



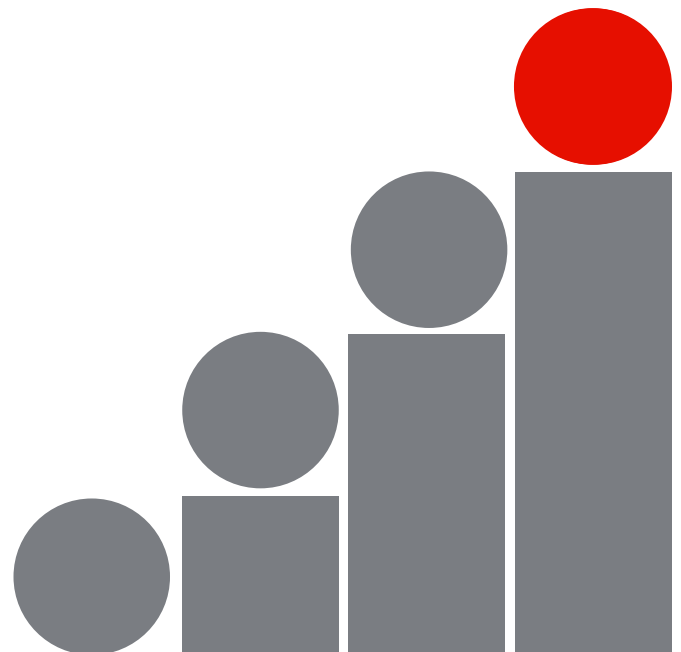
West Block
Toronto, ON

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.

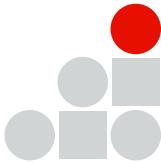
We aspire to develop healthy, resilient communities through our dedication to social, economic, and environmental sustainability. In everything we do, we are guided by a shared set of values grounded in Care, Ownership, Respect and Excellence.



Stability and Growth

Choice Building Blocks

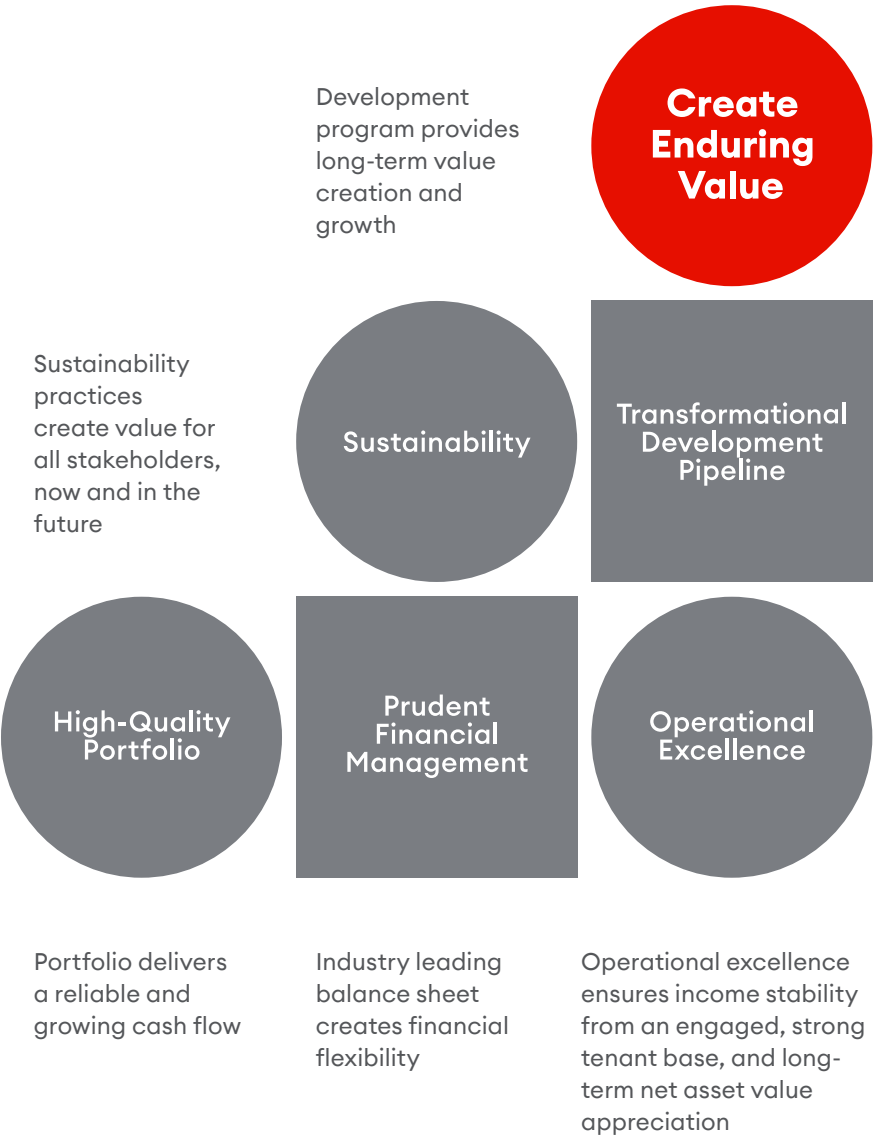
Our Choice Building Blocks illustrate our strategic framework, which aims to deliver stability and growth to our stakeholders.



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.



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



“Supported by our high-quality tenants, necessity-based portfolio and an industry leading balance sheet, we continue to be well positioned in the current economic environment.”

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

Table of Contents

Corporate Profile

Purpose	2
Business Strategy	3

Management's Discussion & Analysis

Notes for Readers	6
High-Quality Portfolio	8
Operational Excellence	14
Transformational Development Program	16
Environment, Social & Governance Program	20
Prudent Financial Management	22

Financial Review

Key Performance Indicators and Financial Information	29
Balance Sheet	30
Investment Properties	32
Liquidity and Capital Resources	47
Results of Operations	55
Leasing Activity	59
Results of Operations Segment Information	62
Quarterly Results of Operations	69
Related Party Transactions	70
Internal Control Over Financial Reporting	71
Enterprise Risks and Risk Management	71
Environmental, Social and Governance (ESG)	72
Outlook	73
Non-GAAP Financial Measures	74

Notes for Readers

Please refer to the Choice Properties Real Estate Investment Trust (“Choice Properties” or the “Trust”) unaudited interim period condensed consolidated financial statements for the three and nine months ended September 30, 2022 and accompanying notes (“Q3 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’ Q3 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 Third Quarter Report, including this MD&A, contains forward-looking statements about Choice Properties’ objectives, plans, goals, aspirations, strategies, financial condition, results of operations, cash flows, performance, prospects, opportunities, and legal and regulatory matters. Specific statements with respect to anticipated future results and events can be found in various sections of this MD&A, including but not limited to, Section 3, “Investment Properties”, Section 5, “Results of Operations”, Section 6, “Leasing Activity”, Section 7, “Results of Operations - Segment Information”, 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 effectively develop and execute against its near and long-term strategies, including the acquisition and disposition of properties and the Trust’s environmental and social equity initiatives;
- 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 September 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.

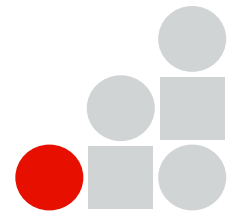
The information in this MD&A is current to November 9, 2022, unless otherwise noted.

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

301 Moore Avenue
Toronto, ON



High-Quality Portfolio



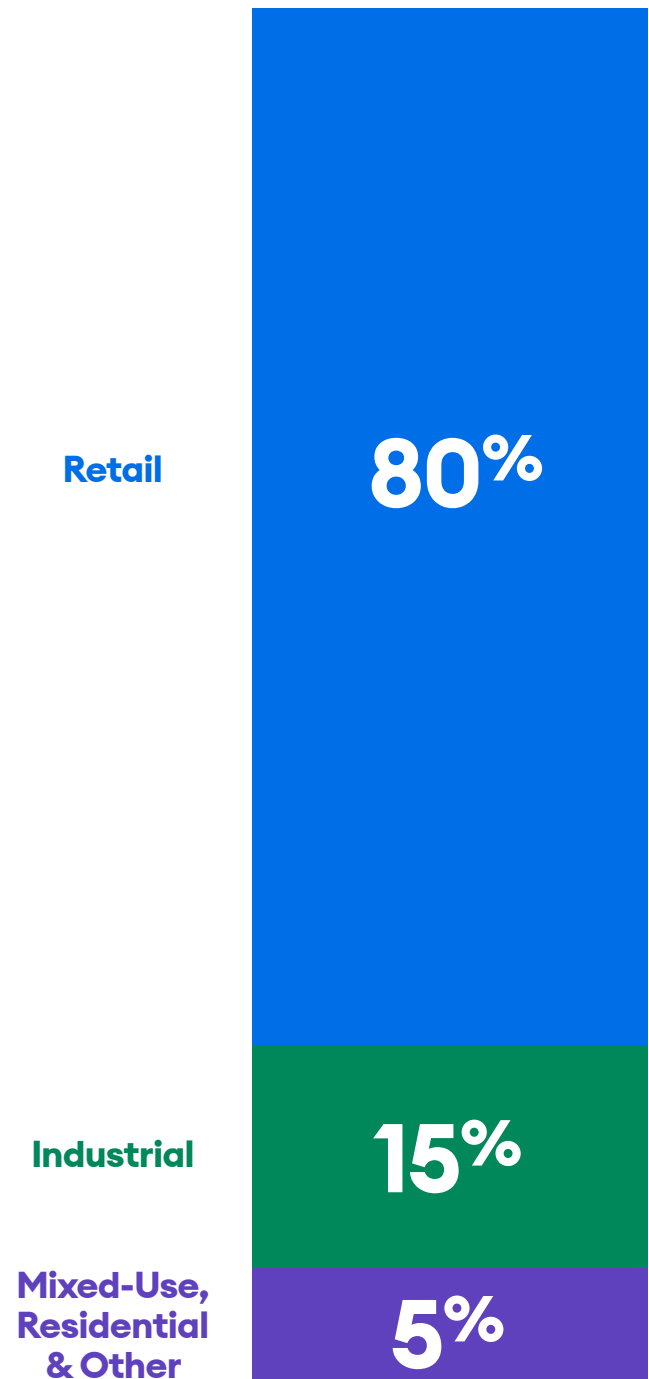
Canada's Largest REIT

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

64.0M
Sq. Ft. of GLA

Portfolio Asset Mix by Asset Class⁽ⁱ⁾



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

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. 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 Sobey's metro Rexall save on foods
Specialty Retailers	6%	CANADIAN TIRE staples Indigo petvalu BEST BUY Michaels Made by you™
Value Retailers	5%	DOLLARAMA Walmart COSTCO WHOLESALE WINNERS GIANT TIGER DOLLAR TREE
Essential Personal Service	5%	LCBO TD Scotiabank. SAO CIBC RBC
Fitness & Other Personal Services	4%	GoodLife FITNESS LAIFITNESS. Orangetheory FITNESS H&R BLOCK Great Clips IT'S GONNA BE GREAT KUMON
Restaurants and Cafes	4%	RECIPE rbi restaurant brands international Starbucks McDonald's ACW SUBWAY
Furniture & Home	4%	LOWE'S Leon's HOMESENSE Incredible finds. Exceptional prices. SleepCountry THE HOME DEPOT BED BATH & BEYOND
Other	2%	
Total	100%	

Calculated as a % of total NOI on a cash basis⁽¹⁾ for the three months ended September 30, 2022

Growing Industrial Portfolio

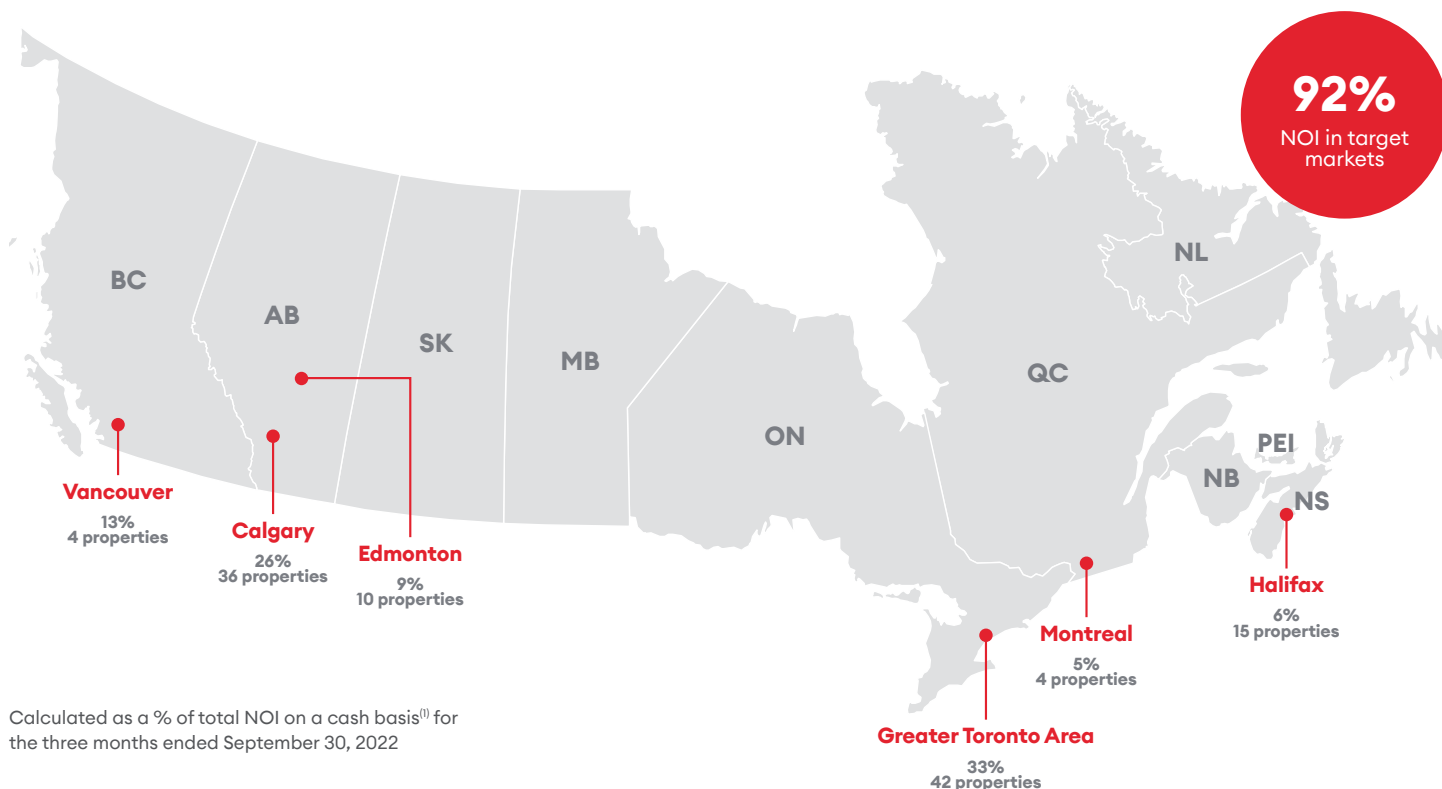
Choice Properties' industrial portfolio is centered around large, purpose-built distribution facilities for Loblaw and high-quality "generic" industrial assets that readily accommodate the diverse needs of a broad range of tenants. The term "generic" refers to a product that appeals to a wide range of potential users, so that the leasing or re-leasing timeframe 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 our 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⁽¹⁾ for the three months ended September 30, 2022

Mixed-Use, Residential & Other

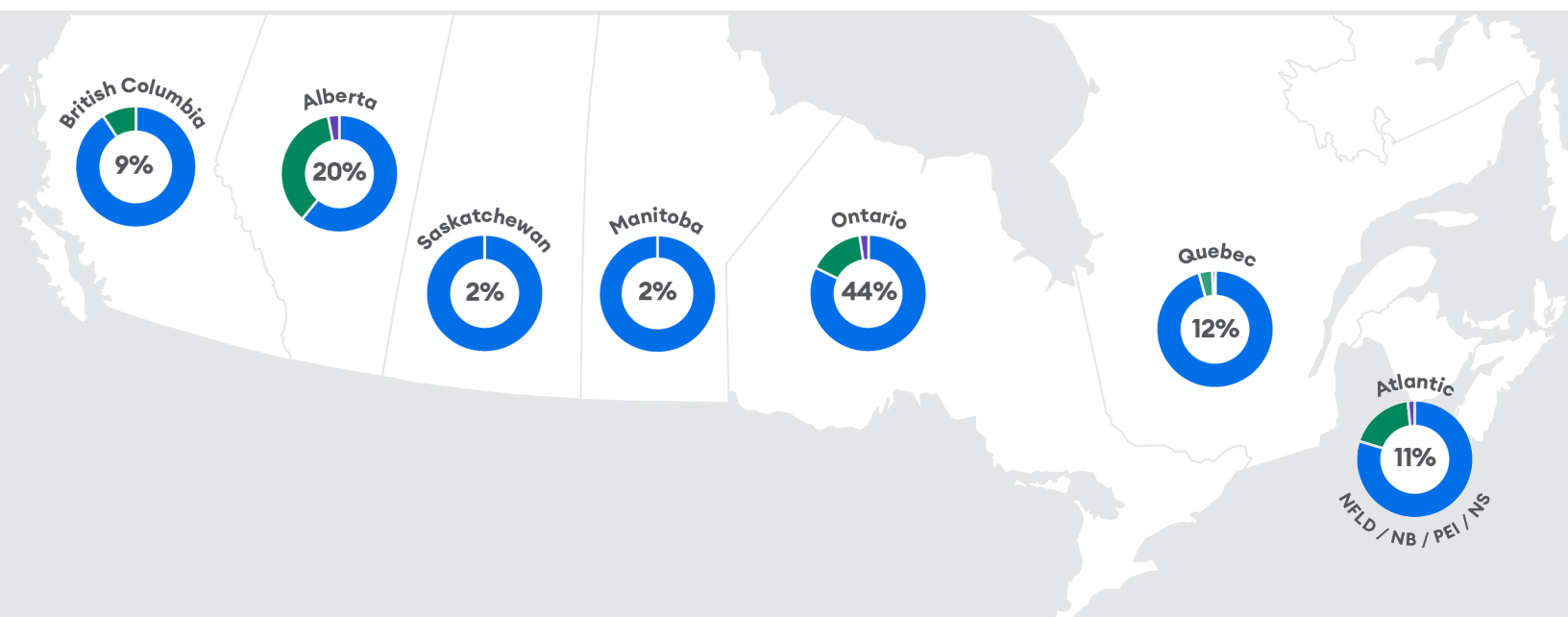
Our rental residential properties provide additional income diversification and generate further investment opportunities for portfolio growth. Many of the opportunities to develop residential properties stem from densifying existing retail sites with residential buildings. Our residential properties 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



● Retail ● Industrial ● Mixed-Use, Residential & Other

British Columbia		Alberta		Saskatchewan		Manitoba		Ontario		Quebec		Atlantic	
Total	44	Total	126	Total	16	Total	14	Total	291	Total	108	Total	102
Retail	40	Retail	76	Retail	16	Retail	14	Retail	240	Retail	104	Retail	82
Industrial	4	Industrial	46	Industrial	0	Industrial	0	Industrial	44	Industrial	4	Industrial	18
Mixed-Use, Residential & Other	0	Mixed-Use, Residential & Other	4	Mixed-Use, Residential & Other	0	Mixed-Use, Residential & Other	0	Mixed-Use, Residential & Other	7	Mixed-Use, Residential & Other	0	Mixed-Use, Residential & Other	2



572
Retail



116
Industrial



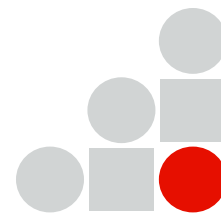
13
Mixed-Use,
Residential & Other

(i) For the three months ended September 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 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 proactive leasing, results in high occupancy rates, income stability and long-term net asset value appreciation.



Pioneer Park
Kitchener, ON

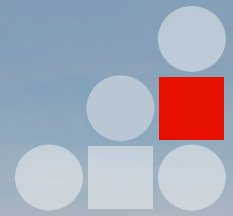
		Occupancy	Sq. Ft. GLA	Value ⁽ⁱ⁾
	Retail	97.7%	44.0M	\$10.6B
	Industrial	99.0%	17.4M	3.3B
	Mixed-Use, Residential & Other ⁽ⁱ⁾	88.1%	2.6M	1.0B
	Properties Under Development	--	--	1.0B
	Total	97.7%	64.0M	\$15.9B

(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 enables 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.

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.

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.

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 are focused on delivering our active development projects that will strengthen our portfolio across each asset class.

21
Projects Under Development

\$391M
Total Investment ⁽²⁾

1.9M
Sq. Ft.⁽ⁱ⁾

348
Residential Units



East Gwillimbury
Greater Toronto Area, ON

Automated, multi-temperature industrial facility



Choice Industrial Centre
Surrey, BC

New generation logistic facility targeting LEED silver certification



Mount Pleasant Village
Brampton, ON

Residential development designed to deliver geothermal heating and embodied carbon reduction

(i) Including 1.0M sq. ft associated with land leases

Immense Value Opportunity

Choice Properties continues to grow and create value through its pipeline of potential commercial and mixed-use developments.

Mixed-Use & Residential

10.5M

Sq. Ft. Potential Density

12,000

Potential Residential Units



Golden Mile

Toronto, ON



25 Photography Drive

Toronto, ON

Industrial

2

Projects in Planning

5.6M

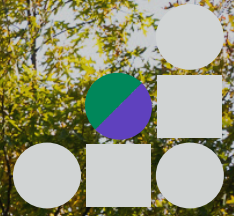
Sq. Ft. Potential Development



Tullamore

Caledon, ON

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

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

We have established ambitious science-based net-zero greenhouse gas emissions targets. In July 2022, we became one of the first entities in Canada to have our net-zero targets validated by the Science Based Targets initiative (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 energy and water 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.

We have 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, we have 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.

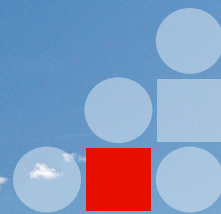
The Trust’s commitment to advancing social equity in our communities can be seen through our Choice Cares program. Since 2019, through Choice Cares, we have contributed over \$1 million and over 3,800 paid volunteer hours to various Canadian charities selected by our colleagues.

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



Prudent Financial Management

Woodside Power Centre
Markham, ON



“In the current economic environment, we have taken proactive steps to ensure we maintain our financial strength. Our industry leading balance sheet and disciplined approach to financial management provides flexibility and stability.”

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

The quarterly increase compared to the prior year was primarily due to a \$562.0 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 \$188.5 million increase in income from equity accounted joint ventures, and a \$106.3 million favourable change in the adjustment to fair value of investment properties. These increases were partially offset by a \$68.8 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 year-to-date increase compared to the prior year was primarily due to a \$1,519.8 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 \$289.7 million increase in income from equity accounted joint ventures primarily due to fair value increases in the industrial development portfolio. The increases were partially offset by a \$442.8 million unfavourable change in the adjustment to fair value of investment properties, and a \$227.6 million unfavourable adjustment to fair value of the investment in the real estate securities of Allied, held pursuant to the sale of six office assets to Allied in Q1 of 2022 (the "Allied Transaction").

