ChoiceProperties

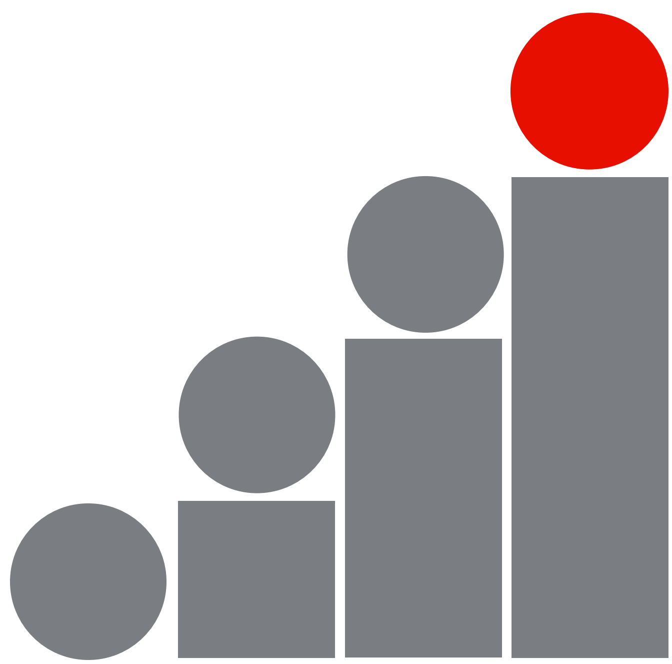
2022 Second Quarter Report

Creating Enduring Value

Our Purpose

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.



Stability and Growth

Choice Building Blocks

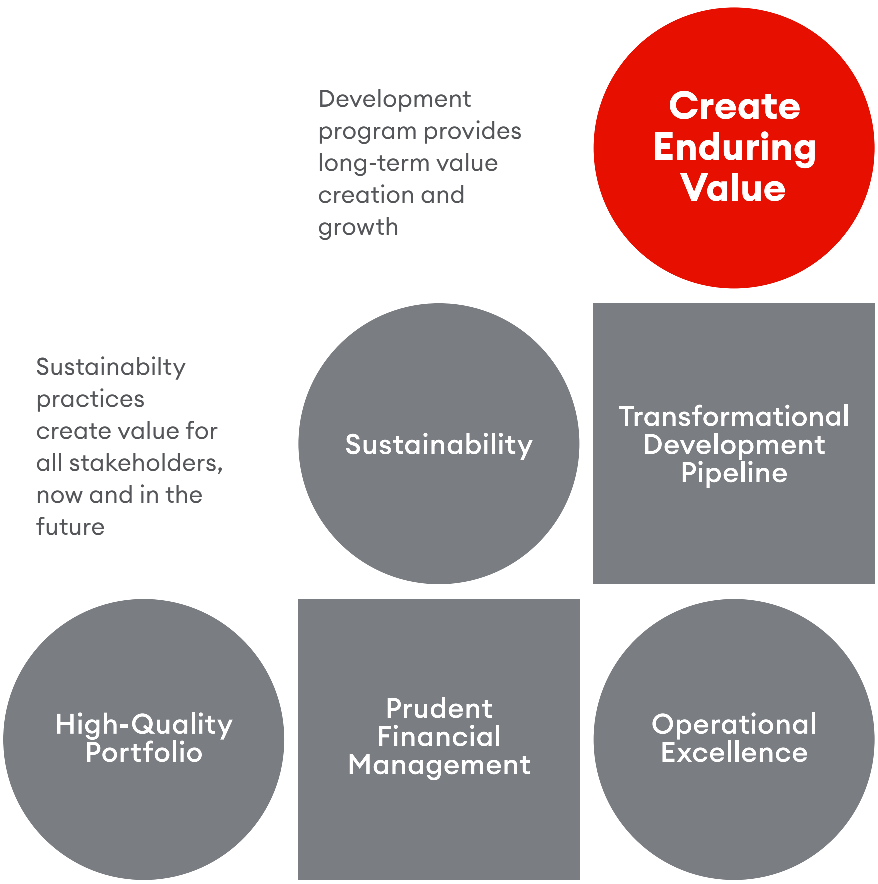
Our Choice Building Blocks illustrate our strategic framework, which aims to deliver stability and growth to our stakeholders.

Our Business Strategy

The combination of stability and growth is at the core of our commitment to creating enduring value for our stakeholders and the communities in which we operate. Our business strategy aims to achieve net asset value appreciation, stable NOI growth and capital preservation, all with a long term focus.

Our business strategy is guided by a shared set of values and a sense of social responsibility.

Development program provides long-term value creation and growth



Sustainabilty practices create value for all stakeholders, now and in the future

Portfolio delivers a reliable and growing cash flow

Industry leading balance sheet creates financial flexibility

Operational excellence ensures income stability from an engaged, strong tenant base, and long-term net asset value appreciation

CORE Values

Our actions are grounded by a shared commitment to Care, Ownership, Respect and Excellence.

Fighting Climate Change

We continue to take meaningful steps to minimize our environmental footprint in order to preserve our planet's resources for current and future generations.

Advancing Social Equity

We hold ourselves accountable for advancing diversity, equity and inclusion for all stakeholders. We view the collection of varied experiences, talents and perspectives as a strength.

Ethics & Compliance

We are dedicated to strong governance practices designed to maintain high standards of oversight, accountability, ethics and compliance.

Management's Discussion and Analysis

3045 Mavis Road
Mississauga, ON

"We continuously evaluate our assets and maintain an active capital recycling program. In doing so, we are able to deliver a high-performing portfolio and invest in our robust development pipeline."

Rael L. Diamond
President & Chief Executive Officer

(1) See Section 14, "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 6 of this MD&A

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Notes for Readers

Please refer to the Choice Properties Real Estate Investment Trust ("Choice Properties" or the "Trust") unaudited interim period condensed consolidated financial statements for the three and six months ended June 30, 2022 and accompanying notes ("Q2 2022 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, 2021. In addition, this MD&A should be read in conjunction with the Trust's "Forward-Looking Statements" as listed below. Choice Properties' Q2 2022 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 14, "Non-GAAP Financial Measures" for a list of defined non-GAAP financial measures and reconciliations thereof.

This Second 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", Section 12, "Environmental, Social and Governance ("ESG")", and Section 13, "Outlook". Forward-looking statements are typically identified by words such as "expect", "anticipate", "believe", "foresee", "could", "estimate", "goal", "intend", "plan", "seek", "strive", "will", "may", "should", "aspire", "pledge, "aim", and similar expressions, as they relate to Choice Properties and its management.

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

Choice Properties' expectation of operating and financial performance is based on certain assumptions, including assumptions about the Trust's future growth potential, prospects and opportunities, industry trends, future levels of indebtedness, tax laws, economic conditions and competition. Management's estimates, beliefs and assumptions are inherently subject to significant business, economic, competitive and other uncertainties and contingencies regarding future events and as such, are subject to change. Choice Properties can give no assurance that such estimates, beliefs and assumptions will prove to be correct.

Numerous risks and uncertainties could cause the Trust's actual results to differ materially from those expressed, implied or projected in the forward-looking statements, including those described in Section 11, "Enterprise Risks and Risk Management" of this MD&A and the Trust's Annual Information Form ("AIF") for the year ended December 31, 2021. Selected highlights of such risks and uncertainties include:

- changes in economic conditions, including changes in interest rates and inflation rates, and supply chain constraints;
- failure by Choice Properties to anticipate, identify and react to demographic changes, including shifting consumer preferences toward digital commerce, which may result in a decrease in demand for physical space by retail tenants;
- failure by Choice Properties to effectively and efficiently manage its property and leasing management processes;
- the inability of Choice Properties to make acquisitions and dispositions of properties in accordance with its near and long-term strategies;
- 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; 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, the exchangeable Class B limited partnership units of Allied Properties Exchangeable Limited Partnership ("Allied Units"), a subsidiary of Allied Properties Real Estate Investment Trust ("Allied") and investment properties. Exchangeable Units and unit-based compensation liabilities are recorded at their fair value based on the market trading price of the Trust Units, which results in a negative impact to the financial results when the Trust Unit price rises and a positive impact when the Trust Unit price declines. The Allied Units are recorded at fair value based on market trading prices of the publicly traded units of Allied. Investment properties are recorded at fair value based on valuations performed by the Trust's internal valuations team. These adjustments to fair value impact certain of the GAAP reported figures of the Trust, including net income.

Additional risks and uncertainties are discussed in Choice Properties' materials filed with the Canadian securities regulatory authorities from time to time, including without limitation, the Trust's AIF for the year ended December 31, 2021. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect Choice Properties' expectations only as of the date of this MD&A. Except as required by applicable law, Choice Properties does not undertake to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Choice Properties is an unincorporated, open ended mutual fund trust governed by the laws of the Province of Ontario and established pursuant to an amended and restated declaration of trust dated April 30, 2021, as may be amended, supplemented or restated from time to time (the "Declaration of Trust"). Choice Properties' Trust Units 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 June 30, 2022, 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 July 21, 2022, unless otherwise noted.

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


301 Moore Avenue
Toronto, ON
President's Choice
loblaws
STARBUCKS
express

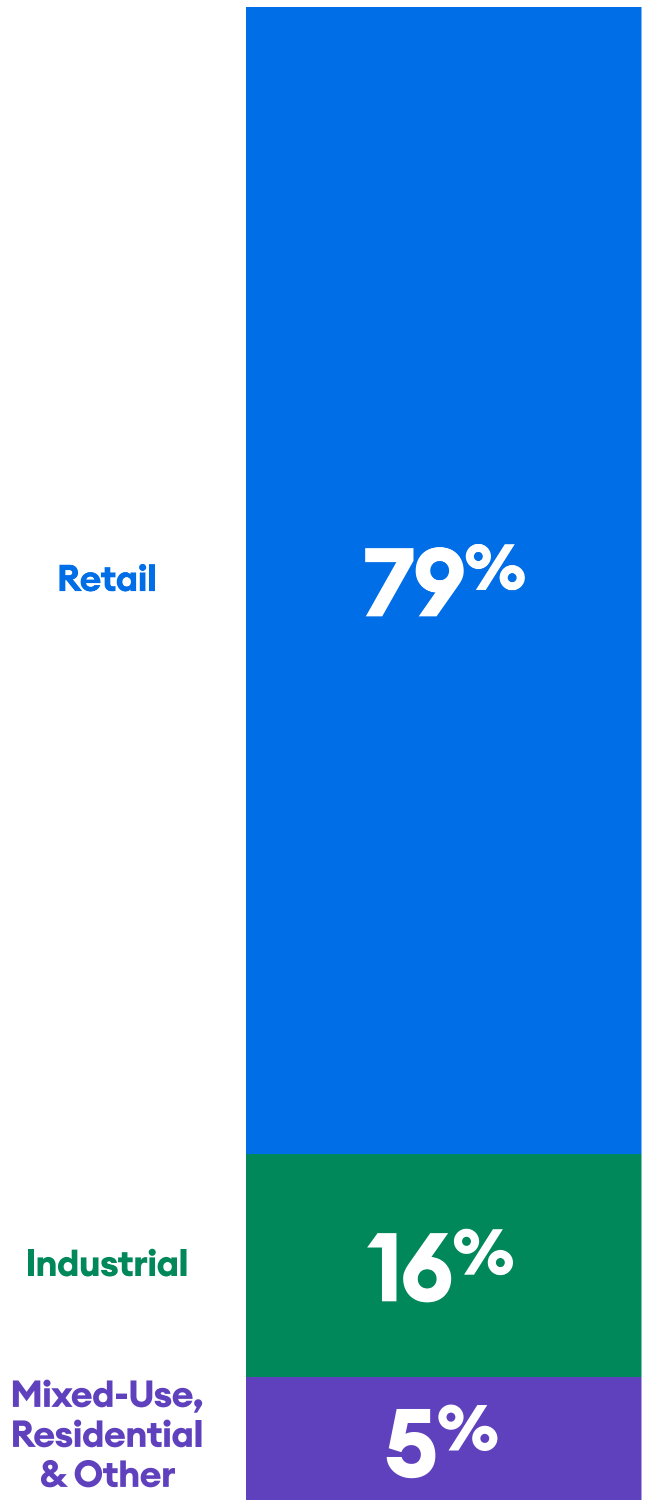
High-Quality Portfolio

Canada's Largest REIT

Choice Properties is Canada's largest REIT. Our portfolio is comprised of retail properties primarily leased to necessity-based tenants, as we benefit from our strategic relationship with Loblaw Companies Limited, one of Canada's largest retailers. We also own a portfolio of high-quality industrial, mixed-use and residential assets concentrated in attractive markets across Canada.

701
Properties

64.2M
Sq. Ft. of GLA



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

Resilient Retail Portfolio

The retail portion of our portfolio is the foundation for maintaining reliable cash flow. Our portfolio is primarily leased to grocery stores, pharmacies, and other necessity-based tenants, and stability is attained through a strategic relationship and long-term leases with Loblaw, one of Canada's largest retailers. This relationship provides us with access to future tenancy and related opportunities with Loblaw, Shoppers Drug Mart and other members of the Loblaw group of companies.

1460 East Hastings Street
Vancouver, BC

Retail Category	% 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 and 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 June 30, 2022

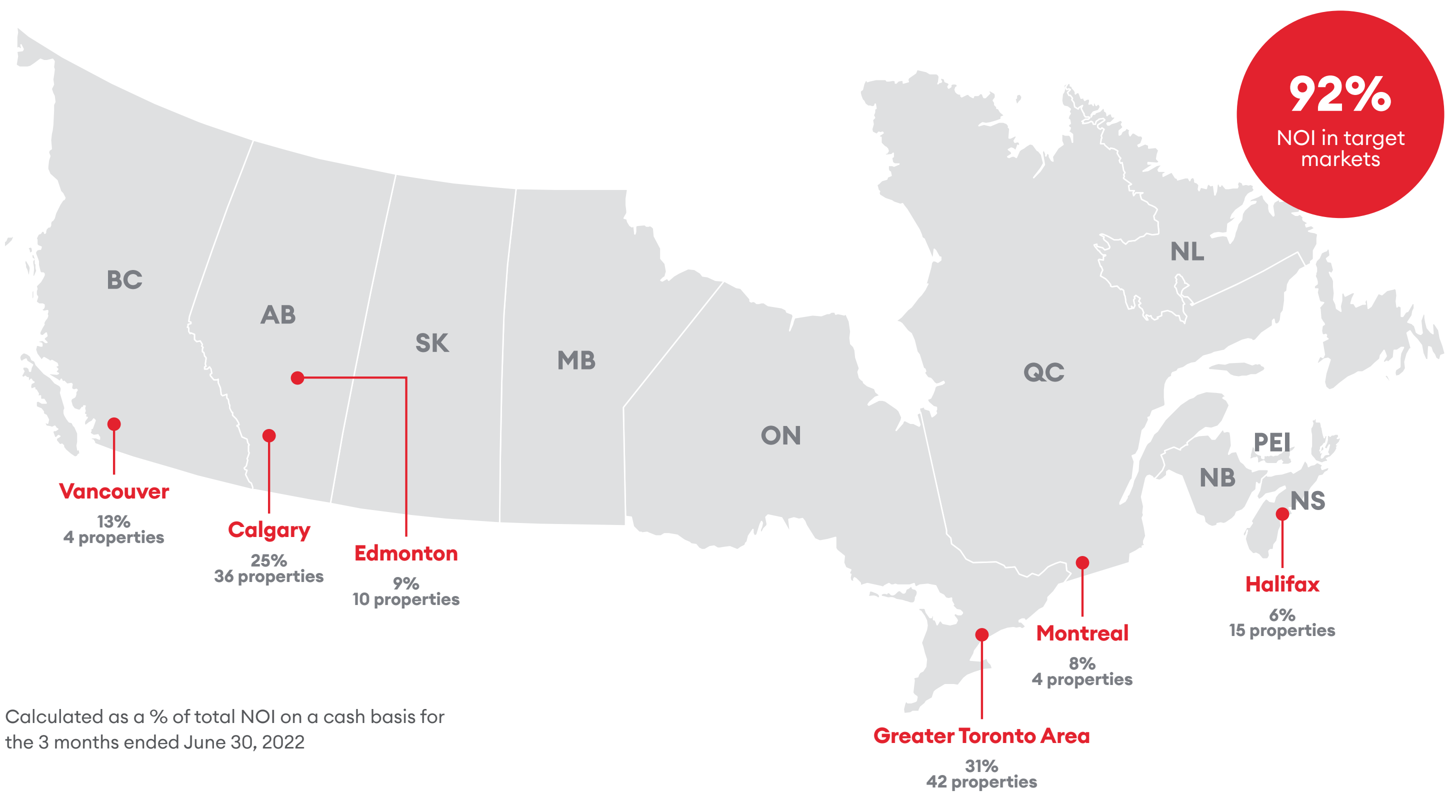
Growing Industrial Portfolio

Choice Properties' industrial portfolio is centered around large, purpose-built distribution facilities for Loblaw and high-quality "generic" industrial assets that readily accommodate the diverse needs of a broad range of tenants. The term "generic" refers to a product that appeals to a wide range of potential users, so that the leasing or re-leasing time frame is reduced.

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

Great Plains Business Park
Calgary, AB

Building Critical Mass in Target Distribution Markets



Calculated as a % of total NOI on a cash basis for the 3 months ended June 30, 2022

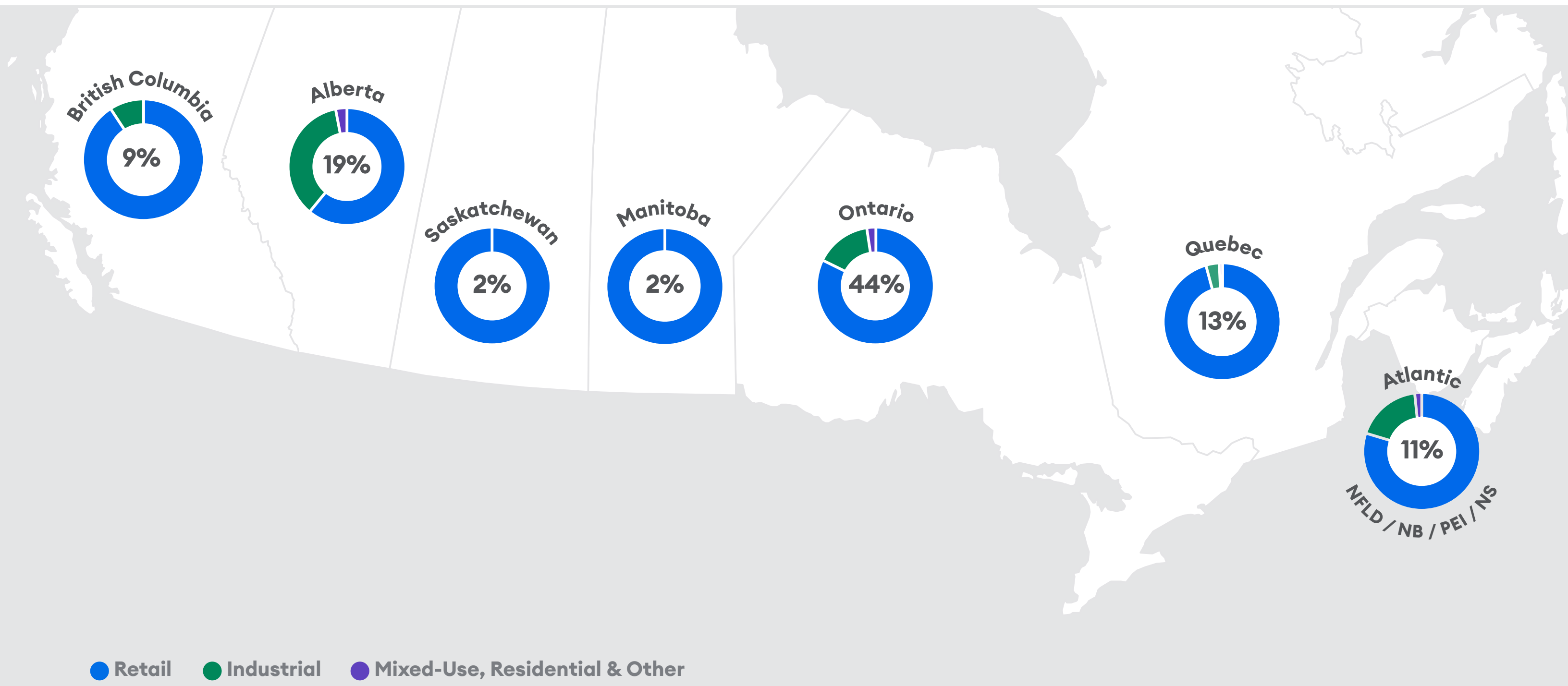
Mixed-Use, Residential & Other

Our rental residential properties provide additional income diversification and generate further investment opportunities for portfolio growth. Many of the opportunities to develop residential properties stem from densifying existing retail sites with residential buildings. Our residential properties are transit accessible and well located in Canada's largest cities. They include both newly developed purpose-built rental buildings and residential-focused mixed-use communities.

Our mixed-use segment also includes assets with an office component which are primarily leased to entities within the Weston Group of companies.

Ownership by Asset Class

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



	British Columbia	Alberta	Saskatchewan	Manitoba	Ontario	Quebec	Atlantic
Total	**44**	**127**	**16**	**14**	**289**	**109**	**102**
Retail	40	77	16	14	239	104	82
Industrial	4	46	0	0	43	4	18
Mixed-Use, Residential & Other	0	4	0	0	7	1	2

572 Retail

115 Industrial

14 Mixed-Use, Residential & Other

(i) For the three months ended June 30, 2022

2994 Peddie Road
Milton, ON

Operational Excellence

At Choice Properties, we strive to understand the needs and values of our tenants to provide best in class service. We manage our properties to the highest standard, creating spaces that promote the success and well-being of our tenants and the surrounding community. To sustain operational excellence we prioritize building efficiency and to prioritize climate resilience. We partner with our tenants, contractors and suppliers to proactively monitor and manage resource consumption through our environmental programs focused on reducing emissions and waste.

Delivering operational excellence, coupled with pro-active leasing, results in high occupancy rates, income stability and long-term net asset value appreciation.

Pioneer Park
Kitchener, ON

	Occupancy	Sq. Ft. GLA
Retail	97.5%	44.0M
Industrial	99.2%	17.4M
Mixed-Use, Residential & Other (i)	87.5%	2.8M
Total	97.6%	64.2M

(i) Office properties are included in the Mixed-Use, Residential & other for reporting purposes, occupancy disclosed excludes residential units

The Weston Centre
Toronto, ON

Transformational Development Program

Rendering of
Choice Industrial Centre
Surrey, BC

Activating Our Potential

Development initiatives are a key component of our business plan, positioning Choice Properties for long-term growth and value creation. Our income producing properties offer significant intensification and redevelopment opportunities in Canada's largest markets, enabling us to add high-quality real estate to our portfolio at a reasonable cost. Our long-term pipeline of potential mixed-use developments enable us to transform and revitalize neighbourhoods into communities that are self-sustaining and inclusive.

Choice Properties has internal development capabilities as well as established relationships with strong real estate developers who share our commitment to building healthy, resilient communities. From project concept through to operations, we consider the environmental and social impact of our developments. By implementing environmental design features and taking a community-based approach to development, we aspire to deliver a product that positively influences the entire area for generations.

Developing with Purpose

Mixed-Use

Transforming Communities

Mixed-use developments are a critical part of Choice Properties' long-term growth strategy. These projects allow us to transform neighbourhoods into communities that are self-sustaining and inclusive. These developments will deliver attractive residential and commercial spaces in close proximity to public transportation. Our projects are in various phases of planning and rezoning, and we continue to work on finalizing any necessary land assemblies.

Greenfield Development

Adapting to Market Trends

Choice Properties' development activities include greenfield projects that are primarily focused on new generation logistics facilities in key distribution markets across Canada. An advantage of greenfield developments is that they lend themselves to phased construction, creating flexibility to time developments with changing market conditions.

Intensification

Delivering Steady Growth

Our 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 high-quality tenant mix. Our pipeline of intensification projects provides steady growth to our business.

Residential

Diversifying Our Portfolio

Residential development further diversifies our portfolio. These developments are primarily purpose-built rental assets with close proximity to major transit, local amenities, and well-established communities.

On the Move

We look forward to delivering on our active development projects that will strengthen our portfolio across each asset class.

East Gwillimbury

Greater Toronto Area, ON

Automated, multi-temperature industrial facility

22
Projects Under Development

Choice Industrial Centre

Surrey, BC

New generation logistic facility targeting LEED silver certification

$390M
Total Investment [2]

0.9M
Sq. Ft.

Mount Pleasant Village

Brampton, ON

Residential development designed to deliver geothermal heating and embodied carbon reduction

348
Residential Units

Environmental, Social & Governance Program

“Building a sustainable and equitable future is integral to our mission of creating enduring value.”

Ana Radic
Executive Vice President,
Leasing and Operations

Our commitment to Environmental, Social and Governance (“ESG”) practices is aligned with our purpose of creating enduring value through the ownership, operation and development of high-quality commercial and residential properties.

Recognizing that our responsibility extends beyond the spaces we own, and to a broad set of stakeholders, Choice Properties aspires to develop healthy, resilient communities through its dedication to social, economic and environmental sustainability.

More information about Choice Properties’ ESG practices and programs can be found in our 2021 Environmental, Social and Governance Report available at www.choicereit.ca/sustainability.

Focused Pillars

Choice Properties focuses its ESG program around two pillars where we can best create enduring value and which align with our stakeholder interests: Fighting Climate Change and Advancing Social Equity.

Fighting Climate Change

Choice Properties' goal of creating enduring value is aligned with the need to promote a more sustainable future in order to prevent the effects of climate change in our communities and on our business.

Choice Properties has established ambitious science-based targets through the Science Based Targets initiative (SBTi), and is one of the first entities in Canada to have its net-zero targets approved by the SBTi. Our targets cover our entire value chain, including our own operational emissions, and those from our tenants and developments. We are committed to achieving net-zero emissions by 2050, including by reducing absolute scope 1, 2 and 3 emissions by 90% by 2050 from a 2019 base year. This commitment builds on the progress Choice Properties has made over the past few years since issuing our first emissions reduction targets in 2019.

Choice Properties continues to take meaningful steps to minimize our environmental impact by improving the operational efficiency of our portfolio, embedding sustainable design features in our new developments, and certifying a substantial portion of our portfolio under green building standards including LEED and BOMA BEST.

Advancing Social Equity

Choice Properties is committed to advancing diversity, equity and inclusion ("DEI") for all stakeholders. This commitment is demonstrated through programs focused on our colleagues and culture, and programs that enhance the community fabric in which we operate.

Choice Properties has established a DEI Framework which identifies four focus areas through which the Trust can meaningfully advance DEI through our business. As part of this Framework, Choice Properties has set and made progress towards ambitious DEI targets that commit to recruiting, advancing and retaining colleagues who self-identify as women and visible minorities within our organization at the Board of Trustees, Executive and Senior Management levels.

The Trust's commitment to advancing social equity in our communities can be seen through our Choice Cares program. Through Choice Cares, we have contributed over $1 million and over 3,750 paid volunteer hours to various Canadian charities hand-picked by our colleagues.

Choice Properties looks forward to expanding our community building program by taking a multi-sector collaborative approach to development. For example, at our Grenville and Grosvenor development in Toronto, Ontario we are working closely with local government to deliver an affordable housing component.

Prudent Financial Management

Woodside Power Centre
Markham, ON

"Our prudent capital structure delivers an industry leading balance sheet and provides us with the financial flexibility and capacity to fund our transformational development program."

Mario Barrafato
Chief Financial Officer

Harvest Pointe
Edmonton, AB

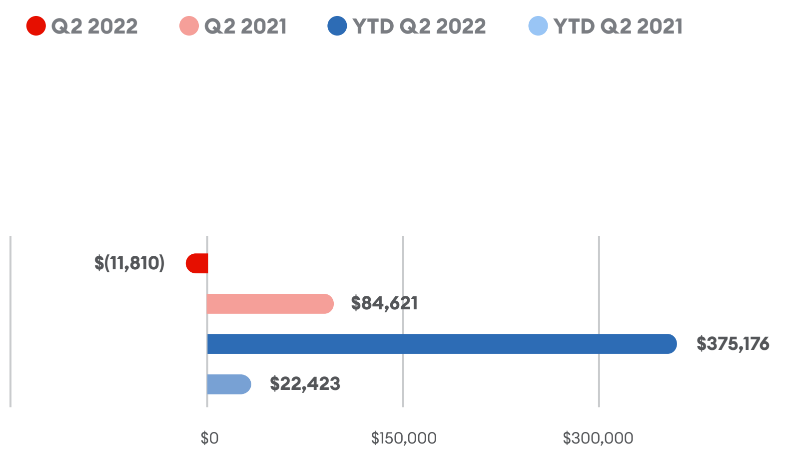
Key Performance Indicators and Financial Information

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

Net Income (Loss)

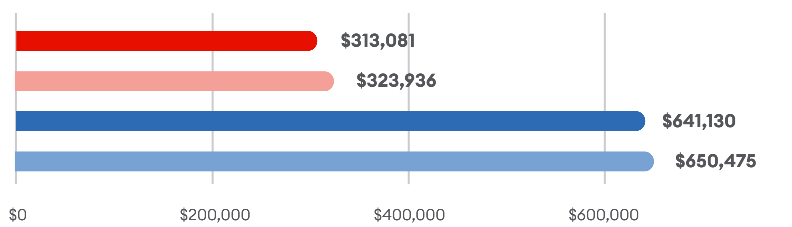
The quarterly decrease compared to the prior year was primarily due to an $792.6 million unfavourable change in the adjustment to fair value of investment properties, driven primarily by expansion of capitalization rates for retail properites. In addition, the Trust recorded a $158.7 million unfavourable adjustment to the fair value of its investment in the real estate securities of Allied Properties Real Estate Investment Trust ("Allied") due to changes in Allied's unit price. The above noted decreases were partially offset by an $858.9 million favourable change in the adjustment to fair value of the Trust's Exchangeable Units, due to the decrease in the Trust's unit price.

