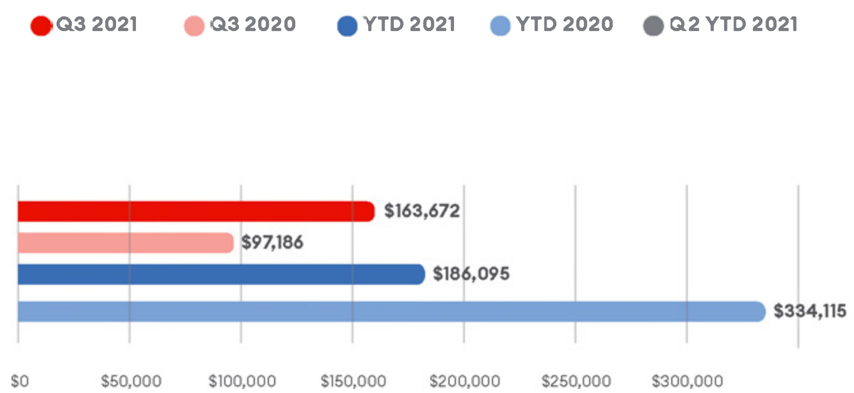
The Board oversees the Trust's ESG program. The Board also oversees the Trust's Enterprise Risk Management program, which identifies and manages risks relevant to ESG matters, including risks stemming from climate change.

The Governance Committee of the Board reviews the Trust's ESG Report on an annual basis, while the Audit Committee of the Board reviews with management the adequacy and effectiveness of applicable controls related to the Trust's ESG disclosure.

In 2021, Choice Properties achieved a GRESB Real Estate Assessment score of 78, which represents a 37% improvement from its initial submission in 2019. Choice Properties also received an 'A' rating, the highest GRESB public disclosure score, ranking first quartile among its Canadian retail peers.

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.

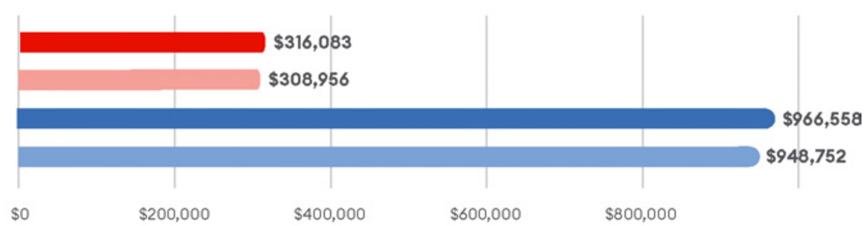


Net Income (Loss)

The quarterly increase compared to the prior year was mainly due to a $31.4 million favourable change in the adjustment to the fair value of the Trust's Exchangeable Units and a $33.1 million favourable change in the fair value of investment properties (including those held within equity accounted joint ventures), a decline in bad debt expense, and an increase in rental revenue as discussed below.

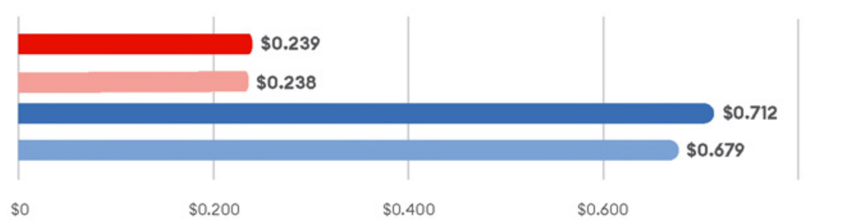
The year-to-date decrease compared to the prior year was mainly due to a $931.4 million unfavourable change in the adjustment to the fair value of the Trust's Exchangeable Units, partially offset by a $753.8 million favourable change in the fair value of investment properties (including those held within equity accounted joint ventures), a decline in bad debt expense and an increase in rental revenue as discussed below.

Rental Revenue (GAAP)



The quarterly and year-to-date increases were mainly due to the net contribution from acquisitions and development transfers completed in the past 12 months, partially offset by declines due to foregone revenue from dispositions and vacancies in select retail and office assets.

FFO Per Unit Diluted[1]



Funds from operations increased by $3.5 million compared to the prior year quarter primarily due to a $3.8 million decline in bad debt expense and contributions from development transfers and transaction activity, partially offset by a decline in straight line rental revenue.

On a year-to-date basis, funds from operations increased by $34.6 million mainly due to a $15.5 million decrease in bad debt expense, savings from lower borrowing costs and contributions from development transfers and transaction activity. The prior year results were impacted by non-recurring expense items, including a $7.8 million allowance for expected credit losses on a specific mortgage receivable, and $6.8 million in early redemption premiums paid in June 2020 for two senior unsecured debentures that would have matured in 2021.

On a per unit basis, the Trust had a higher weighted average number of units outstanding as at September 30, 2021, 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 a wholly-owned subsidiary of GWL in December 2020.

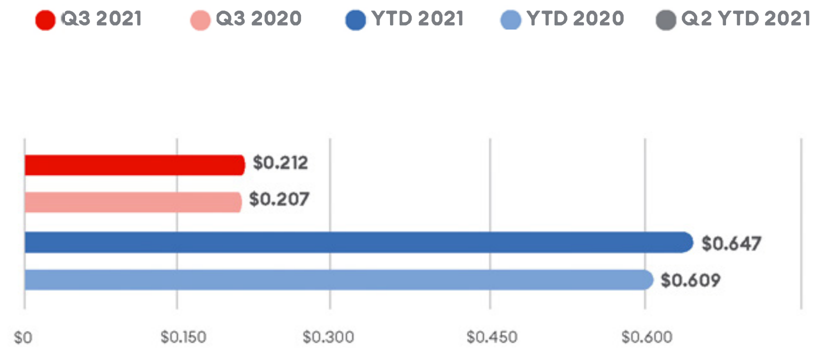
* As at and for the three and nine months ended September 30, 2021 and 2020 ($ thousands except where otherwise indicated)

AFFO Per Unit Diluted[1]

Adjusted funds from operations increased compared to the prior year on both a quarterly and year-to-date basis primarily due to an increase in FFO and reductions in straight line rental revenue, tenant improvement costs and direct leasing costs, partially offset by increased spending on property capital.

The increase on a per unit basis was partially offset by a higher weighted average number of units outstanding as at September 30, 2021, as discussed above.

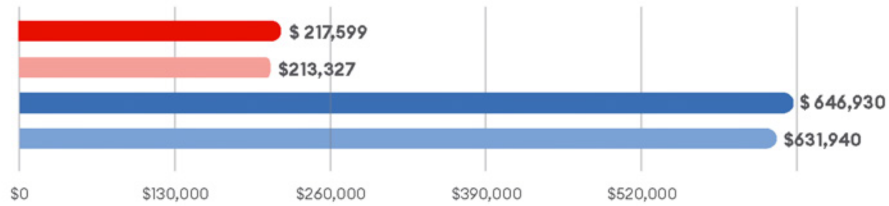
For the three and nine months ended September 30, 2021, the AFFO payout ratio was 87.1% and 85.8%, respectively.



Same-Asset NOI, Cash Basis[1]

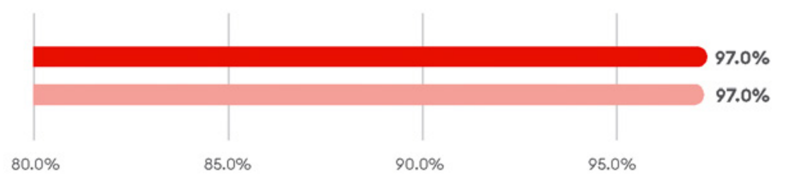
The increase of 2.0% and 2.4% for the three and nine months ended September 30, 2021, respectively, was mainly due to a decline in bad debt expense and the contribution from contractual rental steps in the retail segment, partially offset by a reduction in occupancy across select office assets. The results on a year-to-date basis were also impacted by lower parking revenue in the office portfolio.

Excluding bad debt expense, same-asset NOI on a cash basis increased by 0.3% and nil for the three and nine months ended September 30, 2021.



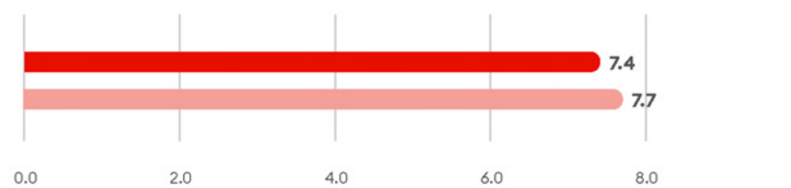
Period End Occupancy

Overall period end occupancy was stable compared to the prior year as increased leasing in the Ontario and Alberta industrial portfolios, and contributions from development transfers, were partially offset by vacancies in the national office portfolio.



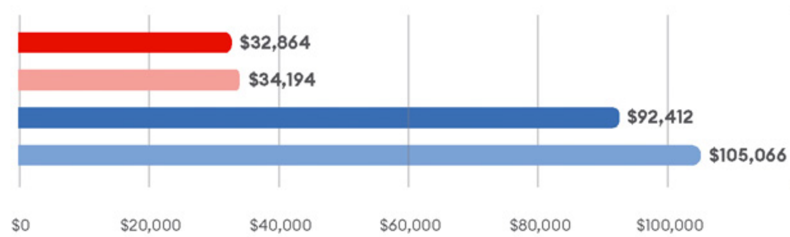
Adjusted Debt to EBITDAFV[1]

The improvement is primarily due to a decline in bad debt expense in the 12-month period ended September 30, 2021, coupled with a reduction in debt from the redemption of the $200 million series 9 senior unsecured debentures in June 2021.



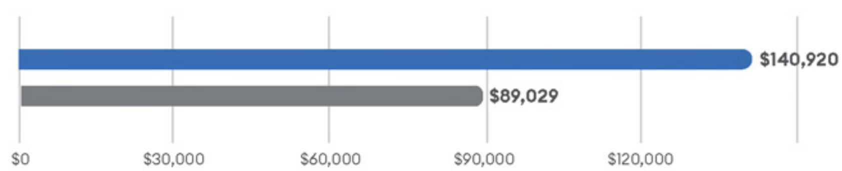
Development Spending (Proportionate)[1]

Development activity reflects spending on active projects during the three and nine months ended September 30, 2021 and 2020.



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

During the three months ended September 30, 2021, the Trust transferred from properties under development to income producing: (i) a 16,800 square foot pad at a retail site in Guelph, Ontario, and (ii) a 93 unit residential building at The Brixton in Toronto, Ontario.



Third Quarter Financial Performance

During the three months ended September 30, 2021

Operating

- Reported net income for the quarter of $163.7 million. Included in this amount was a $51.4 million adjustment due to a favourable change in the fair value of investment properties on a proportionate share basis[1], a $15.8 million adjustment to the fair value of the Exchangeable Units attributable to the unit price decrease for Choice Properties during the quarter and $0.5 million from a reversal of the expected credit loss provision for a specific mezzanine loan, partially offset by $1.0 million in bad debt expense on a proportionate share basis[1].
- Reported FFO per unit diluted[1] for the quarter was $0.239. Excluding the effect of bad debt expense, FFO per unit diluted would have been $0.240.
- FFO[1] increased by $3.5 million from the third quarter of 2020, primarily due to a $3.8 million decline in bad debt expense and contributions from transaction activity, partially offset by a decline in straight line rental revenue.
- AFFO per unit diluted[1] for the quarter was $0.212. The increase in AFFO[1] from prior year primarily reflects the year-over-year increase in FFO as noted above and reductions in straight line rental revenue, tenant improvement costs and direct leasing costs, partially offset by increased spending on property capital.
- Same-asset NOI on a cash basis[1] increased by 2.0% compared with the third quarter in 2020, primarily due to a decline in bad debt expense and the contribution from contractual rental steps in the retail segment, partially offset by a reduction in occupancy across select office assets. Same-asset NOI on a cash basis, excluding bad debt expense[1], increased by 0.3%.
- Period end occupancy remained strong at 97.0% at September 30, 2021, with retail at 97.4%, industrial at 97.6% and office at 88.7%. Period end occupancy at September 30, 2020 was 97.0%.
- Net fair value gain on investment properties was $51.4 million on a proportionate share basis[1] mainly due to fair value gains related to the ongoing capital recycling program of non-strategic retail assets in secondary and tertiary markets.

Financing

- Discharged a $34.9 million mortgage at maturity, which was bearing interest at 4.55%.
- Borrowed an additional $17.1 million (at share) through construction draws at various development projects during the quarter at a weighted average effective interest rate of 2.07%.
- Ended the quarter with debt-to-gross book value[1] at 41.0%, and adjusted debt to EBITDAFV[1] and interest coverage ratios[1] of 7.4 and 3.8 times, respectively.
- Strong liquidity position with approximately $52.9 million in cash and cash equivalents, $1.3 billion of available credit and a $12.8 billion pool of unencumbered properties on a proportionate share basis[1].

Investing

- Completed a strategic acquisition from a third party of a retail property in Toronto, Ontario, that is adjacent to an existing Loblaw-anchored site for $31.6 million.
- Advanced a $41.6 million mezzanine loan to a development partner. The mezzanine loan is primarily secured by, and has an equity conversion right for a 75% ownership interest in, 154 acres of future industrial development land in East Gwillimbury, Ontario.
- Ongoing investment in the development program with $32.9 million of spending during the quarter on a proportionate share basis[1].
- Transferred $51.9 million of properties under development to income producing status during the quarter on a proportionate share basis[i]. This included a 16,800 square foot pad at a retail site in Guelph, Ontario, and a 93 unit residential building at The Brixton in Toronto, Ontario.
- Sold a vacant land parcel in Kanata, Ontario, for $4.1 million.

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 September 30, 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 ($ thousands except where otherwise indicated)		**September 30, 2021**		September 30, 2020
Number of income producing properties		**718**		707
GLA (in millions of square feet)		**66.5**		66.1
Occupancy*		**97.0%**		97.0%
Total assets (GAAP)	**$**	**16,164,340**	$	15,364,646
Total liabilities (GAAP)	**$**	**(12,634,985)**	$	(11,899,869)
Rental revenue (GAAP)	**$**	**316,083**	$	308,956
Net income (loss)	**$**	**163,672**	$	97,186
Net income (loss) per unit diluted	**$**	**0.226**	$	0.137
FFO(1) per unit diluted*	**$**	**0.239**	$	0.238
FFO(1) payout ratio*		**77.5%**		78.4%
AFFO(1) per unit diluted*	**$**	**0.212**	$	0.207
AFFO(1) payout ratio*		**87.1%**		89.9%
Distribution declared per Unit	**$**	**0.185**	$	0.185
Weighted average number of Units outstanding – diluted		**723,346,150**		711,582,778
Adjusted debt to total assets(i)*		**41.0%**		43.8%
Debt service coverage(i)*		**3.3x**		3.0x
Adjusted Debt to EBITDAFV(1)(i)(ii)*		**7.4x**		7.7x
Indebtedness(iii) – weighted average term to maturity*		**5.3 years**		6.1 years
Indebtedness(iii) – weighted average interest rate*		**3.64%**		3.65%

* 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) Adjusted Debt to EBITDAFV, net of cash, was 7.4x at September 30, 2021 and 7.7x at September 30, 2020.
(iii) 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:

	As at September 30, 2021			As at December 31, 2020		
($ thousands)	GAAP Basis	Reconciliation	Proportionate Share Basis[1]	GAAP Basis	Reconciliation	Proportionate Share Basis[1]
Assets						
Investment properties	$ 14,969,000	$ 1,059,000	$ 16,028,000	$ 14,389,000	$ 1,015,000	$ 15,404,000
Equity accounted joint ventures	576,592	(576,592)	—	573,649	(573,649)	—
Financial real estate assets	69,035	(69,035)	—	68,373	(68,373)	—
Mortgages, loans and notes receivable	354,013	—	354,013	263,946	—	263,946
Intangible assets	28,250	—	28,250	29,000	—	29,000
Accounts receivable and other assets	138,376	(1,802)	136,574	116,055	562	116,617
Cash and cash equivalents	29,074	23,868	52,942	207,219	16,498	223,717
Total Assets	$ 16,164,340	$ 435,439	$ 16,599,779	$ 15,647,242	$ 390,038	$ 16,037,280
Liabilities and Equity						
Long term debt	$ 6,238,867	$ 399,041	$ 6,637,908	$ 6,485,521	$ 363,450	$ 6,848,971
Credit facility	185,869	—	185,869	—	—	—
Exchangeable Units	5,639,958	—	5,639,958	5,149,182	—	5,149,182
Trade payables and other liabilities	570,291	36,398	606,689	489,999	26,588	516,587
Total Liabilities	12,634,985	435,439	13,070,424	12,124,702	390,038	12,514,740
Equity						
Unitholders' equity	3,529,355	—	3,529,355	3,514,739	—	3,514,739
Non-controlling interests	—	—	—	7,801	—	7,801
Total Equity	3,529,355	—	3,529,355	3,522,540	—	3,522,540
Total Liabilities and Equity	$ 16,164,340	$ 435,439	$ 16,599,779	$ 15,647,242	$ 390,038	$ 16,037,280

Balance Sheet Analysis (GAAP Basis)

Line Item	$ Change	Variance Commentary
Investment properties	$ 580,000	The increase compared to December 31, 2020 is primarily attributable to a favourable fair value adjustment on investment properties of $362.5 million, transfers from equity accounted joint ventures of $143.1 million, development and operating capital expenditures of $69.4 million, acquisitions of $31.6 million and straight line rent amortization of $7.6 million, partially offset by dispositions of $34.1 million.
Equity accounted joint ventures	2,943	During the year, the Trust: (i) Completed the acquisition in March 2021 of an 85% interest in a new equity accounted joint venture for $138.0 million; (ii) Contributed an additional $32.2 million to the joint ventures, primarily to fund ongoing development activities; (iii) Recognized favourable adjustments in the fair value for properties held in equity accounted joint ventures of $30.5 million; (iv) Completed the acquisition in February 2021 of its joint venture partner's 50% interest in two industrial buildings in Calgary, Alberta, for $23.4 million, thereby bringing the Trust's ownership interest to 100%; and, (v) Earned $18.1 million in income from the equity accounted joint ventures. The above items were partially offset by: (i) Upon obtaining control of the joint venture in February 2021, the Trust transferred the entire property to consolidated investments, at its carrying value of $143.1 million; and (ii) Received distributions of $98.0 million year-to-date, 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 in February 2021.
Financial real estate assets	662	The increase was due to a combination of changes in fair value and additions made to the portfolio of financial real estate assets during the year.
Mortgages, loans and notes receivable	90,067	The increase was primarily due to $170.8 million of notes receivable advanced to GWL as part of the deferral of distributions paid on the Exchangeable Units in the current year and a $41.6 million mortgage receivable advanced to a third-party borrower in September 2021. These advances were partially offset by the repayment of GWL's prior year outstanding notes receivable balance of $96.2 million in January 2021. In addition, repayments were made during the year on other mortgages and loans receivable, including the settlement of a specific mortgage receivable upon acquisition of the underlying investment property in the first quarter.
Intangible assets	(750)	The decrease was attributable to amortization of the Trust's intangible assets during the period.
Working Capital	(236,116)	Net change was primarily due to a reduction in cash and short-term investments, as excess cash was utilized in the redemption of the $200.0 million series 9 senior unsecured debentures and for development and transaction activity.
Long term debt and credit facility	(60,785)	Net decrease was primarily attributable to the redemption of the $200.0 million series 9 senior unsecured debentures and the repayment of a $34.9 million mortgage on maturity in July 2021, in addition to regular principal repayments on mortgages outstanding. The decrease was partially offset by draws on the credit facility and upfinancing and takeout financing of various mortgage and construction loans during the year.
Exchangeable Units	490,776	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	14,616	Net increase was primarily due to year-to-date net income, partially offset by the distributions to Unitholders.

3. INVESTMENT PROPERTIES

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

	Three Months			Nine Months		
As at or for the period ended September 30, 2021 ($ thousands)	Income producing properties	Properties under development	Investment Properties[i]	Income producing properties	Properties under development	Investment Properties[i]
GAAP balance, beginning of period	$14,685,000	$ 189,000	**$ 14,874,000**	$ 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]	684,000	341,000	**1,025,000**	728,000	287,000	**1,015,000**
Non-GAAP proportionate share balance[1], beginning of period	15,369,000	530,000	**15,899,000**	14,927,000	477,000	**15,404,000**
Acquisitions of investment properties[ii]	31,574	—	**31,574**	56,949	138,000	**194,949**
Capital expenditures						
Development capital[iii]	—	31,614	**31,614**	—	88,719	**88,719**
Building improvements	307	—	**307**	2,427	—	**2,427**
Capitalized interest[iv]	—	1,250	**1,250**	—	3,693	**3,693**
Operating capital expenditures						
Property capital	13,976	—	**13,976**	18,841	—	**18,841**
Direct leasing costs	1,443	—	**1,443**	4,863	—	**4,863**
Tenant improvement allowances	425	—	**425**	8,990	—	**8,990**
Amortization of straight-line rent	1,186	—	**1,186**	8,973	—	**8,973**
Transfers from properties under development[v]	51,891	(51,891)	**—**	140,920	(140,920)	**—**
Dispositions	—	(4,147)	**(4,147)**	—	(100,523)	**(100,523)**
Adjustment to fair value of investment properties	39,198	12,174	**51,372**	340,037	53,031	**393,068**
Non-GAAP proportionate share balance[1], September 30, 2021	**$15,509,000**	**$ 519,000**	**$ 16,028,000**	**$ 15,509,000**	**$ 519,000**	**$ 16,028,000**

(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 $1,047 and $1,948 of site intensification payments paid to Loblaw for the three and nine months ended September 30, 2021 (December 31, 2020 - $995).
(iv) Interest was capitalized to qualifying development projects based on a weighted average interest rate of 3.67% (December 31, 2020 - 3.70%).
(v) Transfers from properties under development for the three and nine months ended September 30, 2021, included fair value adjustments recognized within properties under development of $3,162.

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 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.