Rental Revenue (GAAP)

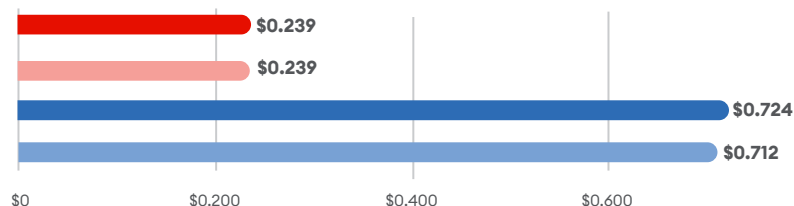
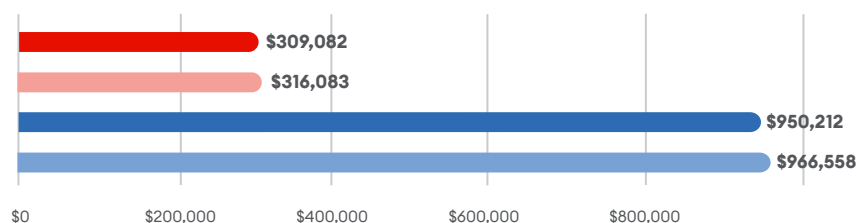
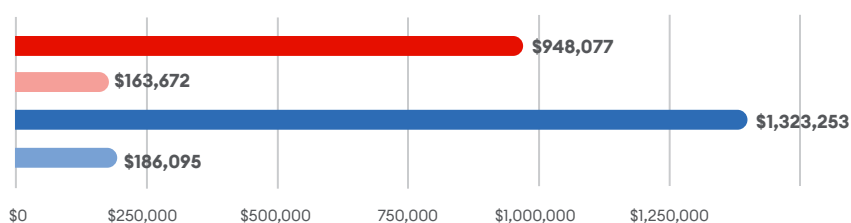
The quarterly and year-to-date decrease was primarily due to the forgone revenue following the Allied Transaction. The decrease from the disposition was partially offset by improved occupancy and higher rental rates in the retail and industrial portfolios, and higher recoveries.

FFO Per Unit Diluted⁽¹⁾

Funds from Operations for the third quarter was flat when compared to the third quarter of 2021. Increases in Same-Asset NOI were largely offset by increases in interest and other expenses and the impact of the Allied Transaction. The impact of the Allied Transaction includes the loss of NOI, partially offset by the distribution and interest income earned from the consideration received in exchange for properties sold.

The year-to-date increase in Funds from Operations was primarily due to increases in Same-Asset NOI, partially offset by increases in general and administrative expenses and the impact of the Allied Transaction.

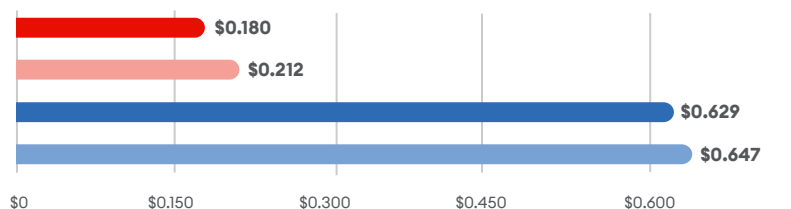
● Q3 2022 ● Q3 2021 ● YTD Q3 2022 ● YTD Q3 2021



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

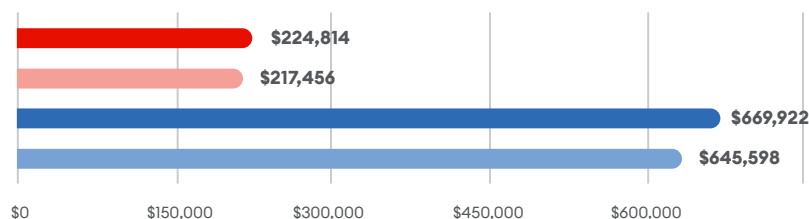
➤ AFFO Per Unit Diluted⁽¹⁾

The quarterly and year-to-date decrease was primarily due to an increase in capital spending. The increase is due to a higher proportion of the annual spend occurring in the three and nine months ended September 30, 2022. The AFFO payout ratio for the nine months ended September 30, 2022 was 88.3%.



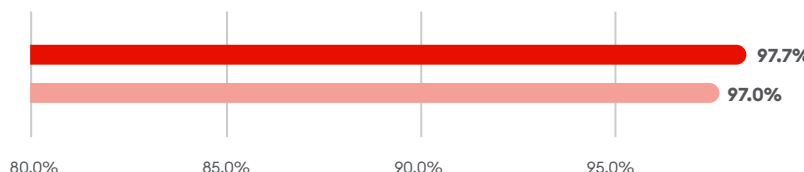
➤ Same-Asset NOI, Cash Basis⁽¹⁾

The increase of 3.4% and 3.8% for the three and nine months ended September 30, 2022, respectively, was mainly due to increased revenue from improved occupancy, contractual rent steps, higher recovery revenues, and a decrease in bad debt expense.



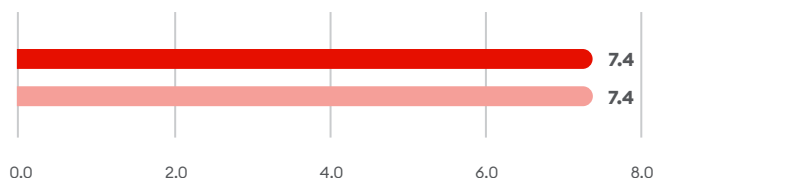
➤ Period End Occupancy

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



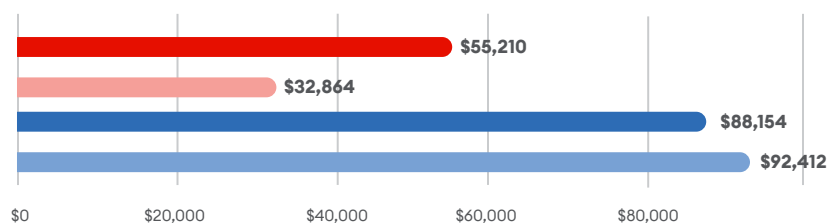
➤ Adjusted Debt to EBITDAFV⁽¹⁾

Adjusted Debt to EBITDAFV⁽¹⁾ was consistent with the prior year as the increase in debt was offset by the increase in income compared to the prior year.



➤ Development Spending (Proportionate)⁽¹⁾

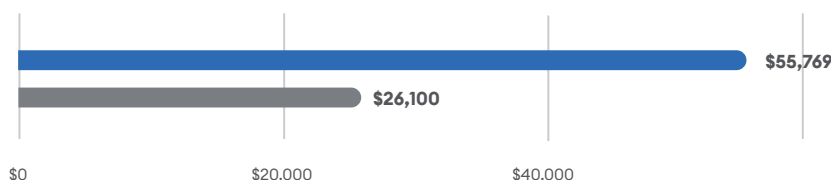
Development activity reflects spending on active projects during the three and nine months ended September 30, 2022 and 2021. Development spending may vary depending on the stage of the projects currently in progress.



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

During the nine months ended September 30, 2022, the Trust transferred approximately 24,000 square feet of new retail space and 107,000 square feet of new industrial space⁽ⁱ⁾ from properties under development to income producing.

(i) \$28.7 million of the 2022 transfers relates to an industrial site initially acquired for redevelopment. The property was reclassified to income producing due to a change in intention to lease the property in its entirety without redevelopment by the Trust.





Third Quarter Financial Performance

During the three months ended September 30, 2022

Operating

- Reported net income for the quarter of \$948.1 million, compared to net income of \$163.7 million in the prior year. The increase is primarily due to a \$562.0 million favourable change in adjustment to the fair value of Exchangeable Units due to the decrease in the Trust's unit price, a \$188.5 million increase in income from equity accounted joint ventures, and a \$106.3 million favourable change in the adjustment to fair value of investment properties. These increases were partially offset by an unfavourable adjustment to fair value of the investment in the real estate securities of Allied of \$68.8 million.
- Reported FFO per unit diluted⁽¹⁾ for the quarter was \$0.239, consistent with the prior year quarter.
- AFFO per unit diluted⁽¹⁾ for the quarter was \$0.180, compared to \$0.212 in the prior year. The decrease is primarily due to an increase in capital spending, as a greater proportion of the 2022 annual spend was incurred in Q3 compared to the prior year.
- Same-asset NOI on a cash basis⁽¹⁾ increased by 3.4% 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.
- Period end occupancy improved to 97.7%, with retail at 97.7%, industrial at 99.0% and mixed-use, residential and other at 88.1%.
- Net fair value gain on investment properties was \$344.2 million on a proportionate share basis⁽¹⁾ primarily due to fair value gains from the Trust's development portfolio to reflect zoning achieved in the quarter. In addition, fair value gains were recognized to reflect the continued rent growth from the Trust's industrial assets.

Investing

- Completed the acquisition of a strategic retail asset in Toronto, ON for \$19.2 million;
- Completed \$39.3 million in dispositions, including:
 - An office property in Montreal, QC for proceeds of \$27.0 million;
 - Two non-core retail assets and a development land asset for aggregate proceeds of \$12.2 million.
- Ongoing investment in the development program with \$55.2 million of spending during the quarter on a proportionate share basis⁽¹⁾.
- The Trust transferred \$29.7 million of properties under development to income producing status, including the \$28.7 million reclassification of an industrial site at 2625 Sheffield Road in Ottawa. This property was initially acquired for redevelopment, it was reclassified when the Trust subsequently entered a long-term lease for the entirety of the site as is.

Financing

- Discharged one mortgage with a balance of \$15.9 million bearing interest at a rate of 3.6%.
- Ended the quarter with Adjusted debt to total assets⁽¹⁾ at 41.0%, and Adjusted debt to EBITDAFV⁽¹⁾ and debt service coverage ratios⁽¹⁾ of 7.4 and 3.1 times, respectively.
- Strong liquidity position with approximately \$1.3 billion of available credit and a \$12.2 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 nine months ended September 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 September 30 (\$ thousands except where otherwise indicated)	2022	2021
Number of income producing properties	701	718
GLA (in millions of square feet)	64.0	66.5
Occupancy*	97.7%	97.0%
Total assets (GAAP)	\$ 16,445,514	\$ 16,164,340
Total liabilities (GAAP)	\$ (11,982,114)	\$ (12,634,985)
Rental revenue (GAAP)	\$ 309,082	\$ 316,083
Net income	\$ 948,077	\$ 163,672
Net income per unit diluted	\$ 1.310	\$ 0.226
FFO ⁽ⁱ⁾ per unit diluted*	\$ 0.239	\$ 0.239
FFO ⁽ⁱ⁾ payout ratio*	77.3%	77.5%
AFFO ⁽ⁱ⁾ per unit diluted*	\$ 0.180	\$ 0.212
AFFO ⁽ⁱ⁾ payout ratio*	102.7%	87.1%
Distribution declared per Unit	\$ 0.185	\$ 0.185
Weighted average number of Units outstanding – diluted ⁽ⁱⁱ⁾	723,577,162	723,346,150
Adjusted debt to total assets ⁽ⁱⁱⁱ⁾ *	41.0%	41.0%
Debt service coverage ^(iv) *	3.1x	3.3x
Adjusted Debt to EBITDAFV ⁽ⁱ⁾⁽ⁱⁱⁱ⁾ *	7.4x	7.4x
Indebtedness ^(iv) – weighted average term to maturity*	5.5 years	5.3 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 September 30, 2022, and 7.4x at September 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:

(\$ thousands)	As at September 30, 2022			As at December 31, 2021		
	GAAP Basis	Reconciliation	Proportionate Share Basis ⁽¹⁾	GAAP Basis	Reconciliation	Proportionate Share Basis ⁽¹⁾
Assets						
Investment properties	\$ 14,205,000	\$ 1,680,000	\$ 15,885,000	\$ 14,930,000	\$ 1,113,000	\$ 16,043,000
Equity accounted joint ventures	981,362	(981,362)	—	564,378	(564,378)	—
Financial real estate assets	103,866	(103,866)	—	86,603	(86,603)	—
Residential development inventory	16,520	—	16,520	10,142	—	10,142
Mortgages, loans and notes receivable	599,074	(116,056)	483,018	354,901	(7,972)	346,929
Investment in real estate securities	323,098	—	323,098	—	—	—
Intangible assets	21,619	—	21,619	28,000	—	28,000
Accounts receivable and other assets	158,545	(1,383)	157,162	114,275	(1,844)	112,431
Cash and cash equivalents	36,430	18,958	55,388	84,304	39,976	124,280
Total Assets	\$ 16,445,514	\$ 496,291	\$ 16,941,805	\$ 16,172,603	\$ 492,179	\$ 16,664,782
Liabilities and Equity						
Long term debt	\$ 6,287,621	\$ 464,953	\$ 6,752,574	\$ 6,230,010	\$ 444,428	\$ 6,674,438
Credit facility	192,023	—	192,023	—	—	—
Exchangeable Units	4,982,952	—	4,982,952	6,011,997	—	6,011,997
Trade payables and other liabilities	519,518	31,338	550,856	620,405	47,751	668,156
Total Liabilities	11,982,114	496,291	12,478,405	12,862,412	492,179	13,354,591
Equity						
Unitholders' equity	4,463,400	—	4,463,400	3,310,191	—	3,310,191
Total Equity	4,463,400	—	4,463,400	3,310,191	—	3,310,191
Total Liabilities and Equity	\$ 16,445,514	\$ 496,291	\$ 16,941,805	\$ 16,172,603	\$ 492,179	\$ 16,664,782

Balance Sheet Analysis (GAAP Basis)

Line Item	\$ Change	Variance Commentary
Investment properties	\$ (725,000)	The decrease compared to December 31, 2021 is primarily attributable to dispositions of \$844.9 million, \$733.8 million of which related to the disposition of six office assets to Allied in the year, and the unfavourable fair value adjustment on investment properties of \$80.3 million. These decreases were partially offset by acquisitions of \$89.1 million, as well as development and capital expenditures of \$86.7 million.
Equity accounted joint ventures	416,984	The increase is primarily attributable to fair value gains on properties held within equity accounted joint ventures of \$320.2 million and contributions made to joint ventures of \$121.5 million, mainly used to fund industrial development projects. These increases were partially offset by distributions of \$61.4 million received from joint ventures in the current year.
Financial real estate assets	17,263	The increase was mainly attributable to the acquisition of two assets from Loblaw for \$17.6 million.
Residential development inventory	6,378	The increase was attributable to development expenditures incurred for a residential condominium project in Brampton, ON.
Mortgages, loans and notes receivable	244,173	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) \$97.6 million of notes receivable advanced to GWL; (iv) various advances to third-party borrowers and development partners totaling \$55.0 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	323,098	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. The Trust recorded a fair value loss of \$227.6 million on these real estate securities in the year due to the decrease in Allied's unit price.
Intangible assets	(6,381)	The decrease was primarily due to the Trust de-recognizing a portion of its intangible assets in relation to two of the office properties disposed in the first quarter of 2022.
Working Capital	97,283	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 an increase of \$28.5 million in prepaid property tax, partially offset by the deferral of \$97.6 million of the distributions declared on the Exchangeable Units payable to GWL.
Long term debt and credit facility	249,634	Net increase was primarily attributable to the issuance of the \$500.0 million Series R senior unsecured debentures, \$195.0 million of net draws made on the credit facility and the \$19.6 million net advances of construction loans. The increase was partially offset by the redemption of the \$300.0 million Series 10 senior unsecured debentures, and \$164.4 million of principal repayments of mortgages at maturity and through regular principal repayments throughout the year.
Exchangeable Units	(1,029,045)	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	1,153,209	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:

As at or for the period ended September 30, 2022 (\$ thousands)	Three Months			Nine Months		
	Income producing properties	Properties under development	Investment Properties ⁽ⁱ⁾	Income producing properties	Properties under development	Investment Properties ⁽ⁱ⁾
GAAP balance, beginning of period	\$ 13,700,000	\$ 312,000	\$ 14,012,000	\$ 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 ⁽ⁱⁱ⁾	958,000	491,000	1,449,000	893,000	220,000	1,113,000
Non-GAAP proportionate share balance ⁽¹⁾ , beginning of period	14,658,000	803,000	15,461,000	15,600,000	443,000	16,043,000
Acquisitions of investment properties ⁽ⁱⁱⁱ⁾	19,867	—	19,867	129,783	166,759	296,542
Capital expenditures						
Development capital ⁽ⁱⁱⁱ⁾	—	54,144	54,144	—	85,163	85,163
Building improvements	3,442	—	3,442	5,530	—	5,530
Capitalized interest ^(iv)	—	1,066	1,066	—	2,991	2,991
Property capital	30,443	—	30,443	36,559	—	36,559
Direct leasing costs	3,499	—	3,499	6,869	—	6,869
Tenant improvement allowances	5,134	—	5,134	15,554	—	15,554
Amortization of straight-line rent	1,470	—	1,470	3,131	—	3,131
Transfers from properties under development ^(v)	29,669	(29,669)	—	55,769	(55,769)	—
Transfers to properties under development	—	—	—	(22,945)	22,945	—
Dispositions	(35,667)	(3,643)	(39,310)	(831,177)	(13,768)	(844,945)
Adjustment to fair value of investment properties	146,143	198,102	344,245	(137,073)	371,679	234,606
Non-GAAP proportionate share balance⁽¹⁾, September 30, 2022	\$14,862,000	\$ 1,023,000	\$ 15,885,000	\$ 14,862,000	\$ 1,023,000	\$ 15,885,000

(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 nine months ended September 30, 2022, respectively (December 31, 2021 - \$2,208).

(iv) Interest was capitalized to qualifying development projects based on a weighted average interest rate of 3.69% (December 31, 2021 - 3.64%).

(v) Transfers from properties under development for the three and nine months ended September 30, 2022, included fair value adjustments recognized within properties under development of \$9,817 and \$14,432, 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. Overall capitalization rates are applied when undertaking the Direct Capitalization method of the Income Approach. This methodology applies the overall capitalization rate to the estimated stabilized NOI for one year. Currently, this method is only applied to value residential assets.

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 valuers in preparing their valuation reports and holds discussions with the independent valuers on the reasonableness of their assumptions. Where warranted, adjustments will be made to the internal valuations to reflect the assumptions contained in the external valuations. The Trust will record the internal value in its consolidated financial statements.

Valuations are most sensitive to changes in capitalization rates. The terminal capitalization rates and discount rates are the most relevant to the portfolio, under the application of the discounted cash flow method. The weighted average valuation metrics for the Trust's investment properties (including financial real estate assets and those properties held within equity accounted joint ventures) are listed below by asset class:

As at September 30, 2022	Retail	Industrial	Mixed-Use, Residential & Other	Total Investment Properties
Discount rate	7.43%	5.84%	5.93%	6.97%
Terminal capitalization rate	6.59%	5.15%	5.26%	6.18%
Overall capitalization rate	6.42%	4.90%	4.95%	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 has revalued its portfolio primarily based on reaching milestone-based achievements for its development projects, reviewing adjustments to capitalization rates for selected properties, contractual changes in cash flows, changes in market rent assumptions, pending transactions and macro considerations.

For the three months ended September 30, 2022 the Trust recorded a favourable adjustment of \$141.3 million on a GAAP basis and a \$344.2 million on a proportionate share basis⁽¹⁾ to the value of investment properties.

\$198.1 million of the fair value gain, on a proportionate share basis⁽¹⁾, was recognized within properties under development, primarily driven by observed market transactions and the completion of development milestones for industrial projects.

In addition, the Trust recognized fair value gains of \$146.1 million, on a proportionate share basis⁽¹⁾, within income producing properties. Fair value gains on income producing properties were primarily due to leasing and cash flow growth within the industrial and retail portfolios; capitalization rates were not adjusted in the third quarter.

For the nine months ended September 30, 2022 the Trust recorded an unfavourable adjustment of \$80.3 million on a GAAP basis and a favourable adjustment of \$234.6 million on a proportionate share basis⁽¹⁾ to the value of investment properties.

Fair value gains for the nine months ended September 30, 2022 include a gain of \$371.7 million, on a proportionate share basis⁽¹⁾, within the development portfolio. The gain was primarily driven by observed market transactions and the completion of development milestones for industrial projects.

The gain in the development portfolio was partially offset by a fair value loss of \$137.1 million, on a proportionate share basis⁽¹⁾, recognized within income producing properties. The fair value loss on income producing properties was primarily driven by the expansion on underlying capitalization rates in the retail portfolio in response to rising interest rates and cautious investor sentiment, partially offset by the fair value gains in the industrial portfolio.

3.2 Investment Property Transactions

Acquisitions of Investment Properties

The following table summarizes the investment properties acquired in the nine months ended September 30, 2022:

(\$ thousands except where otherwise indicated)

Location	Date of Acquisition	Segment	Ownership Interest Acquired	GLA (square feet)	Purchase Price incl. Related Costs	Consideration			Cash
						Mortgage Receivable Settlement	Debt Assumed from Seller	Assumed Liabilities	
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
Toronto, ON	July 6	Retail	100%	N/A	687	—	—	—	687
Toronto, ON	Sep 1	Retail	100%	34,177	19,180	—	—	131	19,049
Total acquisitions from third-parties				165,650	61,926	—	—	719	61,207
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				388,723	\$ 296,542	\$ 40,860	\$ 8,678	\$ 13,819	\$ 233,185

(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 nine months ended September 30, 2022:

(\$ thousands except where otherwise indicated)										
Location	Date of Disposition	Segment	Ownership Interest Disposed	GLA (square feet)	Sale Price excl. Selling costs	Consideration				Cash
						Debt Assumed by Purchaser	Promissory Note	Real Estate Securities	De-recognition of Intangible Asset	
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	50%	N/A	10,125	—	—	—	—	10,125
Swift Current, SK	Jun 28	Retail	100%	136,084	6,500	—	—	—	—	6,500
Dartmouth, NS	July 6	Retail (Parcel)	100%	N/A	117	—	—	—	—	117
Calgary, AB	July 18	Retail	100%	20,728	6,550	—	—	—	—	6,550
Edmonton, AB	July 28	Retail (Parcel)	50%	6,238	2,000	—	—	—	—	2,000
Edmonton, AB	Aug 12	Mixed-Use, Residential & Other Under Development	50%	N/A	3,643	—	—	—	—	3,643
Montreal, QC	Sep 13	Mixed-Use, Residential & Other	100%	293,195	27,000	—	—	—	—	27,000
Dispositions of investment properties				2,274,492	844,945	14,805	193,155	550,660	(5,631)	91,956
Total dispositions				2,274,492	\$ 844,945	\$ 14,805	\$ 193,155	\$ 550,660	\$ (5,631)	\$ 91,956

(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").

On October 5, 2022, the Trust completed the disposition of its 50% ownership interest in a mixed-use, residential & other property in Quebec City, QC for a sale price of \$4,325, excluding selling costs.

3.3 Completed Developments

For the nine months ended September 30, 2022, Choice Properties completed a total of \$22.0 million in development projects delivering 132,134 square feet of commercial space (including 1,046 square feet associated with a land lease) with a weighted average project yield of 7.8%.

During the quarter, the Trust delivered a land pad at the Erin Ridge retail development in Alberta, bringing the site closer to completion.

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 nine months ended September 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 nine months ended September 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 %
Erin Ridge, St. Albert, AB ⁽ⁱ⁾⁽ⁱⁱ⁾	Q3 2022	50 %	1,046	516	12.9 %
Subtotal retail development			24,904	9,845	8.6 %
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			132,134	\$ 22,001	7.8 %
Total transferred properties at fair value				\$ 27,101	

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

(ii) The development is a land lease. Represents associated GLA, which is excluded from total portfolio square footage for lease reporting purposes.

In addition to the completed developments above, the Trust reclassified the Sheffield Road asset (Ottawa, ON) from properties under development to income producing properties (at a cost of \$28.7 million) in the quarter. This property was initially acquired for redevelopment, it was reclassified when the Trust subsequently entered a long-term lease for the entirety of the site as is.