The year-to-date increase compared to the prior year was primarily due to a $957.8 million favourable change in the adjustment to fair value of the Trust's Exchangeable Units, due to the decrease in the Trust's unit price, coupled with a $101.2 million increase in income from equity accounted joint ventures due to fair value increases in the industrial development portfolio. The increase was partially offset by a $549.1 million unfavourable change in the adjustment to fair value of investment properties, and a $158.7 million unfavourable adjustment to fair value of the investment in the real estate securities of Allied.



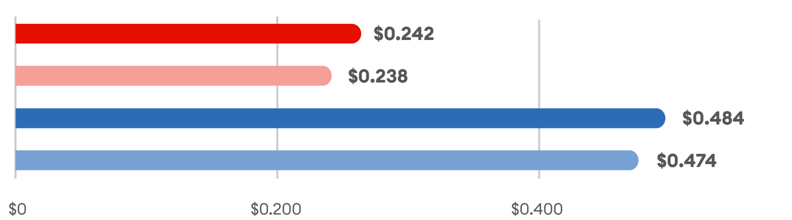
↘ Rental Revenue (GAAP)

The quarterly and year-to-date decrease was primarily due to the forgone revenue following the disposition of six office assets to Allied in Q1 of 2022. The decrease from the disposition was partially offset by higher rental rates in the retail and industrial portfolio and higher recoveries.



↗ FFO Per Unit Diluted[(1)]

The quarterly and year-to-date increase in Funds from Operations was primarily due to distributions from the Trust's investment in real estate securities of Allied and higher interest income derived from the consideration received in exchange for the six office assets sold to Allied in Q1 of 2022, coupled with higher same-asset NOI. The increases above were partially offset by a decrease in net operating income resulting from the disposition of the six office assets to Allied.



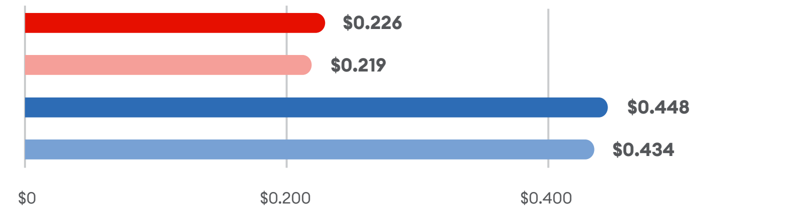
* As at and for the three months and six months ended June 30, 2022 and 2021 ($ thousands except where otherwise indicated)

Q2 2022 Q2 2021 YTD Q2 2022 YTD Q2 2021 Q1 2022

AFFO Per Unit Diluted[1]

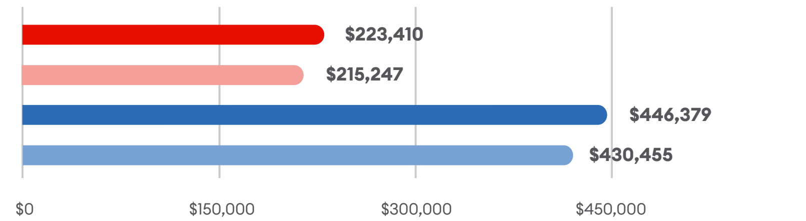
Adjusted Funds from Operations increased compared to the prior year quarter due to the increase in FFO as noted above, coupled with a decrease in straight line rental revenue adjustment, partially offset by an increase in capital spending.

For the three months ended June 30, 2022, the AFFO payout ratio was 81.8% compared to 84.3% in the prior year.



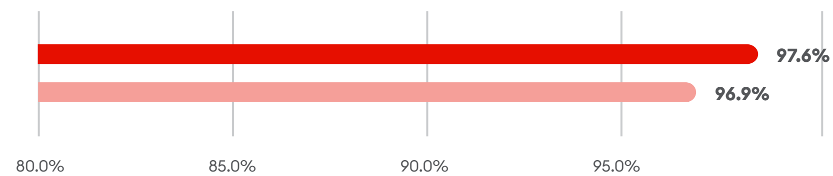
Same-Asset NOI, Cash Basis[1]

The increase of 3.8% and 3.7% for the three and six months ended June 30, 2022, respectively, was mainly due to increased revenue from contractual rent steps and increased recoveries, a decrease in bad debt expense, and higher rental rates and occupancy in the retail and industrial portfolios.



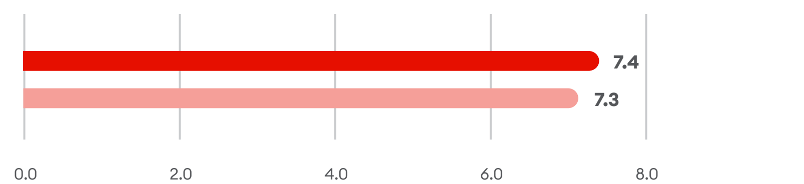
Period End Occupancy

Overall period end occupancy increased compared to the prior year due to positive absorption in the retail and Alberta industrial portfolios. In addition, development transfers contributed to a net increase in occupancy.



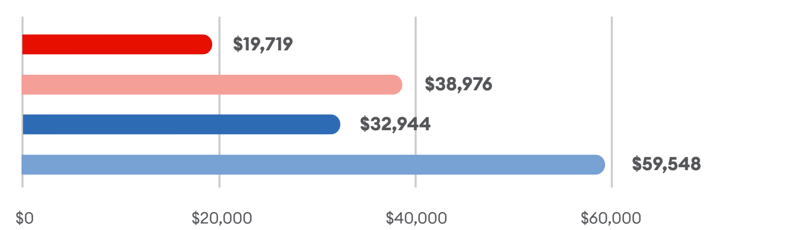
Adjusted Debt to EBITDAFV[1]

The increase is primarily due to the issuance of the Series R debentures in Q2 2022, coupled with the impact of forgone income from the disposition of six office assets to Allied.



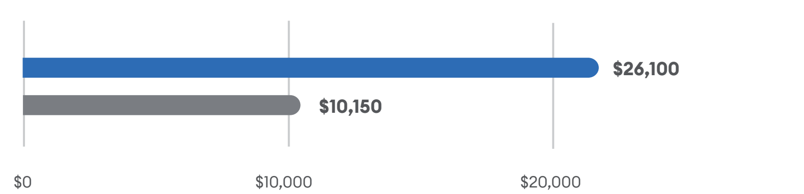
Development Spending (Proportionate)[1]

Development activity reflects spending on active projects during the three months ended June 30, 2022. Development spending may vary depending on the stage of the projects currently in progress.



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

During the three months ended June 30, 2022, the Trust transferred approximately 1,100 square feet of new retail space and 107,000 square feet of new industrial space from properties under development to income producing.



Grandview Central
Surrey, BC

Second Quarter Financial Performance

During the three months ended June 30, 2022

Operating

- Reported net loss for the quarter of $11.8 million, compared to net income of $84.6 million in the prior year. The decrease is primarily due to unfavourable adjustments to the fair value of investment properties of $523.8 million as compared to $268.9 million gain in the prior year. The Trust also recorded an unfavourable adjustment to fair value of its investment in the real estate securities of Allied of $158.7 million. The decrease in net income was partially offset by a $858.9 milion favourable change in adjustment to the fair value of Exchangeable Units.
- Reported FFO per unit diluted[(1)] for the quarter was $0.242, an increase of $0.004 per unit diluted from the prior year quarter.
- AFFO per unit diluted[(1)] for the quarter was $0.226, compared to $0.219 in the prior year. The increase reflects the increase in FFO, coupled with a decrease in straight line rental revenue adjustment, partially offset by an increase in capital spending.
- Same-asset NOI on a cash basis[(1)] increased by 3.8% over the same quarter in the prior year, mainly due to increased revenue from contractual rent steps and increased recoveries, a decrease in bad debt expense, and higher rental rates and occupancy in the retail and industrial portfolios. The current quarter results were favourably impacted by certain non-recurring items, including realty tax adjustments.
- Period end occupancy improved to 97.6%, with retail at 97.5%, industrial at 99.2% and mixed-use, residential and other at 87.5%.
- Net fair value loss on investment properties was $522.3 million on a proportionate share basis[(1)] primarily due to fair value losses on the retail portfolio due to capitalization rate expansion resulting from rising interest rates.

Investing

- The Trust Completed $227.9 million of transactions in Q2, comprised of the following:
  - Acquired an 85% interest in an additional 97 acre land parcel in Caledon, ON, part of an existing industrial development project for $86.7 million;
  - Acquired a 75% interest in 154 acres of industrial development land in East Gwillimbury, Ontario for $52.8 million, by exercising the equity conversion option on a mezzanine loan advanced to the Rice Group. Loblaw has entered into a land lease of approximately 100 acres of the site and intends to build a 1.2 million square foot automated, multi-temperature industrial facility;
  - Completed the acquisition of strategic retail assets in Halifax, NS and Burlington, ON for $57.3 million;
  - Acquired the Trust's partner's 50% interest in an industrial building in Edmonton, AB for $14.5 million, bringing the Trust's interest in the building to 100%; and
  - Disposed of a non-core retail asset and a development land asset for aggregate proceeds of $16.6 million.
- Ongoing investment in the development program with $19.7 million of spending during the quarter on a proportionate share basis[(1)].
- Transferred $16.0 million of properties under development to income producing status during the quarter, delivering approximately 108,000 square feet of new GLA on a proportionate share basis[(1)].

Financing

- Completed the issuance of $500 million of Series R senior unsecured debentures at 6.003% and a term of 10 years.
- The proceeds from the Series R issuance were used in the early redemption of the $300 million Series 10 senior unsecured debentures, and to repay a portion of the balance drawn on the credit facility.
- Discharged two mortgages totaling $47.8 million at a weighted average rate of 3.9%.
- Refinanced $49.0 million of the $74.2 million mortgage balance outstanding at two properties, the remaining $25.2 million was repaid on their maturity in Q2 2022.
- Ended quarter with Adjusted debt to total assets[(1)] at 41.9%, and Adjusted debt to EBITDAFV[(1)] and debt service coverage ratios[(1)] of 7.4 and 3.3 times, respectively.
- Strong liquidity position with approximately $1.3 billion of available credit and a $12.0 billion pool of unencumbered properties.

Rendering

25 Photography Drive
Toronto, ON

1. KEY PERFORMANCE INDICATORS AND SELECTED FINANCIAL INFORMATION

Choice Properties has identified key financial and operating performance indicators that were derived from, and should be read in conjunction with, the condensed consolidated financial statements of the Trust as at and for the three and six months ended June 30, 2022 and 2021. 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 June 30 ($ thousands except where otherwise indicated)		**2022**		2021
Number of income producing properties		**701**		717
GLA (in millions of square feet)		**64.2**		66.4
Occupancy*		**97.6%**		96.9%
Total assets (GAAP)	**$**	**16,184,385**	$	15,968,303
Total liabilities (GAAP)	**$**	**(12,608,018)**	$	(12,543,624)
Rental revenue (GAAP)	**$**	**313,081**	$	323,936
Net income (loss)	**$**	**(11,810)**	$	84,621
Net income (loss) per unit diluted	**$**	**(0.016)**	$	0.117
FFO[(1)] per unit diluted*	**$**	**0.242**	$	0.238
FFO[(1)] payout ratio*		**76.4%**		77.8%
AFFO[(1)] per unit diluted*	**$**	**0.226**	$	0.219
AFFO[(1)] payout ratio*		**81.8%**		84.3%
Distribution declared per Unit	**$**	**0.185**	$	0.185
Weighted average number of Units outstanding – diluted[(i)]		**723,593,236**		723,265,565
Adjusted debt to total assets[(ii)*]		**41.9%**		40.9%
Debt service coverage[(ii)*]		**3.3x**		3.2x
Adjusted Debt to EBITDAFV[(1)(ii)(iii)*]		**7.4x**		7.3x
Indebtedness[(iv)] – weighted average term to maturity*		**5.8 years**		5.6 years
Indebtedness[(iv)] – weighted average interest rate*		**3.77%**		3.64%

* Denotes a key performance indicator

(i) Includes Trust Units and Exchangeable Units.
(ii) 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.
(iii) Adjusted Debt to EBITDAFV, net of cash, was 7.4x at June 30, 2022, and 7.3x at June 30, 2021
(iv) Indebtedness reflects only senior unsecured debentures, fixed rate mortgages and fixed rate construction loans.

2. BALANCE SHEET

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

	As at June 30, 2022			As at December 31, 2021		
($ thousands)	GAAP Basis	Reconciliation	Proportionate Share Basis[1]	GAAP Basis	Reconciliation	Proportionate Share Basis[1]
Assets						
Investment properties	$ 14,012,000	$ 1,449,000	$ 15,461,000	$ 14,930,000	$ 1,113,000	$ 16,043,000
Equity accounted joint ventures	771,353	(771,353)	—	564,378	(564,378)	—
Financial real estate assets	102,876	(102,876)	—	86,603	(86,603)	—
Residential development inventory	14,256	—	14,256	10,142	—	10,142
Mortgages, loans and notes receivable	497,986	(104,211)	393,775	354,901	(7,972)	346,929
Investment in real estate securities	391,945	—	391,945	—	—	—
Intangible assets	21,869	—	21,869	28,000	—	28,000
Accounts receivable and other assets	352,159	(566)	351,593	114,275	(1,844)	112,431
Cash and cash equivalents	19,941	22,617	42,558	84,304	39,976	124,280
Total Assets	$ 16,184,385	$ 492,611	$ 16,676,996	$ 16,172,603	$ 492,179	$ 16,664,782
Liabilities and Equity						
Long term debt	$ 6,294,775	$ 458,755	$ 6,753,530	$ 6,230,010	$ 444,428	$ 6,674,438
Credit facility	332,343	—	332,343	—	—	—
Exchangeable Units	5,560,800	—	5,560,800	6,011,997	—	6,011,997
Trade payables and other liabilities	420,100	33,856	453,956	620,405	47,751	668,156
Total Liabilities	12,608,018	492,611	13,100,629	12,862,412	492,179	13,354,591
Equity						
Unitholders' equity	3,576,367	—	3,576,367	3,310,191	—	3,310,191
Total Equity	3,576,367	—	3,576,367	3,310,191	—	3,310,191
Total Liabilities and Equity	$ 16,184,385	$ 492,611	$ 16,676,996	$ 16,172,603	$ 492,179	$ 16,664,782

Balance Sheet Analysis (GAAP Basis)

Line Item	$ Change	Variance Commentary
Investment properties	$ (918,000)	The decrease compared to December 31, 2021 is primarily attributable to dispositions of $805.6 million, $733.8 million of which related to the disposition of six office assets to Allied in the prior quarter, and the unfavourable fair value adjustment on investment properties of $221.5 million. These decreases were partially offset by acquisitions of $69.3 million, and development, capital, and leasing expenditures of $39.2 million.
Equity accounted joint ventures	206,975	The increase is primarily attributable to acquisitions completed through the Trust's joint ventures with an aggregate value of $189.8 million. In addition, favourable fair value adjustment of $109.2 million contributed to the increase. These increases were partially offset by distributions received from joint ventures during the current year and mortgages advanced to fund the acquisitions.
Financial real estate assets	16,273	The increase was mainly attributable to the acquisition of two assets from Loblaw for $17.6 million. These acquisitions were partially offset by an unfavourable fair value adjustment of $2.5 million.
Residential development inventory	4,114	The increase was attributable to development expenditures incurred for a residential condominium project in Brampton, ON.
Mortgages, loans and notes receivable	143,085	The increase was primarily due to mortgages and notes receivable advanced, including: (i) The issuance of a promissory note, with a fair value of $193.2 million, as a part of the disposition of six office assets to Allied; (ii) $102.0 million advanced to an entity in which the Trust is a partner to acquire land for development; (iii) $24.4 million of notes receivable advanced to GWL; (iv) various advances to third-party borrowers totaling $30.0 million, These advances were partially offset by a $40.6 million settlement of an outstanding mortgage receivable on the acquisition of a property and repayment of GWL's prior year outstanding notes receivable balance of $168.3 million.
Investment in Real Estate Securities	391,945	As part of the consideration received for the disposal of six office assets to Allied the Trust received 11,809,145 exchangeable Class B limited partnership units with a value of $550.7 million. In the second quarter the Trust recorded a fair value loss on these real estate securities of $158.7 million due to the decrease in Allied's unit price.
Intangible assets	(6,131)	The decrease was primarily due to the Trust de-recognizing a portion of its intangible asset in relation to two of the office properties disposed in the first quarter of 2022.
Working Capital	373,826	Net change was primarily due to the settlement of the $168.3 million note receivable from GWL against the Trust's distribution payable to GWL and the defeasance payment made towards the credit facility on June 30 (Section 4.3).
Long term debt and credit facility	397,108	Net increase was primarily attributable to the issuance of the $500.0 million Series R senior unsecured debentures, $356.4 million of draws made on the credit facility and construction loans, partially offset by the redemption of the $300.0 million Series 10 senior unsecured debentures, and principal repayments of mortgages that matured.
Exchangeable Units	(451,197)	As this liability is measured at fair value, the change was due to the decrease in the unit price for Choice Properties since December 31, 2021.
Unitholders' equity	266,176	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 14.1, "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			Six Months		
As at or for the period ended June 30, 2022 ($ thousands)	Income producing properties	Properties under development	Investment Properties[(i)]	Income producing properties	Properties under development	Investment Properties[(i)]
GAAP balance, beginning of period	$14,192,000	$ 298,000	$ 14,490,000	$ 14,707,000	$ 223,000	$ 14,930,000
Adjustments to reflect investment properties held in equity accounted joint ventures and as financial real estate assets on a proportionate share basis[(i)]	953,000	316,000	1,269,000	893,000	220,000	1,113,000
Non-GAAP proportionate share balance[(1)], beginning of period	15,145,000	614,000	15,759,000	15,600,000	443,000	16,043,000
Acquisitions of investment properties[(ii)]	71,748	139,541	211,289	109,916	166,759	276,675
Capital expenditures						
Development capital[(iii)]	—	19,340	19,340	—	31,019	31,019
Building improvements	677	—	677	2,088	—	2,088
Capitalized interest[(iv)]	—	379	379	—	1,925	1,925
Property capital	3,510	—	3,510	6,116	—	6,116
Direct leasing costs	1,415	—	1,415	3,370	—	3,370
Tenant improvement allowances	3,583	—	3,583	10,420	—	10,420
Amortization of straight-line rent	751	—	751	1,661	—	1,661
Transfers from properties under development[(v)]	15,950	(15,950)	—	26,100	(26,100)	—
Transfers to properties under development	—	—	—	(22,945)	22,945	—
Dispositions	(6,500)	(10,125)	(16,625)	(795,510)	(10,125)	(805,635)
Adjustment to fair value of investment properties	(578,134)	55,815	(522,319)	(283,216)	173,577	(109,639)
Non-GAAP proportionate share balance[(1)], June 30, 2022	**$14,658,000**	**$ 803,000**	**$ 15,461,000**	**$ 14,658,000**	**$ 803,000**	**$ 15,461,000**

(i) Refer to Section 14.1, "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 $nil and $1,765 of site intensification payments paid to Loblaw for the three and six months ended June 30, 2022, respectively (December 31, 2021 - $2,208).
(iv) Interest was capitalized to qualifying development projects based on a weighted average interest rate of 3.63% (December 31, 2021 - 3.64%).
(v) Transfers from properties under development for the three and six months ended June 30, 2022, included fair value adjustments recognized within properties under development of $3,246 and $4,615, respectively (December 31, 2021 - $6,948).

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 June 30, 2022	**Retail**	**Industrial**	**Mixed-Use, Residential & Other**	**Total Investment Properties**
Discount rate	**7.43%**	**5.84%**	**6.00%**	**6.98%**
Terminal capitalization rate	**6.58%**	**5.15%**	**5.32%**	**6.18%**
Overall capitalization rate	**6.42%**	**4.89%**	**5.01%**	**5.98%**

As at December 31, 2021	Retail	Industrial	Mixed-Use, Residential & Other	Total Investment Properties
Discount rate	6.94%	5.98%	5.30%	6.59%
Terminal capitalization rate	6.20%	5.28%	4.61%	5.86%
Overall capitalization rate	6.04%	5.05%	4.68%	5.72%

Valuation Commentary

The Trust recorded an unfavourable adjustment to the fair value of investment properties of $523.8 million and $221.5 million for the three and six months ended June 30, 2022, respectively, on a GAAP basis. The unfavourable adjustment on a proportionate share basis[(1)] for the same periods was $522.3 million and $109.6 million. The Trust revalued its portfolio primarily based on adjustments to capitalization rates for selected retail properties, contractual changes in cash flows, changes in market rent assumptions, pending transactions and macro considerations.

For the three and six months ended June 30, 2022, fair value losses of $578.1 million and $283.2 million, respectively, on a proportionate share basis[(1)] were recognized within income producing properties, primarily due to fair value losses in the retail portfolio. Fair value losses in the retail portfolio were driven by the expansion of underlying capitalization rates in response to rising interest rates and cautious investor sentiment. Fair value losses in the retail portfolio were partially offset by a favourable change in the industrial portfolio, primarily driven by adjustments to market rent assumptions and yield expectations to reflect the accelerated rental rate growth and capital appreciation of industrial assets.

In addition, for the three and six months ended June 30, 2022, the Trust recognized fair value gains of $55.8 million and $173.6 million, respectively, on a proportionate share basis[(1)] within its development portfolio, primarily driven by observed market transactions and the completion of development milestones for industrial projects.

3.2 Investment Property Transactions

Acquisitions of Investment Properties

The following table summarizes the investment properties acquired in the six months ended June 30, 2022:

($ thousands except where otherwise indicated)						Consideration			
Location	Date of Acquisition	Segment	Ownership Interest Acquired	GLA (square feet)	Purchase Price incl. Related Costs	Mortgage Receivable Settlement	Debt Assumed from Seller	Assumed Liabilities	Cash
Acquisitions from related parties									
Ottawa, ON	Mar 1	Industrial Under Development	100%	N/A	$ 27,218	$ —	$ —	$ —	$ 27,218
Montreal, QC(i)	Mar 9	Retail	100%	15,526	2,343	—	—	483	1,860
Halifax, NS(i)	Jun 17	Retail	100%	98,125	15,228	—	—	2,034	13,194
Total acquisitions from related parties				**113,651**	**44,789**	**—**	**—**	**2,517**	**42,272**
Acquisitions from third-parties									
Burlington, ON	May 2	Retail	100%	131,473	42,059	—	—	588	41,471
Total acquisitions from third-parties				**131,473**	**42,059**	**—**	**—**	**588**	**41,471**
Equity accounted joint ventures									
Toronto, ON(ii)	Jan 14	Mixed-Use, Residential and Other	3%	7,956	18,735	—	3,526	1,015	14,194
Toronto, ON(ii)	Jan 14	Mixed-Use, Residential and Other	3%	11,488	17,090	—	5,152	921	11,017
Edmonton, AB	April 7	Industrial	50%	89,978	14,461	2,066	—	—	12,395
Caledon, ON(iii)	April 19	Industrial Under Development	85%	N/A	86,741	—	—	—	86,741
East Gwillimbury, ON	May 31	Industrial Under Development	75%	N/A	52,800	38,794	—	8,647	5,359
Acquisitions in equity accounted joint ventures				**109,422**	**189,827**	**40,860**	**8,678**	**10,583**	**129,706**
Total acquisitions				**354,546**	**$ 276,675**	**$ 40,860**	**$ 8,678**	**$ 13,688**	**$ 213,449**

(i) These properties are classified as financial real estate assets under GAAP.

(ii) Represents the 3% additional ownership interest acquired from a third party, increasing the Trust's ownership interest in these properties to 50%. The purchase price and related consideration also included the nullification of a third party's option to acquire an additional 13.67% of the Trust's ownership in these properties. This acquisition resulted in ownership of an additional 25 residential units.

(iii) Cash consideration includes a mezzanine loan advanced by the Trust to the joint venture for the purpose of acquiring land for development.

Dispositions of Investment Properties

The following table summarizes the investment properties sold in the six months ended June 30, 2022:

($ thousands except where otherwise indicated)						Consideration				
Location	**Date of Disposition**	**Segment**	**Ownership Interest Disposed**	**GLA (square feet)**	**Sale Price excl. Selling costs**	**Debt Assumed by Purchaser**	**Promissory Note**	**Real Estate Securities**	**De-recognition of Intangible Asset**	**Cash**
Investment properties										
Edmonton, AB	Jan 31	Industrial	100%	94,681	$ 9,700	$ —	$ —	$ —	$ —	$ 9,700
Edmonton, AB	Feb 25	Industrial	100%	266,901	19,750	—	—	—	—	19,750
Campbell River, BC	Feb 28	Retail	50%	222,959	25,750	14,805	—	—	—	10,945
Portfolio of 6 assets across Canada[i]	Mar 31	Mixed-Use, Residential & Other	50%-100%	1,233,706	733,810	—	193,155	550,660	(5,631)	(4,374)
Brampton, ON	Jun 23	Retail Under Development	100%	N/A	10,125	—	—	—	—	10,125
Swift Current, SK	Jun 28	Retail	100%	136,084	6,500	—	—	—	—	6,500
Dispositions of investment properties				**1,954,331**	**805,635**	**14,805**	**193,155**	**550,660**	**(5,631)**	**52,646**
Total dispositions					**$ 805,635**	**$ 14,805**	**$ 193,155**	**$ 550,660**	**$ (5,631)**	**$ 52,646**

(i) The Trust disposed of its interests in a portfolio of six office assets to Allied Properties Real Estate Investment Trust ("Allied"). The consideration received consisted of exchangeable Class B limited partnership units of Allied Properties Exchangeable Limited Partnership, an affiliated entity of Allied (Section 3.10, "Investment in Real Estate Securities") and a promissory note (Section 3.9, "Mortgages, Loans and Notes Receivable").

3.3 Completed Developments

For the six months ended June 30, 2022, Choice Properties completed a total of $21.5 million in development projects delivering 131,088 square feet of commercial space with a weighted average project yield of 7.4%.

During the quarter, the Trust completed the next phase of its multi-building industrial development at Horizon Business Park in Edmonton Alberta, delivering 107,230 square feet of new generation logistic space. This development is well positioned in one of Edmonton's premier distribution nodes with direct access to highways and railways. At Harvest Pointe, Edmonton, Alberta, the Trust delivered 1,149 square feet of retail space, occupied by a quick service restaurant.

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 rental income for each development by the estimated total project costs. Stabilized net rental income is based on contracted rental rates on leased units, and market rental rates on non-leased units which are based on the Trust's market knowledge and, where applicable, supported by external market studies. Estimated project costs include land costs, soft and hard construction costs, development and construction management fees, tenant allowances and inducements, capitalized financing costs, and other carrying costs.

During the six months ended June 30, 2022, 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.

For the six months ended June 30, 2022, Choice Properties transferred the following from properties under development to income producing properties as presented on a proportionate share basis(1):

($ thousands except where otherwise indicated)

Project / Location	Completion date	Ownership %	Transferred GLA (square feet)	Cost of assets transferred	Expected stabilized yield(2)
Commercial					
Retail					
Glen Erin, Mississauga	Q1 2022	50 %	17,120	$ 6,107	7.5 %
Erin Ridge, St. Albert, AB(i)	Q1 2022	100 %	5,589	2,674	7.8 %
Harvest Pointe, Edmonton, AB(i)	Q2 2022	50 %	1,149	548	10.5 %
Subtotal retail development			**23,858**	**9,329**	**7.8 %**
Industrial					
Horizon Business Park, Edmonton, AB	Q2 2022	50 %	107,230	12,156	7.1 %
Subtotal industrial development			**107,230**	**12,156**	**7.1 %**
Total transferred properties at cost			**131,088**	**$ 21,485**	**7.4 %**
Total transferred properties at fair value				**$ 26,100**	

(i) Phased development project. No material changes from previously disclosed expected stabilized yield range.

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 June 30, 2022, is summarized below:

($ thousands except where otherwise indicated)			GLA[(i)(ii)] (square feet)	Investment[(i)(iii)]		
Project type	**Section**	**Number of Projects**	**Estimated upon completion[(2)]**	**To-date**	**Estimated cost to completion[(2)]**	**Estimated total**
Projects under active development						
Retail	3.5	17	138,000	$ 7,088	$ 50,800	$ 57,888
Industrial	3.5	3	502,000	56,748	124,900	181,662
Residential	3.5	2	236,000	56,770	93,400	150,182
Subtotal projects under active development		**22**	**876,000**	**120,606**	**269,100**	**389,732**
Developments in planning						
Retail	3.6	12		40,316		
Industrial	3.6	3		278,061		
Mixed-Use and Residential	3.6	11	10,450,000	112,265		
Subtotal developments in planning		**26**	**10,450,000**	**430,642**		
Total development - cost		**48**	**11,326,000**	**$ 551,248**		
Total development - fair value[(iv)]				**$ 803,000**		

(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.
(iv) Total development fair value excludes residential development inventory of $14,256 as at June 30, 2022 ($10,142 - December 31, 2021).

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 22 active developments comprised of 17 retail, three industrial and two residential projects. Upon completion, the projects under active development are expected to deliver a total of 640,000 square feet of commercial space and 348 residential units at the Trust's ownership share. The Trust has invested a total of $120.6 million to date and is expected to invest an additional $269.1 million over the next three years to complete these projects[(2)].

Projects Under Active Development – Retail

The Trust invests in retail development projects through intensification of its existing retail assets. The Trust currently has 138,000 square feet of active retail development, which is expected to be completed in the next one to two years(2).

