

Annual Report 2021

ChoiceProperties

Creating Enduring Value



West Block
Toronto, ON

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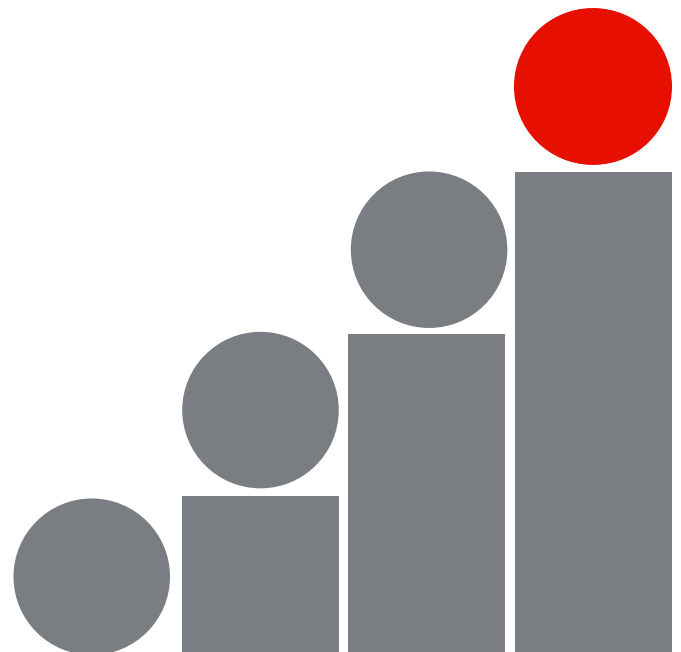


Creating Enduring Value

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.

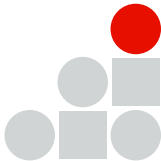
We aspire to develop healthy, resilient communities through our dedication to social, economic, and environmental sustainability. In everything we do, we are guided by a shared set of values grounded in Care, Ownership, Respect and Excellence.



Stability and Growth

Choice Building Blocks

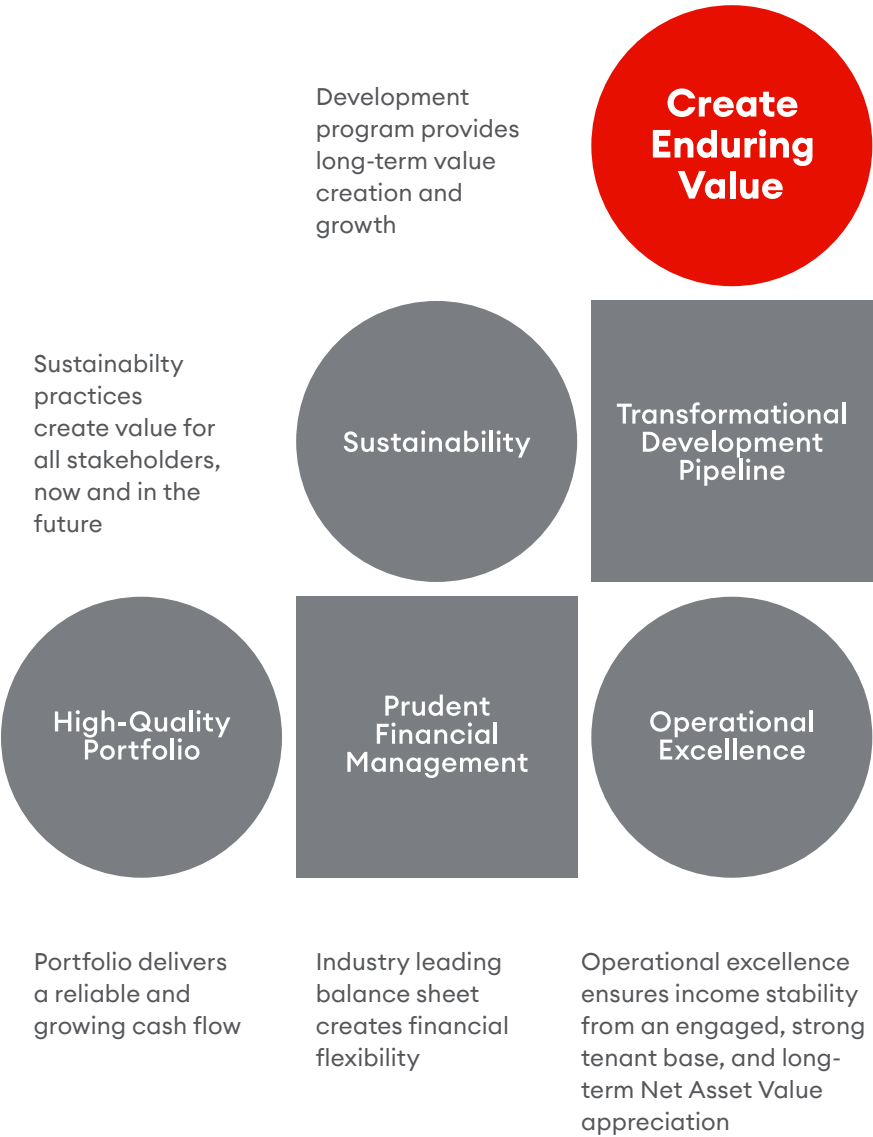
Our Choice Building Blocks illustrate our strategic framework, which aims to deliver stability and growth to our stakeholders.



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 amongst our colleagues.

Fighting Climate Change

We are committed to doing our part to preserve our planet's resources for current and future generations.

Addressing 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.

Message from the President & CEO

A year of resilience



Fellow unitholders,

2021 was a year of resilience for each of us. The COVID-19 pandemic created significant uncertainty and impacted both our communities and our day-to-day lives. In response, we took further actions to mitigate the effects of the pandemic on our business operations and continued to prioritize the health and safety of our colleagues, tenants and other stakeholders. We also recognized that the disruption from the pandemic impacted the mental health and well-being of many in our communities. Our colleagues stepped up by concentrating our 2021 community giving efforts on increasing equity in access to mental health services across Canada.

Despite the continuous restrictions and re-opening impacting the economy, we are pleased with our financial results this past year, demonstrating that our business model, stable tenant base and disciplined approach to financial management continue to position us well. While the pandemic is not yet behind us, we are encouraged by high vaccination rates and anticipate further re-opening measures. We are optimistic that 2022 will be a year of further recovery.

Delivering stability with our high-quality, necessity-based portfolio

Our diversified portfolio of retail, industrial, residential, and office properties is well-occupied at approximately 97.1% and leased to stable, high-quality tenants across Canada. Our retail portfolio is primarily leased to

grocery stores, pharmacies or other necessity-based tenants, who continue to perform well in this environment. Our industrial portfolio continues to be our strongest performing asset class and the demand for distribution and logistics warehouses remains at an all-time high. This stability is evident in our financial results and by our collections, which were approximately 99% of contractual rents for the year.

Advancing our development pipeline and expanding our industrial portfolio

Our development program continues to provide us with exceptional opportunities to add high-quality real estate to our portfolio at a reasonable cost. In 2021, we completed and transferred \$256 million from properties under development to our income producing portfolio, including our purpose built rental developments The Brixton and Liberty House. With our active development pipeline we are expanding our footprint in the rental residential market with two ongoing projects in Ontario and we are growing our industrial portfolio with two ongoing projects expected to deliver over 0.6 million square feet of new generation logistics space.

Looking ahead, we have made considerable progress in advancing our mixed-use and residential zoning process. We have 11 projects representing over 10.5 million square feet in different stages of the rezoning and planning process.

Executing our capital recycling program and strategically managing our assets

We were successful in executing our on-going capital recycling program in 2021. During the year, we disposed of \$329 million of assets, including \$110 million of underutilized land and \$174 million of non-strategic retail assets. The activity demonstrates the demand from investors for our assets as we achieved pricing that was above our IFRS fair values. We also acquired \$241 million of assets in 2021, including the acquisition of 300 acres of future industrial land to be developed into a multi-phase industrial park.

Collectively, we completed over \$570 million of real estate transactions through our capital recycling program in 2021. This activity demonstrates our ability to generate stable and growing net operating income, to improve the overall quality of our portfolio, and ultimately grow our net asset value over the long-term. We expect to continue our capital recycling program in 2022.

Well-prepared for market volatility with our industry leading balance sheet

Our business is supported by an industry leading balance sheet that provides Choice Properties flexibility in the face of broader market volatility. From a liquidity perspective, we have approximately \$1.5 billion available under our credit facility, \$124 million of available cash on our balance sheet and \$12.8 billion in unencumbered assets at the end of 2021.

In 2021, we integrated sustainable finance into our business with the release of our Green Financing Framework. In Q4, we completed our inaugural green bond offering of \$350 million of Series Q Senior Unsecured Debentures. We intend to allocate the net proceeds of our green bond offering to fund eligible green projects. Green financing enables us to make strategic, long-term investments in energy transition solutions and improve climate resilience across our portfolio.

Building a sustainable future

Our longstanding commitment to build a sustainable future is integral to our purpose – to create enduring value for our stakeholders and the communities in which we operate. In 2021, we made significant advancements in our Environmental, Social and Governance (“ESG”) program including committing to set emissions reduction targets that are in line with current climate science, donating over \$400 thousand to local charities, and developing a comprehensive diversity, equity and inclusion framework. We are an industry leader in ESG practices and continue to integrate sustainability values across our entire value chain. To maximize our impact, we have focused our ESG strategy into two pillars: (1) Fighting Climate Change, and (2) Addressing Social Equity. We look forward to releasing our progress and enhanced targets for these two pillars in our upcoming 2021 ESG Report.

Together we stand, together we grow

Our operating results for the year were strong and reflect the strength and resilience of our income producing portfolio. We are confident that the strategic and operating decisions we have made across our business positions us well for the future. We are excited to continue to advance our transformational development pipeline and deliver enduring value for our unitholders.

Our achievements are owed to the dedication and teamwork demonstrated by our colleagues. The past two years have not been easy to navigate, but we adapted. We continued to provide best in class service that prioritized the health and safety of our stakeholders. In the face of adversity, our colleagues chose to reassert our commitment to caring for one another, our tenants and our communities.

On behalf of the entire Choice Properties team, we thank you for your continued support and confidence. We look forward to a year of activity and growth in 2022.



Rael L. Diamond
President & CEO

Management's Discussion and Analysis

42 Overlea Boulevard
Toronto, ON



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

Ana Radic

Executive Vice President, Leasing and Operations

(1) See Section 15, “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 8 of this MD&A

Notes for Readers

Please refer to the Choice Properties Real Estate Investment Trust (“Choice Properties” or the “Trust”) audited consolidated financial statements for the year ended December 31, 2021 and accompanying notes (“2021 Financial Statements”) when reading this Management’s Discussion and Analysis (“MD&A”). In addition, this MD&A should be read in conjunction with the Trust’s “Forward-Looking Statements” as listed below. Choice Properties’ 2021 Annual 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 15, “Non-GAAP Financial Measures” for a list of defined non-GAAP financial measures and reconciliations thereof.

This Annual 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 13, “Environmental, Social and Governance (“ESG”)”, and Section 14, “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 12, “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:

- 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, including the nature and length of the restrictive measures implemented or to be implemented by various levels of government in Canada;
- changes in economic conditions, including changes in interest rates and the rate of inflation;
- failure by Choice Properties to effectively and efficiently manage its property and leasing management processes;
- the inability of Choice Properties to make acquisitions and dispositions of properties in accordance with its near and long-term strategies;
- failure by Choice Properties to anticipate, identify and react to demographic changes, including shifting consumer preferences toward digital commerce, which may result in a decrease in demand for physical space by retail tenants; and
- the inability of Choice Properties’ information technology infrastructure to support the requirements of Choice Properties’ business, failure by Choice Properties to identify and respond to business disruptions, or the occurrence of any internal or external security breaches, denial of service attacks, viruses, worms or other known or unknown cyber security or data breaches.

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

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

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

Additional risks and uncertainties are discussed in Choice Properties’ materials filed with the Canadian securities regulatory authorities from time to time, including without limitation, the Trust’s AIF for the year ended December 31, 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 Annual Report. Except as required by applicable law, Choice Properties does not undertake to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Choice Properties is an unincorporated, open ended mutual fund trust governed by the laws of the Province of Ontario and established pursuant to an amended and restated declaration of trust dated April 30, 2021, as may be amended, supplemented or restated from time to time (the “Declaration of Trust”). Choice Properties’ Trust Units are listed on the Toronto Stock Exchange (“TSX”) and are traded under the symbol “CHP.UN”.

George Weston Limited (“GWL”) is the controlling unitholder of the Trust and the controlling shareholder of Loblaw Companies Limited (“Loblaw”), the Trust’s largest tenant. As of December 31, 2021, GWL held a 61.7% direct effective interest in Choice Properties. Choice Properties’ ultimate parent is Wittington Investments, Limited (“Wittington”), the controlling shareholder of GWL.

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

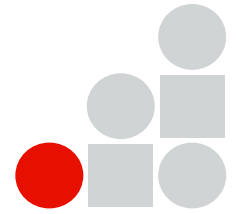
The information in this MD&A is current to February 16, 2022, unless otherwise noted.

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

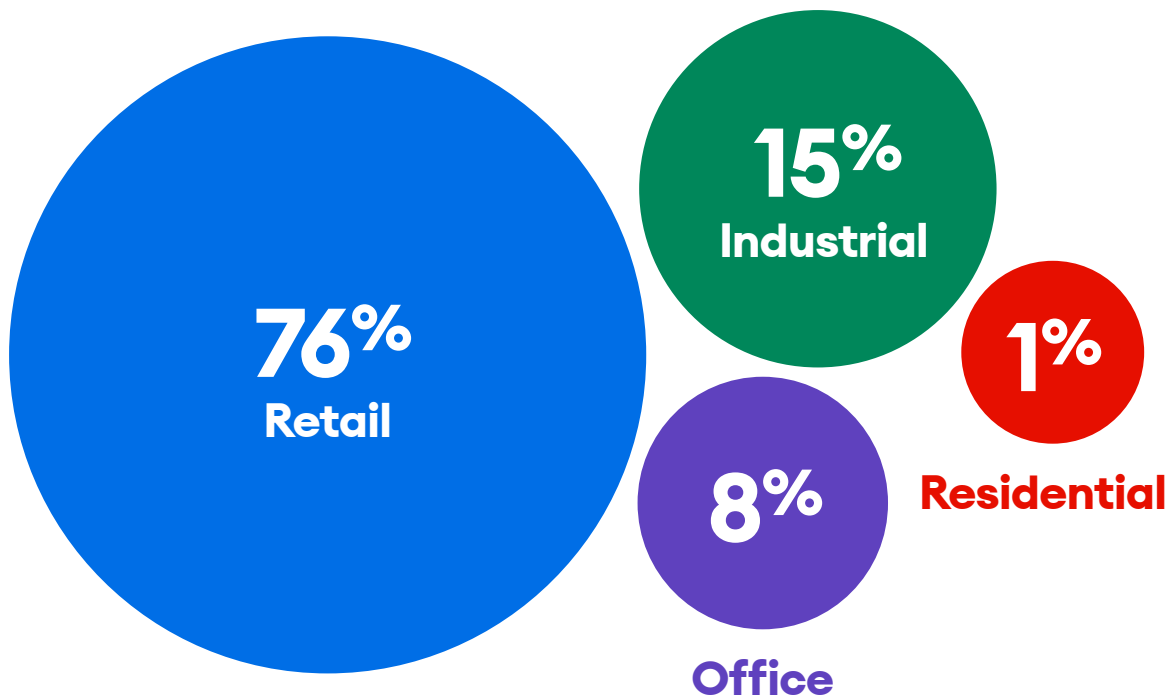


Canada's Largest REIT

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, the country's leading retailer. We also own a portfolio of high-quality industrial, office and residential assets concentrated in attractive markets across Canada.

709
Properties

65.8M
Sq. Ft. of GLA



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

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

Resilient Retail Portfolio

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



1460 East Hastings Street
Vancouver, BC

Retail Category	% of Retail NOI	Tenants
Grocery Stores & Pharmacy	71%	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 SleepCountry THE HOME DEPOT BED BATH & BEYOND
Other	1%	
Total	100%	

Calculated as a % of total NOI on a cash basis⁽¹⁾ for the three months ended December 31, 2021

Growing Industrial Portfolio

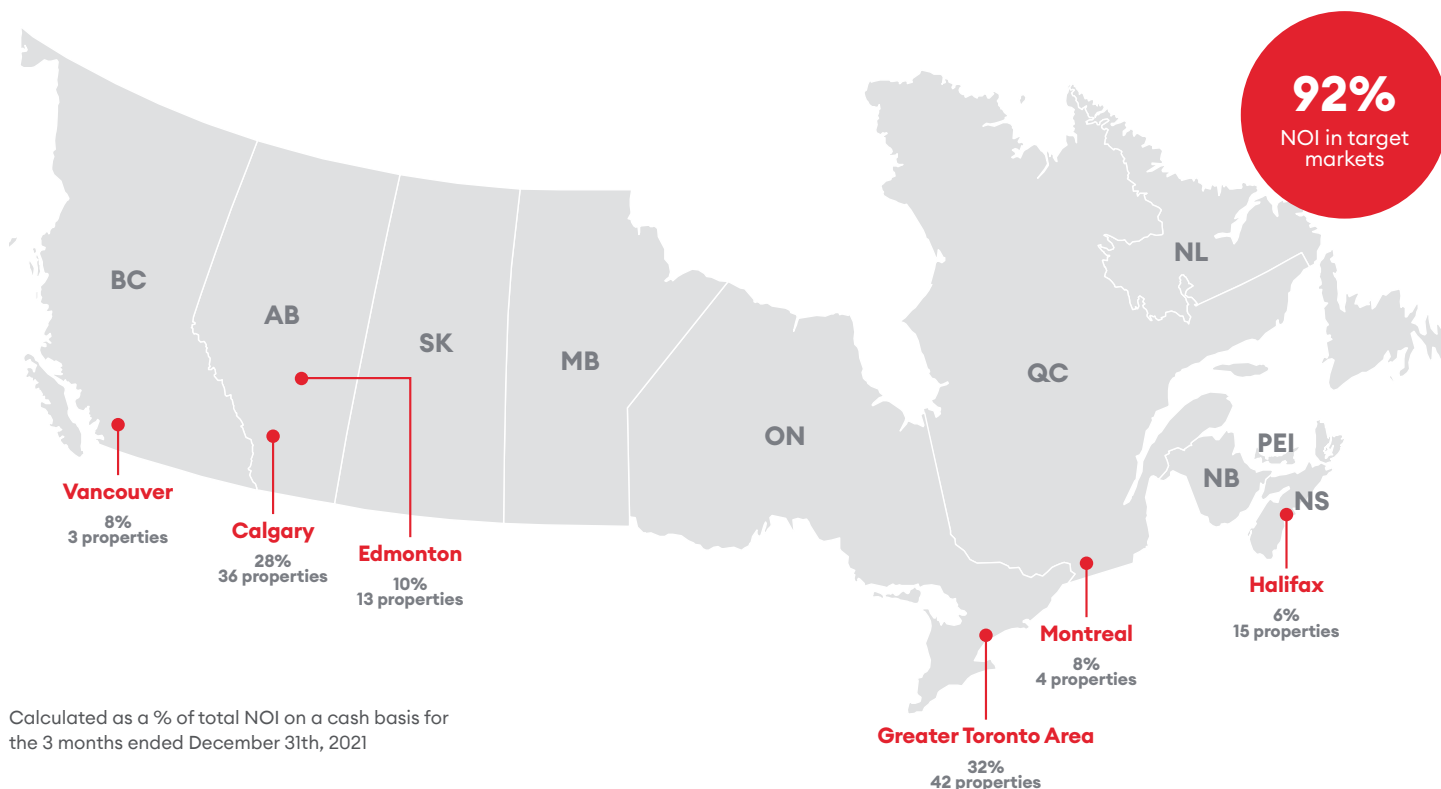
Choice Properties' industrial portfolio is centered around large, purpose-built distribution facilities for Loblaw and high-quality "generic" industrial assets that readily accommodate the diverse needs of a broad range of tenants. The term "generic" refers to a product that appeals to a wide range of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

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



Great Plains Business Park
Calgary, AB

Building Critical Mass in Target Distribution Markets



Office and Residential Portfolios

Urban Core Office Portfolio

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



525 University Avenue
Toronto, ON

Transit-Oriented Residential Portfolio

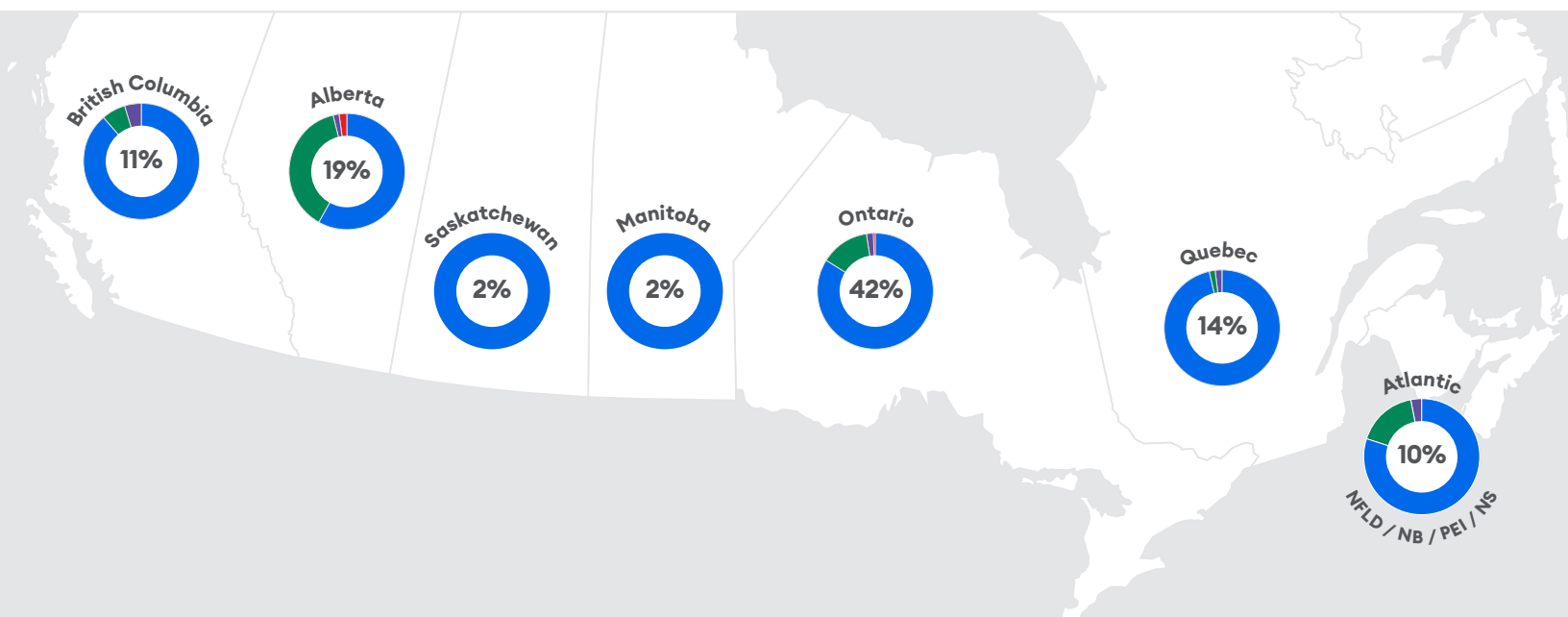
Choice Properties' residential portfolio is a recent addition to our asset mix. Rental residential properties provide additional income diversification and generate further investment opportunities for portfolio growth. Many of these opportunities to develop residential properties are by densifying existing 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.



VIA 123
Toronto, ON

Ownership by Asset Class

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



● Retail ● Industrial ● Office ● Residential

British Columbia		Alberta		Saskatchewan		Manitoba		Ontario		Quebec		Atlantic	
Total	47	Total	130	Total	17	Total	14	Total	291	Total	109	Total	101
Retail	42	Retail	77	Retail	17	Retail	14	Retail	237	Retail	103	Retail	81
Industrial	3	Industrial	49	Industrial	0	Industrial	0	Industrial	43	Industrial	4	Industrial	18
Office	2	Office	2	Office	0	Office	0	Office	8	Office	2	Office	2
Residential	0	Residential	2	Residential	0	Residential	0	Residential	3	Residential	0	Residential	0



571
Retail



117
Industrial



16
Office



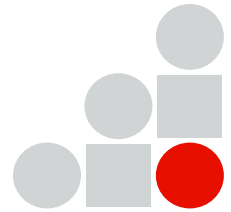
5
Residential

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



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



Recognized Management Excellence

We prioritize the health and safety of our colleagues, tenants, visitors and other stakeholders by utilizing evidence-based best practices recognized by the WELL Health-Safety Rating and Fitwel Viral Response Module. Moreover, we use Green Building standards such as LEED and BOMA BEST to showcase exemplary operational practices.

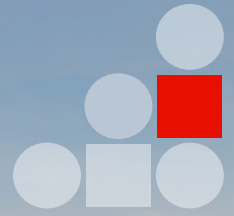
		Occupancy	Sq. Ft. GLA
	Retail	97.5%	44.7M
	Industrial	98.0%	17.0M
	Office	88.2%	3.6M
	Residential ⁽ⁱ⁾		0.5M
	Total	97.1%	65.8M

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



The Weston Centre
Toronto, ON

Transformational Development Program



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 allow 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.

Leveraging Green Technology

We strive to reduce our environmental impact by incorporating environmental features into our new developments. In Surrey, British Columbia, we identified dual-fuel heat pumps as an opportunity to reduce emissions at the property, while providing a pathway to decarbonization in future years.



Developing with Purpose



A Community-Based Approach

Our plans to revitalize and redevelop our 19-acre Golden Mile Shopping Centre in Toronto, Ontario is an example of how we take a multi-sector, collaborative approach to development. In 2021, we announced our partnership with the Daniels Corp. in this mixed-use development along with our plans to introduce the Community Innovation District. The District will include a flagship BMO® branch to promote financial literacy amongst local entrepreneurs, and a “Communiversities” – a collaboration between the University of Toronto Scarborough and Centennial College – to enhance access to post-secondary education.

Mixed-Use

Transforming Communities

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

Greenfield Development

Adapting to Market Trends

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

Intensification

Delivering Steady Growth

Our intensifications are focused on adding at-grade retail density at our existing retail properties. These projects provide the opportunity to add new tenants and further expand our high-quality tenant mix. Our pipeline of intensification projects provides steady growth to our business.

Residential

Diversifying Our Portfolio

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

* “BMO” is a registered trade-mark of Bank of Montreal.

2021 Achievements

10

Completed
Projects

\$250M

Total
Investment

0.4M

Sq. Ft.
Delivered

394

Residential
Units
Delivered



The Brixton
Toronto, ON

Purpose built rental project in the West Queen West neighbourhood of Toronto



Liberty House
Toronto, ON

25-storey purpose-built rental tower offers premium living in Liberty Village



Pioneer Park
Kitchener, ON

Redeveloped modern retail hub anchored by Zehrs and Shoppers Drug Mart

On the Move

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

19

Projects Under Development

\$300M

Total Investment ⁽²⁾

1.0M

Sq. Ft.

348

Residential Units



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



Element

Ottawa, ON

Purpose-built rental project in the well-established Westboro neighborhood of Ottawa

Immense Value Opportunity

Choice Properties has a long-term development pipeline that we expect will create significant value.

10.5M

**Ft. Sq.
Potential
Density**

12,000

**Potential
Residential
Units**



Golden Mile

Toronto, ON



25 Photography Drive

Toronto, ON



685 Warden Avenue

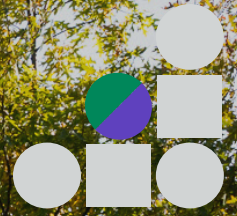
Toronto, ON



Woodbine & Danforth

Toronto, ON

Environment, Social & Governance Program



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

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.

2021 Highlights

Net-Zero

Commitment to set science-based net-zero emissions targets through the Science Based Targets initiative (SBTi)

Engagement

We “Tell It As It Is” in our annual colleague survey and provide health and wellness resources to all colleagues

Ethics & Compliance

All colleagues completed training on our new Code of Conduct

LED Upgrades

Achieved our lighting LED conversion target two years ahead of schedule

Choice Cares

Over \$400K and 1,200+ hours of colleague time donated to Canadian charities in support of mental health initiatives

Diversity

44% of our Board of Trustees and 50% of our Executives (VP+) self-identify as women

Green Buildings

Over 30M sq. ft. certified under LEED or BOMA BEST, including LEED Gold Core and Shell at the recently completed West Block

Equity & Inclusion

Strengthened our culture with diverse recruitment panels, mandatory anti-bias training and representation targets for women and visible minorities

Cybersecurity

Our cybersecurity maturity rating exceeds the industry benchmark after improving 33% in a year



Focused Pillars

Choice Properties focuses its ESG program around two pillars where the we can best create enduring value and which align with our stakeholder interests: Fighting Climate Change and Addressing Social Equity. Since launching our ESG program, we have created leading and impactful programs, and we have set ambitious targets that will guide our approach to advancing these two pillars in the years to come.

Fighting Climate Change

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

In 2021, Choice Properties committed to setting ambitious science-based targets through the Science Based Targets initiative (SBTi) Net-Zero Standard, and expects to do so in 2022. We pledged to set targets across our entire value chain, including our own operational emissions, and those from our tenants and developments (Scope 1, 2, and 3), and to establish a pathway to achieve net-zero emissions by 2050. This commitment builds on the progress Choice Properties has made over the past few years since issuing our first emissions reduction targets in 2019.

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



Addressing Social Equity

Choice Properties is committed to nurturing and advancing a culture of diversity, equity and inclusion ("DEI"). This commitment is demonstrated through programs focused on our colleagues, and programs that enhance the community fabric at our development properties.

In 2021, Choice Properties launched its DEI Framework, which identifies four focus areas through which the Trust can meaningfully advance DEI through our business. As part of this Framework, in 2021 Choice Properties 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.

Choice Properties' commitment to addressing social equity through community building can be seen through development projects such as the affordable housing component of our Grenville and Grosvenor development.



Prudent Financial Management

Woodside Power Centre
Markham, ON



Our foundation is built on maintaining a strong balance sheet, financial flexibility, and prudent financial management.

Choice Properties maintains an industry leading balance sheet to create financial flexibility for our business and to ensure the capacity to fund our significant development program.

Inaugural Green Bond Offering

In Q4 2021, Choice Properties released its Green Financing Framework and completed its inaugural green bond offering of \$350 million of Series Q Senior Unsecured Debentures. We intend to allocate the net proceeds of our green bond offering to fund eligible green projects. Sustainable finance will allow us to make strategic, long-term investments in energy transitions solutions and improve climate resilience across our portfolio.





Harvest Pointe
Edmonton, AB

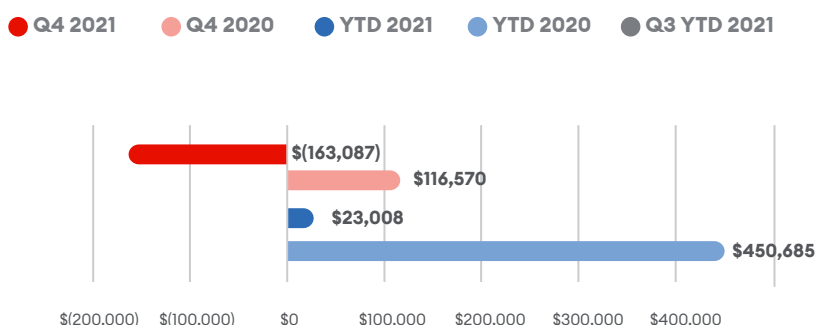
Key Performance Indicators and Financial Information

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

Net Income (Loss)

The quarterly decrease compared to the prior year was mainly due to a \$285.7 million unfavourable change in the adjustment to the fair value of the Trust's Exchangeable Units due to an increase in the Trust's unit price.

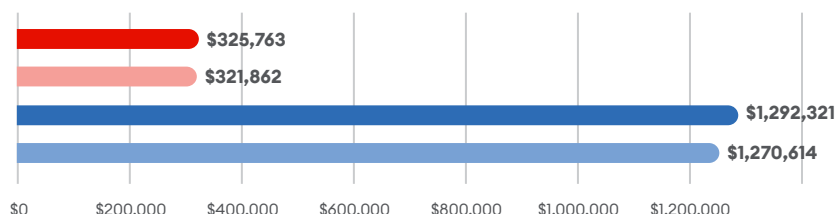
The year-to-date decrease compared to the prior year was mainly due to a \$1,217.1 million unfavourable change in the adjustment to the fair value of the Trust's Exchangeable Units due to an increase in the Trust's unit price, partially offset by a \$678.8 million favourable change in the fair value of investment properties, a \$72.5 million increase in income from equity accounted joint ventures, and a \$25.4 million increase in net operating income.