3.4 Development Activities

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

Choice Properties' development program on a proportionate share basis⁽¹⁾ as at September 30, 2022, is summarized below:

(\$ thousands except where otherwise indicated)				Investment ⁽ⁱ⁾⁽ⁱⁱⁱ⁾		
		GLA ⁽ⁱ⁾⁽ⁱⁱ⁾ (square feet)				
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	16	270,000	\$ 12,357	\$ 42,907	\$ 55,264
Industrial	3.5	3	1,402,000	80,262	102,206	182,468
Residential	3.5	2	236,000	69,670	83,880	153,550
Subtotal projects under active development		21	1,908,000	162,289	228,993	391,282
Developments in planning						
Retail	3.6	12	163,000	35,389		
Industrial	3.6	2	5,550,000	256,544		
Mixed-Use and Residential	3.6	11	10,468,000	119,257		
Subtotal developments in planning		25	16,181,000	411,190		
Total development - cost		46	18,089,000	\$ 573,479		
Total development - fair value^(iv)				\$ 1,023,000		

(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. Includes GLA associated with land leases, which is excluded from total portfolio square footage for lease reporting purposes.

(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 \$16,520 as at September 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 21 active developments comprised of 16 retail, three industrial and two residential projects. Upon completion, the projects under active development are expected to deliver a total of 1,672,000 square feet of commercial space (including 1,039,000 square feet associated with land leases) and 348 residential units at the Trust's ownership share. The Trust has invested a total of \$162.3 million to date and is expected to invest an additional \$229.0 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 270,000 square feet of active retail development (including 139,000 square feet associated with land leases), 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 September 30, 2022:

(\$ thousands except where otherwise indicated)				GLA ⁽ⁱ⁾ (square feet)		Investment ⁽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 ^(vi)	50%	H2 2022	3,000	100 %	\$ —	\$ 437	\$ 437	9.00%-9.50%
2	Hwy 88 West, Bradford, ON	100%	H2 2022	13,000	100 %	3,468	1,321	4,789	6.75%-7.25%
3	20th Sideroad, Innisfill, ON ^{(vi)(vi)}	100%	H2 2022	3,000	100 %	81	591	672	21.50%-22.00%
4	Oshawa Gateway, Oshawa, ON	50%	H1 2023	7,000	100 %	3,796	152	3,948	5.25%-5.75%
5	Jocelyn Rd., Port Hope, ON	100%	H1 2023	15,000	100 %	—	5,093	5,093	6.75%-7.25%
6	Boul. St. Joseph, Drummondville, QC	100%	H1 2023	16,000	100 %	—	3,071	3,071	6.75%-7.25%
7	Sunwapta Centre, Edmonton, AB ^(vi)	50%	H1 2023	3,000	100 %	959	295	1,254	9.00%-9.50%
8	Erin Ridge Retail Lands, St. Albert, AB	50%	H1 2023	6,000	100 %	1,197	775	1,972	6.25 %-6.50%
9	Portland St., Dartmouth, NS	100%	H2 2023	5,000	100 %	91	2,103	2,194	7.00%-7.50% ^(vii)
10	Joseph Howe Dr., Halifax, NS	100%	H2 2023	5,000	100 %	95	1,706	1,801	8.75%-9.25% ^(vii)
11	Guelph St., Georgetown, ON	100%	H2 2023	26,000	100 %	—	7,900	7,900	8.50%-9.00%
12	Oxford St. E., London, ON	100%	H2 2023	15,000	100 %	183	5,507	5,690	6.75%-7.25%
13	Calgary Trail, Edmonton, AB	100%	H2 2023	15,000	100 %	—	3,671	3,671	7.00%-7.50% ^(viii)
14	Harvest Hills Market, Edmonton, AB ^{(vi)(vi)}	50%	H1 & H2 2023	9,000	100 %	2,487	2,006	4,493	7.50%-8.00%
15	200 Street, Maple Ridge, BC ^(vi)	100%	H1 2024	117,000	100 %	—	5,840	5,840	8.75%-9.25%
16	Princess St., Kingston, ON ^(vi)	100%	H1 2024	12,000	100 %	—	2,439	2,439	11.00%-11.50%
Total retail developments				270,000		\$ 12,357	\$ 42,907	\$ 55,264	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 includes a land lease, which is excluded from total portfolio square footage for lease reporting purposes.

(vii) Expected stabilized yield for this development has been reduced due to increase in costs related to higher interest and other costs.

(viii) Expected stabilized yield for this development has increased due to higher stabilized NOI.

Projects Under Active Development – Industrial

The Trust invests in industrial development projects through development of greenfield industrial land. The Trust currently has 1,402,000 square feet of active retail development (including 900,000 square feet associated with land leases), which is expected to be completed in the next one to two years⁽²⁾.

During the quarter, the Trust obtained the foundation permit for its industrial site in East Gwillimbury, Ontario. The pad was delivered and Loblaw commenced construction. There has been significant progress on construction at Choice Industrial Centre, and construction on the final component continues at Horizon Business Park. Delivery of the building will mark project completion at Horizon Business Park.

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

(\$ thousands except where otherwise indicated)				GLA ⁽ⁱ⁾ (square feet)		Investment ⁽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	— %	\$ 9,215	\$ 11,744	\$ 20,959	5.50%-6.00%
2	Choice Industrial Centre, Surrey, BC ^(vi)	100%	H2 2023	353,000	— %	26,256	45,655	71,911	7.25%-7.75%
3	East Gwillimbury, ON - Phase 1 ^(vii)	75%	H1 2024	900,000	100 %	44,791	44,807	89,598	6.50%-7.00%
Total industrial developments				1,402,000		\$ 80,262	\$ 102,206	\$ 182,468	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) Site comprises 17 acres of developable land.

(vii) 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 is progressing well, with structure concrete partially complete on both the condominium building and the rental building. At Element in Ottawa, Ontario, both exterior and interior work is progressing well. 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 September 30, 2022:

(\$ thousands except where otherwise indicated)					GLA ⁽ⁱ⁾ (square feet)	Investment ⁽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	\$ 25,886	\$ 37,568	\$ 63,454	4.25%-4.75%
Mount Pleasant Village, Brampton, ON	50%	Inventory	H2 2023	71	49,000	16,520	16,792	33,312	
Element, Ottawa, ON	50%	Rental	H2 2023	126	86,000	27,264	29,520	56,784	4.75%-5.25%
Total residential				348	236,000	\$ 69,670	\$ 83,880	\$ 153,550	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 September 30, 2022, the Trust has identified 25 sites with potential for future development. This includes 12 opportunities at existing retail sites, 2 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. The 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 \$411.2 million on land acquisition and initial development and planning costs at these sites.

Retail Development in Planning

Retail intensification is focused on adding at-grade retail density within the existing retail portfolio. These projects provide the opportunity to add new tenants, further expanding the high-quality tenant mix and providing steady growth to the business.

(\$ thousands except where otherwise indicated)		
	Number of Sites	Investment To-date ⁽ⁱ⁾⁽ⁱⁱ⁾
Retail developments in planning	12	\$ 35,389

(i) Choice Properties' share.

(ii) Compiled on a non-GAAP proportionate share basis⁽ⁱ⁾. 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⁾⁽ⁱⁱⁱ⁾
Industrial development in planning - zoning approved	2	\$ 256,544

(i) Choice Properties' share.

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

(iii) Due to a change in intention for the project at Sheffield Rd, Ottawa, ON, it has been removed from planning

The Trust has obtained zoning approval on two industrial development sites. The following table details the Trust's industrial developments in planning:

Project / Location	Description
Tullamore Lands, Caledon, ON	In the quarter, the joint venture achieved entitlement to convert the lands from agricultural uses to employment uses through a Ministerial Zoning Order. Site Plan Applications for the first phase are being prepared to facilitate the development of warehouse, distribution, and industrial uses totaling over 6 million square feet (at 100% ownership share). This site has 380 net developable acres and the Trust has invested at total of \$237.4 million to date.
East Gwillimbury, ON - Phase 2	The second phase of the Trust's project at East Gwillimbury constitutes approximately 54 acres of developable land and is fully zoned. The Trust continues progress 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 \$19.2 million to date.

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 three residential and mixed-use developments, and has submitted applications for six residential and mixed-use projects. During the quarter, the Trust received entitlement approval for Golden Mile, Toronto, ON and is working through the site approval process. A total of \$119.3 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 ⁽ⁱⁱ⁾ ('000 square feet)			Investment to-date ⁽ⁱⁱⁱ⁾
Project / Location	Type	Ownership %	Acreage ⁽ⁱ⁾	Estimated number of units		Commercial	Residential	Total	
Zoning approved									
1 Grenville & Grosvenor, Toronto, ON	Residential	50 %	0.5	385		17	320	337	\$ 32,338
2 Sheppard Ave. W., Toronto, ON	Residential	50 %	0.3	100		5	64	69	6,849
3 Golden Mile, Toronto, ON	Mixed-use	100 %	19.0	3,800		300	3,200	3,500	11,927
Subtotal zoning approved			19.8	4,285		322	3,584	3,906	51,114
Zoning applications submitted									
1 Broadview Ave., Toronto, ON	Mixed-use	100 %	3.3	500		23	409	432	3,343
2 Dundas St. W., Toronto, ON	Mixed-use	100 %	13.0	2,600		900	1,600	2,500	42,126
3 Parkway Forest Dr., Toronto, ON	Residential	50 %	1.5	170		—	131	131	892
4 Photography Dr., Toronto, ON	Mixed-use	100 %	7.7	2,400		50	2,010	2,060	3,618
5 Warden Ave., Toronto, ON	Residential	100 %	6.5	1,500		10	1,072	1,082	11,276
6 Woodbine Ave., Toronto, ON	Mixed-use	100 %	1.7	400		23	334	357	4,310
Subtotal zoning applications submitted			33.7	7,570		1,006	5,556	6,562	65,565
Zoning applications to be submitted									
1 North Rd., Coquitlam, BC	Mixed-use	100 %	7.8	—		—	—	—	1,020
2 South Service Rd., Mississauga, ON	Mixed-use	100 %	10.4	—		—	—	—	1,558
Subtotal zoning applications to be submitted			18.2	—		—	—	—	2,578
Total mixed-use projects in planning			71.7	11,855		1,328	9,140	10,468	\$ 119,257

(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 gross floor area, including 35,000 square feet of commercial GLA and approximately 770 rental residential units at a 100% ownership share. 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.
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. During Q3 2022, the Official Plan and Zoning By-law Amendment Applications have been approved by the City of Toronto. The Trust continues to work with the City to fulfill conditions of subdivision and site plan.

Zoning Applications Submitted

Choice Properties has submitted zoning applications for four mixed-use and two residential developments in Toronto, Ontario. As of September 30, 2022, the Trust has invested a total of \$65.6 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. During the quarter, an Official Plan, Rezoning, Plan of Subdivision and Site Plan Application were submitted.

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 at a 100% ownership share. 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. A revised rezoning application that is more aligned with the evolving planning policies in the Danforth corridor is currently being prepared for submission to the City of Toronto.

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 \$720.0 million at the Trust's ownership share⁽¹⁾, by the end of the year 2024⁽²⁾.

(\$ thousands)		2022	2023	2024	Total
Intensification	\$	14,000	\$ 42,000	\$ 35,000	\$ 91,000
Greenfield		108,000	99,000	108,000	315,000
Residential and Mixed-Use		83,000	104,000	127,000	314,000
Estimated total capital annual spend⁽¹⁾	\$	205,000	\$ 245,000	\$ 270,000	\$ 720,000

(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 September 30, 2022 (\$ thousands)	GAAP Basis			
	GAAP Basis	Proportionate Share Basis ⁽¹⁾⁽⁹⁾	Weighted average term to maturity (years)	Weighted average interest rate (%)
Mortgages receivable	500,858	384,802	1.2	4.88 %
Loans receivable	588	588	2.0	8.00 %
Notes receivable from GWL	97,628	97,628	—	— %
Mortgages, loans and notes receivable	599,074	483,018		

⁽⁹⁾ Adjustment to proportionate share basis⁽¹⁾ eliminates mortgage receivable balances advanced to an equity accounted joint venture at the Trust's share.

As at December 31, 2021 (\$ thousands)	GAAP Basis			
	GAAP Basis	Proportionate Share Basis ⁽¹⁾	Weighted average term to maturity (years)	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 nine months ended September 30, 2022, GWL elected to receive four months of distributions from Choice Properties Limited Partnership in the form of loans. As such, non-interest bearing short-term notes totalling \$97,628 were issued during the nine months ended September 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 \$3,364 mezzanine loan to a strategic partner. The loan is secured by two properties in Toronto, Ontario.

In September 2022, the Trust advanced a \$9,850 mezzanine loan to a development partner. The loan is secured by a property in East Gwillimbury, Ontario.

The Trust has issued approximately \$498,000 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 nine months ended September 30, 2022, the Trust recognized distribution income of \$5,165 and \$10,330 (September 30, 2021 - \$nil and \$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 three and nine months ended September 30, 2022, the Trust recognized a loss of \$68,847 and \$227,562, respectively, (September 30, 2021 - \$nil and \$nil) on its investment in Allied, due to the change in the price of Allied’s publicly traded units. As at September 30, 2022 the Trust held 11,809,145 Class B Units with a value of \$323,098 (December 31, 2021 - nil and \$nil).

(\$ thousands)	Nine months ended September 30, 2022	Year ended December 31, 2021
Balance, beginning of period	\$ —	\$ —
Acquired	550,660	—
Adjustment to fair value of investment in real estate securities	(227,562)	—
Balance, end of period	\$ 323,098	\$ —

4. LIQUIDITY AND CAPITAL RESOURCES

4.1 Major Cash Flow Components

For the periods ended September 30 (\$ thousands)	Three Months			Nine Months		
	2022	2021	Change \$	2022	2021	Change \$
Cash and cash equivalents, beginning of period - GAAP basis	\$ 19,941	\$ 8,115	\$ 11,826	\$ 84,304	\$ 207,219	\$(122,915)
Cash flows from operating activities	198,941	153,939	45,002	441,127	425,226	15,901
Cash flows from (used in) investing activities	(152,902)	(118,635)	(34,267)	(443,068)	(210,300)	(232,768)
Cash flows from (used in) financing activities	(29,550)	(14,345)	(15,205)	(45,933)	(393,071)	347,138
Cash and cash equivalents, end of period - GAAP basis	\$ 36,430	\$ 29,074	\$ 7,356	\$ 36,430	\$ 29,074	\$ 7,356

Cash Flows from Operating Activities

Three Months and Nine Months

The increase in cash flows from operating activities for both the three months and nine months ended is mainly due to a decrease in interest paid, due to differences in the timing of interest payments on the Series R and Q unsecured debentures, issued in June 2022 and November 2021, respectively, from the Series 10 and I senior unsecured debentures redeemed June 2022 and December 2021. In addition, a favourable change in net working capital contributed to the increase for the three months ended September 30, 2022.

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 \$28.7 million, an increase in net advances of mortgages, loans, and notes receivable of \$36.2 million, an increase in net contributions to equity accounted joint ventures of \$2.3 million, partially offset by an increase in proceeds received on the disposition of investment properties of \$35.2 million.

Nine 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 \$161.6 million, an increase in acquisitions and capital spending of \$121.7 million, a net increase in distributions to equity accounted joint ventures of \$7.2 million, partially offset by an increase in disposition proceeds of \$57.8 million.

Cash Flows from (used in) Financing Activities

Three Months

The increase in cash used in financing activities was primarily due to a large decrease in net advances of credit facilities of \$95.6 million, partially offset by decreases in net repayment of mortgages payable of \$20.4 million, net advances of construction loans of \$13.0 million, and a reduction of distributions paid on Exchangeable Units of \$48.8 million, due to a change in the amount of notes receivable advanced in lieu of Exchangeable Units distributions as compared to the prior year quarter (see Section 3.9).

Nine Months

The decrease in cash used in financing activities was primarily due to the issuance of the \$497.2 million Series R unsecured debentures on June 24, 2022, an increase in net advances on the credit facility of \$6.2 million, an increase in net advances of construction loans of \$35.6 million, and a decrease in the distributions paid on Exchangeable units of \$23.0 million due to a change in the amount of notes receivable advanced in lieu of Exchangeable Unit distributions as compared to the prior year (see Section 3.9). The decrease was partially offset by an additional \$100.0 million of debentures and \$114.3 million of mortgages repaid compared to the prior year period.

4.2 Liquidity and Capital Structure

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

(\$ thousands)	As at September 30, 2022	As at December 31, 2021	Change \$
Cash and cash equivalents - proportionate share basis ⁽¹⁾	\$ 55,388	\$ 124,280	\$ (68,892)
Unused portion of the credit facility	1,305,000	1,500,000	(195,000)
Liquidity	\$ 1,360,388	\$ 1,624,280	\$ (263,892)
Unencumbered assets - proportionate share basis⁽¹⁾	\$ 12,160,000	\$ 12,800,000	\$ (640,000)

4.3 Components of Total Adjusted Debt

Choice Properties' debt structure was as follows:

As at September 30, 2022 (\$ thousands)	GAAP Basis	Proportionate Share Basis ⁽¹⁾	Proportionate Share Basis ⁽¹⁾ Weighted average term to maturity (years)	Weighted average interest rate (%)
Construction loans	\$ 14,195	\$ 206,306	0.5	4.74%
Mortgages payable	48,708	48,708	1.6	5.46%
Less: Debt placement costs, discounts and premiums	(2,977)	(2,977)		
Credit facility	195,000	195,000	4.9	4.73%
Less: Debt placement costs	(532)	(532)		
Variable rate debt	254,394	446,505	2.5	4.81%
Construction loans	18,313	18,313	8.6	2.08%
Senior unsecured debentures	5,325,000	5,325,000	5.4	3.79%
Mortgages payable	901,317	1,176,336	6.0	3.70%
Less: Debt placement costs, discounts and premiums	(19,380)	(21,557)		
Fixed rate debt	6,225,250	6,498,092	5.5	3.77%
Total adjusted debt, net	\$ 6,479,644	\$ 6,944,597		

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 \$334,741 of which \$243,951 relates to equity accounted joint ventures as at September 30, 2022 (December 31, 2021 - \$293,151 and \$227,462, respectively).

As at September 30, 2022, \$224,619, of which \$192,111 relates to equity accounted joint ventures, was drawn and the construction loans had a weighted average effective interest rate of 4.52% (December 31, 2021 - 2.06%) and a weighted average term to maturity of 1.2 years (December 31, 2021 - 1.0 years).

Credit Facility

Choice Properties has a \$1,500,000 senior unsecured committed revolving credit facility maturing September 1, 2027, 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 \$3,600, however the fee is reduced in proportion to the amount drawn on the facility. As at September 30, 2022, \$195,000 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 credit facility balance outstanding at June 30, 2022 included \$180,000 of banker's acceptances maturing on July 4, 2022. The administrative agent for the credit facility distributed the defeasance payment to the lenders on July 4, 2022.

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

During the three months ended September 30, 2022, the Trust extended the maturity date for the credit facility from June 24, 2026 to September 1, 2027 with all other terms and conditions remaining substantially the same.

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 to 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 nine months ended September 30, 2022:

For the nine months ended September 30 (\$ thousands)	GAAP Basis			Adjustment to Proportionate Share Basis ⁽¹⁾	Proportionate Share Basis ⁽¹⁾
	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)	195,000	9,509	(48,269)	24,308	180,548
Principal balance outstanding, end of period	\$ 195,000	\$ 14,195	\$ 48,708	\$ 192,111	\$ 450,014

⁽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 nine months ended September 30, 2022:

For the nine months ended September 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	—	10,093	70,222	580,315
Repayments	(300,000)	(99,211)	—	(74,291)	(473,502)
Assumed by purchaser	—	(14,805)	—	—	(14,805)
Principal balance outstanding, end of period	\$ 5,325,000	\$ 901,317	\$ 18,313	\$ 275,019	\$ 6,519,649

⁽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.

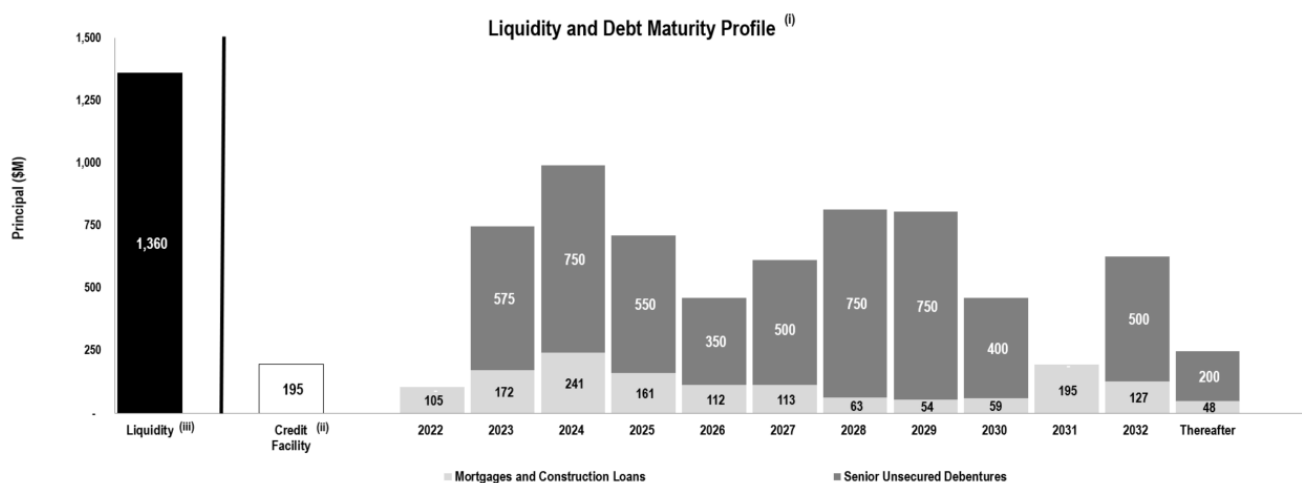
Schedules of Repayments and Cash Flow Activities

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 September 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	\$ —	\$ —	\$ 6,366	\$ 4,638	\$ 2,852	\$ 91,156	\$ 105,012
2023	—	575,000	78,443	—	11,126	82,226	746,795
2024	—	750,000	205,033	9,557	7,738	18,729	991,057
2025	—	550,000	153,493	—	8,013	—	711,506
2026	—	350,000	64,547	—	46,613	—	461,160
Thereafter	195,000	3,100,000	442,143	18,313	198,677	—	3,954,133
Total adjusted debt outstanding	\$ 195,000	\$ 5,325,000	\$ 950,025	\$ 32,508	\$ 275,019	\$ 192,111	\$ 6,969,663

⁽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 September 1, 2027.

(iii) Includes cash and cash equivalents.

4.4 Financial Condition

Choice Properties is subject to certain financial and non-financial covenants in its senior unsecured debentures and credit facility that include maintaining certain leverage and debt service ratios. These ratios are monitored by management on an ongoing basis to ensure compliance. Choice Properties was in compliance with all these covenants as at September 30, 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 September 30, 2022	As at December 31, 2021
Adjusted Debt to Total Assets⁽ⁱ⁾	Limit: Maximum excluding convertible debt is 60.0%	41.0%	40.1%
Debt Service Coverage Ratio⁽ⁱ⁾	Limit: Minimum 1.5x	3.1x	3.3x
Adjusted Debt to EBITDAFV^{(1)(i)(ii)(iv)}		7.4x	7.2x
Interest Coverage Ratio⁽¹⁾⁽ⁱⁱⁱ⁾		3.5x	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 September 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 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 September 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:

	Nine months ended September 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 nine months ended September 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 nine months ended September 30, 2022 and 2021, including distributions to holders of Exchangeable Units, were as follows:

	Three Months			Nine Months		
For the periods ended September 30 (\$ thousands)	2022	2021	Change \$	2022	2021	Change \$
Total distributions declared	\$ 133,856	\$ 133,811	\$ 45	\$ 401,549	\$ 401,284	\$ 265

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

At its most recent meeting on November 9, 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 September 30 (\$ thousands)	Three Months			Nine Months		
	2022	2021	Change \$	2022	2021	Change \$
Adjusted Cash Flow from Operations ⁽¹⁾	\$ 132,621	163,198	\$ (30,577)	\$ 456,582	\$ 488,969	\$ (32,387)
Cash distributions declared	(133,856)	(133,811)	(45)	(401,549)	(401,284)	(265)
Cash retained after cash distributions	\$ (1,235)	\$ 29,387	\$ (30,622)	\$ 55,033	\$ 87,685	\$ (32,652)
ACFO ⁽¹⁾ payout ratio	100.9 %	82.0 %	18.9 %	87.9 %	82.1 %	5.8 %

Three and Nine Months

ACFO decreased compared to the prior year primarily due to an increase in property and leasing capital expenditures and an increase in net interest expense and other financing charges in excess of interest paid.