The following table details the Trust's retail projects under active development on a proportionate share basis(1) as of June 30, 2022:

($ thousands except where otherwise indicated)				GLA(i) (square feet)		Investment(i)(ii)			
	Project / Location	Ownership %	Expected completion date (iii)	Estimated upon completion(2)	% Leased	To-date	Estimated cost to completion(2)	Estimated total	Expected stabilized yield(2)(iv)
	Retail								
1	Cornerstone, Olds, AB	50%	H2 2022	N/A(vi)	100 %	$ —	$ 400	$ 400	9.00% - 9.50%
2	Erin Ridge, St. Albert, AB(v)	50%	H2 2022 & H1 2023	6,000	100 %	918	1,500	2,418	7.50% - 8.00%
3	Hwy 88 West, Bradford, ON	100%	H2 2022	13,000	100 %	1,696	3,100	4,796	6.75% - 7.25%
4	20th Sideroad, Innisfill, ON(v)	100%	H2 2022	N/A(vi)	100 %	29	700	729	21.50% - 22.00%
5	Sunwapta Centre, Edmonton, AB	50%	H1 2023	N/A(vi)	100 %	884	400	1,284	9.00% - 9.50%
6	Calgary Trail, Edmonton, AB	100%	H1 2023	15,000	100 %	—	3,700	3,700	6.25% - 6.75%
7	Portland St., Dartmouth, NS	100%	H1 2023	5,000	100 %	74	1,700	1,774	8.50% - 9.00%
8	Joseph Howe Dr., Halifax, NS	100%	H1 2023	5,000	100 %	62	1,400	1,462	11.00% - 11.50%
9	Oshawa Gateway, Oshawa, ON(v)	50%	H1 2023	7,000	100 %	1,559	2,400	3,959	5.25% - 5.75%
10	Jocelyn Rd., Port Hope, ON	100%	H1 2023	15,000	100 %	—	5,100	5,100	6.75% - 7.25%
11	Boul. St. Joseph, Drummondville, QC	100%	H1 2023	16,000	100 %	—	3,100	3,100	6.75% - 7.25%
12	Harvest Hills Market, Edmonton, AB(v)	50%	H1 & H2 2023	8,000	100 %	1,025	3,500	4,525	7.50% - 8.00%
13	Guelph St., Georgetown, ON	100%	H2 2023	26,000	100 %	—	7,900	7,900	8.50% - 9.00%
14	Oxford St. E., London, ON	100%	H2 2023	15,000	100 %	—	5,700	5,700	6.75% - 7.25%
15	Harvest Pointe, Edmonton, AB(v)	100%	H1 2024	7,000	100 %	841	2,000	2,841	5.00% - 5.50%
16	200 Street, Maple Ridge, BC	100%	H1 2024	N/A(vi)	100 %	—	5,800	5,800	11.00% - 11.50%
17	Princess St., Kingston, ON	100%	H1 2024	N/A(vi)	100 %	—	2,400	2,400	8.75% - 9.25%
	Total retail developments			**138,000**		**$ 7,088**	**$ 50,800**	**$ 57,888**	**7.50% - 8.00%**

(i) Choice Properties' share.
(ii) Compiled on a non-GAAP proportionate share basis(1). Investment to-date was compiled on a cash basis, excluding adjustments to fair value of on-going projects.
(iii) H1 represents the first six months of the year. H2 represents the last six months of the year.
(iv) Unless otherwise noted, there were no material changes in previously reported expected stabilized yields.
(v) Development project with phased completion. Reported expected stabilized yield may vary as phases are completed or as future phases are added to the development.
(vi) The development is a land lease and excluded from total portfolio square footage for lease reporting purposes.

Projects Under Active Development – Industrial

The Trust invests in industrial development projects through development of greenfield industrial land. The Trust currently has 502,000 square feet of active retail development, which is expected to be completed in the next one to two years(2).

During the quarter, the Trust exercised its equity conversion right from Rice Group to acquire a 75% ownership interest in 154 developable acres of industrial land in East Gwillimbury, Ontario. The site is strategically located at the corner of Highway 404 and Green Lane East, with direct access to major highways. The development site will be a multi-phase industrial park with the potential for approximately 1.8 million total square feet of new generation logistic space. The first phase is a 100-acre land lease with Loblaw. Loblaw intends to build a 1.2 million square foot, automated, multi-temperature industrial facility on the leased area. Loblaw expects to bring the distribution facility into its operations in the first quarter of 2024. The Trust is expected to invest approximately $127 million including land and site preparation for the first and following phases of the development at its share.

The following table details the Trust's commercial projects under active development on a proportionate share basis(1) as of June 30, 2022:

($ thousands except where otherwise indicated)				GLA(i) (square feet)		Investment(i)(ii)			
	Project / Location	Ownership %	Expected completion date (iii)	Estimated upon completion(2)	% Leased	To-date	Estimated cost to completion(2)	Estimated total	Expected stabilized yield(2)(iv)
	Industrial								
1	Horizon Business Park, Edmonton, AB(v)	50%	H2 2023	149,000	— %	$ 7,328	$ 13,514	$ 20,842	5.50% - 6.00%
2	Choice Industrial Centre, Surrey, BC	100%	H2 2023	353,000	— %	12,460	58,900	71,360	7.25% - 7.75%
3	East Gwillimbury, ON - Phase 1	75%	H1 2024	N/A(vi)	100 %	36,960	52,500	89,460	6.50% -7.00%
	Total industrial developments			**502,000**		**$ 56,748**	**$ 124,914**	**$ 181,662**	**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) Unless otherwise noted, there were no material changes in previously reported expected stabilized yields.
(v) Development project with phased completion. Reported expected stabilized yield may vary as phases are completed or as future phases are added to the development.
(vi) The development is a land lease and excluded from total portfolio square footage for lease reporting purposes. The first phase of the development is 1.2 million total square feet or 0.9 million square feet at share.

Projects Under Active Development - Residential

Choice Properties has two residential projects under active development. At Mount Pleasant Village in Brampton, Ontario, construction continues with the superstructure completion of the condominium building. At Element in Ottawa, Ontario, the Trust achieved super structure completion with exterior finish work underway. Both projects are targeted to be completed by the second half of 2023.

The following table details the Trust's residential projects under active development on a proportionate share basis[1] as of June 30, 2022:

($ thousands except where otherwise indicated)					GLA[i] (square feet)	Investment[i][ii]			
Project / Location	**Ownership %**	**Type**	**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]**
Mount Pleasant Village, Brampton, ON	50%	Rental	H2 2023	151	101,000	$ 19,914	$ 42,612	$ 62,526	4.25% - 4.75%
Mount Pleasant Village, Brampton, ON	50%	Inventory	H2 2023	71	49,000	14,256	19,100	33,356	
Element, Ottawa, ON	50%	Rental	H2 2023	126	86,000	22,600	31,700	54,300	4.75% - 5.25%
Total residential				**348**	**236,000**	**$ 56,770**	**$ 93,412**	**$ 150,182**	**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.

3.6 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 June 30, 2022, the Trust has identified 26 sites with potential for future development. This includes 12 opportunities at existing retail sites, 3 industrial sites, and 11 residential and mixed-use projects. The development plan for each property is subject to the Trust's completion of its full review of each opportunity. An expected project scope may change over time or the Trust may decide not to proceed with that development upon completion of full due diligence. To date, the Trust has invested a total of $430.6 million on these sites.

Retail Development in Planning

($ thousands except where otherwise indicated)		
	Number of Sites	**Investment To-date[(i)(ii)]**
Retail developments in planning	**12**	**$ 40,316**

(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

Industrial Development in Planning

($ thousands except where otherwise indicated)		
	Number of Sites	**Investment To-date[(i)(ii)]**
Industrial development in planning	**3**	**$ 278,061**

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

The following table details the Trust's industrial developments in planning:

Project / Location	Description
Tullamore Lands, Caledon, ON	In the quarter, the joint venture acquired 97 acres of land adjacent to the Trust's future industrial developable lands in Caledon, Ontario for $86.7 million. This acquisition brings the site to a total of 380 net developable acres and the Trust has invested at total of $235.0 million to date. In addition, the Town of Caledon re-designated the Settlement Area Boundary Expansion at Tullamore lands. Pending final adoption by Region of Peel, this amendment to Official Plans will convert set lands from existing agricultural uses to employment uses.
East Gwillimbury, ON - Phase 2	The second phase of the Trust's project at East Gwillimbury constitutes approximately 54 acres of developable land. In the quarter, the Trust achieved zoning on this phase and is progressing on site preparation. The second phase is anticipated to be approximately 0.6 million total square feet or 0.5 million at share. The Trust has invested $15.8 million to date.
Sheffield, Ottawa, ON	In first quarter of 2022, the Trust purchased an 18.8 acres industrial site in Ottawa, Ontario for $27.2 million. The site is located in a well established industrial node in Ottawa with direct access to major highways.

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. The development plan for each project is subject to municipal review and approval which may take several years to realize.

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

The Trust has obtained zoning approval on two residential developments and has submitted applications for seven residential and mixed-use projects. A total of $112.3 million has been invested to date on land acquisition and initial development and planning costs.

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

($ thousands except where otherwise indicated)					Estimated GLA(i)(ii) ('000 square feet)			Investment to-date (i)(iii)
Project / Location	**Type**	**Ownership %**	**Acreage**	**Estimated number of units**	**Commercial**	**Residential**	**Total**	
Zoning approved								
1 Grenville & Grosvenor, Toronto, ON	Residential	50 %	0.5	385	17	320	337	$ 31,259
2 Sheppard Ave. W., Toronto, ON	Residential	50 %	0.3	100	5	64	69	6,775
Subtotal zoning approved			**0.8**	**485**	**22**	**384**	**406**	**38,034**
Zoning applications submitted								
1 Broadview Ave.,Toronto, ON	Mixed-use	100 %	3.3	500	23	409	432	3,210
2 Dundas St. W., Toronto, ON	Mixed-use	100 %	13.0	2,600	900	1,600	2,500	38,451
3 Golden Mile, Toronto, ON	Mixed-use	100 %	19.0	3,800	300	3,200	3,500	11,077
4 Parkway Forest Dr., Toronto, ON	Residential	50 %	0.6	170	—	95	95	284
5 Photography Dr., Toronto, ON	Mixed-use	100 %	7.7	2,400	50	2,000	2,050	3,525
6 Warden Ave., Toronto, ON	Residential	100 %	6.5	1,500	10	1,100	1,110	11,189
7 Woodbine Ave., Toronto, ON	Mixed-use	100 %	1.7	400	23	334	357	4,060
Subtotal zoning applications submitted			**51.8**	**11,370**	**1,306**	**8,738**	**10,044**	**71,796**
Zoning applications to be submitted								
1 North Rd., Coquitlam, BC	Mixed-use	100 %	7.8	—	—	—	—	970
2 South Service Rd., Mississauga, ON	Mixed-use	100 %	10.4	—	—	—	—	1,465
Subtotal zoning applications to be submitted			**18.2**	**—**	**—**	**—**	**—**	**2,435**
Total mixed-use projects in planning			**70.8**	**11,855**	**1,328**	**9,122**	**10,450**	**$ 112,265**

(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
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.
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.

Zoning Applications Submitted

Choice Properties has submitted zoning applications for five mixed-use and two residential developments in Toronto, Ontario. As of June 30, 2022, the Trust has invested a total of $71.8 million to date on land acquisition and initial development and planning costs.

Project / Location	Description
Broadview Avenue, Toronto, ON	The approximately 3 acre site is located at the southwest corner of Danforth Avenue and Broadview Avenue in Toronto's east end and is situated less than 150 metres from the Broadview TTC subway station. The current development proposal includes one residential tower, a new grocery store and a public park. The submitted application proposes 0.4 million square feet of total ground floor area, and approximately 500 residential units. The Trust continues to refine the vision for a mixed-use, transit oriented development that will transform an underutilized site while highlighting the natural heritage and green connections of the existing community. The Official Plan, Zoning By-law Amendment and Draft Plan of Subdivision Applications have been submitted to the City of Toronto.
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 has been submitted to the City of Toronto and Choice Properties is preparing a Rezoning Application for submission to the City.
Golden Mile, Toronto, ON	The approximately 19 acre site is located along Eglinton Avenue in the Golden Mile district of Toronto. The current redevelopment plans contemplate a large, mixed-use master-plan community to be built in phases with a focus on high density residential and retail uses. The site is directly adjacent to new transit stations along the first phase of the Eglinton Crosstown LRT, which is currently under construction. The current plan includes approximately 3.5 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 have been submitted to the City of Toronto and the Trust is working with the City on their Secondary Planning Study for the Golden Mile Area.

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 have been 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 have been submitted to the City of Toronto.
Warden Avenue, Toronto, ON	The approximately 6.5 acre site is located south of the intersection of St. Clair Avenue and Warden Avenue in Toronto and 500 meters from the Warden TTC Subway Station. The current development plan includes 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 has been 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.

3.7 Future Pipeline

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

3.8 Development Project Capital

Choice Properties expects to invest a total of approximately $717.0 million at the Trust's ownership share[(1)], by the end of the year 2024[(2)].

($ thousands)	2022	2023	2024	Total
Intensification	$ 37,000	$ 47,000	$ 73,000	$ 157,000
Greenfield	120,000	100,000	73,000	293,000
Residential and Mixed-Use	55,000	122,000	90,000	267,000
Estimated total capital annual spend[(i)]	**$ 212,000**	**$ 269,000**	**$ 236,000**	**$ 717,000**

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

3.9 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.

As at June 30, 2022 ($ thousands)	GAAP Basis	Proportionate Share Basis(1)(i)	GAAP Basis Weighted average term to maturity (years)	GAAP Basis Weighted average interest rate (%)
Mortgages receivable	**473,411**	**369,200**	1.4	4.69 %
Loans receivable	**168**	**168**	2.3	8.00 %
Notes receivable from GWL	**24,407**	**24,407**	—	— %
Mortgages, loans and notes receivable	**497,986**	**393,775**		

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

As at December 31, 2021 ($ thousands)	GAAP Basis	Proportionate Share Basis(1)	GAAP Basis Weighted average term to maturity (years)	GAAP Basis Weighted average interest rate (%)
Mortgages receivable	186,567	178,595	1.7	7.11 %
Notes receivable from GWL	168,334	168,334	—	— %
Mortgages, loans and notes receivable	354,901	346,929		

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 six months ended June 30, 2022, GWL elected to receive one month of distributions from Choice Properties Limited Partnership in the form of loans. As such, non-interest bearing short-term notes totalling $24,407 were issued during the six months ended June 30, 2022 to GWL. Non-interest bearing short-term notes totalling $168,334 with respect to the loans received in the 2021 fiscal year were settled against distributions payable by the Trust to GWL in January 2022.

On March 31 2022, the Trust advanced a promissory note, with a face value of $200,000 (fair value of $193,155) as a part of the disposition of its interests in a portfolio of six office assets to Allied (Sections 3.2 and 3.10). The note bears interest at a rate of 1% for the remainder of the 2022 calendar year and 2% subsequently until its maturity on December 31, 2023. The promissory note is included in the mortgages receivable as it is secured by the six office assets.

In April 2022, the Trust advanced $96,552 to an existing development partnership, in which it owns the majority stake. The funds were used to execute a strategic acquisition of a property adjacent to an existing development project in Caledon, Ontario.

In May 2022, the Trust exercised an equity conversion right on an existing mezzanine loan. The mezzanine loan was partially converted into 75% ownership interest in 154 acres of future industrial development land located in East Gwillimbury, Ontario.

In June 2022, the Trust advanced a $3.3M mezzanine loan to a strategic partner. The loan is secured by two properties in Toronto, Ontario.

The Trust has issued approximately $470,690 of secured mortgages to third-party borrowers. These loans are with borrowers who are strategic partners and counterparties of the Trust and are secured by real property assets.

3.10 Investment in Real Estate Securities

On March 31, 2022, the Trust disposed of six office assets to Allied (Section 3.2, "Investment Property Transactions"). As consideration, the Trust was issued 11,809,145 exchangeable Class B limited partnership units of Allied Properties Exchangeable Limited Partnership ("Class B Units"), an affiliated entity of Allied with a value of $550,660 on the transaction date, and a promissory note with a fair value of $193,155 (Section 3.9, "Mortgages, Loans and Notes Receivable"). Following the transaction, the Trust holds approximately an 8.5% effective interest in Allied through its ownership of the Class B Units. The Trust does not have significant influence over Allied.

The Class B Units are exchangeable into, and are economically equivalent to, the publicly traded units of Allied ("Allied Units"), and were accompanied by a corresponding number of special voting units of Allied. There are no restrictions on the exchange of Class B Units into Allied Units, but the Allied Units (if exchanged) are subject to a lock-up from the closing of the Transaction, such that 25% of the Class B Units or Allied Units, as applicable, will be released from lock up every three months following the first anniversary of closing of the Transaction. As a holder of the Class B Units, the Trust is entitled to distributions paid by Allied. For the three and six months ended June 30, 2022, the Trust recognized distribution income of $5,165 (June 30, 2021 - $nil) from its investment in Allied. The distributions are recorded as investment income.

The Class B Units are recorded at their fair value based on market trading prices of Allied's publicly traded units. For the six months ended June 30, 2022, the Trust recognized a loss of $158,715 (June 30, 2021 - $nil) on its investment in Allied, due to the change in the price of Allied's publicly traded units. As at June 30, 2022 the Trust held 11,809,145 Class B Units with a value of $391,945 (December 31, 2021 - nil and $nil).

($ thousands)	Six months ended June 30, 2022	Year ended December 31, 2021
Balance, beginning of period	$ —	$ —
Acquired	550,660	—
Adjustment to fair value of investment in real estate securities	(158,715)	—
Balance, end of period	$ 391,945	$ —

4. LIQUIDITY AND CAPITAL RESOURCES

4.1 Major Cash Flow Components

For the periods ended June 30 ($ thousands)	Three Months			Six Months		
	2022	2021	Change	**2022**	2021	Change
Cash and cash equivalents, beginning of period - GAAP basis	**$ 16,230**	$ 162,575	$ (146,345)	**$ 84,304**	$ 207,219	$ (122,915)
Cash flows from operating activities	**129,069**	122,655	6,414	**242,186**	271,287	(29,101)
Cash flows from (used in) investing activities	**(234,300)**	(68,308)	(165,992)	**(290,166)**	(91,665)	(198,501)
Cash flows from (used in) financing activities	**108,942**	(208,807)	317,749	**(16,383)**	(378,726)	362,343
Cash and cash equivalents, end of period - GAAP basis	**$ 19,941**	$ 8,115	$ 11,826	**$ 19,941**	$ 8,115	$ 11,826

Cash Flows from Operating Activities

Three Months

The increase in cash flows from operating activities is mainly due to lower working capital requirements, partially offset by an increase in interest paid.

Six Months

The decrease in cash flows from operating activities is mainly due to higher working capital requirements, coupled with an increase in general and administrative expenses, partially offset by decrease in cash interest payments.

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

Cash Flows from (used in) Investing Activities

Three Months

The increase in cash used in investing activities was primarily due to an increase in acquisitions and capital spending of $56.8 million, an increase in net advances of mortgages, loans, and notes receivable of $70.3 million, a net increase in contributions to equity accounted joint ventures of $53.0 million, partially offset by proceeds received on the disposition of investment properties in the current quarter.

Six Months

The increase in cash flows used in investing activities was primarily due to a decrease in net repayments for mortgages, loans, and notes receivable of $125.4 million, an increase in acquisitions and capital spending of $86.9 million, a net increase in contributions to equity accounted joint ventures of $4.6 million, partially offset by an increase in disposition proceeds of $22.6 million.

Cash Flows from (used in) Financing Activities

Three and Six Months

The increase in cash from financing activities was primarily due to the issuance of the $500.0 million Series R unsecured debentures on June 24, 2022 and net advances on the credit facility of $280.0 million and $335.0 million in three and six months ended June 30, 2022, respectively. The increase was partially offset by repayment of the Series 10 debentures of $300.0 million, the $180.0 million credit facility defeasance payment (Section 4.3), as well as repayment of various mortgages.

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 June 30, 2022		As at December 31, 2021		Change
Cash and cash equivalents - proportionate share basis[(1)]	$	42,558	$	124,280	$	(81,722)
Unused portion of the credit facility[(i)]		1,165,000		1,500,000		(335,000)
Credit facility defeasance[(i)]		180,000		—		180,000
Liquidity	$	1,387,558	$	1,624,280	$	(236,722)
Unencumbered assets - proportionate share basis[(1)]	$	12,000,000	$	12,800,000	$	(800,000)

[(i)] On June 30, 2022, the Trust completed an irrevocable defeasance payment of $180,000 against the outstanding credit facility balance. The balance outstanding at June 30, 2022 comprises banker's acceptances maturing on July 4, 2022. The unused portion of the credit facility will reflect the $180,000 payment on July 4, 2022 (section 4.3).

4.3 Components of Total Adjusted Debt

Choice Properties' debt structure was as follows:

					Proportionate Share Basis[(1)]	
As at June 30, 2022 ($ thousands)		Adjusted GAAP Basis		Proportionate Share Basis[(1)]	Weighted average term to maturity (years)	Weighted average interest rate (%)
Construction loans	$	4,666	$	188,731	0.6	3.15%
Mortgages payable		49,080		49,080	1.8	3.83%
Less: Debt placement costs, discounts and premiums		(532)		(532)		
Credit facility		335,000		335,000	4.0	2.99%
Less: Debt placement costs		(2,657)		(2,657)		
Less: Credit facility defeasance[(i)]		(180,000)		(180,000)		
Variable rate debt		205,557		389,622	2.7	3.11%
Construction loans		13,324		13,324	8.8	2.08 %
Senior unsecured debentures		5,325,000		5,325,000	5.7	3.79%
Mortgages payable		923,266		1,200,190	6.2	3.70 %
Less: Debt placement costs, discounts and premiums		(20,029)		(22,263)		
Fixed rate debt		6,241,561		6,516,251	5.8	3.77%
Total adjusted debt, net	$	6,447,118	$	6,905,873		

[(i)] The credit facility defeasance payment is classified as restricted cash and included in accounts receivable and other assets on the Trust's balance sheet.

As at December 31, 2021 ($ thousands)	GAAP Basis	Proportionate Share Basis[1]	Proportionate Share Basis[1] Weighted average term to maturity (years)	Weighted average interest rate (%)
Construction loans	$ 12,906	$ 180,709	1.0	2.06%
Credit facility	—	—	—	—%
Less: Debt placement costs[i]	—	—		
Variable rate debt	12,906	180,709	1.0	2.06%
Senior unsecured debentures	5,125,000	5,125,000	5.4	3.56%
Mortgages payable	1,112,310	1,391,398	5.9	3.69%
Less: Debt placement costs, discounts and premiums	(20,206)	(22,669)		
Fixed rate debt	6,217,104	6,493,729	5.5	3.59%
Total adjusted debt, net	$ 6,230,010	$ 6,674,438		

[i] Unamortized debt placement costs for the credit facility as at December 31, 2021 of $3,555 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 and fixed 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 $309,641 of which $243,951 relates to equity accounted joint ventures as at June 30, 2022 (December 31, 2021 - $293,151 and $227,462, respectively).

As at June 30, 2022, $202,055, of which $184,065 relates to equity accounted joint ventures, was drawn and the construction loans had a weighted average effective interest rate of 3.15% (December 31, 2021 - 2.06%) and a weighted average term to maturity of 0.6 years (December 31, 2021 - 1.0 years).

Credit Facility

Choice Properties has a $1,500,000 senior unsecured committed revolving credit facility maturing June 24, 2026, 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). The credit facility is subject to an annual commitment fee of approximately $3,500, however the fee is reduced in proportion to the amount drawn on the facility. As at June 30, 2022, $335,000 was drawn under the syndicated facility (December 31, 2021 - $nil).

On June 30, 2022, the Trust completed an irrevocable defeasance payment of $180,000 against the outstanding credit facility balance. The balance outstanding at June 30, 2022 comprises banker's acceptances maturing on July 4, 2022. The administrative agent for the credit facility will distribute the payment to the lenders on the maturity date. As at June 30, 2022, the Trust has recorded the defeasance payment as restricted cash. The credit facility balance is reduced by the defeasance payment for the calculation of Total Adjusted Debt[1].

The credit facility contains certain financial covenants. As at June 30, 2022, the Trust was in compliance with all its financial covenants for the credit facility.

Senior Unsecured Debentures

On June 24, 2022, the Trust completed a $500,000 offering on a private placement basis of the Series R senior unsecured debentures bearing interest at 6.003% per annum and maturing on June 24, 2032. The Trust used net proceeds of the issuance to repay existing indebtedness, including the early redemption of the Trust's $300,000 aggregate principal amount of 3.84% Series 10 senior unsecured debentures on June 26, 2022, with an original maturity date of September 20, 2022. The Trust also used the proceeds repay a portion of the balance drawn on the credit facility.

Summary of Total Adjusted Debt Activities

The following outlines the net changes to the components of Choice Properties' variable rate debt on a GAAP basis and non-GAAP proportionate share basis[1] during the six months ended June 30, 2022:

	GAAP Basis			Adjustment to Proportionate Share Basis[1]	Proportionate Share Basis[1]
For the six months ended June 30 ($ thousands)	Credit facility	Construction loans	Mortgages payable	Construction loans[i]	Total Adjusted debt, variable rate
Principal balance outstanding, beginning of period	$ —	$ 4,686	$ —	$ 167,803	$ 172,489
Transfer upon renewal of mortgage under variable rate [ii]	—	—	96,977	—	96,977
Net advances (repayments)	335,000	(20)	(47,897)	16,262	303,345
Principal balance outstanding, end of period	**$ 335,000**	**$ 4,666**	**$ 49,080**	**$ 184,065**	**$ 572,811**

[i] Adjustment to proportionate share basis[1] reflects construction loans within equity accounted joint ventures.
[ii] Adjustment to reflect the transfers from fixed rate mortgages into variable upon renewal of terms.

The following outlines the changes to the components of Choice Properties' fixed rate debt on a GAAP basis and non-GAAP proportionate share basis[1] during the six months ended June 30, 2022**:**

For the six months ended June 30 ($ thousands)	GAAP Basis			Adjustment to Proportionate Share Basis(1)	Proportionate Share Basis(1)
	Senior unsecured debentures	Mortgages payable	Construction loans	Mortgages payable(i)	Total Adjusted debt, fixed rate
Principal balance outstanding, beginning of period	$ 5,125,000	$ 1,112,310	$ 8,220	$ 279,088	$ 6,524,618
Transfer upon renewal of mortgage under variable rate (ii)	—	(96,977)	—	—	(96,977)
Issuances and advances	500,000		5,104	70,230	575,334
Repayments	(300,000)	(77,262)	—	(72,394)	(449,656)
Assumed by purchaser	—	(14,805)	—	—	(14,805)
Principal balance outstanding, end of period	**$ 5,325,000**	**$ 923,266**	**$ 13,324**	**$ 276,924**	**$ 6,538,514**

(i) Adjustment to proportionate share basis(1) reflects mortgages payable within equity accounted joint ventures.
(ii) Adjustment to reflect the transfers from fixed rate mortgages into variable upon renewal of terms.

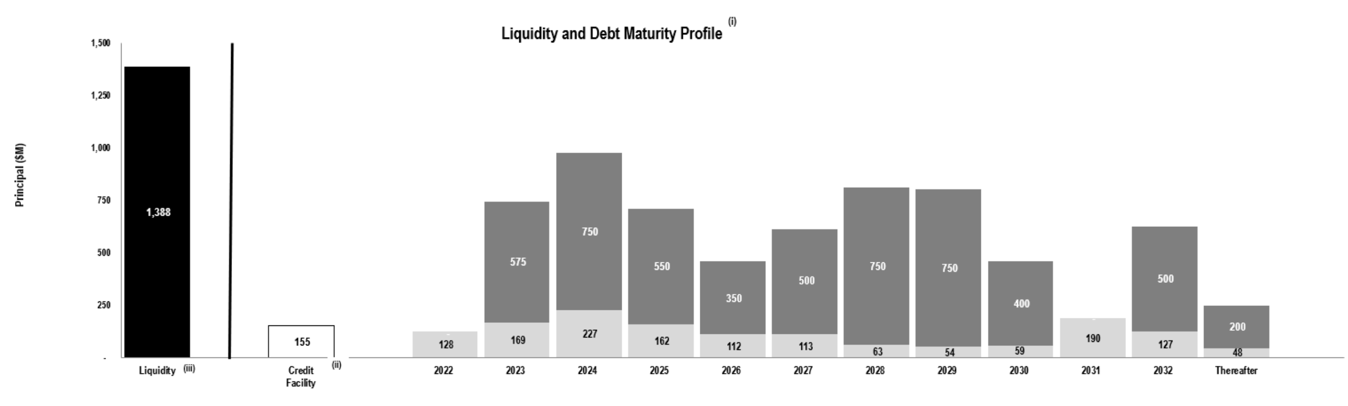
Schedules of Repayments and Cash Flow Activities

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

As at June 30, 2022 ($ thousands)	GAAP Basis				Adjustment to Proportionate Share Basis(1)		Proportionate Share Basis(1)
	Credit facility	Senior unsecured debentures	Mortgages payable	Construction loans	Mortgages payable(i)	Construction loans(i)	Total
2022	$ —	$ —	$ 28,764	$ 4,666	$ 4,084	$ 90,237	**$ 127,751**
2023	—	575,000	78,451	—	11,126	79,564	**744,141**
2024	—	750,000	204,796	—	7,738	14,264	**976,798**
2025	—	550,000	153,493	—	8,013	—	**711,506**
2026	335,000	350,000	64,547	—	47,157	—	**796,704**
Thereafter	—	3,100,000	442,294	13,324	198,807	—	**3,754,425**
Total adjusted debt outstanding	**$ 335,000**	**$ 5,325,000**	**$ 972,345**	**$ 17,990**	**$ 276,925**	**$ 184,065**	**$ 7,111,325**

(i) Adjustment to proportionate share basis(1) reflects mortgages payable and construction loans within equity accounted joint ventures.

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



(i) Presented on a proportionate share basis(1).
(ii) The credit facility matures on June 24, 2026. The credit facility balance is shown net of the defeasance payment of $180,000.
(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 June 30, 2022 and December 31, 2021.

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

		As at June 30, 2022	As at December 31, 2021
Adjusted Debt to Total Assets(i)	Limit: Maximum excluding convertible debt is 60.0%	**41.9%**	40.1%
Debt Service Coverage Ratio(i)	Limit: Minimum 1.5x	**3.3x**	3.3x
Adjusted Debt to EBITDAFV(1)(i)(ii)(iv)		**7.4x**	7.2x
Interest Coverage Ratio(1)(iii)		**3.7x**	3.7x

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

(ii) Refer to Section 14.8, "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 14.7, "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 June 30, 2022 and 7.1x at December 31, 2021.