Rental Revenue (GAAP)

The quarterly increase in revenue was mainly due to increased occupancy in the industrial portfolio, compared to the prior year, partially offset by vacancies in the office portfolio.

The year-to-date increase was primarily due to net contributions from acquisitions and development transfers completed in the past 18 months, partially offset by declines due to foregone revenue from dispositions and vacancies in select office assets.

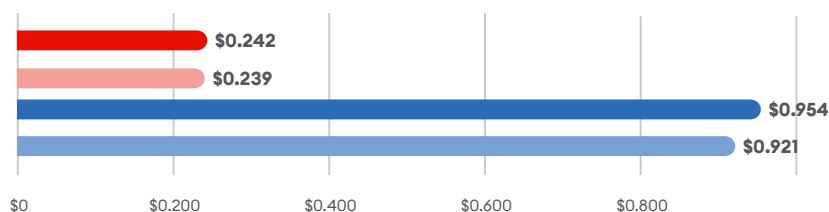


FFO Per Unit Diluted⁽¹⁾

Funds from operations increased by \$3.3 million compared to the prior quarter primarily due to higher net operating income from the revenue increases noted above, a decline in bad debt expense, and the reversal of an expected credit loss on a specific mortgage receivable, partially offset by an increase in interest expense due to fees incurred on the early repayment of the Series I debentures in December 2021 and an increase in general and administrative expenses.

On a year-to-date basis, funds from operations increased by \$37.9 million mainly due to a decrease in bad debt expense, savings from lower borrowing costs and contributions from development transfers and transaction activity. The prior year results were impacted by a non-recurring \$7.8 million allowance for expected credit losses on a specific mortgage receivable, and \$6.8 million in early redemption premiums paid in June 2020 for two senior unsecured debentures that would have matured in 2021.

On a per unit basis, the Trust had a higher weighted average number of units outstanding as at December 31 2021, as a result of: (i) the Trust units issued as consideration for the acquisition of two assets from Wittington in July 2020 and (ii) the Exchangeable Units issued as consideration for the acquisition of six assets from a wholly-owned subsidiary of GWL in December 2020.



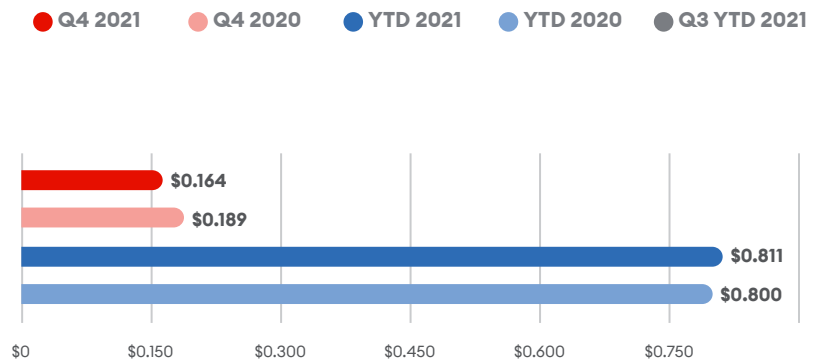
* As at and for the three month and year ended December 31, 2021 and 2020 (\$ thousands except where otherwise indicated)

➤ AFFO Per Unit Diluted⁽¹⁾

Adjusted funds from operations decreased compared to the prior year on a quarterly basis due to the timing of capital spending, leasing costs and spending on tenant improvements. The increase on an annual basis was mainly due to the increase in funds from operations noted above.

The change on a per unit basis was due to the decrease in AFFO, coupled with an increase in the weighted average number of units outstanding for the year ended December 31, 2021, as discussed above.

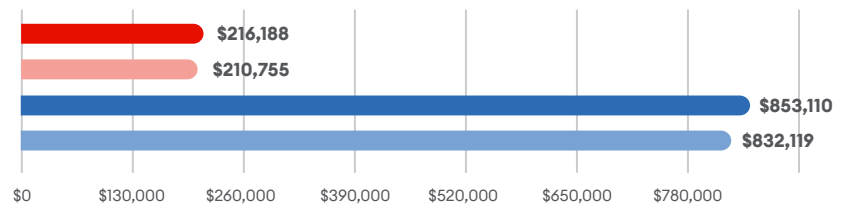
For the year ended December 31, 2021, the AFFO payout ratio was 91.2% compared to 92.6% in the prior year.



➤ Same-Asset NOI, Cash Basis⁽¹⁾

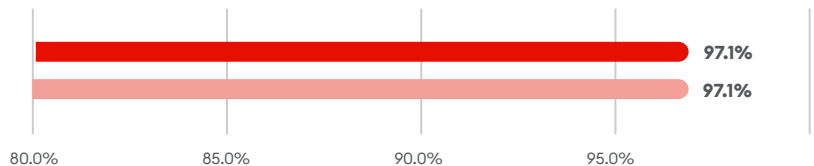
The increase of 2.6% for the three months ended December 31, 2021 was mainly due to increased occupancy in the industrial portfolio, and increased revenue from contractual rent steps, partially offset by a reduction in occupancy in select office assets.

The increase of 2.5% on an annual basis was primarily driven by increased revenue from contractual rent steps, and a decline in bad debt expense, partially offset by a reduction in occupancy in select office assets.



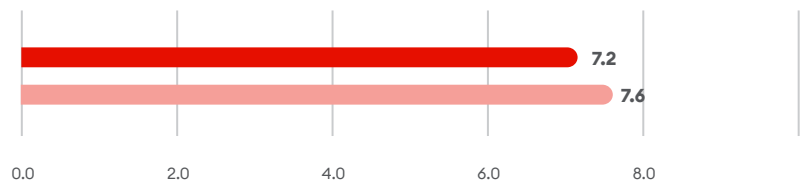
➤ Period End Occupancy

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



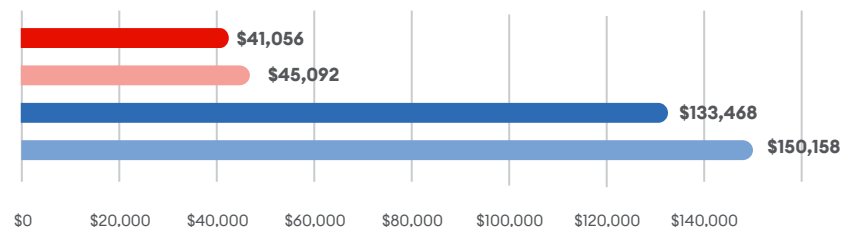
➤ Adjusted Debt to EBITDAFV⁽¹⁾

The improvement is primarily due to a decline in bad debt expense compared to the prior year, coupled with a reduction in debt from the redemption of the \$200 million series 9 senior unsecured debentures in June 2021.



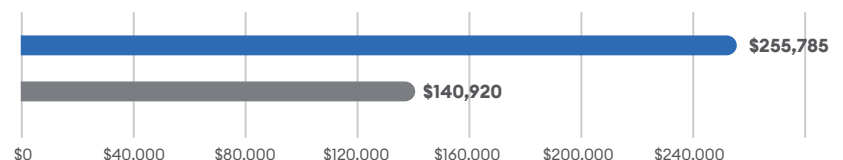
➤ Development Spending (Proportionate)⁽¹⁾

Development activity reflects spending on active projects during the three months and year ended December 31, 2021 and 2020.



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

During the three months ended December 31, 2021, the Trust transferred from properties under development to income producing: 3,500 square feet of new retail space, and 229 residential units.





Fourth Quarter Financial Performance

During the three months ended December 31, 2021

Operating

- Reported net loss for the quarter of \$163.1 million, compared to net income of \$116.6 million in the prior year. The decline is primarily due to a \$285.7 million decrease related to the adjustment to the fair value of the Exchangeable Units attributable to the unit price increase for Choice Properties during the quarter.
- Reported FFO per unit diluted⁽¹⁾ for the quarter was \$0.242, an increase of \$0.003 per unit diluted from the prior year quarter.
- AFFO per unit diluted⁽¹⁾ for the quarter was \$0.164, compared to \$0.189 in the prior year. The decrease in AFFO reflects an increase in project capital costs, tenant improvements and direct leasing costs.
- Same-asset NOI on a cash basis, excluding bad debt expense⁽¹⁾ increased by 2.0% over the same quarter in the prior year, primarily due to contractual rent steps in the retail portfolio and improved leasing in the industrial portfolio, partially offset by the impact of lower occupancy in the office portfolio. Including bad debt expense, same-asset NOI on a cash basis⁽¹⁾ increased by 2.6%, as bad debt continued to decline.
- Period end occupancy remained strong at 97.1%, with retail at 97.5%, industrial at 98.0% and office at 88.2%.
- Net fair value gain on investment properties was \$109.2 million on a proportionate share basis⁽¹⁾ primarily due to fair value gains on the industrial portfolio due to strong demand fundamentals and capitalization rate compression.

Financing

- Completed Green Bond issuance for \$350 million of Series Q senior unsecured debentures at 2.46%. The proceeds were used in the early redemption of the \$300 million Series I senior unsecured debentures and to repay a portion of the balance drawn on the credit facility.
- Completed \$138.2 million of mortgage financings at a weighted average rate of 3.5% and discharged \$57.1 million of mortgages at a weighted average rate of 3.8%.
- Ended quarter with debt-to-gross book value⁽¹⁾ at 40.1%, and normalized debt to EBITDAFV⁽¹⁾ and interest coverage ratios⁽¹⁾ of 7.2 and 3.7 times, respectively.
- Strong liquidity position with approximately \$1.5 billion of available credit and a \$12.8 billion pool of unencumbered properties.

Investing

- Completed \$46.4 million in acquisitions, including:
 - Two retail properties, tenanted by Loblaws and Shoppers Drug Mart for \$38.5 million;
 - A land assembly parcel for the Tullamore industrial development for \$7.9 million;
- Completed \$228.4 million in dispositions, including:
 - Three multi-tenant retail properties, including a 50% interest in a Quebec City retail property for a combined \$88.7 million;
 - Non-strategic standalone Canadian Tire and Loblaw anchored retail properties for \$85.7 million;
 - An industrial portfolio in Calgary, AB for \$45.0 million;
 - Two vacant land parcels for \$9.0 million;
- Ongoing investment in the development program with \$41.0 million of spending during on a proportionate share basis⁽¹⁾.
- Transferred \$114.8 million of properties under development to income producing status during the quarter, delivering approximately 229 residential units and 3,500 square feet of new GLA on a proportionate share basis⁽¹⁾.

Year Ended Financial Performance

During the year ended December 31, 2021

Operating

- Reported net income for the year of \$23.0 million, compared to net income of \$450.7 million in the prior year. The decline is primarily due to a \$1,217.1 million adjustment to the fair value of the Exchangeable Units attributable to the unit price increase for Choice Properties during the year, partially offset by \$678.8 million increase in the fair value of investment properties, \$72.5 million increase in income from Investment in equity accounted joint ventures and \$25.4 million in net operating income.
- Reported FFO per unit diluted⁽¹⁾ for the year was \$0.954, an increase of \$0.033 per unit diluted from the prior year. Excluding the effect of the bad debt expense, FFO per Unit would have been \$0.962.
- AFFO per unit diluted⁽¹⁾ for the year was \$0.811, reflecting a 91.2% payout ratio. The decrease in AFFO reflects the decline in FFO for the year and increased spending on capital projects, partially offset by a reduction in straight-line rental revenue.
- Same-asset NOI on a cash basis excluding bad debt expense⁽¹⁾ increased by 0.6% over the prior year primarily due to a general reduction in operating and realty tax costs. Including bad debt expense, same-asset NOI on a cash basis⁽¹⁾ increased by 2.5%.
- Period end occupancy remained strong at 97.1%, with retail at 97.5%, industrial at 98.0% and office at 88.2%.

Financing

- Completed Green Bond issuance for \$350 million of Series Q senior unsecured debentures at 2.456%. The proceeds were used in the early redemption of the \$300 million Series I senior unsecured debentures and to repay a portion of the balance drawn on the credit facility.
- Redeemed at par the \$200 million Series 9 senior unsecured debentures in June 2021.
- Ended the year with a debt-to-gross book value⁽¹⁾ at 40.1%, and normalized debt to EBITDAFV⁽¹⁾ and interest coverage ratios⁽¹⁾ of 7.2 and 3.7 times, respectively.
- Strong liquidity position with approximately \$1.5 billion of available credit and a \$12.8 billion pool of unencumbered properties.

Investing

- Active capital recycling with dispositions of \$329.0 million of which the proceeds were utilized to facilitate acquisitions of \$241.4 million.
- Ongoing investment in the development program with \$133.5 million of spending during the year on intensification, greenfield, mixed-use and residential development projects on a proportionate share basis⁽¹⁾.
- Transferred \$255.8 million of properties under development to income producing status during the year, delivering approximately 428,000 square feet of new GLA on a proportionate share basis⁽¹⁾.

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 consolidated financial statements of the Trust dated December 31, 2021 and 2020. The analysis of the indicators focuses on trends and significant events affecting the financial condition and results of operations of the Trust.

As at or for the year ended December 31 (\$ thousands except where otherwise indicated)	2021	2020	2019
Number of income producing properties	709	713	708
GLA (in millions of square feet)	65.8	66.1	65.8
Occupancy*	97.1%	97.1%	97.7%
Total assets (GAAP)	\$ 16,172,603	\$ 15,647,242	\$ 15,576,195
Total liabilities (GAAP)	\$ (12,862,412)	\$ (12,124,702)	\$ (12,478,177)
Rental revenue (GAAP)	\$ 1,292,321	\$ 1,270,614	\$ 1,288,554
Net income (loss)	\$ 23,008	\$ 450,685	\$ (581,357)
Net income (loss) per unit diluted	\$ 0.032	\$ 0.637	\$ (0.843)
FFO ⁽ⁱ⁾ per unit diluted*	\$ 0.954	\$ 0.921	\$ 0.987
FFO ⁽ⁱ⁾ payout ratio*	77.6%	80.5%	75.0%
AFFO ⁽ⁱ⁾ per unit diluted*	\$ 0.811	\$ 0.800	\$ 0.853
AFFO ⁽ⁱ⁾ payout ratio*	91.2%	92.6%	86.8%
Distribution declared per Unit	\$ 0.740	\$ 0.740	\$ 0.740
Weighted average number of Units outstanding – diluted ⁽ⁱⁱ⁾	723,127,566	707,764,714	689,285,790
Adjusted debt to total assets ⁽ⁱⁱⁱ⁾	40.1%	42.7%	43.1%
Debt service coverage ⁽ⁱⁱⁱ⁾	3.3x	3.2x	3.0x
Adjusted Debt to EBITDAFV ^{(i)(iii)(iv)*}	7.2x	7.6x	7.5x
Indebtedness ^(v) – weighted average term to maturity*	5.5 years	5.7 years	5.2 years
Indebtedness ^(v) – weighted average interest rate*	3.59%	3.65%	3.74%

* 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 7.1x at December 31, 2021, 7.4x at December 31, 2020, and 7.2x at December 2019.

(iv) As at December 31, 2019, Debt to EBITDAFV calculated on a trailing 12-month normalized basis excludes the effect of the Oak Street disposition.

(v) Indebtedness reflects senior unsecured debentures and mortgages only.

2. BALANCE SHEET

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

(\$ thousands)	As at December 31, 2021			As at December 31, 2020		
	GAAP Basis	Reconciliation	Proportionate Share Basis ⁽¹⁾	GAAP Basis	Reconciliation	Proportionate Share Basis ⁽¹⁾
Assets						
Investment properties	\$ 14,930,000	\$ 1,113,000	\$ 16,043,000	\$ 14,389,000	\$ 1,015,000	\$ 15,404,000
Equity accounted joint ventures	564,378	(564,378)	—	573,649	(573,649)	—
Financial real estate assets	86,603	(86,603)	—	68,373	(68,373)	—
Residential Development Inventory	10,142	—	10,142	—	—	—
Mortgages, loans and notes receivable	354,901	(7,972)	346,929	263,946	—	263,946
Intangible assets	28,000	—	28,000	29,000	—	29,000
Accounts receivable and other assets	114,275	(1,844)	112,431	116,055	562	116,617
Cash and cash equivalents	84,304	39,976	124,280	207,219	16,498	223,717
Total Assets	\$ 16,172,603	\$ 492,179	\$ 16,664,782	\$ 15,647,242	\$ 390,038	\$ 16,037,280
Liabilities and Equity						
Long term debt	\$ 6,230,010	\$ 444,428	\$ 6,674,438	\$ 6,485,521	\$ 363,450	\$ 6,848,971
Exchangeable Units	6,011,997	—	6,011,997	5,149,182	—	5,149,182
Trade payables and other liabilities	620,405	47,751	668,156	489,999	26,588	516,587
Total Liabilities	12,862,412	492,179	13,354,591	12,124,702	390,038	12,514,740
Equity						
Unitholders' equity	3,310,191	—	3,310,191	3,514,739	—	3,514,739
Non-controlling interests	—	—	—	7,801	—	7,801
Total Equity	3,310,191	—	3,310,191	3,522,540	—	3,522,540
Total Liabilities and Equity	\$ 16,172,603	\$ 492,179	\$ 16,664,782	\$ 15,647,242	\$ 390,038	\$ 16,037,280

Balance Sheet Analysis (GAAP Basis)

Line Item	\$ Change	Variance Commentary
Investment properties	\$ 541,000	The increase compared to December 31, 2020 is primarily attributable to a favourable fair value adjustment on investment properties of \$458.8 million, transfers from equity accounted joint ventures of \$143.1 million, development and operating capital expenditures of \$140.7 million, acquisitions of \$54.9 million and straight line rent amortization of \$7.9 million, partially offset by dispositions of \$254.3 million.
Equity accounted joint ventures	(9,271)	<p>During the year, the Trust:</p> <ul style="list-style-type: none"> (i) Completed the acquisition in March 2021 of an 85% interest in a new equity accounted joint venture for \$138.0 million; (ii) Contributed an additional \$32.3 million to the joint ventures, primarily to fund ongoing development activities; (iii) Recognized favourable adjustments in the fair value for properties held in equity accounted joint ventures of \$43.5 million; (iv) Completed the acquisition in February 2021 of its joint venture partner's 50% interest in two industrial buildings in Calgary, Alberta, for \$25.4 million, thereby bringing the Trust's ownership interest to 100%; and, (v) Earned \$23.5 million in income from the equity accounted joint ventures. <p>The above items were partially offset by:</p> <ul style="list-style-type: none"> (i) Upon obtaining control of the joint venture in February 2021, the Trust transferred the entire property to consolidated investments, at its carrying value of \$143.1 million; and (ii) Received distributions of \$124.8 million year-to-date, primarily as a result of receiving the proceeds from the sale of the Trust's 50% interest in a 50 acre land parcel in Richmond Hill, Ontario in February 2021.
Financial real estate assets	18,230	The increase was mainly attributable to the acquisition of an asset from Loblaw, coupled with changes in fair value of financial real estate assets during the year.
Residential development inventory	10,142	The increase was attributable to a transfer from investment properties in relation to a residential condominium project in Brampton, ON.
Mortgages, loans and notes receivable	90,955	The increase was primarily due to \$170.8 million of notes receivable advanced to GWL as part of the deferral of distributions paid on the Exchangeable Units in the current year and various mortgage receivables totalling \$67.2 million advanced to third-party borrowers in 2021. These advances were partially offset by the repayment of GWL's prior year outstanding notes receivable balance of \$96.2 million in January 2021. In addition, repayments were made during the year on other mortgages and loans receivable, including the settlement of a specific mortgage receivable upon acquisition of the underlying investment property in the first quarter.
Intangible assets	(1,000)	The decrease was attributable to amortization of the Trust's intangible assets during the period.
Working Capital	(255,101)	Net change was primarily due to a reduction in cash and short-term investments, as excess cash was utilized in the redemption of the \$200.0 million series 9 senior unsecured debentures and for development and transaction activity.
Long term debt and credit facility	(255,511)	Net decrease was primarily attributable to the redemption of the \$300.0 million series I and \$200.0 million series 9 senior unsecured debentures, and the repayment of a \$128.4 million of mortgages on maturity and through regular principal repayments throughout the year. The decrease was partially offset by the issuance of the \$350.0 million series Q senior unsecured debenture, and upfinancing and takeout financing of various mortgages and construction loans during the year.
Exchangeable Units	862,815	As this liability is measured at fair value, the change was due to the increase in the unit price for Choice Properties since December 31, 2020.
Unitholders' equity	(204,548)	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 15.1, "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 December 31, 2021 (\$ thousands)	Three Months			Year Ended		
	Income producing properties	Properties under development	Investment Properties ⁽ⁱ⁾	Income producing properties	Properties under development	Investment Properties ⁽ⁱ⁾
GAAP balance, beginning of period	\$ 14,771,000	\$ 198,000	\$ 14,969,000	\$ 14,199,000	\$ 190,000	\$ 14,389,000
Adjustments to reflect investment properties held in equity accounted joint ventures and as financial real estate assets on a proportionate share basis ⁽ⁱⁱ⁾	738,000	321,000	1,059,000	728,000	287,000	1,015,000
Non-GAAP proportionate share balance ⁽¹⁾ , beginning of period	15,509,000	519,000	16,028,000	14,927,000	477,000	15,404,000
Acquisitions of investment properties ⁽ⁱⁱⁱ⁾	38,499	7,945	46,444	95,448	145,945	241,393
Capital expenditures						
Development capital ⁽ⁱⁱⁱ⁾	—	39,580	39,580	—	128,299	128,299
Building improvements	3,550	—	3,550	5,977	—	5,977
Capitalized interest ^(iv)	—	1,476	1,476	—	5,169	5,169
Operating capital expenditures						
Property capital	41,259	—	41,259	60,100	—	60,100
Direct leasing costs	2,266	—	2,266	7,129	—	7,129
Tenant improvement allowances	8,657	—	8,657	17,647	—	17,647
Amortization of straight-line rent	1,131	—	1,131	10,104	—	10,104
Transfers from properties under development ^(v)	114,838	(114,838)	—	255,758	(255,758)	—
Transfers to residential development inventory	—	(10,142)	(10,142)	—	(10,142)	(10,142)
Dispositions	(223,198)	(5,250)	(228,448)	(223,198)	(105,773)	(328,971)
Adjustment to fair value of investment properties	103,998	5,229	109,227	444,035	58,260	502,295
Non-GAAP proportionate share balance⁽¹⁾, December 31, 2021	\$15,600,000	\$ 443,000	\$ 16,043,000	\$ 15,600,000	\$ 443,000	\$ 16,043,000

(i) Refer to Section 15.1, "Investment Properties Reconciliation" for a reconciliation of the continuity of investment properties determined in accordance with GAAP.

(ii) Includes acquisition costs.

(iii) Development capital included \$1,047 and \$2,208 of site intensification payments paid to Loblaw for the three months and year ended December 31, 2021 (December 31, 2020 - \$509 and \$995).

(iv) Interest was capitalized to qualifying development projects based on a weighted average interest rate of 3.64% (December 31, 2020 - 3.70%).

(v) Transfers from properties under development for the three months and year ended December 31, 2021, included fair value adjustments recognized within properties under development of \$3,786 and \$6,948 (December 31, 2020 - \$nil and \$nil).

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

3.1 Valuation Method

Investment properties are measured at fair value, primarily determined using the discounted cash flow method. Under this methodology, discount rates are applied to the projected annual operating cash flows, generally over a minimum term of ten years, including a terminal value based on a capitalization rate applied to the estimated NOI⁽¹⁾ in the terminal year. The fair value of investment properties reflects, among other things, rental income from current leases and assumptions about rental income from future leases in light of current market conditions.

The portfolio is internally valued with external appraisals performed each quarter for a portion of the portfolio. The majority of the properties will be subject to an external appraisal at least once over a four-year period. When an external valuation is obtained, the internal valuation team assesses all major inputs used by the independent 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 valuation inputs, including capitalization rates, discount rates, and market leasing assumptions, are supported by quarterly reports from independent nationally recognized valuation firms. Below are the weighted averages of key rates used in the valuation models for the Trust's investment properties (including financial real estate assets and those properties held within equity accounted joint ventures) by asset class:

As at December 31, 2021	Retail	Industrial	Office	Total Investment Properties
Discount rate	6.89%	6.01%	6.25%	6.68%
Terminal capitalization rate	6.16%	5.33%	5.42%	5.95%
Overall capitalization rate	6.00%	5.06%	5.18%	5.76%

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

Valuation Commentary

The Trust recorded a favourable adjustment to the fair value of investment properties of \$96.3 million and \$458.8 million for the three months and year ended December 31, 2021, respectively, on a GAAP basis. The adjustment on a proportionate share basis⁽¹⁾ for the same periods was \$109.2 million and \$502.3 million. The Trust revalued its portfolio primarily through adjustments to contractual changes in cash flows, changes in market rent assumptions, pending transactions and macro considerations.

For the three months and year ended December 31, 2021, fair value gains recognized were mainly related to the readjustment of certain leasing assumptions and investment parameters, specifically in the Greater Toronto Area industrial portfolio. In response to the rising demand for industrial space in the Greater Toronto Area, the Trust applied adjustments to reflect the income growth and capital appreciation of its industrial assets through market rent and growth projections as well as capitalization rate and yield compression. The Trust recognized a total fair value gain of \$353.8 million, on a proportionate share basis⁽¹⁾, within its overall industrial portfolio primarily due to fair value increases on large bay product in the primary markets of Toronto, Vancouver and Montreal.

In addition, the ongoing capital recycling program of non-strategic retail assets in secondary and tertiary markets contributed to fair value gains in the retail portfolio on a year to date basis. Grocery-anchored retail has continued to demonstrate ongoing resilience, resulting in stable fair values in the quarter. For the office portfolio, the ongoing uncertainty regarding return to work is reflected through tempered market leasing assumptions.

3.2 Investment Property Transactions

Acquisitions of Investment Properties

The following table summarizes the investment properties acquired in the year ended December 31, 2021:

(\$ thousands except where otherwise indicated)									
Location	Date of Acquisition	Segment	Ownership Interest Acquired	GLA (square feet)	Purchase Price incl. Related Costs	Consideration			
						Mortgage Receivable Settlement	Contingent Consideration ⁽ⁱ⁾	Assumed Liabilities	Cash
Acquisitions from related parties									
Guelph, ON ⁽ⁱ⁾	Dec 10	Retail	100%	96,983	\$ 15,134	\$ —	\$ —	\$ 3,182	\$ 11,952
Total acquisitions from related parties				96,983	15,134	—	—	3,182	11,952
Acquisitions from third-parties									
Toronto, ON	Sep 2	Retail	100%	12,099	31,574	—	—	—	31,574
Toronto, ON	Nov 12	Retail	100%	12,330	23,365	—	—	—	23,365
Total acquisitions from third-parties				24,429	54,939	—	—	—	54,939
Equity accounted joint ventures									
Calgary, AB	Feb 1	Industrial	50% ⁽ⁱⁱⁱ⁾	277,676	25,375	4,846	—	—	20,529
Caledon, ON ⁽ⁱⁱ⁾	Mar 30	Land ^(iv)	85%	N/A	138,000	—	38,000	—	100,000
Caledon, ON	Nov 22	Land ^(iv)	85%	NA	7,945	—	—	—	7,945
Acquisitions in equity accounted joint ventures				277,676	171,320	4,846	38,000	—	128,474
Total acquisitions				399,088	\$ 241,393	\$ 4,846	\$ 38,000	\$ 3,182	\$ 195,365

(i) This property is classified as financial real estate asset under GAAP.

(ii) The acquisition was funded through a \$100.0 million cash payment and a commitment to pay the remaining balance based on certain milestones being met over the development lifecycle.

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

(iv) Land was acquired for future industrial development.

Dispositions of Investment Properties

The following table summarizes the investment properties disposed in the year ended December 31, 2021:

(\$ thousands except where otherwise indicated)

Location	Date of Disposition	Segment	Ownership Interest	Sale Price excl. Selling costs	Consideration	
					Mortgage receivable advanced	Cash
Investment properties						
Brampton, ON	Jan 19	Land ⁽ⁱ⁾	70 %	\$ 25,000	\$ —	\$ 25,000
Brampton, ON	Mar 31	Land	50 %	5,000	—	5,000
Kanata, ON	Aug 19	Land	50 %	4,147	—	4,147
St-Hyacinthe, QC	Oct 4	Land	100 %	3,800	—	3,800
Calgary, AB	Nov 1	Retail	100 %	36,000	—	36,000
Portfolio of 2 assets across Canada	Dec 6	Retail	100 %	52,250	—	52,250
Magog, QC ⁽ⁱⁱ⁾	Dec 15	Retail	100 %	22,000	—	22,000
Quebec, QC	Dec 20	Retail	50 %	49,625	—	49,625
Portfolio of 5 assets in Calgary, AB	Dec 20	Industrial	100 %	45,000	—	45,000
Drummondville, QC ⁽ⁱⁱ⁾	Dec 22	Retail	100 %	11,500	—	11,500
Dispositions of investment properties				254,322		254,322
Equity accounted joint ventures						
Richmond Hill, ON	Feb 1	Land	50 %	66,375	—	66,375
Oshawa, ON	Dec 15	Retail	50 %	3,025	—	3,025
Waterloo, ON	Dec 22	Land	50 %	5,250	5,250	—
Dispositions from equity accounted joint ventures				74,650	5,250	69,400
Total dispositions				\$ 328,972	\$ 5,250	\$ 323,722

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

Acquisitions of Investment Properties

The following table summarizes the investment properties acquired in the year ended December 31, 2020:

(\$ thousands except where otherwise indicated)										
Location	Date of Acquisition	Segment	Ownership Interest Acquired	GLA (square feet)	Purchase Price incl. Related Costs	Consideration				
						Issuance of Trust / Exchangeable Units ⁽ⁱⁱ⁾	Assumed Liabilities	Mortgage Receivable Settlement	Cost to Complete Receivable	Cash
Acquisitions from related parties										
Toronto, ON	Jun 10	Land	100%	N/A	\$ 8,190	\$ —	\$ —	\$ —	\$ —	\$ 8,190
Toronto, ON	Jul 31	Office	100%	328,260	130,754	128,500	—	—	—	2,254
Toronto, ON ⁽ⁱ⁾	Jul 31	Office	60%	262,000	65,350	80,435	—	—	(16,404)	1,319
Portfolio of 5 assets across Canada	Nov 24	Retail	100%	146,000	46,712	—	—	—	—	46,712
Portfolio of 6 assets across Canada	Dec 18	Industrial	100%	835,500	82,357	79,100	2,400	—	—	857
Total acquisitions from related parties				1,571,760	333,363	288,035	2,400	—	(16,404)	59,332
Acquisitions from third-parties										
Coquitlam, BC	Feb 11	Retail	100%	9,400	21,840	—	—	—	—	21,840
Toronto, ON	Apr 9	Land	100%	3,200	8,354	—	—	—	—	8,354
Barrie, ON	Sep 23	Retail	100%	156,460	51,899	—	—	50,000	—	1,899
Portfolio of 4 assets across Canada	Oct 16	Industrial	100%	180,632	87,330	—	—	—	—	87,330
Calgary, AB	Dec 22	Retail	N/A	N/A	2,885	—	—	—	—	2,885
Total acquisitions from third-parties				349,692	172,308	—	—	50,000	—	122,308
Total acquisitions										
				1,921,452	\$ 505,671	\$ 288,035	\$ 2,400	\$ 50,000	\$ (16,404)	\$ 181,640

(i) Represents the 60% additional ownership interest acquired from Wittington, increasing the Trust's ownership interest in this property to 100%.

(ii) The assets acquired from Wittington were satisfied in full by the issuance of 16,500,000 Units of Choice Properties. The assets acquired from GWL were satisfied in full by the issuance of 5,824,742 Exchangeable Units.

Disposition of Investment Properties and Assets Held for Sale

The following table summarizes the dispositions in the year ended December 31, 2020:

(\$ thousands except where otherwise indicated)

Location	Date of Disposition	Segment	Ownership Interest	Sale Price excl. Selling Costs	Consideration			
					Cash	Lease Receivable	Debt Assumed by Purchaser	
Assets held for sale								
Chicago, USA	Jan 24	Retail	100%	\$ 97,800	\$ 97,800	\$ —	\$ —	
Dispositions of assets held for sale				97,800	97,800	—	—	
Investment properties								
Edmonton, AB	Jan 29	Residential	50%	9,750	2,561	—	7,189	
Creston, BC	Feb 3	Retail (parcel)	100%	375	375	—	—	
Halifax, NS	Feb 13	Office	100%	26,700	8,956	—	17,744	
Milton, ON	Sep 28	Industrial	100%	22,613	22,613	—	—	
Portfolio of 11 assets across Canada ⁽ⁱⁱⁱ⁾	Oct 28	Retail	50%	169,040	169,040	—	—	
Quebec City, QC	Nov 23	Retail (parcel)	50%	5,000	5,000	—	—	
Portfolio of 3 assets across Canada	Nov 27	Retail	100%	64,000	64,000	—	—	
Portfolio of 5 assets across Canada ⁽ⁱⁱⁱ⁾	Dec 1	Retail	100%	43,400	43,400	—	—	
Windsor, ON ⁽ⁱⁱⁱ⁾	Dec 23	Retail	100%	51,000	51,000	—	—	
Dispositions of investment properties				391,878	366,945	—	24,933	
Equity accounted joint ventures								
Ottawa, ON	Jul 1	Land	50% ⁽ⁱ⁾	9,734	—	9,734	—	
Dispositions to equity accounted joint ventures				9,734	—	9,734	—	
Total dispositions				\$ 499,412	\$ 464,745	\$ 9,734	\$ 24,933	

(i) On July 1, 2020, the Trust entered into a 99-year ground lease with an equity accounted joint venture in which the Trust has a 50% ownership interest. On a proportionate share basis⁽¹⁾, the disposition reflects the Trust's joint venture partner's 50% interest in the land held by the joint venture, with the lease receivable at the Trust reflecting the balance owing to the Trust by its joint venture partner for the corresponding ground lease payments.