4.8 Financial Instruments

Designated hedging derivatives consist of interest rate swaps to hedge the interest rate associated with an equivalent amount of variable rate mortgages. During the nine months ended September 30, 2022, two interest rate swaps were settled upon maturity of the underlying variable rate mortgages. As at September 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:

	Maturity	Notional	As at	As at
(\$ thousands)	Date	Amount	September 30, 2022	December 31, 2021
Derivative assets				
Interest rate swaps	May 2023 - Jun 2030	\$ 159,291	\$ 12,727	\$ 3,266
Derivative liabilities				
Interest rate swaps	August 2022	—	—	1,925

During the nine months ended September 30, 2022, Choice Properties recorded an unrealized fair value gain in other comprehensive income of \$11,386 (September 30, 2021 - unrealized fair value gain of \$2,971).

4.9 Off-Balance Sheet Arrangements

Choice Properties issues letters of credit to support guarantees related to its investment properties including maintenance and development obligations to municipal authorities. As at September 30, 2022, the aggregate gross potential liability related to these letters of credit totalled \$47,053 (December 31, 2021 - \$32,579).

5. RESULTS OF OPERATIONS

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

For the periods ended September 30 (\$ thousands)	Three Months				Nine Months			
	2022	2021	Change \$	% Change	2022	2021	Change \$	% Change
Net Operating Income								
Rental revenue	\$ 309,082	\$ 316,083	\$ (7,001)	(2.2)%	\$ 950,212	\$ 966,558	\$ (16,346)	(1.7)%
Property operating costs	(85,919)	(88,424)	2,505	(2.8)%	(276,773)	(284,615)	7,842	(2.8)%
	223,163	227,659	(4,496)	(2.0)%	673,439	681,943	(8,504)	(1.2)%
Other Income and Expenses								
Interest income	5,195	4,091	1,104	27.0 %	14,669	12,767	1,902	14.9 %
Investment income	5,165	—	5,165	— %	10,330	—	10,330	— %
Fee income	714	890	(176)	(19.8)%	2,501	2,855	(354)	(12.4)%
Net interest expense and other financing charges	(136,574)	(132,863)	(3,711)	2.8 %	(399,610)	(400,205)	595	(0.1)%
General and administrative expenses	(11,360)	(10,036)	(1,324)	13.2 %	(33,345)	(29,118)	(4,227)	14.5 %
Reversal of (allowance for) expected credit loss on mortgage receivable	—	476	(476)	(100.0)%	—	476	(476)	(100.0)%
Share of income from equity accounted joint ventures	211,279	22,771	188,508	827.8 %	338,345	48,614	289,731	596.0 %
Amortization of intangible assets	(250)	(250)	—	— %	(750)	(750)	—	— %
Transaction costs and other related expenses	(13)	—	(13)	— %	(5,026)	—	(5,026)	— %
Other fair value gains (losses), net	476	159	317	199.4 %	1,474	(2,246)	3,720	(165.6)%
Adjustment to fair value of Exchangeable Units	577,848	15,831	562,017	3,550.1 %	1,029,045	(490,776)	1,519,821	(309.7)%
Adjustment to fair value of investment properties	141,277	34,944	106,333	304.3 %	(80,255)	362,542	(442,797)	(122.1)%
Adjustment to fair value of investment in real estate securities	(68,847)	—	(68,847)	— %	(227,562)	—	(227,562)	— %
Income before Income Taxes	948,073	163,672	784,401	479.3 %	1,323,255	186,102	1,137,153	611.0 %
Income tax recovery (expense)	4	—	4	— %	(2)	(7)	5	(71.4)%
Net Income	\$ 948,077	\$ 163,672	\$ 784,405	479.3 %	\$1,323,253	\$ 186,095	\$1,137,158	611.1 %

Three Months

The quarterly increase compared to the prior year was primarily due to a \$562.0 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, coupled with a \$188.5 increase in income from equity accounted joint ventures from fair value increases in the development portfolio, and a \$106.3 million favourable change in the fair value of investment properties attributed to leasing and cash flow growth in the industrial portfolio. These increases were partially offset by a \$68.8 million unfavourable adjustment to fair value of the Trust's investment in the real estate securities of Allied, as a result of the decrease in Allied's unit price.

Nine Months

The year-to-date increase compared to the prior year was mainly due to a \$1,519.8 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 \$289.7 million increase in income from equity accounted joint ventures from fair value increases in the development portfolio. These increases were partially offset by a \$442.8 million unfavourable change in the fair value of investment properties, as a result of the expansion of capitalization rates for retail properties, and a \$227.6 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 September 30 (\$ thousands)	Three Months			Nine Months		
	2022	2021	Change \$	2022	2021	Change \$
Net Operating Income						
Rental revenue	\$ 309,082	\$ 316,083	\$ (7,001)	\$ 950,212	\$ 966,558	\$ (16,346)
Property operating costs	(85,919)	(88,424)	2,505	(276,773)	(284,615)	7,842
	\$ 223,163	\$ 227,659	\$ (4,496)	\$ 673,439	\$ 681,943	\$ (8,504)

Three and Nine Months

The quarterly and year-to-date decreases in net rental income 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 due to higher capital spend in Q4 2021 and the impact of rising interest rates, 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 September 30 (\$ thousands)	Three Months			Nine Months		
	2022	2021	Change \$	2022	2021	Change \$
Interest income on mortgages and loans receivable	\$ 5,012	\$ 2,730	\$ 2,282	\$ 13,847	\$ 8,007	\$ 5,840
Interest income earned from financial real estate assets	1,550	1,062	488	4,153	3,179	974
Interest income (loss) from financial real estate assets due to changes in value	(2,031)	(125)	(1,906)	(4,505)	176	(4,681)
Other interest income	664	424	240	1,174	1,405	(231)
Interest Income	\$ 5,195	\$ 4,091	\$ 1,104	\$ 14,669	\$ 12,767	\$ 1,902

Three and Nine Months

The quarterly and year-to-date increases in interest income were primarily due to increases on interest from mortgages and loans receivable due to a higher outstanding balance during the period. The increases were partially offset by unfavourable changes in fair value recognized on financial real estate assets.

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 September 30 (\$ thousands)	Three Months			Nine Months		
	2022	2021	Change \$	2022	2021	Change \$
Fees charged to related party	\$ 62	\$ 62	\$ —	\$ 187	\$ 252	\$ (65)
Fees charged to third parties	652	828	(176)	2,314	2,603	(289)
Fee Income	\$ 714	\$ 890	\$ (176)	\$ 2,501	\$ 2,855	\$ (354)

Three and Nine Months

The decrease in fee income can be primarily attributed to a decrease in property management fees related to co-ownerships.

Net Interest Expense and Other Financing Charges

For the periods ended September 30 (\$ thousands)	Three Months			Nine Months		
	2022	2021	Change \$	2022	2021	Change \$
Interest on senior unsecured debentures	\$ 50,879	\$ 46,142	\$ 4,737	\$ 141,901	\$ 140,295	\$ 1,606
Interest on mortgages and construction loans	9,210	11,305	(2,095)	29,804	35,195	(5,391)
Interest on credit facility	2,595	1,252	1,343	5,714	3,040	2,674
Interest on right-of-use lease liability	87	36	51	126	112	14
Amortization of debt discounts and premiums	339	222	117	816	445	371
Amortization of debt placement costs	1,054	1,247	(193)	3,786	3,430	356
Capitalized interest	(811)	(562)	(249)	(2,200)	(1,975)	(225)
	63,353	59,642	3,711	179,947	180,542	(595)
Distributions on Exchangeable Units to GWL	73,221	73,221	—	219,663	219,663	—
Net interest expense and other financing charges	\$ 136,574	\$ 132,863	\$ 3,711	\$ 399,610	\$ 400,205	\$ (595)

Three Months

The quarterly increase was primarily due to \$4.7 million increase in interest on unsecured debentures following the issuances of the Series Q and R unsecured debentures in November 2021 and June 2022 respectively, for proceeds of \$850 million in aggregate. This increase was partially offset by the early repayments of the Series I and 10 unsecured debentures in December 2021 and June 2022, respectively of \$600 million. Additionally, the interest on the credit facility increased due to rising interest rates and higher balance carried compared to prior year. The above increases were partially offset by a decline in interest expense from mortgages and construction loans due to a decline in the outstanding balance as a result of paying down mortgages on maturity.

Nine Months

The overall decrease was primarily due to a \$5.4 million decrease in interest on mortgages and construction loans, due to a decline in the outstanding balance as a result of paying down mortgages on maturity. The above decrease were partially offset by increased interest on credit facilities due to higher interest rates and a higher balance carried compared to prior year, and an increase in unsecured debentures interest expense during the year. The increase in interest on unsecured debentures is due to the issuances of the Series Q and R unsecured debentures in November 2021 and June 2022 respectively, for proceeds of \$850 million in aggregate, partially offset by the early repayments of the Series I and 10 unsecured debentures in December 2021 and June 2022, respectively of \$600 million.

General and Administrative Expenses

For the periods ended September 30 (\$ thousands)	Three Months			Nine Months		
	2022	2021	Change \$	2022	2021	Change \$
Salaries, benefits and employee costs	\$ 13,709	\$ 13,044	\$ 665	\$ 41,704	\$ 37,939	\$ 3,765
Investor relations and other public entity costs	740	778	(38)	2,129	2,065	64
Professional fees	813	1,011	(198)	2,497	3,137	(640)
Information technology costs	1,817	1,621	196	5,107	4,682	425
Services Agreement expense charged by related party ⁽ⁱ⁾	976	748	228	2,926	2,346	580
Amortization of other assets	297	303	(6)	915	884	31
Office related costs	487	188	299	1,135	1,008	127
Other	596	61	535	1,461	555	906
	19,435	17,754	1,681	57,874	52,616	5,258
Less:						
Capitalized to properties under development	(2,498)	(1,900)	(598)	(7,088)	(5,300)	(1,788)
Allocated to recoverable operating expenses	(5,577)	(5,818)	241	(17,441)	(18,198)	757
General and administrative expenses	\$ 11,360	\$ 10,036	\$ 1,324	\$ 33,345	\$ 29,118	\$ 4,227

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

Three and Nine Months

The quarterly and year-to-date increases were primarily due to higher salary and employee related costs, and an increase in other items, which includes costs associated with advertising and travel. The above items were partially offset by decreases in professional fees related to changes in service providers and lower consulting fees.

Other Fair Value Gains (Losses), Net

For the periods ended September 30 (\$ thousands)	Three Months			Nine Months		
	2022	2021	Change \$	2022	2021	Change \$
Adjustment to fair value of unit-based compensation	\$ 476	\$ 159	\$ 317	\$ 1,474	\$ (2,246)	\$ 3,720
Other fair value gains (losses), net	\$ 476	\$ 159	\$ 317	\$ 1,474	\$ (2,246)	\$ 3,720

Three and Nine Months

For the three and nine months ended September 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 September 30, 2022:

(in thousands of square feet except where otherwise indicated)	June 30, 2022								Acquired / (Disposed) vacancy	Three Months September 30, 2022		
	Leasable	Occupied	Occupied %	Expiries	New	Renewals	Subtotal: Portfolio Absorption	Portfolio changes ⁽ⁱ⁾		Leasable	Occupied	Occupied %
Retail	44,050	42,965	97.5 %	(509)	90	460	41	18	(16)	44,052	43,024	97.7 %
Industrial	17,364	17,227	99.2 %	(687)	600	61	(26)	52	14	17,430	17,253	99.0 %
Mixed-Use, Residential & Other ⁽ⁱⁱ⁾	2,301	2,014	87.5 %	(58)	20	56	18	(231)	(25)	2,045	1,801	88.1 %
Total	63,715	62,206	97.6 %	(1,254)	710	577	33	(161)	(27)	63,527	62,078	97.7 %

- (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 nine months ended September 30, 2022:

(in thousands of square feet except where otherwise indicated)	December 31, 2021								Acquired / (Disposed) vacancy	Nine Months September 30, 2022		
	Leasable	Occupied	Occupied %	Expires	New	Renewals	Subtotal: Portfolio Absorption	Portfolio changes ⁽ⁱ⁾		Leasable	Occupied	Occupied %
Retail	44,152	43,035	97.5 %	(1,464)	204	1,237	(23)	12	(112)	44,052	43,024	97.7 %
Industrial	17,571	17,234	98.1 %	(1,850)	1,098	878	126	(107)	(34)	17,430	17,253	99.0 %
Mixed-Use, Residential & Other	3,535	3,119	88.2 %	(145)	57	99	11	(1,329)	(161)	2,045	1,801	88.1 %
Total	65,258	63,388	97.1 %	(3,459)	1,359	2,214	114	(1,424)	(307)	63,527	62,078	97.7 %

- (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 97.7% as at September 30, 2022 from 97.6% as at June 30, 2022. The Trust had positive absorption of approximately 33K square feet primarily due to leasing of vacant units in the Alberta and Ontario retail portfolios.

The portfolio change of approximately 161K square feet is primarily related to the disposition of one mixed-use, residential & other asset in Quebec, partially offset by the acquisition of one retail asset in Ontario.

Nine Months

Period end occupancy increased to 97.7% as at September 30, 2022 from 97.1% as at December 31, 2021. The positive absorption is mainly from the Alberta and Ontario industrial portfolios.

Portfolio changes of 1,424K square feet is primarily in relation to the sale of six office properties to Allied Properties REIT in the first quarter.

Choice Properties' principal tenant, Loblaw, represents 56.5% of its total GLA (December 31, 2021 - 56.0%). At September 30, 2022, the weighted average lease term-to-maturity on the Loblaw leases was 6.5 years (December 31, 2021 - 6.5 years).

(in millions of square feet except where otherwise indicated)	As at September 30, 2022			As at December 31, 2021		
	Portfolio GLA	Occupied GLA	Occupancy (%)	Portfolio GLA	Occupied GLA	Occupancy (%)
Loblaw banners	36.0	36.0	100.0%	36.5	36.5	100.0%
Third-party tenants	27.5	26.1	94.7%	28.7	26.9	93.5%
Total commercial GLA	63.5	62.1	97.7%	65.2	63.4	97.1%

The lease maturity profile for Choice Properties' portfolio as at September 30, 2022, was as follows:

(in thousands of square feet except where otherwise indicated)	Third party GLA	Loblaws 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	315	—	315	0.5 %	\$ 4,883	\$ 15.50
2022	340	23	363	0.6 %	4,825	13.29
2023	2,296	336	2,632	4.1 %	34,795	13.22
2024	3,097	2,854	5,951	9.4 %	80,002	13.44
2025	3,793	3,218	7,011	11.0 %	90,571	12.92
2026	3,456	2,665	6,121	9.6 %	92,533	15.12
2027	3,061	3,994	7,055	11.1 %	115,704	16.40
2028 & Thereafter	9,706	22,924	32,630	51.4 %	536,031	16.43
Occupied GLA	26,064	36,014	62,078	97.7 %	959,344	15.45
Vacant GLA	1,449	—	1,449	2.3 %	—	—
Total	27,513	36,014	63,527	100.0 %	\$ 959,344	\$ 15.10

(in thousands of square feet except where otherwise indicated)	Retail segment		Industrial segment		Mixed-Use, Residential & Other segment ⁽ⁱⁱ⁾		Total	
	Expiring GLA as a % of total GLA		Expiring GLA as a % of total GLA		Expiring GLA as a % of total GLA		Expiring GLA as a % of total GLA	
	GLA		GLA		GLA		GLA	
Month-to-month	253	0.4%	49	0.1%	13	—%	315	0.5 %
2022	228	0.4%	118	0.2%	17	—%	363	0.6 %
2023	1,140	1.8%	1,382	2.2%	110	0.1%	2,632	4.1 %
2024	4,113	6.5%	1,678	2.6%	160	0.3%	5,951	9.4 %
2025	4,515	7.1%	2,348	3.7%	148	0.2%	7,011	11.0 %
2026	4,833	7.6%	1,166	1.8%	122	0.1%	6,121	9.6 %
2027	5,976	9.4%	975	1.5%	104	0.2%	7,055	11.1 %
2028 & Thereafter	21,966	34.6 %	9,537	15.0 %	1,127	1.9%	32,630	51.4 %
Occupied GLA	43,024		17,253		1,801		62,078	97.7 %
Vacant GLA	1,028	1.6%	177	0.3%	244	0.4%	1,449	2.3 %
Total	44,052	69.4 %	17,430	27.4 %	2,045	3.2%	63,527	100.0 %
Average in place base rent (per square foot)	\$ 16.72		\$ 8.25		NM		\$ 14.46	

Top 10 Tenants

Choice Properties' ten largest tenants for the three months ended September 30, 2022, represented approximately 65.4% 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	57.3 %	36,014
2.	Canadian Tire	1.9 %	1,331
3.	TJX Companies	1.2 %	662
4.	Dollarama	1.1 %	550
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		65.4 %	41,580

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 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⁽ⁱ⁾ to net income as determined in accordance with GAAP for the three months ended September 30, 2022:

(\$ thousands)	Retail	Industrial	Mixed-Use, Residential & Other	Proportionate Share Basis ⁽ⁱ⁾	Consolidation and eliminations ⁽ⁱ⁾	GAAP Basis
Rental revenue, excluding straight line rental revenue and lease surrender revenue	\$ 256,319	\$ 49,376	\$ 21,085	\$ 326,780	\$ (18,763)	\$ 308,017
Property operating costs	(70,499)	(13,277)	(8,464)	(92,240)	6,321	(85,919)
Net Operating Income, Cash Basis⁽ⁱ⁾	185,820	36,099	12,621	234,540	(12,442)	222,098
Straight line rental revenue	(818)	2,042	246	1,470	(475)	995
Lease surrender revenue	67	1	2	70	—	70
Net Operating Income, Accounting Basis	185,069	38,142	12,869	236,080	(12,917)	223,163
Other Income and Expenses						
Interest income				5,397	(202)	5,195
Investment income				5,165	—	5,165
Fee income				714	—	714
Net interest expense and other financing charges				(141,382)	4,808	(136,574)
General and administrative expenses				(11,360)	—	(11,360)
Share of income from equity accounted joint ventures				—	211,279	211,279
Amortization of intangible assets				(250)	—	(250)
Transaction costs and other related expenses				(13)	—	(13)
Other fair value gains (losses), net				476	—	476
Adjustment to fair value of Exchangeable Units				577,848	—	577,848
Adjustment to fair value of investment properties				344,245	(202,968)	141,277
Adjustment to fair value of investment in real estate securities				(68,847)	—	(68,847)
Income before Income Taxes				948,073	—	948,073
Income tax recovery (expense)				4	—	4
Net Income				\$ 948,077	\$ —	\$ 948,077

(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 as determined in accordance with GAAP for the nine months ended September 30, 2022:

(\$ thousands)	Retail	Industrial	Mixed-Use, Residential & Other	Proportionate Share Basis ⁽¹⁾	Consolidation and eliminations ⁽²⁾	GAAP Basis
Rental revenue, excluding straight line rental revenue and lease surrender revenue	\$ 773,407	\$ 149,856	\$ 75,885	\$ 999,148	\$ (53,006)	\$ 946,142
Property operating costs	(222,149)	(40,721)	(33,162)	(296,032)	19,259	(276,773)
Net Operating Income, Cash Basis⁽¹⁾	551,258	109,135	42,723	703,116	(33,747)	669,369
Straight line rental revenue	(1,508)	4,264	375	3,131	(1,415)	1,716
Lease surrender revenue	2,293	146	125	2,564	(210)	2,354
Net Operating Income, Accounting Basis	552,043	113,545	43,223	708,811	(35,372)	673,439
Other Income and Expenses						
Interest income				14,128	541	14,669
Investment income				10,330	—	10,330
Fee income				2,501	—	2,501
Net interest expense and other financing charges				(410,957)	11,347	(399,610)
General and administrative expenses				(33,345)	—	(33,345)
Share of income from equity accounted joint ventures				—	338,345	338,345
Amortization of intangible assets				(750)	—	(750)
Transaction costs and other related expenses				(5,026)	—	(5,026)
Other fair value gains (losses), net				1,474	—	1,474
Adjustment to fair value of Exchangeable Units				1,029,045	—	1,029,045
Adjustment to fair value of investment properties				234,606	(314,861)	(80,255)
Adjustment to fair value of investment in real estate securities				(227,562)	—	(227,562)
Income before Income Taxes				1,323,255	—	1,323,255
Income tax recovery (expense)				(2)	—	(2)
Net Income				\$ 1,323,253	\$ —	\$ 1,323,253

(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 determined in accordance with GAAP.

Management also measures performance of operating segments using NOI⁽¹⁾ as calculated on a proportionate share basis⁽¹⁾ and, in particular, Same-Asset NOI which isolates Management’s success at dealing with certain key performance factors. “Same-Asset” refers to those properties that were owned and operated by Choice Properties for the entire 21 months ended September 30, 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 nine months ended September 30, 2022 and September 30, 2021 as summarized below.

Summary - Accounting Basis

For the periods ended September 30 (\$ thousands)	Three Months				Nine Months			
	2022	2021	Change \$	% Change	2022	2021	Change \$	% Change
Rental revenue	\$ 312,182	\$ 301,339	\$ 10,843	3.6 %	\$ 944,425	\$ 915,849	\$ 28,576	3.1 %
Straight line rental revenue	843	337	506	150.1 %	1,224	5,980	(4,756)	(79.5)%
Property operating costs excluding bad debt expense	(87,171)	(82,824)	(4,347)	5.2 %	(274,003)	(265,923)	(8,080)	3.0 %
Same-Asset NOI, Accounting Basis, excluding bad debt expense	225,854	218,852	7,002	3.2 %	671,646	655,906	15,740	2.4 %
Bad debt expense	(197)	(1,059)	862	(81.4)%	(500)	(4,328)	3,828	(88.4)%
Same-Asset NOI, Accounting Basis	225,657	217,793	7,864	3.6 %	671,146	651,578	19,568	3.0 %
Transactions NOI including straight line rental revenue, excluding bad debt expense	10,462	19,292	(8,830)		35,246	56,591	(21,345)	
Bad debt expense	(109)	105	(214)		(145)	(371)	226	
Transactions NOI, Accounting Basis	10,353	19,397	(9,044)		35,101	56,220	(21,119)	
Lease surrender revenue	70	208	(138)		2,564	2,523	41	
Total NOI, Accounting Basis	\$ 236,080	\$ 237,398	\$ (1,318)		\$ 708,811	\$ 710,321	\$ (1,510)	

Summary - Cash Basis

For the periods ended September 30 (\$ thousands)	Three Months				Nine Months			
	2022	2021	Change \$	% Change	2022	2021	Change \$	% Change
Rental revenue	\$ 312,182	\$ 301,339	\$ 10,843	3.6 %	\$ 944,425	\$ 915,849	\$ 28,576	3.1 %
Property operating costs excluding bad debt expense	(87,171)	(82,824)	(4,347)	5.2 %	(274,003)	(265,923)	(8,080)	3.0 %
Same-Asset NOI, Cash Basis, excluding bad debt expense	225,011	218,515	6,496	3.0 %	670,422	649,926	20,496	3.2 %
Bad debt expense	(197)	(1,059)	862	(81.4)%	(500)	(4,328)	3,828	(88.4)%
Same-Asset NOI, Cash Basis	224,814	217,456	7,358	3.4 %	669,922	645,598	24,324	3.8 %
Transactions NOI excluding bad debt expense	9,835	18,443	(8,608)		33,339	53,598	(20,259)	
Bad debt expense	(109)	105	(214)		(145)	(371)	226	
Transactions NOI, Cash Basis	9,726	18,548	(8,822)		33,194	53,227	(20,033)	
Total NOI, Cash Basis	\$ 234,540	\$ 236,004	\$ (1,464)		\$ 703,116	\$ 698,825	\$ 4,291	

Three Months and Nine Months

Same-Asset NOI, cash basis, increased 3.4% and 3.8% for the three and nine months respectively, primarily due to increased revenue from improved occupancy, contractual rent steps, a reduction in bad debt expense, higher capital recoveries partially driven by rising interest rates, and higher rental rates in the retail and industrial portfolio. The current year results were also impacted by non-recurring items, including successful realty tax appeals, realty tax adjustments in the first half of the year, and recoveries from bankrupt tenants.