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

Valuations are most sensitive to changes in capitalization rates. The valuation inputs, including capitalization rates, discount rates, and market leasing assumptions, 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 September 30, 2021	**Retail**	**Industrial**	**Office**	**Total Investment Properties**
Discount rate	**6.95%**	**6.08%**	**6.21%**	**6.73%**
Terminal capitalization rate	**6.21%**	**5.47%**	**5.33%**	**6.00%**
Overall capitalization rate	**6.04%**	**5.22%**	**5.16%**	**5.82%**

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 $51.4 million and $393.1 million for the three and nine months ended September 30, 2021, respectively, on a proportionate share basis[1]. The Trust revalued its portfolio primarily through adjustments to contractual changes in cash flows, changes in market rent assumptions, pending transactions and macro considerations.

For the three months ended September 30, 2021, the adjustment to fair value on investment properties was mainly due to gains related to the ongoing capital recycling program of non-strategic retail assets in secondary and tertiary markets.

On a year-to-date basis, fair value gains recognized were mainly related to the readjustment of certain leasing assumptions and investment parameters, specifically in the Greater Toronto Area industrial portfolio. In response to the rising demand for industrial space in the Greater Toronto Area, the Trust applied adjustments to reflect the income growth and capital appreciation of its industrial assets through market rent and growth projections as well as capitalization rate and yield compression. The Trust recognized a total fair value gain of $258.7 million within its overall industrial portfolio primarily due to fair value increases on large bay product in the primary markets of Toronto, Vancouver and Montreal.

Grocery-anchored retail continued to demonstrate ongoing resilience, resulting in stable fair values in the quarter. For the office portfolio, the ongoing uncertainty regarding return to work is reflected through tempered market leasing assumptions.

3.2 Investment Property Transactions

Acquisitions of Investment Properties

The following table summarizes the investment properties acquired in the nine months ended September 30, 2021:

($ thousands except where otherwise indicated)						Consideration		
Location	Date of Acquisition	Segment	Ownership Interest Acquired	GLA (square feet)	Purchase Price incl. Related Costs	Mortgage Receivable Settlement	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
Toronto, ON	Sep 2	Retail	100%	12,099	31,574	—	—	31,574
Total acquisitions				**289,775**	**$ 194,949**	**$ 4,846**	**$ 38,000**	**$ 152,103**

(i) The acquisition was funded through a $100.0 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.

Dispositions of Investment Properties

The following table summarizes the investment properties disposed in the nine months ended September 30, 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
Richmond Hill, ON	Feb 1	Land	50%	66,375	66,375
Brampton, ON	Mar 31	Land	50%	5,000	5,000
Kanata, ON	Aug 19	Land	50%	4,147	4,147
Total dispositions				**$ 100,522**	**$ 100,522**

(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 nine months ended September 30, 2021, Choice Properties completed a total of $137.8 million in development projects at cost, delivering 141,415 square feet of retail space and 165 residential units with an expected stabilized yield of 6.4%[(2)].

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

During the three and nine months ended September 30, 2021, there were no material changes to the previously disclosed ranges for expected stabilized yields for completed developments and there were no events in the period that would cause actual results to materially differ from those previously disclosed.

During the third quarter, the Trust completed the second of three rental residential buildings comprising 93 units at The Brixton. The Brixton is well located in the West Queen West neighbourhood of Toronto, offering luxury rental residential living with close proximity to major public transit and the downtown core. The Trust also delivered 16,820 square feet of retail space in Guelph, Ontario, during the quarter.

For the nine months ended September 30, 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)	Transferred Residential Units	Cost of assets transferred	Expected stabilized yield[(2)]
Commercial						
Retail						
Sunwapta West, Edmonton, AB	Q1 2021	50 %	N/A[(i)]	N/A	$ 13,415	5.7 %
Mavis Rd. and Elmcreek Rd., Mississauga, ON	Q1 2021	100 %	20,413	N/A	7,615	9.7 %
Pioneer Park Dr., Kitchener, ON	Q1 2021	100 %	8,325	N/A	2,883	8.6 %
9th Street E., Cornwall, ON	Q1 2021	100 %	6,529	N/A	2,010	9.8 %
Harvest Hills Market, Edmonton, AB	Q2 2021	50 %	48,546	N/A	12,634	6.5 %
Harvest Pointe, Edmonton, AB	Q2 2021	50 %	17,976	N/A	5,943	6.0 %
West Block, Toronto, ON	Q2 2021	100 %	22,806	N/A	11,549	9.7 %
Clair Rd., Guelph, ON	Q3 2021	100 %	16,820	N/A	6,233	7.0 %
Subtotal commercial development			**141,415**		**62,282**	**7.5 %**
Residential						
The Brixton, Toronto, ON[(ii)]	Q2 & Q3 2021	47 %	110,133	165	75,476	4.5 %
Subtotal residential development			**110,133**	**165**	**75,476**	**4.5 %**
Total transferred properties at cost			**251,548**	**165**	**$ 137,758**	**6.4 %**
Total transfers at fair value within income producing properties					**$ 166,292**	

(i) The development was a land lease which is excluded from the total portfolio square footage for lease reporting purposes.
(ii) Completed development includes two of the three residential buildings that were under construction at The Brixton.

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 September 30, 2021, is summarized below:

($ thousands except where otherwise indicated)		GLA(i)(ii) (square feet)	Investment(i)(iii)		
Project type	**Section**	**Estimated upon completion(2)**	**To-date**	**Estimated cost to completion(2)**	**Estimated total**
Projects under active development					
Commercial	3.5	597,000	$ 18,791	$ 110,400	$ 129,191
Residential	3.5	443,000	119,875	132,000	251,875
Subtotal projects under active development		**1,040,000**	**138,666**	**242,400**	**381,066**
Developments in planning					
Commercial	3.6		201,614		
Residential and Mixed-Use	3.7	10,451,000	99,891		
Subtotal developments in planning		**10,451,000**	**301,505**		
Total development - cost		**11,491,000**	**$ 440,171**		
Total development - fair value			**$ 519,000**		

(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 17 active commercial projects and four active residential projects. Upon completion, the projects under active development are expected to deliver a total of 597,000 square feet of commercial space and 577 residential units at the Trust's ownership share. The Trust has invested a total of $138.7 million to date and is expected to invest an additional $242.4 million over the next one to two years to complete these projects(2).

During the three and nine months ended September 30, 2021, there were no material changes to the previously disclosed ranges for expected stabilized yields for active developments and there were no events in the period that would cause actual results to materially differ from those previously disclosed.

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 industrial land. The Trust currently has 597,000 square feet of active commercial development, which is expected to be completed in the next one to two years(2).

In the quarter, the Trust commenced the active development of eight new retail intensification projects in Alberta, Ontario and Nova Scotia. Upon completion, these new projects are expected to deliver 55,000 square feet of necessity-based retail including three new Shoppers Drug Mart locations. Construction on these sites is expected to commence in the next six to twelve months(2).

The following table details the Trust's commercial projects under active development on a proportionate share basis(1) as of September 30, 2021:

($ thousands except where otherwise indicated)				GLA(i) (square feet)		Investment(i)(ii)			
	Project / Location	Ownership %	Expected completion date (iii)	Estimated upon completion(2)	% Leased	To-date	Estimated cost to completion(2)	Estimated total	Expected stabilized yield(2)
	Retail								
1	Erin Ridge, St. Albert, AB	50%	H1 2022	4,000	100 %	$ 755	$ 1,500	$ 2,255	8.50%-9.00%
2	Glen Erin Dr., Mississauga, ON	100%	H1 2022	17,000	100 %	1,518	4,300	5,818	7.00%-7.50%
3	Harvest Pointe, Edmonton, AB	50%	H1 & H2 2022	8,000	100 %	1,771	1,800	3,571	5.50%-6.00%
4	Harvest Hills Market, Edmonton, AB	50%	H1 & H2 2022	7,000	100 %	1,414	1,800	3,214	9.00%-9.50%
5	Calgary Trail, Edmonton, AB	100%	H2 2022	15,000	100 %	—	3,700	3,700	6.25%-6.75%
6	Sunwapta Centre, Edmonton, AB	50%	H2 2022	N/A(iv)	100 %	881	400	1,281	9.00%-9.50%
7	Cornerstone, Olds, AB	50%	H2 2022	N/A(iv)	100 %	—	400	400	9.00%-9.50%
8	Hwy 88 West, Bradford, ON	100%	H2 2022	13,000	100 %	—	4,800	4,800	6.75%-7.25%
9	Oshawa Gateway, Oshawa, ON	50%	H2 2022	7,000	100 %	1,350	2,200	3,550	6.25%-6.75%
10	Jocelyn Rd., Port Hope, ON	100%	H2 2022	15,000	100 %	—	4,600	4,600	6.75%-7.25%
11	Portland St., Dartmouth, NS	100%	H1 2023	5,000	100 %	12	1,700	1,712	8.50%-9.00%
12	Joseph Howe Dr., Halifax, NS	100%	H1 2023	5,000	100 %	18	1,400	1,418	11.00%-11.50%
13	20th Sideroad, Innisfil, ON	100%	H1 2023	N/A(iv)	100 %	5	700	705	21.50%-22.00%
14	Guelph St., Georgetown, ON	100%	H2 2023	26,000	100 %	—	7,900	7,900	8.50%-9.00%
15	Oxford St. E., London, ON	100%	H2 2023	15,000	100 %	—	4,900	4,900	6.75%-7.25%
	Subtotal retail developments			**137,000**		**7,724**	**42,100**	**49,824**	**7.50%-8.00%**
	Industrial								
1	Horizon Business Park, Edmonton, AB	50%	H2 2022	107,000	— %	7,284	4,500	11,784	6.50%-7.00%
2	190th St., Surrey, BC	100%	H1 2023	353,000	— %	3,783	63,800	67,583	6.00%-6.50%
	Subtotal industrial developments			**460,000**		**11,067**	**68,300**	**79,367**	**6.25%-6.75%**
	Total active commercial developments			**597,000**		**$ 18,791**	**$ 110,400**	**$ 129,191**	**6.75%-7.25%**

(i) Choice Properties' share.
(ii) Compiled on a non-GAAP proportionate share basis(1). Investment to-date was compiled on a cash basis, excluding adjustments to fair value of on-going projects.
(iii) H1 represents the first six months of the year. H2 represents the last six months of the year.
(iv) The development is a land lease which is excluded from the total portfolio square footage for lease reporting purposes.

Projects Under Active Development - Residential

Choice Properties has four residential projects under active development. Progress continues at Liberty House and The Brixton in Toronto, Ontario, with the the Trust expecting to complete and take first occupancy at Liberty House, as well as the third and final building at The Brixton in the fourth quarter of 2021[(2)]. Construction continues at Bovaird West in Brampton, Ontario, with completion of below grade construction and at Element in Ottawa, Ontario, the vertical structure nearing completion.

The following table details the Trust's residential projects under active development on a proportionate share basis[(1)] as of September 30, 2021:

($ thousands except where otherwise indicated)				GLA[(i)] (square feet)	Investment[(i) (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 %	H2 2021	22	79,000	$ 19,234	$ 6,000	$ 25,234	4.50%-5.00%
2 Liberty House, Toronto, ON [(iv)]	47 %	H2 2021	207	128,000	70,925	10,000	80,925	4.50%-5.00%
3 Bovaird West, Brampton, ON [(v)]	50 %	H2 2023	222	150,000	17,841	74,000	91,841	4.00%-4.50%
4 Element, Ottawa, ON	50 %	H2 2023	126	86,000	11,875	42,000	53,875	4.75%-5.25%
Total residential			**577**	**443,000**	**$ 119,875**	**$ 132,000**	**$ 251,875**	**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) To date, two residential buildings have been completed. One residential building remains under development. 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) 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 September 30, 2021, the Trust has identified 15 sites with potential for future commercial development. This includes 13 opportunities at existing retail sites and 2 at existing industrial sites. 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 $201.6 million on these sites.

($ thousands except where otherwise indicated)		
Project Type	**Number of Sites**	**Investment To-date[(i)(ii)]**
Retail	13	$ 52,236
Industrial	2	149,378
Total commercial development in planning	**15**	**$ 201,614**

(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 quarter, the Trust submitted zoning applications at Broadview Ave. and Parkway Forest Dr. in Toronto, Ontario, representing total density of over 0.5 million square feet and 670 residential units.

The Trust has obtained zoning approval on one residential development and has submitted applications for eight residential and mixed-use projects. A total of $99.9 million has been invested to date on land acquisition and initial development and planning costs.

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

($ thousands except where otherwise indicated)						Estimated GLA(i)(ii) ('000 square feet)			Investment to-date (i)(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	$ 6,521
Subtotal zoning approved				**0.3**	**100**	**5**	**64**	**69**	**6,521**
Zoning applications submitted									
1	Broadview Ave.,Toronto, ON	Mixed-use	100 %	3.3	500	23	409	432	1,805
2	Dundas St. W., Toronto, ON	Mixed-use	100 %	13.0	2,600	900	1,600	2,500	37,267
3	Eglinton Ave. E., Toronto, ON	Mixed-use	100 %	19.0	3,800	300	3,200	3,500	8,176
4	Grenville & Grosvenor, Toronto, ON	Residential	50 %	0.5	385	17	319	337	27,673
5	Parkway Forest Dr., Toronto, ON	Residential	50 %	0.6	170	—	95	95	269
6	Photography Dr., Toronto, ON	Mixed-use	100 %	7.7	2,400	50	2,000	2,050	2,681
7	Warden Ave., Toronto, ON	Residential	100 %	6.5	1,500	10	1,100	1,110	10,402
8	Woodbine Ave., Toronto, ON	Mixed-use	100 %	1.7	400	23	334	357	3,192
Subtotal zoning applications submitted				**52.3**	**11,755**	**1,323**	**9,057**	**10,381**	**91,465**
Zoning applications to be submitted									
1	North Rd., Coquitlam, BC	Mixed-use	100 %	7.8	—	—	—	—	740
2	South Service Rd., Mississauga, ON	Mixed-use	100 %	10.4	—	—	—	—	1,165
Subtotal zoning applications to be submitted				**18.2**	**—**	**—**	**—**	**—**	**1,905**
Total mixed-use projects in planning				**70.8**	**11,855**	**1,328**	**9,121**	**10,450**	**$ 99,891**

(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 September 30, 2021, the Trust has invested a total of $6.5 million to date and expects construction to commence in the next 6-12 months.

Zoning Applications Submitted

Choice Properties has submitted zoning applications for five mixed-use and three residential developments in Toronto, Ontario. As of September 30, 2021, the Trust has invested a total of $91.5 million to date on land acquisition and initial development and planning costs.

Project / Location	Description
Broadview Avenue, Toronto, ON	The approximately 3 acre site is located at the southwest corner of Danforth Avenue and Broadview Avenue in Toronto's east end and is situated less than 150 metres from the Broadview TTC subway station. The current development proposal includes one residential tower, a new grocery store and a public park. The submitted application proposes 0.4 million square feet of total ground floor area, and approximately 500 residential units. The Trust continues to refine the vision for a mixed-use, transit oriented development that will transform an underutilized site while highlighting the natural heritage and green connections of the existing community. The Official Plan, Zoning By-law Amendment and Draft Plan of Subdivision Applications were submitted to the City of Toronto.
Dundas Street West, Toronto, ON	The approximately 13 acre site is located at the southeast corner of Dundas Street West and Bloor Street West in Toronto. The site is at the intersection of several major transit corridors including a TTC subway station, a GO train station and the Union-Pearson Express train. The current redevelopment plans contemplate a large mixed-use community integrated with the surrounding transit services with a focus on high density residential, office, retail and other community uses. The submitted application proposes approximately 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 a 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 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 located in the area of Yonge Street and College Street in downtown Toronto. The current development plan contemplates two residential towers providing a total 0.7 million square feet of total ground floor area, including 17,000 square feet of commercial GLA and approximately 770 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.

Project / Location	Description
Parkway Forest Drive, Toronto, ON	The approximately 3 acre site is located at the southeast intersection of Parkway Forest Drive and Sheppard Avenue East in Toronto. The site is located 350 meters from the Don Mills TTC subway station and currently features a 19-storey rental building and ten rental townhouses. The proposed development will replace five of the existing townhouses with a 29-storey residential building comprised of 339 units. This intensification will support future growth in the City of Toronto by providing additional rental housing stock in a transit-connected neighbourhood. The Official Plan Amendment, Zoning By-law Amendment and Draft Plan of Subdivision Applications were submitted to the City of Toronto.
Photography Drive, Toronto, ON	The approximately 7.7 acres site is located at the southwest corner of Eglinton Avenue West and Black Creek Drive in Toronto. The site is within close proximity to several major transit corridors, including the Kitchener GO Line, UP Express and the future Eglinton Crosstown LRT. The proposed redevelopment is comprised of seven mixed use buildings including residential and retail uses. The application includes a total gross floor area of approximately 2.1 million square feet and 2,400 residential units. Choice Properties continues to refine the vision for a mixed-use, inclusive community where people can live and access amenities, services, transit, and a brand new grocery store, all within walking distance. The Official Plan and Zoning By-law Amendment Applications were submitted to the City of Toronto.
Warden Avenue, Toronto, ON	The approximately 6.5 acre site is located south of the intersection of St. Clair Avenue and Warden Avenue in Toronto and 500 meters from the Warden TTC Subway Station. The current development plan includes over 1,500 residential units, over 1 million square feet of gross floor area and a proposal for a public park. Choice Properties has submitted an Official Plan Amendment and Zoning By-law Amendment to the City of Toronto.
Woodbine Avenue, Toronto, ON	The approximately 1.7 acre site is located at the 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 the greater Toronto, Montreal and Vancouver areas, providing the opportunity to grow the residential platform in Canada's largest cities. Choice Properties is actively reviewing and prioritizing these sites to proceed with the rezoning and entitlement process.

3.9 Development Project Capital

Choice Properties expects to invest a total of approximately $447.0 million at the Trust's ownership share[1], by the end of the year 2023[2].

($ thousands)		2021		2022		2023		Total
Intensification	$	2,000	$	24,000	$	19,000	$	45,000
Greenfield		4,000		87,000		79,000		170,000
Residential		27,000		87,000		84,000		198,000
Mixed-Use		3,000		11,000		20,000		34,000
Estimated total capital annual spend[i]	**$**	**36,000**	**$**	**209,000**	**$**	**202,000**	**$**	**447,000**

(i) Compiled on a non-GAAP proportionate share basis[1].

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 September 30, 2021	As at December 31, 2020
Mortgages receivable	$ 183,048	$ 165,470
Loans receivable	116	2,285
Notes receivable from GWL	170,849	96,191
Mortgages, loans and notes receivable	**$ 354,013**	$ 263,946

Holders of Exchangeable Units may, in lieu of receiving all or a portion of their distributions, choose to be loaned an amount from Choice Properties Limited Partnership, and to have such distributions made on the first business day following the end of the fiscal year in which such distribution would otherwise have been made. The loans do not bear interest and are due and payable in full on the first business day following the end of the fiscal year during which the loan was made. During the nine months ended September 30, 2021, GWL elected to receive all distributions from Choice Properties Limited Partnership in the form of loans. As such, non-interest bearing short-term notes totalling $170,849 were issued during the nine months ended September 30, 2021 to GWL. Non-interest bearing short-term notes totalling $96,191 with respect to the loans received in the 2020 fiscal year were repaid by GWL in January 2021.

In September 2021, the Trust advanced a $41,600 mezzanine loan to a development partner. The mezzanine loan is primarily secured by, and has an equity conversion right for a 75% ownership interest in, 154 acres of future industrial development land located in East Gwillimbury, Ontario.

The Trust has issued approximately $180,000 of secured mortgages to other third-party borrowers. These loans are with borrowers who are strategic development partners of the Trust and are well secured by real property assets.

4. LIQUIDITY AND CAPITAL RESOURCES

4.1 Major Cash Flow Components

For the periods ended September 30 ($ thousands)	Three Months 2021	Three Months 2020	Three Months Change	Nine Months 2021	Nine Months 2020	Nine Months Change
Cash and cash equivalents, beginning of period - GAAP basis	**$ 8,115**	$ 108,339	$ (100,224)	**$ 207,219**	$ 41,990	$ 165,229
Cash flows from operating activities	**153,939**	79,837	74,102	**425,226**	389,273	35,953
Cash flows from (used in) investing activities	**(118,635)**	(15,165)	(103,470)	**(210,300)**	112,163	(322,463)
Cash flows from (used in) financing activities	**(14,345)**	(144,710)	130,365	**(393,071)**	(515,125)	122,054
Cash and cash equivalents, end of period - GAAP basis	**$ 29,074**	$ 28,301	$ 773	**$ 29,074**	$ 28,301	$ 773

Cash Flows from Operating Activities

Three Months	Nine Months
The increase in cash flows from operating activities is mainly due to lower working capital requirements, in addition to an increase in net operating income and a decrease in cash interest payments as a result of lower borrowing levels.	The increase in cash flows from operating activities is mainly due to an increase in net operating income, coupled with a decrease in cash interest payments as a result of lower debt levels, partially offset by an increase in working capital requirements.

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	Nine Months
The increase in cash flows used in investing activities was primarily due to an increase in net advances to mortgages, loans, and notes receivable of $61.2 million, a net increase in acquisition and capital spending of $31.7 million, and a decrease in disposition proceeds of $18.5 million in the current year.	The increase in cash flows used in investing activities was primarily due to an increase in net advances to mortgages, loans, and notes receivable of $190.3 million, a net increase in contributions to equity accounted joint ventures of $44.1 million, and a decrease in disposition proceeds in the current year of $98.2 million, partially offset by a decrease in acquisition spending of $12.3 million.

Cash Flows from (used in) Financing Activities

Three Months	Nine Months
The decrease in cash used in financing activities was primarily due to an increase in advances made on the credit facility of $130.0 million and a decrease in cash distributions paid on the Exchangeable Units of $23.3 million. The decrease was partially offset by an increase in the repayment of mortgage debt of $24.7 million compared to the prior year.	The decrease in cash used in financing activities was primarily due to an increase in advances made on the credit facility of $263.0 million and a decrease in cash distributions paid on the Exchangeable Units of $215.7 million. The decrease was partially offset by the repayment of the $200 million Series 9 debentures in June 2021, compared to a net issuance of debentures of $94.7 million in the prior year period, and an increase in other debt repayments made in the current year period.