(ii) Choice Properties sold two portfolios consisting of 16 retail properties that were leased to Loblaw.

(iii) Property disposition included a Loblaw lease.

3.3 Completed Developments

For the year ended December 31, 2021, Choice Properties completed a total of \$248.8 million in development projects at cost, delivering 144,881 square feet of retail space and 394 residential units with an expected stabilized yield of 5.5%⁽²⁾.

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

During the year ended December 31, 2021, there were no material changes to the previously disclosed ranges for expected stabilized yields for completed developments and there were no events in the period that would cause actual results to materially differ from those previously disclosed.

During the quarter, the Trust completed Liberty House, a rental residential development comprising 207 units. Liberty House is located in the Liberty Village neighbourhood in downtown Toronto, offering premium apartments and amenities with close proximity to major public transit, retail amenities and entertainment venues.

The Trust also completed the final rental residential building at The Brixton delivering 22 units. The Brixton is well located in the West Queen West neighbourhood of Toronto, offering luxury rental residential living with close proximity to major public transit and the downtown core.

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

(\$ thousands except where otherwise indicated)

Project / Location	Completion date	Ownership %	Transferred GLA (square feet)	Transferred residential units	Cost of assets transferred	Expected stabilized yield ⁽²⁾
Commercial						
Retail						
Sunwapta West, Edmonton, AB	Q1 2021	50 %	N/A ⁽ⁱ⁾	N/A	\$ 13,415	5.7 %
Mavis Rd. and Elmcreek Rd., Mississauga, ON	Q1 2021	100 %	20,413	N/A	7,615	9.7 %
Pioneer Park Dr., Kitchener, ON	Q1 2021	100 %	8,325	N/A	2,883	8.6 %
9th Street E., Cornwall, ON	Q1 2021	100 %	6,529	N/A	2,010	9.8 %
Harvest Hills Market, Edmonton, AB	Q2 & Q4 2021	50 %	52,012	N/A	13,815	6.8 %
Harvest Pointe, Edmonton, AB	Q2 2021	50 %	17,976	N/A	5,943	6.0 %
West Block, Toronto, ON	Q2 2021	100 %	22,806	N/A	11,549	9.7 %
Clair Rd., Guelph, ON	Q3 2021	100 %	16,820	N/A	6,233	7.0 %
Subtotal commercial development			144,881		63,463	7.5 %
Residential						
The Brixton, Toronto, ON	Q2 - Q4 2021	47 %	179,975	187	103,549	4.5 %
Liberty House, Toronto, ON	Q4 2021	47 %	124,641	207	81,798	5.2 %
Subtotal residential development			304,616	394	185,347	4.8 %
Total transferred properties at cost			449,497	394	\$ 248,810	5.5 %
Total transfers at fair value within income producing properties					\$ 294,140	

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

3.4 Development Activities

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

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

(\$ thousands except where otherwise indicated)			GLA ⁽ⁱ⁾⁽ⁱⁱ⁾ (square feet)		Investment ⁽ⁱ⁾⁽ⁱⁱⁱ⁾		
Project type	Section	Estimated upon completion ⁽²⁾	To-date	Estimated cost to completion ⁽²⁾	Estimated total		
Projects under active development							
Commercial	3.5	743,000	\$ 25,577	\$ 123,600	\$	149,177	
Residential	3.5	236,000	39,456	110,000		149,456	
Subtotal projects under active development		979,000	65,033	233,600		298,633	
Developments in planning							
Commercial	3.6		188,066				
Residential and Mixed-Use	3.7	10,450,000	104,653				
Subtotal developments in planning		10,450,000	292,719				
Total development - cost		11,429,000	\$ 357,752				
Total development - fair value ^(iv)			\$ 443,000				

(i) Choice Properties' share.

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

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

(iv) Total development fair value excludes residential development inventory of \$10,142 as at December 31, 2021 (\$nil - December 31, 2020).

3.5 Properties Under Active Development

Projects under active development are sites under construction or sites with appropriate approvals in place which are expected to commence construction in the next six to twelve months. Currently, the Trust has 17 active commercial projects and two active residential projects. Upon completion, the projects under active development are expected to deliver a total of 743,000 square feet of commercial space and 348 residential units at the Trust's ownership share. The Trust has invested a total of \$65.0 million to date and is expected to invest an additional \$233.6 million over the next one to three years to complete these projects⁽²⁾.

During the three months and year ended December 31, 2021, there were no material changes to the previously disclosed ranges for expected stabilized yields for active developments and there were no events in the period that would cause actual results to materially differ from those previously disclosed.

Projects Under Active Development – Commercial

The Trust continues to invest in commercial development projects through intensification of its existing retail assets and development of greenfield industrial land. The Trust currently has 743,000 square feet of active commercial development, which is expected to be completed in the next one to two years⁽²⁾.

In the quarter, the Trust commenced the last building at its development at Horizon Business Park in Edmonton, Alberta. The current development plans contemplate a new generation logistic facility with the Trust expected to deliver 149,000 square feet in 2023.

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

(\$ 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⁾
Retail									
1	Erin Ridge, St. Albert, AB	50%	H1 2022	4,000	100 %	\$ 1,711	\$ 500	\$ 2,211	8.50%-9.00%
2	Glen Erin Dr., Mississauga, ON	100%	H1 2022	17,000	100 %	5,157	700	5,857	7.00%-7.50%
3	Harvest Pointe, Edmonton, AB	50%	H2 2022	8,000	100 %	1,771	1,800	3,571	5.50%-6.00%
4	Harvest Hills Market, Edmonton, AB	50%	H2 2022	4,000	100 %	904	1,400	2,304	8.00%-8.50%
5	Calgary Trail, Edmonton, AB	100%	H2 2022	15,000	100 %	—	3,700	3,700	6.25%-6.75%
6	Sunwapta Centre, Edmonton, AB	50%	H2 2022	N/A ^(iv)	100 %	884	400	1,284	9.00%-9.50%
7	Cornerstone, Olds, AB	50%	H2 2022	N/A ^(iv)	100 %	—	400	400	9.00%-9.50%
8	Hwy 88 West, Bradford, ON	100%	H2 2022	13,000	100 %	—	4,800	4,800	6.75%-7.25%
9	Oshawa Gateway, Oshawa, ON	50%	H2 2022	7,000	100 %	1,381	2,200	3,581	6.25%-6.75%
10	Jocelyn Rd., Port Hope, ON	100%	H2 2022	15,000	100 %	—	4,600	4,600	6.75%-7.25%
11	Portland St., Dartmouth, NS	100%	H1 2023	5,000	100 %	12	1,700	1,712	8.50%-9.00%
12	Joseph Howe Dr., Halifax, NS	100%	H1 2023	5,000	100 %	18	1,400	1,418	11.00%-11.50%
13	20th Sideroad, Innisfil, ON	100%	H1 2023	N/A ^(iv)	100 %	5	700	705	21.50%-22.00%
14	Guelph St., Georgetown, ON	100%	H2 2023	26,000	100 %	—	7,900	7,900	8.50%-9.00%
15	Oxford St. E., London, ON	100%	H2 2023	15,000	100 %	—	4,900	4,900	6.75%-7.25%
Subtotal retail developments				134,000		11,843	37,100	48,943	7.50%-8.00%
Industrial									
1	Horizon Business Park, Edmonton, AB	50%	H1 & H2 2023	256,000	— %	9,788	22,800	32,588	6.00%-6.50%
2	Choice Industrial Centre, Surrey, BC	100%	H1 2023	353,000	— %	3,946	63,700	67,646	6.00%-6.50%
Subtotal industrial developments				609,000		13,734	86,500	100,234	6.00%-6.50%
Total active commercial developments				743,000		\$ 25,577	\$ 123,600	\$ 149,177	6.50%-7.00%

(i) Choice Properties' share.

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

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

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

Projects Under Active Development - Residential

Choice Properties has two residential projects under active development. At Mount Pleasant Village in Brampton, Ontario, construction continues with the ground floor expected to be complete in early 2022. At Element in Ottawa, Ontario, the vertical structure is complete and building enclosure has commenced.

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

(\$ thousands except where otherwise indicated)					GLA ⁽ⁱ⁾ (square feet)	Investment ⁽ⁱ⁾⁽ⁱⁱ⁾			
Project / Location	Ownership %	Type	Expected completion date	Estimated number of units ⁽ⁱ⁾	Estimated upon completion ⁽²⁾	To-date	Estimated cost to completion ⁽²⁾	Estimated total	Expected stabilized yield ⁽²⁾
Mount Pleasant Village, Brampton, ON	50%	Rental	H2 2023	151	101,000	13,477	49,000	62,477	4.25%-4.75%
Mount Pleasant Village, Brampton, ON	50%	Inventory	H2 2023	71	49,000	10,142	23,000	33,142	
Element, Ottawa, ON	50%	Rental	H2 2023	126	86,000	15,837	38,000	53,837	4.75%-5.25%
Total residential				348	236,000	\$ 39,456	\$ 110,000	\$ 149,456	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 Commercial Development in Planning

Beyond the projects under active development, Choice Properties continues to grow and create value through its pipeline of potential commercial developments. As of December 31, 2021, the Trust has identified 12 sites with potential for future commercial development. This includes 11 opportunities at existing retail sites and 1 industrial site. In the quarter, the Trust purchased an additional 30 acres of land for \$7.9 million adjacent to the Trust's existing developable land in Caledon, Ontario. Combined with our purchase earlier in the year, the Trust owns a total 330 acres of lands with an investment to date of \$146.8 million. The development plan for each property is subject to the Trust's completion of its full review of each opportunity. A given project scope may change over time or the Trust may decide not to proceed with that development upon completion of full due diligence. To date, the Trust has invested a total of \$188.1 million on these sites.

(\$ thousands except where otherwise indicated)		
Project Type	Number of Sites	Investment To-date ⁽ⁱ⁾⁽ⁱⁱ⁾
Retail	11	\$ 41,279
Industrial	1	146,787
Total commercial development in planning	12	\$ 188,066

(i) Choice Properties' share.

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

3.7 Residential and Mixed-Use Development in Planning

Mixed-use development represents a key component of Choice Properties' long-term development strategy. The Trust endeavours to create enduring value through high-quality mixed-used assets with a significant rental residential component. Leveraging the Trust's sizable portfolio in key urban markets, Choice Properties believes there are considerable value creation opportunities through rezoning existing grocery anchored assets into mixed-use sites. 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 one residential development and has submitted applications for eight residential and mixed-use projects. A total of \$104.7 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 ⁽ⁱ⁾⁽ⁱⁱⁱ⁾
Project / Location	Type	Ownership %	Acreage	Estimated number of units	Commercial	Residential	Total	
Zoning approved								
1 Sheppard Ave. W., Toronto, ON	Residential	50 %	0.3	100	5	64	69	\$ 6,467
Subtotal zoning approved			0.3	100	5	64	69	6,467
Zoning applications submitted								
1 Broadview Ave.,Toronto, ON	Mixed-use	100 %	3.3	500	23	409	432	2,601
2 Dundas St. W., Toronto, ON	Mixed-use	100 %	13.0	2,600	900	1,600	2,500	37,572
3 Golden Mile, Toronto, ON	Mixed-use	100 %	19.0	3,800	300	3,200	3,500	9,300
4 Grenville & Grosvenor, Toronto, ON	Residential	50 %	0.5	385	17	320	337	28,908
5 Parkway Forest Dr., Toronto, ON	Residential	50 %	0.6	170	—	95	95	284
6 Photography Dr., Toronto, ON	Mixed-use	100 %	7.7	2,400	50	2,000	2,050	3,057
7 Warden Ave., Toronto, ON	Residential	100 %	6.5	1,500	10	1,100	1,110	10,769
8 Woodbine Ave., Toronto, ON	Mixed-use	100 %	1.7	400	23	334	357	3,530
Subtotal zoning applications submitted			52.3	11,755	1,323	9,058	10,381	96,021
Zoning applications to be submitted								
1 North Rd., Coquitlam, BC	Mixed-use	100 %	7.8	—	—	—	—	807
2 South Service Rd., Mississauga, ON	Mixed-use	100 %	10.4	—	—	—	—	1,358
Subtotal zoning applications to be submitted			18.2	—	—	—	—	2,165
Total mixed-use projects in planning			70.8	11,855	1,328	9,122	10,450	\$ 104,653

(i) Choice Properties' share.

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

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

Zoning Applications Approved

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

Project / Location	Description
Sheppard Avenue West, Toronto, ON	The 0.6 acre site is located at the northeast corner of Allen Road and Sheppard Avenue West in Toronto. The site is approximately 400 meters from the Sheppard West TTC subway station and in close proximity to Downsview Park and Downsview Airport. The current development plans include a 15 storey residential building comprising 10,000 square feet of commercial GLA and approximately 200 residential units at a 100% ownership share. As of December 31, 2021, the Trust has invested a total of \$6.5 million to date and expects construction to commence in the next 6-12 months.

Zoning Applications Submitted

Choice Properties has submitted zoning applications for five mixed-use and three residential developments in Toronto, Ontario. As of December 31, 2021, the Trust has invested a total of \$96.0 million to date on land acquisition and initial development and planning costs.

Project / Location	Description
Broadview Avenue, Toronto, ON	The approximately 3 acre site is located at the southwest corner of Danforth Avenue and Broadview Avenue in Toronto's east end and is situated less than 150 metres from the Broadview TTC subway station. The current development proposal includes one residential tower, a new grocery store and a public park. The submitted application proposes 0.4 million square feet of total ground floor area, and approximately 500 residential units. The Trust continues to refine the vision for a mixed-use, transit oriented development that will transform an underutilized site while highlighting the natural heritage and green connections of the existing community. The Official Plan, Zoning By-law Amendment and Draft Plan of Subdivision Applications were submitted to the City of Toronto.
Dundas Street West, Toronto, ON	The approximately 13 acre site is located at the southeast corner of Dundas Street West and Bloor Street West in Toronto. The site is at the intersection of several major transit corridors including a TTC subway station, a GO train station and the Union-Pearson Express train. The current redevelopment plans contemplate a large mixed-use community integrated with the surrounding transit services with a focus on high density residential, office, retail and other community uses. The submitted application proposes approximately 2.5 million square feet of total ground floor area, including 0.9 million square feet of commercial GLA, and approximately 2,600 residential units. The development plan contemplates neighbourhood retail and community uses, including a 2.5 acre public park and a newly built high school. The Official Plan Application was submitted to the City of Toronto and Choice Properties is preparing a Rezoning Application for submission to the City.
Golden Mile, Toronto, ON	The approximately 19 acre site is located along Eglinton Avenue in the Golden Mile district of Toronto. The current redevelopment plans contemplate a large, mixed-use master-plan community to be built in phases with a focus on high density residential and retail uses. The site is directly adjacent to new transit stations along the first phase of the Eglinton Crosstown LRT, which is currently under construction. The current plan includes approximately 3.5 million square feet of total ground floor area, with 0.3 million square feet of commercial GLA and approximately 3,800 residential units. The development will transform the area through the introduction of the Golden Mile Community Innovation District by bringing together expertise from all stakeholders including community organizations, the local councillor, and post-secondary educational institutions. The development will create a community comprising retail, residential, institutional and office uses along with privately owned public spaces including a new park. The Official Plan and Zoning By-law Amendment Applications were submitted to the City of Toronto and the Trust is working with the City on their Secondary Planning Study for the Golden Mile Area.
Grenville & Grosvenor, Toronto, ON	The approximately 1 acre site is located in the area of Yonge Street and College Street in downtown Toronto. The current development plan contemplates two residential towers providing a total 0.7 million square feet of total ground floor area, including 17,000 square feet of commercial GLA and approximately 770 rental residential units. Approximately 30% of the residential units will be affordable housing units. The Official Plan and Zoning By-law Amendment Applications were submitted to the City of Toronto.

Project / Location	Description
Parkway Forest Drive, Toronto, ON	The approximately 3 acre site is located at the southeast intersection of Parkway Forest Drive and Sheppard Avenue East in Toronto. The site is located 350 meters from the Don Mills TTC subway station and currently features a 19-storey rental building and ten rental townhouses. The proposed development will replace five of the existing townhouses with a 29-storey residential building comprised of 339 units. This intensification will support future growth in the City of Toronto by providing additional rental housing stock in a transit-connected neighbourhood. The Official Plan Amendment, Zoning By-law Amendment and Draft Plan of Subdivision Applications were submitted to the City of Toronto.
Photography Drive, Toronto, ON	The approximately 7.7 acres site is located at the southwest corner of Eglinton Avenue West and Black Creek Drive in Toronto. The site is within close proximity to several major transit corridors, including the Kitchener GO Line, UP Express and the future Eglinton Crosstown LRT. The proposed redevelopment is comprised of seven mixed-use buildings including residential and retail uses. The application includes a total gross floor area of approximately 2.1 million square feet and 2,400 residential units. Choice Properties continues to refine the vision for a mixed-use, inclusive community where people can live and access amenities, services, transit, and a brand new grocery store, all within walking distance. The Official Plan and Zoning By-law Amendment Applications were submitted to the City of Toronto.
Warden Avenue, Toronto, ON	The approximately 6.5 acre site is located south of the intersection of St. Clair Avenue and Warden Avenue in Toronto and 500 meters from the Warden TTC Subway Station. The current development plan includes over 1,500 residential units, over 1 million square feet of gross floor area and a proposal for a public park. Choice Properties has submitted an Official Plan Amendment and Zoning By-law Amendment to the City of Toronto.
Woodbine Avenue, Toronto, ON	The approximately 1.7 acre site is located at the north east intersection of Woodbine Avenue and Danforth Avenue in the Danforth neighbourhood of Toronto. The site is directly adjacent to the Woodbine TTC subway station. The current redevelopment plan includes at grade grocery retail, upgraded TTC access and two mixed-use residential buildings with a potential density of approximately 400 residential units. The design of this project will incorporate the urban design significance of the Danforth neighbourhood and sustainable architecture. The current plan includes a large privately owned public space located off Woodbine Avenue, which provides a seamless transition from the existing neighbourhood to the new retail offering proposed at grade. The Rezoning Application was submitted to the City of Toronto and the Trust is in the final stage of discussions with the City Planning and is working towards a Site Plan Application.

3.8 Future Pipeline

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

3.9 Development Project Capital

Choice Properties expects to invest a total of approximately \$719.0 million at the Trust's ownership share⁽¹⁾, by the end of the year 2024⁽²⁾.

(\$ thousands)		2022		2023		2024		Total
Intensification	\$	22,000	\$	20,000	\$	59,000	\$	101,000
Greenfield		96,000		88,000		62,000		246,000
Residential		98,000		108,000		79,000		285,000
Mixed-Use		12,000		21,000		54,000		87,000
Estimated total capital annual spend⁽¹⁾	\$	228,000	\$	237,000	\$	254,000	\$	719,000

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

3.10 Mortgages, Loans and Notes Receivable

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

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

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

As at December 31, 2020 (\$ thousands)	GAAP Basis			
	GAAP Basis	Proportionate Share Basis ⁽¹⁾	Weighted average term to maturity (years)	Weighted average interest rate (%)
Mortgages receivable	165,470	165,470	2.1	7.31 %
Loans receivable	2,285	2,285	3.7	8.00 %
Notes receivable from GWL	96,191	96,191	—	— %
Mortgages, loans and notes receivable	263,946	263,946		

Holders of Exchangeable Units may, in lieu of receiving all or a portion of their distributions, choose to be loaned an amount from Choice Properties Limited Partnership, and to have such distributions made on the first business day following the end of the fiscal year in which such distribution would otherwise have been made. The loans do not bear interest and are due and payable in full on the first business day following the end of the fiscal year during which the loan was made. During the seven months ended July 31, 2021, GWL elected to receive all distributions from Choice Properties Limited Partnership in the form of loans. For the remainder of the year ended December 31, 2021, GWL elected to receive the distributions in cash. As such, non-interest bearing short-term notes totalling \$170,849 were issued to GWL during the year ended December 31, 2021. \$2,515 of the notes issued were repaid in August 2021 and the remaining \$168,334 were repaid in January 2022. Non-interest bearing short-term notes totalling \$96,191 with respect to the loans received in the 2020 fiscal year were repaid by GWL in January 2021.

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

In November 2021, the Trust advanced \$9,400 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 December 2021, the Trust advanced \$5,250, net of fees and the repayment of a previous loan balance, in a vendor take-back mortgage. The mortgage was issued as a part of the disposition of its interest in a property under development in Waterloo, Ontario.

The Trust has issued approximately \$184,000 of secured mortgages to other third-party borrowers. These loans are with borrowers who are strategic development partners of the Trust and are secured by real property assets.

4. LIQUIDITY AND CAPITAL RESOURCES

4.1 Major Cash Flow Components

For the periods ended December 31 (\$ thousands)	Three Months			Year Ended		
	2021	2020	Change	2021	2020	Change
Cash and cash equivalents, beginning of period - GAAP basis	\$ 29,074	\$ 28,301	\$ 773	\$ 207,219	\$ 41,990	\$ 165,229
Cash flows from operating activities	244,202	255,960	(11,758)	669,428	621,184	48,244
Cash flows from (used in) investing activities	146,178	43,031	103,147	(64,122)	155,194	(219,316)
Cash flows from (used in) financing activities	(335,150)	(120,073)	(215,077)	(728,221)	(611,149)	(117,072)
Cash and cash equivalents, end of period - GAAP basis	\$ 84,304	\$ 207,219	\$ (122,915)	\$ 84,304	\$ 207,219	\$ (122,915)

Cash Flows from Operating Activities

Three Months

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

Year Ended

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

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 flows from investing activities was primarily due to a decrease in net advances for mortgages, loans, and notes receivable of \$96.2 million, a decrease in acquisitions and capital spending of \$93.6 million, partially offset by a decrease in disposition proceeds of \$112.2 million.

Year Ended

The increase in cash flows used in investing activities was primarily due to an increase in net advances for mortgages, loans, and notes receivable of \$94.1 million, a net increase in contributions to equity accounted joint ventures of \$18.5 million, and a decrease in disposition proceeds of \$210.4 million compared to prior year, partially offset by a decrease in acquisition and capital spending of \$103.7 million.

Cash Flows from (used in) Financing Activities

Three Months

The increase in cash used in financing activities was primarily due to an increase in repayments made on the credit facility of \$132.8 million and a increase in cash distributions paid on the Exchangeable Units of \$75.7 million and increase in net repayments on mortgages payable of \$59.3 million. The increase was partially offset by a net issuance of debentures of \$48.2 million.

Year Ended

The increase in cash used in financing activities was primarily due to net repayment of debentures of \$151.7 million in the current year compared to net issuance of debentures of \$94.6 million in the prior year period, an increase in repayment of mortgages of \$95.8 million, partially offset by an increase in repayments made on the credit facility of \$130.1 million and a decrease in cash distributions paid on the Exchangeable Units of \$115.9 million.

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 December 31, 2021	As at December 31, 2020	Change
Cash and cash equivalents - proportionate share basis ⁽¹⁾	\$ 124,280	\$ 223,717	\$ (99,437)
Unused portion of the credit facility	1,500,000	1,500,000	—
Liquidity	\$ 1,624,280	\$ 1,723,717	\$ (99,437)
Unencumbered assets - proportionate share basis⁽¹⁾	\$ 12,800,000	\$ 12,200,000	\$ 600,000

Base Shelf Prospectus

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

4.3 Components of Total Adjusted Debt

Choice Properties' debt structure was as follows:

As at 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.

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

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

Construction Loans

For the purpose of financing the development of certain retail, industrial and residential properties, various investments in equity accounted joint ventures and co-ownerships have variable rate non-revolving construction facilities in which certain subsidiaries of the Trust guarantee its own share. These construction loans, which mature throughout 2022 and 2031, have a maximum amount available to be drawn at the Trust's ownership interest of \$293,151 of which \$227,462 relates to equity accounted joint ventures as at December 31, 2021 (December 31, 2020 - \$226,145 and \$198,002, respectively).

As at December 31, 2021, \$180,709, of which \$167,803 relates to equity accounted joint ventures, was drawn and the construction loans had a weighted average effective interest rate of 2.06% (December 31, 2020 - 2.18%) and a weighted average term to maturity of 1.0 years (December 31, 2020 - 0.8 years).

Credit Facility

Choice Properties has a \$1,500,000 senior unsecured committed revolving credit facility provided by a syndicate of lenders. The credit facility bears interest at variable rates of either Prime plus 0.20% or Bankers' Acceptance rate plus 1.20%. The pricing is contingent on the credit ratings for Choice Properties from either DBRS and S&P remaining at BBB (high). As at December 31, 2021, \$nil was drawn under the syndicated facility (December 31, 2020 - \$nil).

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

During the year ended December 31, 2021, the maturity date for the credit facility was extended to June 24, 2026.

Senior Unsecured Debentures

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

On November 30, 2021, the Trust completed a \$350,000 offering on a private placement basis of the series Q senior unsecured debenture bearing interest at 2.46% per annum maturing on November 30, 2026. The debentures were issued as green bonds pursuant to the Trust's Green Financing Framework, which Sustainalytics, a global leader in providing ESG research and analysis, reviewed and confirmed as being aligned with the International Capital Markets Association's Green Bond Principles 2021 and the Loan Market Association Green Loan Principles 2021.

The Trust intends to allocate the net proceeds from the issuance of the series Q senior unsecured debentures to fund the financing and/or refinancing of eligible green projects as described in the Trust's Green Financing Framework. Prior to the allocation of the net proceeds of the issuance to eligible green projects, the Trust used the net proceeds of the issuance to repay existing indebtedness, including the early redemption of the Trust's \$300,000 principal amount of 3.01% series I senior unsecured debentures on December 10, 2021, and to repay a portion of the balance drawn on the Trust's credit facility. The Trust incurred early repayment charges of approximately \$1,500 upon redeeming the series I senior unsecured debentures.

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 year ended December 31, 2021:

	GAAP Basis	Adjustment to Proportionate Share Basis ⁽¹⁾	Proportionate Share Basis ⁽¹⁾
For the year ended December 31 (\$ thousands)	Construction loans	Construction loans ⁽¹⁾	Total Adjusted debt, variable rate
Principal balance outstanding, beginning of year	\$ 25,193	\$ 140,976	\$ 166,169
Net advances (repayments)	(12,287)	26,827	14,540
Principal balance outstanding, end of year	\$ 12,906	\$ 167,803	\$ 180,709

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

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 year ended December 31, 2021:

For the year ended December 31 (\$ thousands)	GAAP Basis		Adjustment to Proportionate Share Basis ⁽¹⁾	Proportionate Share Basis ⁽¹⁾
	Senior unsecured debentures	Mortgages payable	Mortgages payable ⁽ⁱ⁾	Total Adjusted debt, fixed rate
Principal balance outstanding, beginning of year	\$ 5,275,000	\$ 1,206,638	\$ 224,813	\$ 6,706,451
Issuances and advances	350,000	34,072	63,831	447,903
Repayments	(500,000)	(128,400)	(9,556)	(637,956)
Principal balance outstanding, end of year	\$ 5,125,000	\$ 1,112,310	\$ 279,088	\$ 6,516,398

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

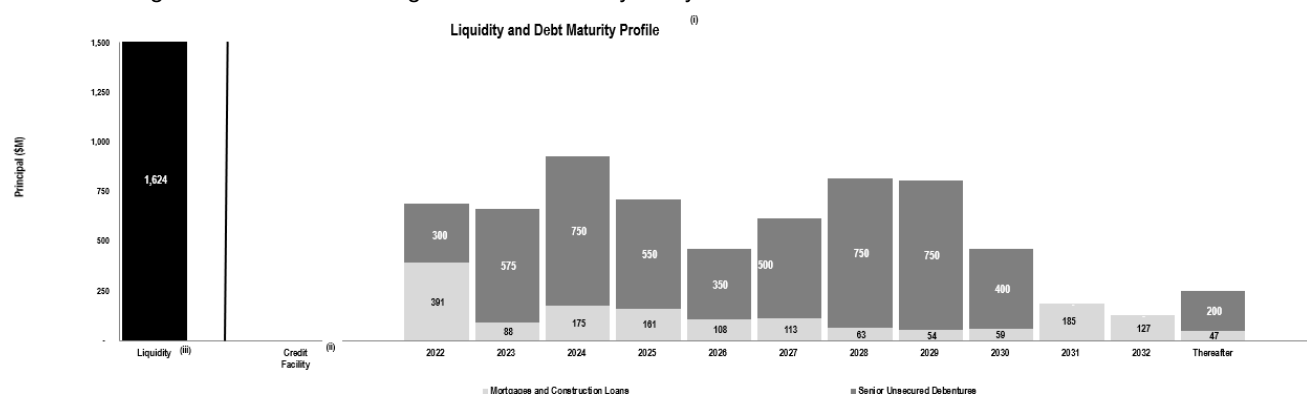
Schedules of Repayments and Cash Flow Activities

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 December 31, 2021 (\$ thousands)	GAAP Basis			Adjustment to Proportionate Share Basis ⁽¹⁾		Proportionate Share Basis ⁽¹⁾
	Senior unsecured debentures	Mortgages payable	Construction loans	Mortgages payable ⁽ⁱ⁾	Construction loans ⁽ⁱ⁾	Total
2022	\$ 300,000	\$ 216,837	\$ 4,686	\$ 11,253	\$ 158,699	\$ 691,475
2023	575,000	76,954	—	10,949	—	662,903
2024	750,000	158,185	—	7,556	9,104	924,845
2025	550,000	153,493	—	7,824	—	711,317
2026	350,000	64,547	—	43,845	—	458,392
Thereafter	2,600,000	442,294	8,220	197,661	—	3,248,175
Total adjusted debt outstanding	\$ 5,125,000	\$ 1,112,310	\$ 12,906	\$ 279,088	\$ 167,803	\$ 6,697,107

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

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



- (i) Presented on a proportionate share basis⁽¹⁾.
(ii) The credit facility matures on June 24, 2026.
(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 December 31, 2021 and December 31, 2020.

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

		As at December 31, 2021	As at December 31, 2020
Adjusted Debt to Total Assets⁽ⁱ⁾	Limit: Maximum excluding convertible debt is 60.0%	40.1%	42.7%
Debt Service Coverage Ratio⁽ⁱ⁾	Limit: Minimum 1.5x	3.3x	3.2x
Adjusted Debt to EBITDAFV^{(1)(i)(ii)(iv)}		7.2x	7.6x
Interest Coverage Ratio⁽¹⁾⁽ⁱⁱⁱ⁾		3.7x	3.7x

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

(ii) Refer to Section 15.8, "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 15.7, "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 7.1x at December 31, 2021 and 7.4x at December 31, 2020.

4.5 Credit Ratings

Choice Properties' debt securities are rated by two independent credit rating agencies: DBRS and S&P. Choice Properties' ratings are linked to and equivalent to those of Loblaw, largely because of Loblaw's significant relationship with the Trust, and the contractual arrangements and the strategic relationship between the Trust and Loblaw.

On June 21, 2021, S&P confirmed the Choice Properties rating at BBB with a stable outlook, while on September 17, 2021, DBRS confirmed the Choice Properties rating at BBB (high) with a stable trend. A credit rating of BBB- or higher is an investment grade rating.

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

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

4.6 Unit Equity

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

	Year ended December 31, 2021	Year ended December 31, 2020
Units, beginning of year	326,941,663	310,292,869
Units issued to related party as part of investment properties acquisition	—	16,500,000
Distribution in Units	—	2,277,457
Consolidation of Units	—	(2,277,457)
Units issued under unit-based compensation arrangements	837,071	307,877
Units repurchased for unit-based compensation arrangements	(189,887)	(159,083)
Units, end of year	327,588,847	326,941,663
Exchangeable Units, beginning of year	395,786,525	389,961,783
Units issued to related party as part of investment properties acquisition	—	5,824,742
Exchangeable Units, end of year	395,786,525	395,786,525
Total Units and Exchangeable Units, end of year	723,375,372	722,728,188

Units Issued to Related Party as part of Investment Properties Acquisition

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

Distribution in Units and Consolidation of Units

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

Normal Course Issuer Bid ("NCIB")

Choice Properties may from time to time purchase Units in accordance with the rules prescribed under applicable stock exchange or regulatory policies. On November 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 year ended December 31, 2021 and the year ended December 31, 2020, which were then granted to certain employees in connection with the Unit-Settled Restricted Unit Plan, and are subject to vesting conditions and disposition restrictions.