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 and development transfers completed in 2021 and 2022.

Retail Segment

For the periods ended September 30 (\$ thousands)	Three Months				Nine Months			
	2022	2021	Change \$	% Change	2022	2021	Change \$	% Change
Rental revenue	\$ 249,828	\$ 239,288	\$ 10,540	4.4 %	\$ 755,230	\$ 731,549	\$ 23,681	3.2 %
Property operating costs excluding bad debt expense	(69,088)	(64,188)	(4,900)	7.6 %	(217,717)	(211,383)	(6,334)	3.0 %
Same-Asset NOI, Cash Basis, excluding bad debt expense	180,740	175,100	5,640	3.2 %	537,513	520,166	17,347	3.3 %
Bad debt expense	(29)	(897)	868	(96.8)%	(275)	(3,547)	3,272	(92.2)%
Same-Asset NOI, Cash Basis	180,711	174,203	6,508	3.7 %	537,238	516,619	20,619	4.0 %
Transactions NOI excluding bad debt expense	5,145	6,344	(1,199)		13,921	18,893	(4,972)	
Bad debt expense	(36)	56	(92)		99	(193)	292	
Transactions NOI, Cash Basis	5,109	6,400	(1,291)		14,020	18,700	(4,680)	
Total NOI, Cash Basis	\$ 185,820	\$ 180,603	\$ 5,217		\$ 551,258	\$ 535,319	\$ 15,939	

Three and Nine Months

The 3.7% and 4.0% increases in retail segment Same-Asset NOI, cash basis, for the three and nine 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, realty tax adjustments in the first half of the year, and recoveries from bankrupt tenants.

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 September 30 (\$ thousands)	Three Months				Nine Months			
	2022	2021	Change \$	% Change	2022	2021	Change \$	% Change
Rental revenue	\$47,811	\$47,684	\$127	0.3 %	\$144,921	\$141,151	\$3,770	2.7 %
Property operating costs excluding bad debt expense	(12,450)	(12,787)	337	(2.6) %	(38,294)	(36,988)	(1,306)	3.5 %
Same-Asset NOI, Cash Basis, excluding bad debt expense	35,361	34,897	464	1.3 %	106,627	104,163	2,464	2.4 %
Bad debt expense	(85)	(43)	(42)	97.7 %	(209)	(64)	(145)	226.6 %
Same-Asset NOI, Cash Basis	35,276	34,854	422	1.2 %	106,418	104,099	2,319	2.2 %
Transactions NOI excluding bad debt expense	822	1,868	(1,046)		2,755	5,444	(2,689)	
Bad debt expense	1	66	(65)		(38)	141	(179)	
Transactions NOI, Cash Basis	823	1,934	(1,111)		2,717	5,585	(2,868)	
Total NOI, Cash Basis	\$36,099	\$36,788	\$ (689)		\$109,135	\$109,684	\$ (549)	

Three Months and Nine Months

Same-Asset NOI, cash basis, for the industrial segment increased by 1.2% and 2.2% for the three and nine 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. The increase was partially offset by a temporary decrease in rental revenue in the Quebec region, due to a fixturing and free rent period upon turnover of a significant unit. The unit was backfilled at a higher rental rate. Excluding the impact from the turnover of this lease, industrial Same-Asset NOI, cash basis increased 4.8% and 3.3% for the three months and nine months ended September 30, 2022 as compared to the prior year, respectively.

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 September 30 (\$ thousands)	Three Months				Nine Months			
	2022	2021	Change \$	% Change	2022	2021	Change \$	% Change
Rental revenue	\$14,543	\$14,367	\$176	1.2 %	\$44,274	\$43,149	\$1,125	2.6 %
Property operating costs excluding bad debt expense	(5,633)	(5,849)	216	(3.7) %	(17,992)	(17,552)	(440)	2.5 %
Same-Asset NOI, Cash Basis, excluding bad debt expense	8,910	8,518	392	4.6 %	26,282	25,597	685	2.7 %
Bad debt expense	(83)	(119)	36	(30.3) %	(16)	(717)	701	(97.8) %
Same-Asset NOI, Cash Basis	8,827	8,399	428	5.1 %	26,266	24,880	1,386	5.6 %
Transactions NOI excluding bad debt expense	3,868	10,231	(6,363)		16,663	29,261	(12,598)	
Bad debt expense	(74)	(17)	(57)		(206)	(319)	113	
Transactions NOI, Cash Basis	3,794	10,214	(6,420)		16,457	28,942	(12,485)	
Total NOI, Cash Basis	\$12,621	\$18,613	\$ (5,992)		\$42,723	\$53,822	\$ (11,099)	

Three and Nine Months

Same-Asset NOI, cash basis, for the mixed-use, residential & other segment increased by 5.1% and 5.6% for the three and nine months respectively. The increase for the three months was primarily due to increased revenue from contractual rent steps, positive leasing activity, and higher recovery revenue in the Ontario region. The year-to-date results were also positively impacted by the decline in bad debt expense compared to the prior year.

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 nine months ended September 30, 2022 and September 30, 2021 are summarized below:

For the periods ended September 30 (\$ thousands)	Three Months			Nine Months		
	2022	2021	Change \$	2022	2021	Change \$
Funds from Operations ⁽¹⁾	\$ 173,119	\$ 172,651	\$ 468	\$ 523,545	\$ 515,101	\$ 8,444
FFO ⁽¹⁾ per unit basic	\$ 0.239	\$ 0.239	\$ —	\$ 0.724	\$ 0.712	\$ 0.012
FFO ⁽¹⁾ per unit diluted	\$ 0.239	\$ 0.239	\$ —	\$ 0.724	\$ 0.712	\$ 0.012
FFO ⁽¹⁾ payout ratio - diluted	77.3 %	77.5 %	(0.2)%	76.7 %	77.9 %	(1.2)%
Adjusted Funds from Operations ⁽¹⁾	\$ 130,360	\$ 153,566	\$(23,206)	\$ 454,817	\$ 467,582	\$(12,765)
AFFO ⁽¹⁾ per unit basic	\$ 0.180	\$ 0.212	\$(0.032)	\$ 0.629	\$ 0.647	\$(0.018)
AFFO ⁽¹⁾ per unit diluted	\$ 0.180	\$ 0.212	\$(0.032)	\$ 0.629	\$ 0.647	\$(0.018)
AFFO ⁽¹⁾ payout ratio - diluted	102.7 %	87.1 %	15.6 %	88.3 %	85.8 %	2.5 %
Distribution declared per Unit	\$ 0.185	\$ 0.185	\$ —	\$ 0.555	\$ 0.555	\$ —
Weighted average Units outstanding - basic ⁽ⁱ⁾	723,544,974	723,266,824	278,150	723,481,581	723,000,942	480,639
Weighted average Units outstanding - diluted ⁽ⁱ⁾	723,577,162	723,346,150	231,012	723,530,507	723,038,843	491,664
Number of Units outstanding, end of period ⁽ⁱ⁾	723,544,974	723,302,244	242,730	723,544,974	723,302,244	242,730

(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 Months

Funds from operations of was relatively flat compared to the third quarter of 2021, with an increase of \$0.5 million. Increases in Same-Asset NOI were largely offset by increases in interest and other expenses and the impact of the Allied Transaction. The impact of the Allied Transaction includes the loss of NOI, partially offset by the distribution and interest income earned from the consideration received in exchange for properties sold.

Nine Months

The year-to-date increase in funds from operations of \$8.4 million was primarily due to increases in Same-Asset NOI, partially offset by increases in interest expense and general and administrative expenses and the impact of the Allied Transaction.

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 Nine Months

Adjusted funds from operations decreased compared to the prior year on both a quarterly and year-to-date basis primarily due to an increase in capital spending. The increase is due to a higher proportion of annual spend occurring in the three and nine months ended September 30, than in the prior year.

Property Capital and Leasing Expenditures

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

For the periods ended September 30 (\$ thousands)	Three Months			Nine Months		
	2022	2021	Change \$	2022	2021	Change \$
Property capital	\$ 30,443	\$ 13,976	\$ 16,467	\$ 36,559	\$ 18,841	\$ 17,718
Direct leasing costs	3,499	1,443	2,056	6,869	4,863	2,006
Tenant improvements	5,134	425	4,709	15,554	8,990	6,564
Total property capital and leasing expenditures, proportionate share basis⁽¹⁾	\$ 39,076	\$ 15,844	\$ 23,232	\$ 58,982	\$ 32,694	\$ 26,288

Property capital expenditures incurred to sustain the existing GLA for investment properties are considered to be operational and are deducted in the calculation of AFFO⁽¹⁾ and ACFO⁽¹⁾. During the nine months ended September 30, 2022, Choice Properties incurred \$36,559 of property capital expenditures, which may be recoverable from tenants under the terms of their leases over the useful life of the improvements (2021 - \$18,841). Recoverable capital improvements may include items such as parking lot resurfacing and roof replacements. These items are recorded as part of investment properties and the recoveries from tenants are recorded as revenue.

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

8. QUARTERLY RESULTS OF OPERATIONS

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

Selected Quarterly Information

(\$ thousands except where otherwise indicated)	Third Quarter 2022	Second Quarter 2022	First Quarter 2022	Fourth Quarter 2021	Third Quarter 2021	Second Quarter 2021	First Quarter 2021	Fourth Quarter 2020
Number of income producing properties	701	701	699	709	718	717	715	713
(in millions of square feet)	64.0	64.2	64.0	65.8	66.5	66.4	66.2	66.1
Occupancy	97.7%	97.6%	97.0%	97.1%	97.0%	96.9%	97.0%	97.1%
Rental revenue (GAAP)	\$ 309,082	\$ 313,081	\$ 328,049	\$ 325,763	\$ 316,083	\$ 323,936	\$ 326,539	\$ 321,862
Net Income (loss)	\$ 948,077	\$ (11,810)	\$ 386,986	\$ (163,087)	\$ 163,672	\$ 84,621	\$ (62,198)	\$ 116,570
Net income (loss) per Unit	\$ 1.310	\$ (0.016)	\$ 0.535	\$ (0.225)	\$ 0.226	\$ 0.117	\$ (0.086)	\$ 0.161
Net income (loss) per Unit - diluted	\$ 1.310	\$ (0.016)	\$ 0.535	\$ (0.225)	\$ 0.226	\$ 0.117	\$ (0.086)	\$ 0.162
Net operating income, cash basis ⁽ⁱ⁾	\$ 234,540	\$ 231,299	\$ 237,277	\$ 236,674	\$ 236,004	\$ 233,188	\$ 229,633	\$ 230,353
FFO ⁽ⁱ⁾	\$ 173,119	\$ 175,290	\$ 175,136	\$ 174,797	\$ 172,651	\$ 171,842	\$ 170,608	\$ 171,519
FFO ⁽ⁱ⁾ per Unit - diluted	\$ 0.239	0.242	0.242	\$ 0.242	\$ 0.239	\$ 0.238	\$ 0.236	\$ 0.237
AFFO ⁽ⁱ⁾	\$ 130,360	\$ 163,708	\$ 160,749	\$ 118,924	\$ 153,566	\$ 158,700	\$ 155,316	\$ 136,054
AFFO ⁽ⁱ⁾ per Unit - diluted	\$ 0.180	0.226	0.222	\$ 0.164	\$ 0.212	\$ 0.219	\$ 0.215	\$ 0.189
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	\$ 12.41	\$ 14.05	\$ 15.49	\$ 15.19	\$ 14.25	\$ 14.29	\$ 13.56	\$ 13.01
Units outstanding, period end	723,544,974	723,544,974	723,544,974	723,375,372	723,302,244	723,148,168	722,728,188	722,728,188
Adjusted debt to total assets ⁽ⁱ⁾	41.0%	41.9%	39.5%	40.1%	41.0%	40.9%	42.3%	42.7%
Debt service coverage ⁽ⁱ⁾	3.1x	3.3x	3.4x	3.3x	3.3x	3.2x	3.2x	3.2x

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

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

9. RELATED PARTY TRANSACTIONS

Choice Properties' parent corporation is GWL, which as at September 30, 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 September 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 57.3% of Choice Properties' quarterly rental revenue on a proportionate share basis⁽¹⁾ and 56.5% of its commercial GLA as at September 30, 2022 (December 31, 2021 - 55.5% and 56.0%, respectively).

Leases

In the third 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 nine months ended September 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 nine months ended September 30, 2022, Choice Properties disposed of one retail property which had a Loblaw lease for a sale price of \$25,750, excluding transaction costs.

Services Agreement

For the nine months ended September 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 nine months ended September 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 nine months ended September 30, 2022, distributions declared on the Exchangeable Units totalled \$73,221 and \$219,663 (September 30, 2021 - \$73,221 and \$219,663).

As at September 30, 2022, Choice Properties had distributions on Exchangeable Units payable to GWL of \$122,035 (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 nine months ended September 30, 2022, GWL elected to receive four months of distributions from Choice Properties Limited Partnership in the form of loans. As such, non-interest bearing short-term notes totalling \$97,628 were issued during the nine months ended September 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 nine months ended September 30, 2022, Choice Properties declared cash distributions of \$9,372 and \$28,117 on the Units held by GWL (September 30, 2021 - \$9,372 and \$28,117). As at September 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 nine months ended September 30, 2022 and 2021.

During the three and nine months ended September 30, 2022, Choice Properties declared cash distributions of \$3,053 and \$9,158 on the Units held by Wittington (September 30, 2021 - \$3,053 and \$9,158). As at September 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 nine months ended September 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 third 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. In line with these focus areas, the Trust has established ambitious science-based net-zero greenhouse gas emissions reduction targets and DEI targets that commit to recruiting, advancing and retaining colleagues who self-identify as women and visible minorities.

More 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 97.7% 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 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 1.4 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. Construction continues at our second active industrial site, a modern logistics facility located in a prime industrial node in Surrey, British Columbia comprising 0.3 million square feet. At our third industrial development, located in East Gwillimbury in the Greater Toronto Area, site preparation is underway on the current and future phases of the site. 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 Companies Limited, 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. Choice Properties holds a 75% ownership interest in the project.

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 and industrial sites with 11 mixed-use projects representing over 10.5 million square feet, and 2 industrial projects representing over 5.6 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 second 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 350 basis points, with further rate hikes possible in the remainder of 2022. Further elevated interest rates may put further downward pressure on the fair value of properties in the remainder of 2022. In addition, market volatility and uncertainty around future interest rates continues to slow transaction volumes.

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 second 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 \$55.4 million in cash and cash equivalents, in addition to approximately \$12.2 billion in unencumbered assets. For the remainder of the year, we have approximately \$105 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	<ul style="list-style-type: none"> Represents financial information adjusted to reflect the Trust's equity accounted joint ventures and financial real estate assets and its share of net income (losses) from equity accounted joint ventures and financial real estate assets on a proportionately consolidated basis at the Trust's ownership percentage of the related investment. Management views this method as relevant in demonstrating the Trust's ability to manage the underlying economics of the related investments, including the financial performance and cash flows and the extent to which the underlying assets are leveraged, which is an important component of risk management. 	<p>Section 2, "Balance Sheet"</p> <p>Section 7.1, "Net Income and Segment NOI Reconciliation"</p>
Net Operating Income ("NOI"), Accounting Basis	<ul style="list-style-type: none"> Defined as property rental revenue including straight line rental revenue, reimbursed contract revenue and lease surrender revenue, less direct property operating expenses and realty taxes, and excludes certain expenses such as interest expense and indirect operating expenses in order to provide results that reflect a property's operations before consideration of how it is financed or the costs of operating the entity in which it is held. Management believes that NOI is an important measure of operating performance for the Trust's commercial real estate assets that is used by real estate industry analysts, investors and management, while also being a key input in determining the fair value of the Choice Properties portfolio. 	<p>Section 7.1, "Net Income and Segment NOI Reconciliation"</p>
NOI, Cash Basis	<ul style="list-style-type: none"> Defined as property rental revenue excluding straight line rental revenue, direct property operating expenses and realty taxes and excludes certain expenses such as interest expense and indirect operating expenses in order to provide results that reflect a property's operations before consideration of how it is financed or the costs of operating the entity in which it is held. 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. 	<p>Section 7.1, "Net Income and Segment NOI Reconciliation"</p> <p>Section 14.2, "Net Operating Income"</p>
Same-Asset NOI, Cash Basis and Same-Asset NOI, Accounting Basis	<ul style="list-style-type: none"> Same-Asset NOI is used to evaluate the period-over-period performance of those properties owned and operated by Choice Properties since January 1, 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. 	<p>Section 7.2, "Net Operating Income Summary"</p>

Funds from Operations ("FFO")	<ul style="list-style-type: none"> Calculated in accordance with the Real Property Association of Canada's ("REALpac") <i>Funds From Operations (FFO) & Adjusted Funds From Operations (AFFO) for IFRS</i> 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. 	<p>Section 14.3, "Funds from Operations"</p> <p>Section 14.9, "Selected Information for Comparative Purposes"</p>
Adjusted Funds from Operations ("AFFO")	<ul style="list-style-type: none"> Calculated in accordance with REALpac's <i>Funds From Operations (FFO) & Adjusted Funds From Operations (AFFO) for IFRS</i> 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. 	<p>Section 14.4, "Adjusted Funds from Operations"</p> <p>Section 14.9, "Selected Information for Comparative Purposes"</p>
Adjusted Cash Flow from Operations ("ACFO")	<ul style="list-style-type: none"> Calculated in accordance with REALpac's <i>Adjusted Cashflow from Operations (ACFO) for IFRS</i> issued in February 2019. Management views ACFO as a useful measure of the cash generated from operations after providing for operating capital requirements, and in evaluating the ability of Choice Properties to fund distributions to Unitholders. ACFO adjusts cash flows from operations as calculated under GAAP including, but not limited to, removing the effects of distributions on Exchangeable Units, deducting amounts for property capital expenditures to sustain existing GLA and for leasing capital expenditures. The resulting ACFO will include the impact of the seasonality of property capital expenditures and the impact of fluctuations from normal operating working capital, such as changes to net rent receivable from tenants, trade accounts payable and accrued liabilities. From time to time the Trust may enter into transactions that materially impact the calculation and are eliminated from the calculation for management's review purposes. 	<p>Section 14.5, "Adjusted Cash Flow from Operations"</p>
FFO, AFFO and ACFO Payout Ratios	<ul style="list-style-type: none"> FFO, AFFO and ACFO payout ratios are supplementary measures used by Management to assess the sustainability of the Trust's distribution payments. The ratios are calculated using cash distributions declared divided by FFO, AFFO and ACFO, as applicable. 	<p>Section 7.3, "Other Key Performance Indicators"</p>

Earnings before Interest, Taxes, Depreciation, Amortization and Fair Value ("EBITDAFV")	<ul style="list-style-type: none"> Defined as net income attributable to Unitholders, reversing, where applicable, income taxes, interest expense, amortization expense, depreciation expense, adjustments to fair value and other adjustments as allowed in the Trust Indentures, as supplemented. Management believes EBITDAFV is useful in assessing the Trust's ability to service its debt, finance capital expenditures and provide for distributions to its Unitholders. 	Section 14.8, "Earnings before Taxes, Depreciation, Amortization and Fair Value"
Cash Retained after Distributions	<ul style="list-style-type: none"> Represents the portion of ACFO retained within Choice Properties which can be used to invest in new acquisitions, development properties and capital activity. 	Section 14.6, "Distribution Excess / Shortfall Analysis"
Total Adjusted Debt	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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. 	<p>Section 4.4, "Financial Conditions"</p> <p>Section 14.9, "Selected Information for Comparative Purposes"</p>
Debt Service Coverage	<ul style="list-style-type: none"> 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. 	<p>Section 4.4, "Financial Conditions"</p> <p>Section 14.9, "Selected Information for Comparative Purposes"</p>
Adjusted Debt to EBITDAFV, and Adjusted Debt to EBITDAFV, net of cash	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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 September 30, 2022:

As at or for the three months ended September 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	\$ 13,700,000	\$ 958,000	\$ 14,658,000	\$ 312,000	\$ 491,000	\$ 803,000	\$ 14,012,000	\$ 15,461,000
Acquisitions of investment properties ⁽ⁱⁱ⁾	19,867	—	19,867	—	—	—	19,867	19,867
Capital expenditures								
Development capital	—	—	—	30,591	23,553	54,144	30,591	54,144
Building improvements	636	2,806	3,442	—	—	—	636	3,442
Capitalized interest	—	—	—	742	324	1,066	742	1,066
Property capital	30,119	324	30,443	—	—	—	30,119	30,443
Direct leasing costs	3,326	173	3,499	—	—	—	3,326	3,499
Tenant improvement allowances	4,757	377	5,134	—	—	—	4,757	5,134
Amortization of straight-line rent	995	475	1,470	—	—	—	995	1,470
Transfers from properties under development	29,669	—	29,669	(29,669)	—	(29,669)	—	—
Dispositions	(35,667)	—	(35,667)	(3,643)	—	(3,643)	(39,310)	(39,310)
Adjustment to fair value of investment properties	140,298	5,845	146,143	979	197,123	198,102	141,277	344,245
Balance, as at September 30, 2022	\$ 13,894,000	\$ 968,000	\$ 14,862,000	\$ 311,000	\$ 712,000	\$ 1,023,000	\$ 14,205,000	\$ 15,885,000

(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 nine months ended September 30, 2022

As at or for the nine months ended September 30 (\$ thousands except where otherwise indicated)	Income Producing Properties			Properties Under Development			Total Investment Properties	
	GAAP Basis	Adjustment to Proportionate Share Basis ⁽ⁱ⁾⁽ⁱⁱ⁾	Proportionate Share Basis ⁽ⁱ⁾	GAAP Basis	Adjustment to Proportionate Share Basis ⁽ⁱ⁾⁽ⁱⁱ⁾	Proportionate Share Basis ⁽ⁱ⁾	GAAP Basis	Proportionate Share Basis ⁽ⁱ⁾
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⁾	61,926	67,857	129,783	27,218	139,541	166,759	89,144	296,542
Capital expenditures								
Development capital	—	—	—	49,692	35,471	85,163	49,692	85,163
Building improvements	1,590	3,940	5,530	—	—	—	1,590	5,530
Capitalized interest	—	—	—	1,900	1,091	2,991	1,900	2,991
Property capital	35,481	1,078	36,559	—	—	—	35,481	36,559
Direct leasing costs	6,483	386	6,869	—	—	—	6,483	6,869
Tenant improvement allowances	14,194	1,360	15,554	—	—	—	14,194	15,554
Amortization of straight-line rent	1,716	1,415	3,131	—	—	—	1,716	3,131
Transfers from properties under development	39,819	15,950	55,769	(39,819)	(15,950)	(55,769)	—	—
Transfers to properties under development	(22,945)	—	(22,945)	22,945	—	22,945	—	—
Dispositions	(831,177)	—	(831,177)	(13,768)	—	(13,768)	(844,945)	(844,945)
Adjustment to fair value of investment properties	(120,087)	(16,986)	(137,073)	39,832	331,847	371,679	(80,255)	234,606
Balance, as at September 30, 2022	\$ 13,894,000	\$ 968,000	\$ 14,862,000	\$ 311,000	\$ 712,000	\$ 1,023,000	\$ 14,205,000	\$ 15,885,000