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, 2022, S&P confirmed the Choice Properties rating at BBB with a stable outlook, while on June 24, 2022, 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 June 30, 2022:

	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:

	Six months ended June 30, 2022	Year ended December 31, 2021
Units, beginning of period	327,588,847	326,941,663
Units issued under unit-based compensation arrangements	391,749	837,071
Units repurchased for unit-based compensation arrangements	(222,147)	(189,887)
Units, end of period	327,758,449	327,588,847
Exchangeable Units, beginning of period	395,786,525	395,786,525
Units issued to related party as part of investment properties acquisition	—	—
Exchangeable Units, end of period	395,786,525	395,786,525
Total Units and Exchangeable Units, end of period	723,544,974	723,375,372

Normal Course Issuer Bid ("NCIB")

Choice Properties may from time to time purchase Units in accordance with the rules prescribed under applicable stock exchange or regulatory policies. On November 17, 2021, Choice Properties received approval from the TSX to purchase up to 27,558,665 Units during the twelve-month period from November 19, 2021 to November 18, 2022, 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 six months ended June 30, 2022 and the year ended December 31, 2021, 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 six months ended June 30, 2022 and 2021, including distributions to holders of Exchangeable Units, were as follows:

For the periods ended June 30 ($ thousands)	Three Months 2022	Three Months 2021	Three Months Change	Six Months 2022	Six Months 2021	Six Months Change
Total distributions declared	$ 133,857	$ 133,767	$ 90	$ 267,693	$ 267,473	$ 220

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 July 21, 2022, 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. 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 14.5, "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 June 30 ($ thousands)	Three Months **2022**	 2021	 Change	Six Months **2022**	 2021	 Change
Adjusted Cash Flow from Operations[(1)]	**$ 164,770**	173,553	$ (8,783)	**$ 323,961**	$ 325,772	$ (1,811)
Cash distributions declared	**(133,857)**	(133,767)	(90)	**(267,693)**	(267,473)	(220)
Cash retained after cash distributions	**$ 30,913**	$ 39,786	$ (8,873)	**$ 56,268**	$ 58,299	$ (2,031)
ACFO[(1)] payout ratio	**81.2 %**	77.1 %	4.1 %	**82.6 %**	82.1 %	0.5 %

Three and Six Months

ACFO decreased compared to the prior year primarily as a result of a unfavourable adjustment change in sustainable non-cash working capital, coupled with an increase in general and administrative expenses.

4.8 Financial Instruments

Designated hedging derivatives consist of interest rate swaps to hedge the interest rate associated with an equivalent amount of variable rate mortgages. During the six months ended June 30, 2022, an interest rate swap was settled upon maturity of the underlying variable rate mortgage. As at June 30, 2022, the interest rates ranged from 2.8% to 4.4% (December 31, 2021 - 2.8% to 4.4%).

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

($ thousands)	**Maturity Date**	**Notional Amount**	**As at June 30, 2022**	As at December 31, 2021
Derivative assets				
Interest rate swaps	May 2023 - Jun 2030	**$ 160,689**	**$ 13,245**	$ 3,266
Derivative liabilities				
Interest rate swaps	August 2022	**14,488**	**50**	1,925

During the six months ended June 30, 2022, Choice Properties recorded an unrealized fair value gain in other comprehensive income of $11,854 (June 30, 2021 - unrealized fair value gain of $3,622).

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 June 30, 2022, the aggregate gross potential liability related to these letters of credit totalled $33,207 (December 31, 2021 - $32,579).

5. RESULTS OF OPERATIONS

Choice Properties' results, as reported under GAAP, for the three and six months ended June 30, 2022 and June 30, 2021 are summarized below:

For the periods ended June 30 ($ thousands)	Three Months 2022	2021	Change	% Change	Six Months 2022	2021	Change	% Change
Net Operating Income								
Rental revenue	**$ 313,081**	$ 323,936	$ (10,855)	(3.4)%	**$ 641,130**	$ 650,475	$ (9,345)	(1.4)%
Property operating costs	**(91,303)**	(96,055)	4,752	(4.9)%	**(190,854)**	(196,191)	5,337	(2.7)%
	221,778	227,881	(6,103)	(2.7)%	**450,276**	454,284	(4,008)	(0.9)%
Other Income and Expenses								
Interest income	**1,983**	4,528	(2,545)	(56.2)%	**9,474**	8,676	798	9.2 %
Investment income	**5,165**	—	5,165	— %	**5,165**	—	5,165	— %
Fee income	**696**	926	(230)	(24.8)%	**1,787**	1,965	(178)	(9.1)%
Net interest expense and other financing charges	**(132,233)**	(133,779)	1,546	(1.2)%	**(263,036)**	(267,342)	4,306	(1.6)%
General and administrative expenses	**(11,145)**	(9,508)	(1,637)	17.2 %	**(21,985)**	(19,082)	(2,903)	15.2 %
Share of income from equity accounted joint ventures	**12,470**	17,774	(5,304)	(29.8)%	**127,066**	25,843	101,223	391.7 %
Amortization of intangible assets	**(250)**	(250)	—	— %	**(500)**	(500)	—	— %
Transaction costs and other related expenses	**223**	—	223	— %	**(5,013)**	—	(5,013)	— %
Other fair value gains (losses), net	**2,064**	(2,882)	4,946	(171.6)%	**998**	(2,405)	3,403	(141.5)%
Adjustment to fair value of Exchangeable Units	**569,933**	(288,924)	858,857	(297.3)%	**451,197**	(506,607)	957,804	(189.1)%
Adjustment to fair value of investment properties	**(523,775)**	268,855	(792,630)	(294.8)%	**(221,532)**	327,598	(549,130)	(167.6)%
Adjustment to fair value of investment in real estate securities	**(158,715)**	—	(158,715)	— %	**(158,715)**	—	(158,715)	— %
Income (Loss) before Income Taxes	**(11,806)**	84,621	(96,427)	(114.0)%	**375,182**	22,430	352,752	1572.7 %
Income tax expense	**(4)**	—	(4)	— %	**(6)**	(7)	1	(14.3)%
Net Income (Loss)	**$ (11,810)**	$ 84,621	$ (96,431)	(114.0)%	**$ 375,176**	$ 22,423	$ 352,753	1573.2 %

Three Months

The quarterly decrease compared to the prior year was primarily due to an $792.6 million unfavourable change in the fair value of investment properties, as a result of the expansion of capitalization rates for retail properties. In addition, the Trust recorded a $158.7 million unfavourable adjustment to fair value on its investment in the real estate securities of Allied, as a result of the decrease in Allied's unit price. These decreases were partially offset by an $858.9 million favourable change in the adjustment to the fair value of the Trust's Exchangeable Units due to the decrease in the Trust's unit price.

Six Months

The year-to-date increase compared to the prior year was mainly due to a $957.8 million favourable change in the adjustment to the fair value of the Trust's Exchangeable Units due to the decrease in the Trust's unit price, and a $101.2 million increase in income from equity accounted joint ventures for fair value increases in the development portfolio. These increases were partially offset by a $549.1 million unfavourable change in the fair value of investment properties, as a result of the expansion of capitalization rates for retail properties and a $158.7 million unfavourable adjustment to fair value of the Trust's investment in the real estate securities of Allied.

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 June 30 ($ thousands)	Three Months 2022	Three Months 2021	Three Months Change	Six Months 2022	Six Months 2021	Six Months Change
Net Operating Income						
Rental revenue	**$ 313,081**	$ 323,936	$ (10,855)	**$ 641,130**	$ 650,475	$ (9,345)
Property operating costs	**(91,303)**	(96,055)	4,752	**(190,854)**	(196,191)	5,337
	$ 221,778	$ 227,881	$ (6,103)	**$ 450,276**	$ 454,284	$ (4,008)

Three and Six Months

The quarterly and year-to-date decreases in net rental income for the quarter were primarily driven by forgone revenues following the disposition of six office assets to Allied in Q1 2022. The decreases were partially offset by increases in recoveries, higher rental rates in the retail and industrial portfolio, and a decline in bad debt expense recorded compared to the prior year.

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 June 30 ($ thousands)	Three Months 2022	Three Months 2021	Three Months Change	Six Months 2022	Six Months 2021	Six Months Change
Interest income on mortgages and loans receivable	**$ 5,357**	$ 2,568	$ 2,789	**$ 8,835**	$ 5,277	$ 3,558
Interest income earned from financial real estate assets	**1,307**	1,017	290	**2,603**	2,117	486
Interest income (loss) from financial real estate assets due to changes in value	**(4,835)**	301	(5,136)	**(2,474)**	301	(2,775)
Other interest income	**154**	642	(488)	**510**	981	(471)
Interest Income	**$ 1,983**	$ 4,528	$ (2,545)	**$ 9,474**	$ 8,676	$ 798

Three Months

The decrease is primarily due to an unfavourable change in fair value recognized on financial real estate assets of $5.1 million, which was partially offset by a $2.8 million increase on interest from mortgages and loans receivable from a higher outstanding balance.

Six Months

The decrease is primarily due to an unfavourable change in fair value recognized on financial real estate assets of $2.8 million. The unfavourable change in financial real estate assets was partially offset by higher interest income on mortgages and loans receivable, which increased by $3.6 million due to a higher outstanding balance during the period.

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. Choice Properties provides Wittington with property management services for certain properties with third-party tenancies on a fee for service basis (see Section 9, "Related Party Transactions").

For the periods ended June 30 ($ thousands)	Three Months 2022	Three Months 2021	Three Months Change	Six Months 2022	Six Months 2021	Six Months Change
Fees charged to related party	**$ 63**	$ 63	$ —	**$ 125**	$ 190	$ (65)
Fees charged to third parties	**633**	863	(230)	**1,662**	1,775	(113)
Fee Income	**$ 696**	$ 926	$ (230)	**$ 1,787**	$ 1,965	$ (178)

Three and Six Months

The decrease in fee income can be primarily attributed to a decrease in leasing and project fees.

Net Interest Expense and Other Financing Charges

For the periods ended June 30 ($ thousands)	Three Months 2022	Three Months 2021	Three Months Change	Six Months 2022	Six Months 2021	Six Months Change
Interest on senior unsecured debentures	**$ 45,990**	$ 47,239	$ (1,249)	**$ 91,022**	$ 94,153	$ (3,131)
Interest on mortgages and construction loans	**9,733**	11,804	(2,071)	**20,594**	23,890	(3,296)
Interest on credit facility	**2,267**	891	1,376	**3,119**	1,788	1,331
Interest on right-of-use lease liability	**21**	37	(16)	**39**	76	(37)
Amortization of debt discounts and premiums	**230**	113	117	**477**	223	254
Amortization of debt placement costs	**1,428**	1,141	287	**2,732**	2,183	549
Capitalized interest	**(657)**	(667)	10	**(1,389)**	(1,413)	24
	59,012	60,558	(1,546)	**116,594**	120,900	(4,306)
Distributions on Exchangeable Units to GWL	**73,221**	73,221	—	**146,442**	146,442	—
Net interest expense and other financing charges	**$ 132,233**	$ 133,779	$ (1,546)	**$ 263,036**	$ 267,342	$ (4,306)

Three Months

The quarterly decrease was primarily due to a $2.1 million decline in interest on mortgages and construction loans due to the refinancing of mortgages at favourable rates on maturity. The $1.2 million decrease in interest on senior unsecured debentures resulted from two early repayments of the $200 million Series 9 senior unsecured debenture in June 2021 and $300 million Series I senior unsecured debenture in December 2021. The above decreases were partially offset by an increase in interest on the credit facility due to a higher balance carried compared to the prior year.

Six Months

The overall decrease was mainly due to a $3.3 million decline in interest on mortgages and construction loans due to the refinancing of mortgages at favourable rates on maturity. The $3.1 million decline in interest on unsecured debentures related to the redemption of the $200 million Series 9 senior unsecured debentures in June 2021 and $300 million Series I senior debentures in December 2021. The above decreases were partially offset by an increase in interest on the credit facility due to a higher balance carried compared to the prior year.

General and Administrative Expenses

For the periods ended June 30 ($ thousands)	Three Months 2022	Three Months 2021	Three Months Change	Six Months 2022	Six Months 2021	Six Months Change
Salaries, benefits and employee costs	**$ 13,285**	$ 12,272	$ 1,013	**$ 27,995**	$ 24,895	$ 3,100
Investor relations and other public entity costs	**832**	684	148	**1,389**	1,287	102
Professional fees	**835**	1,027	(192)	**1,684**	2,126	(442)
Information technology costs	**2,022**	1,557	465	**3,290**	3,061	229
Services Agreement expense charged by related party(i)	**975**	799	176	**1,950**	1,598	352
Amortization of other assets	**299**	293	6	**618**	581	37
Office related costs	**355**	430	(75)	**648**	820	(172)
Other	**563**	401	162	**865**	494	371
	19,166	17,463	1,703	**38,439**	34,862	3,577
Less:						
Capitalized to properties under development	**(2,352)**	(1,765)	(587)	**(4,590)**	(3,400)	(1,190)
Allocated to recoverable operating expenses	**(5,669)**	(6,190)	521	**(11,864)**	(12,380)	516
General and administrative expenses	**$ 11,145**	$ 9,508	$ 1,637	**$ 21,985**	$ 19,082	$ 2,903

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

Three Months	Six Months
The quarterly increase was primarily due to $1.0 million in higher salary and employee related costs, and an increase of $0.5 million in investments in information technology.	The year-to-date increase was primarily due to $3.1 million in higher salary and employee costs, a $0.4 million increase in charges for shared services. The above items were partially offset by a $0.4 million decrease in professional fees related to changes in service providers.

Other Fair Value Gains (Losses), Net

For the periods ended June 30 ($ thousands)	Three Months 2022	Three Months 2021	Three Months Change	Six Months 2022	Six Months 2021	Six Months Change
Adjustment to fair value of unit-based compensation	**$ 2,064**	$ (2,882)	$ 4,946	**$ 998**	$ (2,405)	$ 3,403
Other fair value gains (losses), net	**$ 2,064**	$ (2,882)	$ 4,946	**$ 998**	$ (2,405)	$ 3,403

Three and Six Months

For the three and six months ended June 30, 2022, the Trust recognized a favourable adjustment to the fair value of unit based compensation relative to the prior year.

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 June 30, 2022:

	March 31, 2022									Three Months June 30, 2022		
(in thousands of square feet except where otherwise indicated)	Leasable	Occupied	Occupied %	Expires	New	Renewals	Subtotal: Absorption	Portfolio changes(i)	Acquired / (Disposed) vacancy	**Leasable**	**Occupied**	**Occupied %**
Retail	43,965	42,841	97.4 %	(585)	71	511	(3)	127	(42)	**44,050**	**42,965**	**97.5 %**
Industrial	17,210	16,716	97.1 %	(773)	440	751	418	93	61	**17,364**	**17,227**	**99.2 %**
Mixed-Use, Residential & Other(ii)	2,302	2,005	87.1 %	(24)	10	19	5	4	(5)	**2,301**	**2,014**	**87.5 %**
Total	63,477	61,562	97.0 %	(1,382)	521	1,281	420	224	14	**63,715**	**62,206**	**97.6 %**

(i) Represents changes in occupied square footage arising from acquisitions, dispositions, intensifications, expansions, and transfers from properties under development.
(ii) Occupancy disclosed excludes residential units.

The following table details the changes for in-place occupancy by segment for the six months ended June 30, 2022:

	December 31, 2021									Six Months June 30, 2022		
(in thousands of square feet except where otherwise indicated)	Leasable	Occupied	Occupied %	Expires	New	Renewals	Subtotal: Absorption	Portfolio changes(i)	Acquired / (Disposed) vacancy	**Leasable**	**Occupied**	**Occupied %**
Retail	44,152	43,035	97.5 %	(955)	114	777	(64)	(6)	(96)	**44,050**	**42,965**	**97.5 %**
Industrial	17,571	17,234	98.1 %	(1,163)	498	817	152	(159)	(48)	**17,364**	**17,227**	**99.2 %**
Mixed-Use, Residential & Other	3,535	3,119	88.2 %	(87)	37	43	(7)	(1,098)	(136)	**2,301**	**2,014**	**87.5 %**
Total	65,258	63,388	97.1 %	(2,205)	649	1,637	81	(1,263)	(280)	**63,715**	**62,206**	**97.6 %**

(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 to 97.6% at June 30, 2022 from 97.0% at March 31, 2022. The Trust had positive absorption of approximately 420K square feet primarily due to leasing of vacant units in the Alberta and Ontario Industrial portfolios.

The portfolio change of approximately 224K square feet primarily related to the acquisition of two retail assets and acquiring the Trust's JV partner's interest in a industrial property located in Alberta, partially offset by the disposition of one retail asset.

Six Months

Period end occupancy increased to 97.6% at June 30, 2022 from 97.1% at December 31, 2021. The positive absorption is mainly from the Alberta and Ontario industrial portfolios

Portfolio changes of 1,260K square feet primarily in relation to the sale of six office properties to Allied Properties REIT in the first quarter.

Choice Properties' principal tenant, Loblaw, represents 57.5% of its total GLA (December 31, 2021 - 56.0%). At June 30, 2022, the weighted average lease term-to-maturity on the Loblaw leases was 6.1 years (December 31, 2021 - 6.5 years).

	As at June 30, 2022			As at December 31, 2021		
(in millions of square feet except where otherwise indicated)	**Portfolio GLA**	**Occupied GLA**	**Occupancy (%)**	Portfolio GLA	Occupied GLA	Occupancy (%)
Loblaw banners	**36.6**	**36.6**	**100.0%**	36.5	36.5	100.0%
Third-party tenants	**27.1**	**25.6**	**94.5%**	28.7	26.9	93.5%
Total commercial GLA	**63.7**	**62.2**	**97.6%**	65.2	63.4	97.1%

The lease maturity profile for Choice Properties' portfolio as at June 30, 2022, 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	258	—	258	0.4 %	$ 3,965	$ 15.37
2022	911	23	934	1.5 %	11,826	12.66
2023[i]	2,614	3,822	6,436	10.1 %	86,289	13.41
2024	3,153	2,855	6,008	9.4 %	80,565	13.41
2025	3,805	3,218	7,023	11.0 %	90,609	12.90
2026	3,444	2,665	6,109	9.6 %	92,919	15.21
2027	2,944	4,074	7,018	11.0 %	115,601	16.47
2028 & Thereafter	8,519	19,901	28,420	44.6 %	462,422	16.27
Occupied GLA	25,648	36,558	62,206	97.6 %	944,196	15.18
Vacant GLA	1,509	—	1,509	2.4 %	817	0.54
Total	**27,157**	**36,558**	**63,715**	**100.0 %**	**$ 945,013**	**$ 14.83**

(i) Subsequent to the second quarter, the Trust and Loblaw renewed 42 of 44 retail leases from the initial public offering portfolio expiring in 2023, comprising 2.9 million of 3.1 million square feet, at a weighted average extension term of 7.7 years.

	Retail segment		Industrial segment		Mixed-Use, Residential & Other segment[ii]		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	230	0.4%	11	—%	17	—%	258	0.4 %
2022	365	0.6%	503	0.8%	66	0.1%	934	1.5 %
2023	4,246	6.7%	2,023	3.2%	167	0.2%	6,436	10.1 %
2024	4,119	6.5%	1,684	2.6%	205	0.3%	6,008	9.4 %
2025	4,505	7.1%	2,362	3.7%	156	0.2%	7,023	11.0 %
2026	4,827	7.6%	1,121	1.8%	161	0.2%	6,109	9.6 %
2027	6,009	9.4%	900	1.4%	109	0.2%	7,018	11.0 %
2028 & Thereafter	18,664	29.2 %	8,623	13.5 %	1,133	1.9%	28,420	44.6 %
Occupied GLA	42,965		17,227		2,014		62,206	97.6 %
Vacant GLA	1,085	1.7%	137	0.2%	287	0.5%	1,509	2.4 %
Total	**44,050**	**69.2 %**	**17,364**	**27.2 %**	**2,301**	**3.6%**	**63,715**	**100.0 %**

Top 10 Tenants

Choice Properties' ten largest tenants for the three months ended June 30, 2022, represented approximately 65.6% 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 (000's square feet)
1.	Loblaws	57.5 %	36,558
2.	Canadian Tire	1.9 %	1,331
3.	TJX Companies	1.2 %	656
4.	Dollarama	1.1 %	546
5.	Goodlife	0.8 %	386
6.	Canada Cartage	0.7 %	633
7.	Staples	0.6 %	358
8.	Liquor Control Board of Ontario (LCBO)	0.6 %	212
9.	FGF Brands, Inc.	0.6 %	1,176
10.	Sobeys	0.6 %	258
Total		**65.6 %**	**42,114**

7. RESULTS OF OPERATIONS - SEGMENT INFORMATION

7.1 Net Income and Segment NOI Reconciliation

Choice Properties operates in three reportable segments: Retail, Industrial and Mixed-use, Residential & Other. 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.

In the first quarter of 2022, the Trust disposed of a portfolio of six office assets to Allied (Section 3.2), significantly reducing the size of its office portfolio. Concurrent with the disposition the Trust revised its internal reporting structure, combining its remaining office properties and residential properties into the mixed-use, residential, and other segment.

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 June 30, 2022:

($ thousands)	Retail	Industrial	Mixed-Use, Residential & Other	Proportionate Share Basis(1)	Consolidation and eliminations(i)	GAAP Basis
Rental revenue, excluding straight line rental revenue and lease surrender revenue	$ 257,566	$ 50,273	$ 20,939	$ 328,778	$ (17,793)	$ 310,985
Property operating costs	(74,486)	(13,649)	(9,344)	(97,479)	6,176	(91,303)
Net Operating Income, Cash Basis(1)	**183,080**	**36,624**	**11,595**	231,299	(11,617)	219,682
Straight line rental revenue	(412)	1,113	50	751	(541)	210
Lease surrender revenue	1,879	5	2	1,886	—	1,886
Net Operating Income, Accounting Basis	**184,547**	**37,742**	**11,647**	233,936	(12,158)	221,778
Other Income and Expenses						
Interest income				5,183	(3,200)	1,983
Investment income				5,165	—	5,165
Fee income				696	—	696
Net interest expense and other financing charges				(136,577)	4,344	(132,233)
General and administrative expenses				(11,145)	—	(11,145)
Share of income from equity accounted joint ventures				—	12,470	12,470
Amortization of intangible assets				(250)	—	(250)
Transaction costs and other related expenses				223	—	223
Other fair value gains (losses), net				2,064	—	2,064
Adjustment to fair value of Exchangeable Units				569,933	—	569,933
Adjustment to fair value of investment properties				(522,319)	(1,456)	(523,775)
Adjustment to fair value of investment in real estate securities				(158,715)	—	(158,715)
Income before Income Taxes				(11,806)	—	(11,806)
Income tax expense				(4)	—	(4)
Net Income (Loss)				$ (11,810)	$ —	$ (11,810)

(i) Reconciling items adjust Choice Properties' proportionate share of joint ventures and financial real estate assets to reflect the equity method of accounting and financial instrument accounting treatment under GAAP.

The following table reconciles net income on a proportionate share basis[1] to net income (loss) as determined in accordance with GAAP for the six months ended June 30, 2022:

($ thousands)	Retail	Industrial	Mixed-Use, Residential & Other	Proportionate Share Basis[1]	Consolidation and eliminations[i]	GAAP Basis
Rental revenue, excluding straight line rental revenue and lease surrender revenue	$ 517,088	$ 100,480	$ 54,800	$ 672,368	$ (34,243)	$ 638,125
Property operating costs	(151,650)	(27,444)	(24,698)	(203,792)	12,938	(190,854)
Net Operating Income, Cash Basis[1]	**365,438**	**73,036**	**30,102**	468,576	(21,305)	447,271
Straight line rental revenue	(690)	2,222	129	1,661	(940)	721
Lease surrender revenue	2,226	145	123	2,494	(210)	2,284
Net Operating Income, Accounting Basis	**366,974**	**75,403**	**30,354**	472,731	(22,455)	450,276
Other Income and Expenses						
Interest income				8,731	743	9,474
Investment income				5,165	—	5,165
Fee income				1,787	—	1,787
Net interest expense and other financing charges				(269,575)	6,539	(263,036)
General and administrative expenses				(21,985)	—	(21,985)
Share of income from equity accounted joint ventures				—	127,066	127,066
Amortization of intangible assets				(500)	—	(500)
Transaction costs and other related expenses				(5,013)	—	(5,013)
Other fair value gains (losses), net				998	—	998
Adjustment to fair value of Exchangeable Units				451,197	—	451,197
Adjustment to fair value of investment properties				(109,639)	(111,893)	(221,532)
Adjustment to fair value of investment in real estate securities				(158,715)	—	(158,715)
Income before Income Taxes				375,182	—	375,182
Income tax expense				(6)	—	(6)
Net Income (Loss)				$ 375,176	$ —	$ 375,176

(i) Reconciling items adjust Choice Properties' proportionate share of joint ventures and financial real estate assets to reflect the equity method of accounting and financial instrument accounting treatment under GAAP.

7.2 Net Operating Income Summary[(1)]

NOI[(1)] is a supplemental measure of operating performance widely used in the real estate industry. There is no industry-defined definition of NOI[(1)]. Refer to Section 14.2, "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 18 months ended June 30, 2022, 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 six months ended June 30, 2022 and June 30, 2021 as summarized below.

Summary - Accounting Basis

	Three Months				Six Months			
For the periods ended June 30 ($ thousands)	**2022**	2021	Change	% Change	**2022**	2021	Change	% Change
Rental revenue	**$ 316,343**	$ 306,630	$ 9,713	3.2 %	**$ 635,371**	$ 617,568	$17,803	2.9 %
Straight line rental revenue	**21**	2,576	(2,555)	(99.2)%	**381**	5,658	(5,277)	(93.3)%
Property operating costs excluding bad debt expense	**(92,706)**	(89,720)	(2,986)	3.3 %	**(188,630)**	(183,869)	(4,761)	2.6 %
Same-Asset NOI, Accounting Basis, excluding bad debt expense	**223,658**	219,486	4,172	1.9 %	**447,122**	439,357	7,765	1.8 %
Bad debt expense	**(227)**	(1,663)	1,436	(86.3)%	**(362)**	(3,244)	2,882	(88.8)%
Same-Asset NOI, Accounting Basis	**223,431**	217,823	5,608	2.6 %	**446,760**	436,113	10,647	2.4 %
Transactions NOI including straight line rental revenue, excluding bad debt expense	**8,531**	18,475	(9,944)		**23,454**	34,996	(11,542)	
Bad debt expense	**88**	(146)	234		**23**	(501)	524	
Transactions NOI, Accounting Basis	**8,619**	18,329	(9,710)		**23,477**	34,495	(11,018)	
Lease surrender revenue	**1,886**	1,191	695		**2,494**	2,315	179	
Total NOI, Accounting Basis	**$ 233,936**	$ 237,343	$ (3,407)		**$ 472,731**	$ 472,923	$ (192)	

Summary - Cash Basis

For the periods ended June 30 ($ thousands)	Three Months 2022	2021	Change	% Change	Six Months 2022	2021	Change	% Change
Rental revenue	**$ 316,343**	$ 306,630	$ 9,713	3.2 %	**$ 635,371**	$ 617,568	$ 17,803	2.9 %
Property operating costs excluding bad debt expense	**(92,706)**	(89,720)	(2,986)	3.3 %	**(188,630)**	(183,869)	(4,761)	2.6 %
Same-Asset NOI, Cash Basis, excluding bad debt expense	**223,637**	216,910	6,727	3.1 %	**446,741**	433,699	13,042	3.0 %
Bad debt expense	**(227)**	(1,663)	1,436	(86.3)%	**(362)**	(3,244)	2,882	(88.8)%
Same-Asset NOI, Cash Basis	**223,410**	215,247	8,163	3.8 %	**446,379**	430,455	15,924	3.7 %
Transactions NOI excluding bad debt expense	**7,801**	18,087	(10,286)		**22,174**	32,867	(10,693)	
Bad debt expense	**88**	(146)	234		**23**	(501)	524	
Transactions NOI, Cash Basis	**7,889**	17,941	(10,052)		**22,197**	32,366	(10,169)	
Total NOI, Cash Basis	**$ 231,299**	$ 233,188	$ (1,889)		**$ 468,576**	$ 462,821	$ 5,755	

Three Months and Six Months

Same-asset NOI, cash basis, increased 3.8% and 3.7% for the three and six months respectively, primarily due to increased revenue from contractual rent steps, a reduction in bad debt expense, higher capital recoveries partially driven by rising interest rates, and higher rental rates and occupancy in the retail and industrial portfolio. The current year results were also impacted by non-recurring items, including successful realty tax appeals in the prior quarter, and recoveries from bankrupt tenants and further realty tax adjustments in the current quarter.

The decrease in transactions NOI was primarily due to foregone income from the disposition of six office assets in Q1 of 2022, partially offset by the contribution from other transactions completed in 2021 and 2022.

Retail Segment

For the periods ended June 30 ($ thousands)	Three Months 2022	2021	Change	% Change	Six Months 2022	2021	Change	% Change
Rental revenue	**$ 251,487**	$ 244,556	$ 6,931	2.8 %	**$ 505,701**	$ 492,556	$ 13,145	2.7 %
Property operating costs excluding bad debt expense	**(73,026)**	(71,622)	(1,404)	2.0 %	**(148,775)**	(147,168)	(1,607)	1.1 %
Same-Asset NOI, Cash Basis, excluding bad debt expense	**178,461**	172,934	5,527	3.2 %	**356,926**	345,388	11,538	3.3 %
Bad debt expense	**(122)**	(1,419)	1,297	(91.4)%	**(247)**	(2,650)	2,403	(90.7)%
Same-Asset NOI, Cash Basis	**178,339**	171,515	6,824	4.0 %	**356,679**	342,738	13,941	4.1 %
Transactions NOI excluding bad debt expense	**4,707**	6,211	(1,504)		**8,623**	12,227	(3,604)	
Bad debt expense	**34**	(171)	205		**136**	(249)	385	
Transactions NOI, Cash Basis	**4,741**	6,040	(1,299)		**8,759**	11,978	(3,219)	
Total NOI, Cash Basis	**$ 183,080**	$ 177,555	$ 5,525		**$ 365,438**	$ 354,716	$ 10,722	

Three and Six Months

The 4.0% and 4.1% increases in retail segment same-asset NOI, cash basis, for the three and six months respectively, were primarily driven by increased revenue from contractual rent steps, higher capital recoveries due to late 2021 capital spend and higher interest rates, higher rental rates, higher occupancy, and a reduction in bad debt expense. The current year results were also impacted by non-recurring items, including successful realty tax appeals in the prior quarter, and recoveries from bankrupt tenants and further realty tax adjustments in the current quarter.