4.2 Liquidity and Capital Structure

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

($ thousands)		As at September 30, 2021		As at December 31, 2020		Change
Cash and cash equivalents - proportionate share basis[1]	$	52,942	$	223,717	$	(170,775)
Unused portion of the credit facility		1,310,126		1,500,000		(189,874)
Liquidity	$	1,363,068	$	1,723,717	$	(360,649)
Unencumbered assets - proportionate share basis[1]	$	12,800,000	$	12,200,000	$	600,000

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 Adjusted Debt

Choice Properties' debt structure was as follows:

As at September 30, 2021 ($ thousands)		GAAP Basis		Proportionate Share Basis[1]	Proportionate Share Basis[1] Weighted average term to maturity (years)	Proportionate Share Basis[1] Weighted average interest rate (%)
Construction loans	$	9,155	$	168,505	1.1	2.07%
Credit facility		189,874		189,874	4.7	1.65%
Less: Debt placement costs		(4,005)		(4,005)		
Variable rate debt		195,024		354,374	3.0	1.85%
Senior unsecured debentures		5,075,000		5,075,000	5.4	3.61%
Mortgages payable		1,174,021		1,416,005	5.1	3.75%
Less: Debt placement costs, discounts and premiums		(19,309)		(21,602)		
Fixed rate debt		6,229,712		6,469,403	5.3	3.64%
Total adjusted debt, net	$	6,424,736	$	6,823,777		

As at December 31, 2020 ($ thousands)		GAAP Basis		Proportionate Share Basis[1]	Proportionate Share Basis[1] Weighted average term to maturity (years)	Proportionate Share Basis[1] Weighted average interest rate (%)
Construction loans	$	25,193	$	166,169	0.8	2.18%
Credit facility		—		—	—	—%
Less: Debt placement costs[i]		—		—		
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 adjusted debt, net	$	6,485,521	$	6,848,971		

[i] Unamortized debt placement costs for the credit facility as at December 31, 2020 of $3,337 were included in other assets.

Construction Loans
For the purpose of financing the development of certain retail, industrial and residential properties, various investments in equity accounted joint ventures and co-ownerships have variable rate non-revolving construction facilities in which certain subsidiaries of the Trust guarantee its own share. These construction loans, which mature throughout 2022 and 2031, have a maximum amount available to be drawn at the Trust's ownership interest of $306,901 (December 31, 2020 - $226,145).

As at September 30, 2021, $168,505 was drawn and the construction loans had a weighted average effective interest rate of 2.07% (December 31, 2020 - 2.18%) and a weighted average term to maturity of 1.1 years (December 31, 2020 - 0.8 years).

Credit Facility
Choice Properties has a $1,500,000 senior unsecured committed revolving credit facility provided by a syndicate of lenders. The credit facility bears interest at variable rates of either Prime plus 0.20% or Bankers' Acceptance rate plus 1.20%. The pricing is contingent on the credit ratings for Choice Properties from either DBRS and S&P remaining at BBB (high). As at September 30, 2021, $189,874 was drawn under the syndicated facility.

The credit facility contains certain financial covenants. As at September 30, 2021, the Trust was in compliance with all its financial covenants for the credit facility.

During the nine months ended September 30, 2021, the maturity date for the credit facility was extended to June 24, 2026.

Summary of Total Adjusted 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 nine months ended September 30, 2021:

For the nine months ended September 30, 2021 ($ thousands)	Credit facility	Construction loans	Total variable rate debt
Principal balance outstanding, beginning of period	$ —	$ 166,169	$ 166,169
Net advances (repayments)	189,874	2,336	192,210
Principal balance outstanding, end of period	**$ 189,874**	**$ 168,505**	**$ 358,379**

The following outlines the changes to the components of Choice Properties' fixed rate debt on a non-GAAP proportionate share basis[1] during the nine months ended September 30, 2021**:**

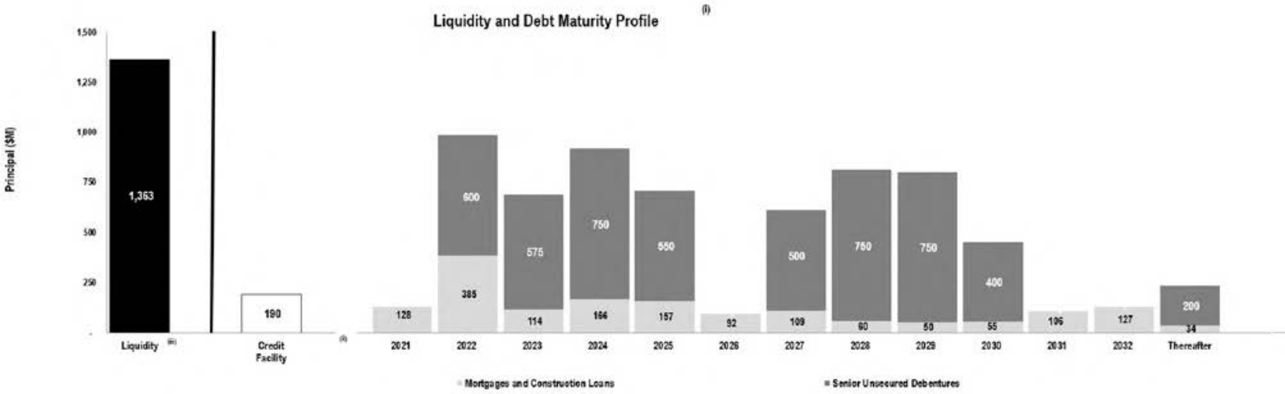
For the nine months ended September 30, 2021 ($ thousands)	Senior unsecured debentures	Mortgages payable	Total fixed rate debt
Principal balance outstanding, beginning of period	$ 5,275,000	$ 1,431,451	$ 6,706,451
Issuances and advances	—	48,541	48,541
Repayments	(200,000)	(63,987)	(263,987)
Principal balance outstanding, end of period	**$ 5,075,000**	**$ 1,416,005**	**$ 6,491,005**

On June 21, 2021, Choice Properties Limited Partnership redeemed in full, at par, plus accrued and unpaid interest thereon, the $200,000 aggregate principal amount of series 9 senior unsecured debentures bearing interest at 3.60% with an original maturity date of September 20, 2021.

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 September 30, 2021 ($ thousands)	Credit facility	Construction loans	Senior unsecured debentures	Mortgages payable	Total
2021	$ —	$ —	$ —	$ 128,455	**$ 128,455**
2022	—	159,632	600,000	224,973	**984,605**
2023	—	—	575,000	114,200	**689,200**
2024	—	4,374	750,000	162,039	**916,413**
2025	—	—	550,000	157,481	**707,481**
Thereafter	189,874	4,499	2,600,000	628,857	**3,423,230**
Total adjusted debt outstanding	**$ 189,874**	**$ 168,505**	**$ 5,075,000**	**$ 1,416,005**	**$ 6,849,384**

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 June 24, 2026.
(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 September 30, 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 September 30, 2021	As at December 31, 2020
Adjusted Debt to Total Assets(i)	Limit: Maximum excluding convertible debt is 60.0%	**41.0%**	42.7%
Debt Service Coverage Ratio(i)	Limit: Minimum 1.5x	**3.3x**	3.2x
Adjusted Debt to EBITDAFV(1)(i)(ii)(iv)		**7.4x**	7.6x
Interest Coverage Ratio(1)(iii)		**3.8x**	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(1) to GAAP basis for net interest expense and other financing charges used in the ratio.

(iv) Adjusted Debt to EBITDAFV, net of cash, was 7.4x at September 30, 2021 and 7.4x at 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 June 21, 2021, S&P confirmed the Choice Properties rating at BBB with a stable outlook, while on September 17, 2021, DBRS confirmed the Choice Properties rating at BBB (high) with a stable trend. A credit rating of BBB- or higher is an investment grade rating.

The following table sets out the current credit ratings for Choice Properties as at September 30, 2021:

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

4.6 Unit Equity

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

	Nine months ended September 30, 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	**763,943**	307,877
Units repurchased for unit-based compensation arrangements	**(189,887)**	(159,083)
Units, end of period	**327,515,719**	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	**723,302,244**	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 nine months ended September 30, 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

The distributions declared for the three and nine months ended September 30, 2021 and 2020, including distributions to holders of Exchangeable Units, were as follows:

For the periods ended September 30 ($ thousands)	Three Months 2021	Three Months 2020	Three Months Change	Nine Months 2021	Nine Months 2020	Nine Months Change
Total distributions declared	**$ 133,811**	$ 132,628	$ 1,183	**$ 401,284**	$ 391,746	$ 9,538

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 November 3, 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 September 30 ($ thousands)	Three Months 2021	Three Months 2020	Three Months Change	Nine Months 2021	Nine Months 2020	Nine Months Change
Adjusted Cash Flow from Operations(1)	**$ 163,198**	$ 159,371	$ 3,827	**$ 488,969**	$ 450,435	$ 38,534
Cash distributions declared	**(133,811)**	(132,628)	(1,183)	**(401,284)**	(391,746)	(9,538)
Cash retained after cash distributions	**$ 29,387**	$ 26,743	$ 2,644	**$ 87,685**	$ 58,689	$ 28,996
ACFO(1) payout ratio	**82.0 %**	83.2 %	(1.2)%	**82.1 %**	87.0 %	(4.9)%

Three Months

ACFO increased compared to the prior year primarily as a result of a $74.1 million increase in cash flows from operations, partially offset by a $67.8 million unfavourable adjustment for changes in sustainable non-cash working capital.

The ACFO payout ratio decreased primarily due to the increase in ACFO, partially offset by the increase of $1.2 million in 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.

Nine Months

ACFO increased compared to the prior year primarily as a result of a $36.0 million increase in cash flows from operations.

The ACFO payout ratio decreased primarily due to the increase in ACFO, partially offset by the increase of $9.5 million in 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 nine months ended September 30, 2021, an interest rate swap was settled upon maturity of the underlying variable rate mortgage. As at September 30, 2021, the interest rates ranged from 2.8% 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 September 30, 2021**	As at December 31, 2020
Derivative assets				
Interest rate swaps	June 2030	**$ 65,000**	**$ 2,213**	$ 377
Derivative liabilities				
Interest rate swaps	Mar 2022 - Sep 2026	**176,300**	**4,243**	6,560

During the nine months ended September 30, 2021, Choice Properties recorded an unrealized fair value gain in other comprehensive income of $2,971 (September 30, 2020 - unrealized fair value loss of $5,231).

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 September 30, 2021, the aggregate gross potential liability related to these letters of credit totalled $31,057 including $1,252 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 and nine months ended September 30, 2021 and September 30, 2020 are summarized below:

	Three Months				Nine Months			
For the periods ended September 30 ($ thousands)	**2021**	2020	Change	% Change	**2021**	2020	Change	% Change
Net Operating Income								
Rental revenue	**$ 316,083**	$ 308,956	$ 7,127	2.3 %	**$ 966,558**	$ 948,752	$ 17,806	1.9 %
Property operating costs	**(88,424)**	(84,234)	(4,190)	5.0 %	**(284,615)**	(287,556)	2,941	(1.0)%
	227,659	224,722	2,937	1.3 %	**681,943**	661,196	20,747	3.1 %
Other Income and Expenses								
Interest income	**4,091**	3,806	285	7.5 %	**12,767**	10,869	1,898	17.5 %
Fee income	**890**	918	(28)	(3.1)%	**2,855**	3,280	(425)	(13.0)%
Net interest expense and other financing charges	**(132,863)**	(133,478)	615	(0.5)%	**(400,205)**	(407,599)	7,394	(1.8)%
General and administrative expenses	**(10,036)**	(8,837)	(1,199)	13.6 %	**(29,118)**	(27,940)	(1,178)	4.2 %
Reversal of (allowance for) expected credit loss on mortgage receivable	**476**	—	476	— %	**476**	(7,830)	8,306	(106.1)%
Share of income (loss) from equity accounted joint ventures	**22,771**	(3,608)	26,379	(731.1)%	**48,614**	(14,606)	63,220	(432.8)%
Amortization of intangible assets	**(250)**	(250)	—	— %	**(750)**	(750)	—	— %
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	**159**	353	(194)	N/M	**(2,246)**	863	(3,109)	N/M
Adjustment to fair value of Exchangeable Units	**15,831**	(15,599)	31,430	(201.5)%	**(490,776)**	440,656	(931,432)	(211.4)%
Adjustment to fair value of investment properties	**34,944**	29,159	5,785	19.8 %	**362,542**	(323,619)	686,161	(212.0)%
Income (Loss) before Income Taxes	**163,672**	97,186	66,486	68.4 %	**186,102**	334,115	(148,013)	(44.3)%
Income tax expense	**—**	—	—	— %	**(7)**	—	(7)	— %
Net Income (Loss)	**$ 163,672**	$ 97,186	$ 66,486	68.4 %	**$ 186,095**	$ 334,115	$(148,020)	(44.3)%

Three Months

The quarterly increase compared to the prior year was mainly due to a $31.4 million favourable change in the adjustment to the fair value of the Trust's Exchangeable Units and a $33.1 million favourable change in the fair value of investment properties (including those held within equity accounted joint ventures), a decline in bad debt expense, and an increase in rental revenue as discussed below.

Nine Months

The year-to-date decrease compared to the prior year was mainly due to a $931.4 million unfavourable change in the adjustment to the fair value of the Trust's Exchangeable Units, partially offset by a $753.8 million favourable change in the fair value of investment properties (including those held within equity accounted joint ventures), a decline in bad debt expense, and an increase in rental revenue and interest cost savings as discussed below.

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 September 30 ($ thousands)	Three Months 2021	2020	Change	Nine Months 2021	2020	Change
Net Operating Income						
Rental revenue	**$ 316,083**	$ 308,956	$ 7,127	**$ 966,558**	$ 948,752	$ 17,806
Property operating costs	**(88,424)**	(84,234)	(4,190)	**(284,615)**	(287,556)	2,941
	$ 227,659	$ 224,722	$ 2,937	**$ 681,943**	$ 661,196	$ 20,747

Three Months

The increase in rental revenue and property operating costs was primarily as a result of pandemic-related realty tax relief measures that were provided by various municipalities in the prior year. During the prior year quarter, the Trust and its tenants benefited from these realty tax relief measures which resulted in a reduction in realty tax expense and a corresponding decline in realty tax recovery revenue.

In addition to the above, the quarterly results were also impacted by the net contribution from acquisitions and development transfers completed in the past 12 months and a decline in bad debt expense, partially offset by declines due to foregone revenue from dispositions in 2020 and vacancies in select retail and office assets.

Nine Months

The increase in net operating income was primarily driven by a decline in bad debt expense recorded for tenants affected by the pandemic.

In addition, the Trust had an increase in rental revenue and property operating costs during the current year that was primarily associated with pandemic-related realty tax relief measures that were provided by various municipalities in the prior year. During the prior year, the Trust and its tenants benefited from these realty tax relief measures which resulted in a reduction in realty tax expense and a corresponding decline in realty tax recovery revenue.

The year-to-date results were also impacted by the net contribution from acquisitions and development transfers completed in the past 12 months and an increase in lease surrender revenue, partially offset by declines due to foregone revenue from dispositions in 2020 and vacancies in select retail and office assets.

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 September 30 ($ thousands)	Three Months 2021	Three Months 2020	Three Months Change	Nine Months 2021	Nine Months 2020	Nine Months Change
Interest income on mortgages and loans receivable	**$ 2,730**	$ 3,085	$ (355)	**$ 8,007**	$ 9,296	$ (1,289)
Interest income earned from financial real estate assets	**1,062**	361	701	**3,179**	1,093	2,086
Interest income (loss) from financial real estate assets due to changes in value	**(125)**	—	(125)	**176**	—	176
Other interest income	**424**	360	64	**1,405**	480	925
Interest Income	**$ 4,091**	$ 3,806	$ 285	**$ 12,767**	$ 10,869	$ 1,898

Three Months

Interest income increased mainly due to a $0.7 million increase in interest income earned from financial real estate assets associated with the acquisitions that closed in November 2020, partially offset by a $0.1 million unfavourable change in value for the financial real estate assets and a $0.4 million decline due to a reduction in the balance of mortgages and loans receivable outstanding as compared to the prior year quarter.

Nine Months

The increase is primarily due to $2.1 million of interest income earned from financial real estate assets that were acquired in the prior year, coupled with a $1.1 million increase in other interest income (inclusive of income on short term investments) and changes in value of financial real estate assets, partially offset by a $1.3 million decline due to a reduction in the balance of mortgages and loans receivable outstanding 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. Fee income from third parties is impacted by changes in the portfolio along with the timing of leasing transactions and project activity. 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 September 30 ($ thousands)	Three Months 2021	Three Months 2020	Three Months Change	Nine Months 2021	Nine Months 2020	Nine Months Change
Fees charged to related party	**$ 62**	$ 210	$ (148)	**$ 252**	$ 637	$ (385)
Fees charged to third parties	**828**	708	120	**2,603**	2,643	(40)
Fee Income	**$ 890**	$ 918	$ (28)	**$ 2,855**	$ 3,280	$ (425)

Three Months

Fee income from related parties declined primarily due to the termination effective December 31, 2020, of the contract to provide property management services to Loblaw and the contract to administer certain services in connection with Loblaw's gas bar subleases.

The increase in fee income to third parties can be primarily attributed to an increase in property management fees related to the new co-ownerships entered into by the Trust over the past twelve months and leasing fees, partially offset by a reduction in project fees.

Nine Months

Fee income from related parties declined primarily from the termination effective December 31, 2020, of the contract to provide property management services to Loblaw, and the contract to administer certain services in connection with Loblaw's gas bar subleases, partially offset by the fees earned from the ongoing management of properties on behalf of Wittington, which commenced in 2020.

The decrease in fee income from third parties can be primarily attributed to a decline in leasing and project fees, partially offset by an increase in property management fees related to the new co-ownerships entered into by the Trust over the past twelve months.

Net Interest Expense and Other Financing Charges

For the periods ended September 30 ($ thousands)	Three Months 2021	2020	Change	Nine Months 2021	2020	Change
Interest on senior unsecured debentures	**$ 46,142**	$ 47,825	$ (1,683)	**$ 140,295**	$ 148,915	$ (8,620)
Interest on mortgages	**11,305**	12,473	(1,168)	**35,195**	36,950	(1,755)
Interest on credit facility	**1,252**	1,084	168	**3,040**	6,079	(3,039)
Interest on right-of-use asset	**36**	49	(13)	**112**	175	(63)
Amortization of debt discounts and premiums	**222**	81	141	**445**	(1,900)	2,345
Amortization of debt placement costs	**1,247**	1,084	163	**3,430**	3,554	(124)
Capitalized interest	**(562)**	(1,261)	699	**(1,975)**	(2,604)	629
	59,642	61,335	(1,693)	**180,542**	191,169	(10,627)
Distributions on Exchangeable Units to GWL	**73,221**	72,143	1,078	**219,663**	216,430	3,233
Net interest expense and other financing charges	**$ 132,863**	$ 133,478	$ (615)	**$ 400,205**	$ 407,599	$ (7,394)

Three Months

The quarterly decrease was primarily due to a $1.7 million decline in interest on unsecured debentures related to the redemption of the $200 million series 9 senior unsecured debentures in June 2021, and a general decline in interest costs due to refinancings over the past year at lower interest rates, partially offset by a $1.1 million increase in distributions on Exchangeable Units due to an increase in the number of Exchangeable Units outstanding as compared to the prior year.

Nine Months

The decrease was mainly due to a general reduction in indebtedness from a lower average balance on the credit facility, a decline in interest costs due to the redemption of the $200 million series 9 senior unsecured debentures in June 2021, and refinancings over the past year at lower interest rate. The declines were partially offset by an increase in distributions on Exchangeable Units due to an increase in the number of Exchangeable Units outstanding as compared to the prior year.

The results during the nine months ended September 30, 2020, were impacted by early redemption premiums of $6.8 million that were paid in June 2020 for two senior unsecured debentures that would have matured in 2021.

General and Administrative Expenses

For the periods ended September 30 ($ thousands)	Three Months 2021	2020	Change	Nine Months 2021	2020	Change
Salaries, benefits and employee costs	$ 13,044	$ 11,235	$ 1,809	$ 37,939	$ 35,411	$ 2,528
Investor relations and other public entity costs	778	577	201	2,065	1,795	270
Professional fees	1,011	1,471	(460)	3,137	3,309	(172)
Information technology costs	1,621	1,144	477	4,682	3,040	1,642
Services Agreement expense charged by related party(i)	748	852	(104)	2,346	2,415	(69)
Amortization of other assets	303	264	39	884	319	565
Office related costs	188	572	(384)	1,008	2,081	(1,073)
Other	61	178	(117)	555	1,095	(540)
	17,754	16,293	1,461	52,616	49,465	3,151
Less:						
Capitalized to investment properties	(1,900)	(2,025)	125	(5,300)	(4,697)	(603)
Allocated to recoverable operating expenses	(5,818)	(5,431)	(387)	(18,198)	(16,828)	(1,370)
General and administrative expenses	$ 10,036	$ 8,837	$ 1,199	$ 29,118	$ 27,940	$ 1,178

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

Three Months

The quarterly increase was primarily due to an increase of $1.8 million due to higher salary related costs and $0.5 million due to higher information technology costs, partially offset by a $0.5 million decline in professional fees and a $0.4 million decrease in office related costs compared to prior year, primarily due to timing of activity.

Nine Months

The year-to-date increase was primarily due to $2.5 million in higher salary related costs and $1.6 million in higher information technology costs, much of which was capitalized to investment properties and allocated to recoverable operating costs. The Trust also had a $0.6 million increase in amortization of other assets as the Trust commenced occupancy of its new Corporate head office in July 2020.

The above items were partially offset by a $1.1 million decline in office related costs and a $0.5 million decrease in other items, which includes costs associated with advertising and travel, primarily due to timing as a result of the pandemic.