(i) Adjustment to Proportionate Share Basis⁽ⁱ⁾ 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, 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 September 30 (\$ thousands)	Three Months			Nine Months		
	2022	2021	Change \$	2022	2021	Change \$
Net income	\$ 948,077	\$ 163,672	\$ 784,405	\$ 1,323,253	\$ 186,095	\$1,137,158
Reversal of (allowance for) expected credit loss on mortgage receivable	—	(476)	476	—	(476)	476
General and administrative expenses	11,360	10,036	1,324	33,345	29,118	4,227
Fee income	(714)	(890)	176	(2,501)	(2,855)	354
Net interest expense and other financing charges	136,574	132,863	3,711	399,610	400,205	(595)
Interest income	(5,195)	(4,091)	(1,104)	(14,669)	(12,767)	(1,902)
Investment income	(5,165)	—	(5,165)	(10,330)	—	(10,330)
Share of income from equity accounted joint ventures	(211,279)	(22,771)	(188,508)	(338,345)	(48,614)	(289,731)
Amortization of intangible assets	250	250	—	750	750	—
Transaction costs and other related expenses	13	—	13	5,026	—	5,026
Other fair value gains (losses), net	(476)	(159)	(317)	(1,474)	2,246	(3,720)
Adjustment to fair value of Exchangeable Units	(577,848)	(15,831)	(562,017)	(1,029,045)	490,776	(1,519,821)
Adjustment to fair value of investment properties	(141,277)	(34,944)	(106,333)	80,255	(362,542)	442,797
Adjustment to fair value of investment in real estate securities	68,847	—	68,847	227,562	—	227,562
Income tax recovery (expense)	(4)	—	(4)	2	7	(5)
Net Operating Income, Accounting Basis - GAAP	223,163	227,659	(4,496)	673,439	681,943	(8,504)
Straight line rental revenue	(995)	(419)	(576)	(1,716)	(7,554)	5,838
Lease surrender revenue	(70)	(208)	138	(2,354)	(2,523)	169
Net Operating Income, Cash Basis - GAAP	222,098	227,032	(4,934)	669,369	671,866	(2,497)
Adjustments for equity accounted joint ventures and financial real estate assets	12,442	8,972	3,470	33,747	26,959	6,788
Net Operating Income, Cash Basis - Proportionate Share⁽¹⁾	\$ 234,540	\$ 236,004	\$ (1,464)	\$ 703,116	\$ 698,825	\$ 4,291

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 September 30 (\$ thousands)	Three Months			Nine Months		
	2022	2021	Change \$	2022	2021	Change \$
Net income	\$ 948,077	\$ 163,672	\$784,405	\$ 1,323,253	\$ 186,095	\$1,137,158
Amortization of intangible assets	250	250	—	750	750	—
Transaction costs and other related expenses	13	—	13	5,026	—	5,026
Other fair value gains (losses), net	(476)	(159)	(317)	(1,474)	2,246	(3,720)
Adjustment to fair value of Exchangeable Units	(577,848)	(15,831)	(562,017)	(1,029,045)	490,776	(1,519,821)
Adjustment to fair value of investment properties	(141,277)	(34,944)	(106,333)	80,255	(362,542)	442,797
Adjustment to fair value of investment property held in equity accounted joint ventures	(202,968)	(16,428)	(186,540)	(314,861)	(30,526)	(284,335)
Adjustment to fair value of investment in real estate securities	68,847	—	68,847	227,562	—	227,562
Interest otherwise capitalized for development in equity accounted joint ventures	3,071	815	2,256	5,799	2,780	3,019
Exchangeable Units distributions	73,221	73,221	—	219,663	219,663	—
Internal expenses for leasing	2,213	2,055	158	6,615	5,852	763
Income tax recovery (expense)	(4)	—	(4)	2	7	(5)
Funds from Operations	\$ 173,119	\$ 172,651	\$ 468	\$ 523,545	\$ 515,101	\$ 8,444
FFO per Unit - diluted	\$ 0.239	\$ 0.239	\$ —	\$ 0.724	\$ 0.712	\$ 0.012
FFO payout ratio - diluted ⁽ⁱ⁾	77.3 %	77.5 %	(0.2)%	76.7 %	77.9 %	(1.2)%
Distribution declared per Unit	\$ 0.185	\$ 0.185	\$ —	\$ 0.555	\$ 0.555	\$ —
Weighted average Units outstanding - diluted ⁽ⁱⁱ⁾	723,577,162	723,346,150	231,012	723,530,507	723,038,843	491,664

(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 September 30 (\$ thousands)	Three Months			Nine Months		
	2022	2021	Change \$	2022	2021	Change \$
Net operating income, cash basis	\$ 234,540	\$ 236,004	\$ (1,464)	\$ 703,116	\$ 698,825	\$ 4,291
Straight line rental revenue	1,470	1,186	284	3,131	8,973	(5,842)
Lease surrender revenue	70	208	(138)	2,564	2,523	41
Net operating income, accounting basis	\$ 236,080	\$ 237,398	\$ (1,318)	\$ 708,811	\$ 710,321	\$ (1,510)
Interest income	5,397	2,833	2,564	14,128	8,506	5,622
Investment income	5,165	—	5,165	10,330	—	10,330
Fee income	714	890	(176)	2,501	2,855	(354)
Net interest expense and other financing charges	(141,382)	(135,001)	(6,381)	(410,957)	(406,234)	(4,723)
Distributions on Exchangeable Units	73,221	73,221	—	219,663	219,663	—
Interest otherwise capitalized for development in equity accounted joint ventures	3,071	815	2,256	5,799	2,780	3,019
General and administrative expenses	(11,360)	(10,036)	(1,324)	(33,345)	(29,118)	(4,227)
Reversal of (allowance for) expected credit loss on mortgage receivable	—	476	(476)	—	476	(476)
Internal expenses for leasing	2,213	2,055	158	6,615	5,852	763
Funds from Operations	\$ 173,119	\$ 172,651	\$ 468	\$ 523,545	\$ 515,101	\$ 8,444
FFO per Unit - diluted ⁽ⁱ⁾	\$ 0.239	\$ 0.239	\$ —	\$ 0.724	\$ 0.712	\$ 0.012
FFO payout ratio - diluted ⁽ⁱ⁾⁽ⁱⁱ⁾	77.3 %	77.5 %	(0.2)%	76.7 %	77.9 %	(1.2)%
Distribution declared per Unit	\$ 0.185	\$ 0.185	\$ —	\$ 0.555	\$ 0.555	\$ —
Weighted average Units outstanding - diluted	723,577,162	723,346,150	231,012	723,530,507	723,038,843	491,664

(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 September 30 (\$ thousands)	Three Months			Nine Months		
	2022	2021	Change \$	2022	2021	Change \$
Funds from Operations	\$ 173,119	\$ 172,651	468	\$ 523,545	\$ 515,101	\$ 8,444
Add (deduct) impact of the following:			—			
Internal expenses for leasing	(2,213)	(2,055)	(158)	(6,615)	(5,852)	(763)
Straight line rental revenue	(995)	(419)	(576)	(1,716)	(7,554)	5,838
Adjustment for proportionate share of straight line rental revenue from equity accounted joint ventures and financial real estate assets	(475)	(767)	292	(1,415)	(1,419)	4
Property capital	(30,119)	(13,975)	(16,144)	(35,481)	(18,939)	(16,542)
Direct leasing costs	(3,326)	(1,272)	(2,054)	(6,483)	(4,482)	(2,001)
Tenant improvements	(4,757)	(208)	(4,549)	(14,194)	(8,407)	(5,787)
Adjustment for proportionate share of operating capital expenditures from equity accounted joint ventures and financial real estate assets	(874)	(389)	(485)	(2,824)	(866)	(1,958)
Adjusted Funds from Operations	\$ 130,360	\$ 153,566	\$(23,206)	\$ 454,817	\$ 467,582	\$(12,765)
AFFO per unit - diluted	\$ 0.180	\$ 0.212	\$ (0.032)	\$ 0.629	\$ 0.647	\$ (0.018)
AFFO payout ratio - diluted ⁽ⁱ⁾	102.7 %	87.1 %	15.6 %	88.3 %	85.8 %	2.5 %
Distribution declared per Unit	\$ 0.185	\$ 0.185	\$ —	\$ 0.555	\$ 0.555	\$ —
Weighted average Units outstanding - diluted ⁽ⁱⁱ⁾	723,577,162	723,346,150	231,012	723,530,507	723,038,843	491,664

(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 September 30 (\$ thousands)	Three Months			Nine Months		
	2022	2021	Change \$	2022	2021	Change \$
Cash flows from operating activities	\$ 198,941	\$ 153,939	\$45,002	\$ 441,127	\$ 425,226	\$15,901
Net interest expense and other financing charges in excess of interest paid ⁽ⁱ⁾	(67,154)	(52,616)	(14,538)	(211,961)	(197,464)	(14,497)
Distributions on Exchangeable Units included in net interest expense and other financing charges	73,221	73,221	—	219,663	219,663	—
Interest and other income in excess of interest received ⁽ⁱ⁾	(164)	637	(801)	1,894	2,416	(522)
Interest otherwise capitalized for development in equity accounted joint ventures	3,071	815	2,256	5,799	2,780	3,019
Reversal of (allowance for) expected credit loss on mortgage receivable	—	476	(476)	—	476	(476)
Portion of internal expenses for leasing relating to development activity	1,107	1,028	79	3,308	2,926	382
Property capital expenditures on a proportionate share basis	(30,443)	(13,976)	(16,467)	(36,559)	(18,841)	(17,718)
Leasing capital expenditures on a proportionate share basis	(8,633)	(1,868)	(6,765)	(22,423)	(13,853)	(8,570)
Transaction costs and other related expenses	13	—	13	5,026	—	5,026
Adjustments for proportionate share of income from equity accounted joint ventures ⁽ⁱⁱ⁾	8,311	6,343	1,968	23,484	18,088	5,396
Adjustment for changes in non-cash working capital items not indicative of sustainable operating cash flows ⁽ⁱⁱⁱ⁾	(45,649)	(4,801)	(40,848)	27,224	47,552	(20,328)
Adjusted Cash Flow from Operations	\$ 132,621	\$ 163,198	\$(30,577)	\$ 456,582	\$ 488,969	\$(32,387)
Cash distributions declared	133,856	133,811	45	401,549	401,284	265
Cash retained after distributions	\$ (1,235)	\$ 29,387	\$(30,622)	\$ 55,033	\$ 87,685	\$(32,652)
ACFO payout ratio^(iv)	100.9 %	82.0 %	18.9 %	87.9 %	82.1 %	5.8 %

- (i) The timing of the recognition of interest expense and income differs from the payment and collection. The ACFO calculations for the periods ended September 30, 2022 and September 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 September 30 (\$ thousands)	Three Months			Nine Months		
	2022	2021	Change \$	2022	2021	Change \$
Net change in non-cash working capital ⁽ⁱ⁾	\$ 44,859	\$ 11,075	\$ 33,784	\$ (34,852)	\$ (34,743)	\$ (109)
Adjustment for changes in non-cash working capital items not indicative of sustainable operating cash flows	(45,649)	(4,801)	(40,848)	27,224	47,552	(20,328)
Net non-cash working capital increase included in ACFO	\$ (790)	\$ 6,274	\$ (7,064)	\$ (7,628)	\$ 12,809	\$ (20,437)

- (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 September 30 (\$ thousands)	Three Months			Nine Months		
	2022	2021	Change \$	2022	2021	Change \$
Cash flows from operating activities	\$ 198,941	\$ 153,939	\$ 45,002	\$ 441,127	\$ 425,226	\$ 15,901
Less: Cash distributions declared	(133,856)	(133,811)	(45)	(401,549)	(401,284)	(265)
Excess (shortfall) of cash flows provided by operating activities over cash distributions declared	\$ 65,085	\$ 20,128	\$ 44,957	\$ 39,578	\$ 23,942	\$ 15,636

For the periods ended September 30 (\$ thousands)	Three Months			Nine Months		
	2022	2021	Change \$	2022	2021	Change \$
Net income	\$ 948,077	\$ 163,672	\$ 784,405	\$ 1,323,253	\$ 186,095	\$ 1,137,158
Add: Distributions on Exchangeable Units included in net interest expense and other financing charges	73,221	73,221	—	219,663	219,663	—
Net income attributable to Unitholders excluding distributions on Exchangeable Units	1,021,298	236,893	784,405	1,542,916	405,758	1,137,158
Less: Cash distributions declared	(133,856)	(133,811)	(45)	(401,549)	(401,284)	(265)
Excess (shortfall) of net income attributable to Unitholders, less distributions on Exchangeable Units, over cash distributions declared	\$ 887,442	\$ 103,082	\$ 784,360	\$ 1,141,367	\$ 4,474	\$ 1,136,893

For the periods ended September 30 (\$ thousands)	Three Months			Nine Months		
	2022	2021	Change \$	2022	2021	Change \$
Adjusted Cash Flow from Operations ⁽¹⁾	\$ 132,621	163,198	\$ (30,577)	\$ 456,582	\$ 488,969	\$ (32,387)
Less: Cash distributions declared	(133,856)	(133,811)	(45)	(401,549)	(401,284)	(265)
Excess (shortfall) of ACFO after distributions	\$ (1,235)	\$ 29,387	\$ (30,622)	\$ 55,033	\$ 87,685	\$ (32,652)

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 nine months ended September 30, 2022 and 2021:

For the three months ended September 30 (\$ thousands)	2022			2021		
	Proportionate Share Basis ⁽¹⁾	Consolidation and eliminations ⁽ⁱ⁾	GAAP Basis	Proportionate Share Basis ⁽¹⁾	Consolidation and eliminations ⁽ⁱ⁾	GAAP Basis
Interest on senior unsecured debentures	\$ 50,879	\$ —	\$ 50,879	\$ 46,142	\$ —	\$ 46,142
Interest on mortgages and construction loans	14,204	(4,994)	9,210	14,051	(2,746)	11,305
Interest on credit facility	2,595	—	2,595	1,252	—	1,252
Subtotal (for use in Debt Service Coverage⁽¹⁾ calculation)	67,678	(4,994)	62,684	61,445	(2,746)	58,699
Distributions on Exchangeable Units ⁽ⁱⁱ⁾	73,221	—	73,221	73,221	—	73,221
Subtotal (for use in EBITDAFV⁽¹⁾ calculation)	140,899	(4,994)	135,905	134,666	(2,746)	131,920
Interest on right of use lease liability	87	—	87	36	—	36
Amortization of debt discounts and premiums	409	(70)	339	276	(54)	222
Amortization of debt placement costs	1,122	(68)	1,054	1,273	(26)	1,247
Capitalized interest	(1,135)	324	(811)	(1,250)	688	(562)
Net interest expense and other financing charges	\$ 141,382	\$ (4,808)	\$ 136,574	\$ 135,001	\$ (2,138)	\$ 132,863

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

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

For the nine months ended September 30 (\$ thousands)	2022			2021		
	Proportionate Share Basis ⁽¹⁾	Consolidation and eliminations ⁽ⁱ⁾	GAAP Basis	Proportionate Share Basis ⁽¹⁾	Consolidation and eliminations ⁽ⁱ⁾	GAAP Basis
Interest on senior unsecured debentures	\$ 141,901	\$ —	\$ 141,901	\$ 140,295	\$ —	\$ 140,295
Interest on mortgages and construction loans	41,856	(12,052)	29,804	42,707	(7,512)	35,195
Interest on credit facility	5,714	—	5,714	3,040	—	3,040
Subtotal (for use in Debt Service Coverage⁽¹⁾ calculation)	189,471	(12,052)	177,419	186,042	(7,512)	178,530
Distributions on Exchangeable Units ⁽ⁱⁱ⁾	219,663	—	219,663	219,663	—	219,663
Subtotal (for use in EBITDAFV⁽¹⁾ calculation)	409,134	(12,052)	397,082	405,705	(7,512)	398,193
Interest on right of use lease liability	126	—	126	112	—	112
Amortization of debt discounts and premiums	1,029	(213)	816	606	(161)	445
Amortization of debt placement costs	3,959	(173)	3,786	3,504	(74)	3,430
Capitalized interest	(3,291)	1,091	(2,200)	(3,693)	1,718	(1,975)
Net interest expense and other financing charges	\$ 410,957	\$ (11,347)	\$ 399,610	\$ 406,234	\$ (6,029)	\$ 400,205

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 September 30 (\$ thousands)	Three Months			Nine Months		
	2022	2021	Change \$	2022	2021	Change \$
Net income	\$ 948,077	\$ 163,672	\$ 784,405	\$ 1,323,253	\$ 186,095	\$1,137,158
Transaction costs and other related expenses	13	—	13	5,026	—	5,026
Other fair value gains (losses), net	(476)	(159)	(317)	(1,474)	2,246	(3,720)
Adjustment to fair value of Exchangeable Units	(577,848)	(15,831)	(562,017)	(1,029,045)	490,776	(1,519,821)
Adjustment to fair value of investment properties	(141,277)	(34,944)	(106,333)	80,255	(362,542)	442,797
Adjustment to fair value of investment property held in equity accounted joint ventures and financial real estate assets	(202,968)	(16,428)	(186,540)	(314,861)	(30,526)	(284,335)
Adjustment to fair value of investment in real estate securities	68,847	—	68,847	227,562	—	227,562
Interest expense ⁽ⁱ⁾	140,899	134,666	6,233	409,134	405,705	3,429
Amortization of other assets	297	303	(6)	915	884	31
Amortization of intangible assets	250	250	—	750	750	—
Income tax recovery (expense)	(4)	—	(4)	2	7	(5)
Earnings Before Interest, Taxes, Depreciation, Amortization and Fair Value (EBITDAFV)	\$ 235,810	\$ 231,529	\$ 4,281	\$ 701,517	\$ 693,395	\$ 8,122

(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.

	Third Quarter 2022	Second Quarter 2022	First Quarter 2022	Fourth Quarter 2021	Third Quarter 2021	Second Quarter 2021	First Quarter 2021	Fourth Quarter 2020
Net income (loss)	\$ 948,077	\$ (11,810)	\$ 386,986	\$ (163,087)	\$ 163,672	\$ 84,621	\$ (62,198)	\$ 116,570
Amortization of intangible assets	250	250	250	250	250	250	250	250
Transaction costs and other related expenses	13	(223)	5,236	—	—	—	—	—
Other fair value gains (losses), net	(476)	(2,064)	1,066	(666)	(159)	2,882	(477)	(1,347)
Adjustment to fair value of Exchangeable Units	(577,848)	(569,933)	118,736	372,039	(15,831)	288,924	217,683	86,370
Adjustment to fair value of investment properties	(141,277)	523,775	(302,243)	(96,275)	(34,944)	(268,855)	(58,743)	(103,601)
Adjustment to fair value of investment property held in equity accounted joint ventures	(202,968)	(1,456)	(110,437)	(12,952)	(16,428)	(11,946)	(2,152)	(330)
Adjustment to fair value of investment in real estate securities	68,847	158,715	—	—	—	—	—	—
Interest otherwise capitalized for development in equity accounted joint ventures	3,071	2,488	240	393	815	944	1,021	1,005
Exchangeable Units distributions	73,221	73,221	73,221	73,221	73,221	73,221	73,221	72,502
Internal expenses for leasing	2,213	2,323	2,079	2,560	2,055	1,801	1,996	1,897
Income tax expense	(4)	4	2	(686)	—	—	7	(1,797)
Funds from Operations	\$ 173,119	\$ 175,290	\$ 175,136	\$ 174,797	\$ 172,651	\$ 171,842	\$ 170,608	\$ 171,519
FFO per Unit - diluted	\$ 0.239	\$ 0.242	\$ 0.242	\$ 0.242	\$ 0.239	\$ 0.238	\$ 0.236	\$ 0.239
FFO payout ratio - diluted ⁽ⁱ⁾	77.3 %	76.4 %	76.4 %	76.6 %	77.5 %	77.8 %	78.4 %	77.5 %
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⁾	723,577,162	723,593,236	723,466,930	723,363,313	723,346,150	723,265,565	722,930,485	718,026,576

(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.

	Third Quarter 2022	Second Quarter 2022	First Quarter 2022	Fourth Quarter 2021	Third Quarter 2021	Second Quarter 2021	First Quarter 2021	Fourth Quarter 2020	Third Quarter 2020
Funds from Operations	\$173,119	\$175,290	\$175,136	\$174,797	\$172,651	\$171,842	\$170,608	\$171,519	\$169,173
Internal expenses for leasing	(2,213)	(2,323)	(2,079)	(2,560)	(2,055)	(1,801)	(1,996)	(1,897)	(1,692)
Straight line rental revenue	(995)	(210)	(511)	(339)	(419)	(2,658)	(4,477)	(3,217)	(3,177)
Adjustment for proportionate share of straight line rental revenue from equity accounted joint ventures and financial real estate assets	(475)	(541)	(399)	(792)	(767)	(306)	(346)	(889)	(538)
Property capital	(30,119)	(2,998)	(2,364)	(41,073)	(13,975)	(2,280)	(2,684)	(22,592)	(7,214)
Direct leasing costs	(3,326)	(1,358)	(1,799)	(2,258)	(1,272)	(1,852)	(1,044)	(1,051)	(2,356)
Tenant improvements	(4,757)	(3,320)	(6,117)	(8,265)	(208)	(3,644)	(4,262)	(4,711)	(6,566)
Adjustment for proportionate share of operating capital expenditures from equity accounted joint ventures and financial real estate assets	(874)	(832)	(1,118)	(586)	(389)	(601)	(483)	(1,108)	(36)
Adjusted Funds from Operations	\$130,360	\$163,708	\$160,749	\$118,924	\$153,566	\$158,700	\$155,316	\$136,054	\$147,594
AFFO per unit - diluted	\$0.180	\$0.226	\$0.222	\$0.164	\$0.212	\$0.219	\$0.215	\$0.189	\$0.207
AFFO payout ratio - diluted ⁽ⁱ⁾	102.7%	81.8%	83.0%	112.5%	87.1%	84.3%	86.1%	97.7%	89.9%
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⁾	723,577,162	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) 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.