Transaction NOI declined primarily due to the foregone income from dispositions, partially offset by the contributions from acquisitions and completed developments.

Industrial Segment

For the periods ended June 30 ($ thousands)	Three Months 2022	2021	Change	% Change	Six Months 2022	2021	Change	% Change
Rental revenue	**$48,714**	$46,694	$ 2,020	4.3 %	**$97,110**	$93,467	$ 3,643	3.9 %
Property operating costs excluding bad debt expense	**(12,811)**	(12,068)	(743)	6.2 %	**(25,844)**	(24,201)	(1,643)	6.8 %
Same-Asset NOI, Cash Basis, excluding bad debt expense	**35,903**	34,626	1,277	3.7 %	**71,266**	69,266	2,000	2.9 %
Bad debt expense	**(128)**	10	(138)	N/M	**(124)**	(21)	(103)	N/M
Same-Asset NOI, Cash Basis	**35,775**	34,636	1,139	3.3 %	**71,142**	69,245	1,897	2.7 %
Transactions NOI excluding bad debt expense	**858**	1,937	(1,079)		**1,933**	3,577	(1,644)	
Bad debt expense	**(9)**	139	(148)		**(39)**	74	(113)	
Transactions NOI, Cash Basis	**849**	2,076	(1,227)		**1,894**	3,651	(1,757)	
Total NOI, Cash Basis	**$36,624**	$36,712	$ (88)		**$73,036**	$72,896	$ 140	

Three Months and Six Months

Same-asset NOI, cash basis, for the industrial segment increased by 3.3% and 2.7% for the three and six months respectively, primarily due to increased revenue from contractual rent steps, a reduction in bad debt expense, and positive leasing activity in the Ontario and Western regions.

Transaction NOI decreased as compared to the prior year mainly due to the foregone income from dispositions in prior quarters.

Mixed-Use, Residential & Other Segment

For the periods ended June 30 ($ thousands)	Three Months 2022	2021	Change	% Change	Six Months 2022	2021	Change	% Change
Rental revenue	**$ 16,142**	$ 15,380	$ 762	5.0 %	**$ 32,560**	$ 31,545	$ 1,015	3.2 %
Property operating costs excluding bad debt expense	**(6,869)**	(6,030)	(839)	13.9 %	**(14,011)**	(12,500)	(1,511)	12.1 %
Same-Asset NOI, Cash Basis, excluding bad debt expense	**9,273**	9,350	(77)	(0.8)%	**18,549**	19,045	(496)	(2.6)%
Bad debt expense	**23**	(254)	277	N/M	**9**	(573)	582	N/M
Same-Asset NOI, Cash Basis	**9,296**	9,096	200	2.2 %	**18,558**	18,472	86	0.5 %
Transactions NOI excluding bad debt expense	**2,236**	9,939	(7,703)		**11,618**	17,063	(5,445)	
Bad debt expense	**63**	(114)	177		**(74)**	(326)	252	
Transactions NOI, Cash Basis	**2,299**	9,825	(7,526)		**11,544**	16,737	(5,193)	
Total NOI, Cash Basis	**$ 11,595**	$ 18,921	$ (7,326)		**$ 30,102**	$ 35,209	$ (5,107)	

Three and Six Months

Same-asset NOI, cash basis, for the mixed-use, residential & other segment increased by 2.2% and 0.5% for the three and six months respectively, primarily due to a reduction in bad debt expense and positive leasing activity and rent steps in the Ontario region, partially offset by a decline in occupancy in the Quebec and Alberta regions.

Transaction NOI decreased as compared to the prior year mainly due to forgone income from the disposition of six office assets in Q1 of 2022, partially offset by contributions from development transfers completed in the current year and the prior year.

7.3 Other Key Performance Indicators

FFO[1] and AFFO[1] are included in the Trust's summary of key performance indicators. See Section 14, "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 six months ended June 30, 2022 and June 30, 2021 are summarized below:

For the periods ended June 30 ($ thousands)	Three Months			Six Months		
	2022	2021	Change	**2022**	2021	Change
Funds from Operations[1]	**$ 175,290**	$ 171,842	$ 3,448	**$ 350,426**	$ 342,450	$ 7,976
FFO[1] per unit basic	**$ 0.242**	$ 0.238	$ 0.004	**$ 0.484**	$ 0.474	$ 0.010
FFO[1] per unit diluted	**$ 0.242**	$ 0.238	$ 0.004	**$ 0.484**	$ 0.474	$ 0.010
FFO[1] payout ratio - diluted	**76.4 %**	77.8 %	(1.4)%	**76.4 %**	78.1 %	(1.7)%
Adjusted Funds from Operations[1]	**$ 163,708**	$ 158,700	$ 5,008	**$ 324,457**	$ 314,016	$10,441
AFFO[1] per unit basic	**$ 0.226**	$ 0.220	$ 0.006	**$ 0.448**	$ 0.434	$ 0.014
AFFO[1] per unit diluted	**$ 0.226**	$ 0.219	$ 0.007	**$ 0.448**	$ 0.434	$ 0.014
AFFO[1] payout ratio - diluted	**81.8 %**	84.3 %	(2.5)%	**82.5 %**	85.2 %	(2.7)%
Distribution declared per Unit	**$ 0.185**	$ 0.185	$ —	**$ 0.370**	$ 0.370	$ —
Weighted average Units outstanding - basic[i]	**723,544,974**	722,982,002	562,972	**723,481,581**	722,865,145	616,436
Weighted average Units outstanding - diluted[i]	**723,593,236**	723,265,565	327,671	**723,530,507**	723,120,099	410,408
Number of Units outstanding, end of period[i]	**723,544,974**	723,148,168	396,806	**723,544,974**	723,148,168	396,806

(i) Includes Trust Units and Exchangeable Units.

Funds from Operations ("FFO")[1]

FFO[1] is calculated in accordance with the Real Property Association of Canada's *Funds from Operations & Adjusted Funds from Operations for IFRS* issued in January 2022. From time to time the Trust may enter into transactions that materially impact the calculation and are excluded from the calculation for management's review purposes. Refer to Section 14.3, "Funds from Operations", for a reconciliation of FFO[1] to net income determined in accordance with GAAP.

Three and Six Months

The quarterly and year-to-date increase in Funds from operations of $3.4 million and $8.0 million were primarily due to distributions from the Trust's investment in real estate securities of Allied and higher interest income derived from the consideration received in exchange for the six office assets sold to Allied in Q1 of 2022, coupled with higher same-asset NOI. The increases above were partially offset by a decrease in net operating income resulting from the disposition of the six office assets to Allied.

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

Choice Properties calculates AFFO[1] in accordance with the Real Property Association of Canada's *Funds from Operations & Adjusted Funds from Operations for IFRS* issued in January 2022. From time to time the Trust may enter into transactions that materially impact the calculation and are excluded from the calculation for management's review purposes. Refer to Section 14.4, "Adjusted Funds from Operations", for a reconciliation of AFFO[1] to net income determined in accordance with GAAP.

Three and Six 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 a reduction in the straight line rental revenue adjustment.

Property Capital and Leasing Expenditures

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

For the periods ended June 30 ($ thousands)	Three Months			Six Months		
	2022	2021	Change	2022	2021	Change
Property capital	$ 3,510	$ 2,274	$ 1,236	$ 6,116	$ 4,865	$ 1,251
Direct leasing costs	1,415	2,166	(751)	3,370	3,420	(50)
Tenant improvements	3,583	3,937	(354)	10,420	8,565	1,855
Total property capital and leasing expenditures, proportionate share basis[1]	$ 8,508	$ 8,377	$ 131	$ 19,906	$ 16,850	$ 3,056

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 six months ended June 30, 2022, Choice Properties incurred $6,116 of property capital expenditures, which may be recoverable from tenants under the terms of their leases over the useful life of the improvements (2021 - $4,865). 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)	**Second Quarter 2022**	First Quarter 2022	Fourth Quarter 2021	Third Quarter 2021	Second Quarter 2021	First Quarter 2021	Fourth Quarter 2020	Third Quarter 2020
Number of income producing properties	**701**	699	709	718	717	715	713	707
(in millions of square feet)	**64.2**	64.0	65.8	66.5	66.4	66.2	66.1	66.1
Occupancy	**97.6%**	97.0%	97.1%	97.0%	96.9%	97.0%	97.1%	97.0%
Rental revenue (GAAP)	**$ 313,081**	$ 328,049	$ 325,763	$ 316,083	$ 323,936	$ 326,539	$ 321,862	$ 308,956
Net income (loss)	**$ (11,810)**	$ 386,986	$ (163,087)	$ 163,672	$ 84,621	$ (62,198)	$ 116,570	$ 97,186
Net income (loss) per Unit	**$ (0.016)**	$ 0.535	$ (0.225)	$ 0.226	$ 0.117	$ (0.086)	$ 0.161	$ 0.136
Unit diluted	**$ (0.016)**	$ 0.535	$ (0.225)	$ 0.226	$ 0.117	$ (0.086)	$ 0.162	$ 0.137
Net operating income, cash basis(1)	**$ 231,299**	$ 237,277	$ 236,674	$ 236,004	$ 233,188	$ 229,633	$ 230,353	$ 229,891
FFO(1)	**$ 175,290**	$ 175,136	$ 174,797	$ 172,651	$ 171,842	$ 170,608	$ 171,519	$ 169,173
FFO(1) per Unit - diluted	**$ 0.242**	0.242	$ 0.242	$ 0.239	$ 0.238	$ 0.236	$ 0.237	$ 0.236
AFFO(1)	**$ 163,708**	$ 160,749	$ 118,924	$ 153,566	$ 158,700	$ 155,316	$ 136,054	$ 147,594
AFFO(1) per Unit - diluted	**$ 0.226**	0.222	$ 0.164	$ 0.212	$ 0.219	$ 0.215	$ 0.188	$ 0.206
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	**$ 14.05**	$ 15.49	$ 15.19	$ 14.25	$ 14.29	$ 13.56	$ 13.01	$ 12.78
Units outstanding, period end	**723,544,974**	723,544,974	723,375,372	723,302,244	723,148,168	722,728,188	722,728,188	716,903,446
Adjusted debt to total assets(i)	**41.9%**	39.5%	40.1%	41.0%	40.9%	42.3%	42.7%	43.8%
Debt service coverage(i)	**3.3x**	3.4x	3.3x	3.3x	3.2x	3.2x	3.2x	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 June 30, 2022, 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 June 30, 2022. Choice Properties' ultimate parent is Wittington Investments, Limited, the controlling shareholder of GWL.

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

Loblaw represents approximately 57.5% of Choice Properties' quarterly rental revenue on a proportionate share basis(1) and 57.5% of its commercial GLA as at June 30, 2022 (December 31, 2021 - 55.5% and 56.0%, respectively).

Leases
Subsequent to the second quarter, the Trust and Loblaw renewed 42 of 44 retail leases from the initial public offering portfolio expiring in 2023, comprising 2.9 million of 3.1 million square feet, at a weighted extension term of 7.7 years.

Acquisitions
During the six months ended June 30, 2022, Choice Properties acquired from Loblaw two financial real estate assets for an aggregate purchase price of $17,210, and a development property for a purchase price of $25,663, in each case excluding transaction costs.

Dispositions
During the six months ended June 30, 2022, Choice Properties disposed of 1 retail property which had a Loblaw lease for a sale price of $25,750, excluding transaction costs.

Services Agreement
For the six months ended June 30, 2022, GWL provided Choice Properties with corporate, administrative and other support services for an annualized cost of $3,901 (2021 - $3,094).

Strategic Alliance Agreement
The Strategic Alliance Agreement creates a series of rights and obligations between Choice Properties and Loblaw intended to establish a preferential and mutually beneficial business and operating relationship. The initial term of the Strategic Alliance Agreement is expiring on July 5, 2023. Upon expiry, the Strategic Alliance Agreement is automatically renewed until the earlier of July 5, 2033 or the date on which GWL or its affiliates have ceased to own 50% or more of the Trust on a fully diluted basis. The Strategic Alliance Agreement provides Choice Properties with important rights that are expected to meaningfully contribute to the Trust's growth. Subject to certain exceptions, rights include:

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

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

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

Site Intensification Payments
Choice Properties compensated Loblaw with intensification payments of $1,765 in connection with completed gross leasable area for which tenants took possession during the six months ended June 30, 2022 (year ended December 31, 2021 - $2,208).

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 six months ended June 30, 2022, distributions declared on the Exchangeable Units totalled $73,221 and 146,442 (June 30, 2021 - $73,221 and 146,442).

As at June 30, 2022, Choice Properties had distributions on Exchangeable Units payable to GWL of $48,814 (December 31, 2021 - 192,741)

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 six months ended June 30, 2022, GWL elected to receive one month of distributions from Choice Properties Limited Partnership in the form of loans. As such, non-interest bearing short-term notes totalling $24,407 were issued during the six months ended June 30, 2022 to GWL. Non-interest bearing short-term notes totalling $168,334 with respect to the loans received in the 2021 fiscal year were settled against distributions payable by the Trust to GWL in January 2022.

Trust Unit Distributions
During the three and six months ended June 30, 2022, Choice Properties declared cash distributions of $9,373 and $18,745 on the Units held by GWL (June 30, 2021 - $9,373 and 18,745). As at June 30, 2022, $3,124 of Trust Unit distributions declared were payable to GWL (December 31, 2021 - $3,124). There were no non-cash distributions settled through the issuance of additional Trust Units during the six months ended June 30, 2022 and 2021.

During the three and six months ended June 30, 2022, Choice Properties declared cash distributions of $3,052 and $6,105 on the Units held by Wittington (June 30, 2021 - $3,052 and $6,105). As at June 30, 2022, $1,018 of Trust Unit distributions declared were payable to Wittington (December 31, 2021 - $1,018). There were no non-cash distributions settled through the issuance of additional Trust Units during the six months ended June 30, 2022 and 2021.

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 second quarter of 2022 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, 2021 and MD&A in the 2021 Annual Report, which are hereby incorporated by reference. The 2021 Annual Report and AIF are available online on www.sedar.com. The risks and risk management strategies included in the AIF and Annual Report remain unchanged.

12. ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

Environmental, Social and Governance (“ESG”) practices are fully integrated into the Trust’s day-to-day business activities, and are aligned with the Trust’s purpose of creating enduring value for generations. ESG is embedded in the Trust’s corporate strategy, which seeks to maximize long-term value by taking a disciplined and sustainable approach to property operations and financial management, and by unlocking value through development activities. Some of the ways in which Choice through its ESG program seeks to create enduring value for stakeholders include:

- Protecting the planet for future generations while reducing resource consumption and costs;
- Attracting, retaining and empowering a diverse, engaged workforce to bring unique perspectives and experiences to strategic decisions;
- Preserving asset value and the reputation of the Trust by managing the risks of changing regulations and stakeholder expectations;
- Generating stable returns and long-term NAV appreciation by attracting like-minded tenants;
- Strengthening relationships with stakeholders by working collaboratively to achieve positive social, economic and environmental outcomes; and
- Enhancing long-term investment returns by allocating capital to sustainable opportunities and attracting a broader spectrum of investors.

The Board of Trustees and its Committees oversee the Trust’s approach, policies and practices related to the ESG program. The Trust’s President and Chief Executive Officer is the executive sponsor for the ESG program and oversees the integration of ESG strategy into the Trust's operations.

The Trust aspires to develop healthy, resilient communities through its dedication to social, economic and environmental sustainability. To achieve this aspiration, the Trust has refined its focus to two areas where it can have significant impact on environmental and social sustainability: Fighting Climate Change, and Addressing Social Equity.

Information regarding Choice Properties’ ESG practices is set out in the Trust’s 2021 Environmental, Social, and Governance Report, available on the Trust’s website at www.choicereit.ca.

Information regarding Choice Properties’ corporate governance practices is set out in the Trust’s Management Proxy Circular for the Annual Meeting of Unitholders held on April 28, 2022, available on the Trust's website at www.choicereit.ca.

13. 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 through stable net operating income growth and capital preservation, all with a long-term focus. Choice Properties is confident that our business model, stable tenant base, strong balance sheet and disciplined approach to financial management will continue to position us well for future success.

Our diversified portfolio of retail, industrial, residential and mixed-use properties is 97.6% occupied and leased to high-quality tenants across Canada. Our portfolio is primarily leased to necessity-based tenants and logistics providers, who are less sensitive to economic volatility and therefore provide stability to our overall portfolio. This stability is evident in our ability to consistently deliver strong financial and operating results. We continue to experience positive leasing momentum across our portfolio and expect occupancy to remain stable for the remainder of the year as we have substantially addressed our 2022 lease renewal exposure.

Last year we made the strategic decision to focus our time and capital on the opportunities available in our core business of essential retail and industrial, our growing residential platform and our robust development pipeline. We have the ability to achieve scale in these asset classes, allowing us to deliver operating efficiencies, generate further investment opportunities, and attract top talent. This decision led to our strategic sale of six high-quality office properties to Allied in the first quarter. We will no longer be focusing our reporting on office as a stand-alone asset class.

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 development, and rental residential projects located in urban markets with a focus on transit accessibility. In residential, we continue to progress on the construction of two high-rise residential projects, one of which is in Brampton, Ontario located next to the Mount Pleasant GO Station and the other is in the Westboro neighbourhood of Ottawa, Ontario.

In industrial, we have three active development projects, which we expect will deliver 1.5 million square feet at share of new generation logistics space in the near to medium term. Our industrial project at Horizon Business Park in Edmonton, Alberta, comprising two buildings totaling 0.3 million square feet is progressing, with occupancy on the first building commencing in the second quarter and substantial completion and occupancy of the second building anticipated in the second half of 2023. We commenced construction at our second active industrial site in the quarter, a modern logistics facility located in a prime industrial node in Surrey, British Columbia comprising 0.3 million square feet. In addition, during the quarter we exercised our previously announced equity conversion right from Rice Group to acquire a 75% ownership interest in 154 developable acres of industrial land in East Gwillimbury in the GTA. The development plan for the property is to build a multi-phase industrial park with the potential for approximately 1.8 million total square feet of new generation logistics space. For the first phase of the development, we have entered into an approximately 100-acre land lease with Loblaw, who intends to build a 1.2 million square foot, automated, multi-temperature industrial facility on part of the development site, allowing Loblaw to add capacity and advance its supply chain capabilities. Site preparation on the current and future phases of this site commenced during the quarter.

Beyond our active development projects, we have a substantial pipeline of larger, more complex mixed-use developments and land held for future industrial development, which collectively are expected to drive meaningful net asset value growth in the future. We continue to advance the rezoning process for several mixed-use sites with 11 projects representing over 10.5 million square feet in different stages of the rezoning and planning process. Included in our industrial development pipeline is our future developable industrial land in Caledon, Ontario where we hold an 85% interest in 380 net developable acres, including an additional parcel of land adjacent to this site acquired in the quarter, as well as the second phase of our industrial development in East Gwillimbury, Ontario.

Since the start of the year, concerns over inflation have resulted in a significant increase in interest rates with the Bank of Canada ("BoC") already raising the overnight rate by 200 basis points, with further rate hikes anticipated for the remainder of 2022. We anticipate that rising interest rates may put further downward pressure on the fair value of properties in the second half of 2022.

Given the current economic environment, we took proactive steps to ensure we maintain our financial strength and stability. We successfully issued $500 million of unsecured debentures in the quarter to increase our liquidity position and further stagger our debt maturity profile. From a liquidity perspective, the Trust has $1.4 billion of available liquidity, comprised of $1.3 billion from the unused portion of the Trust's revolving credit facility and $42.6 million in cash and cash equivalents, in addition to approximately $12.0 billion in unencumbered assets. For the remainder of the year, we have approximately $128 million of remaining debt obligations coming due for which we have several sources of capital available for refinancing.

14. NON-GAAP FINANCIAL MEASURES

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

Non-GAAP Measure	Description	Reconciliation
Proportionate Share	• Represents financial information adjusted to reflect the Trust's equity accounted joint ventures and financial real estate assets and its share of net income (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. • Management believes NOI, Cash Basis is a useful measure in understanding period-over-period changes in income from operations due to occupancy, rental rates, operating costs and realty taxes.	Section 7.1, "Net Income and Segment NOI Reconciliation" Section 14.2, "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, 2021, 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") *Funds From Operations (FFO) & Adjusted Funds From Operations (AFFO) for IFRS* issued in January 2022. • Management considers FFO to be a useful measure of operating performance as it adjusts for items included in net income (or net loss) that do not arise from operating activities or do not necessarily provide an accurate depiction of the Trust's past or recurring performance, such as adjustments to fair value of Exchangeable Units, investment properties, investment in real estate securities, and unit-based compensation. From time to time the Trust may enter into transactions that materially impact the calculation and are eliminated from the calculation for management's review purposes. • Management uses and believes that FFO is a useful measure of the Trust's performance that, when compared period over period, reflects the impact on operations of trends in occupancy levels, rental rates, operating costs and realty taxes, acquisition activities and interest costs.	Section 14.3, "Funds from Operations" Section 14.9, "Selected Information for Comparative Purposes"
Adjusted Funds from Operations ("AFFO")	• Calculated in accordance with REALpac's *Funds From Operations (FFO) & Adjusted Funds From Operations (AFFO) for IFRS* issued in January 2022. • Management considers AFFO to be a useful measure of operating performance as it further adjusts FFO for capital expenditures that sustain income producing properties and eliminates the impact of straight-line rent. AFFO is impacted by the seasonality inherent in the timing of executing property capital projects. • In calculating AFFO, FFO is adjusted by excluding straight-line rent 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 14.4, "Adjusted Funds from Operations" Section 14.9, "Selected Information for Comparative Purposes"
Adjusted Cash Flow from Operations ("ACFO")	• Calculated in accordance with REALpac's *Adjusted Cashflow from Operations (ACFO) for IFRS* issued in 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 14.5 , "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 14.8, "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 14.6, "Distribution Excess / Shortfall Analysis"
Total Adjusted Debt	• Defined as variable rate debt (construction loans, mortgages, and credit facility) and fixed rate debt (senior unsecured debentures, construction loans and mortgages), as measured on a proportionate share basis[1], and does not include the Exchangeable Units which are included as part of Unit Equity on account of the Exchangeable Units being economically equivalent and receiving equal distributions to the Trust Units. • Total Adjusted Debt is also presented on a net basis to include the impact of other finance charges such as debt placement costs and discounts or premiums, and defeasance or other prepayments of debt.	Section 4.3, "Components of Total Adjusted Debt"
Adjusted Debt to Total Assets	• Determined by dividing Total Adjusted Debt (as defined above) by total assets as presented on a proportionate share basis 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 Conditions" Section 14.9, "Selected Information for Comparative Purposes"
Debt Service Coverage	• Calculated as EBITDAFV divided by interest expense on the Total Adjusted Debt and all regularly scheduled principal payments made with respect to indebtedness during such period (other than any balloon, bullet or similar principal payable at maturity or which repays such indebtedness in full). This ratio is calculated based on the Trust Indentures, as supplemented. • 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 Conditions" Section 14.9, "Selected Information for Comparative Purposes"
Adjusted Debt to EBITDAFV, and Adjusted Debt to EBITDAFV, net of cash	• Calculated as Total Adjusted Debt divided by EBITDAFV. • This ratio is used to assess the financial leverage of Choice Properties, 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"

14.1 Investment Properties Reconciliation

To expand the portfolio and participate in development opportunities, Choice Properties owns varying interests in real estate entities which hold investment properties. Under GAAP, many of these interests are recorded as equity accounted joint ventures and, as such, the Trust's portion of the investment properties of these entities is presented on the balance sheet as a summarized value, not as part of the total investment properties. Similarly, Choice Properties owns real estate assets, whereby the acquisition involved a sale-leaseback arrangement with the seller. As a result of the arrangement the Trust did not meet the GAAP definition of control, and as such, these assets are presented on the balance sheet as financial real estate assets and not as part of investment properties. While the reconciliation for Choice Properties' balance sheet on a GAAP basis to a proportionate share basis[(1)] is detailed in Section 2, "Balance Sheet" the following continuity schedule presents Choice Properties' investment properties inclusive of its proportionate share ownership in equity accounted joint ventures and financial real estate assets for the three months ended June 30, 2022

	Income Producing Properties			Properties Under Development			Total Investment Properties	
As at or for the three months ended June 30 ($ thousands except where otherwise indicated)	GAAP Basis	Adjustment to Proportionate Share Basis[(1)(i)]	Proportionate Share Basis[(1)]	GAAP Basis	Adjustment to Proportionate Share Basis[(1)(i)]	Proportionate Share Basis[(1)]	**GAAP Basis**	**Proportionate Share Basis[(1)]**
Balance, beginning of period	$ 14,192,000	$ 953,000	$ 15,145,000	$ 298,000	$ 316,000	$ 614,000	**$ 14,490,000**	**$ 15,759,000**
Acquisitions of investment properties[(ii)]	42,059	29,689	71,748	—	139,541	139,541	**42,059**	**211,289**
Capital expenditures								
Development capital	—	—	—	11,965	7,375	19,340	**11,965**	**19,340**
Building improvements	—	677	677	—	—	—	**—**	**677**
Capitalized interest	—	—	—	490	(111)	379	**490**	**379**
Property capital	2,998	512	3,510	—	—	—	**2,998**	**3,510**
Direct leasing costs	1,358	57	1,415	—	—	—	**1,358**	**1,415**
Tenant improvement allowances	3,320	263	3,583	—	—	—	**3,320**	**3,583**
Amortization of straight-line rent	210	541	751	—	—	—	**210**	**751**
Transfer from properties under development	—	15,950	15,950	—	(15,950)	(15,950)	**—**	**—**
Dispositions	(6,500)	—	(6,500)	(10,125)	—	(10,125)	**(16,625)**	**(16,625)**
Adjustment to fair value of investment properties	(535,445)	(42,689)	(578,134)	11,670	44,145	55,815	**(523,775)**	**(522,319)**
Balance, as at June 30, 2022	**$ 13,700,000**	**$ 958,000**	**$ 14,658,000**	**$ 312,000**	**$ 491,000**	**$ 803,000**	**$ 14,012,000**	**$ 15,461,000**

(i) Adjustment to Proportionate Share Basis[(1)] reflects the Trust's investment properties inclusive of its proportionate share ownership in equity accounted joint ventures and financial real estate assets.
(ii) Includes acquisition costs.

The following continuity schedule presents Choice Properties' investment properties inclusive of its proportionate share ownership in equity accounted joint ventures and financial real estate assets for the six months ended June 30, 2022

As at or for the six months ended June 30 ($ thousands except where otherwise indicated)	Income Producing Properties			Properties Under Development			Total Investment Properties	
	GAAP Basis	Adjustment to Proportionate Share Basis[1](i)	Proportionate Share Basis[1]	GAAP Basis	Adjustment to Proportionate Share Basis[1](i)	Proportionate Share Basis[1]	**GAAP Basis**	**Proportionate Share Basis[1]**
Balance, beginning of period	$ 14,707,000	$ 893,000	$ 15,600,000	$ 223,000	$ 220,000	$ 443,000	**$ 14,930,000**	**$ 16,043,000**
Acquisitions of investment properties(ii)	42,059	67,857	109,916	27,218	139,541	166,759	**69,277**	**276,675**
Capital expenditures								
Development capital	—	—	—	19,101	11,918	31,019	**19,101**	**31,019**
Building improvements	954	1,134	2,088	—	—	—	**954**	**2,088**
Capitalized interest	—	—	—	1,158	767	1,925	**1,158**	**1,925**
Property capital	5,362	754	6,116	—	—	—	**5,362**	**6,116**
Direct leasing costs	3,157	213	3,370	—	—	—	**3,157**	**3,370**
Tenant improvement allowances	9,437	983	10,420	—	—	—	**9,437**	**10,420**
Amortization of straight-line rent	721	940	1,661	—	—	—	**721**	**1,661**
Transfer from properties under development	10,150	15,950	26,100	(10,150)	(15,950)	(26,100)	**—**	**—**
Transfers to properties under development	(22,945)	—	(22,945)	22,945	—	22,945	**—**	**—**
Dispositions	(795,510)	—	(795,510)	(10,125)	—	(10,125)	**(805,635)**	**(805,635)**
Adjustment to fair value of investment properties	(260,385)	(22,831)	(283,216)	38,853	134,724	173,577	**(221,532)**	**(109,639)**
Balance, as at June 30, 2022	**$ 13,700,000**	**$ 958,000**	**$ 14,658,000**	**$ 312,000**	**$ 491,000**	**$ 803,000**	**$ 14,012,000**	**$ 15,461,000**

(i) Adjustment to Proportionate Share Basis[1] reflects the Trust's investment properties inclusive of its proportionate share ownership in equity accounted joint ventures and financial real estate assets.
(ii) Includes acquisition costs.

14.2 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 14, "Non-GAAP Financial Measures", for further details about this non-GAAP measure.