Other Fair Value Gains (Losses), Net

For the periods ended September 30 ($ thousands)	Three Months 2021	2020	Change	Nine Months 2021	2020	Change
Adjustment to fair value of unit-based compensation	$ 159	$ 353	$ (194)	$ (2,246)	$ 863	$ (3,109)
Other fair value gains (losses), net	$ 159	$ 353	$ (194)	$ (2,246)	$ 863	$ (3,109)

Three and Nine 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 September 30, 2021:

(in thousands of square feet except where otherwise indicated)	June 30, 2021									**Three Months September 30, 2021**		
	Leasable	Occupied	Occupied %	Expiries	New	Renewals	Subtotal: Absorption	Portfolio changes[i]	Acquired / (Disposed) vacancy	**Leasable**	**Occupied**	**Occupied %**
Retail	45,234	44,039	97.4 %	(647)	76	575	4	46	(1)	**45,279**	**44,089**	**97.4 %**
Industrial	17,297	16,820	97.2 %	(272)	117	218	63	(1)	2	**17,298**	**16,882**	**97.6 %**
Office	3,640	3,276	90.0 %	(81)	11	20	(50)	2	(1)	**3,641**	**3,228**	**88.7 %**
Total	66,171	64,135	96.9 %	(1,000)	204	813	17	47	—	**66,218**	**64,199**	**97.0 %**

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

The following table details the changes for in-place occupancy by segment for the nine months ended September 30, 2021:

(in thousands of square feet except where otherwise indicated)	December 31, 2020									**Nine Months September 30, 2021**		
	Leasable	Occupied	Occupied %	Expiries	New	Renewals	Subtotal: Absorption	Portfolio changes[i]	Acquired / (Disposed) vacancy	**Leasable**	**Occupied**	**Occupied %**
Retail	45,108	43,940	97.4 %	(1,659)	196	1,457	(6)	155	16	**45,279**	**44,089**	**97.4 %**
Industrial	17,158	16,699	97.3 %	(755)	276	536	57	126	14	**17,298**	**16,882**	**97.6 %**
Office	3,604	3,320	92.1 %	(220)	44	77	(99)	7	30	**3,641**	**3,228**	**88.7 %**
Total	65,870	63,959	97.1 %	(2,634)	516	2,070	(48)	288	60	**66,218**	**64,199**	**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 increased marginally to 97.0% at September 30, 2021 from 96.9% at June 30, 2021. The Trust had positive absorption of 17,000 square feet primarily due to increased leasing in the Alberta industrial portfolio, partially offset by vacancies in the office portfolio.

The portfolio change of approximately 47,000 square feet primarily related to the development transfer of fully occupied retail site, as well as an acquisition in the Ontario retail portfolio.

Nine Months

Period end occupancy declined marginally to 97.0% at September 30, 2021 from 97.1% at December 31, 2020. The decline was primarily due to negative absorption in the British Columbia office portfolio.

Portfolio changes included acquisitions and development transfers mainly in the Alberta industrial and Ontario retail portfolios, as well as the transfer of vacant space upon the completion of construction at the Trust's West Block property in the Ontario office portfolio.

Choice Properties' principal tenant, Loblaw, represents 55.2% of its total GLA (December 31, 2020 - 55.3%). At September 30, 2021, the weighted average lease term-to-maturity on the Loblaw leases was 6.7 years (December 31, 2020 - 7.4 years).

	As at September 30, 2021			As at December 31, 2020		
(in millions of square feet except where otherwise indicated)	**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	**29.7**	**27.7**	**93.3%**	29.4	27.5	93.5%
Total commercial GLA	**66.2**	**64.2**	**97.0%**	65.8	63.9	97.1%

The lease maturity profile for Choice Properties' portfolio as at September 30, 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	401	90	491	0.7 %	$ 5,433	$ 11.07
2021	319	—	319	0.5 %	3,818	11.97
2022	3,042	66	3,108	4.7 %	42,183	13.57
2023	3,404	3,890	7,294	11.0 %	101,478	13.91
2024	3,331	2,922	6,253	9.4 %	85,906	13.74
2025	3,502	3,218	6,720	10.1 %	90,029	13.40
2026	3,617	2,737	6,354	9.6 %	99,381	15.64
2027 & Thereafter	10,039	23,621	33,660	51.0 %	548,595	16.30
Occupied GLA	27,655	36,544	64,199	97.0 %	976,823	15.22
Vacant GLA	2,019	—	2,019	3.0 %	—	—
Total	**29,674**	**36,544**	**66,218**	**100.0 %**	**$ 976,823**	**$ 14.75**

	Retail segment		**Industrial segment**		**Office segment**		**Total**	
(in thousands of square feet except where otherwise indicated)	**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	392	0.6%	52	0.1%	47	0.1%	491	0.7 %
2021	152	0.2%	123	0.2%	44	0.1%	319	0.5 %
2022	1,131	1.7%	1,599	2.4%	378	0.5%	3,108	4.7 %
2023	4,936	7.5%	2,039	3.1%	319	0.5%	7,294	11.0 %
2024	4,243	6.4%	1,686	2.5%	324	0.5%	6,253	9.4 %
2025	4,467	6.7%	2,004	3.0%	249	0.4%	6,720	10.1 %
2026	4,989	7.5%	1,076	1.6%	289	0.4%	6,354	9.6 %
2027 & Thereafter	23,779	36.0%	8,303	13.0%	1,578	2.0%	33,660	51.0 %
Occupied GLA	44,089		16,882		3,228		64,199	97.0 %
Vacant GLA	1,190	1.8%	416	0.6%	413	0.6%	2,019	3.0 %
Total	**45,279**	**68.4%**	**17,298**	**26.5%**	**3,641**	**5.1%**	**66,218**	**100.0 %**

Top 10 Tenants

Choice Properties' ten largest tenants for the three months ended September 30, 2021, represented approximately 63.3% 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	55.3 %	36,544
2.	Canadian Tire	2.1 %	1,605
3.	TJX Companies	1.1 %	630
4.	Dollarama	1.0 %	541
5.	Goodlife	0.7 %	386
6.	Staples	0.7 %	399
7.	TD Canada Trust	0.6 %	157
8.	Liquor Control Board of Ontario (LCBO)	0.6 %	212
9.	Canada Cartage	0.6 %	633
10.	Sobeys	0.6 %	338
Total		**63.3 %**	**41,445**

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 September 30, 2021:

($ thousands)	Retail	Industrial	Office	Proportionate Share Basis(1)	Consolidation and eliminations(i)	GAAP Basis
Rental revenue, excluding straight line rental revenue and lease surrender revenue	$ 250,855	$ 48,367	$ 30,669	**$ 329,891**	$ (14,435)	**$ 315,456**
Property operating costs	(67,933)	(13,317)	(12,637)	**(93,887)**	5,463	**(88,424)**
Net Operating Income, Cash Basis(1)	**182,922**	**35,050**	**18,032**	**236,004**	(8,972)	**227,032**
Straight line rental revenue	(106)	1,168	124	**1,186**	(767)	**419**
Lease surrender revenue	208	—	—	**208**	—	**208**
Net Operating Income, Accounting Basis	**183,024**	**36,218**	**18,156**	**237,398**	(9,739)	**227,659**
Other Income and Expenses						
Interest income				**2,833**	1,258	**4,091**
Fee income				**890**	—	**890**
Net interest expense and other financing charges				**(135,001)**	2,138	**(132,863)**
General and administrative expenses				**(10,036)**	—	**(10,036)**
Reversal of (allowance for) expected credit loss on mortgage receivable				**476**	—	**476**
Share of income (loss) from equity accounted joint ventures				**—**	22,771	**22,771**
Amortization of intangible assets				**(250)**	—	**(250)**
Other fair value gains (losses), net				**159**	—	**159**
Adjustment to fair value of Exchangeable Units				**15,831**	—	**15,831**
Adjustment to fair value of investment properties				**51,372**	(16,428)	**34,944**
Income before Income Taxes				**163,672**	—	**163,672**
Income tax expense				**—**	—	**—**
Net Income (Loss)				**$ 163,672**	$ —	**$ 163,672**

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

The following table reconciles net income on a proportionate share basis[1] to net income (loss) as determined in accordance with GAAP for the nine months ended September 30, 2021:

($ thousands)	Retail	Industrial	Office	Proportionate Share Basis[1]	Consolidation and eliminations[i]	GAAP Basis
Rental revenue, excluding straight line rental revenue and lease surrender revenue	$ 766,409	$ 142,878	$ 90,967	$ 1,000,254	$ (43,773)	$ 956,481
Property operating costs	(224,372)	(38,416)	(38,641)	(301,429)	16,814	(284,615)
Net Operating Income, Cash Basis[1]	**542,037**	**104,462**	**52,326**	698,825	(26,959)	671,866
Straight line rental revenue	2,750	3,917	2,306	8,973	(1,419)	7,554
Lease surrender revenue	1,012	3	1,508	2,523	—	2,523
Net Operating Income, Accounting Basis	**545,799**	**108,382**	**56,140**	710,321	(28,378)	681,943
Other Income and Expenses						
Interest income				8,506	4,261	12,767
Fee income				2,855	—	2,855
Net interest expense and other financing charges				(406,234)	6,029	(400,205)
General and administrative expenses				(29,118)	—	(29,118)
Reversal of (allowance for) expected credit loss on mortgage receivable				476	—	476
Share of income (loss) from equity accounted joint ventures				—	48,614	48,614
Amortization of intangible assets				(750)	—	(750)
Other fair value gains (losses), net				(2,246)	—	(2,246)
Adjustment to fair value of Exchangeable Units				(490,776)	—	(490,776)
Adjustment to fair value of investment properties				393,068	(30,526)	362,542
Income before Income Taxes				186,102	—	186,102
Income tax expense				(7)	—	(7)
Net Income (Loss)				$ 186,095	$ —	$ 186,095

(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 21 months ended September 30, 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 and nine months ended September 30, 2021 and September 30, 2020 as summarized below.

Summary - Accounting Basis

	Three Months				Nine Months			
For the periods ended September 30 ($ thousands)	**2021**	2020	Change	% Change	**2021**	2020	Change	% Change
Rental revenue	**$ 302,603**	$ 297,478	$ 5,125	1.7 %	**$ 922,336**	$ 919,175	$ 3,161	0.3 %
Straight line rental revenue	**23**	2,612	(2,589)	(99.1)%	**2,980**	9,935	(6,955)	(70.0)%
Property operating costs excluding bad debt expense	**(83,913)**	(79,494)	(4,419)	5.6 %	**(270,950)**	(267,916)	(3,034)	1.1 %
Same-Asset NOI, Accounting Basis, excluding bad debt expense	**218,713**	220,596	(1,883)	(0.9)%	**654,366**	661,194	(6,828)	(1.0)%
Bad debt expense	**(1,091)**	(4,657)	3,566	(76.6)%	**(4,456)**	(19,319)	14,863	(76.9)%
Same-Asset NOI, Accounting Basis	**217,622**	215,939	1,683	0.8 %	**649,910**	641,875	8,035	1.3 %
Transactions NOI including straight line rental revenue, excluding bad debt expense	**19,431**	17,751	1,680		**58,131**	48,738	9,393	
Bad debt expense	**137**	(84)	221		**(243)**	(878)	635	
Transactions NOI, Accounting Basis	**19,568**	17,667	1,901		**57,888**	47,860	10,028	
Lease surrender revenue	**208**	914	(706)		**2,523**	1,029	1,494	
Total NOI, Accounting Basis	**$ 237,398**	$ 234,520	$ 2,878		**$ 710,321**	$ 690,764	$ 19,557	

Summary - Cash Basis

For the periods ended September 30 ($ thousands)	Three Months 2021	2020	Change	% Change	Nine Months 2021	2020	Change	% Change
Rental revenue	**$ 302,603**	$ 297,478	$ 5,125	1.7 %	**$ 922,336**	$ 919,175	$ 3,161	0.3 %
Property operating costs excluding bad debt expense	**(83,913)**	(79,494)	(4,419)	5.6 %	**(270,950)**	(267,916)	(3,034)	1.1 %
Same-Asset NOI, Cash Basis, excluding bad debt expense	**218,690**	217,984	706	0.3 %	**651,386**	651,259	127	— %
Bad debt expense	**(1,091)**	(4,657)	3,566	(76.6)%	**(4,456)**	(19,319)	14,863	(76.9)%
Same-Asset NOI, Cash Basis	**217,599**	213,327	4,272	2.0 %	**646,930**	631,940	14,990	2.4 %
Transactions NOI excluding bad debt expense	**18,268**	16,648	1,620		**52,138**	46,791	5,347	
Bad debt expense	**137**	(84)	221		**(243)**	(878)	635	
Transactions NOI, Cash Basis	**18,405**	16,564	1,841		**51,895**	45,913	5,982	
Total NOI, Cash Basis	**$ 236,004**	$ 229,891	$ 6,113		**$ 698,825**	$ 677,853	$ 20,972	

Three Months

Same-asset NOI, cash basis, increased primarily due to a decline in bad debt expense and the contribution from contractual rental steps in the retail segment, partially offset by a reduction in occupancy across select office assets.

The increase in transactions NOI was primarily due to the contribution from acquisitions and development transfers, partially offset by foregone NOI from sold properties.

Nine Months

Same-asset NOI, cash basis, increased primarily due to a decline in bad debt expense and the contribution from contractual rental steps in the retail segment, partially offset by a reduction in occupancy across select retail and office assets and lower parking revenue in the office portfolio.

The increase in transactions NOI was primarily due to the contribution from acquisitions and development transfers, partially offset by foregone NOI from sold properties.

Retail Segment

For the periods ended September 30 ($ thousands)	Three Months 2021	2020	Change	% Change	Nine Months 2021	2020	Change	% Change
Rental revenue	**$ 235,327**	$ 232,294	$ 3,033	1.3 %	**$ 719,489**	$ 717,575	$ 1,914	0.3 %
Property operating costs excluding bad debt expense	**(63,184)**	(61,121)	(2,063)	3.4 %	**(207,848)**	(207,450)	(398)	0.2 %
Same-Asset NOI, Cash Basis, excluding bad debt expense	**172,143**	171,173	970	0.6 %	**511,641**	510,125	1,516	0.3 %
Bad debt expense	**(986)**	(4,209)	3,223	(76.6)%	**(3,683)**	(17,303)	13,620	(78.7)%
Same-Asset NOI, Cash Basis	**171,157**	166,964	4,193	2.5 %	**507,958**	492,822	15,136	3.1 %
Transactions NOI excluding bad debt expense	**11,601**	15,362	(3,761)		**34,258**	45,470	(11,212)	
Bad debt expense	**164**	(82)	246		**(179)**	(840)	661	
Transactions NOI, Cash Basis	**11,765**	15,280	(3,515)		**34,079**	44,630	(10,551)	
Total NOI, Cash Basis	**$ 182,922**	$ 182,244	$ 678		**$ 542,037**	$ 537,452	$ 4,585	

Three Months

The 2.5% increase in same-asset NOI, cash basis, was primarily driven by a reduction in bad debt expense, coupled with higher occupancy and contractual rental steps in the Ontario and Atlantic regions, partially offset by vacancies in the Alberta region.

Transaction NOI declined primarily due to the foregone income from dispositions, partially offset by the contribution from acquisitions and development transfers completed in the past 12 months.

Nine Months

The 3.1% increase in same-asset NOI, cash basis, was mainly due to a decline in bad debt expense, coupled with leasing activity and contractual rent steps across the Ontario and Alberta regions.

The decline in transaction NOI was primarily due to the foregone income from dispositions, partially offset by the contribution from acquisitions and development transfers completed in the past 12 months.

Industrial Segment

For the periods ended September 30 ($ thousands)	Three Months 2021	2020	Change	% Change	Nine Months 2021	2020	Change	% Change
Rental revenue	**$ 43,471**	$ 41,260	$ 2,211	5.4 %	**$ 130,831**	$ 127,099	$ 3,732	2.9 %
Property operating costs excluding bad debt expense	**(11,526)**	(10,125)	(1,401)	13.8 %	**(35,560)**	(33,437)	(2,123)	6.3 %
Same-Asset NOI, Cash Basis, excluding bad debt expense	**31,945**	31,135	810	2.6 %	**95,271**	93,662	1,609	1.7 %
Bad debt expense	**24**	(236)	260	N/M	**78**	(602)	680	N/M
Same-Asset NOI, Cash Basis	**31,969**	30,899	1,070	3.5 %	**95,349**	93,060	2,289	2.5 %
Transactions NOI excluding bad debt expense	**3,081**	5	3,076		**9,113**	(142)	9,255	
Bad debt expense	**—**	—	—		**—**	—	—	
Transactions NOI, Cash Basis	**3,081**	5	3,076		**9,113**	(142)	9,255	
Total NOI, Cash Basis	**$ 35,050**	$ 30,904	$ 4,146		**$ 104,462**	$ 92,918	$ 11,544	

Three Months

Same-asset NOI, cash basis, increased by 3.5% primarily due to a decline in bad debt expense, in addition to positive leasing activity in the Ontario region.

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

Nine Months

Same-asset NOI, cash basis, increased by 2.5% mainly due to a decline in bad debt expense, in addition to positive leasing activity in the Ontario region.

The increase in transaction NOI was mainly due to the contribution from acquisitions and development transfers.

Office Segment

For the periods ended September 30 ($ thousands)	Three Months 2021	2020	Change	% Change	Nine Months 2021	2020	Change	% Change
Rental revenue	**$ 23,805**	$ 23,924	$ (119)	(0.5)%	**$ 72,016**	$ 74,501	$ (2,485)	(3.3)%
Property operating costs excluding bad debt expense	**(9,203)**	(8,248)	(955)	11.6 %	**(27,542)**	(27,029)	(513)	1.9 %
Same-Asset NOI, Cash Basis, excluding bad debt expense	**14,602**	15,676	(1,074)	(6.9)%	**44,474**	47,472	(2,998)	(6.3)%
Bad debt expense	**(129)**	(212)	83	N/M	**(851)**	(1,414)	563	N/M
Same-Asset NOI, Cash Basis	**14,473**	15,464	(991)	(6.4)%	**43,623**	46,058	(2,435)	(5.3)%
Transactions NOI excluding bad debt expense	**3,586**	1,281	2,305		**8,767**	1,463	7,304	
Bad debt expense	**(27)**	(2)	(25)		**(64)**	(38)	(26)	
Transactions NOI, Cash Basis	**3,559**	1,279	2,280		**8,703**	1,425	7,278	
Total NOI, Cash Basis	**$ 18,032**	$ 16,743	$ 1,289		**$ 52,326**	$ 47,483	$ 4,843	

Three Months

Same-asset NOI, cash basis, decreased by 6.4% primarily due to vacancies in the Ontario, Alberta and British Columbia regions.

Transaction NOI increased as compared to the prior year mainly due to the contributions from the two office assets acquired in July 2020 and development transfers.

Nine Months

Same-asset NOI, cash basis, decreased by 5.3% primarily due to increased vacancy in the Ontario, Alberta and British Columbia regions, in addition to a decline in transient parking revenue.

The increase in transaction NOI was mainly due to contributions from the two office assets acquired in July 2020, partially offset by the year-to-date foregone revenue from an office property sold in the first 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 and nine months ended September 30, 2021 and September 30, 2020 are summarized below:

For the periods ended September 30 ($ thousands)	Three Months			Nine Months		
	2021	2020	Change	**2021**	2020	Change
Funds from Operations[1]	**$ 172,651**	$ 169,173	$ 3,478	**$ 515,101**	$ 480,488	$ 34,613
FFO[1][i] per unit basic	**$ 0.239**	$ 0.238	$ 0.001	**$ 0.712**	$ 0.679	$ 0.033
FFO[1][i] per unit diluted	**$ 0.239**	$ 0.238	$ 0.001	**$ 0.712**	$ 0.679	$ 0.033
FFO[1][i] payout ratio - diluted	**77.5 %**	78.4 %	(0.9)%	**77.9 %**	81.5 %	(3.6)%
Adjusted Funds from Operations[1]	**$ 153,566**	$ 147,594	$ 5,972	**$ 467,582**	$ 430,540	$ 37,042
AFFO[1][i] per unit basic	**$ 0.212**	$ 0.207	$ 0.005	**$ 0.647**	$ 0.609	$ 0.038
AFFO[1][i] per unit diluted	**$ 0.212**	$ 0.207	$ 0.005	**$ 0.647**	$ 0.609	$ 0.038
AFFO[1][i] payout ratio - diluted	**87.1 %**	89.9 %	(2.8)%	**85.8 %**	91.0 %	(5.2)%
Distribution declared per Unit	**$ 0.185**	$ 0.185	$ —	**$ 0.555**	$ 0.555	$ —
Weighted average Units outstanding - basic	**723,266,824**	711,403,446	11,863,378	**723,000,942**	707,322,302	15,678,640
Weighted average Units outstanding - diluted	**723,346,150**	711,582,778	11,763,372	**723,038,843**	707,537,645	15,501,198
Number of Units outstanding, end of period	**723,302,244**	716,903,446	6,398,798	**723,302,244**	716,903,446	6,398,798

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	**Nine Months**
Funds from operations increased by $3.5 million compared to the prior year quarter primarily due to a $3.8 million decline in bad debt expense and contributions from development transfers and transaction activity, partially offset by a decline in straight line rental revenue.	On a full year basis, funds from operations increased by $34.6 million mainly due to a $15.5 million decrease in bad debt expense, savings from lower borrowing costs and contributions from development transfers and transaction activity. The prior year results were impacted by non-recurring expense items, including (i) a $7.8 million allowance for expected credit losses on a specific mortgage receivable, and (ii) $6.8 million in early redemption premiums paid in June 2020 for two senior unsecured debentures that would have matured in 2021.

On a per unit basis, the Trust had a higher weighted average number of units outstanding at September 30, 2021, 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 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 and Nine Months

Adjusted funds from operations increased compared to the prior year on both a quarterly and year-to-date basis primarily due to an increase in FFO and reductions in straight line rental revenue, tenant improvement costs and direct leasing costs, partially offset by increased spending on property capital.

The increase on a per unit basis was partially offset by the higher weighted average number of units outstanding at September 30, 2021, as discussed above.

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

Operating Capital Expenditures

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

For the periods ended September 30 ($ thousands)	Three Months			Nine Months		
	2021	2020	Change	**2021**	2020	Change
Property capital	**$ 13,976**	$ 7,151	$ 6,825	**$ 18,841**	$ 10,648	$ 8,193
Direct leasing costs	**1,443**	2,466	(1,023)	**4,863**	6,009	(1,146)
Tenant improvements	**425**	6,555	(6,130)	**8,990**	15,977	(6,987)
Total operating capital expenditures, proportionate share basis[1]	**$ 15,844**	$ 16,172	$ (328)	**$ 32,694**	$ 32,634	$ 60

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 nine months ended September 30, 2021, Choice Properties incurred $18,841 of property capital expenditures, which may be recoverable from tenants under the terms of their leases over the useful life of the improvements (2020 - $10,648). Recoverable capital improvements may include items such as parking lot resurfacing and roof replacements. These items are recorded as part of investment properties and the recoveries from tenants are recorded as revenue.