Distributions

The distributions declared for the three months and year ended December 31, 2021 and 2020, including distributions to holders of Exchangeable Units, were as follows:

For the periods ended December 31 (\$ thousands)	Three Months			Year Ended		
	2021	2020	Change	2021	2020	Change
Cash distributions declared	\$ 133,820	\$ 132,986	\$ 834	\$ 535,104	\$ 524,732	\$ 10,372
Add: Special non-cash distribution ⁽ⁱ⁾	—	29,425	(29,425)	—	29,425	(29,425)
Total distributions declared	\$ 133,820	\$ 162,411	\$ (28,591)	\$ 535,104	\$ 554,157	\$ (19,053)

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 February 16, 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 15.5, “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 December 31 (\$ thousands)	Three Months			Year Ended		
	2021	2020	Change	2021	2020	Change
Adjusted Cash Flow from Operations ⁽¹⁾	\$ 117,323	\$ 166,221	\$ (48,898)	\$ 606,292	\$ 592,610	\$ 13,682
Cash distributions declared	(133,820)	(132,986)	(834)	(535,104)	(524,732)	(10,372)
Cash retained after cash distributions	\$ (16,497)	\$ 33,235	\$ (49,732)	\$ 71,188	\$ 67,878	\$ 3,310
ACFO ⁽¹⁾ payout ratio	114.1 %	80.0 %	34.1 %	88.3 %	88.5 %	(0.2)%

Three Months

ACFO decreased compared to the prior year primarily as a result of a \$11.8 million decrease in cash flows from operations, coupled with a \$19.7 million unfavourable adjustment for changes in sustainable non-cash working capital, and an increase in property capital expenditures of \$18.8 million.

The ACFO payout ratio increased primarily due to the decrease in ACFO, partially offset by the increase of \$0.8 million in distributions declared. The increase in cash distributions was due to a higher number of Trust and Exchangeable Units outstanding.

Year Ended

ACFO increased compared to the prior year primarily as a result of a \$48.2 million increase in cash flows from operations, partially offset by \$27.0 million unfavourable adjustment for changes in sustainable non-cash working capital, and an increase in property capital expenditures of \$11.8 million.

The ACFO payout ratio slightly decreased primarily due to the increase in ACFO, partially offset by the increase of \$10.4 million in distributions declared. The increase in cash distributions was due to a higher number of Trust and Exchangeable Units outstanding, as Trust and Exchangeable Units were issued as consideration for certain assets acquired during the prior year.

4.8 Financial Instruments

Designated hedging derivatives consist of interest rate swaps to hedge the interest rate associated with an equivalent amount of variable rate mortgages. During the year ended December 31, 2021, an interest rate swap was settled upon maturity of the underlying variable rate mortgage. As at December 31, 2021, the interest rates ranged from 2.8% to 4.4% (December 31, 2020 - 1.8% to 4.4%).

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

(\$ thousands)	Maturity Date	Notional Amount	As at December 31, 2021	As at December 31, 2020
Derivative assets				
Interest rate swaps	Sep 2026 - Jun 2030	\$ 69,878	\$ 3,266	\$ 377
Derivative liabilities				
Interest rate swaps	Mar 2022 - Nov 2025	131,568	1,925	6,560

During the year ended December 31, 2021, Choice Properties recorded an unrealized fair value gain in other comprehensive income of \$6,343 (December 31, 2020 - unrealized fair value loss of \$3,554).

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 December 31, 2021, the aggregate gross potential liability related to these letters of credit totalled \$32,579 including \$nil posted by Loblaw with the Province of Ontario and City of Toronto on behalf of Choice Properties related to deferral of land transfer tax on properties acquired from Loblaw subsequent to the initial public offering (December 31, 2020 - \$33,916 including \$1,543 posted by Loblaw).

4.10 Contractual Obligations

The undiscounted future principal and interest payments on Choice Properties' debt instruments and other contractual obligations as at December 31, 2021 were as follows:

(\$ thousands)	2022	2023	2024	2025	2026	Thereafter	Total
Senior unsecured debentures	\$ 482,630	\$ 740,990	\$ 896,052	\$ 665,996	\$ 451,680	\$ 2,954,742	\$ 6,192,090
Mortgage payable ⁽ⁱ⁾	253,498	109,860	186,130	174,880	81,390	508,787	1,314,545
Mortgage payable ⁽ⁱⁱ⁾	20,590	20,081	16,347	16,346	51,748	226,435	351,547
Total Mortgage Payable	274,088	129,941	202,477	191,226	133,138	735,222	1,666,092
Construction loan ⁽ⁱ⁾	4,686	—	—	—	—	8,220	12,906
Construction loan ⁽ⁱⁱ⁾	158,699	—	9,104	—	—	—	167,803
Total Construction Loans	163,385	—	9,104	—	—	8,220	180,709
Credit facility ⁽ⁱⁱⁱ⁾	—	—	—	—	—	—	—
Other ^(iv)	206,123	146,428	81,641	123	110	1,158	435,583
Total	\$ 1,289,611	\$ 1,017,359	\$ 1,198,378	\$ 857,345	\$ 584,928	\$ 3,707,562	\$ 8,655,183

(i) Compiled on a GAAP basis.

(ii) Mortgages payable and construction loans held within equity accounted joint ventures.

(iii) Excludes interest on the revolving credit facility and construction loans at a floating interest rate.

(iv) As at December 31, 2021, Choice Properties had commitments of \$435,583 for future capital expenditures related to ongoing development and property capital projects, and other contractual obligations such as operating rents, of which \$26,342 relates to equity accounted joint ventures.

5. RESULTS OF OPERATIONS

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

For the periods ended December 31 (\$ thousands)	Three Months				Year Ended			
	2021	2020	Change	% Change	2021	2020	Change	% Change
Net Operating Income								
Rental revenue	\$ 325,763	\$ 321,862	\$ 3,901	1.2 %	\$1,292,321	\$1,270,614	\$ 21,707	1.7 %
Property operating costs	(95,691)	(96,460)	769	(0.8)%	(380,306)	(384,016)	3,710	(1.0)%
	230,072	225,402	4,670	2.1 %	912,015	886,598	25,417	2.9 %
Other Income and Expenses								
Interest income	7,312	2,770	4,542	164.0 %	20,079	13,639	6,440	47.2 %
Fee income	946	1,136	(190)	(16.7)%	3,801	4,416	(615)	(13.9)%
Net interest expense and other financing charges	(134,320)	(133,121)	(1,199)	0.9 %	(534,525)	(540,720)	6,195	(1.1)%
General and administrative expenses	(11,799)	(8,778)	(3,021)	34.4 %	(40,917)	(36,718)	(4,199)	11.4 %
Reversal of (allowance for) expected credit loss on mortgage receivable	1,026	—	1,026	— %	1,502	(7,830)	9,332	(119.2)%
Share of income (loss) from equity accounted joint ventures	18,338	9,036	9,302	102.9 %	66,952	(5,570)	72,522	(1302.0)%
Amortization of intangible assets	(250)	(250)	—	— %	(1,000)	(1,000)	—	— %
Foreign exchange gain reclassified from other comprehensive income	—	—	—	— %	—	1,184	(1,184)	(100.0)%
Acquisition transaction costs and other related expenses	—	—	—	— %	—	(1,589)	1,589	(100.0)%
Other fair value gains (losses), net	666	1,347	(681)	N/M	(1,580)	2,210	(3,790)	N/M
Adjustment to fair value of Exchangeable Units	(372,039)	(86,370)	(285,669)	330.8 %	(862,815)	354,286	(1,217,101)	(343.5)%
Adjustment to fair value of investment properties	96,275	103,601	(7,326)	(7.1)%	458,817	(220,018)	678,835	(308.5)%
Income (Loss) before Income Taxes	(163,773)	114,773	(278,546)	(242.7)%	22,329	448,888	(426,559)	(95.0)%
Income tax recovery	686	1,797	(1,111)	(61.8)%	679	1,797	(1,118)	(62.2)%
Net Income (Loss)	\$ (163,087)	\$ 116,570	\$ (279,657)	(239.9)%	\$ 23,008	\$ 450,685	\$ (427,677)	(94.9)%

Three Months

The quarterly decrease compared to the prior year was primarily due to a \$285.7 million unfavourable change in the adjustment to the fair value of the Trust's Exchangeable Units.

Year Ended

The year-to-date decrease compared to the prior year was mainly due to a \$1,217.1 million unfavourable change in the adjustment to the fair value of the Trust's Exchangeable Units, partially offset by a \$678.8 million favourable change in the fair value of investment properties, \$72.5 million increase in income from equity accounted joint ventures and a \$25.4 million in net operating income.

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 December 31 (\$ thousands)	Three Months			Year Ended		
	2021	2020	Change	2021	2020	Change
Net Operating Income						
Rental revenue	\$ 325,763	\$ 321,862	\$ 3,901	\$ 1,292,321	\$ 1,270,614	\$ 21,707
Property operating costs	(95,691)	(96,460)	769	(380,306)	(384,016)	3,710
	\$ 230,072	\$ 225,402	\$ 4,670	\$ 912,015	\$ 886,598	\$ 25,417

Three Months

The increase in net operating income for the quarter was primarily driven by increased occupancy in the industrial portfolio, and a decline in bad debt expense recorded for tenants affected by the pandemic compared to the prior year, partially offset by vacancies in the office portfolio.

Year Ended

The increase in net operating income was primarily driven by a decline in bad debt expense recorded for tenants affected by the pandemic, and a full year of net contributions from acquisitions and development transfers completed in the last 18 months, partially offset by declines due to foregone revenue from dispositions in 2020 and 2021 and vacancies in select office assets.

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

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 December 31 (\$ thousands)	Three Months			Year Ended		
	2021	2020	Change	2021	2020	Change
Interest income on mortgages and loans receivable	\$ 3,217	\$ 3,013	\$ 204	\$ 11,224	\$ 12,309	\$ (1,085)
Interest income earned from financial real estate assets	1,116	648	468	4,295	1,741	2,554
Interest income (loss) from financial real estate assets due to changes in value	2,380	(1,148)	3,528	2,556	(1,148)	3,704
Other interest income	599	257	342	2,004	737	1,267
Interest Income	\$ 7,312	\$ 2,770	\$ 4,542	\$ 20,079	\$ 13,639	\$ 6,440

Three Months

The increase is primarily due to a favourable change in fair value recognized on financial real estate assets of \$2.4 million in the current year as compared to a loss of \$1.1 million in the prior year. In addition, an incremental \$0.5 million of interest income was earned from the financial real estate asset portfolio, the majority of which was acquired in the fourth quarter of the prior year, coupled with a \$0.5 million increase in other interest income and interest income on mortgages and loans receivable.

Year Ended

The increase is primarily due to a favourable change in fair value recognized on financial real estate assets of \$2.6 million in the current year as compared to a loss of \$1.1 million in the prior year. In addition, an incremental \$2.6 million of interest income was earned from the financial real estate asset portfolio, the majority of which was acquired in the fourth quarter of the prior year, coupled with a \$1.3 million increase in other interest income (inclusive of income on short term investments), partially offset by a \$1.1 million decline due to a reduction in the balance of mortgages and loans receivable outstanding as compared to the prior year.

Fee Income

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

For the periods ended December 31 (\$ thousands)	Three Months			Year Ended		
	2021	2020	Change	2021	2020	Change
Fees charged to related party	\$ 63	\$ 221	\$ (158)	\$ 315	\$ 858	\$ (543)
Fees charged to third parties	883	915	(32)	3,486	3,558	(72)
Fee Income	\$ 946	\$ 1,136	\$ (190)	\$ 3,801	\$ 4,416	\$ (615)

Three Months

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

The decrease in fee income to third parties can be primarily attributed to a reduction in project fees.

Year Ended

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

The decrease in fee income from third parties can be primarily attributed to a decline in project fees.

Net Interest Expense and Other Financing Charges

For the periods ended December 31 (\$ thousands)	Three Months			Year Ended		
	2021	2020	Change	2021	2020	Change
Interest on senior unsecured debentures	\$ 46,376	\$ 47,826	\$ (1,450)	\$ 186,671	\$ 189,978	\$ (3,307)
Fees incurred on early repayment of debentures	1,512	—	1,512	1,512	6,763	(5,251)
Interest on mortgages and construction loans	11,065	12,010	(945)	46,260	48,960	(2,700)
Interest on credit facility	1,235	1,237	(2)	4,275	7,316	(3,041)
Interest on right-of-use lease liability	35	41	(6)	147	216	(69)
Amortization of debt discounts and premiums	242	94	148	687	(1,806)	2,493
Amortization of debt placement costs	1,301	1,038	263	4,731	4,592	139
Capitalized interest	(667)	(1,627)	960	(2,642)	(4,231)	1,589
	61,099	60,619	480	241,641	251,788	(10,147)
Distributions on Exchangeable Units to GWL	73,221	72,502	719	292,884	288,932	3,952
Net interest expense and other financing charges	\$ 134,320	\$ 133,121	\$ 1,199	\$ 534,525	\$ 540,720	\$ (6,195)

Three Months

The quarterly increase was primarily due to \$1.5 million of fees incurred on the early repayment of the Series I senior unsecured debentures in December 2021. In addition to a decrease in capitalized interest of \$1.0 million and an increase in distributions on Exchangeable Units of \$0.7 million due to an increase in the number of Exchangeable Units outstanding as compared to the prior year. The above increases were partially offset by a \$1.5 million decline in interest on unsecured debentures following the redemption of the \$200 million Series 9 senior unsecured debenture in June 2021, and a \$1.0 million decrease in mortgage and construction loan interest due to refinancings at lower interest rates over the past year.

Year Ended

The decrease was mainly due to a decline in fees incurred on early repayment of senior unsecured debentures of \$5.3 million, a \$3.3 million decline in interest on unsecured debentures related to the redemption of the \$200 million Series 9 senior unsecured debentures in June 2021, and a general reduction in interest on the credit facility of \$3.0 million due to a lower average outstanding balance, partially offset by an increase in distribution on Exchangeable Units of \$4.0 million due to an increase in the number of Exchangeable Units outstanding as compared to the prior year.

General and Administrative Expenses

For the periods ended December 31 (\$ thousands)	Three Months			Year Ended		
	2021	2020	Change	2021	2020	Change
Salaries, benefits and employee costs	\$ 13,363	\$ 12,529	\$ 834	\$ 51,302	\$ 47,940	\$ 3,362
Investor relations and other public entity costs	551	523	28	2,616	2,318	298
Professional fees	942	1,197	(255)	4,079	4,506	(427)
Information technology costs	1,642	1,420	222	6,324	4,460	1,864
Services Agreement expense charged by related party ⁽ⁱ⁾	748	680	68	3,094	3,095	(1)
Amortization of other assets	410	229	181	1,294	548	746
Office related costs	1,853	509	1,344	2,861	2,590	271
Other	(72)	(194)	122	483	901	(418)
	19,437	16,893	2,544	72,053	66,358	5,695
Less:						
Capitalized to investment properties	(1,776)	(1,985)	209	(7,076)	(6,682)	(394)
Allocated to recoverable operating expenses	(5,862)	(6,130)	268	(24,060)	(22,958)	(1,102)
General and administrative expenses	\$ 11,799	\$ 8,778	\$ 3,021	\$ 40,917	\$ 36,718	\$ 4,199

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

Three Months

The quarterly increase was primarily due to higher salary and employee related costs and lease termination expense for a prior head office space.

Year Ended

The year-to-date increase was primarily due to \$3.4 million in higher salary and employee costs and \$1.9 million in investment in information technology infrastructure. The above items were partially offset by a decline in office and other related expenses due to pandemic restrictions.

Other Fair Value Gains (Losses), Net

For the periods ended December 31 (\$ thousands)	Three Months			Year Ended		
	2021	2020	Change	2021	2020	Change
Adjustment to fair value of unit-based compensation	\$ 666	\$ (1,369)	\$ 2,035	\$ (1,580)	\$ (506)	\$ (1,074)
Fair value gain from release of holdback payable	—	6,750	\$ (6,750)	—	6,750	\$ (6,750)
Adjustment to fair value on mortgage receivable classified as FVTPL	—	(4,034)	\$ 4,034	—	(4,034)	4,034
Other fair value gains (losses), net	\$ 666	\$ 1,347	\$ (681)	\$ (1,580)	\$ 2,210	\$ (3,790)

Three Months

In the current quarter the Trust recognized a favourable adjustment to the fair value of unit based compensation relative to the prior year.

In addition, in the prior year the Trust recognized a fair value gain from the derecognition of a holdback payable related to a prior year acquisition that is no longer owing to the vendor, which was partially offset by an unfavourable adjustment to the fair value of a specific mortgage receivable.

Year Ended

In the current year the Trust recognized an unfavourable adjustment to the fair value of unit based compensation relative to the prior year.

In addition, in the prior year the Trust recognized a fair value gain from the derecognition of a holdback payable related to a prior year acquisition that is no longer owing to the vendor, which was partially offset by an unfavourable adjustment to the fair value of a specific mortgage receivable.

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 December 31, 2021:

(in thousands of square feet except where otherwise indicated)	September 30, 2021									Three Months December 31, 2021		
	Leasable	Occupied	Occupied %	Expiries	New	Renewals	Subtotal: Portfolio Absorption	Portfolio changes ⁽ⁱ⁾	Acquired / (Disposed) vacancy	Leasable	Occupied	Occupied %
Retail	45,279	44,089	97.4 %	(461)	115	410	64	(591)	(21)	44,667	43,562	97.5 %
Industrial	17,298	16,882	97.6 %	(353)	75	286	8	(277)	(71)	16,950	16,613	98.0 %
Office	3,641	3,228	88.7 %	(65)	11	38	(16)	1	(1)	3,641	3,213	88.2 %
Total	66,218	64,199	97.0 %	(879)	201	734	56	(867)	(93)	65,258	63,388	97.1 %

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

The following table details the changes for in-place occupancy by segment for the year ended December 31, 2021:

(in thousands of square feet except where otherwise indicated)	December 31, 2020									Year Ended December 31, 2021		
	Leasable	Occupied	Occupied %	Expiries	New	Renewals	Subtotal: Portfolio Absorption	Portfolio changes ⁽ⁱ⁾	Acquired / (Disposed) vacancy	Leasable	Occupied	Occupied %
Retail	45,108	43,940	97.4 %	(2,120)	311	1,867	58	(436)	(5)	44,667	43,562	97.5 %
Industrial	17,158	16,699	97.3 %	(1,108)	351	822	65	(151)	(57)	16,950	16,613	98.0 %
Office	3,604	3,320	92.1 %	(285)	55	115	(115)	8	29	3,641	3,213	88.2 %
Total	65,870	63,959	97.1 %	(3,513)	717	2,804	8	(579)	(33)	65,258	63,388	97.1 %

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

Three Months

Period end occupancy increased marginally to 97.1% at December 31, 2021 from 97.0% at September 30, 2021. The Trust had positive absorption of 56,000 square feet primarily due to net new leasing in the retail portfolio, partially offset by vacancies at various properties in the office portfolio.

The portfolio change of approximately 867,000 square feet primarily related to the disposition of underperforming assets in the industrial portfolio and non-strategic assets in the retail portfolio, partially offset by the acquisition of two retail assets during the quarter.

Year Ended

Period end occupancy was stable at 97.1% at December 31, 2021 and December 31, 2020, as the positive absorption in the Ontario and Alberta industrial portfolios were offset by vacancies in the national office portfolio.

Portfolio changes of 579,000 square feet primarily related to the disposition of underperforming assets in the industrial portfolio and non-strategic assets in the retail portfolio, partially offset by the acquisitions and development transfers mainly in the Alberta industrial and Ontario retail portfolios.

Choice Properties' principal tenant, Loblaw, represents 56.0% of its total GLA (December 31, 2020 - 55.3%). At December 31, 2021, the weighted average lease term-to-maturity on the Loblaw leases was 6.5 years (December 31, 2020 - 7.4 years).

(in millions of square feet except where otherwise indicated)	As at December 31, 2021			As at December 31, 2020		
	Portfolio GLA	Occupied GLA	Occupancy (%)	Portfolio GLA	Occupied GLA	Occupancy (%)
Loblaw banners	36.5	36.5	100.0%	36.4	36.4	100.0%
Third-party tenants	28.7	26.9	93.5%	29.4	27.5	93.5%
Total commercial GLA	65.2	63.4	97.1%	65.8	63.9	97.1%

The lease maturity profile for Choice Properties' portfolio as at December 31, 2021, 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	378	90	468	0.7 %	\$ 5,419	\$ 11.58
2022	2,540	66	2,606	3.9 %	36,538	14.02
2023	3,101	3,890	6,991	10.7 %	96,513	13.81
2024	3,260	2,854	6,114	9.4 %	83,123	13.60
2025	3,557	3,218	6,775	10.4 %	90,596	13.37
2026	3,506	2,665	6,171	9.5 %	96,565	15.65
2027	2,398	4,057	6,455	9.9 %	108,926	16.87
2028 & Thereafter	8,131	19,677	27,808	42.6 %	451,765	16.25
Occupied GLA	26,871	36,517	63,388	97.1 %	969,445	15.29
Vacant GLA	1,870	—	1,870	2.9 %	978	0.52
Total	28,741	36,517	65,258	100.0 %	\$ 970,423	\$ 14.87

	Retail segment		Industrial segment		Office segment		Total	
(in thousands of square feet except where otherwise indicated)	GLA	Expiring GLA as a % of total GLA	GLA	Expiring GLA as a % of total GLA	GLA	Expiring GLA as a % of total GLA	GLA	Expiring GLA as a % of total GLA
Month-to-month	377	0.6%	30	— %	61	0.1%	468	0.7 %
2022	921	1.4%	1,336	2.0%	349	0.5%	2,606	3.9 %
2023	4,698	7.2%	1,968	3.0%	325	0.5%	6,991	10.7 %
2024	4,099	6.3%	1,693	2.6%	322	0.5%	6,114	9.4 %
2025	4,519	6.9%	2,001	3.1%	255	0.4%	6,775	10.4 %
2026	4,754	7.3%	1,116	1.7%	301	0.4%	6,171	9.5 %
2027	5,657	8.7%	466	0.7%	332	0.5%	6,455	9.9 %
2028 & Thereafter	18,537	28.3%	8,003	12.4%	1,268	2.0%	27,808	42.6 %
Occupied GLA	43,562		16,613		3,213		63,388	97.1 %
Vacant GLA	1,105	1.7%	337	0.5%	428	0.7%	1,870	2.9 %
Total	44,667	68.4%	16,950	26.0%	3,641	5.6%	65,258	100.0 %

Top 10 Tenants

Choice Properties' ten largest tenants for the three months ended December 31, 2021, represented approximately 63.4% 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	55.5 %	36,517
2.	Canadian Tire	1.9 %	1,393
3.	TJX Companies	1.1 %	608
4.	Dollarama	1.0 %	536
5.	Goodlife	0.8 %	386
6.	Staples	0.7 %	386
7.	Canada Cartage	0.6 %	633
8.	Liquor Control Board of Ontario (LCBO)	0.6 %	212
9.	TD Canada Trust	0.6 %	148
10.	Lowe's Companies	0.6 %	522
Total		63.4 %	41,341

7. RESULTS OF OPERATIONS - SEGMENT INFORMATION

7.1 Net Income and Segment NOI Reconciliation

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

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

(\$ thousands)	Retail	Industrial	Office	Proportionate Share Basis ⁽¹⁾	Consolidation and eliminations ⁽ⁱ⁾	GAAP Basis
Rental revenue, excluding straight line rental revenue and lease surrender revenue	\$ 257,618	\$ 48,398	\$ 32,920	\$ 338,936	\$ (15,352)	\$ 323,584
Property operating costs	(73,057)	(12,560)	(14,645)	(100,262)	4,571	(95,691)
Net Operating Income, Cash Basis⁽¹⁾	184,561	35,838	18,275	238,674	(10,781)	227,893
Straight line rental revenue	(3)	1,301	(167)	1,131	(792)	339
Lease surrender revenue	1,746	44	50	1,840	—	1,840
Net Operating Income, Accounting Basis	186,304	37,183	18,158	241,645	(11,573)	230,072
Other Income and Expenses						
Interest income				3,533	3,779	7,312
Fee income				946	—	946
Net interest expense and other financing charges				(136,728)	2,408	(134,320)
General and administrative expenses				(11,799)	—	(11,799)
Reversal of (allowance for) expected credit loss on mortgage receivable				1,026	—	1,026
Share of income (loss) from equity accounted joint ventures				—	18,338	18,338
Amortization of intangible assets				(250)	—	(250)
Other fair value gains (losses), net				666	—	666
Adjustment to fair value of Exchangeable Units				(372,039)	—	(372,039)
Adjustment to fair value of investment properties				109,227	(12,952)	96,275
Income before Income Taxes				(163,773)	—	(163,773)
Income tax recovery				686	—	686
Net Income (Loss)				\$ (163,087)	\$ —	\$ (163,087)

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

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

(\$ thousands)	Retail	Industrial	Office	Proportionate Share Basis ⁽¹⁾	Consolidation and eliminations ⁽ⁱ⁾	GAAP Basis
Rental revenue, excluding straight line rental revenue and lease surrender revenue	\$ 1,024,027	\$ 191,276	\$ 123,887	\$ 1,339,190	\$ (59,125)	\$ 1,280,065
Property operating costs	(297,429)	(50,976)	(53,286)	(401,691)	21,385	(380,306)
Net Operating Income, Cash Basis⁽¹⁾	726,598	140,300	70,601	937,499	(37,740)	899,759
Straight line rental revenue	2,747	5,218	2,139	10,104	(2,211)	7,893
Lease surrender revenue	2,758	47	1,558	4,363	—	4,363
Net Operating Income, Accounting Basis	732,103	145,565	74,298	951,966	(39,951)	912,015
Other Income and Expenses						
Interest income				12,039	8,040	20,079
Fee income				3,801	—	3,801
Net interest expense and other financing charges				(542,962)	8,437	(534,525)
General and administrative expenses				(40,917)	—	(40,917)
Reversal of (allowance for) expected credit loss on mortgage receivable				1,502	—	1,502
Share of income (loss) from equity accounted joint ventures				—	66,952	66,952
Amortization of intangible assets				(1,000)	—	(1,000)
Other fair value gains (losses), net				(1,580)	—	(1,580)
Adjustment to fair value of Exchangeable Units				(862,815)	—	(862,815)
Adjustment to fair value of investment properties				502,295	(43,478)	458,817
Income before Income Taxes				22,329	—	22,329
Income tax recovery				679	—	679
Net Income (Loss)				\$ 23,008	\$ —	\$ 23,008

(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 15.2, “Net Operating Income”, of this MD&A, for a definition of NOI⁽¹⁾ and a reconciliation to net income (loss) determined in accordance with GAAP.

Management also measures performance of operating segments using NOI⁽¹⁾ as calculated on a proportionate share basis⁽¹⁾ and, in particular, same-asset NOI which isolates Management’s success at dealing with certain key performance factors. “Same-Asset” refers to those properties that were owned and operated by Choice Properties for the entire 24 months ended December 31, 2021, and where such properties had no changes to income as a result of acquisitions, dispositions, new developments, redevelopments and expansions, intensifications, transfers, or demolitions (collectively, “Transactions”). NOI related to Transactions for the period are presented separately from the same-asset financial results.

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

Summary - Accounting Basis

For the periods ended December 31 (\$ thousands)	Three Months				Year Ended			
	2021	2020	Change	% Change	2021	2020	Change	% Change
Rental revenue	\$ 306,398	\$ 301,306	\$ 5,092	1.7 %	\$1,214,131	\$1,205,342	\$ 8,789	0.7 %
Straight line rental revenue	(453)	1,550	(2,003)	(129.2)%	2,531	11,615	(9,084)	(78.2)%
Property operating costs excluding bad debt expense	(88,960)	(88,145)	(815)	0.9 %	(355,438)	(351,892)	(3,546)	1.0 %
Same-Asset NOI, Accounting Basis, excluding bad debt expense	216,985	214,711	2,274	1.1 %	861,224	865,065	(3,841)	(0.4)%
Bad debt expense	(1,250)	(2,406)	1,156	(48.0)%	(5,583)	(21,331)	15,748	(73.8)%
Same-Asset NOI, Accounting Basis	215,735	212,305	3,430	1.6 %	855,641	843,734	11,907	1.4 %
Transactions NOI including straight line rental revenue, excluding bad debt expense	23,569	23,240	329		91,827	82,818	9,009	
Bad debt expense	501	(1,086)	1,587		135	(2,358)	2,493	
Transactions NOI, Accounting Basis	24,070	22,154	1,916		91,962	80,460	11,502	
Lease surrender revenue	1,840	1,291	549		4,363	2,320	2,043	
Total NOI, Accounting Basis	\$ 241,645	\$ 235,750	\$ 5,895		\$ 951,966	\$ 926,514	\$ 25,452	

Summary - Cash Basis

For the periods ended December 31 (\$ thousands)	Three Months				Year Ended			
	2021	2020	Change	% Change	2021	2020	Change	% Change
Rental revenue	\$ 306,398	\$ 301,306	\$ 5,092	1.7 %	\$1,214,131	\$1,205,342	\$ 8,789	0.7 %
Property operating costs excluding bad debt expense	(88,960)	(88,145)	(815)	0.9 %	(355,438)	(351,892)	(3,546)	1.0 %
Same-Asset NOI, Cash Basis, excluding bad debt expense	217,438	213,161	4,277	2.0 %	858,693	853,450	5,243	0.6 %
Bad debt expense	(1,250)	(2,406)	1,156	(48.0)%	(5,583)	(21,331)	15,748	(73.8)%
Same-Asset NOI, Cash Basis	216,188	210,755	5,433	2.6 %	853,110	832,119	20,991	2.5 %
Transactions NOI excluding bad debt expense	21,985	20,684	1,301		84,254	78,320	5,934	
Bad debt expense	501	(1,086)	1,587		135	(2,358)	2,493	
Transactions NOI, Cash Basis	22,486	19,598	2,888		84,389	75,962	8,427	
Total NOI, Cash Basis	\$ 238,674	\$ 230,353	\$ 8,321		\$ 937,499	\$ 908,081	\$ 29,418	

Three Months

Same-asset NOI, cash basis, increased 2.6% primarily due to increased occupancy in the industrial portfolio, and increased revenue from contractual rent steps, partially offset by vacancies in select office assets.

The increase in transactions NOI was primarily due to the contribution from acquisitions and development transfers completed in the last 18 months, partially offset by foregone NOI from properties sold.

Year Ended

Same-asset NOI, cash basis, increased 2.5% primarily due to increased revenue from contractual rent steps, and a decline in bad debt expense, partially offset by a reduction in occupancy in select office assets.

The increase in transactions NOI was primarily due to the full year of net contributions from acquisitions and development transfers completed in the second half of 2020, partially offset by declines due to foregone revenue from dispositions in 2020.

Retail Segment

For the periods ended December 31 (\$ thousands)	Three Months				Year Ended			
	2021	2020	Change	% Change	2021	2020	Change	% Change
Rental revenue	\$ 238,246	\$ 233,837	\$ 4,409	1.9 %	\$ 945,969	\$ 939,146	\$ 6,823	0.7 %
Property operating costs excluding bad debt expense	(67,374)	(66,559)	(815)	1.2 %	(271,777)	(270,647)	(1,130)	0.4 %
Same-Asset NOI, Cash Basis, excluding bad debt expense	170,872	167,278	3,594	2.1 %	674,192	668,499	5,693	0.9 %
Bad debt expense	(1,088)	(1,808)	720	(39.8)%	(4,651)	(18,747)	14,096	(75.2)%
Same-Asset NOI, Cash Basis	169,784	165,470	4,314	2.6 %	669,541	649,752	19,789	3.0 %
Transactions NOI excluding bad debt expense	14,254	16,043	(1,789)		56,833	70,300	(13,467)	
Bad debt expense	523	(953)	1,476		224	(2,157)	2,381	
Transactions NOI, Cash Basis	14,777	15,090	(313)		57,057	68,143	(11,086)	
Total NOI, Cash Basis	\$ 184,561	\$ 180,560	\$ 4,001		\$ 726,598	\$ 717,895	\$ 8,703	

Three Months

The 2.6% increase in same-asset NOI, cash basis, was primarily driven by increased revenue from contractual rent steps in Ontario, higher capital recoveries in the Atlantic and Ontario regions, and a reduction in bad debt expense.

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

Year Ended

The 3.0% increase in same-asset NOI, cash basis, was mainly due to increased revenue from contractual rent steps in Ontario, coupled with an increase in occupancy, and a decline in bad debt expense.