For the periods ended June 30 ($ thousands)	Three Months			Six Months		
	2022	2021	Change	**2022**	2021	Change
Net income (loss)	**$ (11,810)**	$ 84,621	$ (96,431)	**$ 375,176**	$ 22,423	$ 352,753
General and administrative expenses	**11,145**	9,508	1,637	**21,985**	19,082	2,903
Fee income	**(696)**	(926)	230	**(1,787)**	(1,965)	178
Net interest expense and other financing charges	**132,233**	133,779	(1,546)	**263,036**	267,342	(4,306)
Interest income	**(1,983)**	(4,528)	2,545	**(9,474)**	(8,676)	(798)
Investment income	**(5,165)**	—	(5,165)	**(5,165)**	—	(5,165)
Share of income from equity accounted joint ventures	**(12,470)**	(17,774)	5,304	**(127,066)**	(25,843)	(101,223)
Amortization of intangible assets	**250**	250	—	**500**	500	—
Transaction costs and other related expenses	**(223)**	—	(223)	**5,013**	—	5,013
Other fair value gains (losses), net	**(2,064)**	2,882	(4,946)	**(998)**	2,405	(3,403)
Adjustment to fair value of Exchangeable Units	**(569,933)**	288,924	(858,857)	**(451,197)**	506,607	(957,804)
Adjustment to fair value of investment properties	**523,775**	(268,855)	792,630	**221,532**	(327,598)	549,130
Adjustment to fair value of investment in real estate securities	**158,715**	—	158,715	**158,715**	—	158,715
Income tax expense	**4**	—	4	**6**	7	(1)
Net Operating Income, Accounting Basis - GAAP	**221,778**	227,881	(6,103)	**450,276**	454,284	(4,008)
Straight line rental revenue	**(210)**	(2,658)	2,448	**(721)**	(7,135)	6,414
Lease surrender revenue	**(1,886)**	(1,191)	(695)	**(2,284)**	(2,315)	31
Net Operating Income, Cash Basis - GAAP	**219,682**	224,032	(4,350)	**447,271**	444,834	2,437
Adjustments for equity accounted joint ventures and financial real estate assets	**11,617**	9,156	2,461	**21,305**	17,987	3,318
Net Operating Income, Cash Basis - Proportionate Share[1]	**$ 231,299**	$ 233,188	$ (1,889)	**$ 468,576**	$ 462,821	$ 5,755

14.3 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 14, "Non-GAAP Financial Measures", for further details about this non-GAAP measure.

For the periods ended June 30 ($ thousands)	Three Months 2022	Three Months 2021	Three Months Change	Six Months 2022	Six Months 2021	Six Months Change
Net income (loss)	**$ (11,810)**	$ 84,621	$(96,431)	**$ 375,176**	$ 22,423	$352,753
Amortization of intangible assets	**250**	250	—	**500**	500	—
Transaction costs and other related expenses	**(223)**	—	(223)	**5,013**	—	5,013
Other fair value gains (losses), net	**(2,064)**	2,882	(4,946)	**(998)**	2,405	(3,403)
Adjustment to fair value of Exchangeable Units	**(569,933)**	288,924	(858,857)	**(451,197)**	506,607	(957,804)
Adjustment to fair value of investment properties	**523,775**	(268,855)	792,630	**221,532**	(327,598)	549,130
Adjustment to fair value of investment property held in equity accounted joint ventures	**(1,456)**	(11,946)	10,490	**(111,893)**	(14,098)	(97,795)
Adjustment to fair value of investment in real estate securities	**158,715**	—	158,715	**158,715**	—	158,715
Interest otherwise capitalized for development in equity accounted joint ventures	**2,488**	944	1,544	**2,728**	1,965	763
Exchangeable Units distributions	**73,221**	73,221	—	**146,442**	146,442	—
Internal expenses for leasing	**2,323**	1,801	522	**4,402**	3,797	605
Income tax expense	**4**	—	4	**6**	7	(1)
Funds from Operations	**$ 175,290**	$ 171,842	$ 3,448	**$ 350,426**	$ 342,450	$ 7,976
FFO per Unit - diluted	**$ 0.242**	$ 0.238	$ 0.004	**$ 0.484**	$ 0.474	$ 0.010
FFO payout ratio - diluted(i)	**76.4 %**	77.8 %	(1.4)%	**76.4 %**	78.1 %	(1.7)%
Distribution declared per Unit	**$ 0.185**	$ 0.185	$ —	**$ 0.370**	$ 0.370	$ —
Weighted average Units outstanding - diluted(ii)	**723,593,236**	723,265,565	327,671	**723,530,507**	723,120,099	410,408

(i) FFO payout ratio is calculated as cash distributions declared divided by FFO.
(ii) Includes Trust Units and Exchangeable Units.

FFO as calculated on a proportionate share basis[1]:

For the periods ended June 30 ($ thousands)	Three Months 2022	Three Months 2021	Three Months Change	Six Months 2022	Six Months 2021	Six Months Change
Net operating income, cash basis	**$ 231,299**	$ 233,188	$ (1,889)	**$ 468,576**	$ 462,821	$ 5,755
Straight line rental revenue	**751**	2,964	(2,213)	**1,661**	7,787	(6,126)
Lease surrender revenue	**1,886**	1,191	695	**2,494**	2,315	179
Net operating income, accounting basis	**$ 233,936**	$ 237,343	$ (3,407)	**$ 472,731**	$ 472,923	$ (192)
Interest income	**5,183**	2,858	2,325	**8,731**	5,673	3,058
Investment income	**5,165**	—	5,165	**5,165**	—	5,165
Fee income	**696**	926	(230)	**1,787**	1,965	(178)
Net interest expense and other financing charges	**(136,577)**	(135,743)	(834)	**(269,575)**	(271,233)	1,658
Distributions on Exchangeable Units	**73,221**	73,221	—	**146,442**	146,442	—
Interest otherwise capitalized for development in equity accounted joint ventures	**2,488**	944	1,544	**2,728**	1,965	763
General and administrative expenses	**(11,145)**	(9,508)	(1,637)	**(21,985)**	(19,082)	(2,903)
Internal expenses for leasing	**2,323**	1,801	522	**4,402**	3,797	605
Funds from Operations	**$ 175,290**	$ 171,842	$ 3,448	**$ 350,426**	$ 342,450	$ 7,976
FFO per Unit - diluted[(i)]	**$ 0.242**	$ 0.238	$ 0.004	**$ 0.484**	$ 0.474	$ 0.010
FFO payout ratio - diluted[(i)(ii)]	**76.4 %**	77.8 %	(1.4)%	**76.4 %**	78.1 %	(1.7)%
Distribution declared per Unit	**$ 0.185**	$ 0.185	$ —	**$ 0.370**	$ 0.370	$ —
Weighted average Units outstanding - diluted	**723,593,236**	723,265,565	327,671	**723,530,507**	723,120,099	410,408

(i) FFO payout ratio is calculated as cash distributions declared divided by FFO.
(ii) Includes Trust Units and Exchangeable Units.

14.4 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 14, "Non-GAAP Financial Measures", for further details about this non-GAAP measure.

For the periods ended June 30 ($ thousands)	Three Months 2022	Three Months 2021	Three Months Change	Six Months 2022	Six Months 2021	Six Months Change
Funds from Operations	**$ 175,290**	$ 171,842	3,448	**$ 350,426**	$ 342,450	$ 7,976
Internal expenses for leasing	**(2,323)**	(1,801)	(522)	**(4,402)**	(3,797)	(605)
Straight line rental revenue	**(210)**	(2,658)	2,448	**(721)**	(7,135)	6,414
Adjustment for proportionate share of straight line rental revenue from equity accounted joint ventures and financial real estate assets	**(541)**	(306)	(235)	**(940)**	(652)	(288)
Property capital	**(2,998)**	(2,280)	(718)	**(5,362)**	(4,964)	(398)
Direct leasing costs	**(1,358)**	(1,852)	494	**(3,157)**	(2,896)	(261)
Tenant improvements	**(3,320)**	(3,644)	324	**(9,437)**	(7,906)	(1,531)
Adjustment for proportionate share of operating capital expenditures from equity accounted joint ventures and financial real estate assets	**(832)**	(601)	(231)	**(1,950)**	(1,084)	(866)
Adjusted Funds from Operations	**$ 163,708**	$ 158,700	$ 5,008	**$ 324,457**	$ 314,016	$ 10,441
AFFO per unit - diluted	**$ 0.226**	$ 0.219	$ 0.007	**$ 0.448**	$ 0.434	$ 0.014
AFFO payout ratio - diluted[(i)]	**81.8 %**	84.3 %	(2.5)%	**82.5 %**	85.2 %	(2.7)%
Distribution declared per Unit	**$ 0.185**	$ 0.185	$ —	**$ 0.370**	$ 0.370	$ —
Weighted average Units outstanding - diluted[(ii)]	**723,593,236**	723,265,565	327,671	**723,530,507**	723,120,099	410,408

(i) AFFO payout ratio is calculated as cash distributions declared divided by AFFO.
(ii) Includes Trust Units and Exchangeable Units.

14.5 Adjusted Cash Flow from Operations

The following table reconciles cash flows from operating activities, as determined in accordance with GAAP, to ACFO, for the periods ended as indicated. Refer to Section 4.7, "Adjusted Cash Flow from Operations" and Section 14, "Non-GAAP Financial Measures", for further details about this non-GAAP measure.

For the periods ended June 30 ($ thousands)	Three Months			Six Months		
	2022	2021	Change	**2022**	2021	Change
Cash flows from operating activities	**$ 129,069**	$ 122,655	$ 6,414	**$ 242,186**	$ 271,287	$(29,101)
Net interest expense and other financing charges in excess of interest paid[(i)]	**(85,836)**	(94,794)	8,958	**(144,807)**	(144,848)	41
Distributions on Exchangeable Units included in net interest expense and other financing charges	**73,221**	73,221	—	**146,442**	146,442	—
Interest and other income in excess of interest received[(i)]	**(1,656)**	1,241	(2,897)	**2,058**	1,779	279
Interest otherwise capitalized for development in equity accounted joint ventures	**2,488**	944	1,544	**2,728**	1,965	763
Portion of internal expenses for leasing relating to development activity	**1,162**	901	261	**2,201**	1,899	302
Property capital expenditures on a proportionate share basis	**(3,510)**	(2,274)	(1,236)	**(6,116)**	(4,865)	(1,251)
Leasing capital expenditures on a proportionate share basis	**(4,998)**	(6,103)	1,105	**(13,790)**	(11,985)	(1,805)
Transaction costs and other related expenses	**(223)**	—	(223)	**5,013**	—	5,013
Adjustments for proportionate share of income from equity accounted joint ventures[(ii)]	**11,014**	5,828	5,186	**15,173**	11,745	3,428
Adjustment for changes in non-cash working capital items not indicative of sustainable operating cash flows[(iii)]	**44,039**	71,934	(27,895)	**72,873**	52,353	20,520
Adjusted Cash Flow from Operations	**$ 164,770**	$ 173,553	$(8,783)	**$ 323,961**	$ 325,772	$(1,811)
Cash distributions declared	**133,857**	133,767	90	**267,693**	267,473	220
Cash retained after distributions	**$ 30,913**	$ 39,786	$(8,873)	**$ 56,268**	$ 58,299	$(2,031)
ACFO payout ratio[(iv)]	**81.2 %**	77.1 %	4.1 %	**82.6 %**	82.1 %	0.5 %

(i) The timing of the recognition of interest expense and income differs from the payment and collection. The ACFO calculations for the periods ended June 30, 2022 and June 30, 2021 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 *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 June 30 ($ thousands)	Three Months			Six Months		
	2022	2021	Change	**2022**	2021	Change
Net change in non-cash working capital[(i)]	**$ (46,177)**	$ (59,664)	$ 13,487	**$ (79,711)**	$ (45,818)	$ (33,893)
Adjustment for changes in non-cash working capital items not indicative of sustainable operating cash flows	**44,039**	71,934	(27,895)	**72,873**	52,353	20,520
Net non-cash working capital increase included in ACFO	**$ (2,138)**	$ 12,270	$ (14,408)	**$ (6,838)**	$ 6,535	$ (13,373)

(i) As calculated and disclosed in the Trust's condensed consolidated financial statements.

14.6 Distribution Excess / Shortfall Analysis

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

For the periods ended June 30 ($ thousands)	Three Months			Six Months		
	2022	2021	Change	**2022**	2021	Change
Cash flows from operating activities	**$ 129,069**	$ 122,655	$ 6,414	**$ 242,186**	$ 271,287	$ (29,101)
Less: Cash distributions declared	**(133,857)**	(133,767)	(90)	**(267,693)**	(267,473)	(220)
Excess (shortfall) of cash flows provided by operating activities over cash distributions declared	**$ (4,788)**	$ (11,112)	$ 6,324	**$ (25,507)**	$ 3,814	$ (29,321)

For the periods ended June 30 ($ thousands)	Three Months			Six Months		
	2022	2021	Change	**2022**	2021	Change
Net income (loss)	**$ (11,810)**	$ 84,621	$ (96,431)	**$ 375,176**	$ 22,423	$ 352,753
Add: Distributions on Exchangeable Units included in net interest expense and other financing charges	**73,221**	73,221	—	**146,442**	146,442	—
Net income (loss) attributable to Unitholders excluding distributions on Exchangeable Units	**61,411**	157,842	(96,431)	**521,618**	168,865	352,753
Less: Cash distributions declared	**(133,857)**	(133,767)	(90)	**(267,693)**	(267,473)	(220)
Excess (shortfall) of net income (loss) attributable to Unitholders, less distributions on Exchangeable Units, over cash distributions declared	**$ (72,446)**	$ 24,075	$ (96,521)	**$ 253,925**	$ (98,608)	$ 352,533

For the periods ended June 30 ($ thousands)	Three Months			Six Months		
	2022	2021	Change	**2022**	2021	Change
Adjusted Cash Flow from Operations[1]	**$ 164,770**	173,553	$ (8,783)	**$ 323,961**	$ 325,772	$ (1,811)
Less: Cash distributions declared	**(133,857)**	(133,767)	(90)	**(267,693)**	(267,473)	(220)
Excess of ACFO after distributions	**$ 30,913**	$ 39,786	$ (8,873)	**$ 56,268**	$ 58,299	$ (2,031)

Choice Properties' shortfall of cash flows provided by operating activities over cash distributions declared for the three and six months ended June 30, 2022 was primarily due to fluctuations in non-cash working capital. Management believes the shortfall in the three and six months ended June 30, 2022 will not result in an economic return of capital in the 2022 fiscal year[2].

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].

14.7 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 six months ended June 30, 2022 and 2021:

For the three months ended June 30 ($ thousands)	2022 Proportionate Share Basis(1)	2022 Consolidation and eliminations(i)	2022 GAAP Basis	2021 Proportionate Share Basis(1)	2021 Consolidation and eliminations(i)	2021 GAAP Basis
Interest on senior unsecured debentures	$ 45,990	$ —	$ 45,990	$ 47,239	$ —	$ 47,239
Interest on mortgages and construction loans	13,743	(4,010)	9,733	14,593	(2,789)	11,804
Interest on credit facility	2,267	—	2,267	891	—	891
Subtotal (for use in Debt Service Coverage(1) calculation)	62,000	(4,010)	57,990	62,723	(2,789)	59,934
Distributions on Exchangeable Units(ii)	73,221	—	73,221	73,221	—	73,221
Subtotal (for use in EBITDAFV(1) calculation)	135,221	(4,010)	131,211	135,944	(2,789)	133,155
Interest on right of use lease liability	21	—	21	37	—	37
Amortization of debt discounts and premiums	301	(71)	230	166	(53)	113
Amortization of debt placement costs	1,580	(152)	1,428	1,167	(26)	1,141
Capitalized interest	(546)	(111)	(657)	(1,571)	904	(667)
Net interest expense and other financing charges	$ 136,577	$ (4,344)	$ 132,233	$ 135,743	$ (1,964)	$ 133,779

(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 six months ended June 30 ($ thousands)	2022 Proportionate Share Basis(1)	2022 Consolidation and eliminations(i)	2022 GAAP Basis	2021 Proportionate Share Basis(1)	2021 Consolidation and eliminations(i)	2021 GAAP Basis
Interest on senior unsecured debentures	$ 91,022	$ —	$ 91,022	$ 94,153	$ —	$ 94,153
Interest on mortgages and construction loans	27,652	(7,058)	20,594	28,656	(4,766)	23,890
Interest on credit facility	3,119	—	3,119	1,788	—	1,788
Subtotal (for use in Debt Service Coverage(1) calculation)	121,793	(7,058)	114,735	124,597	(4,766)	119,831
Distributions on Exchangeable Units(ii)	146,442	—	146,442	146,442	—	146,442
Subtotal (for use in EBITDAFV(1) calculation)	268,235	(7,058)	261,177	271,039	(4,766)	266,273
Interest on right of use lease liability	39	—	39	76	—	76
Amortization of debt discounts and premiums	620	(143)	477	330	(107)	223
Amortization of debt placement costs	2,837	(105)	2,732	2,231	(48)	2,183
Capitalized interest	(2,156)	767	(1,389)	(2,443)	1,030	(1,413)
Net interest expense and other financing charges	$ 269,575	$ (6,539)	$ 263,036	$ 271,233	$ (3,891)	$ 267,342

14.8 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 14, “Non-GAAP Financial Measures”, for further details about this non-GAAP measure.

For the periods ended June 30 ($ thousands)	Three Months 2022	Three Months 2021	Three Months Change	Six Months 2022	Six Months 2021	Six Months Change
Net income (loss)	**$ (11,810)**	$ 84,621	$ (96,431)	**$ 375,176**	$ 22,423	$ 352,753
Transaction costs and other related expenses	**(223)**	—	(223)	**5,013**	—	5,013
Other fair value gains (losses), net	**(2,064)**	2,882	(4,946)	**(998)**	2,405	(3,403)
Adjustment to fair value of Exchangeable Units	**(569,933)**	288,924	(858,857)	**(451,197)**	506,607	(957,804)
Adjustment to fair value of investment properties	**523,775**	(268,855)	792,630	**221,532**	(327,598)	549,130
Adjustment to fair value of investment property held in equity accounted joint ventures and financial real estate assets	**(1,456)**	(11,946)	10,490	**(111,893)**	(14,098)	(97,795)
Adjustment to fair value of investment in real estate securities	**158,715**	—	158,715	**158,715**	—	158,715
Interest expense[i]	**135,221**	135,944	(723)	**268,235**	271,039	(2,804)
Amortization of other assets	**299**	293	6	**618**	581	37
Amortization of intangible assets	**250**	250	—	**500**	500	—
Income tax expense	**4**	—	4	**6**	7	(1)
Earnings Before Interest, Taxes, Depreciation, Amortization and Fair Value (EBITDAFV)	**$ 232,778**	$ 232,113	$ 665	**$ 465,707**	$ 461,866	$ 3,841

(i) As calculated in Section 14.7, “Net Interest Expense and Other Financing Charges Reconciliation”.

14.9 Selected Information For Comparative Purposes

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 14, "Non-GAAP Financial Measures", for further details about this non-GAAP measure.

	Second Quarter 2022	First Quarter 2022	Fourth Quarter 2021	Third Quarter 2021	Second Quarter 2021	First Quarter 2021	Fourth Quarter 2020	Third Quarter 2020
Net income (loss)	**$ (11,810)**	386,986	$ (163,087)	$ 163,672	$ 84,621	$ (62,198)	$ 116,570	$ 97,186
Amortization of intangible assets	**250**	250	250	250	250	250	250	250
Transaction costs and other related expenses	**(223)**	5,236	—	—	—	—	—	—
Other fair value gains (losses), net	**(2,064)**	1,066	(666)	(159)	2,882	(477)	(1,347)	(353)
Adjustment to fair value of Exchangeable Units	**(569,933)**	118,736	372,039	(15,831)	288,924	217,683	86,370	15,599
Adjustment to fair value of investment properties	**523,775**	(302,243)	(96,275)	(34,944)	(268,855)	(58,743)	(103,601)	(29,159)
Adjustment to fair value of investment property held in equity accounted joint ventures	**(1,456)**	(110,437)	(12,952)	(16,428)	(11,946)	(2,152)	(330)	10,854
Adjustment to fair value of investment in real estate securities	**158,715**	—	—	—	—	—	—	—
Interest otherwise capitalized for development in equity accounted joint ventures	**2,488**	240	393	815	944	1,021	1,005	961
Exchangeable Units distributions	**73,221**	73,221	73,221	73,221	73,221	73,221	72,502	72,143
Internal expenses for leasing	**2,323**	2,079	2,560	2,055	1,801	1,996	1,897	1,692
Income tax expense	**4**	2	(686)	—	—	7	(1,797)	—
Funds from Operations	**$ 175,290**	$ 175,136	$ 174,797	$ 172,651	$ 171,842	$ 170,608	$ 171,519	$ 169,173
FFO per Unit - diluted	**$ 0.242**	$ 0.242	$ 0.242	$ 0.239	$ 0.238	$ 0.236	$ 0.239	$ 0.238
FFO payout ratio - diluted[(i)]	**76.4 %**	76.4 %	76.6 %	77.5 %	77.8 %	78.4 %	77.5 %	78.4 %
Distribution declared per Unit	**$ 0.185**	$ 0.185	$ 0.185	$ 0.185	$ 0.185	$ 0.185	$ 0.185	$ 0.185
Weighted average Units outstanding - diluted[(ii)]	**723,593,236**	723,466,930	723,363,313	723,346,150	723,265,565	722,930,485	718,026,576	711,582,778

(i) FFO payout ratio is calculated as cash distributions declared divided by FFO.
(ii) Includes Trust Units and Exchangeable Units.

The following table reconciles FFO to AFFO for the periods ended as indicated. Refer to Section 7, "Results of Operations - Segment Information" and Section 14, "Non-GAAP Financial Measures", for further details about this non-GAAP measure.

	Second Quarter 2022	First Quarter 2022	Fourth Quarter 2021	Third Quarter 2021	Second Quarter 2021	First Quarter 2021	Fourth Quarter 2020	Third Quarter 2020	Second Quarter 2020
Funds from Operations	**$ 175,290**	$ 175,136	$ 174,797	$ 172,651	$ 171,842	$ 170,608	$ 171,519	$ 169,173	$ 140,645
Internal expenses for leasing	**(2,323)**	(2,079)	(2,560)	(2,055)	(1,801)	(1,996)	(1,897)	(1,692)	(1,668)
Straight line rental revenue	**(210)**	(511)	(339)	(419)	(2,658)	(4,477)	(3,217)	(3,177)	(3,527)
Adjustment for proportionate share of straight line rental revenue from equity accounted joint ventures and financial real estate assets	**(541)**	(399)	(792)	(767)	(306)	(346)	(889)	(538)	(276)
Property capital	**(2,998)**	(2,364)	(41,073)	(13,975)	(2,280)	(2,684)	(22,592)	(7,214)	(1,152)
Direct leasing costs	**(1,358)**	(1,799)	(2,258)	(1,272)	(1,852)	(1,044)	(1,051)	(2,356)	(706)
Tenant improvements	**(3,320)**	(6,117)	(8,265)	(208)	(3,644)	(4,262)	(4,711)	(6,566)	(1,688)
Adjustment for proportionate share of operating capital expenditures from equity accounted joint ventures and financial real estate assets	**(832)**	(1,118)	(586)	(389)	(601)	(483)	(1,108)	(36)	(455)
Adjusted Funds from Operations	**$ 163,708**	$ 160,749	$ 118,924	$ 153,566	$ 158,700	$ 155,316	$ 136,054	$ 147,594	$ 131,173
AFFO per unit - diluted	**$ 0.226**	$ 0.222	$ 0.164	$ 0.212	$ 0.219	$ 0.215	$ 0.189	$ 0.207	$ 0.187
AFFO payout ratio - diluted(i)	**81.8 %**	83.0 %	112.5 %	87.1 %	84.3 %	86.1 %	97.7 %	89.9 %	98.8 %
Distribution declared per Unit	**$ 0.185**	$ 0.185	$ 0.185	$ 0.185	$ 0.185	$ 0.185	$ 0.185	$ 0.185	$ 0.185
Weighted average Units outstanding - diluted(ii)	**723,593,236**	723,466,930	723,363,313	723,346,150	723,265,565	722,930,485	718,026,576	711,582,778	700,600,087

(i) AFFO payout ratio is calculated as cash distributions declared divided by AFFO.
(ii) Includes Trust Units and Exchangeable Units.

Components of certain financial leverage ratios The following table includes the denominator applied to the calculation of Total Adjusted Debt to Total Assets ratio and Debt Service Coverage Ratios for the periods indicated. Refer to section 4.4 "Financial Condition" and Section 14, "Non-GAAP Financial Measures" for further details about this non-GAAP measure.

	Second Quarter 2022	First Quarter 2022	Fourth Quarter 2021	Third Quarter 2021	Second Quarter 2021	First Quarter 2021	Fourth Quarter 2020	Third Quarter 2020
Total Assets - Proportionate Basis	**$ 16,676,996**	$ 16,910,210	$ 16,664,782	$ 16,599,779	$ 16,395,858	$ 16,146,949	$ 16,037,280	$ 15,738,583
Debt Service Coverage Ratio - Denominator	**$ 70,330**	$ 68,639	$ 72,362	$ 71,063	$ 72,830	$ 71,356	$ 72,724	$ 72,706

Financial Statements
(unaudited)

Mount Pleasant Village
Brampton, ON

Financial Results

Choice Properties Real Estate Investment Trust
Condensed Consolidated Balance Sheets
(unaudited)

(in thousands of Canadian dollars)	Note		As at June 30, 2022		As at December 31, 2021
Assets					
Investment properties	4	$	**14,012,000**	$	14,930,000
Equity accounted joint ventures	5		**771,353**		564,378
Financial real estate assets	7		**102,876**		86,603
Residential development inventory	8		**14,256**		10,142
Mortgages, loans and notes receivable	9		**497,986**		354,901
Investment in real estate securities	10		**391,945**		—
Intangible assets	11		**21,869**		28,000
Accounts receivable and other assets	12		**352,159**		114,275
Cash and cash equivalents	27 (c)		**19,941**		84,304
Total Assets		$	**16,184,385**	$	16,172,603
Liabilities and Equity					
Long term debt	13	$	**6,294,775**	$	6,230,010
Credit facility	14		**332,343**		—
Exchangeable Units	15		**5,560,800**		6,011,997
Trade payables and other liabilities	17		**420,100**		620,405
Total Liabilities			**12,608,018**		12,862,412
Equity					
Unitholders' equity	15		**3,576,367**		3,310,191
Total Equity			**3,576,367**		3,310,191
Total Liabilities and Equity		$	**16,184,385**	$	16,172,603

Contingent Liabilities and Financial Guarantees (Note 29)
See accompanying notes to the 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)
(unaudited)

		Three Months		Six Months	
(in thousands of Canadian dollars)	Note	**June 30, 2022**	June 30, 2021	**June 30, 2022**	June 30, 2021
Net Rental Income					
Rental revenue	19	**$ 313,081**	$ 323,936	**$ 641,130**	$ 650,475
Property operating costs	20	**(91,303)**	(96,055)	**(190,854)**	(196,191)
		221,778	227,881	**450,276**	454,284
Other Income and Expenses					
Interest income	21	**1,983**	4,528	**9,474**	8,676
Investment income		**5,165**	—	**5,165**	—
Fee income	22	**696**	926	**1,787**	1,965
Net interest expense and other financing charges	23	**(132,233)**	(133,779)	**(263,036)**	(267,342)
General and administrative expenses	24	**(11,145)**	(9,508)	**(21,985)**	(19,082)
Share of income from equity accounted joint ventures	5	**12,470**	17,774	**127,066**	25,843
Amortization of intangible assets	11	**(250)**	(250)	**(500)**	(500)
Transaction costs and other related expenses		**223**	—	**(5,013)**	—
Other fair value gains (losses), net	25	**2,064**	(2,882)	**998**	(2,405)
Adjustment to fair value of Exchangeable Units	15	**569,933**	(288,924)	**451,197**	(506,607)
Adjustment to fair value of investment properties	4	**(523,775)**	268,855	**(221,532)**	327,598
Adjustment to fair value of investment in real estate securities	10	**(158,715)**	—	**(158,715)**	—
Income (Loss) before income taxes		**(11,806)**	84,621	**375,182**	22,430
Income tax expense	16	**(4)**	—	**(6)**	(7)
Net Income (Loss)		**$ (11,810)**	$ 84,621	**$ 375,176**	$ 22,423

Net Income (Loss)		**$ (11,810)**	$ 84,621	**$ 375,176**	$ 22,423
Other Comprehensive Income (Loss)					
Unrealized gain (loss) on designated hedging instruments	26	**5,704**	4,330	**11,854**	3,622
Other comprehensive income (loss)		**5,704**	4,330	**11,854**	3,622
Comprehensive Income (Loss)		**$ (6,106)**	$ 88,951	**$ 387,030**	$ 26,045

See accompanying notes to the condensed consolidated financial statements

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

		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, 2021		$ 3,660,941	$ 834,742	$ 1,357	$ (1,186,849)	$ 3,310,191	$ —	$ 3,310,191
Net Income (Loss)		—	375,176	—	—	375,176	—	375,176
Other comprehensive income		—	—	11,854	—	11,854	—	11,854
Distributions		—	—	—	(121,251)	(121,251)	—	(121,251)
Units issued under unit-based compensation arrangements	15	2,589	—	—	—	2,589	—	2,589
Reclassification of vested Unit-Settled Restricted Units liability to equity	15	1,257	—	—	—	1,257	—	1,257
Units repurchased for unit-based compensation arrangements	15	(3,449)	—	—	—	(3,449)	—	(3,449)
Equity, June 30, 2022		**$ 3,661,338**	**$ 1,209,918**	**$ 13,211**	**$ (1,308,100)**	**$ 3,576,367**	**$ —**	**$ 3,576,367**

		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 (Loss)		—	22,423	—	—	22,423	—	22,423
Other comprehensive loss		—	—	3,622	—	3,622	—	3,622
Distributions		—	—	—	(121,031)	(121,031)	—	(121,031)
Units issued under unit-based compensation arrangements	15	6,084	—	—	—	6,084	—	6,084
Reclassification of vested Unit-Settled Restricted Units liability to equity	15	1,176	—	—	—	1,176	—	1,176
Units repurchased for unit-based compensation arrangements	15	(2,334)	—	—	—	(2,334)	—	(2,334)
Distribution from non-controlling interests		—	—	—	—	—	(7,801)	(7,801)
Equity, June 30, 2021		$ 3,657,546	$ 834,157	$ (1,364)	$ (1,065,660)	$ 3,424,679	$ —	$ 3,424,679

See accompanying notes to the condensed consolidated financial statements

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

(in thousands of Canadian dollars)	Note	Three Months June 30, 2022	Three Months June 30, 2021	Six Months June 30, 2022	Six Months June 30, 2021
Operating Activities					
Net income (loss)		**$ (11,810)**	$ 84,621	**$ 375,176**	$ 22,423
Net interest expense and other financing charges	23	**132,233**	133,779	**263,036**	267,342
Interest paid		**(46,397)**	(38,985)	**(118,229)**	(122,494)
Interest income	21	**(1,983)**	(4,528)	**(9,474)**	(8,676)
Interest received		**3,639**	3,287	**7,416**	6,897
Share of (income) loss from equity accounted joint ventures	5	**(12,470)**	(17,774)	**(127,066)**	(25,843)
Items not affecting cash and other items	27 (a)	**112,034**	21,919	**(68,962)**	177,456
Net change in non-cash working capital	27 (b)	**(46,177)**	(59,664)	**(79,711)**	(45,818)
Cash Flows from Operating Activities		**129,069**	122,655	**242,186**	271,287
Investing Activities					
Acquisitions of investment properties	3	**(41,471)**	—	**(68,689)**	—
Acquisitions of financial real estate assets	3, 7	**(13,194)**	—	**(15,054)**	—
Additions to investment properties	4	**(19,641)**	(17,820)	**(38,011)**	(35,751)
Additions to financial real estate assets	7	**(573)**	(243)	**(1,176)**	(243)
Additions to residential inventory	8	**(2,160)**	—	**(3,883)**	—
Contributions to equity accounted joint ventures	5	**(79,558)**	(8,361)	**(114,603)**	(148,664)
Distributions from equity accounted joint ventures	5	**39,223**	21,340	**53,196**	92,181
Mortgages, loans and notes receivable advances	9	**(133,551)**	(75,795)	**(157,604)**	(149,754)
Mortgages, loans and notes receivable repayments	9	**—**	12,571	**3,012**	120,566
Proceeds from dispositions	3	**16,625**	—	**52,646**	30,000
Cash Flows from (used in) Investing Activities		**(234,300)**	(68,308)	**(290,166)**	(91,665)
Financing Activities					
Proceeds from issuance of debentures, net	13	**497,385**	—	**497,385**	—
Repayments of debentures	13	**(300,000)**	(200,000)	**(300,000)**	(200,000)
Net advances (repayments) of mortgages payable	13	**(80,154)**	(9,189)	**(125,210)**	9,516
Net advances (repayments) on construction loans	13	**2,208**	3,031	**5,084**	(17,500)
Net advances of credit facility	14	**280,000**	55,000	**335,000**	55,000
Credit facility defeasance payment	12, 14	**(180,000)**	—	**(180,000)**	—
Payment of credit facility extension fee	14	**—**	(1,832)	**—**	(1,832)
Cash received on exercise of options	18	**—**	5,050	**2,428**	5,050
Cash paid on vesting of restricted and performance units		**(765)**	(338)	**(4,377)**	(1,620)
Repurchase of Units for unit-based compensation arrangement	15	**(282)**	—	**(3,449)**	(2,334)
Distributions paid on Exchangeable Units		**(48,814)**	—	**(122,035)**	(96,191)
Distributions paid on Trust Units		**(60,636)**	(60,529)	**(121,209)**	(121,014)
Distribution to non-controlling interests		**—**	—	**—**	(7,801)
Cash Flows from (used in) Financing Activities		**108,942**	(208,807)	**(16,383)**	(378,726)
Change in cash and cash equivalents		**3,711**	(154,460)	**(64,363)**	(199,104)
Cash and cash equivalents, beginning of period		**16,230**	162,575	**84,304**	207,219
Cash and Cash Equivalents, End of Period	27 (c)	**$ 19,941**	$ 8,115	**$ 19,941**	$ 8,115

Supplemental disclosure of non-cash operating activities (Note 27)
See accompanying notes to the 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, mixed-use and residential properties across Canada. The principal, registered, and head office of Choice Properties is located at 22 St. Clair Avenue East, Suite 700, Toronto, Ontario, M4T 2S5. Choice Properties' trust units ("Trust Units" or "Units") are listed on the Toronto Stock Exchange ("TSX") and are traded under the symbol "CHP.UN".