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

8. QUARTERLY RESULTS OF OPERATIONS

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

Selected Quarterly Information

($ thousands except where otherwise indicated)	**Third Quarter 2021**	Second Quarter 2021	First Quarter 2021	Fourth Quarter 2020	Third Quarter 2020	Second Quarter 2020	First Quarter 2020	Fourth Quarter 2019
Number of income producing properties	**718**	717	715	713	707	706	706	708
Gross leasable area (in millions of square feet)	66.5	66.4	66.2	66.1	66.1	65.6	65.6	65.8
Occupancy	97.0 %	96.9 %	97.0 %	97.1 %	97.0 %	96.8 %	97.5 %	97.7 %
Rental revenue (GAAP)	**$ 316,083**	$ 323,936	$ 326,539	$ 321,862	$ 308,956	$ 314,885	$ 324,911	$ 317,986
Net income (loss)	**$ 163,672**	$ 84,621	$ (62,198)	$ 116,570	$ 97,186	$ (95,813)	$ 332,742	$ 293,261
Net income (loss) per Unit	**$ 0.226**	$ 0.117	$ (0.086)	$ 0.161	$ 0.136	$ (0.137)	$ 0.475	$ 0.419
Net income (loss) per Unit diluted	**$ 0.226**	$ 0.117	$ (0.086)	$ 0.162	$ 0.137	$ (0.137)	$ 0.475	$ 0.419
Net operating income, cash basis[1]	**$ 236,004**	$ 233,188	$ 229,633	$ 230,353	$ 229,891	$ 216,431	$ 231,531	$ 234,949
FFO[1]	**$ 172,651**	$ 171,842	$ 170,608	$ 171,519	$ 169,173	$ 140,645	$ 170,670	$ 165,795
FFO[1] per Unit - diluted	**$ 0.239**	$ 0.238	$ 0.236	$ 0.239	$ 0.238	$ 0.201	$ 0.244	$ 0.237
AFFO[1]	**$ 153,566**	$ 158,700	$ 155,316	$ 136,054	$ 147,594	$ 131,173	$ 151,773	$ 129,187
AFFO[1] per Unit - diluted	**$ 0.212**	$ 0.219	$ 0.215	$ 0.189	$ 0.207	$ 0.187	$ 0.217	$ 0.184
Distribution declared per Unit	**$ 0.185**	$ 0.185	$ 0.185	$ 0.185	$ 0.185	$ 0.185	$ 0.185	$ 0.185
Market price per Unit - closing	**$ 14.25**	$ 14.29	$ 13.56	$ 13.01	$ 12.78	$ 12.74	$ 12.92	$ 13.91
Units outstanding, period end	**723,302,244**	723,148,168	722,728,188	722,728,188	716,903,446	700,403,446	700,403,446	700,254,652
Adjusted debt to total assets[i]	**41.0 %**	40.9 %	42.3 %	42.7 %	43.8 %	44.3 %	43.8 %	43.1 %
Debt service coverage[i]	**3.3x**	3.2x	3.2x	3.2x	3.0x	2.6x	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 September 30, 2021, held either directly or indirectly, a 61.7% effective interest in the Trust through ownership of 50,661,415 Units and all of the Exchangeable Units, which are economically equivalent to and exchangeable to Units. GWL is also the parent company of Loblaw, with ownership of 52.6% of Loblaw's outstanding common shares as at September 30, 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 55.3% of Choice Properties' quarterly rental revenue on a proportionate share basis[1] and 55.2% of its commercial GLA as at September 30, 2021 (December 31, 2020 - 55.6% and 55.3%, respectively).

Acquisitions and Dispositions
There were no related party acquisitions or dispositions during the three and nine months ended September 30, 2021.

Services Agreement
For the nine months ended September 30, 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 $1,948 in connection with completed gross leasable area for which tenants took possession during the nine months ended September 30, 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 and nine months ended September 30, 2021, distributions declared on the Exchangeable Units totalled $73,221 and $219,663 (September 30, 2020 - $72,143 and $216,430).

As at September 30, 2021, Choice Properties had distributions on Exchangeable Units payable to GWL of $195,256 (December 31, 2020 - $120,598).

Notes Receivable
Holders of Exchangeable Units may, in lieu of receiving all or a portion of their distributions, choose to be loaned an amount from Choice Properties Limited Partnership, and to have such distributions made on the first business day following the end of the fiscal year in which such distribution would otherwise have been made. The loans do not bear interest and are due and payable in full on the first business day following the end of the fiscal year during which the loan was made. During the nine months ended September 30, 2021, GWL elected to receive all distributions from Choice Properties Limited Partnership in the form of loans. As such, non-interest bearing short-term notes totalling $170,849 were issued during the nine months ended September 30, 2021 to GWL. Non-interest bearing short-term notes totalling $96,191 with respect to the loans received in the 2020 fiscal year were repaid by GWL in January 2021.

Trust Unit Distributions
During the three and nine months ended September 30, 2021, Choice Properties declared cash distributions of $9,372 and $28,117 on the Units held by GWL (September 30, 2020 - $9,372 and $28,117). As at September 30, 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 and nine months ended September 30, 2021 and 2020.

During the three and nine months ended September 30, 2021, Choice Properties declared cash distributions of $3,053 and $9,158 on the Units held by Wittington (September 30, 2020 - $3,053 and $3,053). As at September 30, 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 and nine months ended September 30, 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 third 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[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, stable tenant base, 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 in our financial results and by our rent collections, which exceeded 99% for the third quarter. As restrictions from the COVID-19 pandemic continue to ease across the country, we are encouraged by the positive leasing momentum we are seeing in our portfolio.

We continue to advance our development program, which provides us with the best opportunity to add high-quality real estate to our portfolio at a reasonable cost and drive net asset value appreciation over time. We have a mix of active development projects ranging in size, scale and complexity, including retail intensification projects, industrial greenfield development, and rental residential projects located in urban markets with a focus on transit accessibility. Our active development pipeline is focused on growing our rental residential portfolio. We have two residential projects underway in Toronto that we expect to complete and transfer to income producing properties by the end of this year and we are progressing with construction on two additional high-rise residential projects, one of which is in Brampton located next to the Mount Pleasant GO Station and the other is in the Westboro neighbourhood in Ottawa. We are also advancing a new greenfield industrial project with plans to construct a modern logistics facility with over 350,000 square feet, located in a prime industrial node in Surrey, British Columbia.

Beyond our active projects, we have a substantial pipeline of larger, more complex mixed-use developments, which collectively are expected to drive meaningful net asset value growth in the future. We continue to advance the rezoning process for several of these projects. In the quarter, we submitted two additional zoning applications for projects in Toronto, Ontario and we now have over 10 million square feet of mixed-use GLA submitted for zoning.

Underpinning all aspects of our business model is a strong balance sheet and a disciplined approach to financial management. We take a conservative approach to leverage and financing risk by maintaining strong leverage ratios and a staggered debt maturity profile. We have approximately $130 million of debt obligations coming due over the remainder of the year which we intend to refinance with longer term debt. From a liquidity perspective, the Trust has approximately $1.4 billion of available cash, comprised of $1.3 billion from the unused portion of the Trust's revolving credit facility and $52.9 million in cash and cash equivalents, in addition to approximately $12.8 billion in unencumbered assets.

Update on Rent Collection[2]

Rent collection for the third quarter remained high, reflecting the stability of the Trust's necessity-based portfolio.

For three months ended September 30, 2021, the Trust collected or expects to collect approximately 99% of contractual rents:

% Collected	Third Quarter 2021
Retail	**98 %**
Industrial	**100 %**
Office	**99 %**
Total	**99 %**

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 $4.7 million in property operating costs, on a proportionate share basis[1], during the nine months ended September 30, 2021, with a corresponding amount recorded as an expected credit loss against its rent receivables.

($ thousands)		Nine months ended September 30, 2021	As a %
Total recurring tenant billings	$	1,115,982	100.0 %
Less: Amounts received and deferrals repaid to date		(1,100,597)	98.6 %
Balance outstanding		15,385	1.4 %
Total rents expected to be collected pursuant to deferral arrangements		(2,177)	(0.2)%
Total rents to be collected excluding collectible deferrals		13,208	1.2 %
Less: Provision recorded related to recurring tenant billings		(4,699)	(0.4)%
Balance expected to be recovered in time	$	8,509	0.8 %

The Trust's provision for recurring tenant billings for the nine months ended September 30, 2021, is comprised of the following:

($ thousands)		Nine months ended September 30, 2021
Provisions for tenants with negotiated rent abatements	$	(1,199)
Provisions for additional expected credit losses		(3,500)
Total provision recorded related to recurring tenant billings	$	(4,699)

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	• 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.	Section 2, "Balance Sheet" Section 7.1, "Net Income and Segment NOI Reconciliation"
Net Operating Income ("NOI"), Accounting Basis	• Defined as property rental revenue including straight line rental revenue, reimbursed contract revenue and lease surrender revenue, less direct property operating expenses and realty taxes, and excludes certain expenses such as interest expense and indirect operating expenses in order to provide results that reflect a property's operations before consideration of how it is financed or the costs of operating the entity in which it is held. • Management believes that NOI is an important measure of operating performance for the Trust's commercial real estate assets that is used by real estate industry analysts, investors and management, while also being a key input in determining the fair value of the Choice Properties portfolio.	Section 7.1, "Net Income and Segment NOI Reconciliation"
NOI, Cash Basis	• Defined as property rental revenue excluding straight line rental revenue, direct property operating expenses and realty taxes and excludes certain expenses such as interest expense and indirect operating expenses in order to provide results that reflect a property's operations before consideration of how it is financed or the costs of operating the entity in which it is held. • Useful measure in understanding period-over-period changes in income from operations due to occupancy, rental rates, operating costs and realty taxes.	Section 7.1, "Net Income and Segment NOI Reconciliation" Section 13.2, "Net Operating Income"
Same-Asset NOI, Cash Basis and Same-Asset NOI, Accounting Basis	• Same-asset NOI is used to evaluate the period-over-period performance of those 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.	Section 7.2, "Net Operating Income Summary"

Funds from Operations ("FFO")	• Calculated in accordance with the Real Property Association of Canada's ("REALpac") *White Paper on Funds from Operations & Adjusted Funds from Operations for IFRS* 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.	Section 13.3, "Funds from Operations"
Adjusted Funds from Operations ("AFFO")	• Calculated in accordance with REALpac's *White Paper on Funds from Operations & Adjusted Funds from Operations for IFRS* 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 GAAP, such as straight-line rent, but also includes capital and leasing costs incurred during the period which are capitalized for GAAP purposes. From time to time the Trust may enter into transactions that materially impact the calculation and are eliminated from the calculation for management's review purposes.	Section 13.4, "Adjusted Funds from Operations"
Adjusted Cash Flow from Operations ("ACFO")	• Calculated in accordance with REALpac's *White Paper on Adjusted Cashflow from Operations (ACFO) for IFRS* 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.	Section 13.5, "Adjusted Cash Flow from Operations"
FFO, AFFO and ACFO Payout Ratios	• FFO, AFFO and ACFO payout ratios are supplementary measures used by Management to assess the sustainability of the Trust's distribution payments. • The ratios are calculated using cash distributions declared divided by FFO, AFFO and ACFO, as applicable.	Section 7.3, "Other Key Performance Indicators"

Earnings before Interest, Taxes, Depreciation, Amortization and Fair Value ("EBITDAFV")	• Defined as net income attributable to Unitholders, reversing, where applicable, income taxes, interest expense, amortization expense, depreciation expense, adjustments to fair value and other adjustments as allowed in the Trust Indentures, as supplemented. • Management believes EBITDAFV is useful in assessing the Trust's ability to service its debt, finance capital expenditures and provide for distributions to its Unitholders.	Section 13.8, "Earnings before Taxes, Depreciation, Amortization and Fair Value"
Cash Retained after Distributions	• Represents the portion of ACFO retained within Choice Properties which can be used to invest in new acquisitions, development properties and capital activity.	Section 13.6, "Distribution Excess / Shortfall Analysis"
Total Adjusted Debt	• 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[1], and does not include the Exchangeable Units which are included as part of Unit Equity on account of the Exchangeable Units being economically equivalent and receiving equal distributions to the Trust Units. • Total Adjusted Debt is also presented on a net basis to include the impact of other finance charges such as debt placement costs and discounts or premiums.	Section 4.3, "Components of Total Adjusted Debt"
Adjusted Debt to Total Assets	• Determined by dividing Total Adjusted Debt (as defined above) by total assets as presented on a proportionate share basis 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	• Calculated as EBITDAFV divided by interest expense on the Total Adjusted Debt and all regularly scheduled principal payments made with respect to indebtedness during such period (other than any balloon, bullet or similar principal payable at maturity or which repays such indebtedness in full). This ratio is calculated based on the Trust Indentures, as supplemented. • The debt service coverage ratio is useful in determining the ability of Choice Properties to service the interest requirements of its outstanding debt.	Section 4.4, "Financial Condition"
Adjusted Debt to EBITDAFV, and Adjusted Debt to EBITDAFV, net of cash	• Calculated as Total Adjusted Debt divided by EBITDAFV. • This ratio is used to assess the financial leverage of Choice Properties, to measure its ability to meet financial obligations and to provide a snapshot of its balance sheet strength. • Management also presents this ratio with Total Adjusted Debt calculated as net of cash and cash equivalents at the measurement date.	Section 4.4, "Financial Condition"
Interest Coverage	• Calculated as EBITDAFV divided by interest expense on the Total Adjusted Debt incurred by Choice Properties for the period. • The interest coverage ratio is useful in determining Choice Properties' ability to service the interest requirements of its outstanding debt.	Section 4.4, "Financial Condition"

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:

	Three Months			Nine Months		
As at or for the period ended September 30, 2021 ($ thousands)	GAAP Basis	Reconciliation	Proportionate Share Basis(1)	GAAP Basis	Reconciliation	Proportionate Share Basis(1)
Balance, beginning of period	$ 14,874,000	$ 1,025,000	$ 15,899,000	$ 14,389,000	$ 1,015,000	$ 15,404,000
Acquisitions of investment properties(i)	31,574	—	31,574	31,574	163,375	194,949
Capital expenditures						
Development capital	16,299	15,315	31,614	35,032	53,687	88,719
Building improvements	44	263	307	1,296	1,131	2,427
Capitalized interest	562	688	1,250	1,975	1,718	3,693
Operating capital expenditures						
Property capital	13,825	151	13,976	18,789	52	18,841
Direct leasing costs	1,272	171	1,443	4,168	695	4,863
Tenant improvement allowances	208	217	425	8,114	876	8,990
Amortization of straight-line rent	419	767	1,186	7,554	1,419	8,973
Transfer from equity accounted joint ventures	—	—	—	143,103	(143,103)	—
Dispositions	(4,147)	—	(4,147)	(34,147)	(66,376)	(100,523)
Adjustment to fair value of investment properties	34,944	16,428	51,372	362,542	30,526	393,068
Balance, as at September 30, 2021	$ 14,969,000	$ 1,059,000	$ 16,028,000	$ 14,969,000	$ 1,059,000	$ 16,028,000

(i) Includes acquisition costs.

13.2 Net Operating Income

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

For the periods ended September 30 ($ thousands)	Three Months 2021	Three Months 2020	Three Months Change	Nine Months 2021	Nine Months 2020	Nine Months Change
Net income (loss)	**$ 163,672**	$ 97,186	$ 66,486	**$ 186,095**	$ 334,115	$ (148,020)
Straight line rental revenue	**(419)**	(3,177)	2,758	**(7,554)**	(10,729)	3,175
Reversal of (allowance for) expected credit loss on mortgage receivable	**(476)**	—	(476)	**(476)**	7,830	(8,306)
Lease surrender revenue	**(208)**	(914)	706	**(2,523)**	(1,029)	(1,494)
General and administrative expenses	**10,036**	8,837	1,199	**29,118**	27,940	1,178
Fee income	**(890)**	(918)	28	**(2,855)**	(3,280)	425
Net interest expense and other financing charges	**132,863**	133,478	(615)	**400,205**	407,599	(7,394)
Interest income	**(4,091)**	(3,806)	(285)	**(12,767)**	(10,869)	(1,898)
Share of income (loss) from equity accounted joint ventures	**(22,771)**	3,608	(26,379)	**(48,614)**	14,606	(63,220)
Amortization of intangible assets	**250**	250	—	**750**	750	—
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	**(159)**	(353)	194	**2,246**	(863)	3,109
Adjustment to fair value of Exchangeable Units	**(15,831)**	15,599	(31,430)	**490,776**	(440,656)	931,432
Adjustment to fair value of investment properties	**(34,944)**	(29,159)	(5,785)	**(362,542)**	323,619	(686,161)
Income tax expense	**—**	—	—	**7**	—	7
Net Operating Income, Cash Basis	**227,032**	220,631	6,401	**671,866**	649,438	22,428
Adjustments for equity accounted joint ventures	**8,972**	9,260	(288)	**26,959**	28,415	(1,456)
Net Operating Income, Cash Basis - Proportionate Share[(1)]	**$ 236,004**	$ 229,891	$ 6,113	**$ 698,825**	$ 677,853	$ 20,972

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 September 30 ($ thousands)	Three Months 2021	Three Months 2020	Three Months Change	Nine Months 2021	Nine Months 2020	Nine Months Change
Net income (loss)	**$ 163,672**	$ 97,186	$ 66,486	**$ 186,095**	$ 334,115	$ (148,020)
Amortization of intangible assets	**250**	250	—	**750**	750	—
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	**(159)**	(353)	194	**2,246**	(863)	3,109
Adjustment to fair value of Exchangeable Units	**(15,831)**	15,599	(31,430)	**490,776**	(440,656)	931,432
Adjustment to fair value of investment properties	**(34,944)**	(29,159)	(5,785)	**(362,542)**	323,619	(686,161)
Adjustment to fair value of investment property held in equity accounted joint ventures	**(16,428)**	10,854	(27,282)	**(30,526)**	37,149	(67,675)
Interest otherwise capitalized for development in equity accounted joint ventures	**815**	961	(146)	**2,780**	4,107	(1,327)
Exchangeable Units distributions	**73,221**	72,143	1,078	**219,663**	216,430	3,233
Internal expenses for leasing	**2,055**	1,692	363	**5,852**	5,432	420
Income tax expense	**—**	—	—	**7**	—	7
Funds from Operations	**$ 172,651**	$ 169,173	$ 3,478	**$ 515,101**	$ 480,488	$ 34,613
FFO per Unit - diluted[i]	**$ 0.239**	$ 0.238	$ 0.001	**$ 0.712**	$ 0.679	$ 0.033
FFO payout ratio - diluted[i][ii]	**77.5 %**	78.4 %	(0.9)%	**77.9 %**	81.5 %	(3.6)%
Distribution declared per Unit	**$ 0.185**	$ 0.185	$ —	**$ 0.555**	$ 0.555	$ —
Weighted average Units outstanding - diluted	**723,346,150**	711,582,778	11,763,372	**723,038,843**	707,537,645	15,501,198

(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 September 30 ($ thousands)	Three Months 2021	Three Months 2020	Three Months Change	Nine Months 2021	Nine Months 2020	Nine Months Change
Net operating income, cash basis	**$ 236,004**	$ 229,891	$ 6,113	**$ 698,825**	$ 677,853	$ 20,972
Straight line rental revenue	**1,186**	3,715	(2,529)	**8,973**	11,882	(2,909)
Lease surrender revenue	**208**	914	(706)	**2,523**	1,029	1,494
Net operating income, accounting basis	**$ 237,398**	$ 234,520	$ 2,878	**$ 710,321**	$ 690,764	$ 19,557
Interest income	**2,833**	3,184	(351)	**8,506**	9,960	(1,454)
Fee income	**890**	918	(28)	**2,855**	3,280	(425)
Net interest expense and other financing charges	**(135,001)**	(135,408)	407	**(406,234)**	(413,715)	7,481
Distributions on Exchangeable Units	**73,221**	72,143	1,078	**219,663**	216,430	3,233
Interest otherwise capitalized for development in equity accounted joint ventures	**815**	961	(146)	**2,780**	4,107	(1,327)
General and administrative expenses	**(10,036)**	(8,837)	(1,199)	**(29,118)**	(27,940)	(1,178)
Reversal of (allowance for) expected credit loss on mortgage receivable	**476**	—	476	**476**	(7,830)	8,306
Internal expenses for leasing	**2,055**	1,692	363	**5,852**	5,432	420
Funds from Operations	**$ 172,651**	$ 169,173	$ 3,478	**$ 515,101**	$ 480,488	$ 34,613
FFO per Unit - diluted[(i)]	**$ 0.239**	$ 0.238	$ 0.001	**$ 0.712**	$ 0.679	$ 0.033
FFO payout ratio - diluted[(i)(ii)]	**77.5 %**	78.4 %	(0.9)%	**77.9 %**	81.5 %	(3.6)%
Distribution declared per Unit	**$ 0.185**	$ 0.185	$ —	**$ 0.555**	$ 0.555	$ —
Weighted average Units outstanding - diluted	**723,346,150**	711,582,778	11,763,372	**723,038,843**	707,537,645	15,501,198