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

Industrial Segment

For the periods ended December 31 (\$ thousands)	Three Months				Year Ended			
	2021	2020	Change	% Change	2021	2020	Change	% Change
Rental revenue	\$ 43,206	\$ 42,118	\$ 1,088	2.6 %	\$ 171,199	\$ 166,344	\$ 4,855	2.9 %
Property operating costs excluding bad debt expense	(11,040)	(11,524)	484	(4.2)%	(45,574)	(44,144)	(1,430)	3.2 %
Same-Asset NOI, Cash Basis, excluding bad debt expense	32,166	30,594	1,572	5.1 %	125,625	122,200	3,425	2.8 %
Bad debt expense	—	(101)	101	N/M	81	(673)	754	N/M
Same-Asset NOI, Cash Basis	32,166	30,493	1,673	5.5 %	125,706	121,527	4,179	3.4 %
Transactions NOI excluding bad debt expense	3,677	1,437	2,240		14,602	3,353	11,249	
Bad debt expense	(5)	(80)	75		(8)	(110)	102	
Transactions NOI, Cash Basis	3,672	1,357	2,315		14,594	3,243	11,351	
Total NOI, Cash Basis	\$ 35,838	\$ 31,850	\$ 3,988		\$ 140,300	\$ 124,770	\$ 15,530	

Three Months

Same-asset NOI, cash basis, increased by 5.5% primarily due to a decline in bad debt expense, in addition to positive leasing activity in the Ontario and Quebec regions.

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

Year Ended

Same-asset NOI, cash basis, increased by 3.4% mainly due to a decline in bad debt expense, in addition to positive leasing activity in the Ontario region.

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

Office Segment

For the periods ended December 31 (\$ thousands)	Three Months				Year Ended			
	2021	2020	Change	% Change	2021	2020	Change	% Change
Rental revenue	\$ 24,946	\$ 25,351	\$ (405)	(1.6)%	\$ 96,963	\$ 99,852	\$ (2,889)	(2.9)%
Property operating costs excluding bad debt expense	(10,546)	(10,062)	(484)	4.8 %	(38,087)	(37,101)	(986)	2.7 %
Same-Asset NOI, Cash Basis, excluding bad debt expense	14,400	15,289	(889)	(5.8)%	58,876	62,751	(3,875)	(6.2)%
Bad debt expense	(162)	(497)	335	N/M	(1,013)	(1,911)	898	N/M
Same-Asset NOI, Cash Basis	14,238	14,792	(554)	(3.7)%	57,863	60,840	(2,977)	(4.9)%
Transactions NOI excluding bad debt expense	4,054	3,204	850		12,819	4,667	8,152	
Bad debt expense	(17)	(53)	36		(81)	(91)	10	
Transactions NOI, Cash Basis	4,037	3,151	886		12,738	4,576	8,162	
Total NOI, Cash Basis	\$ 18,275	\$ 17,943	\$ 332		\$ 70,601	\$ 65,416	\$ 5,185	

Three Months

Same-asset NOI, cash basis, decreased by 3.7% primarily due to select vacancies in the Ontario, Alberta regions, partially offset by a reduction in bad debt expense.

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

Year Ended

Same-asset NOI, cash basis, decreased by 4.9% primarily due to increased vacancy in the Ontario, Alberta and British Columbia regions, in addition to a decline in transient parking revenue.

The increase in transaction NOI was mainly due to contributions from the two office assets acquired in July 2020, partially offset by the year-to-date foregone revenue from an office property sold in the first quarter of 2020.

7.3 Other Key Performance Indicators

FFO⁽¹⁾ and AFFO⁽¹⁾ are included in the Trust's summary of key performance indicators. See Section 15, "Non-GAAP Financial Measures", of this MD&A, for details on how these measures are defined, calculated and reconciled to GAAP financial measures and why management uses these measures. FFO⁽¹⁾ and AFFO⁽¹⁾ for the three months and year ended December 31, 2021 and December 31, 2020 are summarized below:

For the periods ended December 31 (\$ thousands)	Three Months			Year Ended		
	2021	2020	Change	2021	2020	Change
Funds from Operations ⁽¹⁾	\$ 174,797	\$ 171,519	\$ 3,278	\$ 689,898	\$ 652,007	\$ 37,891
FFO ⁽¹⁾ per unit basic	\$ 0.242	\$ 0.239	\$ 0.003	\$ 0.954	\$ 0.922	\$ 0.032
FFO ⁽¹⁾ per unit diluted	\$ 0.242	\$ 0.239	\$ 0.003	\$ 0.954	\$ 0.921	\$ 0.033
FFO ⁽¹⁾ payout ratio - diluted	76.6 %	77.5 %	(0.9)%	77.6 %	80.5 %	(2.9)%
Adjusted Funds from Operations ⁽¹⁾	\$ 118,924	\$ 136,054	\$ (17,130)	\$ 586,506	\$ 566,469	\$ 20,037
AFFO ⁽¹⁾ per unit basic	\$ 0.164	\$ 0.190	\$ (0.026)	\$ 0.811	\$ 0.801	\$ 0.010
AFFO ⁽¹⁾ per unit diluted	\$ 0.164	\$ 0.189	\$ (0.025)	\$ 0.811	\$ 0.800	\$ 0.011
AFFO ⁽¹⁾ payout ratio - diluted	112.5 %	97.7 %	14.8 %	91.2 %	92.6 %	(1.4)%
Distribution declared per Unit	\$ 0.185	\$ 0.185	\$ —	\$ 0.740	\$ 0.740	\$ —
Weighted average Units outstanding - basic ⁽ⁱ⁾	723,302,244	717,789,820	5,512,424	723,087,042	707,545,107	15,541,935
Weighted average Units outstanding - diluted ⁽ⁱ⁾	723,363,313	718,026,576	5,336,737	723,127,566	707,764,714	15,362,852
Number of Units outstanding, end of period ⁽ⁱ⁾	723,375,372	722,728,188	647,184	723,375,372	722,728,188	647,184

(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 *White Paper on Funds from Operations & Adjusted Funds from Operations for IFRS* issued in February 2019. From time to time the Trust may enter into transactions that materially impact the calculation and are excluded from the calculation for management's review purposes. Refer to Section 15.3, "Funds from Operations", for a reconciliation of FFO⁽¹⁾ to net income determined in accordance with GAAP.

Three Months

Funds from operations increased by \$3.3 million compared to the prior year quarter primarily due to higher net operating income due to increased occupancy in the industrial portfolio, and a \$2.7 million decline in bad debt expense. The current quarter results were impacted by \$1.3 million of termination costs for a previous head office space, and a \$1.4 million early redemption premium paid for Series I senior unsecured debentures that would have matured in 2022.

Year Ended

On a full year basis, funds from operations increased by \$37.9 million mainly due to an \$18.2 million decrease in bad debt expense, savings from lower borrowing costs and contributions from development transfers and transaction activity. The prior year results were impacted by non-recurring expense items, including (i) a \$7.8 million allowance for expected credit losses on a specific mortgage receivable, and (ii) \$6.8 million in early redemption premiums paid in June 2020 for two senior unsecured debentures that would have matured in 2021.

On a per unit basis, the Trust had a higher weighted average number of units outstanding at December 31, 2021, as a result of: (i) the Trust units issued as consideration for the acquisition of two assets from Wittington in July 2020 and (ii) the Exchangeable Units issued as consideration for the acquisition of six assets from a wholly-owned subsidiary of GWL in December 2020.

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

Choice Properties calculates AFFO⁽¹⁾ in accordance with the Real Property Association of Canada's *White Paper on Funds from Operations & Adjusted Funds from Operations for IFRS* issued in February 2019. From time to time the Trust may enter into transactions that materially impact the calculation and are excluded from the calculation for management's review purposes. Refer to Section 15.4, "Adjusted Funds from Operations", for a reconciliation of AFFO⁽¹⁾ to net income determined in accordance with GAAP.

Three Months

Adjusted funds from operations decreased by \$17.1 million compared to the prior year on a quarterly basis due to an \$18.5 million increase in capital spending and a \$3.6 million increase in spending on tenant improvements due to timing, partially offset by increased funds from operations.

Year Ended

Adjusted funds from operations increased primarily due to a \$37.9 million increase in funds from operations, partially offset by a \$26.9 million increase in capital spending.

Operating Capital Expenditures

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

For the periods ended December 31 (\$ thousands)	Three Months			Year Ended		
	2021	2020	Change	2021	2020	Change
Property capital	\$ 41,259	\$ 22,498	\$ 18,761	\$ 60,100	\$ 33,146	\$ 26,954
Direct leasing costs	2,266	2,091	175	7,129	8,100	(971)
Tenant improvements	8,657	4,873	3,784	17,647	20,850	(3,203)
Total operating capital expenditures, proportionate share basis⁽¹⁾	\$ 52,182	\$ 29,462	\$ 22,720	\$ 84,876	\$ 62,096	\$ 22,780

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 year ended December 31, 2021, Choice Properties incurred \$60,100 of property capital expenditures, which may be recoverable from tenants under the terms of their leases over the useful life of the improvements (2020 - \$33,146). 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)	Fourth Quarter 2021	Third Quarter 2021	Second Quarter 2021	First Quarter 2021	Fourth Quarter 2020	Third Quarter 2020	Second Quarter 2020	First Quarter 2020
Number of income producing properties	709	718	717	715	713	707	706	706
Gross leasable area (in millions of square feet)	65.8	66.5	66.4	66.2	66.1	66.1	65.6	65.6
Occupancy	97.1 %	97.0 %	96.9 %	97.0 %	97.1 %	97.0 %	96.8 %	97.5 %
Rental revenue (GAAP)	\$ 325,763	\$ 316,083	\$ 323,936	\$ 326,539	\$ 321,862	\$ 308,956	\$ 314,885	\$ 324,911
Net income (loss)	\$ (163,087)	\$ 163,672	\$ 84,621	\$ (62,198)	\$ 116,570	\$ 97,186	\$ (95,813)	\$ 332,742
Net income (loss) per Unit	\$ (0.225)	\$ 0.226	\$ 0.117	\$ (0.086)	\$ 0.161	\$ 0.136	\$ (0.137)	\$ 0.475
Net income (loss) per Unit diluted	\$ (0.225)	\$ 0.226	\$ 0.117	\$ (0.086)	\$ 0.162	\$ 0.137	\$ (0.137)	\$ 0.475
Net operating income, cash basis ⁽¹⁾	\$ 238,674	\$ 236,004	\$ 233,188	\$ 229,633	\$ 230,353	\$ 229,891	\$ 216,431	\$ 231,531
FFO ⁽¹⁾	\$ 174,797	\$ 172,651	\$ 171,842	\$ 170,608	\$ 171,519	\$ 169,173	\$ 140,645	\$ 170,670
FFO ⁽¹⁾ per Unit - diluted	\$ 0.242	\$ 0.239	\$ 0.238	\$ 0.236	\$ 0.239	\$ 0.238	\$ 0.201	\$ 0.244
AFFO ⁽¹⁾	\$ 118,924	\$ 153,566	\$ 158,700	\$ 155,316	\$ 136,054	\$ 147,594	\$ 131,173	\$ 151,773
AFFO ⁽¹⁾ per Unit - diluted	\$ 0.164	\$ 0.212	\$ 0.219	\$ 0.215	\$ 0.189	\$ 0.207	\$ 0.187	\$ 0.217
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	\$ 15.19	\$ 14.25	\$ 14.29	\$ 13.56	\$ 13.01	\$ 12.78	\$ 12.74	\$ 12.92
Units outstanding, period end	723,375,372	723,302,244	723,148,168	722,728,188	722,728,188	716,903,446	700,403,446	700,403,446
Adjusted debt to total assets ⁽ⁱ⁾	40.1 %	41.0 %	40.9 %	42.3 %	42.7 %	43.8 %	44.3 %	43.8 %
Debt service coverage ⁽ⁱ⁾	3.3x	3.3x	3.2x	3.2x	3.2x	3.0x	2.6x	3.1x

(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 December 31, 2021, held either directly or indirectly, a 61.7% effective interest in the Trust through ownership of 50,661,415 Units and all of the Exchangeable Units, which are economically equivalent to and exchangeable to Units. GWL is also the parent company of Loblaw, with ownership of 52.6% of Loblaw's outstanding common shares as at December 31, 2021. Choice Properties' ultimate parent is Wittington Investments, Limited.

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

Loblaw represents approximately 55.5% of Choice Properties' quarterly rental revenue on a proportionate share basis⁽¹⁾ and 56.0% of its commercial GLA as at December 31, 2021 (December 31, 2020 - 55.6% and 55.3%, respectively).

Acquisitions

During year ended December 31, 2021, Choice Properties acquired a financial real estate asset from Loblaw for a purchase price of \$14,777, excluding transaction costs.

During the year ended December 31, 2020, Choice Properties acquired six industrial assets from Weston Foods (Canada) Inc., a wholly-owned subsidiary of GWL, for a purchase price of \$81,500, excluding transaction costs. The acquisition was satisfied in full through the issuance of 5,824,742 Exchangeable Units for \$79,100 and assumed liabilities of \$2,400. Weston Foods (Canada) Inc. amalgamated with George Weston Limited in July 2021, and the Exchangeable Units held by Weston Foods (Canada) Inc. were transferred to GWL. On December 29, 2021, GWL completed the sale of its entire Weston Foods bakery business and any leases with Weston Foods (Canada) Inc. were transferred to a third-party buyer as part of the sale.

During the year ended December 31, 2020, Choice Properties acquired a development property from Loblaw for a purchase price of \$8,100, excluding transaction costs. Choice Properties also acquired from Loblaw five financial real estate assets for a purchase price of \$45,673, excluding transaction costs. Each acquisition was settled with cash.

On July 31, 2020, Choice Properties acquired two real estate assets from Wittington Properties Limited, a subsidiary of Wittington, for an aggregate purchase price of \$208,935, excluding transaction costs, which was satisfied in full by the issuance of 16,500,000 Units of Choice Properties. The transaction was measured at market terms and conditions. The assets acquired included: (i) an office property in Toronto, Ontario, for \$128,500 and (ii) the remaining 60% interest of the joint venture for 500 Lake Shore Boulevard West in Toronto, Ontario, for \$80,435, less a cost-to-complete receivable of \$16,404, giving the Trust 100% ownership of the joint venture.

Dispositions

During year ended December 31, 2021, Choice Properties disposed of 2 retail properties which had Loblaw leases for an aggregate sale price of \$33,500, excluding transaction costs.

During the year ended December 31, 2020, Choice Properties disposed interests in 17 retail properties which had Loblaw leases for an aggregate sale price of \$263,440, excluding transaction costs.

Operating Leases

In 2014 Choice Properties entered into a ten-year lease with Wittington Properties Limited, with lease payments totalling \$2,664 over the term of the lease. Effective January 1, 2018, Choice Properties entered into a sub-lease for additional office space with Weston Foods, a subsidiary of GWL, with a term effective until the end of the existing lease in 2024. Over the term of the sub-lease, lease payments will total \$1,282. On July 31, 2020, the Trust acquired the office building in which it was leasing office space from Wittington Properties Limited and sub-leasing office space from Weston Foods. The Trust derecognized its right-of-use assets and lease liabilities associated with the office lease.

Lease Surrender Payments

During the year ended December 31, 2021, Loblaw made lease surrender payments of \$1,764 to the Trust (December 31, 2020 - \$nil).

Services Agreement

For the year ended December 31, 2021, GWL provided Choice Properties with corporate, administrative and other support services for an annualized cost of \$3,094 (2020 - \$3,095).

Strategic Alliance Agreement

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

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

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

Property Management Agreement

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

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

Sublease Administration Agreement

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

Site Intensification Payments

Choice Properties compensated Loblaw with intensification payments of \$2,208 in connection with completed gross leasable area for which tenants took possession during the year ended December 31, 2021 (December 31, 2020 - \$995).

Distributions on Exchangeable Units

GWL, directly or indirectly, holds all of the Exchangeable Units issued by Choice Properties Limited Partnership, a subsidiary of Choice Properties. During the three months and year ended December 31, 2021, distributions declared on the Exchangeable Units totalled \$73,221 and \$292,884 (December 31, 2020 - \$72,502 and \$288,932).

As at December 31, 2021, Choice Properties had distributions on Exchangeable Units payable to GWL of \$192,741 (December 31, 2020 - 120,598)

Notes Receivable

Holders of Exchangeable Units may, in lieu of receiving all or a portion of their distributions, choose to be loaned an amount from Choice Properties Limited Partnership, and to have such distributions made on the first business day following the end of the fiscal year in which such distribution would otherwise have been made. The loans do not bear interest and are due and payable in full on the first business day following the end of the fiscal year during which the loan was made. During the seven months ended July 31, 2021, GWL elected to receive all distributions from Choice Properties Limited Partnership in the form of loans. For the remainder of the year ended December 31, 2021, GWL elected to receive the distributions in cash. As such, non-interest bearing short-term notes totalling \$170,849 were issued to GWL during the year ended December 31, 2021. \$2,515 of the notes issued were repaid in August 2021 and the remaining \$168,334 were repaid in January 2022. Non-interest bearing short-term notes totalling \$96,191 with respect to the loans received in the 2020 fiscal year were repaid by GWL in January 2021.

Trust Unit Distributions

During the three months and year ended December 31, 2021, Choice Properties declared cash distributions of \$9,373 and \$37,490 on the Units held by GWL (December 31, 2020 - \$9,373 and \$37,490). As at December 31, 2021, \$3,124 of Trust Unit distributions declared were payable to GWL (December 31, 2020 - \$3,124). There were no non-cash distributions settled through the issuance of additional Trust Units during the three months and year ended December 31, 2021 (December 31, 2020 - \$4,660).

During the three months and year ended December 31, 2021, Choice Properties declared cash distributions of \$3,052 and \$12,210 on the Units held by Wittington (December 31, 2020 - \$3,052 and \$6,105). As at December 31, 2021, \$1,018 of Trust Unit distributions declared were payable to Wittington (December 31, 2020 - \$1,018). There were no non-cash distributions settled through the issuance of additional Trust Units during the three months and year ended December 31, 2021 (December 31, 2020 - \$1,485).

Joint Venture

On December 9, 2014, Choice Properties and its joint venture partner, Wittington Properties Limited, completed the acquisition of 500 Lake Shore Boulevard West in Toronto, Ontario, for \$15,576 from Loblaw. Choice Properties accounted for its investment in the joint venture as an equity accounted joint venture until July 31, 2020, when the Trust acquired the remaining 60% interest from Wittington Properties Limited, after which the 100% owned joint venture is accounted for on a consolidated basis. Wittington Properties Limited continued to act as development and construction manager for the commercial space at 500 Lake Shore Boulevard West until the development was completed.

10. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the consolidated financial statements requires management to make judgments and estimates in applying Choice Properties' accounting policies that affect the reported amounts and disclosures made in the consolidated financial statements and accompanying notes.

Within the context of these consolidated financial statements, a judgment is a decision made by management in respect of the application of an accounting policy, a recognized or unrecognized financial statement amount and/or note disclosure, following an analysis of relevant information that may include estimates and assumptions. Estimates and assumptions are used mainly in determining the measurement of balances recognized or disclosed in the consolidated financial statements and are based on a set of underlying data that may include management's historical experience, knowledge of current events and conditions and other factors that are believed to be reasonable under the circumstances. Management continually evaluates the estimates and judgments it uses.

The following are the accounting policies subject to judgments and key sources of estimation uncertainty that Choice Properties believes could have the most significant impact on the amounts recognized in the consolidated financial statements.

a. Investment Properties

Judgments Made in Relation to Accounting Policies Applied

Judgment is applied in determining whether certain costs are additions to the carrying value of investment properties, identifying the point at which substantial completion of a development property occurs, and identifying the attributable borrowing costs to be included in the carrying value of the development property. Choice Properties also applies judgment in determining whether the properties it acquires are considered to be asset acquisitions or business combinations. Choice Properties considers all properties acquired in the current year to be asset acquisitions.

Key Sources of Estimation

The fair value of income producing properties is dependent on future cash flows over the holding period and terminal capitalization rates and discount rates applicable to those assets. The review of future cash flows involves assumptions relating to occupancy, rental rates and residual value. In addition to reviewing future cash flows, management assesses changes in the business climate and other factors, which may affect the ultimate value of the property. These assumptions may not ultimately be achieved.

b. Joint Arrangements

Judgments Made in Relation to Accounting Policies Applied

Judgment is applied in determining whether the Trust has joint control and whether the arrangements are joint operations or joint ventures. In assessing whether the joint arrangements are joint operations or joint ventures, management applies judgment to determine the Trust's rights and obligations in the arrangement based on factors such as the structure, legal form and contractual terms of the arrangement.

c. Leases

Judgments Made in Relation to Accounting Policies Applied

Choice Properties is required to make judgments in determining whether certain leases are operating or finance leases, in particular long-term leases. All tenant leases where Choice Properties is the lessor have been determined to be operating leases.

d. Income Taxes

Judgments Made in Relation to Accounting Policies Applied

Choice Properties is a mutual fund trust and a REIT as defined in the *Income Tax Act (Canada)*. Choice Properties is not liable to pay Canadian income taxes provided that its taxable income is fully distributed to Unitholders each year. Choice Properties is a REIT if it meets the prescribed conditions under the *Income Tax Act (Canada)*. Choice Properties uses judgment in reviewing these conditions in assessing its interpretation and application to its assets and revenue.

Choice Properties has determined that it qualifies as a REIT for the current period. Choice Properties expects to continue to qualify as a REIT under the *Income Tax Act (Canada)*, however, should it no longer qualify, it would not be able to flow through its taxable income to Unitholders and would therefore be subject to tax.

11. INTERNAL CONTROL OVER FINANCIAL REPORTING

Internal Controls Over Financial Reporting

Management is 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.

As required by National Instrument 52-109, "Certification of Disclosure in Issuers' Annual and Interim Filings" ("NI 52-109"), the President and Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") have caused the effectiveness of the internal controls over financial reporting to be evaluated using the framework established in 'Internal Control - Integrated Framework (COSO Framework)' (2013) published by The Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on that evaluation, they have concluded that the design and operation of the Trust's internal controls over financial reporting were effective as at December 31, 2021.

In designing such controls, it should be recognized that due to inherent limitations, any control, 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. Projections of any evaluations of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Additionally, management is required to use judgment in evaluating controls and procedures.

Changes in Internal Controls Over Financial Reporting

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

Disclosure Controls and Procedures

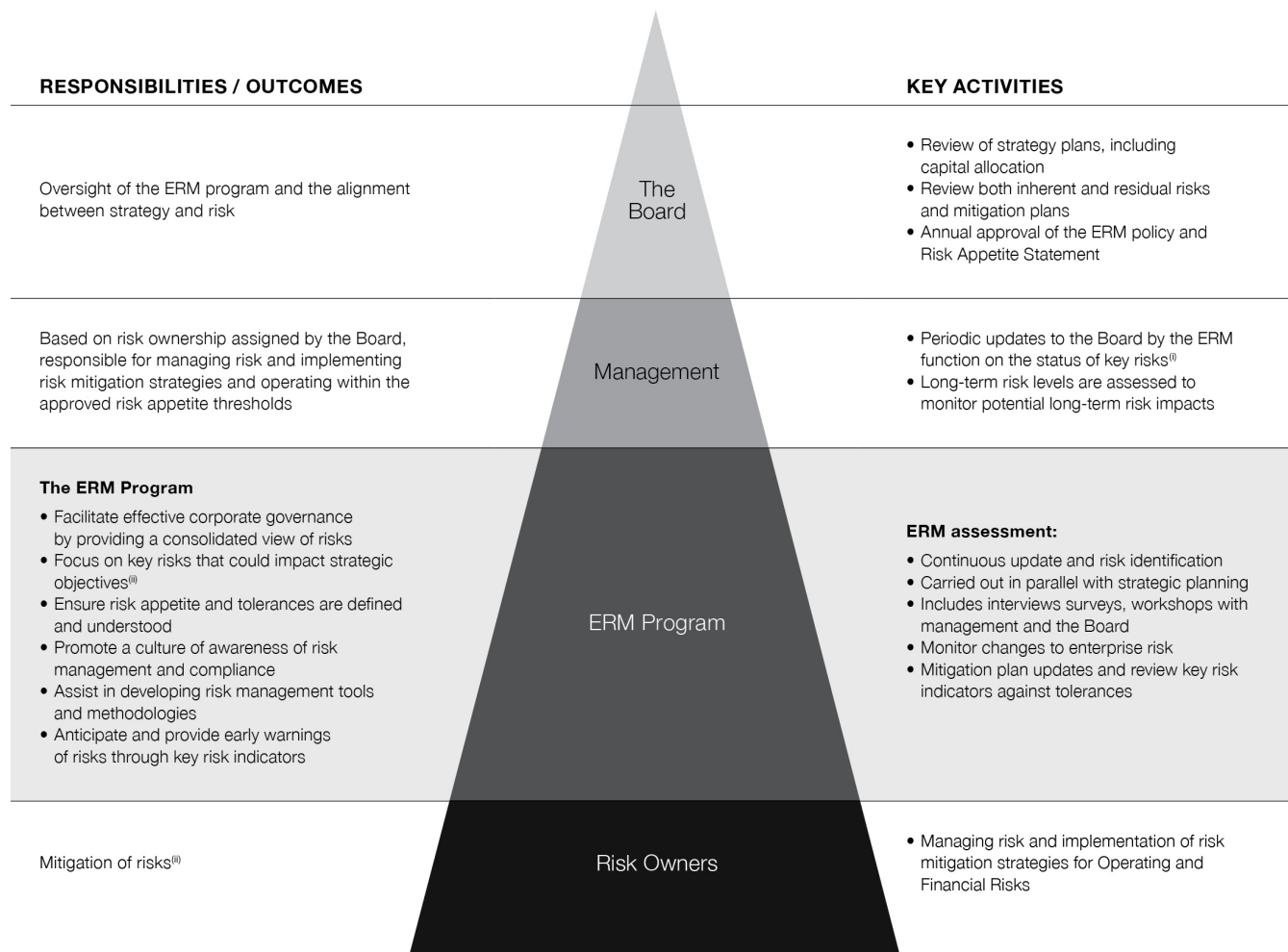
Management is responsible for establishing and maintaining a system of disclosure controls and procedures to provide reasonable assurance that all material information relating to Choice Properties is gathered and reported to senior management on a timely basis so that appropriate decisions can be made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

As required by NI 52-109, the CEO and CFO have caused the effectiveness of the disclosure controls and procedures to be evaluated. Based on that evaluation, they have concluded that the design and operation of the system of disclosure controls and procedures were effective as at December 31, 2021.

12. ENTERPRISE RISKS AND RISK MANAGEMENT

Choice Properties is committed to maintaining a framework that ensures risk management is an integral part of its activities. The Trust's Enterprise Risk Management ("ERM") program assists all areas of the business in managing risks within appropriate levels of tolerance by bringing a systematic approach and methodology for evaluating, measuring and monitoring key risks. The results of the ERM program and other business planning processes are used to identify emerging risks to the Trust, prioritize risk mitigation activities and develop a risk-based internal audit plan.

Risks are not eliminated through the ERM program, but rather, are identified and managed in line with the Trust's Risk Appetite Statement and within approved risk tolerances. The Risk Appetite Statement articulates key aspects of the Trust's business and values and provides directional guidance on risk taking.



(i) Risks are assessed and evaluated based on the Trust's vulnerability to the risk and the potential impact that the underlying risks would have on the Trust's ability to execute on its strategies and achieve its objectives.

(ii) Any of the key risks have the potential to negatively affect the Trust and its financial performance. The Trust has risk management strategies in place for key risks. However, there can be no assurance that the risks will be mitigated or will not materialize or that events or circumstances will not occur that could adversely affect the reputation, operations or financial condition or performance of the Trust.

12.1 COVID-19 Pandemic

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic. The duration and full impact of the COVID-19 pandemic on the Trust continues to remain unknown at this time. As such, it is not possible to reliably estimate the length and severity of COVID-19 related impacts on the future financial results and operations of the Trust.

In response to the COVID-19 pandemic, the Trust introduced several protocols to protect its employees, tenants and guests including mandating that employees work from home to the full extent possible, increasing sanitation and health and safety measures at its properties and restricting access to its office buildings. The Trust established a COVID-19 response team to coordinate critical aspects of crisis management and continues to actively execute its pandemic plan to ensure business continuity while safeguarding the well-being of its employees, tenants, and guests.

As the pandemic evolves, the Trust continues to support its tenants and employees. The Trust implemented additional safety measures at all of its properties, including increased frequency in cleaning and disinfecting as well as physical distancing practices and offering COVID-19 testing at certain of its properties. Furthermore, the Trust will continue to act according to direction provided by the federal, provincial and municipal governments. As the COVID-19 pandemic evolves, including the emergence and progression of new variants of the virus, the Trust continues to prepare for this and potential further waves of the pandemic as well as the implications of government restrictions and corresponding re-opening activities. Despite the rollout of vaccinations, uncertainty remains regarding new variants of COVID-19 and the spread and severity of its impact on the Trust's business and operations. The Trust continues to closely monitor business operations and may take further actions in response to directives of government and public health authorities or that are in the best interests of employees, tenants, suppliers or other stakeholders, as necessary.

These changes and any additional changes in operations in response to COVID-19 could materially adversely impact the financial results of the Trust and may include tenants' ability to pay rent in full or at all, consumer demand for tenants' products or services, impact to the fair value of the Trust's properties and other investments, potential changes in leasing activity, temporary or long-term stoppage of development projects, temporary or long-term labour shortages or disruptions, temporary or long-term impacts on domestic and global supply chains, increased risks to IT systems and networks and the Trust's ability to access capital on acceptable terms or at all. Uncertain economic conditions resulting from the COVID-19 pandemic may, in the short or long term, materially adversely impact operations and the financial performance of the Trust.

The continued spread of COVID-19 has caused economic uncertainty and increased volatility in financial markets, which has partially negatively impacted the market price for the securities of the Trust. Governments and central banks have responded with monetary and fiscal interventions intended to stabilize economic conditions. However, it remains unknown how these interventions will impact debt and equity markets or the economy generally, including in the long-term. Although the ultimate impact of COVID-19 on the global economy and its duration remains uncertain, disruptions caused by COVID-19 may materially adversely affect the performance of the Trust. Uncertain economic conditions resulting from the COVID-19 pandemic may, in the short or long term, materially adversely impact the Trust's tenants and/or the debt and equity markets, both of which could materially adversely affect the Trust's operations and financial performance.

12.2 Operating Risks and Risk Management

The following discussion of risks identifies significant factors that may adversely affect the Trust's business, operations and financial condition or future performance. This information should be read in conjunction with the Trust's consolidated financial statements and related notes. The following discussion of risks is not exhaustive but is designed to highlight the key risks inherent in the Trust's business.

Business Continuity

Choice Properties' ability to continue critical operations and processes could be negatively impacted by adverse events resulting from various incidents, including severe weather, development site work stoppages, prolonged IT systems failure, terrorist activity, pandemics, power failures or other national or international catastrophes. Any of these events, including ineffective contingency planning, may have a material adverse effect on Choice Properties' reputation, business, cash flows, financial condition and results of operations and its ability to make distributions to Unitholders.

Economic Environment

Choice Properties' financial results may be affected to varying degrees by the general business and economic conditions in the geographic regions in which it operates. Continued concerns about the uncertainty over whether the economy will be adversely affected by the systemic impact of unemployment, volatile energy costs, geopolitical issues, pandemics and the availability and cost of credit have contributed to increased market volatility and weakened business and consumer confidence. This difficult operating environment could adversely affect Choice Properties' ability to generate revenues, thereby reducing its operating income and earnings. It could also have a material adverse effect on the ability of Choice Properties' operators to maintain occupancy rates in the properties, which could harm Choice Properties' financial condition. If these economic conditions continue, Choice Properties' tenants may be unable to meet their rental payments and other obligations owing to Choice Properties, which could have a material adverse effect on Choice Properties.

Asset Management

Certain significant expenditures, including property taxes, maintenance costs, debt service payments, insurance costs and related charges, must be made throughout the period of ownership of real property, regardless of whether the property is producing sufficient income to pay such expenses. In order to retain desirable rentable space, increase tenant demand and to generate adequate revenue over the long-term, Choice Properties must maintain or, in some cases, improve each property's condition to meet market demand. Property management services, including lease management and facility repairs and maintenance must be executed in a timely and cost-effective manner. Maintaining a rental property in accordance with market standards can entail significant costs, which Choice Properties may not be able to recover from its tenants. All of the Loblaw Leases contain exclusions on certain operating costs and/or tax recoveries. In addition, property tax reassessments based on updated appraised values may occur, which Choice Properties may not be able to recover from its tenants. As a result, Choice Properties may bear the economic cost of such operating costs and/or taxes which may adversely impact the financial condition and results of operations and decrease the amount of cash available for distribution to Unitholders. Numerous factors, including the age of the relevant building, the materials used at the time of construction or currently unknown building code violations could result in substantial unbudgeted costs for refurbishment or modernization. In addition, the timing and amount of capital expenditures may indirectly affect the amount of cash available for distribution to Unitholders. Distributions may be reduced, or even eliminated, at times when Choice Properties deems it necessary to make significant capital or other expenditures.