Choice Properties commenced operations on July 5, 2013, when it issued Units and debt for cash pursuant to an initial public offering (the "IPO") and completed the acquisition of 425 properties from Loblaw Companies Limited and its subsidiaries ("Loblaw"). Pursuant to a reorganization transaction on November 1, 2018, Loblaw spun out its 61.6% effective interest in Choice Properties to George Weston Limited ("GWL"). As at June 30, 2022, 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' condensed 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 2021 audited annual consolidated financial statements for Choice Properties have been applied consistently in the preparation of these condensed consolidated financial statements. The condensed consolidated financial statements are presented in Canadian dollars.

Statement of Compliance

The condensed consolidated financial statements of Choice Properties are prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS") and International Accounting Standard ("IAS") 34, "Interim Financial Reporting. These 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, 2021.

These condensed consolidated financial statements were authorized for issuance by the Board of Trustees ("Board") for Choice Properties on July 21, 2022.

Note 3. Investment Property and Other Transactions

The following table summarizes the investment properties acquired in the six months ended June 30, 2022:

($ thousands)						Consideration	
Location	Date of Acquisition	Segment	Ownership Interest Acquired	Purchase Price	Purchase Price incl. Related Costs	Assumed Liabilities	Cash
Investment Properties							
Ottawa, ON	Mar 1	Industrial Under Development	100%	$ 25,663	$ 27,218	$ —	$ 27,218
Acquisitions from related parties (Note 30)				**25,663**	**27,218**	**—**	**27,218**
Burlington, ON	May 2	Retail	100%	40,360	42,059	588	$ 41,471
Acquisitions from third-parties				**40,360**	**42,059**	**588**	**41,471**
Total acquisitions of investment properties				**66,023**	**69,277**	**588**	**68,689**
Financial real estate assets							
Montreal, QC	Mar 9	Retail	100%	2,200	2,343	483	1,860
Halifax, NS	Jun 17	Retail	100%	15,010	15,228	2,034	13,194
Acquisitions of financial real estate assets (Note 30)				**17,210**	**17,571**	**2,517**	**15,054**
Total acquisitions				**$ 83,233**	**$ 86,848**	**$ 3,105**	**$ 83,743**

The following table summarizes the investment properties sold in the six months ended June 30, 2022:

($ thousands except where otherwise indicated)					Consideration				
Location	**Date of Disposition**	**Segment**	**Ownership Interest Disposed**	**Sale Price excl. Selling Costs**	**Debt Assumed by Purchaser**	**Promissory Note**	**Real Estate Securities**	**De-recognition of Intangible Asset**	**Cash**
Investment properties									
Edmonton, AB	Jan 31	Industrial	100%	$ 9,700	$ —	$ —	$ —	$ —	$ 9,700
Edmonton, AB	Feb 25	Industrial	100%	19,750	—	—	—	—	19,750
Campbell River, BC	Feb 28	Retail	50%	25,750	14,805	—	—	—	10,945
Portfolio of 6 assets across Canada(i)	Mar 31	Mixed-Use, Residential & Other	50%-100%	733,810	—	193,155	550,660	(5,631)	(4,374)
Brampton, ON	Jun 23	Retail Under Development	100%	10,125	—	—	—	—	10,125
Swift Current, SK	Jun 28	Retail	100%	6,500	—	—	—	—	6,500
Dispositions of investment properties				**805,635**	**14,805**	**193,155**	**550,660**	**(5,631)**	**52,646**
Total dispositions				**$ 805,635**	**$ 14,805**	**$ 193,155**	**$ 550,660**	**$ (5,631)**	**$ 52,646**

(i) The Trust disposed of its interests in a portfolio of six office assets to Allied Properties Real Estate Investment Trust ("Allied"). The consideration received consisted of exchangeable Class B limited partnership units of Allied Properties Exchangeable Limited Partnership, an affiliated entity of Allied (Note 10) and a promissory note (Note 9).

Note 4. Investment Properties

($ thousands)	Note	Income producing properties	Properties under development	Six months ended June 30, 2022	Year ended December 31, 2021
Balance, beginning of period		$ 14,707,000	$ 223,000	$ 14,930,000	$ 14,389,000
Acquisitions - including purchase costs of $3,254 (2021 - $2,216)	3	42,059	27,218	69,277	54,939
Capital expenditures					
Development capital(i)		—	19,101	19,101	51,167
Building improvements		954	—	954	4,086
Capitalized interest(ii)	23	—	1,158	1,158	2,642
Property capital		5,362	—	5,362	60,012
Direct leasing costs		3,157	—	3,157	6,426
Tenant improvement allowances		9,437	—	9,437	16,379
Amortization of straight-line rent		721	—	721	7,893
Transfer from equity accounted joint ventures	5	—	—	—	143,103
Transfers from properties under development		10,150	(10,150)	—	—
Transfers to residential development inventory	8	—	—	—	(10,142)
Transfers to properties under development		(22,945)	22,945	—	—
Dispositions	3	(795,510)	(10,125)	(805,635)	(254,322)
Adjustment to fair value of investment properties		(260,385)	38,853	(221,532)	458,817
Balance, end of period		$ 13,700,000	$ 312,000	$ 14,012,000	$ 14,930,000

(i) Development capital included $1,765 of site intensification payments paid to Loblaw (December 31, 2021 - $2,208) (Note 30).
(ii) Interest was capitalized to qualifying development projects based on a weighted average interest rate of 3.63% (December 31, 2021 - 3.64%).

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 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 stabilized net operating income, a non-GAAP measure, in the terminal year. This method involves the projection of future cash flows for the specific asset. For the future cash flows a market-derived discount rate is applied to establish the present value of the income stream associated with the asset. The terminal capitalization rate is separately determined and may differ from the discount rate.

The duration of the future cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews, new and renewed leasing and related re-leasing, redevelopment, or refurbishment. The appropriate duration is typically driven by market behaviour that is a characteristic of the related asset class. The future cash flows are typically estimated as gross income less vacancy, non-recoverable expenses, collection losses, lease incentives, maintenance costs, 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.

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 June 30, 2022		As at December 31, 2021	
Total Income Producing Properties	**Range**	**Weighted average**	Range	Weighted average
Discount rate	**4.50% - 10.50%**	**7.02%**	5.00% - 11.45%	6.68%
Terminal capitalization rate	**4.25% - 10.25%**	**6.22%**	4.25% - 10.95%	5.95%
Retail				
Discount rate	**4.50% - 10.50%**	**7.41%**	5.00% - 11.45%	6.92%
Terminal capitalization rate	**4.25% - 10.25%**	**6.57%**	4.25% - 10.95%	6.19%
Industrial				
Discount rate	**5.00% - 8.50%**	**5.81%**	5.00% - 8.50%	5.95%
Terminal capitalization rate	**4.25% - 7.75%**	**5.13%**	4.25% - 7.75%	5.26%
Mixed-Use, Residential & Other				
Discount rate	**4.75% - 9.00%**	**6.70%**	5.25% - 8.75%	6.25%
Terminal capitalization rate	**4.25% - 8.00%**	**5.96%**	4.25% - 7.75%	5.43%

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.

Fair Value Sensitivity

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

($ thousands)	Terminal Capitalization Rate			Discount Rate		
Rate Sensitivity	**Weighted Average Terminal Capitalization Rate**	**Fair Value**	**Change in Fair Value**	**Weighted Average Discount Rate**	**Fair Value**	**Change in Fair Value**
(0.75)%	5.47 %	$ 14,845,000	$ 1,145,000	6.27 %	$ 14,509,000	$ 809,000
(0.50)%	5.72 %	14,422,000	722,000	6.52 %	14,227,000	527,000
(0.25)%	5.97 %	14,048,000	348,000	6.77 %	13,960,000	260,000
—%	6.22 %	13,700,000	—	7.02 %	13,700,000	—
0.25%	6.47 %	13,383,000	(317,000)	7.27 %	13,439,000	(261,000)
0.50%	6.72 %	13,089,000	(611,000)	7.52 %	13,196,000	(504,000)
0.75%	6.97 %	12,816,000	(884,000)	7.77 %	12,944,000	(756,000)

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 June 30, 2022		As at December 31, 2021	
	Number of joint ventures	**Ownership interest**	Number of joint ventures	Ownership interest
Retail	**15**	**25% - 75%**	15	25% - 75%
Industrial	**1**	**50%**	1	50%
Mixed-Use, Residential & Other	**3**	**50%**	3	47% - 50%
Land, held for development	**3**	**50% - 85%**	2	50% - 85%
Total equity accounted joint ventures	**22**		21	
Choice Properties' investment in equity accounted joint ventures		**$ 771,353**		$ 564,378

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

($ thousands)	Note	**Six months ended June 30, 2022**	Year ended December 31, 2021
Balance, beginning of period		**$ 564,378**	573,649
Contributions to equity accounted joint ventures		**114,603**	152,805
Distributions from equity accounted joint ventures		**(53,196)**	(124,751)
Total cash flow activities		**61,407**	28,054
Transfers from equity accounted joint venture to consolidated investments	4	**—**	(141,868)
Acquisition of interest in equity accounted joint venture upon settlement of mortgage receivable	9	**40,860**	4,846
Mortgage receivable advanced upon disposition of equity accounted joint venture	9	**—**	(6,098)
Contingent consideration payable recognized on acquisition within equity accounted joint venture	17	**—**	38,000
Settlement, Net of Accretion of contingent consideration payable		**(22,358)**	843
Share of income from equity accounted joint ventures		**127,066**	66,952
Total non-cash activities		**145,568**	(37,325)
Balance, end of period		**$ 771,353**	$ 564,378

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 condensed consolidated financial statements.

	As at June 30, 2022		As at December 31, 2021	
	Number of co-owned properties	**Ownership interest**	Number of co-owned properties	Ownership interest
Retail	**37**	**50% - 75%**	38	50% - 75%
Industrial	**2**	**50% - 67%**	2	50% - 67%
Mixed-Use, Residential & Other	**10**	**50%**	12	50%
Total co-ownership property interests	**49**		52	

Note 7. Financial Real Estate Assets

($ thousands)	Note	Six months ended June 30, 2022	Year ended December 31, 2021
Balance, beginning of period		$ 86,603	$ 68,373
Acquisitions		17,571	15,134
Additions		1,176	540
Interest income (loss) from financial real estate assets due to changes in value	21	(2,474)	2,556
Balance, end of period		**$ 102,876**	$ 86,603

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". As at June 30, 2022 The weighted average discount rate and terminal capitalization rate used to determine the fair value of the Trust's financial real estate assets are 6.90% and 6.33%. An increase of 0.75% in the discount rate or terminal capitalization rate would result in a decrease of $4,867 or $5,552, respectively, in the value of the financial real estate assets. While a decrease of 0.75% in the discount rate or terminal capitalization rate would result in an increase of $5,067 or $7,062 in the value of the financial real estate assets.

Note 8. Residential Development Inventory

Residential development inventory consists of a co-owned development project located in Brampton, Ontario, for the purpose of developing and selling residential condominium units.

The following table summarizes the activity in residential development inventory:

($ thousands)	Note	Six months ended June 30, 2022	Year ended December 31, 2021
Balance, beginning of period		$ 10,142	$ —
Development expenditures		3,883	—
Capitalized interest	23	231	—
Transfers from investment properties	4	—	10,142
Balance, end of period		**$ 14,256**	$ 10,142

Note 9. Mortgages, Loans and Notes Receivable

($ thousands)	Note	As at June 30, 2022	As at December 31, 2021
Mortgages receivable classified as amortized cost(i)		**$ 302,110**	$ 89,944
Mortgages receivable classified as fair value through profit and loss ("FVTPL")		**171,301**	96,623
Loans receivable classified as amortized cost(i)		**168**	—
Notes receivable from GWL classified as amortized cost(i)	30	**24,407**	168,334
Mortgages, loans and notes receivable		**$ 497,986**	$ 354,901
Classified as:			
Expected to be recovered in more than twelve months		**$ 370,313**	$ 109,526
Expected to be recovered in less than twelve months		**127,673**	245,375
		$ 497,986	$ 354,901

(i) The fair value of the mortgages, loans and notes receivable classified as amortized cost was $316,500 (December 31, 2021 - $257,800) (Note 26).

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.

	June 30, 2022		December 31, 2021	
	Weighted average effective interest rate	**Weighted average term to maturity (years)**	Weighted average effective interest rate	Weighted average term to maturity (years)
Mortgages receivable	**4.69%**	**1.4**	7.11%	1.7
Loans receivable	**8.00 %**	**2.3**	— %	—
Total	**4.70%**	**1.4**	7.11%	1.7

Notes Receivable from GWL
Non-interest bearing short-term notes totalling $168,334 were repaid by GWL in January 2022 (Note 30). Non-interest-bearing short-term notes totalling $24,407 were issued during the six months ended June 30, 2022 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)	2022	2023	2024	2025	2026	Thereafter	Total
Principal repayments							
Mortgages receivable	$ 40,133	$ 367,526	$ 54,654	$ 3,364	$ —	$ 6,128	**$ 471,805**
Loans receivable	—	—	168	—	—	—	**168**
Notes receivable from GWL	—	24,407	—	—	—	—	**24,407**
Total principal repayments	**40,133**	**391,933**	**54,822**	**3,364**	**—**	**6,128**	**496,380**
Interest accrued	1,606	—	—	—	—	—	**1,606**
Total repayments	**$ 41,739**	**$ 391,933**	**$ 54,822**	**$ 3,364**	**$ —**	**$ 6,128**	**$ 497,986**

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

($ thousands)	Note	Mortgages receivable	Loans receivable	Notes receivable from GWL	June 30, 2022 Mortgages, loans and notes receivable	December 31, 2021 Mortgages, loans and notes receivable
Balance, beginning of period		$ 186,567	$ —	$ 168,334	**$ 354,901**	$ 263,946
Advances (i)		132,914	283	24,407	**157,604**	233,460
Repayments		(2,897)	(115)	—	**(3,012)**	(148,571)
Interest received		(4,302)	(1)	—	**(4,303)**	(7,912)
Total cash flow activities		125,715	167	24,407	**150,289**	76,977
Reversal of expected credit loss on mortgage receivable		—	—	—	**—**	1,502
Acquisition of interest in equity accounted joint venture upon settlement of mortgage receivable	5	(40,860)	—	—	**(40,860)**	(4,846)
Advance upon disposition of properties	3	193,155	—	—	**193,155**	6,098
Settlement against distributions payable		—	—	(168,334)	**(168,334)**	—
Interest accrued	21	8,834	1	—	**8,835**	11,224
Total non-cash activities		161,129	1	(168,334)	**(7,204)**	13,978
Balance, end of period		**$ 473,411**	**$ 168**	**$ 24,407**	**$ 497,986**	$ 354,901

(i) Advances in the quarter include advances to an entity in which the Trust is a partner. The funds advanced were used to acquire land for development within equity accounted joint venture.

Choice Properties invests in mortgages and loans to facilitate acquisitions. Credit risks arise if the borrowers default on repayment of their mortgages and loans to the Trust. Choice Properties' receivables, including mezzanine financings, are typically subordinate to prior ranking mortgage charges and generally represent equity financing for the Trust's co-owners or development partners. Not all 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.

On March 31, 2022, the Trust advanced a promissory note, with a face value of $200,000 (fair value of $193,155) as a part of the disposition of its interests in a portfolio of six office assets to Allied (Note 3). The note bears interest at a rate of 1% for the remainder of the 2022 calendar year and 2% subsequently until its maturity on December 31, 2023. The promissory note is included in the mortgages receivable as it is secured by the six office assets.

In April 2022, the Trust advanced $96,552 to an existing development partnership, in which it owns the majority stake. The funds were used to execute a strategic acquisition of a property adjacent to an existing development project in Caledon, Ontario.

In May 2022, the Trust exercised the equity conversion right on an existing mezzanine loan of $38,794. The mezzanine loan was partially converted into 75% ownership interest in 154 acres of future industrial development land located in East Gwillimbury, Ontario.

In June 2022, the Trust advanced a $3,364 mezzanine loan to a strategic partner. The loan is secured by two properties in Toronto, Ontario.

The Trust has issued approximately $470,690 of secured mortgages to third-party borrowers. These loans are with borrowers who are strategic partners and counterparties of the Trust and are secured by real property assets. In the event of a large commercial real estate market correction, the fair market value of an underlying property may be unable to support the investment. The Trust mitigates this risk by obtaining guarantees and registered mortgage charges, which are often cross-collateralized on several different commercial properties that are in various stages of development.

Note 10. Investment in Real Estate Securities

On March 31, 2022, the Trust disposed of six office assets to Allied (Note 3). As consideration, the Trust was issued 11,809,145 exchangeable Class B limited partnership units of Allied Properties Exchangeable Limited Partnership ("Class B Units"), an affiliated entity of Allied with a value of $550,660 on the transaction date, and a promissory note with a fair value of $193,155 (Note 9). Following the transaction, the Trust holds approximately an 8.5% effective interest in Allied through its ownership of the Class B Units. The Trust does not have significant influence over Allied.

The Class B Units are exchangeable into, and are economically equivalent to, the publicly traded units of Allied ("Allied Units"), and were accompanied by a corresponding number of special voting units of Allied. There are no restrictions on the exchange of Class B Units into Allied Units, but the Allied Units (if exchanged) are subject to a lock-up from the closing of the Transaction, such that 25% of the Class B Units or Allied Units, as applicable, will be released from lock up every three months following the first anniversary of closing of the Transaction. As a holder of the Class B Units, the Trust is entitled to distributions paid by Allied. For the three and six months ended June 30, 2022, the Trust recognized distribution income of $5,165 (June 30, 2021 - $nil) from its investment in Allied. The distributions are recorded as investment income.

The Class B Units are recorded at their fair value based on market trading prices of Allied's publicly traded units. A change of one dollar in the underlying price of Allied's publicly traded units would result in a change to the fair value of the investment in real estate securities and a corresponding change in net income of $11,809 (2021 - $nil). For the six months ended June 30, 2022, the Trust recognized a loss of $158,715 (June 30, 2021 - $nil) on its investment in Allied, due to the change in the price of Allied's publicly traded units. As at June 30, 2022 the Trust held 11,809,145 Class B Units with a value of $391,945 (December 31, 2021 - nil and $nil).

($ thousands)	**Six months ended June 30, 2022**	Year ended December 31, 2021
Balance, beginning of period	**$ —**	$ —
Acquired	**550,660**	—
Adjustment to fair value of investment in real estate securities	**(158,715)**	—
Balance, end of period	**$ 391,945**	$ —

Note 11. 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.

On March 31, 2022, the Trust disposed of six office assets to Allied (Note 3). Included in the disposal is a co-owned property, of which the Trust generates cash flow from property management fees. The Trust had recognized an intangible asset based on the expectation of these future cash flows. Accordingly, management de-recognized $5,631 (Note 3) to reflect the reduced value of the intangible asset resulting from the disposal of the co-owned property.

As at June 30, 2022, the carrying value was $21,869 (December 31, 2021 - $28,000), net of accumulated amortization of $2,500 (December 31, 2021 - $2,000), and the de-recognized amount $5,361 as noted above.

Note 12. Accounts Receivable and Other Assets

($ thousands)	Note		**As at June 30, 2022**		As at December 31, 2021
Rent receivables[i] - net of expected credit loss of $14,182 (2021 - $17,066)		**$**	**7,518**	$	12,815
Accrued recovery income			**20,285**		14,476
Lease receivable			**22,881**		22,351
Other receivables			**12,539**		13,711
Cost-to-complete receivable	30		**8,501**		8,501
Due from related parties[ii]	30		**530**		2,044
Restricted cash			**182,907**		239
Prepaid property taxes			**50,743**		4,465
Prepaid insurance			**4,661**		813
Other assets			**14,954**		18,335
Right-of-use assets - net of accumulated amortization of $1,539 (2021 - $1,290)			**2,339**		1,956
Deferred tax asset	16		**2,673**		2,673
Deferred acquisition costs and deposits on land			**8,383**		8,630
Designated hedging derivatives	26		**13,245**		3,266
Accounts receivable and other assets		**$**	**352,159**	$	114,275

Classified as:				
Expected to be recovered in more than twelve months	**$**	**51,993**	$	42,098
Expected to be recovered in less than twelve months		**300,166**		72,177
	$	**352,159**	$	114,275

(i) Includes net rent receivable of $2,485 from Loblaw, $nil from GWL and $nil from Wittington (December 31, 2021 - $1,474, $nil and $nil) (Note 30).
(ii) Other receivables due from related parties include $57 from Loblaw and $473 from GWL (December 31, 2021 - $2,044 and $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 continued uncertainty caused by COVID-19.

Restricted cash
As at June 30, 2022, restricted cash includes a $180,000 irrevocable defeasance payment made towards the Trust's outstanding credit facility balance. The administrative agent for the credit facility distributed the payment to the lenders upon maturity on July 4, 2022, at which point the liability was extinguished (Note 14).

In addition to the defeasance payment, restricted cash includes property-specific deposits held by the Trust's solicitors in the name of the Trust. These funds will be released upon funding the construction of the residential inventory projects, after posting the requisite security, or upon closing of such projects. Funds held in trust may also relate to certain funds held in escrow pursuant to agreements of purchase and sale, which are to be used for the acquisition of investment properties.

Note 13. Long Term Debt

($ thousands)		As at June 30, 2022		As at December 31, 2021
Senior unsecured debentures	**$**	**5,307,269**	$	5,107,760
Mortgages payable		**969,516**		1,109,344
Construction loans		**17,990**		12,906
Long term debt	**$**	**6,294,775**	$	6,230,010
Classified as:				
Expected to be settled in more than twelve months	**$**	**5,861,309**	$	5,711,500
Expected to be settled in less than twelve months		**433,466**		518,510
	$	**6,294,775**	$	6,230,010

Senior Unsecured Debentures

($ thousands)

Series	Issuance / Assumption Date	Maturity Date	Effective Interest Rate		As at June 30, 2022		As at December 31, 2021
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
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
Q	Nov. 30, 2021	Nov. 30, 2026	2.46%		**350,000**		350,000
R	Jun. 24, 2022	Jun. 24, 2032	6.00%		**500,000**		—
10	Jul. 4, 2013	Sep. 20, 2022	3.84%		**—**		300,000
D-C	May 4, 2018	Jan. 18, 2023	3.30%		**125,000**		125,000
Total principal outstanding					**5,325,000**		5,125,000
Debt discounts and premiums - net of accumulated amortization of $17,075 (2021 - $16,575)					**(460)**		(961)
Debt placement costs - net of accumulated amortization of $16,874 (2021 - $15,250)					**(17,271)**		(16,279)
Senior unsecured debentures				**$**	**5,307,269**	$	5,107,760

As at June 30, 2022, the senior unsecured debentures had a weighted average effective interest rate of 3.79% and a weighted average term to maturity of 5.7 years (December 31, 2021 - 3.56% and 5.4 years, respectively). Senior unsecured debentures Series B through Series R 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 24, 2022, the Trust completed a $500,000 offering on a private placement basis of the Series R senior unsecured debentures bearing interest at 6.003% per annum and maturing on June 24, 2032. The Trust used the net proceeds of the issuance to repay existing indebtedness, including the early redemption of the Trust's $300,000 aggregate principal amount of 3.84% Series 10 senior unsecured debentures on June 26, 2022, with an original maturity date of September 20, 2022. The Trust also used the proceeds to repay a portion of the balance drawn on the credit facility.

Mortgages Payable

($ thousands)		As at June 30, 2022		As at December 31, 2021
Mortgage principal	$	972,345	$	1,112,310
Net debt discounts and premiums - net of accumulated amortization of $5,992 (2021 - $5,968)		(1,324)		(1,300)
Debt placement costs - net of accumulated amortization of $518 (2021 - $307)		(1,505)		(1,666)
Mortgages payable	$	969,516	$	1,109,344

As at June 30, 2022, the mortgages had a weighted average effective interest rate of 3.77% and a weighted average term to maturity of 5.6 years (December 31, 2021 - 3.75% and 5.2 years, respectively).

Construction Loans

As at June 30, 2022, $17,990 was outstanding on the construction loans (December 31, 2021 - $12,906), with a weighted average effective interest rate of 2.37% and a weighted average term to maturity of 6.6 years which are due on demand (December 31, 2021 - 2.08% and 6.0 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 and fixed 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 $309,641, of which $243,951 relates to equity accounted joint ventures as at June 30, 2022 (December 31, 2021 - $293,151 and $227,462, respectively).

Schedules of Repayments and Cash Flow Activities

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

($ thousands)	2022	2023	2024	2025	2026	Thereafter	Total
Senior unsecured debentures	$ —	$ 575,000	$ 750,000	$ 550,000	$ 350,000	$ 3,100,000	$ 5,325,000
Mortgages payable	28,764	78,451	204,796	153,493	64,547	442,294	972,345
Construction loans	4,666	—	—	—	—	13,324	17,990
Total	$ 33,430	$ 653,451	$ 954,796	$ 703,493	$ 414,547	$ 3,555,618	$ 6,315,335

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

				June 30, 2022	December 31, 2021
($ thousands)	Senior unsecured debentures	Mortgages payable	Construction loans	Long term debt	Long term debt
Balance, beginning of period	$ 5,107,760	$ 1,109,344	$ 12,906	$ 6,230,010	$ 6,485,521
Issuances and advances	500,000	—	5,104	505,104	392,292
Repayments	(300,000)	(125,160)	(20)	(425,180)	(648,907)
Debt placement costs	(2,615)	(50)	—	(2,665)	(2,700)
Total cash flow activities	197,385	(125,210)	5,084	77,259	(259,315)
Assumed by purchaser	—	(14,805)	—	(14,805)	—
Amortization of debt discounts and premiums	500	(24)	—	476	687
Amortization of debt placement costs	1,624	211	—	1,835	3,117
Total non-cash activities	2,124	(14,618)	—	(12,494)	3,804
Balance, end of period	$ 5,307,269	$ 969,516	$ 17,990	$ 6,294,775	$ 6,230,010

Note 14. Credit Facility

($ thousands)		As at June 30, 2022		As at December 31, 2021
Credit facility				
$1,500,000 syndicated	**$**	**335,000**	$	—
Debt placement costs - net of accumulated amortization of $9,656 (2021 - $8,758)[(i)]		**(2,657)**		—
Credit facility	**$**	**332,343**	$	—
Classified as:				
Expected to be settled in more than twelve months	**$**	**332,343**	$	—
Expected to be settled in less than twelve months		**—**		—
	$	**332,343**	$	—

(i) At December 31, 2021, as there were no drawings under the syndicated facility, the unamortized balance for debt placement costs of $3,555 was included in other assets (Note 12).