(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 September 30 ($ thousands)	Three Months 2021	Three Months 2020	Three Months Change	Nine Months 2021	Nine Months 2020	Nine Months Change
Funds from Operations	**$ 172,651**	$ 169,173	$ 3,478	**$ 515,101**	$ 480,488	$ 34,613
Internal expenses for leasing	**(2,055)**	(1,692)	(363)	**(5,852)**	(5,432)	(420)
Straight line rental revenue	**(1,186)**	(3,715)	2,529	**(8,973)**	(11,882)	2,909
Property capital	**(13,976)**	(7,151)	(6,825)	**(18,841)**	(10,648)	(8,193)
Direct leasing costs	**(1,443)**	(2,466)	1,023	**(4,863)**	(6,009)	1,146
Tenant improvements	**(425)**	(6,555)	6,130	**(8,990)**	(15,977)	6,987
Adjusted Funds from Operations	**$ 153,566**	$ 147,594	$ 5,972	**$ 467,582**	$ 430,540	$ 37,042
AFFO per unit - diluted[(i)]	**$ 0.212**	$ 0.207	$ 0.005	**$ 0.647**	$ 0.609	$ 0.038
AFFO payout ratio - diluted[(i)(ii)]	**87.1 %**	89.9 %	(2.8)%	**85.8 %**	91.0 %	(5.2)%
Distribution declared per Unit	**$ 0.185**	$ 0.185	$ —	**$ 0.555**	$ 0.555	$ —
Weighted average Units outstanding - diluted	**723,346,150**	711,582,778	11,763,372	**723,038,843**	707,537,645	15,501,198

(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 September 30 ($ thousands)	Three Months 2021	2020	Change	Nine Months 2021	2020	Change
Cash flows from operating activities	$ 153,939	$ 79,837	$ 74,102	$ 425,226	$ 389,273	$ 35,953
Net interest expense and other financing charges in excess of interest paid(i)	(52,616)	(49,057)	(3,559)	(197,464)	(188,137)	(9,327)
Distributions on Exchangeable Units included in net interest expense and other financing charges	73,221	72,143	1,078	219,663	216,430	3,233
Interest and other income in excess of interest received(i)	637	539	98	2,416	2,708	(292)
Interest otherwise capitalized for development in equity accounted joint ventures	815	961	(146)	2,780	4,107	(1,327)
Reversal of (allowance for) expected credit loss on mortgage receivable	476	—	476	476	(7,830)	8,306
Portion of internal expenses for leasing relating to development activity	1,028	846	182	2,926	2,716	210
Property capital expenditures on a proportionate share basis	(13,976)	(7,151)	(6,825)	(18,841)	(10,648)	(8,193)
Leasing capital expenditures on a proportionate share basis	(1,868)	(9,021)	7,153	(13,853)	(21,986)	8,133
Acquisition transaction costs and other related expenses	—	—	—	—	1,589	(1,589)
Adjustments for proportionate share of income from equity accounted joint ventures(ii)	6,343	7,246	(903)	18,088	22,543	(4,455)
Adjustment for changes in non-cash working capital items not indicative of sustainable operating cash flows(iii)	(4,801)	63,028	(67,829)	47,552	39,670	7,882
Adjusted Cash Flow from Operations	$ 163,198	$ 159,371	$ 3,827	$ 488,969	$ 450,435	$ 38,534
Cash distributions declared	133,811	132,628	1,183	401,284	391,746	9,538
Cash retained after distributions	$ 29,387	$ 26,743	$ 2,644	$ 87,685	$ 58,689	$ 28,996
ACFO payout ratio(iv)	82.0 %	83.2 %	(1.2)%	82.1 %	87.0 %	(4.9)%

(i) The timing of the recognition of interest expense and income differs from the payment and collection. The ACFO calculations for the periods ended September 30, 2021 and September 30, 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 September 30 ($ thousands)	Three Months 2021	2020	Change	Nine Months 2021	2020	Change
Net change in non-cash working capital(i)	$ 11,075	$ (53,622)	$ 64,697	$ (34,743)	$ (27,236)	$ (7,507)
Adjustment for changes in non-cash working capital items not indicative of sustainable operating cash flows	(4,801)	63,028	(67,829)	47,552	39,670	7,882
Net non-cash working capital increase included in ACFO	$ 6,274	$ 9,406	$ (3,132)	$ 12,809	$ 12,434	$ 375

(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:

	Three Months			Nine Months		
For the periods ended September 30 ($ thousands)	**2021**	2020	Change	**2021**	2020	Change
Cash flows from operating activities	**$ 153,939**	$ 79,837	$ 74,102	**$ 425,226**	$ 389,273	$ 35,953
Less: Cash distributions declared	**(133,811)**	(132,628)	(1,183)	**(401,284)**	(391,746)	(9,538)
Excess (shortfall) of cash flows provided by operating activities over cash distributions declared	**$ 20,128**	$ (52,791)	$ 72,919	**$ 23,942**	$ (2,473)	$ 26,415

	Three Months			Nine Months		
For the periods ended September 30 ($ thousands)	**2021**	2020	Change	**2021**	2020	Change
Net income (loss)	**$ 163,672**	$ 97,186	$ 66,486	**$ 186,095**	$ 334,115	$ (148,020)
Add: Distributions on Exchangeable Units included in net interest expense and other financing charges	**73,221**	72,143	1,078	**219,663**	216,430	3,233
Net income (loss) attributable to Unitholders excluding distributions on Exchangeable Units	**236,893**	169,329	67,564	**405,758**	550,545	(144,787)
Less: Cash distributions declared	**(133,811)**	(132,628)	(1,183)	**(401,284)**	(391,746)	(9,538)
Excess (shortfall) of net income (loss) attributable to Unitholders, less distributions on Exchangeable Units, over cash distributions declared	**$ 103,082**	$ 36,701	$ 66,381	**$ 4,474**	$ 158,799	$ (154,325)

	Three Months			Nine Months		
For the periods ended September 30 ($ thousands)	**2021**	2020	Change	**2021**	2020	Change
Adjusted Cash Flow from Operations[1]	**$ 163,198**	$ 159,371	$ 3,827	**$ 488,969**	$ 450,435	$ 38,534
Less: Cash distributions declared	**(133,811)**	(132,628)	(1,183)	**(401,284)**	(391,746)	(9,538)
Excess of ACFO after distributions	**$ 29,387**	$ 26,743	$ 2,644	**$ 87,685**	$ 58,689	$ 28,996

Choice Properties' cash flows provided by operating activities exceeded its cash distributions declared for three and nine months ended September 30, 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 and nine months ended September 30, 2021 and 2020:

For the three months ended September 30 ($ thousands)	2021 Proportionate Share Basis[1]	2021 Consolidation and eliminations[i]	2021 GAAP Basis	2020 Proportionate Share Basis[1]	2020 Consolidation and eliminations[i]	2020 GAAP Basis
Interest on senior unsecured debentures	$ 46,142	$ —	$ 46,142	$ 47,825	$ —	$ 47,825
Interest on mortgages and construction loans	14,051	(2,746)	11,305	14,479	(2,006)	12,473
Interest on credit facility	1,252	—	1,252	1,084	—	1,084
Subtotal (for use in Debt Service Coverage[1] calculation)	61,445	(2,746)	58,699	63,388	(2,006)	61,382
Distributions on Exchangeable Units[ii]	73,221	—	73,221	72,143	—	72,143
Subtotal (for use in EBITDAFV[1] calculation)	134,666	(2,746)	131,920	135,531	(2,006)	133,525
Interest on right of use lease liability	36	—	36	49	—	49
Amortization of debt discounts and premiums	276	(54)	222	123	(42)	81
Amortization of debt placement costs	1,273	(26)	1,247	1,117	(33)	1,084
Capitalized interest	(1,250)	688	(562)	(1,412)	151	(1,261)
Net interest expense and other financing charges	$ 135,001	$ (2,138)	$ 132,863	$ 135,408	$ (1,930)	$ 133,478

(i) Reconciling items adjust Choice Properties' proportionate share of joint ventures to reflect the equity method of accounting under GAAP.
(ii) Represents interest on indebtedness due to related parties.

For the nine months ended September 30 ($ thousands)	2021 Proportionate Share Basis[1]	2021 Consolidation and eliminations[i]	2021 GAAP Basis	2020 Proportionate Share Basis[1]	2020 Consolidation and eliminations[i]	2020 GAAP Basis
Interest on senior unsecured debentures	$ 140,295	$ —	$ 140,295	$ 148,915	$ —	$ 148,915
Interest on mortgages and construction loans	42,707	(7,512)	35,195	43,340	(6,390)	36,950
Interest on credit facility	3,040	—	3,040	6,079	—	6,079
Subtotal (for use in Debt Service Coverage[1] calculation)	186,042	(7,512)	178,530	198,334	(6,390)	191,944
Distributions on Exchangeable Units[ii]	219,663	—	219,663	216,430	—	216,430
Subtotal (for use in EBITDAFV[1] calculation)	405,705	(7,512)	398,193	414,764	(6,390)	408,374
Interest on right of use lease liability	112	—	112	175	—	175
Amortization of debt discounts and premiums	606	(161)	445	(1,774)	(126)	(1,900)
Amortization of debt placement costs	3,504	(74)	3,430	3,653	(99)	3,554
Capitalized interest	(3,693)	1,718	(1,975)	(3,103)	499	(2,604)
Net interest expense and other financing charges	$ 406,234	$ (6,029)	$ 400,205	$ 413,715	$ (6,116)	$ 407,599

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

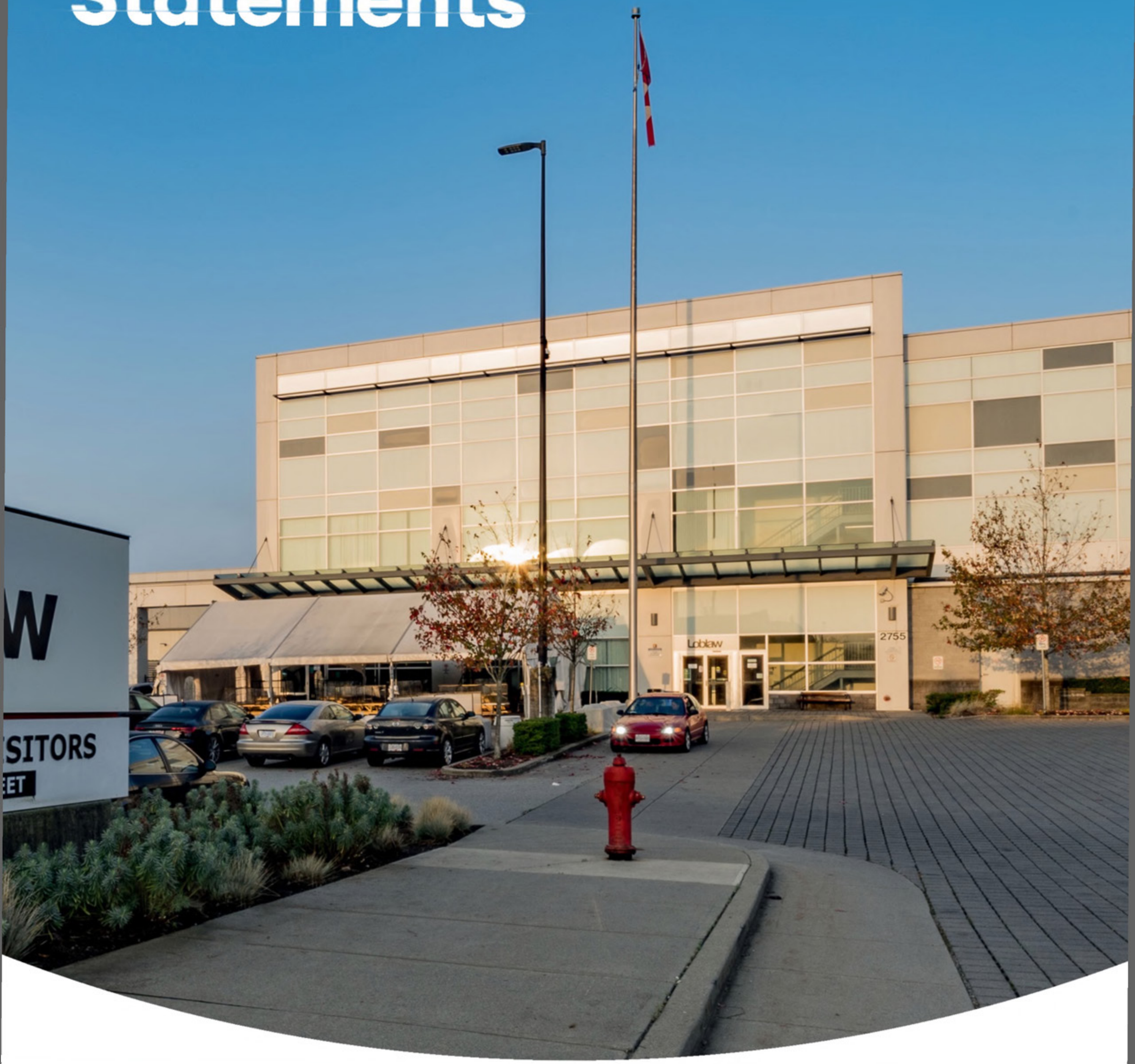
The following table reconciles net income, as determined in accordance with GAAP, to EBITDAFV for the periods ended as indicated. Refer to Section 13, "Non-GAAP Financial Measures", for further details about this non-GAAP measure.

For the periods ended September 30 ($ thousands)	Three Months 2021	Three Months 2020	Three Months Change	Nine Months 2021	Nine Months 2020	Nine Months Change
Net income (loss)	**$ 163,672**	$ 97,186	$ 66,486	**$ 186,095**	$ 334,115	$ (148,020)
Acquisition transaction costs and other related expenses	**—**	—	—	**—**	1,589	(1,589)
Other fair value gains (losses), net	**(159)**	(353)	194	**2,246**	(863)	3,109
Adjustment to fair value of Exchangeable Units	**(15,831)**	15,599	(31,430)	**490,776**	(440,656)	931,432
Adjustment to fair value of investment properties	**(34,944)**	(29,159)	(5,785)	**(362,542)**	323,619	(686,161)
Adjustment to fair value of investment property held in equity accounted joint ventures	**(16,428)**	10,854	(27,282)	**(30,526)**	37,149	(67,675)
Interest expense(i)	**134,666**	135,531	(865)	**405,705**	414,764	(9,059)
Amortization of other assets	**303**	264	39	**884**	319	565
Amortization of intangible assets	**250**	250	—	**750**	750	—
Income tax expense	**—**	—	—	**7**	—	7
Earnings Before Interest, Taxes, Depreciation, Amortization and Fair Value (EBITDAFV)	**$ 231,529**	$ 230,172	$ 1,357	**$ 693,395**	$ 670,786	$ 22,609

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

Financial Statements

Loblaw Distribution Centre
Surrey, BC



ChoiceProperties

Financial Results

Choice Properties Real Estate Investment Trust
Condensed Consolidated Balance Sheets

(in thousands of Canadian dollars)	Note		As at September 30, 2021		As at December 31, 2020
Assets					
Investment properties	4	**$**	**14,969,000**	$	14,389,000
Equity accounted joint ventures	5		**576,592**		573,649
Financial real estate assets	8		**69,035**		68,373
Mortgages, loans and notes receivable	9		**354,013**		263,946
Intangible assets	10		**28,250**		29,000
Accounts receivable and other assets	11		**138,376**		116,055
Cash and cash equivalents	27 (c)		**29,074**		207,219
Total Assets		**$**	**16,164,340**	$	15,647,242
Liabilities and Equity					
Long term debt	12	**$**	**6,238,867**	$	6,485,521
Credit facility	13		**185,869**		—
Exchangeable Units	14		**5,639,958**		5,149,182
Trade payables and other liabilities	16		**570,291**		489,999
Total Liabilities			**12,634,985**		12,124,702
Equity					
Unitholders' equity			**3,529,355**		3,514,739
Non-controlling interests	7		**—**		7,801
Total Equity			**3,529,355**		3,522,540
Total Liabilities and Equity		**$**	**16,164,340**	$	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]
Gordon A. M. Currie
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)

		Three Months		Nine Months	
(in thousands of Canadian dollars)	Note	**September 30, 2021**	September 30, 2020	**September 30, 2021**	September 30, 2020
Net Operating Income					
Rental revenue	18	**$ 316,083**	$ 308,956	**$ 966,558**	$ 948,752
Property operating costs	19	**(88,424)**	(84,234)	**(284,615)**	(287,556)
		227,659	224,722	**681,943**	661,196
Other Income and Expenses					
Interest income	20	**4,091**	3,806	**12,767**	10,869
Fee income	21	**890**	918	**2,855**	3,280
Net interest expense and other financing charges	22	**(132,863)**	(133,478)	**(400,205)**	(407,599)
General and administrative expenses	23	**(10,036)**	(8,837)	**(29,118)**	(27,940)
Reversal of (allowance for) expected credit loss on mortgage receivable	9	**476**	—	**476**	(7,830)
Share of income (loss) from equity accounted joint ventures	5	**22,771**	(3,608)	**48,614**	(14,606)
Amortization of intangible assets	10	**(250)**	(250)	**(750)**	(750)
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	**159**	353	**(2,246)**	863
Adjustment to fair value of Exchangeable Units	14	**15,831**	(15,599)	**(490,776)**	440,656
Adjustment to fair value of investment properties	4	**34,944**	29,159	**362,542**	(323,619)
Income (Loss) before income taxes		**163,672**	97,186	**186,102**	334,115
Income tax expense	15	**—**	—	**(7)**	—
Net Income (Loss)		**$ 163,672**	$ 97,186	**$ 186,095**	$ 334,115

Net Income (Loss)		**$ 163,672**	$ 97,186	**$ 186,095**	$ 334,115
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	**(651)**	574	**2,971**	(5,231)
Other comprehensive income (loss)		**(651)**	574	**2,971**	(5,399)
Comprehensive Income (Loss)		**$ 163,021**	$ 97,760	**$ 189,066**	$ 328,716

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 income		—	186,095	—	—	186,095	—	186,095
Other comprehensive income		—	—	2,971	—	2,971	—	2,971
Distributions		—	—	—	(181,621)	(181,621)	—	(181,621)
Units issued under unit-based compensation arrangements	14	8,211	—	—	—	8,211	—	8,211
Reclassification of vested Unit-Settled Restricted Units liability to equity	14	1,519	—	—	—	1,519	—	1,519
Units repurchased for unit-based compensation arrangements	14	(2,559)	—	—	—	(2,559)	—	(2,559)
Distribution to non-controlling interests	7	—	—	—	—	—	(7,801)	(7,801)
Equity, September 30, 2021		**$ 3,659,791**	**$ 997,829**	**$ (2,015)**	**$ (1,126,250)**	**$ 3,529,355**	**$ —**	**$ 3,529,355**

		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, 2019		$ 3,409,836	$ 361,049	$ (1,264)	$ (679,404)	$ 3,090,217	$ 7,801	$ 3,098,018
Net income		—	334,115	—	—	334,115	—	334,115
Other comprehensive loss		—	—	(5,399)	—	(5,399)	—	(5,399)
Distributions		—	—	—	(175,316)	(175,316)	—	(175,316)
Units issued, net of costs	14	208,935	—	—	—	208,935	—	208,935
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	1,929	—	—	—	1,929	—	1,929
Units repurchased for unit-based compensation arrangements	14	(2,346)	—	—	—	(2,346)	—	(2,346)
Equity, September 30, 2020		$ 3,623,195	$ 695,164	$ (6,663)	$ (854,720)	$ 3,456,976	$ 7,801	$ 3,464,777

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 September 30, 2021	Three Months September 30, 2020	Nine Months September 30, 2021	Nine Months September 30, 2020
Operating Activities					
Net income (loss)		**$ 163,672**	$ 97,186	**$ 186,095**	$ 334,115
Net interest expense and other financing charges	22	**132,863**	133,478	**400,205**	407,599
Interest paid		**(80,247)**	(84,421)	**(202,741)**	(219,462)
Interest income	20	**(4,091)**	(3,806)	**(12,767)**	(10,869)
Interest received		**3,454**	3,267	**10,351**	8,158
Share of (income) loss from equity accounted joint ventures	5	**(22,771)**	3,608	**(48,614)**	14,606
Items not affecting cash and other items	27 (a)	**(50,016)**	(15,853)	**127,440**	(117,638)
Net change in non-cash working capital	27 (b)	**11,075**	(53,622)	**(34,743)**	(27,236)
Cash Flows from Operating Activities		**153,939**	79,837	**425,226**	389,273
Investing Activities					
Acquisitions of investment properties	3	**(31,574)**	(5,472)	**(31,574)**	(43,856)
Additions to investment properties	4	**(31,648)**	(26,344)	**(67,399)**	(65,668)
Additions to financial real estate assets	8	**(243)**	—	**(486)**	—
Contributions to equity accounted joint ventures	5	**(2,097)**	(10,043)	**(150,761)**	(26,157)
Distributions from equity accounted joint ventures	5	**5,789**	5,846	**97,970**	17,437
Mortgages, loans and notes receivable advances	9	**(67,770)**	(6,537)	**(217,524)**	(61,185)
Mortgages, loans and notes receivable repayments	9	**4,761**	4,772	**125,327**	159,287
Proceeds from dispositions	3	**4,147**	22,613	**34,147**	132,305
Cash Flows from (used in) Investing Activities		**(118,635)**	(15,165)	**(210,300)**	112,163
Financing Activities					
Proceeds from issuance of debentures, net	12	**—**	—	**—**	994,681
Repayments of debentures	12	**—**	—	**(200,000)**	(900,000)
Net advances (repayments) of mortgages payable	12	**(42,843)**	(18,100)	**(33,327)**	3,203
Net advances on construction loans	12	**1,462**	—	**(16,038)**	351
Net advances (repayments) of credit facility	13	**134,874**	5,000	**189,874**	(75,000)
Payment of credit facility extension fee	13	**—**	—	**(1,832)**	—
Cash received on exercise of options	17	**1,897**	—	**6,947**	1,799
Cash paid on vesting of restricted and performance units		**(116)**	—	**(1,736)**	(2,798)
Repurchase of Units for unit-based compensation arrangement	14	**(225)**	—	**(2,559)**	(2,346)
Distributions paid on Exchangeable Units		**(48,814)**	(72,143)	**(145,005)**	(360,717)
Distributions paid on Trust Units		**(60,580)**	(59,467)	**(181,594)**	(174,298)
Distribution to non-controlling interests	7	**—**	—	**(7,801)**	—
Cash Flows from (used in) Financing Activities		**(14,345)**	(144,710)	**(393,071)**	(515,125)
Change in cash and cash equivalents		**20,959**	(80,038)	**(178,145)**	(13,689)
Cash and cash equivalents, beginning of period		**8,115**	108,339	**207,219**	41,990
Cash and Cash Equivalents, End of Period	27 (c)	**$ 29,074**	$ 28,301	**$ 29,074**	$ 28,301

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 April 30, 2021, as may be amended from time to time (the "Declaration of Trust"). Choice Properties, Canada's preeminent diversified real estate investment trust, is the owner, manager and developer of a high-quality portfolio of commercial retail, industrial, 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 September 30, 2021, GWL held either directly or indirectly, a 61.7% effective interest in Choice Properties. Choice Properties' ultimate parent is Wittington Investments, Limited ("Wittington").