If the actual costs of maintaining or upgrading a property exceed Choice Properties' estimates, or if hidden defects are discovered during maintenance or upgrading which are not covered by insurance or contractual warranties, additional and unexpected costs will be incurred. If similar properties located in the vicinity of one of the Properties are substantially refurbished and the Property is not similarly refurbished, the net operating income derived from, and the value of, such Property could be reduced. Any failure by Choice Properties to undertake appropriate maintenance and refurbishment work in response to the factors described above could adversely affect the rental income that is earned from such properties. Any such event could have a material adverse effect on Choice Properties' business, cash flows, financial condition or results of operations and its ability to make distributions to Unitholders.

In addition, a failure by Choice Properties to adequately allocate operational capital could negatively impact occupancy levels, attraction of high-quality tenants and lease renewals, which could have a material adverse effect on Choice Properties' operations and financial performance.

Demographic and Tenant Changes

A large portion of Choice Properties' existing real estate portfolio is comprised of necessity-based retail tenants. Shifting consumer preferences toward e-commerce may result in a decrease in the demand for physical space by retail tenants. The failure of Choice Properties to adapt to changes in the retail landscape, including finding new tenants to replace any lost income stream from existing tenants that reduce the amount of physical space they rent from Choice Properties, could adversely affect Choice Properties' operations or financial performance.

Information and Cyber Security

Choice Properties requires segregation and protection of its information, including security over tenant lease details, employee information, financial records and operational data ("Confidential Information"). Some of this Confidential Information is held and managed by third-party service providers. Any failure in data security or any system vulnerability (internal or external) could result in harm to the reputation or competitive position of the Trust. To reduce the level of vulnerability, the Trust has implemented security measures, including monitoring and testing, maintenance of protective systems and contingency plans, to protect and to prevent unauthorized access of Confidential Information and to reduce the likelihood of disruptions to its IT systems.

Despite these measures, all of the Trust's information systems, including its back-up systems and any third-party service provider systems that it employs, are vulnerable to damage, interruption, disability or failures due to a variety of reasons, including physical theft, fire, power loss, computer and telecommunication failures or other catastrophic events, as well as from internal and external security breaches, denial of service attacks, viruses, worms and other known or unknown disruptive events.

Choice Properties or its third-party service providers may be unable to anticipate, timely identify or appropriately respond to one or more of the rapidly evolving and increasingly sophisticated means by which computer hackers, cyber terrorists and others may attempt to breach the Trust's security measures or those of our third-party service providers' information systems.

As cyber threats evolve and become more difficult to detect and successfully defend against, one or more cyber threats might defeat the Trust's security measures or those of its third-party service providers. Moreover, employee error or malfeasance, faulty password management or other irregularities may result in a breach of the Trust's or its third-party service providers' security measures, which could result in a breach of Confidential Information.

If Choice Properties does not allocate and effectively manage the resources necessary to build and sustain a reliable IT infrastructure, fails to timely identify or appropriately respond to cybersecurity incidents, or Choice Properties' or its third-party service providers' information systems are damaged, destroyed, shut down, interrupted or cease to function properly, Choice Properties' business could be disrupted and Choice Properties could, among other things, be subject to: the loss of or failure to attract new tenants; the loss of revenue; the loss or unauthorized access to Confidential Information or other assets; the loss of or damage to trade secrets; damage to its reputation; litigation; regulatory enforcement actions; violation of privacy, security or other laws and regulations; and remediation costs.

Property Valuation

Choice Properties conducts a valuation assessment of its properties on a quarterly basis. As property values fluctuate over time in response to market factors, or as underlying assumptions and inputs to the valuation model change, the fair value of the Trust's portfolio could change materially. Choice Properties is responsible for the reasonableness of the assumptions and for the accuracy of the inputs into the property valuation model. Errors in the inputs to the valuation model or inappropriate assumptions may result in an inaccurate valuation of the Properties. In addition to a market activity report that is tailored to Choice Properties' portfolio, management uses the market information obtained in external appraisals, across multiple firms, commissioned during the reporting period to assess whether changes to market-related assumptions are required for the balance of the portfolio. The Trust is responsible for monitoring the value of its portfolio going forward and evaluating the impact of any changes in property value over time. Any changes in the value of the Trust's properties may impact Unitholder value.

A publicly traded real estate investment trust will not necessarily trade at values determined solely by reference to the underlying value of its real estate assets. Accordingly, the Units may trade at a premium or a discount to values implied by the above-mentioned valuations.

Capitalization Rate Risk

The fair market property valuation process is dependent on several inputs, including the current market capitalization rate. Risks associated with Choice Properties' property valuation model include fluctuations in the current market capitalization rate which can significantly impact the value of Choice Properties' overall real estate portfolio. In addition, Choice Properties is subject to certain financial and non-financial covenants in the Trust Debentures and the Revolving Credit Facility that include maintaining certain leverage ratios. Changes in the market capitalization rate could impact Choice Properties' property valuation which in turn could impact financial covenants.

Property Development and Construction

Choice Properties engages in development, redevelopment and major renovation activities with respect to certain properties. It is subject to certain risks, including: (a) the availability and pricing of financing on satisfactory terms or availability at all; (b) the availability and timely receipt of zoning, occupancy, land use and other regulatory and governmental approvals; (c) changes in zoning and land use laws; (d) the ability to achieve an acceptable level of occupancy upon completion; (e) the potential that Choice Properties may fail to recover expenses already incurred if it abandons redevelopment opportunities after commencing to explore them; (f) the potential that Choice Properties may expend funds on and devote management time to projects which are not completed; (g) construction or redevelopment costs of a project, including rising construction

costs and development charges and shortages of experienced labour in certain construction related trades, may exceed original estimates, possibly making the project less profitable than originally estimated, or unprofitable; (h) the time required to complete the construction or redevelopment of a project or to lease-up the completed project may be greater than originally anticipated, thereby adversely affecting Choice Properties' cash flows and liquidity; (i) the cost and timely completion of construction (including risks beyond Choice Properties' control, such as weather, labour conditions or material shortages); (j) contractor and subcontractor disputes, strikes, labour disputes or supply disruptions; (k) occupancy rates and rents of a completed project may not be sufficient to make the project profitable; (l) Choice Properties' ability to dispose of properties redeveloped with the intent to sell could be impacted by the ability of prospective buyers to obtain financing given the current state of the credit markets; and (m) the availability and pricing of financing to fund Choice Properties' development activities on favourable terms or availability at all.

The above risks could result in substantial unanticipated delays or expenses and, under certain circumstances, could prevent the initiation of development activities or the completion of development activities once undertaken. In addition, development projects entail risks that investments may not perform in accordance with expectations and can carry an increased risk of litigation (and its accompanying risks) with contractors, subcontractors, suppliers, partners and others. Any failure by Choice Properties to develop quality assets and effectively manage all development, redevelopment and major renovation initiatives may negatively impact the reputation and financial performance of the Trust.

Regulatory Compliance

Choice Properties is subject to laws and regulations governing the ownership and leasing of real property, securities, intellectual property, privacy, employment standards and other matters. It is possible that future changes in applicable federal, provincial, municipal, local or common laws or regulations or changes in their enforcement or regulatory interpretation could result in changes in the legal requirements affecting the Trust. Also, to retain its tax status as a REIT, Choice Properties must comply with the REIT exception to the SIFT Rules at all times. Choice Properties' failure to comply with the REIT exception would result in certain distributions from the Trust not being deductible in computing its taxable income and the Trust being subject to tax on such distributions at a rate that is substantially equivalent to the general tax rate applicable to Canadian corporations. Any non-compliance under the Tax Act or non-compliance with other laws or regulations could subject Choice Properties to civil or regulatory actions, investigations or proceedings, which in turn could negatively impact Choice Properties' operations and financial position. There can be no assurance that the Canadian federal income tax laws respecting real estate investment trusts, or the ways in which these rules are interpreted and applied by the Canada Revenue Agency, will not be changed in a manner which adversely affects Choice Properties and/or Unitholders. It is impossible to predict whether there will be any future changes in the regulatory regimes to which the Trust will be subject or the effect of any such changes on its investments.

Acquisitions and Dispositions

Acquired properties may be subject to unknown, unexpected or undisclosed liabilities which could have a material adverse impact on the operations and financial results of Choice Properties. Representations and warranties given by third-parties to Choice Properties may not adequately protect against these liabilities and any recourse against third-parties may be limited by the financial capacity of such third-parties. Furthermore, it is not always possible to obtain from the seller the records and documents that are required in order to fully verify that the buildings to be acquired are constructed in accordance, and that their use complies, with planning laws and building code requirements. Accordingly, in the course of acquiring a property, specific risks might not be or might not have been recognized or correctly evaluated. These circumstances could lead to additional costs and could have a material adverse effect on rental income of the relevant properties or the sale prices of such properties upon a disposition of such properties.

Choice Properties' ability to acquire properties on satisfactory terms and successfully integrate and operate them is subject to the following additional risks: (a) Choice Properties may be unable to acquire desired properties because of (i) constraints imposed by the terms of the Strategic Alliance Agreement, or (ii) competition from other real estate investors with more capital, including other real estate operating companies, real estate investment trusts and investment funds; (b) Choice Properties may acquire properties that are not accretive to results upon acquisition, and Choice Properties may not successfully manage and lease those properties to meet its expectations; (c) competition from other potential acquirers may significantly increase the purchase price of a desired property; (d) Choice Properties may be unable to generate sufficient cash from operations, or obtain the necessary debt or equity financing to consummate an acquisition or, if obtainable, financing may not be on satisfactory terms; (e) Choice Properties may need to spend more than budgeted amounts to make necessary improvements or renovations to acquired properties; (f) agreements for the acquisition of properties are typically subject to customary conditions to closing, including satisfactory completion of due diligence investigations, and Choice Properties may spend significant time and money on potential acquisitions that Choice Properties does not consummate; (g) the process of acquiring or pursuing the acquisition of a new property may divert the attention of Choice Properties' senior management team from existing business operations; (h) Choice Properties may be unable to quickly and efficiently integrate new acquisitions, particularly acquisitions of portfolios of properties, into existing operations; (i) market conditions may result in higher than expected vacancy rates and lower than expected rental rates; and (j) Choice Properties may acquire properties without any recourse, or with only limited recourse, for liabilities, whether known or unknown, such as clean-up of environmental contamination, claims by tenants, vendors or other persons against the former owners of the properties and claims for indemnification by general partners, directors, officers and others indemnified by the former owners of the properties.

If Choice Properties cannot complete property acquisitions on favourable terms, or operate acquired properties to meet Choice Properties' goals or expectations, Choice Properties' business, financial condition, results of operations and cash flows, the per Unit trading price and its ability to satisfy debt service obligations and to make distributions to Unitholders could be materially and adversely affected.

In addition, Choice Properties undertakes strategic property dispositions from time to time in order to recycle its capital and maintain an optimal portfolio composition. Failure to dispose of certain assets not aligned with Choice Properties' investment criteria may adversely affect its operations and financial performance.

Environmental and Social

ESG considerations are an integral component of the Trust's corporate strategy. As a leading real estate company, Choice Properties is committed to creating positive environmental and social change by focusing on the issues that matter most to the Trust's tenants, employees, communities, investors and other stakeholders, with a particular focus on combating climate change and advancing social equity. Any failure or perceived failure to advance the ESG priorities of the Trust may negatively affect the Trust's reputation, operations or financial performance.

Environmental

Choice Properties faces environmental risks that could, directly or indirectly, negatively impact the Trust's reputation, operations or performance over the short or long term. In particular, Choice Properties is confronted with issues related to climate change. Choice Properties defines climate-related risk as the risk of loss, either directly through financial loss or indirectly through reputational damage, resulting from the inability or failure to adequately prepare for the impacts from climate change or the transition to a lower-carbon economy. Choice Properties may be exposed to the impact of events caused by climate change, such as natural disasters, severe weather events, floods, forest fires and rising sea levels. Such events could interrupt Choice Properties' operations and activities, damage its properties and require Choice Properties to incur additional expenses to recover or repair properties from a natural disaster and inclement weather. Choice Properties' financial position and results from operations could be adversely affected by the materialization of any of the risks identified herein related to climate change. Furthermore, as a real estate property owner and manager, Choice Properties faces the risk that its properties will be subject to government initiatives and reforms aimed at countering climate change, such as transitioning to a low carbon economy and may entail extensive changes to policies, regulations and technologies to address mitigation and adaption efforts. Choice Properties may require operational changes and/or incur financial costs to comply with various reforms. Any failure to adhere and adapt to climate change could result in fines or adversely affect Choice Properties' reputation, operations or financial performance.

As an owner of real property in Canada, Choice Properties is subject to various federal, provincial, territorial and municipal laws relating to environmental matters. Such laws provide that Choice Properties could be, or become, liable for environmental harm, damage or costs, including with respect to the release of hazardous, toxic or other regulated substances into the environment, and the removal or other remediation of hazardous, toxic or other regulated substances that may be present at or under its properties. Further, liability may be incurred by Choice Properties with respect to the release of such substances from or to the Properties. Applicable laws often impose liability regardless of whether the property owner knew of, or was responsible for, the presence of such substances. Additional liability may be incurred by Choice Properties with respect to the release of such substances from the Properties to properties owned by third- parties, including properties adjacent to the Properties or with respect to the exposure of persons to such substances. Laws also govern the maintenance and removal of materials containing asbestos in the event of damage, demolition or renovation of a property and also govern emissions of, and exposure to, asbestos fibres in the air.

The portfolio of Properties may contain ground contamination, hazardous substances and/or other residual pollution and environmental risks. Buildings and their fixtures might contain asbestos or other hazardous substances above the allowable or recommended thresholds, or other environmental risks could be associated with the buildings. Some of the Properties have, or have had, tenants that would or currently use, hazardous, toxic or other regulated substances. For example, retail gas stations and dry-cleaning operations are currently located, or have been located in the past, at some of the Properties.

In such cases, Choice Properties will bear the risk of cost-intensive assessment, remediation or removal of such ground contamination, hazardous substances or other residual pollution. The discovery of any such residual pollution on the sites and/or in the buildings, particularly in connection with the lease or sale of properties or borrowing using the real estate as security, could trigger claims for rent reductions or termination of leases for cause, for damages and other breach of warranty claims against Choice Properties. The remediation of any pollution and the related additional measures Choice Properties would have to undertake could have a materially adverse effect on Choice Properties and could involve considerable additional costs. Choice Properties will also be exposed to the risk that recourse against the polluter or the previous owners of the Properties might not be possible. Moreover, the existence or even the mere suspicion of the existence of ground contamination, hazardous materials or other residual pollution can adversely affect the value of a property and Choice Properties' ability to lease or sell such property.

Choice Properties' operating policy is to obtain a Phase I environmental site assessment, conducted by an independent and experienced environmental consultant, prior to acquiring a property and to have Phase II environmental site assessment work

completed where recommended in a Phase I environmental site assessment. Although such environmental site assessments would provide Choice Properties with some level of assurance about the condition of such properties, Choice Properties may become subject to liability for undetected contamination or other environmental conditions at its Properties.

Choice Properties intends to make the necessary capital and operating expenditures to comply with environmental laws and address any material environmental issues and such costs may have a material adverse effect on Choice Properties' business, financial condition or results of operations and decrease or eliminate the amount of cash available for distribution to Unitholders. Environmental laws can change and Choice Properties may become subject to even more stringent environmental laws in the future, with increased enforcement of laws by the government. Compliance with more stringent environmental laws, which may be more rigorously enforced, the identification of currently unknown environmental issues or an increase in the costs required to address a currently known condition, may have a material adverse effect on Choice Properties' financial condition and results of operations and decrease or eliminate the amount of cash available for distribution to Unitholders.

Social

Choice Properties faces risks associated with social issues and has established certain priorities in response, including achieving adequate representation of traditionally under-represented groups on the Board and in management positions and the employee population as a whole and building a culture of inclusion. The Trust recognizes its responsibility to respect and protect the human rights of all people who support and intersect with the business, and is committed to not tolerating abuse, discrimination or harassment in any form. In addition, Choice Properties is subject to various occupational health and safety laws and regulations. Any failure by Choice Properties to adhere to appropriate and established workplace health and safety procedures and to ensure compliance with applicable laws and regulations could have an adverse effect on the operations, financial performance and reputation of Choice Properties.

Talent Management and Succession Planning

Choice Properties' continued growth is dependent on its ability to hire, retain and develop its leaders and other key personnel. Any failure to effectively attract and retain talented and experienced employees and to establish adequate succession planning and retention strategies could result in a lack of requisite knowledge, skill and experience. This could erode Choice Properties' competitive position or result in increased costs and competition for, or high turn-over of, employees. Any of the foregoing could negatively affect Choice Properties' ability to operate its business and execute its strategies, which in turn, could adversely affect its reputation, operations or financial performance.

Tenant Concentration

The Trust's properties generate income through rent payments made by tenants, and particularly rent payments made by Loblaw as Choice Properties' largest tenant. Upon the expiry of any lease, there can be no assurance that the lease will be renewed or the tenant replaced. Furthermore, the terms of any subsequent lease may be less favourable than the existing lease, including the addition of restrictive covenants. In addition, historical occupancy rates and rents are not necessarily an accurate prediction of future occupancy rates. Choice Properties' cash flows and financial position would be adversely affected if its tenants (and especially Loblaw) were to become unable to meet their obligations under their leases or if a significant amount of available space in the Properties was not able to be leased on economically favourable lease terms. In the event of default by a tenant, Choice Properties may experience delays or limitations in enforcing its rights as lessor and incur substantial costs in protecting its investment. In addition, restrictive covenants and the terms of the Strategic Alliance Agreement may narrow the field of potential tenants at a property and could contribute to difficulties in leasing space to new tenants.

Choice Properties' net income could also be adversely affected in the event of a downturn in the business, or the bankruptcy or insolvency, of Loblaw, as Choice Properties' largest tenant. Choice Properties derives a large majority of its annual base minimum rent from Loblaw. Consequently, revenues are dependent on the ability of Loblaw to meet its rent obligations and Choice Properties' ability to collect rent from Loblaw. The future financial performance and operating results of Loblaw are subject to inherent risks, uncertainties, and other factors. If Loblaw were to terminate its tenancies, default on or cease to satisfy its payment obligations, it would have a material adverse effect on Choice Properties' financial condition or results of operations and its ability to make distributions to Unitholders.

The closing of an anchor store at a Property could also have a material adverse effect on the value of that property. Vacated anchor tenant space also tends to adversely affect the entire property because of the loss of the departed anchor tenant's power to draw customers to the property, which in turn may cause other tenants' operations to suffer and adversely affect such other tenants' ability to pay rent or perform any other obligations under their leases. No assurance can be given that Choice Properties will be able to quickly re-lease space vacated by an anchor tenant on favourable terms, if at all. In addition, certain leases contain a provision requiring tenants to maintain continuous occupancy of leased premises, and there can be no assurance that such tenants will continue to occupy such premises. Furthermore, at any time, an anchor tenant may seek the protection of bankruptcy, insolvency or similar laws which could result in the rejection and termination of the lease of the tenant and thereby cause a reduction in Choice Properties' cash flows, financial condition or results of operations and its ability to make distributions to Unitholders.

12.3 Financial Risks and Risk Management

Choice Properties is exposed to a number of financial risks, which have the potential to affect its operating and financial performance. The following is a summary of Choice Properties' financial risks:

Interest Rate Risk

Choice Properties requires extensive financial resources to complete the implementation of its strategy. Successful implementation of Choice Properties' strategy will require cost effective access to additional funding. There is a risk that interest rates may increase which could impact long-term borrowing costs and negatively impact financial performance.

The majority of Choice Properties' debt is financed at fixed rates with maturities staggered over 28 years, thereby mitigating the exposure to near term changes in interest rates. To the extent that Choice Properties incurs variable rate indebtedness (such as borrowings under the Revolving Credit Facility), this will result in fluctuations in Choice Properties' cost of borrowing as interest rates change. If interest rates rise, Choice Properties' operating results and financial condition could be materially adversely affected and the amount of cash available for distribution to Unitholders would decrease.

Choice Properties' Revolving Credit Facility and the Debentures also contain covenants that require it to maintain certain financial ratios on a consolidated basis. If Choice Properties does not maintain such ratios, its ability to make distributions to Unitholders may be limited or suspended.

Choice Properties analyzes its interest rate risk and the impact of rising and falling interest rates on operating results and financial condition on a regular basis.

Liquidity and Capital Availability Risk

Liquidity risk is the risk that Choice Properties cannot meet a demand for cash or fund its obligations as they come due. Although a portion of the cash flows generated by the Properties is devoted to servicing such outstanding debt, there can be no assurance that Choice Properties will continue to generate sufficient cash flows from operations to meet interest payments and principal repayment obligations upon an applicable maturity date. If Choice Properties is unable to meet interest payments or principal repayment obligations, it could be required to renegotiate such payments or issue additional equity or debt or obtain other financing. The failure of Choice Properties to make or renegotiate interest or principal payments or issue additional equity or debt or obtain other financing could materially adversely affect Choice Properties' financial condition and results of operations and decrease or eliminate the amount of cash available for distribution to Unitholders.

The real estate industry is highly capital intensive. Choice Properties requires access to capital to fund operating expenses, property maintenance costs, development spending, other capital expenditures, and to refinance indebtedness. Although Choice Properties expects to have access to the Revolving Credit Facility, there can be no assurance that it will otherwise have access to sufficient capital or access to capital on favourable terms. Further, in certain circumstances, Choice Properties may not be able to borrow funds due to limitations set forth in the Declaration of Trust, the Indenture, as supplemented by the Supplemental Indenture, and the Fifth Supplemental Assumed Indenture. Failure by Choice Properties to access required capital could have a material adverse effect on its financial condition or results of operations and its ability to make distributions to Unitholders.

Liquidity and capital availability risks are mitigated by maintaining appropriate levels of liquidity, by diversifying the Trust's sources of funding, by maintaining a well-diversified debt maturity profile and actively monitoring market conditions.

Liquidity of Real Property

An investment in real estate is relatively illiquid. Such illiquidity will tend to limit Choice Properties' ability to adjust its portfolio promptly in response to changing economic or investment conditions or in the event it seeks to sell real estate assets as a source of liquidity. In recessionary times, it may be difficult to dispose of certain types of real estate. The costs of holding real estate are considerable and during an economic recession Choice Properties may be faced with ongoing expenditures with a declining prospect of incoming revenue. In such circumstances, it may be necessary for Choice Properties to dispose of properties at lower prices in order to generate sufficient cash for operations and for making distributions to Unitholders.

Unit Price Risk

Choice Properties is exposed to Unit price risk as a result of the issuance of the Exchangeable Units, which are economically equivalent to and exchangeable for Units, as well as the issuance of unit-based compensation. The Exchangeable Units and unit-based compensation liabilities are recorded at their fair value based on market trading prices. The Exchangeable Units and unit-based compensation negatively impact net income when the Unit price rises and positively impact net income when the Unit price declines.

Credit Risk

Choice Properties is exposed to credit risk resulting from the possibility that counterparties could default on their financial obligations to Choice Properties. Exposure to credit risk relates to rent receivables, cash and cash equivalents, short-term investments, security deposits, derivatives, and mortgages, loans and notes receivable.

Choice Properties mitigates the risk of credit loss related to rent receivables by evaluating the creditworthiness of new tenants, obtaining security deposits wherever permitted by legislation, ensuring its tenant mix is diversified and by limiting its exposure to any one tenant (except Loblaw). Choice Properties establishes for expected credit losses with respect to rent receivables. The allowance is determined on a tenant-by-tenant basis based on the specific factors related to the tenant.

The risk related to cash and cash equivalents, short-term investments, security deposits, and derivatives is reduced by policies and guidelines that require Choice Properties to enter into transactions only with Canadian financial and government institutions that have a minimum short-term rating of "A-2" and a long-term credit rating of "A-" from S&P or an equivalent credit rating from another recognized credit rating agency and by placing minimum and maximum limits for exposures to specific counterparties and instruments.

The risk related to its mortgages, loans and notes receivable arise in the event that the borrowers default on the repayment of such financing. Choice Properties has established a program with a group of strategic development partners whereby the Trust provides financing in the form of mezzanine loans, joint venture financing, vendor take-back financing and other arrangements. In exchange, the Trust generally receives an option or other rights to acquire an interest in real property assets. The Trust mitigates this risk by ensuring the loans are well secured by real property assets and by obtaining guarantees where necessary.

Despite such mitigation efforts, if Choice Properties' counterparties default, it could have a material adverse impact on Choice Properties' financial condition or results of operations and its ability to make distributions to Unitholders.

Degree of Leverage

Choice Properties' degree of leverage could have important consequences to Unitholders, including: (i) Choice Properties' ability to obtain additional financing in the future for operating costs, capital expenditures, acquisitions, development or other general business purposes, (ii) a larger portion of Choice Properties' cash flows being dedicated to the payment of the principal of, and interest on, its indebtedness, thereby reducing the amount of funds available for distributions to Unitholders, and (iii) making Choice Properties more vulnerable to a downturn in business or the economy in general. Under the Declaration of Trust, the maximum amount that Choice Properties can leverage is (i) 60% excluding any convertible Indebtedness and (ii) 65% including any convertible Indebtedness.

To reduce this risk, Choice Properties actively monitors its degree of leverage to ensure it is within acceptable levels.

Any of these risks could have an adverse effect on Choice Properties' financial condition, results of operations, cash flows, the trading price of the Units, distributions to Unitholders and its ability to satisfy principal and interest obligations on its outstanding debt.

Credit Rating Risk

Credit ratings assigned to the Trust, Partnership and any of their respective securities may be changed at any time based on the judgement of the credit rating agencies and may also be impacted by a change in the credit rating of GWL, Loblaw and their respective Affiliates. In addition, the Trust, GWL, Loblaw and their respective Affiliates may incur additional indebtedness in the future, which could impact current and future credit ratings. A reduction in credit ratings could materially adversely affect the market value of the Trust's outstanding securities and the Trust's access to and cost of financing.

13. 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 ESG creates 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 attract a broader spectrum of investors.

The Board oversees the Trust’s ESG program, for which the Trust’s President and Chief Executive Officer is the executive sponsor.

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.

Fighting Climate Change

The Trust, in 2021, undertook a greenhouse gas emissions study to identify the magnitude of the Trust’s emissions footprint and to identify reduction opportunities. At the conclusion of this study, Choice committed to set ambitious science-based targets through the Science Based Targets initiative (SBTi) Business Ambition for 1.5°C program. The Trust pledges to setting targets across the entire value chain (Scope 1, 2, and 3) that establish a pathway to achieve net-zero emissions by 2050. Over the coming years the Trust will continue to communicate progress on programs to support reaching this goal. In addition to its net zero commitment, other actions taken in 2021 to support the Trust’s efforts against climate change included:

- Early achievement of the 2023 target to convert 75% of parking lot lighting to high efficiency fixtures;
- Certifying an additional 120 properties under LEED or BOMA BEST, bringing the total to just under 50% of building area (towards the 2023 target of 65%);
- Publishing of Choice Properties’ Green Financing Framework, with a second party opinion provided by Sustainalytics;
- Issuance of the Trust’s first green bond offering in the aggregate principal amount of \$350 million green bond, with net proceeds to be allocated to fund the financing and/or refinancing of eligible green projects as described in the Trust’s Green Financing Framework;
- Continued integration of energy-efficient, electric heating into upcoming development projects (including geo-exchange and heat pump heating technologies); and
- Adoption of resiliency measures identified by the Trust’s 2020 physical climate change risk screening.

Progress against The Trust’s 2023 environmental targets not noted above (energy, water, waste and greenhouse gases) will be made available in the upcoming Environmental, Social, and Governance Report to be issued later this year.

Addressing Social Equity

The Trust aims to make a positive difference in the communities it serves, including by focusing on advancing diversity, equity and inclusion (DEI) through its operations, promoting health and wellness and charitable volunteering and philanthropy. The Trust has a long-standing commitment to diversity, equity and inclusion, which has grown in 2021 with the establishment of a DEI Framework. Initiatives include:

- An employee-led Diversity, Equity, and Inclusion Committee that organizes events focused on education & training, networking, and celebration of culture;
- Mandatory colleague training sessions on bias, discrimination and inclusive behaviours;
- Protocols which require a diverse panel of employees be included in all new hiring;
- A focus on employee engagement based on the results of our annual Tell It As It Is survey;
- Collection of self-identification data on a voluntary basis from colleagues to understand where gaps exist and to monitor progress on diversity initiatives; and

- Donation of over \$400,000 and 1,200 hours of colleague time in support of Canadian charities focusing on mental health programming, through the Choice Cares program.

Reporting and Disclosure

As part of the Trust's continued efforts to enhance communication with its stakeholder community, it publishes an annual ESG Report, which is available on the Trust's website at www.choicereit.ca. The ESG Report is reviewed by the Governance Committee and the controls related to the Trust's ESG disclosures are reviewed by the Audit Committee. The Trust also engages a third party to verify the energy, water, waste and GHG emission statements to a reasonable level of assurance. Some of the 2021 highlights related to ESG reporting and disclosure included:

- An increase in the Trust's GRESB Standing Investment (Operations) score to 78 (on a 100-point scale), representing a 37% improvement from its initial submission in 2019;
- An update to the mandate of the Audit Committee to include review and testing of controls related to the Trust's ESG disclosures;
- Reporting climate risk and opportunities in line with the requirements of the Financial Stability Board's Task Force for Climate-Related Financial Disclosures (TCFD) Recommendations; and
- Disclosing gender and visible minority information for the Trust's Board of Trustees and Executive Team.

Information regarding Choice Properties' corporate governance practices is set out in the Trust's Management Proxy Circular for the Annual and Special Meeting of Unitholders that was held on April 30, 2021, available on the Trust's website at www.choicereit.ca.

14. OUTLOOK⁽²⁾

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

Our diversified portfolio of retail, industrial, residential and office properties is 97.1% occupied and leased to high-quality tenants across Canada. Our portfolio is primarily leased to necessity-based tenants and logistics providers, who continue to perform well in this environment and provide stability to our overall portfolio. This stability is evident in our financial results and by our collections, which were approximately 99% of contractual rents for the year. Despite the unpredictable re-opening of the economy, we are encouraged by high vaccination rates and anticipate further reopening measures. This optimism is reflected in our tenant base as we are seeing positive leasing momentum across our portfolio.

We continue to advance our development program, which provides us with the best opportunity to add high-quality real estate to our portfolio at a reasonable cost and drive net asset value appreciation over time. We have a mix of active development projects ranging in size, scale and complexity, including retail intensification projects, industrial development, and rental residential projects located in urban markets with a focus on transit accessibility. We recently completed two residential projects in downtown Toronto, Ontario and we are progressing on the construction of two additional 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 in Ottawa, Ontario. We are also finding ways to grow our industrial platform through development. We have two active industrial projects, which we expect will deliver 0.6M square feet of new generation logistics space. This includes a modern logistics facility located in a prime industrial node in Surrey, British Columbia comprising 0.4M square feet.

Beyond our active projects, we have a substantial pipeline of larger, more complex mixed-use developments and land held for future industrial development, which collectively are expected to drive meaningful net asset value growth in the future. We continue to advance the rezoning process for several mixed-use sites with 11 projects representing over 10.5M square feet now in different stages of the rezoning and planning process. We also acquired 300 acres of future industrial land in the GTA that will be developed into a multi-phase industrial park, providing a pipeline of opportunity to grow our industrial portfolio.

Underpinning all aspects of our business model is a strong balance sheet and a disciplined approach to financial management. We take a conservative approach to leverage and financing risk by maintaining strong leverage ratios and a staggered debt maturity profile. We have approximately \$691 million of debt obligations coming due in 2022 which we intend to refinance with longer term debt, primarily unsecured debentures. From a liquidity perspective, the Trust has approximately \$1.6 billion of available liquidity, comprised of \$1.5 billion from the unused portion of the Trust's revolving credit facility and \$124.3 million in cash and cash equivalents, in addition to approximately \$12.8 billion in unencumbered assets.

Update on Rent Collection⁽²⁾

Rent collection for the fourth quarter remained high, reflecting the stability of the Trust's necessity-based portfolio. For the three months ended December 31, 2021, the Trust collected or expects to collect approximately 99% of contractual rents.

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

The Trust's assessment of expected credit losses is inherently subjective due to the forward-looking nature of the assessments. As a result, the value of the expected credit loss is subject to a degree of uncertainty and is made on the basis of assumptions which may not prove to be accurate given the uncertainty caused by COVID-19. Based on its review, the Trust recorded bad debt expense of \$5.4 million in property operating costs, on a proportionate share basis⁽¹⁾, during the year ended December 31, 2021, with a corresponding amount recorded as an expected credit loss against its rent receivables.