	Third Quarter 2022	Second Quarter 2022	First Quarter 2022	Fourth Quarter 2021	Third Quarter 2021	Second Quarter 2021	First Quarter 2021	Fourth Quarter 2020
Total Assets - Proportionate Basis	\$ 16,941,805	\$ 16,676,996	\$ 16,910,210	\$ 16,664,782	\$ 16,599,779	\$ 16,395,858	\$ 16,146,949	\$ 16,037,280
Debt Service Coverage Ratio - Denominator	\$ 76,253	\$ 70,330	\$ 68,639	\$ 72,362	\$ 71,063	\$ 72,830	\$ 71,356	\$ 72,724

Financial Statements *(unaudited)*

Mount Pleasant Village
Brampton, ON



Financial Results

Condensed Consolidated Balance Sheets	91
Condensed Consolidated Statements of Income and Comprehensive Income	92
Condensed Consolidated Statements of Changes in Equity	93
Condensed Consolidated Statements of Cash Flows	94
Notes to the Condensed Consolidated Financial Statements	95
Note 1. Nature and Description of the Trust	95
Note 2. Significant Accounting Policies	95
Note 3. Investment Property and Other Transactions	96
Note 4. Investment Properties	98
Note 5. Equity Accounted Joint Ventures	101
Note 6. Co-Ownership Property Interests	101
Note 7. Financial Real Estate Assets	102
Note 8. Residential Development Inventory	102
Note 9. Mortgages, Loans and Notes Receivable	103
Note 10. Investment in Real Estate Securities	105
Note 11. Intangible Assets	105
Note 12. Accounts Receivable and Other Assets	106
Note 13. Long Term Debt	107
Note 14. Credit Facility	109
Note 15. Unitholders' Equity	110
Note 16. Income Taxes	111
Note 17. Trade Payables and Other Liabilities	112
Note 18. Unit-Based Compensation	113
Note 19. Rental Revenue	115
Note 20. Property Operating Costs	115
Note 21. Interest Income	116
Note 22. Fee Income	116
Note 23. Net Interest Expense and Other Financing Charges	116
Note 24. General and Administrative Expenses	117
Note 25. Other Fair Value Gains (Losses), Net	117
Note 26. Financial Instruments	118
Note 27. Supplemental Cash Flow Information	119
Note 28. Segment Information	120
Note 29. Contingent Liabilities and Financial Guarantees	122
Note 30. Related Party Transactions	123

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

(in thousands of Canadian dollars)		As at	
	Note	September 30, 2022	December 31, 2021
Assets			
Investment properties	4	\$ 14,205,000	\$ 14,930,000
Equity accounted joint ventures	5	981,362	564,378
Financial real estate assets	7	103,866	86,603
Residential development inventory	8	16,520	10,142
Mortgages, loans and notes receivable	9	599,074	354,901
Investment in real estate securities	10	323,098	—
Intangible assets	11	21,619	28,000
Accounts receivable and other assets	12	158,545	114,275
Cash and cash equivalents	27 (c)	36,430	84,304
Total Assets		\$ 16,445,514	\$ 16,172,603
Liabilities and Equity			
Long term debt	13	\$ 6,287,621	\$ 6,230,010
Credit facility	14	192,023	—
Exchangeable Units	15	4,982,952	6,011,997
Trade payables and other liabilities	17	519,518	620,405
Total Liabilities		11,982,114	12,862,412
Equity			
Unitholders' equity	15	4,463,400	3,310,191
Total Equity		4,463,400	3,310,191
Total Liabilities and Equity		\$ 16,445,514	\$ 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 and Comprehensive Income
(unaudited)

(in thousands of Canadian dollars)	Note	Three Months		Nine Months	
		September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Net Rental Income					
Rental revenue	19	\$ 309,082	\$ 316,083	\$ 950,212	\$ 966,558
Property operating costs	20	(85,919)	(88,424)	(276,773)	(284,615)
		223,163	227,659	673,439	681,943
Other Income and Expenses					
Interest income	21	5,195	4,091	14,669	12,767
Investment income	10	5,165	—	10,330	—
Fee income	22	714	890	2,501	2,855
Net interest expense and other financing charges	23	(136,574)	(132,863)	(399,610)	(400,205)
General and administrative expenses	24	(11,360)	(10,036)	(33,345)	(29,118)
Reversal of (allowance for) expected credit loss on mortgage receivable	9	—	476	—	476
Share of income from equity accounted joint ventures	5	211,279	22,771	338,345	48,614
Amortization of intangible assets	11	(250)	(250)	(750)	(750)
Transaction costs and other related expenses		(13)	—	(5,026)	—
Other fair value gains (losses), net	25	476	159	1,474	(2,246)
Adjustment to fair value of Exchangeable Units	15	577,848	15,831	1,029,045	(490,776)
Adjustment to fair value of investment properties	4	141,277	34,944	(80,255)	362,542
Adjustment to fair value of investment in real estate securities	10	(68,847)	—	(227,562)	—
Income before income taxes		948,073	163,672	1,323,255	186,102
Income tax recovery (expense)	16	4	—	(2)	(7)
Net Income		\$ 948,077	\$ 163,672	\$ 1,323,253	\$ 186,095
Net Income		\$ 948,077	\$ 163,672	\$ 1,323,253	\$ 186,095
Other Comprehensive Income (Loss)					
Unrealized gain (loss) on designated hedging instruments	26	(468)	(651)	11,386	2,971
Other comprehensive income (loss)		(468)	(651)	11,386	2,971
Comprehensive Income		\$ 947,609	\$ 163,021	\$ 1,334,639	\$ 189,066

See accompanying notes to the condensed consolidated financial statements

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

(in thousands of Canadian dollars)	Note	Attributable to Choice Properties' Unitholders					Non-controlling interests	Total equity
		Trust Units	Cumulative net income	Accumulated other comprehensive loss	Cumulative distributions to Unitholders	Total Unitholders' equity		
Equity, December 31, 2021		\$ 3,660,941	\$ 834,742	\$ 1,357	\$ (1,186,849)	\$ 3,310,191	\$ —	\$ 3,310,191
Net Income		—	1,323,253	—	—	1,323,253	—	1,323,253
Other comprehensive income		—	—	11,386	—	11,386	—	11,386
Distributions		—	—	—	(181,886)	(181,886)	—	(181,886)
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	1,316	—	—	—	1,316	—	1,316
Units repurchased for unit-based compensation arrangements	15	(3,449)	—	—	—	(3,449)	—	(3,449)
Equity, September 30, 2022		\$ 3,661,397	\$ 2,157,995	\$ 12,743	\$ (1,368,735)	\$ 4,463,400	\$ —	\$ 4,463,400

(in thousands of Canadian dollars)	Note	Attributable to Choice Properties' Unitholders					Non-controlling interests	Total equity
		Trust Units	Cumulative net income	Accumulated other comprehensive loss	Cumulative distributions to Unitholders	Total Unitholders' equity		
Equity, December 31, 2020		\$ 3,652,620	\$ 811,734	\$ (4,986)	\$ (944,629)	\$ 3,514,739	\$ 7,801	\$ 3,522,540
Net Income		—	186,095	—	—	186,095	—	186,095
Other comprehensive loss		—	—	2,971	—	2,971	—	2,971
Distributions		—	—	—	(181,621)	(181,621)	—	(181,621)
Units issued under unit-based compensation arrangements	15	8,211	—	—	—	8,211	—	8,211
Reclassification of vested Unit-Settled Restricted Units liability to equity	15	1,519	—	—	—	1,519	—	1,519
Units repurchased for unit-based compensation arrangements	15	(2,559)	—	—	—	(2,559)	—	(2,559)
Distribution from non-controlling interests		—	—	—	—	—	(7,801)	(7,801)
Equity, September 30, 2021		\$ 3,659,791	\$ 997,829	\$ (2,015)	\$ (1,126,250)	\$ 3,529,355	\$ —	\$ 3,529,355

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		Nine Months	
		September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Operating Activities					
Net income		\$ 948,077	\$ 163,672	\$ 1,323,253	\$ 186,095
Net interest expense and other financing charges	23	136,574	132,863	399,610	400,205
Interest paid		(69,420)	(80,247)	(187,649)	(202,741)
Interest income	21	(5,195)	(4,091)	(14,669)	(12,767)
Interest received		5,359	3,454	12,775	10,351
Share of (income) loss from equity accounted joint ventures	5	(211,279)	(22,771)	(338,345)	(48,614)
Items not affecting cash and other items	27 (a)	(650,034)	(50,016)	(718,996)	127,440
Net change in non-cash working capital	27 (b)	44,859	11,075	(34,852)	(34,743)
Cash Flows from Operating Activities		198,941	153,939	441,127	425,226
Investing Activities					
Acquisitions of investment properties	3	(19,736)	(31,574)	(88,425)	(31,574)
Acquisitions of financial real estate assets	3, 7	—	—	(15,054)	—
Additions to investment properties	4	(69,429)	(31,648)	(107,440)	(67,399)
Additions to financial real estate assets	7	(3,021)	(243)	(4,197)	(486)
Additions to residential inventory	8	(2,195)	—	(6,078)	—
Contributions to equity accounted joint ventures	5	(6,853)	(2,097)	(121,456)	(150,761)
Distributions from equity accounted joint ventures	5	8,243	5,789	61,439	97,970
Mortgages, loans and notes receivable advances	9	(102,500)	(67,770)	(260,104)	(217,524)
Mortgages, loans and notes receivable repayments	9	3,279	4,761	6,291	125,327
Proceeds from dispositions	3	39,310	4,147	91,956	34,147
Cash Flows from (used in) Investing Activities		(152,902)	(118,635)	(443,068)	(210,300)
Financing Activities					
Proceeds from issuance of debentures, net	13	(160)	—	497,225	—
Repayments of debentures	13	—	—	(300,000)	(200,000)
Net advances (repayments) of mortgages payable	13	(22,443)	(42,843)	(147,653)	(33,327)
Net advances (repayments) on construction loans	13	14,518	1,462	19,602	(16,038)
Net advances of credit facility	14	40,000	134,874	195,000	189,874
Payment of credit facility extension fee	14	(782)	—	(782)	(1,832)
Cash received on exercise of options	18	—	1,897	2,428	6,947
Cash paid on vesting of restricted and performance units		(6)	(116)	(4,383)	(1,736)
Repurchase of Units for unit-based compensation arrangement	15	—	(225)	(3,449)	(2,559)
Distributions paid on Exchangeable Units		—	(48,814)	(122,035)	(145,005)
Distributions paid on Trust Units		(60,677)	(60,580)	(181,886)	(181,594)
Distribution to non-controlling interests		—	—	—	(7,801)
Cash Flows from (used in) Financing Activities		(29,550)	(14,345)	(45,933)	(393,071)
Change in cash and cash equivalents		16,489	20,959	(47,874)	(178,145)
Cash and cash equivalents, beginning of period		19,941	8,115	84,304	207,219
Cash and Cash Equivalents, End of Period	27 (c)	\$ 36,430	\$ 29,074	\$ 36,430	\$ 29,074

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 September 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 November 9, 2022.

Note 3. Investment Property and Other Transactions

The following table summarizes the investment properties acquired in the nine months ended September 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
Toronto, ON	July 6	Retail	100%	650	687	—	\$ 687
Toronto, ON	Sep 1	Retail	100%	18,350	19,180	131	\$ 19,049
Acquisitions from third-parties				59,360	61,926	719	61,207
Total acquisitions of investment properties				85,023	89,144	719	88,425
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				\$ 102,233	\$ 106,715	\$ 3,236	\$ 103,479

Notes to the Condensed Consolidated Financial Statements

The following table summarizes the investment properties sold in the nine months ended September 30, 2022:

(\$ thousands except where otherwise indicated)

(\$ thousands except where otherwise indicated)					Consideration				
					Debt Assumed by Purchaser	Promissory Note	Real Estate Securities	De- recognition of Intangible Asset	
Location	Date of Disposition	Segment	Ownership Interest Disposed	Sale Price excl. Selling Costs					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	50%	10,125	—	—	—	—	10,125
Swift Current, SK	Jun 28	Retail	100%	6,500	—	—	—	—	6,500
Dartmouth, NS	July 6	Retail (Parcel)	100%	117	—	—	—	—	117
Calgary, AB	July 18	Retail	100%	6,550	—	—	—	—	6,550
Edmonton, AB	July 28	Retail (Parcel)	50%	2,000	—	—	—	—	2,000
Edmonton, AB	Aug 12	Mixed-Use, Residential & Other Under Development	50%	3,643	—	—	—	—	3,643
Montreal, QC	Sep 13	Mixed-Use, Residential & Other	100%	27,000	—	—	—	—	27,000
Total dispositions				\$ 844,945	\$ 14,805	\$ 193,155	\$ 550,660	\$ (5,631)	\$ 91,956

- (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).

On October 5, 2022, the Trust completed the disposition of its 50% ownership interest in a mixed-use, residential & other property in Quebec City, QC for a sale price of \$4,325, excluding selling costs.

Note 4. Investment Properties

(\$ thousands)	Note	Income producing properties	Properties under development	Nine months ended September 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 \$4,121 (2021 - \$2,216)	3	61,926	27,218	89,144	54,939
Capital expenditures					
Development capital ⁽ⁱ⁾		—	49,692	49,692	51,167
Building improvements		1,590	—	1,590	4,086
Capitalized interest ⁽ⁱⁱ⁾	23	—	1,900	1,900	2,642
Property capital		35,481	—	35,481	60,012
Direct leasing costs		6,483	—	6,483	6,426
Tenant improvement allowances		14,194	—	14,194	16,379
Amortization of straight-line rent		1,716	—	1,716	7,893
Transfer from equity accounted joint ventures	5	—	—	—	143,103
Transfers from properties under development		39,819	(39,819)	—	—
Transfers to residential development inventory	8	—	—	—	(10,142)
Transfers to properties under development		(22,945)	22,945	—	—
Dispositions	3	(831,177)	(13,768)	(844,945)	(254,322)
Adjustment to fair value of investment properties		(120,087)	39,832	(80,255)	458,817
Balance, end of period		\$ 13,894,000	\$ 311,000	\$ 14,205,000	\$ 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 3.69% (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 valuers in preparing their valuation reports and holds discussions with the independent valuers on the reasonableness of their assumptions. Where warranted, adjustments will be made to the internal valuations to reflect the assumptions contained in the external valuations. The Trust will record the internal value in its consolidated financial statements.

Income Producing Properties

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

Total Income Producing Properties	As at September 30, 2022		As at December 31, 2021	
	Range	Weighted average	Range	Weighted average
Discount rate	4.50% - 10.50%	7.01%	5.00% - 11.45%	6.68%
Terminal capitalization rate	4.25% - 9.95%	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	4.50% - 9.95%	6.58%	4.25% - 10.95%	6.19%
Industrial				
Discount rate	5.00% - 8.50%	5.82%	5.00% - 8.50%	5.95%
Terminal capitalization rate	4.25% - 7.75%	5.14%	4.25% - 7.75%	5.26%
Mixed-Use, Residential & Other				
Discount rate	4.75% - 9.00%	6.65%	5.25% - 8.75%	6.25%
Terminal capitalization rate	4.25% - 8.00%	5.90%	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:

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 %	\$ 15,027,000	\$ 1,133,000	6.26 %	\$ 14,692,000	\$ 798,000	
(0.50)%	5.72 %	14,616,000	722,000	6.51 %	14,420,000	526,000	
(0.25)%	5.97 %	14,240,000	346,000	6.76 %	14,154,000	260,000	
— %	6.22 %	13,894,000	—	7.01 %	13,894,000	—	
0.25 %	6.47 %	13,576,000	(318,000)	7.26 %	13,640,000	(254,000)	
0.50 %	6.72 %	13,281,000	(613,000)	7.51 %	13,392,000	(502,000)	
0.75 %	6.97 %	13,008,000	(886,000)	7.76 %	13,150,000	(744,000)	

Note 5. Equity Accounted Joint Ventures

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

	As at September 30, 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		\$ 981,362		\$ 564,378

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

(\$ thousands)	Note	Nine months ended September 30, 2022	Year ended December 31, 2021
Balance, beginning of period		\$ 564,378	\$ 573,649
Contributions to equity accounted joint ventures		121,456	152,805
Distributions from equity accounted joint ventures		(61,439)	(124,751)
Total cash flow activities		60,017	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		(22,238)	843
Share of income from equity accounted joint ventures		338,345	66,952
Total non-cash activities		356,967	(37,325)
Balance, end of period		\$ 981,362	\$ 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 September 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	9	50%	12	50%
Total co-ownership property interests	48		52	

Note 7. Financial Real Estate Assets

(\$ thousands)	Note	Nine months ended September 30, 2022	Year ended December 31, 2021
Balance, beginning of period		\$ 86,603	\$ 68,373
Acquisitions		17,571	15,134
Additions		4,197	540
Interest income (loss) from financial real estate assets due to changes in value	21	(4,505)	2,556
Balance, end of period		\$ 103,866	\$ 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 September 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 6.32%, respectively. An increase of 0.75% in the discount rate or terminal capitalization rate would result in a decrease of \$5,516 or \$6,337, respectively, in the value of the financial real estate assets. A decrease of 0.75% in the discount rate or terminal capitalization rate would result in an increase of \$5,920 or \$8,083, respectively, 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	Nine months ended September 30, 2022	Year ended December 31, 2021
Balance, beginning of period		\$ 10,142	\$ —
Development capital		6,078	—
Capitalized interest	23	300	—
Transfers from investment properties	4	—	10,142
Balance, end of period		\$ 16,520	\$ 10,142

Note 9. Mortgages, Loans and Notes Receivable

(\$ thousands)	Note	As at September 30, 2022	As at December 31, 2021
Mortgages receivable classified as amortized cost ⁽ⁱ⁾		\$ 312,493	\$ 89,944
Mortgages receivable classified as fair value through profit and loss ("FVTPL")		188,365	96,623
Loans receivable classified as amortized cost ⁽ⁱ⁾		588	—
Notes receivable from GWL classified as amortized cost ⁽ⁱ⁾	30	97,628	168,334
Mortgages, loans and notes receivable		\$ 599,074	\$ 354,901
Classified as:			
Expected to be recovered in more than twelve months		\$ 380,499	\$ 109,526
Expected to be recovered in less than twelve months		218,575	245,375
		\$ 599,074	\$ 354,901

(i) The fair value of the mortgages, loans and notes receivable classified as amortized cost was \$401,000 (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.

	September 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	4.88%	1.2	7.11%	1.7
Loans receivable	8.00 %	2.0	— %	—
Total	4.88%	1.2	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 \$97,628 were issued during the nine months ended September 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	\$ 41,611	\$ 384,835	\$ 62,000	\$ 4,275	\$ —	\$ 6,128	\$ 498,849
Loans receivable	—	—	588	—	—	—	588
Notes receivable from GWL	—	97,628	—	—	—	—	97,628
Total principal repayments	41,611	482,463	62,588	4,275	—	6,128	597,065
Interest accrued	2,009	—	—	—	—	—	2,009
Total repayments	\$ 43,620	\$ 482,463	\$ 62,588	\$ 4,275	\$ —	\$ 6,128	\$ 599,074

Notes to the Condensed Consolidated Financial Statements

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

		September 30, 2022			December 31, 2021	
(\$ thousands)	Note	Mortgages receivable	Loans receivable	Notes receivable from GWL	Mortgages, loans and notes receivable	Mortgages, loans and notes receivable
Balance, beginning of period		\$ 186,567	\$ —	\$ 168,334	\$ 354,901	\$ 263,946
Advances ⁽ⁱ⁾		161,605	871	97,628	260,104	233,460
Repayments		(6,008)	(283)	—	(6,291)	(148,571)
Interest received		(7,447)	(1)	—	(7,448)	(7,912)
Total cash flow activities		148,150	587	97,628	246,365	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	13,846	1	—	13,847	11,224
Total non-cash activities		166,141	1	(168,334)	(2,192)	13,978
Balance, end of period		\$ 500,858	\$ 588	\$ 97,628	\$ 599,074	\$ 354,901

(i) Advances in the quarter include advances to an entity in which the Trust is a partner. The funds advanced were used 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.

In September 2022, the Trust advanced a \$9,850 mezzanine loan to a development partner. The loan is secured by a property in East Gwillimbury, Ontario.

The Trust has issued approximately \$498,000 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 nine months ended September 30, 2022, the Trust recognized distribution income of \$5,165 and \$10,330 (September 30, 2021 - \$nil and \$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 three and nine months ended September 30, 2022, the Trust recognized a loss of \$68,847 and \$227,562, respectively, (September 30, 2021 - \$nil and \$nil) on its investment in Allied, due to the change in the price of Allied's publicly traded units. As at September 30, 2022 the Trust held 11,809,145 Class B Units with a value of \$323,098 (December 31, 2021 - nil and \$nil).

(\$ thousands)	Nine months ended September 30, 2022	Year ended December 31, 2021
Balance, beginning of period	\$ —	\$ —
Acquired	550,660	—
Adjustment to fair value of investment in real estate securities	(227,562)	—
Balance, end of period	\$ 323,098	\$ —

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 September 30, 2022, the carrying value was \$21,619 (December 31, 2021 - \$28,000), net of accumulated amortization of \$2,750 (December 31, 2021 - \$2,000), and the de-recognized amount \$5,631 as noted above.

Note 12. Accounts Receivable and Other Assets

(\$ thousands)	Note	As at September 30, 2022	As at December 31, 2021
Rent receivables ⁽ⁱ⁾ - net of expected credit loss of \$14,233 (2021 - \$17,066)		\$ 10,931	\$ 12,815
Accrued recovery income		23,723	14,476
Lease receivable		23,151	22,351
Other receivables		12,024	13,711
Cost-to-complete receivable	30	8,501	8,501
Due from related parties ⁽ⁱⁱ⁾	30	675	2,044
Restricted cash		1,810	239
Prepaid property taxes		32,946	4,465
Prepaid insurance		2,892	813
Other assets		15,145	18,335
Right-of-use assets - net of accumulated amortization of \$1,694 (2021 - \$1,290)		2,184	1,956
Deferred tax asset	16	2,673	2,673
Deferred acquisition costs and deposits on land		9,163	8,630
Designated hedging derivatives	26	12,727	3,266
Accounts receivable and other assets		\$ 158,545	\$ 114,275
Classified as:			
Expected to be recovered in more than twelve months		\$ 51,794	\$ 42,098
Expected to be recovered in less than twelve months		106,751	72,177
		\$ 158,545	\$ 114,275

(i) Includes net rent receivable of \$899 from Loblaw, \$nil from GWL and \$122 from Wittington (December 31, 2021 - \$1,474, \$nil and \$nil) (Note 30).

(ii) Other receivables due from related parties include \$127 from Loblaw and \$548 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

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 September 30, 2022	As at December 31, 2021
Senior unsecured debentures	\$ 5,308,060	\$ 5,107,760
Mortgages payable	947,053	1,109,344
Construction loans	32,508	12,906
Long term debt	\$ 6,287,621	\$ 6,230,010
Classified as:		
Expected to be settled in more than twelve months	\$ 5,670,170	\$ 5,711,500
Expected to be settled in less than twelve months	617,451	518,510
	\$ 6,287,621	\$ 6,230,010

Senior Unsecured Debentures

(\$ thousands)				As at September 30, 2022	As at December 31, 2021
Series	Issuance / Assumption Date	Maturity Date	Effective Interest Rate		
B	Jul. 5, 2013	Jul. 5, 2023	4.90%	\$ 200,000	\$ 200,000
D	Feb. 8, 2014	Feb. 8, 2024	4.29%	200,000	200,000
F	Nov. 24, 2015	Nov. 24, 2025	4.06%	200,000	200,000
G	Mar. 7, 2016	Mar. 7, 2023	3.20%	250,000	250,000
H	Mar. 7, 2016	Mar. 7, 2046	5.27%	100,000	100,000
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 \$17,405 (2021 - \$16,575)				(131)	(961)
Debt placement costs - net of accumulated amortization of \$17,495 (2021 - \$15,250)				(16,809)	(16,279)
Senior unsecured debentures				\$ 5,308,060	\$ 5,107,760

As at September 30, 2022, the senior unsecured debentures had a weighted average effective interest rate of 3.79% and a weighted average term to maturity of 5.4 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 September 30, 2022	As at December 31, 2021
Mortgage principal	\$ 950,025	\$ 1,112,310
Net debt discounts and premiums - net of accumulated amortization of \$5,982 (2021 - \$5,968)	(1,314)	(1,300)
Debt placement costs - net of accumulated amortization of \$488 (2021 - \$307)	(1,658)	(1,666)
Mortgages payable	\$ 947,053	\$ 1,109,344

As at September 30, 2022, the mortgages had a weighted average effective interest rate of 3.86% and a weighted average term to maturity of 5.3 years (December 31, 2021 - 3.75% and 5.2 years, respectively).