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

Note 2. Significant Accounting Policies

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 November 3, 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 September 30, 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 nine months ended September 30, 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
Consolidated investments								
Toronto, ON	Sep 2	Retail	100%	$ 30,300	$ 31,574	$ —	$ —	$ 31,574
Acquisitions from third-parties				**30,300**	**31,574**	**—**	**—**	**31,574**
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
Acquisitions in equity accounted joint ventures				**163,375**	**163,375**	**4,846**	**38,000**	**120,529**
Total acquisitions				**$ 193,675**	**$ 194,949**	**$ 4,846**	**$ 38,000**	**$ 152,103**

(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 nine months ended September 30, 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
Kanata, ON	Aug 19	Land	50%	4,147	4,147
Dispositions of investment properties				**34,147**	**34,147**
Equity accounted joint ventures					
Richmond Hill, ON	Feb 1	Land	50%	66,375	66,375
Dispositions from equity accounted joint ventures				**66,375**	**66,375**
Total dispositions				**$ 100,522**	**$ 100,522**

(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	Nine months ended September 30, 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 $1,274 (2020 - $10,283)	3	**31,574**	**—**	**31,574**	458,959
Capital expenditures					
Development capital[i]		**—**	**35,032**	**35,032**	57,693
Building improvements		**1,296**	**—**	**1,296**	10,948
Capitalized interest[ii]	22	**—**	**1,975**	**1,975**	4,231
Operating capital expenditures					
Property capital		**18,789**	**—**	**18,789**	33,112
Direct leasing costs		**4,168**	**—**	**4,168**	6,519
Tenant improvement allowances		**8,114**	**—**	**8,114**	19,269
Amortization of straight-line rent		**7,554**	**—**	**7,554**	13,946
Transfer from equity accounted joint ventures	5	**143,103**	**—**	**143,103**	42,687
Transfers from properties under development		**30,290**	**(30,290)**	**—**	—
Dispositions	3	**—**	**(34,147)**	**(34,147)**	(391,878)
Disposition to equity accounted joint venture		**—**	**—**	**—**	(19,468)
Adjustment to fair value of investment properties		**327,112**	**35,430**	**362,542**	(220,018)
Balance, end of period		**$ 14,771,000**	**$ 198,000**	**$ 14,969,000**	$ 14,389,000

(i) Development capital included $1,948 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 3.67% (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 valuators in preparing their valuation reports and holds discussions with the independent valuators on the reasonableness of their assumptions. Where warranted, adjustments will be made to the internal valuations to reflect the assumptions contained in the external valuations. The Trust will record the internal value in its consolidated financial statements.

Income Producing Properties

Income producing properties are valued using the discounted cash flow method. Under the discounted cash flow method, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life, generally over a minimum term of 10 years, including a terminal value based on the application of a terminal capitalization rate applied to estimated 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 nine months ended September 30, 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 September 30, 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:

	As at September 30, 2021		As at December 31, 2020	
Total Income Producing Properties	**Range**	**Weighted average**	Range	Weighted average
Discount rate	**4.75% - 11.45%**	**6.73%**	4.75% - 11.45%	6.83%
Terminal capitalization rate	**4.00% - 10.95%**	**6.00%**	4.00% - 10.95%	6.07%
Retail				
Discount rate	**5.00% - 11.45%**	**6.95%**	5.00% - 11.45%	6.97%
Terminal capitalization rate	**4.50% - 10.95%**	**6.21%**	4.50% - 10.95%	6.23%
Industrial				
Discount rate	**4.75% - 8.50%**	**6.08%**	4.75% - 9.00%	6.50%
Terminal capitalization rate	**4.00% - 7.75%**	**5.47%**	4.00% - 8.50%	5.73%
Office				
Discount rate	**5.25% - 8.50%**	**6.21%**	5.25% - 8.50%	6.21%
Terminal capitalization rate	**4.25% - 7.75%**	**5.33%**	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 valuators 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:

		2021		2020
($ thousands except where otherwise indicated)	**Number of income producing properties**	**Fair value**	Number of income producing properties	Fair value
March 31	**18**	**$ 625,000**	18	$ 765,000
June 30	**20**	**1,070,000**	18	850,000
September 30	**19**	**890,000**	18	675,000
December 31	**—**	**—**	21	715,000
Total	**57**	**$ 2,585,000**	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:

	Terminal Capitalization Rate			Discount Rate		
Rate Sensitivity	Weighted Average Terminal Capitalization Rate	Fair Value	Change in Fair Value	Weighted Average Discount Rate	Fair Value	Change in Fair Value
(0.75)%	5.25 %	$ 16,016,000	$ 1,245,000	5.98 %	$ 15,667,000	$ 896,000
(0.50)%	5.50 %	15,554,000	783,000	6.23 %	15,358,000	587,000
(0.25)%	5.75 %	15,150,000	379,000	6.48 %	15,055,000	284,000
—%	6.00 %	14,771,000	—	6.73 %	14,771,000	—
0.25%	6.25 %	14,428,000	(343,000)	6.98 %	14,486,000	(285,000)
0.50%	6.50 %	14,107,000	(664,000)	7.23 %	14,210,000	(561,000)
0.75%	6.75 %	13,809,000	(962,000)	7.48 %	13,932,000	(839,000)

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 September 30, 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)		**$ 576,592**		$ 573,649

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

($ thousands)	Note	Nine months ended September 30, 2021
Balance, beginning of period		**$ 573,649**
Contributions to equity accounted joint ventures		**150,761**
Distributions from equity accounted joint ventures		**(97,970)**
Total cash flow activities		**52,791**
Transfers from equity accounted joint venture to consolidated investments	4	**(141,868)**
Acquisition of equity accounted joint venture partner's interest upon settlement of mortgage receivable	3	**4,846**
Contingent consideration payable recognized on acquisition within equity accounted joint venture	3	**38,000**
Accretion of contingent consideration payable		**560**
Share of income (loss) from equity accounted joint ventures		**48,614**
Total non-cash activities		**(49,848)**
Balance, end of period		**$ 576,592**

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 September 30, 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%
Total co-ownership property interests	**53**		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	**Nine months ended September 30, 2021**	Year ended December 31, 2020
Balance, beginning of period		**$ 68,373**	$ 22,800
Acquisitions		**—**	46,712
Additions		**486**	9
Interest income (loss) from financial real estate assets due to changes in value	20	**176**	(1,148)
Balance, end of period		**$ 69,035**	$ 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 September 30, 2021	As at December 31, 2020
Mortgages receivable classified as amortized cost[(i)]		**$ 88,771**	$ 111,882
Mortgages receivable classified as fair value through profit and loss ("FVTPL")		**94,277**	53,588
Loans receivable classified as amortized cost[(i)]		**116**	2,285
Notes receivable from GWL classified as amortized cost[(i)]	30	**170,849**	96,191
Mortgages, loans and notes receivable		**$ 354,013**	$ 263,946
Classified as:			
Non-current		**$ 130,323**	$ 117,457
Current		**223,690**	146,489
		$ 354,013	$ 263,946

(i) The fair value of the mortgages, loans and notes receivable classified as amortized cost was $259,000 (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.

	September 30, 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	**7.25%**	**1.7**	7.31%	2.1
Loans receivable	**8.00%**	**3.0**	8.00 %	3.7
Total	**7.25%**	**1.7**	7.32%	2.2

Notes Receivable from GWL

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 $170,849 were issued during the nine months ended September 30, 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	$ 12,498	$ 84,215	$ 41,570	$ 36,848	$ —	$ 6,263	**$ 181,394**
Loans receivable	—	—	—	116	—	—	**116**
Notes receivable from GWL	—	170,849	—	—	—	—	**170,849**
Total principal repayments	**12,498**	**255,064**	**41,570**	**36,964**	**—**	**6,263**	**352,359**
Interest accrued	1,654	—	—	—	—	—	**1,654**
Total repayments	**$ 14,152**	**$ 255,064**	**$ 41,570**	**$ 36,964**	**$ —**	**$ 6,263**	**$ 354,013**

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

								September 30, 2021
($ thousands)	**Note**		**Mortgages receivable**		**Loans receivable**		**Notes receivable from GWL**		**Mortgages, loans and notes receivable**
Balance, beginning of period		$	165,470	$	2,285	$	96,191	**$**	**263,946**
Advances			45,229		1,446		170,849		**217,524**
Repayments			(25,540)		(3,596)		(96,191)		**(125,327)**
Interest received			(5,703)		(64)		—		**(5,767)**
Total cash flow activities			13,986		(2,214)		74,658		**86,430**
Reversal of expected credit loss on mortgage receivable			476		—		—		**476**
Settlement upon acquisition of investment property	3		(4,846)		—		—		**(4,846)**
Interest accrued	20		7,962		45		—		**8,007**
Total non-cash activities			3,592		45		—		**3,637**
Balance, end of period		**$**	**183,048**	**$**	**116**	**$**	**170,849**	**$**	**354,013**

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.

In September 2021, the Trust advanced a $41,600 mezzanine loan to a development partner. The mezzanine loan is primarily secured by, and has an equity conversion right for a 75% ownership interest in, 154 acres of future industrial development land located in East Gwillimbury, Ontario.

The Trust has issued approximately $180,000 of secured mortgages to other third-party borrowers. These loans are with borrowers who are strategic development partners of the Trust and are well secured by real property assets. In the event of a large commercial real estate market correction, the fair market value of an underlying property may be unable to support the investment. The Trust mitigates this risk by obtaining guarantees and registered mortgage charges, which are often cross-collateralized on several different commercial properties that are in various stages of development.

Note 10. Intangible Assets

The intangible assets for Choice Properties relate to its third-party revenue streams associated with property and asset management contracts for co-ownership property interests and joint ventures. The Trust has the continuing rights, based on the co-ownership agreements, to property and asset management fees from investment properties where it manages the interests of co-owners. As at September 30, 2021, the carrying value was $28,250 (December 31, 2020 - $29,000), net of accumulated amortization of $1,750 (December 31, 2020 - $1,000).

Note 11. Accounts Receivable and Other Assets

($ thousands)	Note		**As at September 30, 2021**		As at December 31, 2020
Rent receivables[i] - net of expected credit loss of $17,034 (2020 - $20,041)		**$**	**13,050**	$	19,341
Accrued recovery income			**18,778**		13,375
Lease receivable			**22,092**		19,405
Other receivables			**10,033**		13,474
Cost-to-complete receivable	30		**8,501**		13,721
Due from related parties[ii]	30		**450**		—
Restricted cash			**237**		780
Prepaid property taxes			**36,432**		10,070
Prepaid insurance			**1,536**		185
Other assets			**15,185**		17,846
Right-of-use assets - net of accumulated amortization of $1,692 (2020 - $1,241)			**3,630**		4,081
Deferred tax asset	15		**1,981**		1,981
Deferred acquisition costs and deposits on land			**4,258**		1,419
Designated hedging derivatives	25		**2,213**		377
Accounts receivable and other assets		**$**	**138,376**	$	116,055
Classified as:					
Non-current		**$**	**42,359**	$	38,104
Current			**96,017**		77,951
		$	**138,376**	$	116,055

(i) Includes net rent receivable of $1,339 from Loblaw, $1,264 from GWL and $nil from Wittington (December 31, 2020 - $36, $13 and $131) (Note 30).
(ii) Other receivables due from related parties include $193 from GWL (December 31, 2020 - $nil) and $257 from Loblaw (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 September 30, 2021		As at December 31, 2020
Senior unsecured debentures	$	**5,058,427**	$	5,255,529
Mortgages payable		**1,171,285**		1,204,799
Construction loans		**9,155**		25,193
Long term debt	$	**6,238,867**	$	6,485,521
Classified as:				
Non-current	$	**5,392,318**	$	6,158,246
Current		**846,549**		327,275
	$	**6,238,867**	$	6,485,521

Senior Unsecured Debentures

($ thousands)

Series	Issuance / Assumption Date	Maturity Date	Effective Interest Rate		As at September 30, 2021		As at December 31, 2020
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
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					**5,075,000**		5,275,000
Debt discounts and premiums - net of accumulated amortization of $16,295 (2020 - $15,522)					**(1,241)**		(2,014)
Debt placement costs - net of accumulated amortization of $14,426 (2020 - $12,301)					**(15,332)**		(17,457)
Senior unsecured debentures				$	**5,058,427**	$	5,255,529

As at September 30, 2021, the senior unsecured debentures had a weighted average effective interest rate of 3.61% and a weighted average term to maturity of 5.4 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 10 was issued by the Partnership.

On June 21, 2021, Choice Properties Limited Partnership redeemed in full, at par, plus accrued and unpaid interest thereon, the $200,000 aggregate principal amount of series 9 senior unsecured debentures bearing interest at 3.60% with an original maturity date of September 20, 2021.

Mortgages Payable

($ thousands)		As at September 30, 2021		As at December 31, 2020
Mortgage principal	$	1,174,021	$	1,206,638
Net debt discounts and premiums - net of accumulated amortization of $5,931 (2020 - $5,602)		(1,262)		(934)
Debt placement costs - net of accumulated amortization of $279 (2020 - $138)		(1,474)		(905)
Mortgages payable	$	1,171,285	$	1,204,799

As at September 30, 2021, the mortgages had a weighted average effective interest rate of 3.76% and a weighted average term to maturity of 5.2 years (December 31, 2020 - 3.83% and 5.5 years, respectively).

Construction Loans
As at September 30, 2021, $9,155 was outstanding on the construction loans (December 31, 2020 - $25,193), with a weighted average effective interest rate of 2.08% and a weighted average term to maturity of 5.0 years which are 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 2022 and 2031, have a maximum amount available to be drawn at the Trust's ownership interest of $306,901, of which $241,212 relates to equity accounted joint ventures as at September 30, 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	$ —	$ 600,000	$ 575,000	$ 750,000	$ 550,000	$ 2,600,000	$ 5,075,000
Mortgages payable	34,880	217,400	110,260	157,962	153,263	500,256	1,174,021
Construction loans	—	4,656	—	—	—	4,499	9,155
Total	$ 34,880	$ 822,056	$ 685,260	$ 907,962	$ 703,263	$ 3,104,755	$ 6,258,176

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

				September 30, 2021
($ thousands)	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	—	26,572	4,499	31,071
Repayments	(200,000)	(59,189)	(20,537)	(279,726)
Debt placement costs	—	(710)	—	(710)
Total cash flow activities	(200,000)	(33,327)	(16,038)	(249,365)
Amortization of debt discounts and premiums	773	(328)	—	445
Amortization of debt placement costs	2,125	141	—	2,266
Total non-cash activities	2,898	(187)	—	2,711
Balance, end of period	$ 5,058,427	$ 1,171,285	$ 9,155	$ 6,238,867

Note 13. Credit Facility

($ thousands)	As at September 30, 2021	As at December 31, 2020
Credit facility		
$1,500,000 syndicated	**$ 189,874**	$ —
Debt placement costs - net of accumulated amortization of $8,309 (2020 - $7,145)(i)	**(4,005)**	—
Credit facility	**$ 185,869**	$ —
Classified as:		
Non-current	**$ 185,869**	$ —
Current	**—**	—
	$ 185,869	$ —

(i) At December 31, 2020, as there were no drawings under the syndicated facility, the unamortized balance for debt placement costs of $3,337 was included in other assets (Note 11).

Choice Properties has a $1,500,000 senior unsecured committed revolving credit facility provided by a syndicate of lenders. The credit facility bears interest at variable rates of either Prime plus 0.20% or Bankers' Acceptance rate plus 1.20%. The pricing is contingent on the credit ratings for Choice Properties from either DBRS and S&P remaining at BBB (high). As at September 30, 2021, $189,874 was drawn under the syndicated facility.

The credit facility contains certain financial covenants. As at September 30, 2021, the Trust was in compliance with all its financial covenants for the credit facility.

During the nine months ended September 30, 2021, the maturity date for the credit facility was extended to June 24, 2026.

Schedule of Cash Flow Activities
The following table reconciles the changes in cash flows from financing activities for the credit facility:

($ thousands)	September 30, 2021
Balance, beginning of period	**$ —**
Net advances on $1,500,000 syndicated credit facility	**189,874**
Extension fee included in debt placement costs	**(1,832)**
Total cash flow activities	**188,042**
Amortization of debt placement costs	**1,164**
Reclassified from other assets	**(3,337)**
Total non-cash activities	**(2,173)**
Balance, end of period	**$ 185,869**

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	Number of Exchangeable Units eligible for voting and transfer
July 5, 2027	22,988,505
July 5, 2028	22,988,505
July 5, 2029	24,904,216

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

Units Outstanding

	Note	**As at September 30, 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		**—**	**—**	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	**763,943**	**8,211**	307,877	4,841
Reclassification of vested Unit-Settled Restricted Units liability to equity		**—**	**1,519**	—	1,929
Units repurchased for unit-based compensation arrangements	17	**(189,887)**	**(2,559)**	(159,083)	(2,346)
Units, end of period		**327,515,719**	**$ 3,659,791**	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		**—**	**490,776**	—	(354,286)
Exchangeable Units, end of period		**395,786,525**	**$ 5,639,958**	395,786,525	$ 5,149,182
Total Units and Exchangeable Units, end of period		**723,302,244**		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 nine months ended September 30, 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 nine months ended September 30, 2021, Choice Properties declared cash distributions of $0.555 per unit (September 30, 2020 - $0.555), or $401,284 in aggregate, including distributions to holders of Exchangeable Units, which are reported as interest expense (September 30, 2020 - $391,746). 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:

	Three Months		Nine Months	
($ thousands)	**September 30, 2021**	September 30, 2020	**September 30, 2021**	September 30, 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 September 30, 2021**	As at December 31, 2020
Trade accounts payable		**$ 31,279**	$ 20,493
Accrued liabilities and provisions		**104,760**	108,016
Accrued acquisition transaction costs and other related expenses		**38,654**	38,655
Accrued capital expenditures(i)		**47,223**	59,765
Accrued interest expense		**33,530**	57,171
Due to related party(ii)	30	**197,937**	121,264
Contingent consideration		**38,560**	—
Unit-based compensation	17	**14,237**	12,930
Distributions payable(iii)		**20,371**	20,344
Right-of-use lease liabilities		**3,766**	4,224
Tenant deposits		**23,692**	19,867
Deferred revenue		**12,039**	20,710
Designated hedging derivatives	25	**4,243**	6,560
Trade payables and other liabilities		**$ 570,291**	$ 489,999
Classified as:			
Non-current		**$ 10,640**	$ 13,734
Current		**559,651**	476,265
		$ 570,291	$ 489,999

(i) Includes payable to Loblaw of $8,947 for construction allowances (December 31, 2020 - $7,869) (Note 30).

(ii) Includes distributions accrued on Exchangeable Units of $195,256 payable to GWL (December 31, 2020 - $120,598); $2,355 payable for shared costs incurred by GWL, the Services Agreement expense and other related party charges (December 31, 2020 - $332); and $326 of reimbursed contract revenue and other related party charges payable to Loblaw (December 31, 2020 - $334).

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

Contingent Consideration

On March 30, 2021, the Trust acquired an 85% interest in future industrial development land in Caledon, Ontario, for $138,000 (Note 3). The purchase price comprised a $100,000 cash payment and a commitment to pay the remaining $38,000 balance based on certain milestones being met over the development lifecycle, which represented the then present value of the estimated amount payable. The present value of the estimated amount payable is $38,560 as at September 30, 2021.

Note 17. Unit-Based Compensation

	Three Months		Nine Months	
($ thousands)	**September 30, 2021**	September 30, 2020	**September 30, 2021**	September 30, 2020
Unit Option plan	**$ (99)**	$ (242)	**$ 545**	$ (277)
Restricted Unit plans	**848**	592	**3,741**	2,110
Performance Unit plan	**256**	90	**706**	322
Trustee Deferred Unit plan	**399**	194	**1,494**	577
Unit-based compensation expense	**$ 1,404**	$ 634	**$ 6,486**	$ 2,732
Recorded in:				
General and administrative expenses	**$ 1,563**	$ 987	**$ 4,240**	$ 3,595
Adjustment to fair value of unit-based compensation	**(159)**	(353)	**2,246**	(863)
	$ 1,404	$ 634	**$ 6,486**	$ 2,732

As at September 30, 2021, the carrying value of the unit-based compensation liability was $14,237 (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:

	Nine months ended September 30, 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	**(574,056)**	**12.10**	(148,794)	12.09
Cancelled	**—**	**—**	(54,414)	13.15
Expired	**—**	**—**	(1,466)	13.93
Outstanding Unit Options, end of period	**508,584**	**$ 13.03**	1,082,640	$ 12.54
Unit Options exercisable, end of period	**365,720**	**$ 13.31**	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 September 30, 2021 (December 31, 2020 - nil).

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

(Number of awards)	**Nine months ended September 30, 2021**	Year ended December 31, 2020
Outstanding Restricted Units, beginning of period	**405,713**	484,544
Granted	**114,863**	69,227
Reinvested	**16,598**	24,451
Exercised	**(104,563)**	(161,044)
Cancelled	**(2,724)**	(11,465)
Outstanding Restricted Units, end of period	**429,887**	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 939,507 URUs vested but still subject to disposition restrictions as at September 30, 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)	**Nine months ended September 30, 2021**	Year ended December 31, 2020
Outstanding Unit-Settled Restricted Units, beginning of period	**588,534**	624,419
Granted	**189,887**	159,083
Vested	**(174,113)**	(194,968)
Outstanding Unit-Settled Restricted Units, end of period	**604,308**	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 September 30, 2021 (December 31, 2020 - nil).