(\$ thousands)	Year ended December 31, 2021	As a %
Total recurring tenant billings	\$ 1,483,090	100.0 %
Less: Amounts received and deferrals repaid to date	(1,468,978)	99.0 %
Balance outstanding	14,112	1.0 %
Total rents expected to be collected pursuant to deferral arrangements	(2,780)	(0.2)%
Total rents to be collected excluding collectible deferrals	11,332	0.8 %
Less: Provision recorded related to recurring tenant billings	(5,448)	(0.4)%
Balance expected to be recovered in time	\$ 5,884	0.4 %

The Trust's provision for recurring tenant billings for the year ended December 31, 2021, is comprised of the following:

(\$ thousands)	Year ended December 31, 2021
Provisions for tenants with negotiated rent abatements	\$ (2,128)
Provisions for additional expected credit losses	(3,320)
Total provision recorded related to recurring tenant billings	\$ (5,448)

15. 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 15.2, "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, 2020, inclusive. NOI from properties that have been (i) purchased, (ii) disposed, or (iii) subject to significant change as a result of new development, redevelopment, expansion, or demolition (collectively, "Transactions") are excluded from the determination of same-asset NOI. Same-asset NOI, Cash Basis, is useful in evaluating the realization of contractual rental rate changes embedded in lease agreements and/or the expiry of rent-free periods, while also being a useful measure in understanding period-over-period changes in NOI due to occupancy, rental rates, operating costs and realty taxes, before considering the changes in NOI that can be attributed to the Transactions and development activities. 	<p>Section 7.2, "Net Operating Income Summary"</p>

Funds from Operations ("FFO")	<ul style="list-style-type: none"> Calculated in accordance with the Real Property Association of Canada's ("REALpac") <i>White Paper on Funds from Operations & Adjusted Funds from Operations for IFRS</i> issued in February 2019. Management considers FFO to be a useful measure of operating performance as it adjusts for items included in net income (or net loss) that do not arise from operating activities or do not necessarily provide an accurate depiction of the Trust's past or recurring performance, such as adjustments to fair value of Exchangeable Units, investment properties and unit-based compensation. From time to time the Trust may enter into transactions that materially impact the calculation and are eliminated from the calculation for management's review purposes. Management uses and believes that FFO is a useful measure of the Trust's performance that, when compared period over period, reflects the impact on operations of trends in occupancy levels, rental rates, operating costs and realty taxes, acquisition activities and interest costs. 	<p>Section 15.3, "Funds from Operations"</p> <p>Section 15.9, "Selected Information for Comparative Purposes"</p>
Adjusted Funds from Operations ("AFFO")	<ul style="list-style-type: none"> Calculated in accordance with REALpac's <i>White Paper on Funds from Operations & Adjusted Funds from Operations for IFRS</i> issued in February 2019. Management considers AFFO to be a useful measure of operating performance as it further adjusts FFO for capital expenditures that sustain income producing properties and eliminates the impact of straight-line rent. AFFO is impacted by the seasonality inherent in the timing of executing property capital projects. In calculating AFFO, FFO is adjusted by excluding straight-line rent adjustments, as well as costs incurred relating to internal leasing activities and property capital projects. Working capital changes, viewed as short-term cash requirements or surpluses, are deemed financing activities pursuant to the methodology and are not considered when calculating AFFO. Capital expenditures which are excluded and not deducted in the calculation of AFFO comprise those which generate a new investment stream, such as constructing a new retail pad during property expansion or intensification, development activities or acquisition activities. Accordingly, AFFO differs from FFO in that AFFO excludes from its definition certain non-cash revenues and expenses recognized under 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 15.4, "Adjusted Funds from Operations"</p> <p>Section 15.9, "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>White Paper on Adjusted Cashflow from Operations (ACFO) for IFRS</i> issued in February 2019. Management views ACFO as a useful measure of the cash generated from operations after providing for operating capital requirements, and in evaluating the ability of Choice Properties to fund distributions to Unitholders. ACFO adjusts cash flows from operations as calculated under GAAP including, but not limited to, removing the effects of distributions on Exchangeable Units, deducting amounts for property capital expenditures to sustain existing GLA and for leasing capital expenditures. The resulting ACFO will include the impact of the seasonality of property capital expenditures and the impact of fluctuations from normal operating working capital, such as changes to net rent receivable from tenants, trade accounts payable and accrued liabilities. From time to time the Trust may enter into transactions that materially impact the calculation and are eliminated from the calculation for management's review purposes. 	<p>Section 15.5, "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 15.8, "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 15.6, "Distribution Excess / Shortfall Analysis"
Total Adjusted Debt	<ul style="list-style-type: none"> Defined as variable rate debt (construction loans and credit facility) and fixed rate debt (senior unsecured debentures and mortgages), as measured on a proportionate share basis⁽¹⁾, and does not include the Exchangeable Units which are included as part of Unit Equity on account of the Exchangeable Units being economically equivalent and receiving equal distributions to the Trust Units. Total Adjusted Debt is also presented on a net basis to include the impact of other finance charges such as debt placement costs and discounts or premiums. 	Section 4.3, "Components of Total Adjusted Debt"
Adjusted Debt to Total Assets	<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 15.9, "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 15.9, "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"

15.1 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 December 31, 2021:

As at or for the three months ended December 31 (\$ thousands except where otherwise indicated)	Income Producing Properties			Properties Under Development			Total Investment Properties	
	GAAP Basis	Adjustment to Proportionate Share Basis ⁽¹⁾⁽ⁱ⁾	Proportionate Share Basis ⁽¹⁾	GAAP Basis	Adjustment to Proportionate Share Basis ⁽¹⁾⁽ⁱ⁾	Proportionate Share Basis ⁽¹⁾	GAAP Basis	Proportionate Share Basis ⁽¹⁾
Balance, beginning of period	\$ 14,771,000	\$ 738,000	\$ 15,509,000	\$ 198,000	\$ 321,000	\$ 519,000	\$ 14,969,000	\$ 16,028,000
Acquisitions of investment properties ⁽ⁱⁱ⁾	23,365	15,134	38,499	—	7,945	7,945	23,365	46,444
Capital expenditures								
Development capital	—	—	—	16,133	23,447	39,580	16,133	39,580
Building improvements	2,940	610	3,550	—	—	—	2,940	3,550
Capitalized interest	—	—	—	667	809	1,476	667	1,476
Operating capital expenditures								
Property capital	41,073	186	41,259	—	—	—	41,073	41,259
Direct leasing costs	2,258	8	2,266	—	—	—	2,258	2,266
Tenant improvement allowances	8,265	392	8,657	—	—	—	8,265	8,657
Amortization of straight-line rent	339	792	1,131	—	—	—	339	1,131
Transfer from equity accounted joint ventures	—	—	—	—	—	—	—	—
Transfer from properties under development	—	114,838	114,838	—	(114,838)	(114,838)	—	—
Transfers to residential development inventory	—	—	—	(10,142)	—	(10,142)	(10,142)	(10,142)
Dispositions	(220,173)	(3,025)	(223,198)	—	(5,250)	(5,250)	(220,173)	(228,448)
Adjustment to fair value of investment properties	77,933	26,065	103,998	18,342	(13,113)	5,229	96,275	109,227
Balance, as at December 31, 2021	\$ 14,707,000	\$ 893,000	\$ 15,600,000	\$ 223,000	\$ 220,000	\$ 443,000	\$ 14,930,000	\$ 16,043,000

- (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 year ended December 31, 2021:

As at or for the year ended December 31 (\$ 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 year	\$ 14,199,000	\$ 728,000	\$ 14,927,000	\$ 190,000	\$ 287,000	\$ 477,000	\$ 14,389,000	\$ 15,404,000
Acquisitions of investment properties ⁽ⁱ⁾	54,939	40,509	95,448	—	145,945	145,945	54,939	241,393
Capital expenditures								
Development capital	—	—	—	51,167	77,132	128,299	51,167	128,299
Building improvements	4,086	1,891	5,977	—	—	—	4,086	5,977
Capitalized interest	—	—	—	2,642	2,527	5,169	2,642	5,169
Operating capital expenditures								
Property capital	60,012	88	60,100	—	—	—	60,012	60,100
Direct leasing costs	6,426	703	7,129	—	—	—	6,426	7,129
Tenant improvement allowances	16,379	1,268	17,647	—	—	—	16,379	17,647
Amortization of straight-line rent	7,893	2,211	10,104	—	—	—	7,893	10,104
Transfer from equity accounted joint ventures	143,103	(143,103)	—	—	—	—	143,103	—
Transfer from properties under development	30,290	225,468	255,758	(30,290)	(225,468)	(255,758)	—	—
Transfers to residential development inventory	—	—	—	(10,142)	—	(10,142)	(10,142)	(10,142)
Dispositions	(220,173)	(3,025)	(223,198)	(34,149)	(71,624)	(105,773)	(254,322)	(328,971)
Adjustment to fair value of investment properties	405,045	38,990	444,035	53,772	4,488	58,260	458,817	502,295
Balance, as at December 31, 2021	\$ 14,707,000	\$ 893,000	\$ 15,600,000	\$ 223,000	\$ 220,000	\$ 443,000	\$ 14,930,000	\$ 16,043,000

- (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.

15.2 Net Operating Income

The following table reconciles net income (loss), as determined in accordance with GAAP, to Net Operating Income, Cash Basis, for the periods ended as indicated. Refer to Section 7, “Results of Operations - Segment Information” and Section 15, “Non-GAAP Financial Measures”, for further details about this non-GAAP measure.

For the periods ended December 31 (\$ thousands)	Three Months			Year Ended		
	2021	2020	Change	2021	2020	Change
Net income (loss)	\$ (163,087)	\$ 116,570	\$ (279,657)	\$ 23,008	\$ 450,685	\$ (427,677)
Reversal of (allowance for) expected credit loss on mortgage receivable	(1,026)	—	(1,026)	(1,502)	7,830	(9,332)
General and administrative expenses	11,799	8,778	3,021	40,917	36,718	4,199
Fee income	(946)	(1,136)	190	(3,801)	(4,416)	615
Net interest expense and other financing charges	134,320	133,121	1,199	534,525	540,720	(6,195)
Interest income	(7,312)	(2,770)	(4,542)	(20,079)	(13,639)	(6,440)
Share of income (loss) from equity accounted joint ventures	(18,338)	(9,036)	(9,302)	(66,952)	5,570	(72,522)
Amortization of intangible assets	250	250	—	1,000	1,000	—
Foreign exchange gain reclassified from other comprehensive income	—	—	—	—	(1,184)	1,184
Acquisition transaction costs and other related expenses	—	—	—	—	1,589	(1,589)
Other fair value gains (losses), net	(666)	(1,347)	681	1,580	(2,210)	3,790
Adjustment to fair value of Exchangeable Units	372,039	86,370	285,669	862,815	(354,286)	1,217,101
Adjustment to fair value of investment properties	(96,275)	(103,601)	7,326	(458,817)	220,018	(678,835)
Income tax recovery	(686)	(1,797)	1,111	(679)	(1,797)	1,118
Net Operating Income, Accounting Basis - GAAP	230,072	225,402	4,670	912,015	886,598	25,417
Straight line rental revenue	(339)	(3,217)	2,878	(7,893)	(13,946)	6,053
Lease surrender revenue	(1,840)	(929)	(911)	(4,363)	(1,958)	(2,405)
Net Operating Income, Cash Basis - GAAP	227,893	221,256	6,637	899,759	870,694	29,065
Adjustments for equity accounted joint ventures and financial real estate assets	10,781	9,097	1,684	37,740	37,387	353
Net Operating Income, Cash Basis - Proportionate Share⁽¹⁾	\$ 238,674	\$ 230,353	\$ 8,321	\$ 937,499	\$ 908,081	\$ 29,418

15.3 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 15, “Non-GAAP Financial Measures”, for further details about this non-GAAP measure.

For the periods ended December 31 (\$ thousands)	Three Months			Year Ended		
	2021	2020	Change	2021	2020	Change
Net income (loss)	\$ (163,087)	\$ 116,570	\$ (279,657)	\$ 23,008	\$ 450,685	\$ (427,677)
Amortization of intangible assets	250	250	—	1,000	1,000	—
Foreign exchange gain reclassified from other comprehensive income	—	—	—	—	(1,184)	1,184
Acquisition transaction costs and other related expenses	—	—	—	—	1,589	(1,589)
Other fair value gains (losses), net	(666)	(1,347)	681	1,580	(2,210)	3,790
Adjustment to fair value of Exchangeable Units	372,039	86,370	285,669	862,815	(354,286)	1,217,101
Adjustment to fair value of investment properties	(96,275)	(103,601)	7,326	(458,817)	220,018	(678,835)
Adjustment to fair value of investment property held in equity accounted joint ventures	(12,952)	(330)	(12,622)	(43,478)	36,819	(80,297)
Interest otherwise capitalized for development in equity accounted joint ventures	393	1,005	(612)	3,173	5,112	(1,939)
Exchangeable Units distributions	73,221	72,502	719	292,884	288,932	3,952
Internal expenses for leasing	2,560	1,897	663	8,412	7,329	1,083
Income tax recovery	(686)	(1,797)	1,111	(679)	(1,797)	1,118
Funds from Operations	\$ 174,797	\$ 171,519	\$ 3,278	\$ 689,898	\$ 652,007	\$ 37,891
FFO per Unit - diluted	\$ 0.242	\$ 0.239	\$ 0.003	\$ 0.954	\$ 0.921	\$ 0.033
FFO payout ratio - diluted ⁽ⁱ⁾	76.6 %	77.5 %	(0.9)%	77.6 %	80.5 %	(2.9)%
Distribution declared per Unit	\$ 0.185	\$ 0.185	\$ —	\$ 0.740	\$ 0.740	\$ —
Weighted average Units outstanding - diluted ⁽ⁱⁱ⁾	723,363,313	718,026,576	5,336,737	723,127,566	707,764,714	15,362,852

(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 December 31 (\$ thousands)	Three Months			Year Ended		
	2021	2020	Change	2021	2020	Change
Net operating income, cash basis	\$ 238,674	\$ 230,353	\$ 8,321	\$ 937,499	\$ 908,081	\$ 29,418
Straight line rental revenue	1,131	4,106	(2,975)	10,104	16,113	(6,009)
Lease surrender revenue	1,840	1,291	549	4,363	2,320	2,043
Net operating income, accounting basis	\$ 241,645	\$ 235,750	\$ 5,895	\$ 951,966	\$ 926,514	\$ 25,452
Interest income	3,533	3,093	440	12,039	13,053	(1,014)
Fee income	946	1,136	(190)	3,801	4,416	(615)
Net interest expense and other financing charges	(136,728)	(135,086)	(1,642)	(542,962)	(548,801)	5,839
Distributions on Exchangeable Units	73,221	72,502	719	292,884	288,932	3,952
Interest otherwise capitalized for development in equity accounted joint ventures	393	1,005	(612)	3,173	5,112	(1,939)
General and administrative expenses	(11,799)	(8,778)	(3,021)	(40,917)	(36,718)	(4,199)
Reversal of (allowance for) expected credit loss on mortgage receivable	1,026	—	1,026	1,502	(7,830)	9,332
Internal expenses for leasing	2,560	1,897	663	8,412	7,329	1,083
Funds from Operations	\$ 174,797	\$ 171,519	\$ 3,278	\$ 689,898	\$ 652,007	\$ 37,891
FFO per Unit - diluted ⁽ⁱ⁾	\$ 0.242	\$ 0.239	\$ 0.003	\$ 0.954	\$ 0.921	\$ 0.033
FFO payout ratio - diluted ⁽ⁱⁱ⁾	76.6 %	77.5 %	(0.9)%	77.6 %	80.5 %	(2.9)%
Distribution declared per Unit	\$ 0.185	\$ 0.185	\$ —	\$ 0.740	\$ 0.740	\$ —
Weighted average Units outstanding - diluted	723,363,313	718,026,576	5,336,737	723,127,566	707,764,714	15,362,852

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

(ii) Includes Trust Units and Exchangeable Units.

15.4 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 15, “Non-GAAP Financial Measures”, for further details about this non-GAAP measure.

For the periods ended December 31 (\$ thousands)	Three Months			Year Ended		
	2021	2020	Change	2021	2020	Change
Funds from Operations	\$ 174,797	\$ 171,519	3,278	\$ 689,898	\$ 652,007	\$ 37,891
Internal expenses for leasing	(2,560)	(1,897)	(663)	(8,412)	(7,329)	(1,083)
Straight line rental revenue	(339)	(3,217)	2,878	(7,893)	(13,946)	6,053
Adjustment for proportionate share of straight line rental revenue from equity accounted joint ventures and financial real estate assets	(792)	(889)	97	(2,211)	(2,167)	(44)
Property capital	(41,073)	(22,592)	(18,481)	(60,012)	(33,112)	(26,900)
Direct leasing costs	(2,258)	(1,051)	(1,207)	(6,426)	(6,519)	93
Tenant improvements	(8,265)	(4,711)	(3,554)	(16,379)	(19,269)	2,890
Adjustment for proportionate share of operating capital expenditures from equity accounted joint ventures and financial real estate assets	(586)	(1,108)	522	(2,059)	(3,196)	1,137
Adjusted Funds from Operations	\$ 118,924	\$ 136,054	\$ (17,130)	\$ 586,506	\$ 566,469	\$ 20,037
AFFO per unit - diluted	\$ 0.164	\$ 0.189	\$ (0.025)	\$ 0.811	\$ 0.800	\$ 0.011
AFFO payout ratio - diluted ⁽ⁱ⁾	112.5 %	97.7 %	14.8 %	91.2 %	92.6 %	(1.4)%
Distribution declared per Unit	\$ 0.185	\$ 0.185	\$ —	\$ 0.740	\$ 0.740	\$ —
Weighted average Units outstanding - diluted ⁽ⁱⁱ⁾	723,363,313	718,026,576	5,336,737	723,127,566	707,764,714	15,362,852

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

(ii) Includes Trust Units and Exchangeable Units.

15.5 Adjusted Cash Flow from Operations

The following table reconciles cash flows from operating activities to ACFO, as determined in accordance with GAAP, for the periods ended as indicated. Refer to Section 4.7, “Adjusted Cash Flow from Operations” and Section 15, “Non-GAAP Financial Measures”, for further details about this non-GAAP measure.

For the periods ended December 31 (\$ thousands)	Three Months			Year Ended		
	2021	2020	Change	2021	2020	Change
Cash flows from operating activities	\$ 244,202	\$ 255,960	\$ (11,758)	\$ 669,428	\$ 621,184	\$ 48,244
Net interest expense and other financing charges in excess of interest paid ⁽ⁱ⁾	(92,123)	(95,169)	3,046	(289,587)	(283,306)	(6,281)
Distributions on Exchangeable Units included in net interest expense and other financing charges	73,221	72,502	719	292,884	288,932	3,952
Interest and other income in excess of interest received ⁽ⁱ⁾	3,452	(617)	4,069	5,868	2,094	3,774
Interest otherwise capitalized for development in equity accounted joint ventures	393	1,005	(612)	3,173	5,112	(1,939)
Reversal of (allowance for) expected credit loss on mortgage receivable	1,026	—	1,026	1,502	(7,830)	9,332
Portion of internal expenses for leasing relating to development activity	1,280	949	331	4,206	3,665	541
Property capital expenditures on a proportionate share basis	(41,259)	(22,498)	(18,761)	(60,100)	(33,146)	(26,954)
Leasing capital expenditures on a proportionate share basis	(10,923)	(6,964)	(3,959)	(24,776)	(28,950)	4,174
Acquisition transaction costs and other related expenses	—	—	—	—	1,589	(1,589)
Adjustments for proportionate share of income from equity accounted joint ventures ⁽ⁱⁱ⁾	5,386	8,706	(3,320)	23,474	31,249	(7,775)
Adjustment for changes in non-cash working capital items not indicative of sustainable operating cash flows ⁽ⁱⁱⁱ⁾	(67,332)	(47,653)	(19,679)	(19,780)	(7,983)	(11,797)
Adjusted Cash Flow from Operations	\$ 117,323	\$ 166,221	\$ (48,898)	\$ 606,292	\$ 592,610	\$ 13,682
Cash distributions declared	133,820	132,986	834	535,104	524,732	10,372
Cash retained after distributions	\$ (16,497)	\$ 33,235	\$ (49,732)	\$ 71,188	\$ 67,878	\$ 3,310
ACFO payout ratio^(iv)	114.1 %	80.0 %	34.1 %	88.3 %	88.5 %	(0.2)%

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

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

For the periods ended December 31 (\$ thousands)	Three Months			Year Ended		
	2021	2020	Change	2021	2020	Change
Net change in non-cash working capital ⁽ⁱ⁾	\$ 61,608	\$ 72,942	\$ (11,334)	\$ 26,865	\$ 21,657	\$ 5,208
Adjustment for changes in non-cash working capital items not indicative of sustainable operating cash flows	(67,332)	(47,653)	(19,679)	(19,780)	(7,983)	(11,797)
Net non-cash working capital increase included in ACFO	\$ (5,724)	\$ 25,289	\$ (31,013)	\$ 7,085	\$ 13,674	\$ (6,589)

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

15.6 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 December 31 (\$ thousands)	Three Months			Year Ended		
	2021	2020	Change	2021	2020	Change
Cash flows from operating activities	\$ 244,202	\$ 255,960	\$ (11,758)	\$ 669,428	\$ 621,184	\$ 48,244
Less: Cash distributions declared	(133,820)	(132,986)	(834)	(535,104)	(524,732)	(10,372)
Excess (shortfall) of cash flows provided by operating activities over cash distributions declared	\$ 110,382	\$ 122,974	\$ (12,592)	\$ 134,324	\$ 96,452	\$ 37,872

For the periods ended December 31 (\$ thousands)	Three Months			Year Ended		
	2021	2020	Change	2021	2020	Change
Net income (loss)	\$ (163,087)	\$ 116,570	\$ (279,657)	\$ 23,008	\$ 450,685	\$ (427,677)
Add: Distributions on Exchangeable Units included in net interest expense and other financing charges	73,221	72,502	719	292,884	288,932	3,952
Net income (loss) attributable to Unitholders excluding distributions on Exchangeable Units	(89,866)	189,072	(278,938)	315,892	739,617	(423,725)
Less: Cash distributions declared	(133,820)	(132,986)	(834)	(535,104)	(524,732)	(10,372)
Excess (shortfall) of net income (loss) attributable to Unitholders, less distributions on Exchangeable Units, over cash distributions declared	\$ (223,686)	\$ 56,086	\$ (279,772)	\$ (219,212)	\$ 214,885	\$ (434,097)

For the periods ended December 31 (\$ thousands)	Three Months			Year Ended		
	2021	2020	Change	2021	2020	Change
Adjusted Cash Flow from Operations ⁽¹⁾	\$ 117,323	\$ 166,221	\$ (48,898)	\$ 606,292	\$ 592,610	\$ 13,682
Less: Cash distributions declared	(133,820)	(132,986)	(834)	(535,104)	(524,732)	(10,372)
Excess of ACFO after distributions	\$ (16,497)	\$ 33,235	\$ (49,732)	\$ 71,188	\$ 67,878	\$ 3,310

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

Choice Properties' shortfall of net income (loss) attributable to Unitholders, less distributions on Exchangeable Units, over cash distributions declared for the three months and year ended December 31, 2021 was primarily attributable to accounting fair value adjustments related to Exchangeable Units.

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⁾.

15.7 Net Interest Expense and Other Financing Charges Reconciliation

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

For the three months ended December 31 (\$ thousands)	2021			2020		
	Proportionate Share Basis ⁽¹⁾	Consolidation and eliminations ⁽ⁱ⁾	GAAP Basis	Proportionate Share Basis ⁽¹⁾	Consolidation and eliminations ⁽ⁱ⁾	GAAP Basis
Interest on senior unsecured debentures	\$ 46,376	\$ —	\$ 46,376	\$ 47,826	\$ —	\$ 47,826
Fees incurred on early repayment of debentures	1,512	—	1,512	—	—	—
Interest on mortgages and construction loans	14,193	(3,128)	11,065	14,098	(2,088)	12,010
Interest on credit facility	1,235	—	1,235	1,237	—	1,237
Subtotal (for use in Debt Service Coverage⁽¹⁾ calculation)	63,316	(3,128)	60,188	63,161	(2,088)	61,073
Distributions on Exchangeable Units ⁽ⁱⁱ⁾	73,221	—	73,221	72,502	—	72,502
Subtotal (for use in EBITDAFV⁽¹⁾ calculation)	136,537	(3,128)	133,409	135,663	(2,088)	133,575
Interest on right of use lease liability	35	—	35	41	—	41
Amortization of debt discounts and premiums	330	(88)	242	147	(53)	94
Amortization of debt placement costs	1,302	(1)	1,301	1,071	(33)	1,038
Capitalized interest	(1,476)	809	(667)	(1,836)	209	(1,627)
Net interest expense and other financing charges	\$ 136,728	\$ (2,408)	\$ 134,320	\$ 135,086	\$ (1,965)	\$ 133,121

(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 year ended December 31 (\$ thousands)	2021			2020		
	Proportionate Share Basis ⁽¹⁾	Consolidation and eliminations ⁽ⁱ⁾	GAAP Basis	Proportionate Share Basis ⁽¹⁾	Consolidation and eliminations ⁽ⁱ⁾	GAAP Basis
Interest on senior unsecured debentures	\$ 186,671	\$ —	\$ 186,671	\$ 189,978	\$ —	\$ 189,978
Fees incurred on early repayment of debentures	1,512	—	1,512	6,763	—	6,763
Interest on mortgages and construction loans	56,900	(10,640)	46,260	57,438	(8,478)	48,960
Interest on credit facility	4,275	—	4,275	7,316	—	7,316
Subtotal (for use in Debt Service Coverage⁽¹⁾ calculation)	249,358	(10,640)	238,718	261,495	(8,478)	253,017
Distributions on Exchangeable Units ⁽ⁱⁱ⁾	292,884	—	292,884	288,932	—	288,932
Subtotal (for use in EBITDAFV⁽¹⁾ calculation)	542,242	(10,640)	531,602	550,427	(8,478)	541,949
Interest on right of use lease liability	147	—	147	216	—	216
Amortization of debt discounts and premiums	936	(249)	687	(1,627)	(179)	(1,806)
Amortization of debt placement costs	4,806	(75)	4,731	4,724	(132)	4,592
Capitalized interest	(5,169)	2,527	(2,642)	(4,939)	708	(4,231)
Net interest expense and other financing charges	\$ 542,962	\$ (8,437)	\$ 534,525	\$ 548,801	\$ (8,081)	\$ 540,720

15.8 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 15, “Non-GAAP Financial Measures”, for further details about this non-GAAP measure.

For the periods ended December 31 (\$ thousands)	Three Months			Year Ended		
	2021	2020	Change	2021	2020	Change
Net income (loss)	\$ (163,087)	\$ 116,570	\$ (279,657)	\$ 23,008	\$ 450,685	\$ (427,677)
Acquisition transaction costs and other related expenses	—	—	—	—	1,589	(1,589)
Other fair value gains (losses), net	(666)	(1,347)	681	1,580	(2,210)	3,790
Adjustment to fair value of Exchangeable Units	372,039	86,370	285,669	862,815	(354,286)	1,217,101
Adjustment to fair value of investment properties	(96,275)	(103,601)	7,326	(458,817)	220,018	(678,835)
Adjustment to fair value of investment property held in equity accounted joint ventures	(12,952)	(330)	(12,622)	(43,478)	36,819	(80,297)
Interest expense ⁽ⁱ⁾	136,537	135,663	874	542,242	550,427	(8,185)
Amortization of other assets	410	229	181	1,294	548	746
Amortization of intangible assets	250	250	—	1,000	1,000	—
Income tax recovery	(686)	(1,797)	1,111	(679)	(1,797)	1,118
Earnings Before Interest, Taxes, Depreciation, Amortization and Fair Value (EBITDAFV)	\$ 235,570	\$ 232,007	\$ 3,563	\$ 928,965	\$ 902,793	\$ 26,172

(i) As calculated in Section 15.7, “Net Interest Expense and Other Financing Charges Reconciliation”.

15.9 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 15, “Non-GAAP Financial Measures”, for further details about this non-GAAP measure.

	Fourth Quarter 2021	Third Quarter 2021	Second Quarter 2021	First Quarter 2021	Fourth Quarter 2020	Third Quarter 2020	Second Quarter 2020	First Quarter 2020	Year Ended 2019
Net income (loss)	\$(163,087)	\$163,672	\$ 84,621	\$ (62,198)	\$116,570	\$ 97,186	\$ (95,813)	\$332,742	\$ (581,357)
Amortization of intangible assets	250	250	250	250	250	250	250	250	—
Foreign exchange gain reclassified from other comprehensive income	—	—	—	—	—	—	—	(1184)	—
Acquisition transaction costs and other related expenses	—	—	—	—	—	—	—	1589	8,363
Other fair value gains (losses), net	(666)	(159)	2,882	(477)	(1,347)	(353)	123	(633)	7,109
Adjustment to fair value of Exchangeable Units	372,039	(15,831)	288,924	217,683	86,370	15,599	(70,193)	(386,062)	932,009
Adjustment to fair value of investment properties	(96,275)	(34,944)	(268,855)	(58,743)	(103,601)	(29,159)	216,480	136,298	4,434
Adjustment to fair value of investment property held in equity accounted joint ventures	(12,952)	(16,428)	(11,946)	(2,152)	(330)	10,854	14,387	11,908	10,816
Interest otherwise capitalized for development in equity accounted joint ventures	393	815	944	1,021	1,005	961	1,599	1,547	4,978
Exchangeable Units distributions	73,221	73,221	73,221	73,221	72,502	72,143	72,144	72,143	288,573
Internal expenses for leasing	2,560	2,055	1,801	1,996	1,897	1,692	1,668	2,072	6,151
Income tax expense	(686)	—	—	7	(1,797)	—	—	—	(798)
Funds from Operations	\$174,797	\$172,651	\$171,842	\$170,608	\$171,519	\$169,173	\$140,645	\$170,670	\$ 680,278
FFO per Unit - diluted	\$ 0.242	\$ 0.239	\$ 0.238	\$ 0.236	\$ 0.239	\$ 0.238	\$ 0.201	\$ 0.244	\$ 0.987
FFO payout ratio - diluted ⁽ⁱ⁾	76.6 %	77.5 %	77.8 %	78.4 %	77.5 %	78.4 %	92.1 %	75.8 %	75.0 %
Distribution declared per Unit	\$ 0.185	\$ 0.185	\$ 0.185	\$ 0.185	\$ 0.185	\$ 0.185	\$ 0.185	\$ 0.185	\$ 0.740
Weighted average Units outstanding - diluted ⁽ⁱⁱ⁾	723,363,313	723,346,150	723,265,565	722,930,485	718,026,576	711,582,778	700,600,087	700,625,695	689,285,790

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

	Fourth Quarter 2021	Third Quarter 2021	Second Quarter 2021	First Quarter 2021	Fourth Quarter 2020	Third Quarter 2020	Second Quarter 2020	First Quarter 2020	Year Ended 2019
Funds from Operations	\$ 174,797	\$ 172,651	\$ 171,842	\$ 170,608	\$ 171,519	\$ 169,173	\$ 140,645	\$ 170,670	\$ 680,278
Internal expenses for leasing	(2,560)	(2,055)	(1,801)	(1,996)	(1,897)	(1,692)	(1,668)	(2,072)	(6,151)
Straight line rental revenue	(339)	(419)	(2,658)	(4,477)	(3,217)	(3,177)	(3,527)	(4,025)	(25,146)
Adjustment for proportionate share of straight line rental revenue from equity accounted joint ventures and financial real estate assets	(792)	(767)	(306)	(346)	(889)	(538)	(276)	(339)	(1,039)
Property capital	(41,073)	(13,975)	(2,280)	(2,684)	(22,592)	(7,214)	(1,152)	(2,154)	(30,264)
Direct leasing costs	(2,258)	(1,272)	(1,852)	(1,044)	(1,051)	(2,356)	(706)	(2,406)	(7,331)
Tenant improvements	(8,265)	(208)	(3,644)	(4,262)	(4,711)	(6,566)	(1,688)	(6,304)	(19,536)
Adjustment for proportionate share of operating capital expenditures from equity accounted joint ventures and financial real estate assets	(586)	(389)	(601)	(483)	(1,108)	(36)	(455)	(1,597)	(3,116)
Adjusted Funds from Operations	\$ 118,924	\$ 153,566	\$ 158,700	\$ 155,316	\$ 136,054	\$ 147,594	\$ 131,173	\$ 151,773	\$ 587,695
AFFO per unit - diluted	\$ 0.164	\$ 0.212	\$ 0.219	\$ 0.215	\$ 0.189	\$ 0.207	\$ 0.187	\$ 0.217	\$ 0.853
AFFO payout ratio - diluted ⁽ⁱ⁾	112.5 %	87.1 %	84.3 %	86.1 %	97.7 %	89.9 %	98.8 %	85.4 %	86.8 %
Distribution declared per Unit	\$ 0.185	\$ 0.185	\$ 0.185	\$ 0.185	\$ 0.185	\$ 0.185	\$ 0.185	\$ 0.185	\$ 0.740
Weighted average Units outstanding - diluted ⁽ⁱⁱ⁾	723,363,313	723,346,150	723,265,565	722,930,485	718,026,576	711,582,778	700,600,087	700,625,695	689,285,790

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

	Fourth Quarter 2021	Third Quarter 2021	Second Quarter 2021	First Quarter 2021	Fourth Quarter 2020	Third Quarter 2020	Second Quarter 2020	First Quarter 2020	Year Ended 2019
Total Assets - Proportionate Basis	\$ 16,664,782	\$ 16,599,779	\$ 16,395,858	\$ 16,146,949	\$ 16,037,280	\$ 15,738,583	\$ 15,555,233	\$ 15,686,182	\$ 15,905,381
Debt Service Coverage Ratio - Denominator	\$ 72,362	\$ 71,063	\$ 72,830	\$ 71,356	\$ 72,724	\$ 72,706	\$ 80,623	\$ 73,999	\$ 311,364

Financial Statements

Mount Pleasant Village
Brampton, ON



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

Mario Barrafato
Chief Financial Officer

Financial Results

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Management's Statement of Responsibility for Financial Reporting

The management of Choice Properties Real Estate Investment Trust (the "Trust") is responsible for the preparation, presentation and integrity of the accompanying consolidated financial statements, Management's Discussion and Analysis and all other information in the Annual Report. This responsibility includes the selection and consistent application of appropriate accounting principles and methods in addition to making the judgments and estimates necessary to prepare the consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. It also includes ensuring that the financial information presented elsewhere in the Annual Report is consistent with that in the consolidated financial statements.