Choice Properties has a $1,500,000 senior unsecured committed revolving credit facility maturing June 24, 2026, 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). The credit facility is subject to an annual commitment fee of approximately $3,500, however the fee is reduced in proportion to the amount drawn on the facility. As at June 30, 2022, $335,000 was drawn under the syndicated facility (December 31, 2021 - $nil).

On June 30, 2022 the Trust completed an irrevocable defeasance payment of $180,000 against the outstanding credit facility balance. The balance outstanding at June 30, 2022 comprises of banker's acceptances maturing on July 4, 2022. The administrative agent for the credit facility will distribute the payment to the lenders on the maturity date, at which point the liability will be extinguished. As at June 30, 2022, the Trust has recorded the irrevocable defeasance payment as restricted cash (Note 12).

The credit facility contains certain financial covenants. As at June 30, 2022, the Trust was in compliance with all its financial covenants for the credit facility.

Schedule of Cash Flow Activities

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

($ thousands)		June 30, 2022		December 31, 2021
Balance, beginning of period	**$**	**—**	$	—
Net advances of $1,500,000 syndicated credit facility		**335,000**		—
Extension fee included in debt placement costs		**—**		(1,832)
Total cash flow activities		**335,000**		(1,832)
Amortization of debt placement costs		**898**		1,614
Reclassified to (from) other assets		**(3,555)**		218
Total non-cash activities		**(2,657)**		1,832
Balance, end of period	**$**	**332,343**	$	—

Note 15. 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 June 30, 2022**		As at December 31, 2021	
($ thousands except where otherwise indicated)		**Units**	**Amount**	Units	Amount
Units, beginning of period		**327,588,847**	**$ 3,660,941**	326,941,663	$ 3,652,620
Units issued under unit-based compensation arrangements	18	**391,749**	**2,589**	837,071	9,332
Reclassification of vested Unit-Settled Restricted Units liability to equity		**—**	**1,257**	—	1,548
Units repurchased for unit-based compensation arrangements	18	**(222,147)**	**(3,449)**	(189,887)	(2,559)
Units, end of period		**327,758,449**	**$ 3,661,338**	327,588,847	$ 3,660,941
Exchangeable Units, beginning of period		**395,786,525**	**$ 6,011,997**	395,786,525	$ 5,149,182
Adjustment to fair value of Exchangeable Units		**—**	**(451,197)**	—	862,815
Exchangeable Units, end of period		**395,786,525**	**$ 5,560,800**	395,786,525	$ 6,011,997
Total Units and Exchangeable Units, end of period		**723,544,974**		723,375,372	

Normal Course Issuer Bid ("NCIB")
Choice Properties may from time to time purchase Units in accordance with the rules prescribed under applicable stock exchange or regulatory policies. On November 17, 2021, Choice Properties received approval from the TSX to purchase up to 27,558,665 Units during the twelve-month period from November 19, 2021 to November 18, 2022, 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 18).

Units Repurchased for Unit-Based Compensation Arrangement
The Trust acquired Units under its NCIB during the six months ended June 30, 2022 and the year ended December 31, 2021, 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 16). 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 six months ended June 30, 2022, Choice Properties declared cash distributions of $0.370 per unit (June 30, 2021 - $0.370), or $267,693 in aggregate, including distributions to holders of Exchangeable Units, which are reported as interest expense (June 30, 2021 - $267,473). 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. 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.

Note 16. 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		Six Months	
($ thousands)	**June 30, 2022**	June 30, 2021	**June 30, 2022**	June 30, 2021
Current income tax recovery (expense)	**$ (4)**	$ —	**$ (6)**	$ (7)
Income tax expense	**$ (4)**	$ —	**$ (6)**	$ (7)

A deferred income tax asset of $2,673 (Note 12) 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, 2021 - $2,673).

Note 17. Trade Payables and Other Liabilities

($ thousands)	Note		**As at June 30, 2022**		As at December 31, 2021
Trade accounts payable		**$**	**38,642**	$	40,283
Accrued liabilities and provisions			**105,709**		106,744
Accrued acquisition transaction costs and other related expenses			**39,264**		38,643
Accrued capital expenditures			**45,003**		67,967
Accrued interest expense			**50,231**		53,402
Due to related party(i)	30		**50,613**		193,927
Contingent consideration			**16,485**		38,843
Unit-based compensation	18		**10,670**		14,285
Distributions payable(ii)			**20,386**		20,344
Lease liabilities			**2,268**		1,920
Tenant deposits			**21,071**		21,960
Deferred revenue			**19,708**		20,162
Designated hedging derivatives	26		**50**		1,925
Trade payables and other liabilities		**$**	**420,100**	$	620,405
Classified as:					
Expected to be settled in more than twelve months		**$**	**20,446**	$	22,332
Expected to be settled in less than twelve months			**399,654**		598,073
		$	**420,100**	$	620,405

(i) Includes distributions accrued on Exchangeable Units of $48,814 payable to GWL (December 31, 2021 - $192,741); $1,376 payable for shared costs incurred by GWL, the Services Agreement expense and other related party charges (December 31, 2021 - $835); and $596 of reimbursed contract revenue and other related party charges payable to Loblaw (December 31, 2021 - $351).

(ii) Includes distributions payable to GWL of $3,124 and Wittington of $1,018 (December 31, 2021 - $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. 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 $16,485 as at June 30, 2022.

Note 18. Unit-Based Compensation

	Three Months		Six Months	
($ thousands)	**June 30, 2022**	June 30, 2021	**June 30, 2022**	June 30, 2021
Unit Option plan	**$ (506)**	$ 805	**$ (138)**	$ 644
Restricted Unit plans	**407**	2,387	**1,410**	2,893
Performance Unit plan	**87**	305	**746**	450
Trustee Deferred Unit plan	**(551)**	761	**191**	1,095
Unit-based compensation expense	**$ (563)**	$ 4,258	**$ 2,209**	$ 5,082
Recorded in:				
General and administrative expenses	**$ 1,501**	$ 1,376	**$ 3,207**	$ 2,677
Adjustment to fair value of unit-based compensation	**(2,064)**	2,882	**(998)**	2,405
	$ (563)	$ 4,258	**$ 2,209**	$ 5,082

As at June 30, 2022, the carrying value of the unit-based compensation liability was $10,670 (December 31, 2021 - $14,285) (Note 17).

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:

	Six months ended June 30, 2022		Year ended December 31, 2021	
	Number of awards	**Weighted average exercise price/unit**	Number of awards	Weighted average exercise price/unit
Outstanding Unit Options, beginning of the period	**435,456**	**$ 12.84**	1,082,640	$ 12.54
Exercised	**(169,602)**	**13.97**	(647,184)	12.34
Cancelled	**—**	**—**	—	—
Expired	**—**	**—**	—	—
Outstanding Unit Options, end of the period	**265,854**	**$ 12.11**	435,456	$ 12.84
Unit Options exercisable, end of the period	**265,854**	**$ 12.11**	292,592	$ 13.13

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 June 30, 2022 (December 31, 2021 - nil).

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

(Number of awards)	**Six months ended June 30, 2022**	Year ended December 31, 2021
Outstanding Restricted Units, beginning of the period	**439,574**	405,713
Granted	**90,880**	119,134
Reinvested	**8,694**	22,014
Exercised	**(237,983)**	(104,563)
Cancelled	**(4,863)**	(2,724)
Outstanding Restricted Units, end of the period	**296,302**	439,574

Unit-Settled Restricted Unit Plan
Under the terms of the Unit-Settled Restricted Unit ("URU") plan, certain employees are granted URUs which are subject to vesting conditions and disposition restrictions. Typically, full vesting of the URUs will not occur until the employee has remained with Choice Properties for three or five years from the date of grant. Depending on the nature of the grant, the URUs are subject to a six- or seven-year holding period during which the Units cannot be disposed. There were 1,054,069 URUs vested but still subject to disposition restrictions as at June 30, 2022 (December 31, 2021 - 996,896).

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

(Number of awards)	**Six months ended June 30, 2022**	Year ended December 31, 2021
Outstanding Unit-Settled Restricted Units, beginning of the period	**600,919**	588,534
Granted	**230,682**	189,887
Vested	**(151,847)**	(177,502)
Outstanding Unit-Settled Restricted Units, end of the period	**679,754**	600,919

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 June 30, 2022 (December 31, 2021 - nil).

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

(Number of awards)	**Six months ended June 30, 2022**	Year ended December 31, 2021
Outstanding Performance Units, beginning of the period	**197,609**	135,695
Granted	**85,221**	82,847
Reinvested	**5,669**	9,403
Exercised	**(62,753)**	(30,336)
Cancelled	**(1,805)**	—
Added by performance factor	**15,475**	—
Outstanding Performance Units, end of the period	**239,416**	197,609

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)	**Six months ended June 30, 2022**	Year ended December 31, 2021
Outstanding Trustee Deferred Units, beginning of the period	**389,462**	368,290
Granted	**44,420**	82,969
Reinvested	**9,881**	18,942
Exercised	**—**	(80,739)
Outstanding Trustee Deferred Units, end of the period	**443,763**	389,462

Note 19. Rental Revenue

Rental revenue is comprised of the following:

	Three Months			Six Months		
($ thousands)	Related Parties(i)	Third-party	June 30, 2022	Related Parties(i)	Third-party	June 30, 2022
Base rent	$ 129,091	$ 83,306	$ 212,397	$ 258,143	$ 173,331	$ 431,474
Property tax and insurance recoveries	37,220	24,456	61,676	74,426	50,399	124,825
Operating cost recoveries	17,724	18,062	35,786	36,381	41,314	77,695
Lease surrender and other revenue	11	3,211	3,222	20	7,116	7,136
Rental revenue	**$ 184,046**	**$ 129,035**	**$ 313,081**	**$ 368,970**	**$ 272,160**	**$ 641,130**

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

	Three Months			Six Months		
($ thousands)	Related Parties(i)	Third-party	June 30, 2021	Related Parties(i)	Third-party	June 30, 2021
Base rent	$ 132,040	$ 89,223	$ 221,263	$ 263,749	$ 178,079	$ 441,828
Property tax and insurance recoveries	38,001	26,682	64,683	76,113	52,975	129,088
Operating cost recoveries	14,090	20,954	35,044	30,142	42,917	73,059
Lease surrender and other revenue	16	2,930	2,946	32	6,468	6,500
Rental revenue	$ 184,147	$ 139,789	$ 323,936	$ 370,036	$ 280,439	$ 650,475

(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 20. Property Operating Costs

	Three Months		Six Months	
($ thousands)	**June 30, 2022**	June 30, 2021	**June 30, 2022**	June 30, 2021
Property taxes and insurance	**$ 65,349**	$ 68,878	**$ 132,346**	$ 137,731
Recoverable operating costs	**25,174**	25,145	**56,880**	54,280
Non-recoverable operating costs	**780**	2,032	**1,628**	4,180
Property operating costs	**$ 91,303**	$ 96,055	**$ 190,854**	$ 196,191

Included in non-recoverable operating expenses are expected credit losses of $451 for the six months ended June 30, 2022, respectively (2021 - $3,180, respectively). Refer to Note 12 for discussion on rents receivable and the related expected credit losses.

Note 21. Interest Income

($ thousands)	Note	Three Months June 30, 2022	Three Months June 30, 2021	Six Months June 30, 2022	Six Months June 30, 2021
Interest income from mortgages and loans receivable(i)	9	**$ 5,357**	$ 2,568	**$ 8,835**	$ 5,277
Interest income earned from financial real estate assets		**1,307**	1,017	**2,603**	2,117
Interest income (expense) from financial real estate assets due to changes in value	7	**(4,835)**	301	**(2,474)**	301
Other interest income		**154**	642	**510**	981
Interest income		**$ 1,983**	$ 4,528	**$ 9,474**	$ 8,676

(i) Interest income from mortgages and loans receivable includes accretion income in relation to the promissory note issued to Allied of $1,241 for the three and six months ended June 30, 2022 (2021 - $nil and $nil)

Note 22. Fee Income

($ thousands)	Note	Three Months June 30, 2022	Three Months June 30, 2021	Six Months June 30, 2022	Six Months June 30, 2021
Fees charged to related party	30	**$ 63**	$ 63	**$ 125**	$ 190
Fees charged to third parties		**633**	863	**1,662**	1,775
Fee income		**$ 696**	$ 926	**$ 1,787**	$ 1,965

Note 23. Net Interest Expense and Other Financing Charges

($ thousands)	Note	Three Months June 30, 2022	Three Months June 30, 2021	Six Months June 30, 2022	Six Months June 30, 2021
Interest on senior unsecured debentures		**$ 45,990**	$ 47,239	**$ 91,022**	$ 94,153
Interest on mortgages and construction loans		**9,733**	11,804	**20,594**	23,890
Interest on credit facility		**2,267**	891	**3,119**	1,788
Interest on right-of-use lease liabilities		**21**	37	**39**	76
Amortization of debt discounts and premiums	13	**230**	113	**477**	223
Amortization of debt placement costs	13,14	**1,428**	1,141	**2,732**	2,183
Distributions on Exchangeable Units(i)	30	**73,221**	73,221	**146,442**	146,442
		132,890	134,446	**264,425**	268,755
Less: Capitalized interest(ii)	4,8	**(657)**	(667)	**(1,389)**	(1,413)
Net interest expense and other financing charges		**$ 132,233**	$ 133,779	**$ 263,036**	$ 267,342

(i) Represents interest on indebtedness due to GWL.
(ii) Interest was capitalized to qualifying development projects based on a weighted average interest rate of 3.63% (2021 - 3.67%).

Note 24. General and Administrative Expenses

($ thousands)	Note	Three Months June 30, 2022	Three Months June 30, 2021	Six Months June 30, 2022	Six Months June 30, 2021
Salaries, benefits and employee costs[(i)]		**$ 10,933**	$ 10,507	**$ 23,405**	$ 21,495
Investor relations and other public entity costs		**832**	684	**1,389**	1,287
Professional fees		**835**	1,027	**1,684**	2,126
Information technology costs		**2,022**	1,557	**3,290**	3,061
Services Agreement charged by related party	30	**975**	799	**1,950**	1,598
Amortization of other assets		**299**	293	**618**	581
Office related costs		**355**	430	**648**	820
Other		**563**	401	**865**	494
Total		**16,814**	15,698	**33,849**	31,462
Less: Allocated to recoverable operating expenses		**(5,669)**	(6,190)	**(11,864)**	(12,380)
General and administrative expenses		**$ 11,145**	$ 9,508	**$ 21,985**	$ 19,082

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

Note 25. Other Fair Value Gains (Losses), Net

($ thousands)	Note	Three Months June 30, 2022	Three Months June 30, 2021	Six Months June 30, 2022	Six Months June 30, 2021
Adjustment to fair value of unit-based compensation	18	**$ 2,064**	$ (2,882)	**$ 998**	$ (2,405)
Other fair value gains (losses), net		**$ 2,064**	$ (2,882)	**$ 998**	$ (2,405)

Note 26. 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 June 30, 2022				As at December 31, 2021			
($ 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	$ —	$ —	$ 171,301	$ 171,301	$ —	$ —	$ 96,623	$ 96,623
Lease receivable	12	—	—	22,881	22,881	—	—	22,351	22,351
Financial real estate assets	7	—	—	102,876	102,876	—	—	86,603	86,603
Investment in real estate securities	10	391,945	—	—	391,945	—	—	—	—
Designated hedging derivatives	12	—	13,245	—	13,245	—	3,266	—	3,266
Amortized cost:									
Mortgages, loans and notes receivable - SPPI	9	—	—	316,500	316,500	—	—	257,800	257,800
Cash and cash equivalents	27 (c)	—	19,941	—	19,941	—	84,304	—	84,304
Liabilities									
Fair value through profit and loss:									
Exchangeable Units	15	—	5,560,800	—	5,560,800	—	6,011,997	—	6,011,997
Unit-based compensation	18	—	10,670	—	10,670	—	14,285	—	14,285
Designated hedging derivatives	17	—	50	—	50	—	1,925	—	1,925
Amortized cost:									
Long term debt	13	—	—	5,979,083	5,979,083	—	—	6,526,570	6,526,570
Credit facility	14	—	332,343	—	332,343	—	—	—	—

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 six months ended June 30, 2022, an interest rate swap was settled upon maturity of the underlying variable rate mortgage. As at June 30, 2022, the interest rates ranged from 2.8% to 4.4% (December 31, 2021 - 2.8% to 4.4%).

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

($ thousands)	Note	Maturity Date	Notional Amount	As at June 30, 2022	As at December 31, 2021
Derivative assets					
Interest rate swaps	12	May 2023 - Jun 2030	$ 160,689	$ 13,245	$ 3,266
Derivative liabilities					
Interest rate swaps	17	August 2022	14,488	50	1,925

During the six months ended June 30, 2022, the Trust recorded an unrealized fair value gain in other comprehensive income of $11,854 (June 30, 2021 - unrealized fair value gain of $3,622).

Note 27. Supplemental Cash Flow Information

(a) Items not affecting cash and other items

		Three Months		Six Months	
($ thousands)	Note	**June 30, 2022**	June 30, 2021	**June 30, 2022**	June 30, 2021
Straight line rental revenue	4	**$ (210)**	$ (2,658)	**$ (721)**	$ (7,135)
Unit based compensation expense included in general and administrative expenses	18	**1,501**	1,376	**3,207**	2,677
Amortization of intangible assets	11	**250**	250	**500**	500
Adjustment to fair value of Exchangeable Units	15	**(569,933)**	288,924	**(451,197)**	506,607
Adjustment to fair value of investment properties	4	**523,775**	(268,855)	**221,532**	(327,598)
Adjustment to fair value of investment in real estate securities	10	**158,715**	—	**158,715**	—
Other fair value (gains) losses, net	25	**(2,064)**	2,882	**(998)**	2,405
Items not affecting cash and other items		**$ 112,034**	$ 21,919	**$ (68,962)**	$ 177,456

(b) Net change in non-cash working capital

		Three Months		Six Months	
($ thousands)	Note	**June 30, 2022**	June 30, 2021	**June 30, 2022**	June 30, 2021
Net change in accounts receivable and other assets		**(21,765)**	(24,697)	**(50,828)**	(26,589)
Net change in trade payables and other liabilities		**(24,412)**	(34,967)	**(28,883)**	(19,229)
Net change in non-cash working capital		**$ (46,177)**	$ (59,664)	**$ (79,711)**	$ (45,818)

(c) Cash and cash equivalents

($ thousands)	**As at June 30, 2022**	As at December 31, 2021
Cash	**$ 19,941**	$ 84,304
Cash and cash equivalents	**$ 19,941**	$ 84,304

Note 28. Segment Information

Choice Properties operates in three reportable segments: retail, industrial and mixed-use, residential, and other. The segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker ("CODM"), determined to be the senior leadership team, which is comprised of the Chief Executive Officer ("CEO"), the Chief Financial Officer ("CFO") and Executive Vice President ("EVP") of the Trust. The CODM measures and evaluates the performance of the Trust based on net rental income.

In the first quarter of 2022, the Trust disposed of a portfolio of six office assets to Allied (Note 3), significantly reducing the size of its office portfolio. Concurrent with the disposition the Trust revised its internal reporting structure, combining its remaining office properties and residential properties into the mixed-use, residential, and other segment. Segment information for the period ended June 30, 2021 has been revised to reflect this change.

The table below presents net rental income for the three months ended June 30, 2022, in a manner consistent with internal reporting. The accounting policies of the segments presented here are the same as those described in Note 2 of the annual financial statements, except that segment rental revenue and segment property operating costs include the proportionate share of revenues and property operating costs of joint ventures and financial real estate assets.

($ thousands)	**Retail**	**Industrial**	**Mixed-Use, Residential & Other**	**Consolidation and eliminations[i]**	**Three months ended June 30, 2022**
Rental revenue	**$ 259,033**	**$ 51,391**	**$ 20,991**	**$ (18,334)**	**$ 313,081**
Property operating costs	**(74,486)**	**(13,649)**	**(9,344)**	**6,176**	**(91,303)**
Net Rental Income	**184,547**	**37,742**	**11,647**	**(12,158)**	**221,778**

(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 rental income for the three months ended June 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, except that segment rental revenue and segment property operating costs include the proportionate share of revenues and property operating costs of joint ventures and financial real estate assets.

	(restated)				
($ thousands)	Retail	Industrial	Mixed-Use, Residential & Other	Consolidation and eliminations[i]	Three months ended June 30, 2021
Rental revenue	$ 255,009	$ 50,555	$ 33,293	$ (14,921)	$ 323,936
Property operating costs	(75,731)	(12,767)	(13,016)	5,459	(96,055)
Net Rental Income	179,278	37,788	20,277	(9,462)	227,881

(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 rental income for the six months ended June 30, 2022, in a manner consistent with internal reporting. The accounting policies of the segments presented here are the same as those described in Note 2 of the annual financial statements, except that segment rental revenue and segment property operating costs include the proportionate share of revenues and property operating costs of joint ventures and financial real estate assets.

($ thousands)	**Retail**	**Industrial**	**Mixed-Use, Residential & Other**	**Consolidation and eliminations(i)**	**Six months ended June 30, 2022**
Rental revenue	**$ 518,624**	**$ 102,847**	**$ 55,052**	**$ (35,393)**	**$ 641,130**
Property operating costs	**(151,650)**	**(27,444)**	**(24,698)**	**12,938**	**(190,854)**
Net Rental Income	**366,974**	**75,403**	**30,354**	**(22,455)**	**450,276**

(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 rental income for the six months ended June 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, except that segment rental revenue and segment property operating costs include the proportionate share of revenues and property operating costs of joint ventures and financial real estate assets.

	(restated)				
($ thousands)	Retail	Industrial	Mixed-Use, Residential & Other	Consolidation and eliminations(i)	Six months ended June 30, 2021
Rental revenue	$ 513,045	$ 101,558	$ 65,862	$ (29,990)	$ 650,475
Property operating costs	(154,658)	(25,904)	(26,980)	11,351	(196,191)
Net Rental Income	358,387	75,654	38,882	(18,639)	454,284

(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 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 June 30, 2022, the aggregate gross potential liability related to these letters of credit totalled $33,207 (December 31, 2021 - $32,579).

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

c. Commitments

Choice Properties has entered into contracts for development and property capital projects and has other contractual obligations. The Trust is committed to future payments of approximately $392,000, of which $128,000 relates to equity accounted joint ventures as at June 30, 2022 (December 31, 2021 - $436,000 and $26,000, respectively).

d. Contingent Liabilities

The Trust held debt obligations in the amount of $248,131 in its equity accounted joint ventures as at June 30, 2022 (December 31, 2021 - $250,051). 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 June 30, 2022, 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 June 30, 2022. 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 six months ended June 30, 2022, GWL provided Choice Properties with corporate, administrative and other support services for an annualized cost of $3,901 (2021 - $3,094).

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 six months ended June 30, 2022, distributions declared on the Exchangeable Units totalled $73,221 and $146,442 (June 30, 2021 - $73,221 and $146,442).

As at June 30, 2022, Choice Properties had distributions on Exchangeable Units payable to GWL of $48,814 (December 31, 2021 - 192,741). The payable to GWL includes deferred distributions of $24,407 to be paid on the first business day of the 2023 fiscal year (December 31, 2021 - $168,334).

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 six months ended June 30, 2022, GWL elected to receive one month of distributions from Choice Properties Limited Partnership in the form of loans. As such, non-interest bearing short-term notes totalling $24,407 were issued during the six months ended June 30, 2022 to GWL. Non-interest bearing short-term notes totalling $168,334 with respect to the loans received in the 2021 fiscal year were settled against distributions payable by the Trust to GWL in January 2022.

Trust Unit Distributions
During the three and six months ended June 30, 2022, Choice Properties declared cash distributions of $9,373 and $18,745 on the Units held by GWL (June 30, 2021 - $9,373 and $18,745). As at June 30, 2022, $3,124 of Trust Unit distributions declared were payable to GWL (December 31, 2021 - $3,124). There were no non-cash distributions settled through the issuance of additional Trust Units during the six months ended June 30, 2022 (June 30, 2021 - $nil).

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		Six Months	
($ thousands)	Note	**June 30, 2022**	June 30, 2021	**June 30, 2022**	June 30, 2021
Rental revenue	19	**$ 756**	$ 2,985	**$ 1,514**	$ 6,406
Services Agreement expense	24	**(975)**	(799)	**(1,950)**	(1,598)
Distributions on Exchangeable Units	23	**(73,221)**	(73,221)	**(146,442)**	(146,442)

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

($ thousands)	Note	As at June 30, 2022	As at December 31, 2021
Notes receivable	9	**$ 24,407**	$ 168,334
Other receivables	12	**473**	—
Exchangeable Units	15	**(5,560,800)**	(6,011,997)
Accrued liabilities	17	**(1,376)**	(835)
Distributions payable on Exchangeable Units	17	**(48,814)**	(192,741)
Distributions payable on Trust Units	17	**(3,124)**	(3,124)
Due to GWL and subsidiaries		**$ (5,589,234)**	$ (6,040,363)

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 initial term of the Strategic Alliance Agreement is expiring on July 5, 2023. Upon expiry, the Strategic Alliance Agreement is automatically renewed until the earlier of July 5, 2033 or the date on which GWL or its affiliates have ceased to own 50% or more of the Trust on a fully diluted basis. The Strategic Alliance Agreement provides Choice Properties with important rights that are expected to meaningfully contribute to the Trust's growth. Subject to certain exceptions, rights include:

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

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

Leases
Subsequent to the second quarter, the Trust and Loblaw renewed 42 of 44 retail leases from the initial public offering portfolio expiring in 2023, comprising 2.9 million of 3.1 million square feet, at a weighted extension term of 7.7 years.

Acquisitions
During six months ended June 30, 2022, Choice Properties acquired two financial real estate assets for an aggregate purchase price $17,210, excluding transaction costs and a development property for a purchase price of $25,663, excluding transaction costs from Loblaw.

Dispositions
During six months ended June 30, 2022, Choice Properties disposed of 1 retail properties which had a Loblaw lease for a sale price of $25,750, excluding transaction costs.

Site Intensification Payments
Choice Properties compensated Loblaw with intensification payments of $1,765 in connection with completed gross leasable area for which tenants took possession during the six months ended June 30, 2022 (December 31, 2021 - $2,208).

Transaction Summary as Reflected in the Consolidated Financial Statements
Loblaw is the largest tenant for Choice Properties, representing approximately 57.2% of Choice Properties' rental revenue for the six months ended June 30, 2022 (June 30, 2021 - 55.8%) and 57.4% of its gross leasable area as at June 30, 2022 (June 30, 2021 - 55.2%). Transactions with Loblaw recorded in the consolidated statements of income (loss) and comprehensive income (loss) were comprised as follows:

		Three Months		Six Months	
($ thousands)	Note	**June 30, 2022**	June 30, 2021	**June 30, 2022**	June 30, 2021
Rental revenue	19	**$ 182,925**	$ 180,758	**$ 366,721**	$ 362,834
Fee income	22	**—**	—	**—**	65

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

($ thousands)	Note	**As at June 30, 2022**	As at December 31, 2021
Rent receivable	12	**$ 2,485**	$ 1,474
Other receivables	12	**57**	2,044
Accrued liabilities	17	**(172)**	(85)
Construction allowances payable	17	**(18,133)**	—
Reimbursed contract payable	17	**(424)**	(266)
Due from (to) Loblaw		**$ (16,187)**	$ 3,167

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 six months ended June 30, 2022, Choice Properties declared cash distributions of $3,052 and $6,105 on the Units held by Wittington (June 30, 2021 - $3,052 and $6,105). As at June 30, 2022, $1,018 of Trust Unit distributions declared were payable to Wittington (December 31, 2021 - $1,018). There were no non-cash distributions settled through the issuance of additional Trust Units during the six months ended June 30, 2022 and 2021.

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		Six Months	
($ thousands)	Note	**June 30, 2022**	June 30, 2021	**June 30, 2022**	June 30, 2021
Rental revenue	19	**$ 365**	$ 404	**$ 735**	$ 796
Fee income	22	**63**	63	**125**	125

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

($ thousands)	Note	**As at June 30, 2022**	As at December 31, 2021
Cost-to-complete receivable	12	**$ 8,501**	$ 8,501
Distributions payable	17	**(1,018)**	(1,018)
Due from Wittington and subsidiaries		**$ 7,483**	$ 7,483

Transactions and Agreements with other related parties

Mortgages receivable

As at June 30, 2022, $125,617 of mortgages receivable included within mortgages, loans and notes receivable were to entities which the Trust has an ownership interest in (December 31, 2021 - $9,378).

Corporate Profile

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

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

Conference Call and Webcast

Management will host a conference call on Friday, July 22, 2022 at 9:00AM (ET) with a simultaneous audio webcast. To access via teleconference, please dial (240) 789-2714 or (888) 330-2454 and enter the event passcode: 4788974. The link to the audio webcast will be available on www.choicereit.ca/events-webcasts.

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Stock Exchange Listing and Symbol

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

Distribution Policy

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

Registrar and Transfer Agent

TSX Trust Company
P.O. Box 700, Station B
Montreal, QC, H3B 3K3
Tel: (416) 682-3860 (outside of Canada and US)
Tel toll free: 1-800-387-0825 (Canada and US)
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Investor Relations

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

Ce rapport est disponible en français.

Value for Generations

ChoiceProperties

Head Office

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