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

(Number of awards)	**Nine months ended September 30, 2021**	Year ended December 31, 2020
Outstanding Performance Units, beginning of period	**135,695**	103,868
Granted	**82,847**	59,273
Reinvested	**6,952**	7,241
Exercised	**(30,336)**	(40,205)
Cancelled	**—**	(3,543)
Added by performance factor	**—**	9,061
Outstanding Performance Units, end of period	**195,158**	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)	**Nine months ended September 30, 2021**	Year ended December 31, 2020
Outstanding Trustee Deferred Units, beginning of period	**368,290**	277,139
Granted	**61,188**	76,632
Reinvested	**14,191**	17,338
Exercised	**(45,544)**	(2,819)
Outstanding Trustee Deferred Units, end of period	**398,125**	368,290

Note 18. Rental Revenue

Rental revenue is comprised of the following:

($ thousands)	Three Months Related Parties(i)	Three Months Third-party	Three Months September 30, 2021	Nine Months Related Parties(i)	Nine Months Third-party	Nine Months September 30, 2021
Base rent	**$ 131,111**	**$ 89,691**	**$ 220,802**	**$ 394,860**	**$ 267,770**	**$ 662,630**
Property tax and insurance recoveries	**35,096**	**23,393**	**58,489**	**111,209**	**76,368**	**187,577**
Operating cost recoveries	**14,066**	**20,755**	**34,821**	**44,208**	**63,672**	**107,880**
Lease surrender and other revenue	**16**	**1,955**	**1,971**	**48**	**8,423**	**8,471**
Rental revenue	**$ 180,289**	**$ 135,794**	**$ 316,083**	**$ 550,325**	**$ 416,233**	**$ 966,558**

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

($ thousands)	Three Months Related Parties(i)	Three Months Third-party	Three Months September 30, 2020	Nine Months Related Parties(i)	Nine Months Third-party	Nine Months September 30, 2020
Base rent	$ 131,887	$ 87,165	$ 219,052	$ 394,118	$ 259,664	$ 653,782
Property tax and insurance recoveries	33,346	21,269	54,615	111,135	72,442	183,577
Operating cost recoveries	12,477	20,135	32,612	42,456	61,814	104,270
Lease surrender and other revenue	11	2,666	2,677	11	7,112	7,123
Rental revenue	$ 177,721	$ 131,235	$ 308,956	$ 547,720	$ 401,032	$ 948,752

(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 **September 30, 2021**	Three Months September 30, 2020	Nine Months **September 30, 2021**	Nine Months September 30, 2020
Property taxes and insurance	**$ 62,219**	$ 57,362	**$ 199,949**	$ 193,396
Recoverable operating costs	**25,488**	22,470	**79,807**	73,656
Non-recoverable operating costs	**717**	4,402	**4,859**	20,504
Property operating costs	**$ 88,424**	$ 84,234	**$ 284,615**	$ 287,556

Included in non-recoverable operating expenses are expected credit losses of $423 and $3,603 for the three and nine months ended September 30, 2021, respectively (2020 - $4,023 and $18,990, respectively). Refer to Note 11 for discussion on rents receivable and the related expected credit losses.

Note 20. Interest Income

($ thousands)	Note	Three Months September 30, 2021	Three Months September 30, 2020	Nine Months September 30, 2021	Nine Months September 30, 2020
Interest income from mortgages and loans receivable	9	$ **2,730**	$ 3,085	$ **8,007**	$ 9,296
Interest income earned from financial real estate assets		**1,062**	361	**3,179**	1,093
Interest income (expense) from financial real estate assets due to changes in value	8	**(125)**	—	**176**	—
Other interest income		**424**	360	**1,405**	480
Interest income		$ **4,091**	$ 3,806	$ **12,767**	$ 10,869

Note 21. Fee Income

($ thousands)	Note	Three Months September 30, 2021	Three Months September 30, 2020	Nine Months September 30, 2021	Nine Months September 30, 2020
Fees charged to related party	30	$ **62**	$ 210	$ **252**	$ 637
Fees charged to third parties		**828**	708	**2,603**	2,643
Fee income		$ **890**	$ 918	$ **2,855**	$ 3,280

Note 22. Net Interest Expense and Other Financing Charges

($ thousands)	Note	Three Months September 30, 2021	Three Months September 30, 2020	Nine Months September 30, 2021	Nine Months September 30, 2020
Interest on senior unsecured debentures		$ **46,142**	$ 47,825	$ **140,295**	$ 148,915
Interest on mortgages and construction loans		**11,305**	12,473	**35,195**	36,950
Interest on credit facility		**1,252**	1,084	**3,040**	6,079
Interest on right-of-use lease liabilities		**36**	49	**112**	175
Amortization of debt discounts and premiums	12	**222**	81	**445**	(1,900)
Amortization of debt placement costs	12,13	**1,247**	1,084	**3,430**	3,554
Distributions on Exchangeable Units(i)	30	**73,221**	72,143	**219,663**	216,430
		133,425	134,739	**402,180**	410,203
Less: Capitalized interest(ii)	4	**(562)**	(1,261)	**(1,975)**	(2,604)
Net interest expense and other financing charges		$ **132,863**	$ 133,478	$ **400,205**	$ 407,599

(i) Represents interest on indebtedness due to GWL.
(ii) Interest was capitalized to qualifying development projects based on a weighted average interest rate of 3.67% (2020 - 3.70%).

Note 23. General and Administrative Expenses

		Three Months		Nine Months	
($ thousands)	Note	**September 30, 2021**	September 30, 2020	**September 30, 2021**	September 30, 2020
Salaries, benefits and employee costs		**$ 13,044**	$ 11,235	**$ 37,939**	$ 35,411
Investor relations and other public entity costs		**778**	577	**2,065**	1,795
Professional fees		**1,011**	1,471	**3,137**	3,309
Information technology costs		**1,621**	1,144	**4,682**	3,040
Services Agreement charged by related party	30	**748**	852	**2,346**	2,415
Amortization of other assets		**303**	264	**884**	319
Office related costs		**188**	572	**1,008**	2,081
Other		**61**	178	**555**	1,095
Total general and administrative expenses		**17,754**	16,293	**52,616**	49,465
Less:					
Capitalized to investment properties		**(1,900)**	(2,025)	**(5,300)**	(4,697)
Allocated to recoverable operating expenses		**(5,818)**	(5,431)	**(18,198)**	(16,828)
General and administrative expenses		**$ 10,036**	$ 8,837	**$ 29,118**	$ 27,940

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

		Three Months		Nine Months	
($ thousands)	Note	**September 30, 2021**	September 30, 2020	**September 30, 2021**	September 30, 2020
Adjustment to fair value of unit-based compensation	17	**$ 159**	$ 353	**$ (2,246)**	$ 863
Other fair value gains (losses), net		**$ 159**	$ 353	**$ (2,246)**	$ 863

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.

		As at September 30, 2021				As at December 31, 2020			
($ thousands)	Note	**Level 1**	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
Assets									
Fair value through profit and loss:									
Mortgages, loans and notes receivable	9	**$ —**	**$ —**	**$ 94,277**	**$ 94,277**	$ —	$ —	$ 53,588	$ 53,588
Lease receivable	11	**—**	**—**	**22,092**	**22,092**	—	—	19,405	19,405
Financial real estate assets	8	**—**	**—**	**69,035**	**69,035**	—	—	68,373	68,373
Designated hedging derivatives	11	**—**	**2,213**	**—**	**2,213**	—	377	—	377
Amortized cost:									
Mortgages, loans and notes receivable - SPPI	9	**—**	**—**	**259,000**	**259,000**	—	—	208,700	208,700
Cash and cash equivalents	27 (c)	**29,074**	**—**	**—**	**29,074**	207,219	—	—	207,219
Liabilities									
Fair value through profit and loss:									
Exchangeable Units	14	**5,639,958**	**—**	**—**	**5,639,958**	5,149,182	—	—	5,149,182
Unit-based compensation	16	**—**	**14,237**	**—**	**14,237**	—	12,930	—	12,930
Designated hedging derivatives	16	**—**	**4,243**	**—**	**4,243**	—	6,560	—	6,560
Amortized cost:									
Long term debt	12	**—**	**6,585,789**	**—**	**6,585,789**	—	7,071,105	—	7,071,105
Credit facility	13	**—**	**185,869**	**—**	**185,869**	—	—	—	—

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 nine months ended September 30, 2021, an interest rate swap was settled upon maturity of the underlying variable rate mortgage. As at September 30, 2021, the interest rates ranged from 2.8% 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)	**Note**	**Maturity Date**	**Notional Amount**	**As at September 30, 2021**	As at December 31, 2020
Derivative assets					
Interest rate swaps	11	June 2030	**$ 65,000**	**$ 2,213**	$ 377
Derivative liabilities					
Interest rate swaps	16	Mar 2022 - Sep 2026	**176,300**	**4,243**	6,560

During the nine months ended September 30, 2021, the Trust recorded an unrealized fair value gain in OCI of $2,971 (September 30, 2020 - fair value loss of $5,231).

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 September 30, 2021	Three Months September 30, 2020	Nine Months September 30, 2021	Nine Months September 30, 2020
Straight line rental revenue	4	$ (419)	$ (3,177)	$ (7,554)	$ (10,729)
Unit based compensation expense included in general and administrative expenses	17	1,563	987	4,240	3,595
Reversal of (allowance for) expected credit loss on mortgage receivable	9	(476)	—	(476)	7,830
Amortization of intangible assets	10	250	250	750	750
Foreign exchange gain reclassified from other comprehensive income		—	—	—	(1,184)
Adjustment to fair value of Exchangeable Units	14	(15,831)	15,599	490,776	(440,656)
Adjustment to fair value of investment properties	4	(34,944)	(29,159)	(362,542)	323,619
Other fair value (gains) losses, net	24	(159)	(353)	2,246	(863)
Items not affecting cash and other items		$ (50,016)	$ (15,853)	$ 127,440	$ (117,638)

(b) Net change in non-cash working capital

($ thousands)	Note	Three Months September 30, 2021	Three Months September 30, 2020	Nine Months September 30, 2021	Nine Months September 30, 2020
Net change in accounts receivable and other assets	11	$ 3,397	$ (31,975)	$ (22,321)	$ (91,195)
Add back (deduct):					
Additions to (disposition of) right of use assets	11	—	(1,841)	—	(1,841)
Additions to lease receivable	11	—	19,468	—	19,468
Transfer from mortgage receivable	9	—	500	—	500
Cost-to-complete receivable acquired	4, 5	—	16,404	—	16,404
Accounts receivable and other assets transferred from equity accounted joint venture	11	—	765	—	765
Net change in deferred financing costs included in other assets	11	—	—	(3,337)	—
Change to designated hedging derivative assets	11	(630)	(3)	1,836	(70)
Net change in trade payables and other liabilities	16	12,230	(73,938)	80,292	(137,608)
Add back (deduct):					
Disposition of (additions to) lease liabilities	16	—	1,921	—	1,921
Net change in distributions payable	16	(10)	(1,018)	(27)	(1,018)
Net change in unit-based compensation liability	16	(619)	(404)	(1,307)	1,045
Net change to accrued interest expense		(3,438)	22,989	(52,474)	173,218
Contingent consideration payable recognized on acquisition within equity accounted joint venture	3	(281)	—	(38,560)	—
Trade payables and other liabilities transferred from equity accounted joint venture	4, 5	—	(7,003)	(1,235)	(7,003)
Change to designated hedging derivative liabilities	16	376	577	2,317	(5,161)
Impact of foreign exchange rate changes		50	(64)	73	(81)
Impact of currency translation		—	—	—	3,420
Net change in non-cash working capital		$ 11,075	$ (53,622)	$ (34,743)	$ (27,236)

(c) Cash and cash equivalents

($ thousands)	As at September 30, 2021	As at December 31, 2020
Cash	$ 29,074	$ 72,248
Short-term investments	—	134,971
Cash and cash equivalents	**$ 29,074**	$ 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 table below presents net operating income for the three months ended September 30, 2021, in a manner consistent with internal reporting. The accounting policies of the segments presented here are the same as those described in Note 2 of the annual financial statements.

($ thousands)	Retail	Industrial	Office	Consolidation and eliminations(i)	Three months ended September 30, 2021
Rental revenue	$ 250,957	$ 49,535	$ 30,793	$ (15,202)	$ 316,083
Property operating costs	(67,933)	(13,317)	(12,637)	5,463	(88,424)
Net Operating Income, Accounting Basis	183,024	36,218	18,156	(9,739)	227,659
Less:					
Straight line rental revenue	106	(1,168)	(124)	767	(419)
Lease surrender revenue	(208)	—	—	—	(208)
Net Operating Income, Cash Basis	182,922	35,050	18,032	(8,972)	227,032
Add back: cash basis reconciling items					627
Net operating income, accounting basis					227,659
Interest income					4,091
Fee income					890
Net interest expense and other financing charges					(132,863)
General and administrative expenses					(10,036)
Reversal of (allowance for) expected credit loss on mortgage receivable					476
Share of income (loss) from equity accounted joint ventures					22,771
Amortization of intangible assets					(250)
Other fair value gains (losses), net					159
Adjustment to fair value of Exchangeable Units					15,831
Adjustment to fair value of investment properties					34,944
Net Income (Loss)					**$ 163,672**

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

The table below presents net operating income for the three months ended September 30, 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 of the annual financial statements.

($ thousands)	Retail	Industrial	Office	Consolidation and eliminations[(i)]	Three months ended September 30, 2020
Rental revenue	$ 253,346	$ 43,341	$ 27,443	$ (15,174)	$ 308,956
Property operating costs	(69,304)	(10,493)	(9,813)	5,376	(84,234)
Net Operating Income, Accounting Basis	184,042	32,848	17,630	(9,798)	224,722
Less:					
Straight line rental revenue	(1,435)	(1,393)	(887)	538	(3,177)
Lease surrender revenue	(363)	(551)	—	—	(914)
Net Operating Income, Cash Basis	182,244	30,904	16,743	(9,260)	220,631
Add back: cash basis reconciling items					4,091
Net operating income, accounting basis					224,722
Interest income					3,806
Fee income					918
Net interest expense and other financing charges					(133,478)
General and administrative expenses					(8,837)
Share of income (loss) from equity accounted joint ventures					(3,608)
Amortization of intangible assets					(250)
Other fair value gains (losses), net					353
Adjustment to fair value of Exchangeable Units					(15,599)
Adjustment to fair value of investment properties					29,159
Net Income (Loss)					$ 97,186

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

The table below presents net operating income for the nine months ended September 30, 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)	Nine months ended September 30, 2021
Rental revenue	$ 770,171	$ 146,798	$ 94,781	$ (45,192)	$ 966,558
Property operating costs	(224,372)	(38,416)	(38,641)	16,814	(284,615)
Net Operating Income, Accounting Basis	545,799	108,382	56,140	(28,378)	681,943
Less:					
Straight line rental revenue	(2,750)	(3,917)	(2,306)	1,419	(7,554)
Lease surrender revenue	(1,012)	(3)	(1,508)	—	(2,523)
Net Operating Income, Cash Basis	542,037	104,462	52,326	(26,959)	671,866
Add back: cash basis reconciling items					10,077
Net operating income, accounting basis					681,943
Interest income					12,767
Fee income					2,855
Net interest expense and other financing charges					(400,205)
General and administrative expenses					(29,118)
Reversal of (allowance for) expected credit loss on mortgage receivable					476
Share of income (loss) from equity accounted joint ventures					48,614
Amortization of intangible assets					(750)
Other fair value gains (losses), net					(2,246)
Adjustment to fair value of Exchangeable Units					(490,776)
Adjustment to fair value of investment properties					362,542
Income (Loss) before income taxes					186,102
Income tax expense					(7)
Net Income (Loss)					$ 186,095

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

The table below presents net operating income for the nine months ended September 30, 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)	Nine months ended September 30, 2020
Rental revenue	$ 784,312	$ 130,915	$ 79,523	$ (45,998)	$ 948,752
Property operating costs	(239,411)	(34,486)	(30,089)	16,430	(287,556)
Net Operating Income, Accounting Basis	544,901	96,429	49,434	(29,568)	661,196
Less:					
Straight line rental revenue	(7,077)	(2,960)	(1,845)	1,153	(10,729)
Lease surrender revenue	(372)	(551)	(106)	—	(1,029)
Net Operating Income, Cash Basis	537,452	92,918	47,483	(28,415)	649,438
Add back: cash basis reconciling items					11,758
Net operating income, accounting basis					661,196
Interest income					10,869
Fee income					3,280
Net interest expense and other financing charges					(407,599)
General and administrative expenses					(27,940)
Reversal of (allowance for) expected credit loss on mortgage receivable					(7,830)
Share of income (loss) from equity accounted joint ventures					(14,606)
Amortization of intangible assets					(750)
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					863
Adjustment to fair value of Exchangeable Units					440,656
Adjustment to fair value of investment properties					(323,619)
Net Income (Loss)					$ 334,115

(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 September 30, 2021, the aggregate gross potential liability related to these letters of credit totalled $31,057 including $1,252 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 September 30, 2021 subject to such guarantees, and therefore the maximum exposure to credit risk, was $34,883 with an estimated weighted average remaining term of 1.8 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 $437,000, of which $25,000 relates to equity accounted joint ventures as at September 30, 2021 (December 31, 2020 - $376,000 and $55,000, respectively).

d. Contingent Liabilities

The Trust held debt obligations in the amount of $209,680 in its equity accounted joint ventures as at September 30, 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 September 30, 2021, held either directly or indirectly, a 61.7% effective interest in the Trust through ownership of 50,661,415 Units and all of the Exchangeable Units, which are economically equivalent to and exchangeable to Units. GWL is also the parent company of Loblaw, with ownership of 52.6% of Loblaw's outstanding common shares as at September 30, 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 nine months ended September 30, 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
GWL, directly or indirectly, holds all of the Exchangeable Units issued by Choice Properties Limited Partnership, a subsidiary of Choice Properties. During the three and nine months ended September 30, 2021, distributions declared on the Exchangeable Units totalled $73,221 and $219,663 (September 30, 2020 - $72,143 and $216,430).

As at September 30, 2021, Choice Properties had distributions on Exchangeable Units payable to GWL of $195,256 (December 31, 2020 - $120,598).

Notes Receivable
Holders of Exchangeable Units may, in lieu of receiving all or a portion of their distributions, choose to be loaned an amount from Choice Properties Limited Partnership, and to have such distributions made on the first business day following the end of the fiscal year in which such distribution would otherwise have been made. The loans do not bear interest and are due and payable in full on the first business day following the end of the fiscal year during which the loan was made. During the nine months ended September 30, 2021, GWL elected to receive all distributions from Choice Properties Limited Partnership in the form of loans. As such, non-interest bearing short-term notes totalling $170,849 were issued during the nine months ended September 30, 2021 to GWL. Non-interest bearing short-term notes totalling $96,191 with respect to the loans received in the 2020 fiscal year were repaid by GWL in January 2021.

Trust Unit Distributions
During the three and nine months ended September 30, 2021, Choice Properties declared cash distributions of $9,372 and $28,117 on the Units held by GWL (September 30, 2020 - $9,372 and $28,117). As at September 30, 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 nine months ended September 30, 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:

		Three Months		Nine Months	
($ thousands)	Note	**September 30, 2021**	September 30, 2020	**September 30, 2021**	September 30, 2020
Rental revenue	18	**$ 4,212**	$ 1,356	**$ 10,618**	$ 3,353
Services Agreement expense	23	**(748)**	(852)	**(2,346)**	(2,415)
Distributions on Exchangeable Units	22	**(73,221)**	(72,143)	**(219,663)**	(216,430)

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

($ thousands)	Note		**As at September 30, 2021**		As at December 31, 2020
Notes receivable	9	**$**	**170,849**	$	96,191
Rent receivable	11		**1,264**		13
Other receivables	11		**193**		—
Exchangeable Units	14		**(5,639,958)**		(5,149,182)
Accrued liabilities	16		**(2,355)**		(332)
Distributions payable on Exchangeable Units	16		**(195,256)**		(120,598)
Distributions payable on Trust Units	16		**(3,124)**		(3,124)
Due to GWL and subsidiaries		**$**	**(5,668,387)**	$	(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 $1,948 in connection with completed gross leasable area for which tenants took possession during the nine months ended September 30, 2021 (December 31, 2020 - $995).

Letters of Credit

As at September 30, 2021, letters of credit totalling $1,252 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 55.7% of Choice Properties' rental revenue for the nine months ended September 30, 2021 (September 30, 2020 - 57.3%) and 55.2% of its gross leasable area as at September 30, 2021 (September 30, 2020 - 56.3%). Transactions with Loblaw recorded in the consolidated statements of income (loss) and comprehensive income (loss) were comprised as follows:

		Three Months		Nine Months	
($ thousands)	Note	**September 30, 2021**	September 30, 2020	**September 30, 2021**	September 30, 2020
Rental revenue	18	**$ 175,669**	$ 176,101	**$ 538,503**	$ 544,103
Fee income	21	**—**	210	**65**	637

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

($ thousands)	Note	**As at September 30, 2021**	As at December 31, 2020
Rent receivable	11	**$ 1,339**	$ 36
Other receivables	11	**257**	—
Accrued liabilities	16	**(60)**	(26)
Construction allowances payable	16	**(8,947)**	(7,869)
Reimbursed contract payable	16	**(266)**	(308)
Due to Loblaw		**$ (7,677)**	$ (8,167)

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
During the three and nine months ended September 30, 2021, Choice Properties declared cash distributions of $3,053 and $9,158 on the Units held by Wittington (September 30, 2020 - $3,053 and $3,053). As at September 30, 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 nine months ended September 30, 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:

		Three Months		Nine Months	
($ thousands)	Note	**September 30, 2021**	September 30, 2020	**September 30, 2021**	September 30, 2020
Rental revenue	18	**$ 408**	$ 264	**$ 1,204**	$ 264
Fee income	21	**62**	—	**187**	—

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

($ thousands)	Note	**As at September 30, 2021**	As at 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 Thursday, November 4, 2021 at 10:00AM (ET) with a simultaneous audio webcast. To access via teleconference, please dial (236) 389-2653 or (833) 921-1643 and enter the event passcode: 7159847. The link to the audio webcast will be available on www.choicereit.ca/events-webcasts.

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

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

Independent Auditors
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Chartered Professional Accountants
Toronto, Canada

Registrar and Transfer Agent
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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.

Ce rapport est disponible en français.

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