Construction Loans

As at September 30, 2022, \$32,508 was outstanding on the construction loans (December 31, 2021 - \$12,906), with a weighted average effective interest rate of 3.15% and a weighted average term to maturity of 5.4 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 \$334,741, of which \$243,951 relates to equity accounted joint ventures as at September 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	6,366	78,443	205,033	153,493	64,547	442,143	950,025
Construction loans	4,638	—	9,557	—	—	18,313	32,508
Total	\$ 11,004	\$ 653,443	\$ 964,590	\$ 703,493	\$ 414,547	\$ 3,560,456	\$ 6,307,533

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

				September 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	—	19,650	519,650	392,292
Repayments	(300,000)	(147,480)	(48)	(447,528)	(648,907)
Debt placement costs	(2,775)	(173)	—	(2,948)	(2,700)
Total cash flow activities	197,225	(147,653)	19,602	69,174	(259,315)
Assumed by purchaser	—	(14,805)	—	(14,805)	—
Amortization of debt discounts and premiums	830	(14)	—	816	687
Amortization of debt placement costs	2,245	181	—	2,426	3,117
Total non-cash activities	3,075	(14,638)	—	(11,563)	3,804
Balance, end of period	\$ 5,308,060	\$ 947,053	\$ 32,508	\$ 6,287,621	\$ 6,230,010

Note 14. Credit Facility

(\$ thousands)	As at	
	September 30, 2022	December 31, 2021
Credit facility		
\$1,500,000 syndicated	\$ 195,000	\$ —
Debt placement costs - net of accumulated amortization of \$10,118 (2021 - \$8,758) ⁽ⁱ⁾	(2,977)	—
Credit facility	\$ 192,023	\$ —
Classified as:		
Expected to be settled in more than twelve months	\$ 192,023	\$ —
Expected to be settled in less than twelve months	—	—
	\$ 192,023	\$ —

(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 September 1, 2027, 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 \$3,600, however the fee is reduced in proportion to the amount drawn on the facility. As at September 30, 2022, \$195,000 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 credit facility balance outstanding at June 30, 2022 included \$180,000 of banker's acceptances maturing on July 4, 2022. The administrative agent for the credit facility distributed the defeasance payment to the lenders on July 4, 2022.

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

During the three months ended September 30, 2022, the Trust extended the maturity date for the credit facility from June 24, 2026 to September 1, 2027 with all other terms and conditions remaining substantially the same.

Schedule of Cash Flow Activities

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

(\$ thousands)	September 30, 2022	
	September 30, 2022	December 31, 2021
Balance, beginning of period	\$ —	\$ —
Net advances of \$1,500,000 syndicated credit facility	195,000	—
Extension fee included in debt placement costs	(782)	(1,832)
Total cash flow activities	194,218	(1,832)
Amortization of debt placement costs	1,360	1,614
Reclassified to (from) other assets	(3,555)	218
Total non-cash activities	(2,195)	1,832
Balance, end of period	\$ 192,023	\$ —

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 September 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		—	1,316	—	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	\$ 3,661,397	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		—	(1,029,045)	—	862,815
Exchangeable Units, end of period		395,786,525	\$ 4,982,952	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 nine months ended September 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 nine months ended September 30, 2022, Choice Properties declared cash distributions of \$0.555 per unit (September 30, 2021 - \$0.555), or \$401,549 in aggregate, including distributions to holders of Exchangeable Units, which are reported as interest expense (September 30, 2021 - \$401,284). 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 and comprehensive income was as follows:

(\$ thousands)	Three Months		Nine Months	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Current income tax recovery (expense)	\$ 4	\$ —	\$ (2)	\$ (7)
Income tax recovery (expense)	\$ 4	\$ —	\$ (2)	\$ (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	
		September 30, 2022	December 31, 2021
Trade accounts payable		\$ 37,616	\$ 40,283
Accrued liabilities and provisions ⁽ⁱ⁾		113,510	106,744
Accrued acquisition transaction costs and other related expenses		39,020	38,643
Accrued capital expenditures ⁽ⁱⁱ⁾		73,092	67,967
Accrued interest expense		43,743	53,402
Due to related party ⁽ⁱⁱⁱ⁾	30	123,759	193,927
Contingent consideration		16,604	38,843
Unit-based compensation	18	11,594	14,285
Distributions payable ^(iv)		20,344	20,344
Lease liabilities		2,107	1,920
Tenant deposits		20,660	21,960
Deferred revenue		17,469	20,162
Designated hedging derivatives	26	—	1,925
Trade payables and other liabilities		\$ 519,518	\$ 620,405
Classified as:			
Expected to be settled in more than twelve months		\$ 21,012	\$ 22,332
Expected to be settled in less than twelve months		498,506	598,073
		\$ 519,518	\$ 620,405

(i) Includes amounts payable to Loblaw of \$8,429 (December 31, 2021 - nil) (Note 30).

(ii) Includes construction allowances payable to Loblaw of \$17,581 (December 31, 2021 - nil) (Note 30).

(iii) Includes distributions accrued on Exchangeable Units of \$122,035 payable to GWL (December 31, 2021 - \$192,741); \$1,270 payable for shared costs incurred by GWL, the Services Agreement expense and other related party charges (December 31, 2021 - \$835); and \$454 of reimbursed contract revenue and other related party charges payable to Loblaw (December 31, 2021 - \$351).

(iv) 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. A payment of \$23,100 was made upon reaching the first development milestone. The present value of the remaining estimated amount payable is \$16,604 as at September 30, 2022.

Note 18. Unit-Based Compensation

(\$ thousands)	Three Months		Nine Months	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Unit Option plan	\$ 95	\$ (99)	\$ (43)	\$ 545
Restricted Unit plans	643	848	2,053	3,741
Performance Unit plan	207	256	953	706
Trustee Deferred Unit plan	44	399	235	1,494
Unit-based compensation expense	\$ 989	\$ 1,404	\$ 3,198	\$ 6,486
Recorded in:				
General and administrative expenses	\$ 1,465	\$ 1,563	\$ 4,672	\$ 4,240
Adjustment to fair value of unit-based compensation	(476)	(159)	(1,474)	2,246
	\$ 989	\$ 1,404	\$ 3,198	\$ 6,486

As at September 30, 2022, the carrying value of the unit-based compensation liability was \$11,594 (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:

	Nine months ended September 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 outstanding RUs had vested as at September 30, 2022 (December 31, 2021 - nil).

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

(Number of awards)	Nine months ended September 30, 2022	Year ended December 31, 2021
Outstanding Restricted Units, beginning of the period	439,574	405,713
Granted	94,355	119,134
Reinvested	12,568	22,014
Exercised	(238,366)	(104,563)
Cancelled	(14,188)	(2,724)
Outstanding Restricted Units, end of the period	293,943	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 1,160,518 URUs vested but still subject to disposition restrictions as at September 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)	Nine months ended September 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
Cancelled	(579)	—
Vested	(160,072)	(177,502)
Outstanding Unit-Settled Restricted Units, end of the period	670,950	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 September 30, 2022 (December 31, 2021 - nil).

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

(Number of awards)	Nine months ended September 30, 2022	Year ended December 31, 2021
Outstanding Performance Units, beginning of the period	197,609	135,695
Granted	85,221	82,847
Reinvested	8,855	9,403
Exercised	(62,753)	(30,336)
Cancelled	(1,805)	—
Added by performance factor	15,475	—
Outstanding Performance Units, end of the period	242,602	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)	Nine months ended September 30, 2022	Year ended December 31, 2021
Outstanding Trustee Deferred Units, beginning of the period	389,462	368,290
Granted	68,903	82,969
Reinvested	15,670	18,942
Exercised	—	(80,739)
Outstanding Trustee Deferred Units, end of the period	474,035	389,462

Note 19. Rental Revenue

Rental revenue is comprised of the following:

(\$ thousands)	Three Months			Nine Months		
	Related Parties ⁽ⁱ⁾	Third-party	September 30, 2022	Related Parties ⁽ⁱ⁾	Third-party	September 30, 2022
Base rent	\$ 130,700	\$ 84,140	\$ 214,840	\$ 388,843	\$ 257,471	\$ 646,314
Property tax and insurance recoveries	36,186	22,456	58,642	110,612	72,855	183,467
Operating cost recoveries	17,375	16,646	34,021	53,756	57,960	111,716
Lease surrender and other revenue	—	1,579	1,579	20	8,695	8,715
Rental revenue	\$ 184,261	\$ 124,821	\$ 309,082	\$ 553,231	\$ 396,981	\$ 950,212

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

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

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

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

(\$ thousands)	Three Months		Nine Months	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Property taxes and insurance	\$ 63,306	\$ 62,219	\$ 195,652	\$ 199,949
Recoverable operating costs	21,775	25,488	78,655	79,807
Non-recoverable operating costs	838	717	2,466	4,859
Property operating costs	\$ 85,919	\$ 88,424	\$ 276,773	\$ 284,615

Included in non-recoverable operating expenses are expected credit losses of \$310 and \$761 for the three and nine months ended September 30, 2022, respectively (2021 - \$423 and \$3,603, respectively). Refer to Note 12 for discussion on rents receivable and the related expected credit losses.

Note 21. Interest Income

(\$ thousands)	Note	Three Months		Nine Months	
		September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Interest income from mortgages and loans receivable ⁽ⁱ⁾	9	\$ 5,012	\$ 2,730	\$ 13,847	\$ 8,007
Interest income earned from financial real estate assets		1,550	1,062	4,153	3,179
Interest income (expense) from financial real estate assets due to changes in value	7	(2,031)	(125)	(4,505)	176
Other interest income		664	424	1,174	1,405
Interest income		\$ 5,195	\$ 4,091	\$ 14,669	\$ 12,767

(i) Interest income from mortgages and loans receivable includes accretion income in relation to the promissory note issued to Allied of \$1,253 and \$2,494 for the three and nine months ended September 30, 2022 (2021 - \$nil and \$nil)

Note 22. Fee Income

(\$ thousands)	Note	Three Months		Nine Months	
		September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Fees charged to related party	30	\$ 62	\$ 62	\$ 187	\$ 252
Fees charged to third parties		652	828	2,314	2,603
Fee income		\$ 714	\$ 890	\$ 2,501	\$ 2,855

Note 23. Net Interest Expense and Other Financing Charges

(\$ thousands)	Note	Three Months		Nine Months	
		September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Interest on senior unsecured debentures		\$ 50,879	\$ 46,142	\$ 141,901	\$ 140,295
Interest on mortgages and construction loans		9,210	11,305	29,804	35,195
Interest on credit facility		2,595	1,252	5,714	3,040
Interest on right-of-use lease liabilities		87	36	126	112
Amortization of debt discounts and premiums	13	339	222	816	445
Amortization of debt placement costs	13,14	1,054	1,247	3,786	3,430
Distributions on Exchangeable Units ⁽ⁱ⁾	30	73,221	73,221	219,663	219,663
		137,385	133,425	401,810	402,180
Less: Capitalized interest ⁽ⁱⁱ⁾	4,8	(811)	(562)	(2,200)	(1,975)
Net interest expense and other financing charges		\$ 136,574	\$ 132,863	\$ 399,610	\$ 400,205

(i) Represents interest on indebtedness due to GWL.

(ii) Interest was capitalized to qualifying development projects based on a weighted average interest rate of 3.69% (2021 - 3.67%).

Note 24. General and Administrative Expenses

(\$ thousands)	Note	Three Months		Nine Months	
		September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Salaries, benefits and employee costs ⁽ⁱ⁾		\$ 11,211	\$ 11,144	\$ 34,616	\$ 32,639
Investor relations and other public entity costs		740	778	2,129	2,065
Professional fees		813	1,011	2,497	3,137
Information technology costs		1,817	1,621	5,107	4,682
Services Agreement charged by related party	30	976	748	2,926	2,346
Amortization of other assets		297	303	915	884
Office related costs		487	188	1,135	1,008
Other		596	61	1,461	555
Total		16,937	15,854	50,786	47,316
Less: Allocated to recoverable operating expenses		(5,577)	(5,818)	(17,441)	(18,198)
General and administrative expenses		\$ 11,360	\$ 10,036	\$ 33,345	\$ 29,118

(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		Nine Months	
		September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Adjustment to fair value of unit-based compensation	18	\$ 476	\$ 159	\$ 1,474	\$ (2,246)
Other fair value gains (losses), net		\$ 476	\$ 159	\$ 1,474	\$ (2,246)

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 September 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	\$ —	\$ —	\$ 188,365	\$ 188,365	\$ —	\$ —	\$ 96,623	\$ 96,623
Lease receivable	12	—	—	23,151	23,151	—	—	22,351	22,351
Financial real estate assets	7	—	—	103,866	103,866	—	—	86,603	86,603
Investment in real estate securities	10	323,098	—	—	323,098	—	—	—	—
Designated hedging derivatives	12	—	12,727	—	12,727	—	3,266	—	3,266
Amortized cost:									
Mortgages, loans and notes receivable - SPPI	9	—	—	401,000	401,000	—	—	257,800	257,800
Cash and cash equivalents	27 (c)	—	36,430	—	36,430	—	84,304	—	84,304
Liabilities									
Fair value through profit and loss:									
Exchangeable Units	15	—	4,982,952	—	4,982,952	—	6,011,997	—	6,011,997
Unit-based compensation	18	—	11,594	—	11,594	—	14,285	—	14,285
Designated hedging derivatives	17	—	—	—	—	—	1,925	—	1,925
Amortized cost:									
Long term debt	13	—	—	5,903,013	5,903,013	—	—	6,526,570	6,526,570
Credit facility	14	—	192,023	—	192,023	—	—	—	—

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

Designated Hedging Derivatives

Designated hedging derivatives consist of interest rate swaps to hedge the interest rate associated with an equivalent amount of variable rate mortgages. During the nine months ended September 30, 2022, two interest rate swaps were settled upon maturity of the underlying variable rate mortgages. As at September 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 September 30, 2022	As at December 31, 2021
Derivative assets					
Interest rate swaps	12	May 2023 - Jun 2030	\$ 159,291	\$ 12,727	\$ 3,266
Derivative liabilities					
Interest rate swaps	17	August 2022	—	—	1,925

During the nine months ended September 30, 2022, the Trust recorded an unrealized fair value gain in other comprehensive income of \$11,386 (September 30, 2021 - unrealized fair value gain of \$2,971).

Note 27. Supplemental Cash Flow Information

(a) Items not affecting cash and other items

(\$ thousands)	Note	Three Months		Nine Months	
		September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Straight line rental revenue	4	\$ (995)	\$ (419)	\$ (1,716)	\$ (7,554)
Unit based compensation expense included in general and administrative expenses	18	1,465	1,563	4,672	4,240
Reversal of (allowance for) expected credit loss on mortgage receivable	9	—	(476)	—	(476)
Amortization of intangible assets	11	250	250	750	750
Adjustment to fair value of Exchangeable Units	15	(577,848)	(15,831)	(1,029,045)	490,776
Adjustment to fair value of investment properties	4	(141,277)	(34,944)	80,255	(362,542)
Adjustment to fair value of investment in real estate securities	10	68,847	—	227,562	—
Other fair value (gains) losses, net	25	(476)	(159)	(1,474)	2,246
Items not affecting cash and other items		\$ (650,034)	\$ (50,016)	\$ (718,996)	\$ 127,440

(b) Net change in non-cash working capital

(\$ thousands)	Note	Three Months		Nine Months	
		September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Net change in accounts receivable and other assets		13,096	2,767	(37,732)	(23,822)
Net change in trade payables and other liabilities		31,763	8,308	2,880	(10,921)
Net change in non-cash working capital		\$ 44,859	\$ 11,075	\$ (34,852)	\$ (34,743)

(c) Cash and cash equivalents

(\$ thousands)	As at	
	September 30, 2022	December 31, 2021
Cash	\$ 36,430	\$ 84,304
Cash and cash equivalents	\$ 36,430	\$ 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 September 30, 2021 has been revised to reflect this change.

The table below presents net rental income for the three months ended September 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 September 30, 2022
Rental revenue	\$ 255,568	\$ 51,419	\$ 21,333	\$ (19,238)	\$ 309,082
Property operating costs	(70,499)	(13,277)	(8,464)	6,321	(85,919)
Net Rental Income	185,069	38,142	12,869	(12,917)	223,163

(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 September 30, 2021, in a manner consistent with internal reporting. The accounting policies of the segments presented here are the same as those described in Note 2 of the annual financial statements, 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 September 30, 2021
Rental revenue	\$ 247,614	\$ 51,676	\$ 31,995	\$ (15,202)	\$ 316,083
Property operating costs	(66,922)	(13,717)	(13,248)	5,463	(88,424)
Net Rental Income	180,692	37,959	18,747	(9,739)	227,659

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

Notes to the Unaudited Interim Period Condensed Consolidated Financial Statements

The table below presents net rental income for the nine months ended September 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⁾	Nine months ended September 30, 2022
Rental revenue	\$ 774,192	\$ 154,266	\$ 76,385	\$ (54,631)	\$ 950,212
Property operating costs	(222,149)	(40,721)	(33,162)	19,259	(276,773)
Net Rental Income	552,043	113,545	43,223	(35,372)	673,439

(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 nine months ended September 30, 2021, in a manner consistent with internal reporting. The accounting policies of the segments presented here are the same as those described in Note 2 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⁾	Nine months ended September 30, 2021
Rental revenue	\$ 760,661	\$ 153,232	\$ 97,857	\$ (45,192)	\$ 966,558
Property operating costs	(221,582)	(39,620)	(40,227)	16,814	(284,615)
Net Rental Income	539,079	113,612	57,630	(28,378)	681,943

(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 September 30, 2022, the aggregate gross potential liability related to these letters of credit totalled \$47,053 (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 \$334,000, of which \$108,000 relates to equity accounted joint ventures as at September 30, 2022 (December 31, 2021 - \$436,000 and \$26,000, respectively).

d. Contingent Liabilities

The Trust held debt obligations in the amount of \$246,407 in its equity accounted joint ventures as at September 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 September 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 September 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 nine months ended September 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 nine months ended September 30, 2022, distributions declared on the Exchangeable Units totalled \$73,221 and \$219,663 (September 30, 2021 - \$73,221 and \$219,663).

As at September 30, 2022, Choice Properties had distributions on Exchangeable Units payable to GWL of \$122,035 (December 31, 2021 - 192,741). The payable to GWL includes deferred distributions of \$97,628 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 nine months ended September 30, 2022, GWL elected to receive four months of distributions from Choice Properties Limited Partnership in the form of loans. As such, non-interest bearing short-term notes totalling \$97,628 were issued during the nine months ended September 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 nine months ended September 30, 2022, Choice Properties declared cash distributions of \$9,372 and \$28,117 on the Units held by GWL (September 30, 2021 - \$9,372 and \$28,117). As at September 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 nine months ended September 30, 2022 (September 30, 2021 - \$nil).

Transaction Summary as Reflected in the Consolidated Financial Statements

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

(\$ thousands)	Note	Three Months		Nine Months	
		September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Rental revenue	19	\$ 3,472	\$ 4,212	\$ 4,986	\$ 10,618
Services Agreement expense	24	(976)	(748)	(2,926)	(2,346)
Distributions on Exchangeable Units	23	(73,221)	(73,221)	(219,663)	(219,663)

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

(\$ thousands)	Note	As at	
		September 30, 2022	December 31, 2021
Notes receivable	9	\$ 97,628	\$ 168,334
Other receivables	12	548	—
Exchangeable Units	15	(4,982,952)	(6,011,997)
Accrued liabilities	17	(1,270)	(835)
Distributions payable on Exchangeable Units	17	(122,035)	(192,741)
Distributions payable on Trust Units	17	(3,124)	(3,124)
Due to GWL and subsidiaries		\$ (5,011,205)	\$ (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

In the third quarter, the Trust and Loblaw renewed 42 of 44 retail leases from the initial public offering portfolio expiring in 2023.

Acquisitions

During nine months ended September 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 nine months ended September 30, 2022, Choice Properties disposed of one retail property 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 nine months ended September 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 57.6% of Choice Properties' rental revenue for the nine months ended September 30, 2022 (September 30, 2021 - 55.7%) and 56.7% of its gross leasable area as at September 30, 2022 (September 30, 2021 - 55.2%). Transactions with Loblaw recorded in the consolidated statements of income and comprehensive income were comprised as follows:

Notes to the Unaudited Interim Period Condensed Consolidated Financial Statements

(\$ thousands)	Note	Three Months		Nine Months	
		September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Rental revenue	19	\$ 180,361	\$ 175,669	\$ 547,082	\$ 538,503
Fee income	22	—	—	—	65

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

(\$ thousands)	Note	As at September 30, 2022	As at December 31, 2021
Rent receivable	12	\$ 899	\$ 1,474
Other receivables	12	127	2,044
Accrued liabilities	17	(8,429)	(85)
Construction allowances payable	17	(17,581)	—
Reimbursed contract payable	17	(454)	(266)
Due from (to) Loblaw		\$ (25,438)	\$ 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 nine months ended September 30, 2022, Choice Properties declared cash distributions of \$3,053 and \$9,158 on the Units held by Wittington (September 30, 2021 - \$3,053 and \$9,158). As at September 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 nine months ended September 30, 2022 and 2021.

Transaction Summary as Reflected in the Consolidated Financial Statements

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

(\$ thousands)	Note	Three Months		Nine Months	
		September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Rental revenue	19	\$ 428	\$ 408	\$ 1,163	\$ 1,204
Fee income	22	62	62	187	187

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

(\$ thousands)	Note	As at September 30, 2022	As at December 31, 2021
Rent receivable	12	\$ 122	\$ —
Cost-to-complete receivable	12	\$ 8,501	\$ 8,501
Distributions payable	17	(1,018)	(1,018)
Due from Wittington and subsidiaries		\$ 7,605	\$ 7,483

Transactions and Agreements with other related parties

Mortgages receivable

As at September 30, 2022, \$140,504 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 Thursday, November 10, 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.

Head Office

Choice Properties Real Estate Investment Trust
The Weston Centre
700-22 St. Clair Avenue East
Toronto, Ontario
M4T 2S5
Tel: 416-628-7771
Toll free: 1-855-322-2122
Fax: 416-628-7777

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)
Fax: (514) 985-8843 (outside of Canada and US)
Fax toll free: 1 (888) 249-6189 (Canada and US)
E-Mail: shareholderinquiries@tmx.com
Website: www.tsxtrust.com

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.

Investor Relations

Tel: 416-628-7771
Toll free: 1-855-322-2122
Email: investor@choicereit.ca
Website: www.choicereit.ca

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

Trustees

Gordon A. M. Currie - Chair

Executive Vice President and Chief Legal Officer,
George Weston Limited

Christie J.B. Clark¹

Corporate Director

L. Jay Cross¹

President, The Howard Hughes
Corporation

Graeme M. Eadie²

Corporate Director

Diane A. Kazarian¹

Corporate Director

Karen A. Kinsley¹

Corporate Director

R. Michael Latimer²

Corporate Director

Nancy H.O. Lockhart²

Corporate Director

Dale R. Ponder¹

Corporate Director

Cornell Wright

President, Wittington Investments, Limited

¹ Audit Committee

² Governance, Compensation and Nominating Committee

Ce rapport est disponible en français.



Value for Generations

ChoiceProperties

Head Office

The Weston Centre
700-22 St. Clair Avenue East
Toronto, Ontario