Management is also responsible for providing reasonable assurance that assets are safeguarded, and that relevant and reliable financial information is produced. Management is required to design a system of internal controls and certify as to the design and operating effectiveness of internal controls over financial reporting. A dedicated control compliance team reviews and evaluates internal controls, the results of which are shared with management on a quarterly basis. KPMG LLP, whose report follows, are the independent auditors engaged to audit the consolidated financial statements of the Trust.

The Board of Trustees, acting through an Audit Committee comprised solely of trustees who are independent, is responsible for determining that management fulfills its responsibilities in the preparation of the consolidated financial statements and the financial control of operations. The Audit Committee recommends the independent auditors for appointment by the Unitholders. The Audit Committee meets regularly with senior and financial management and the independent auditors to discuss internal controls, auditing activities and financial reporting matters. The independent auditors and internal auditors have unrestricted access to the Audit Committee. These consolidated financial statements and Management's Discussion and Analysis have been approved by the Board of Trustees for inclusion in the Annual Report based on the review and recommendation of the Audit Committee.

Toronto, Canada
February 16, 2022

[signed]

Rael Diamond

President and Chief Executive Officer

[signed]

Mario Barrafato

Chief Financial Officer



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INDEPENDENT AUDITORS' REPORT

To the Unitholders of Choice Properties Real Estate Investment Trust

Opinion

We have audited the consolidated financial statements of Choice Properties Real Estate Investment Trust (the Entity), which comprise:

- the consolidated balance sheets as at December 31, 2021 and December 31, 2020
- the consolidated statements of income (loss) and comprehensive income (loss) for the years then ended
- the consolidated statements of changes in equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2021 and December 31, 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the **"Auditors' Responsibilities for the Audit of the Financial Statements"** section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our auditors' report.

Evaluation of the fair value of income producing properties

Description of the matter

We draw attention to Note 2(g), Note 3(a), and Note 5 of the financial statements. The income producing properties are measured at fair value using valuations prepared by the Entity's internal valuation team. The Entity has recorded income producing properties at fair value for an amount of \$14,707 million.

Significant assumptions in determining the fair value of income producing properties include:

- future cash flows over the holding period
- terminal capitalization rates and discount rates applied to these cash flows.

Why the matter is a key audit matter

We identified the evaluation of the fair value of income producing properties as a key audit matter. This matter represented an area of significant risk of material misstatement given the magnitude of income producing properties and the high degree of estimation uncertainty in determining the fair value of income producing properties. In addition, significant auditor judgment and involvement of those with specialized skills and knowledge were required in evaluating the results of our audit procedures due to the sensitivity of the fair value of income producing properties to minor changes in certain significant assumptions.

How the matter was addressed in the audit

The primary procedures we performed to address this key audit matter included the following:

For a selection of income producing properties, we assessed the Entity's ability to accurately forecast by comparing the Entity's future cash flows over the holding period used in the prior year's fair value of income producing properties to actual results.

For a selection of income producing properties, we compared the future cash flows over the holding period to the actual historical cash flows generated by the income producing properties. We took into account the changes in conditions and events affecting the income producing properties to assess the adjustments, or lack of adjustments, made by the Entity in arriving at those future cash flows.



We involved valuations professionals with specialized skills and knowledge, who assisted in evaluating the terminal capitalization rates and discount rates of the overall income producing properties portfolio. These rates were evaluated by comparing them to published reports of real estate industry commentators and considering the various characteristics of the portfolio.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.
- the information, other than the financial statements and the auditors' report thereon, included in a document entitled "Annual Report 2021".

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report thereon. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.



Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



Page 5

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font and is underlined with a single horizontal stroke.

Chartered Professional Accountants, Licensed Professional Accountants

The engagement partner on the audit resulting in this auditors' report is Tony Marino.

Toronto, Canada

February 16, 2022

Choice Properties Real Estate Investment Trust
Consolidated Balance Sheets

		As at	As at
(in thousands of Canadian dollars)	Note	December 31, 2021	December 31, 2020
Assets			
Investment properties	5	\$ 14,930,000	\$ 14,389,000
Equity accounted joint ventures	6	564,378	573,649
Financial real estate assets	9	86,603	68,373
Residential development inventory	10	10,142	—
Mortgages, loans and notes receivable	11	354,901	263,946
Intangible assets	12	28,000	29,000
Accounts receivable and other assets	13	114,275	116,055
Cash and cash equivalents	30 (c)	84,304	207,219
Total Assets		\$ 16,172,603	\$ 15,647,242
Liabilities and Equity			
Long term debt	14	\$ 6,230,010	\$ 6,485,521
Exchangeable Units	16	6,011,997	5,149,182
Trade payables and other liabilities	18	620,405	489,999
Total Liabilities		12,862,412	12,124,702
Equity			
Unitholders' equity	16	3,310,191	3,514,739
Non-controlling interests	8	—	7,801
Total Equity		3,310,191	3,522,540
Total Liabilities and Equity		\$ 16,172,603	\$ 15,647,242

Credit Facility (Note 15)

Contingent Liabilities and Financial Guarantees (Note 32)

Subsequent Events (Note 34)

See accompanying notes to the 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
Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)

		Year Ended	
(in thousands of Canadian dollars)	Note	December 31, 2021	December 31, 2020
Net Operating Income			
Rental revenue	20	\$ 1,292,321	\$ 1,270,614
Property operating costs	21	(380,306)	(384,016)
		912,015	886,598
Other Income and Expenses			
Interest income	22	20,079	13,639
Fee income	23	3,801	4,416
Net interest expense and other financing charges	24	(534,525)	(540,720)
General and administrative expenses	25	(40,917)	(36,718)
Reversal of (allowance for) expected credit loss on mortgage receivable	11	1,502	(7,830)
Share of income (loss) from equity accounted joint ventures	6	66,952	(5,570)
Amortization of intangible assets	12	(1,000)	(1,000)
Foreign exchange gain reclassified from other comprehensive income		—	1,184
Acquisition transaction costs and other related expenses		—	(1,589)
Other fair value gains (losses), net	26	(1,580)	2,210
Adjustment to fair value of Exchangeable Units	16	(862,815)	354,286
Adjustment to fair value of investment properties	5	458,817	(220,018)
Income (Loss) before income taxes		22,329	448,888
Income tax recovery	17	679	1,797
Net Income (Loss)		\$ 23,008	\$ 450,685
Net Income (Loss)			
		\$ 23,008	\$ 450,685
Other Comprehensive Income (Loss)			
Foreign exchange gain (loss) on currency translation		—	1,016
Foreign exchange gain on currency translation reclassified to earnings		—	(1,184)
Unrealized gain (loss) on designated hedging instruments	28	6,343	(3,554)
Other comprehensive income (loss)		6,343	(3,722)
Comprehensive Income (Loss)		\$ 29,351	\$ 446,963

See accompanying notes to the consolidated financial statements

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

		Attributable to Choice Properties' Unitholders						
(in thousands of Canadian dollars)	Note	Trust Units	Cumulative net income	Accumulated other comprehensive loss	Cumulative distributions to Unitholders	Total Unitholders' equity	Non-controlling interests	Total equity
Equity, December 31, 2020		\$ 3,652,620	\$ 811,734	\$ (4,986)	\$ (944,629)	\$ 3,514,739	\$ 7,801	\$ 3,522,540
Net Income (Loss)		—	23,008	—	—	23,008	—	23,008
Other comprehensive income		—	—	6,343	—	6,343	—	6,343
Distributions		—	—	—	(242,220)	(242,220)	—	(242,220)
Units issued under unit-based compensation arrangements	16	9,332	—	—	—	9,332	—	9,332
Reclassification of vested Unit-Settled Restricted Units liability to equity	16	1,548	—	—	—	1,548	—	1,548
Units repurchased for unit-based compensation arrangements	16	(2,559)	—	—	—	(2,559)	—	(2,559)
Distribution to non-controlling interests	8	—	—	—	—	—	(7,801)	(7,801)
Equity, December 31, 2021		\$ 3,660,941	\$ 834,742	\$ 1,357	\$ (1,186,849)	\$ 3,310,191	\$ —	\$ 3,310,191

		Attributable to Choice Properties' Unitholders						
(in thousands of Canadian dollars)	Note	Trust Units	Cumulative net income	Accumulated other comprehensive loss	Cumulative distributions to Unitholders	Total Unitholders' equity	Non-controlling interests	Total equity
Equity, December 31, 2019		\$ 3,409,836	\$ 361,049	\$ (1,264)	\$ (679,404)	\$ 3,090,217	\$ 7,801	\$ 3,098,018
Net Income (Loss)		—	450,685	—	—	450,685	—	450,685
Other comprehensive loss		—	—	(3,722)	—	(3,722)	—	(3,722)
Distributions		—	—	—	(235,800)	(235,800)	—	(235,800)
Units issued, net of costs	16	208,935	—	—	—	208,935	—	208,935
Distribution in Units	16	29,425	—	—	(29,425)	—	—	—
Units issued under unit-based compensation arrangements	16	4,841	—	—	—	4,841	—	4,841
Reclassification of vested Unit-Settled Restricted Units liability to equity	16	1,929	—	—	—	1,929	—	1,929
Units repurchased for unit-based compensation arrangements	16	(2,346)	—	—	—	(2,346)	—	(2,346)
Equity, December 31, 2020		\$ 3,652,620	\$ 811,734	\$ (4,986)	\$ (944,629)	\$ 3,514,739	\$ 7,801	\$ 3,522,540

See accompanying notes to the consolidated financial statements

Choice Properties Real Estate Investment Trust
Consolidated Statements of Cash Flows

		Year Ended	
(in thousands of Canadian dollars)	Note	December 31, 2021	December 31, 2020
Operating Activities			
Net income (loss)		\$ 23,008	\$ 450,685
Net interest expense and other financing charges	24	534,525	540,720
Interest paid		(244,938)	(257,414)
Interest income	22	(20,079)	(13,639)
Interest received		14,211	11,545
Share of (income) loss from equity accounted joint ventures	6	(66,952)	5,570
Items not affecting cash and other items	30 (a)	402,788	(137,940)
Net change in non-cash working capital	30 (b)	26,865	21,657
Cash Flows from Operating Activities		669,428	621,184
Investing Activities			
Acquisitions of investment properties	4	(54,939)	(134,928)
Acquisition of financial real estate asset	4, 9	(11,952)	(46,712)
Additions to investment properties	5	(138,070)	(127,541)
Additions to financial real estate assets	9	(540)	(9)
Contributions to equity accounted joint ventures	6	(152,805)	(42,128)
Distributions from equity accounted joint ventures	6	124,751	32,549
Mortgages, loans and notes receivable advances	11	(233,460)	(164,437)
Mortgages, loans and notes receivable repayments	11	148,571	173,655
Proceeds from dispositions	4	254,322	464,745
Cash Flows from (used in) Investing Activities		(64,122)	155,194
Financing Activities			
Proceeds from issuance of debentures, net	14	348,230	994,681
Repayments of debentures	14	(500,000)	(900,000)
Net advances (repayments) of mortgages payable	14	(95,258)	614
Net advances on construction loans	14	(12,287)	351
Net advances (repayments) of credit facility	15	—	(132,000)
Payment of credit facility extension fee	15	(1,832)	—
Cash received on exercise of options	19	7,983	1,799
Cash paid on vesting of restricted and performance units		(1,736)	(2,798)
Repurchase of Units for unit-based compensation arrangement	16	(2,559)	(2,346)
Distributions paid on Exchangeable Units		(220,741)	(336,668)
Distributions paid on Trust Units		(242,220)	(234,782)
Distribution to non-controlling interests	8	(7,801)	—
Cash Flows from (used in) Financing Activities		(728,221)	(611,149)
Change in cash and cash equivalents		(122,915)	165,229
Cash and cash equivalents, beginning of year		207,219	41,990
Cash and Cash Equivalents, End of Year	30 (c)	\$ 84,304	\$ 207,219

Supplemental disclosure of non-cash operating activities (Note 30)
See accompanying notes to the consolidated financial statements

Note 1. Nature and Description of the Trust

Choice Properties Real Estate Investment Trust (“Choice Properties” or the “Trust”) is an unincorporated, open-ended mutual fund trust governed by the laws of the Province of Ontario and established pursuant to a declaration of trust amended and restated as of April 30, 2021, as may be amended from time to time (the “Declaration of Trust”). Choice Properties, Canada’s preeminent diversified real estate investment trust, is the owner, manager and developer of a high-quality portfolio of commercial retail, industrial, office and residential properties across Canada. The principal, registered, and head office of Choice Properties is located at 22 St. Clair Avenue East, Suite 700, Toronto, Ontario, M4T 2S5. Choice Properties’ trust units (“Trust Units” or “Units”) are listed on the Toronto Stock Exchange (“TSX”) and are traded under the symbol “CHP.UN”.

Choice Properties commenced operations on July 5, 2013, when it issued Units and debt for cash pursuant to an initial public offering (the “IPO”) and completed the acquisition of 425 properties from Loblaw Companies Limited and its subsidiaries (“Loblaw”). Pursuant to a reorganization transaction on November 1, 2018, Loblaw spun out its 61.6% effective interest in Choice Properties to George Weston Limited (“GWL”). As at December 31, 2021, GWL held either directly or indirectly, a 61.7% effective interest in Choice Properties. Choice Properties’ ultimate parent is Wittington Investments, Limited (“Wittington”).

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

Note 2. Significant Accounting Policies

a. Statement of Compliance

The consolidated financial statements of Choice Properties are prepared in accordance with International Financial Reporting Standards (“IFRS” or “GAAP”) as issued by the International Accounting Standards Board (“IASB”) and using the accounting policies described herein. These consolidated financial statements were authorized for issuance by the Choice Properties Board of Trustees (“Board”) on February 16, 2022.

b. Basis of Preparation

The consolidated financial statements are prepared on a historical cost basis except for investment properties (Note 5), financial real estate assets (Note 9), Class B LP Units (the “Exchangeable Units”) which are exchangeable for Trust Units at the option of the holder (Note 16), liabilities for unit-based compensation arrangements (Note 19) and certain financial instruments (Note 28) that have been measured at fair value. The consolidated financial statements are presented in Canadian dollars, which is the Trust’s functional currency.

The Trust presents its consolidated balance sheet based on the liquidity method, whereby all assets and liabilities are presented in ascending order of liquidity, while the notes to the consolidated financial statements distinguish between current and non-current assets and liabilities. Choice Properties considers this presentation to be reliable and more relevant to the Trust’s business. Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year.

c. Impact of COVID-19

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

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

In the preparation of these consolidated financial statements, the Trust has incorporated the potential impact of COVID-19 into its estimates and assumptions that affect the carrying amounts of its assets and liabilities, and the reported amount of its results using the best available information as of December 31, 2021. Actual results could differ from those estimates. The estimates and assumptions that the Trust considers critical and/or could be impacted by COVID-19 include those underlying the valuation of investment properties and financial real estate assets, the carrying amount of its investment in equity accounted joint ventures, the net realizable value of its residential development

inventory, the estimate of any expected credit losses on its accounts receivable or mortgages, loans and notes receivable and determining the values of financial instruments for disclosure purposes.

d. Basis of Consolidation

The consolidated financial statements include the accounts of Choice Properties and other entities controlled by the Trust (its subsidiaries). Control is achieved when the Trust has power over the entity, has exposure, or rights, to variable returns from its involvement with the entity, and has the ability to use its power to affect its returns. Choice Properties reassesses control on an ongoing basis.

Consolidation of a subsidiary begins when the Trust obtains control over the subsidiary and ceases when the Trust loses control of the subsidiary. Income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statements of income (loss) and comprehensive income (loss) from the effective date of acquisition and up to the effective date of disposal, as appropriate.

When Choice Properties does not own all of the equity in a subsidiary, the non-controlling equity interest is disclosed in the consolidated balance sheet as a separate component of total equity. Changes in the Trust's ownership interests in subsidiaries that do not result in the Trust losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Trust's interests and any non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the Unitholders of the Trust. When the Trust loses control of a subsidiary, for example through sale or partial sale, a gain or loss is recognized and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary and any non-controlling interests.

e. Business Combinations

When an investment is acquired, the Trust considers the substance of the assets and activities of the acquisition in determining whether the acquisition represents an asset acquisition or a business combination. The transaction is considered to be a business combination if the acquired investment meets the definition of a business in accordance with IFRS 3, "Business Combinations", being an integrated set of activities and assets that are capable of being managed for the purposes of providing a return to Unitholders.

The acquisition of a business is accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred at fair value on the date of acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair value at the acquisition date. Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Acquisition-related costs are expensed in the period as incurred.

If the acquisition of an investment does not represent a business, it is accounted for as an acquisition of a group of assets and liabilities. The cost of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values at the acquisition date, and no goodwill is recognized. Acquisition-related costs are capitalized to the investment at the time the acquisition is completed.

f. Joint Arrangements

Joint arrangements are arrangements of which two or more parties have joint control. Joint control is the contractual sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. Joint arrangements are classified as either joint operations or joint ventures depending on the Trust's rights and obligations in the arrangement based on factors such as the structure, legal form and contractual terms of the arrangement.

Joint Ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. The Trust's investments in joint ventures are recorded using the equity method and are initially recognized in the consolidated balance sheet at cost and adjusted thereafter to recognize the Trust's share of the profit or loss and other comprehensive income or loss of the joint venture. The Trust's share of the joint venture's profit or loss is recognized in the Trust's consolidated statements of income (loss) and comprehensive income (loss).

The financial statements of the equity accounted joint ventures are prepared for the same reporting period as the Trust. Where necessary, adjustments are made to bring the accounting policies in line with those of the Trust.

A joint venture is considered to be impaired if there is objective evidence of impairment, as a result of one or more events that occurred after initial recognition of the joint venture, and that event has a negative impact on the future cash flows of the joint venture that can be reliably estimated.

Joint Operations

A joint operation is a joint arrangement whereby the parties that have joint control have rights to the assets and obligations for the liabilities relating to the arrangement. The financial statements of the joint operations are prepared for the same reporting period as the Trust. Where necessary, adjustments are made to bring the accounting policies in line with those of the Trust. The Trust accounts for its interests in joint operations by recognizing its proportionate share of jointly controlled assets, liabilities, revenues and expenses.

g. Investment Properties

Investment properties include income producing properties and properties under development that are held by the Trust to earn rental income or for capital appreciation or both. The Trust accounts for its investment properties in accordance with International Accounting Standard ("IAS") 40, "Investment Properties". Additionally, an investment property held under a lease is classified as investment property if it meets the definition of investment property. At the inception of the lease the investment property is recognized at the present value of the future minimum lease payments and an equivalent amount is recognized as a lease obligation.

Subsequent to initial recognition, investment properties are measured at fair value in accordance with the valuation policy discussed in Note 5. Gains and losses arising from changes in the fair value of investment properties are included in the consolidated statements of income (loss) and comprehensive income (loss) in the period in which they arise. Investment properties are derecognized when disposed.

Income Producing Properties

Additions to income producing properties are expenditures incurred for the expansion and/or redevelopment of existing income producing properties that result in additional gross leasable area and are considered revenue producing capital expenditures. Extending and improving the productive capacity of leasable area of existing income producing properties owned by the Trust requires significant on-going capital expenditures. The Trust considers its operating capital expenditures to be the following:

- Property capital: Major expenditures such as parking lot resurfacing and roof replacements which are significant items of improvement incurred pursuant to a capital plan are capitalized and recoverable from tenants under the terms of their leases over the useful life of the improvements. All other repair and maintenance costs are expensed when incurred.
- Direct leasing costs: These include direct third-party brokerage fees incurred in the successful negotiation of a lease.
- Tenant improvement allowances: Amounts expended to meet the Trust's lease obligations are characterized as either tenant improvements, which are owned by the Trust, or tenant inducements. An expenditure is determined to be a tenant improvement when it primarily benefits and/or is owned by the Trust. In such circumstances, the Trust is considered to have acquired an asset which is recorded as an addition to income producing properties. Tenant inducements are amortized on a straight-line basis over the term of the lease as a reduction of revenue.

Properties Under Development

The cost of land and buildings under development (consisting of commercial development sites, density or intensification rights and related infrastructure) are specifically identifiable costs incurred in the period before construction is complete. Costs capitalized in development capital include:

- Permits, architect fees, hard construction costs;
- Payments to tenants under lease obligations when the payment is reimbursement for construction which Choice Properties will receive benefit after the tenant vacates; and
- Site intensification payments, project management fees, professional fees, and property taxes.

Directly attributable borrowing costs associated with acquiring or constructing a qualifying investment property are capitalized. Capitalization of borrowing costs commences when the activities necessary to prepare an asset for development or redevelopment begin, and ceases once the asset is substantially complete, or if there is a prolonged period where development activity is interrupted. The amount of borrowing costs capitalized is determined first by reference to borrowings specific to the project, where relevant, and otherwise by applying a weighted average cost of borrowings to eligible expenditures after adjusting for borrowings associated with other specific developments.

Properties under development are transferred to income producing properties at their fair value upon practical completion. The Trust considers practical completion to have occurred when the property is capable of operating in the manner intended by management.

h. Residential Development Inventory

Residential development inventory, which is developed for sale in the ordinary course of business, is stated at the lower of cost and estimated net realizable value. Residential development inventory is reviewed for impairment at each reporting date. An impairment loss is recognized as an expense when the carrying value of the property exceeds its net realizable value. Net realizable value is based on projections of future cash flows, which take into account the development plans for each project and management's best estimate of the most probable set of anticipated economic conditions.

The cost of residential development inventory includes borrowing costs directly attributable to projects under active development. The amount of borrowing costs capitalized is determined first by reference to borrowings specific to the project, where relevant, and otherwise by applying a weighted average cost of borrowings to eligible expenditures after adjusting for borrowings associated with other specific developments. Borrowing costs are not capitalized on residential development inventory where no development activity is taking place.

Transfers between residential inventory and investment property occur when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property based on management's intentions and there is observable evidence of a change in use.

i. Assets Held for Sale

An investment property is classified as held for sale when it is expected that the carrying amount will be recovered principally through sale rather than from continuing use. For this to be the case, the property must be available for immediate sale in its present condition, subject only to terms that are usual and customary for sales of such property, and its sale must be highly probable, generally within one year. Upon designation as held for sale, the investment property continues to be measured at fair value and is presented separately on the consolidated balance sheets.

j. Financial Instruments

Financial assets and liabilities are recognized when Choice Properties becomes a party to the contractual provision of the financial instrument.

Classification and Measurement

Financial assets are classified and measured based on three categories: amortized cost, fair value through other comprehensive income ("FVOCI"), and fair value through profit or loss ("FVTPL"). Financial liabilities are classified and measured based on two categories: amortized cost or FVTPL. Derivatives embedded in contracts where the host is a financial asset in the scope of IFRS 9, "Financial Instruments" ("IFRS 9"), are not separated, but the hybrid financial instrument as a whole is assessed for classification.

The classification and measurement of financial assets based on the Trust's business model for managing these financial assets and their contractual cash flow characteristics, is summarized as follows:

- Assets held for the purpose of collecting contractual cash flows that represent solely payments of principal and interest ("SPPI") are measured at amortized cost;
- Assets held within a business model where assets are held for both the purpose of collecting contractual cash flows and selling financial assets prior to maturity, and the contractual cash flows represent solely payments of principal and interest, are measured at FVOCI; and
- Assets held within another business model or assets that do not have contractual cash flow characteristics that are SPPI are measured at FVTPL.

Financial assets are not reclassified subsequent to their initial recognition, unless the Trust identifies changes in its business model in managing financial assets and would reassess the classification of financial assets. All financial liabilities are measured subsequently at amortized cost using the effective interest method or at FVTPL.

The following summarizes the classification and measurement of financial assets and liabilities:

Asset/Liability	Classification and Measurement Basis
Accounts receivable	Amortized cost
Mortgages, loans and notes receivable - SPPI	Amortized cost
Mortgages, loans and notes receivable - FVTPL	FVTPL
Financial real estate assets	FVTPL
Cash and cash equivalents	Amortized cost
Long term debt:	
Senior unsecured debentures	Amortized cost
Mortgages payable	Amortized cost
Construction loans	Amortized cost
Credit facility	Amortized cost
Trade payables and other liabilities	Amortized cost
Designated hedging derivatives	FVTPL
Exchangeable Units	FVTPL

Impairment

An allowance for expected credit losses (“ECL”) is recognized at each balance sheet date for all financial assets measured at amortized cost or those measured at FVOCI, except for investments in equity instruments. The ECL model requires considerable judgment, including consideration of how changes in economic factors affect ECLs, which are determined on a probability-weighted basis.

Impairment losses, if incurred, would be recorded as expenses in the consolidated statements of income (loss) and comprehensive income (loss) with the carrying amount of the financial asset or group of financial assets reduced through the use of impairment allowance accounts. In periods subsequent to the impairment where the impairment loss has decreased, and such decrease can be related objectively to conditions and changes in factors occurring after the impairment was initially recognized, the previously recognized impairment loss would be reversed through the consolidated statements of income (loss) and comprehensive income (loss). The impairment reversal would be limited to the lesser of the decrease in impairment or the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized, after the reversal.

Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Trust takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such basis, unless otherwise noted.

Choice Properties measures financial assets and financial liabilities under the following fair value hierarchy. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Determination of fair value and the resulting hierarchy requires the use of observable market data whenever available. The classification of a financial instrument in the hierarchy is based upon the lowest level of input that is significant to the measurement of fair value.

Acquisition costs, other than those related to financial instruments classified as FVTPL which are expensed as incurred, are capitalized to the carrying amount of the instrument and amortized using the effective interest method.

Valuation process

The determination of the fair value of financial instruments is performed by Choice Properties' treasury and financial reporting departments on a quarterly basis. The following table describes the valuation techniques used in the determination of the fair values of financial instruments:

Type	Valuation approach
Financial real estate assets	Fair value is determined based on valuation methodology described in Note 5.
Mortgages, loans and notes receivable	The fair value of each mortgage, loan and note receivable is based on the current market conditions for financing with similar terms and risks.
Accounts receivable, cash and cash equivalents, and trade payables and other liabilities	The carrying amount approximates fair value due to the short-term maturity of these instruments.
Unit Options	Fair value of each tranche is valued separately using a Black-Scholes option pricing model.
Restricted Units, Performance Units, Trustee Deferred Units and Exchangeable Units	Fair value is based on closing market trading price of Choice Properties' Units.
Unit-Settled Restricted Units ("URU")	Fair value of each grant is measured based on the market value of a Unit at the balance sheet date, less a discount to account for the vesting and holding period restriction placed on the URUs.
Long term debt	Fair value is based on the present value of contractual cash flows, discounted at Choice Properties' current incremental borrowing rate for similar types of borrowing arrangements or, where applicable, quoted market prices.

Derecognition of Financial Instruments

Financial assets are derecognized when the contractual rights to receive cash flows and benefits from the financial asset expire, or if Choice Properties transfers the control or substantially all the risks and rewards of ownership of the financial asset to another party. The difference between the assets carrying amount and the sum of the consideration received and receivable is recognized in net income.

Financial liabilities are derecognized when obligations under the contract expire, are discharged or cancelled. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in net income.

k. Mortgages, Loans and Notes Receivable

The Trust's mortgages, loans and notes receivable are classified into two categories: (1) those held for the purpose of collecting contractual cash flows that represent SPPI and are classified and measured at amortized cost; and (2) those that do not meet the SPPI criteria that are classified and measured at FVTPL.

Interest income for mortgages and loans receivable is recognized using the effective interest method. At the end of each reporting period management reviews its SPPI mortgages, loans and notes receivable to determine whether there is an event or change in circumstance that indicates a possible impairment loss. If such indication exists, the recoverable amount of the asset is estimated in order to measure any impairment loss and an allowance for expected credit losses is recorded.

An impairment indicator is present when there is objective evidence of impairment as a result of one or more events, such as a deterioration in the credit quality of the borrower to the extent that there is a reasonable doubt as to the timely collection of the principal and interest. An impairment loss is recognized if the present value of estimated future cash flows discounted at the original effective interest rate inherent in the loan is less than its carrying value and is measured as the difference between the two amounts. When the amounts and timing of future cash flows cannot be estimated with reasonable reliability, impairment is recognized if either (a) the fair value of the underlying security, net of any realization costs and amounts legally required to be paid to the borrowers, or (b) the observable market price for the loan, is less than the carrying value. The valuation of such amounts is subjective and is based upon assumptions regarding market conditions that could differ materially from actual results in future periods.

l. Intangible Assets

Intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

m. Rent Receivables

Rent receivables are recognized initially at fair value, subsequently at amortized cost and, where relevant, adjusted for the time value of money. The Trust assesses on a forward-looking basis the expected credit losses associated with its rent receivables. A recognition of a loss allowance is made for the lifetime expected credit losses on initial recognition of the receivable. In determining the expected credit losses the Trust takes into account any recent payment behaviours and future expectations of likely default events. These assessments are made on a tenant-by-tenant basis.

n. Leases

As lessee

The Trust acting as lessee recognizes a right-of-use asset and a lease liability for all leases with a term of more than 12 months, unless the underlying asset is of low value.

Right-of-use assets

The Trust recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated amortization and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are amortized on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

Lease liabilities

At the commencement date of the lease, the Trust recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Trust and payments of penalties for terminating the lease, if the lease term reflects the Trust exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as rental revenue in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Trust uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset. IFRS 16, "Leases" ("IFRS 16") requires certain adjustments to be expensed, while others are added to the cost of the related right-of-use asset.

As lessor

When the Trust acts as a lessor, it determines and classifies each lease as a finance lease or operating lease at the lease commencement date.

When a lease transfers to the lessee substantially all the risk and rewards of ownership incidental to the ownership of the underlying asset, the lease is classified as a finance lease; otherwise, the lease is classified as an operating lease. To make this assessment, the Trust considers certain indicators including whether the lease is for the major part of the economic life of the asset or the present value of lease payments is substantially all the fair value of the underlying asset.

The majority of the lease agreements entered into by the Trust as a lessor are classified as operating leases. The Trust's policy for these leases are discussed further in the accounting policy for revenue recognition.

At the commencement date of a finance lease, the Trust recognizes a lease receivable at the amount of its net investment in the lease, which is measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments, variable lease payments that depend on an index or a rate and amounts expected to be paid under residual value guarantees, less any lease incentives payable. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the lessee and payments of penalties for terminating a lease, if the lease term reflects the lessee exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as rental revenue in the period on which the event or condition that triggers the payment occurs.

o. Cash and Cash Equivalents

Cash and cash equivalents consist of unrestricted cash on hand and marketable investments with an original maturity date of 90 days or less from the date of acquisition.

p. Financial Derivative Instruments

The Trust does not use derivative instruments for speculative purposes. Any embedded derivative instruments that may be identified are separated from their host contract and recorded on the consolidated balance sheet at fair value. Derivative instruments are recorded in current or non-current assets and liabilities based on their remaining terms to maturity. All changes in fair values of the derivative instruments are recorded in net earnings unless the derivative qualifies and is effective as a hedging item in a designated hedging relationship. The Trust has cash flow hedges which are used to manage exposure to fluctuations in interest rates. The effective portion of the change in fair value of the hedging item is recorded in other comprehensive income. If the change in fair value of the hedging item is not completely offset by the change in fair value of the hedged item, the ineffective portion of the hedging relationship is recorded in net income. Amounts accumulated in other comprehensive income are reclassified to net earnings when the hedged item is recognized in net income.

q. Foreign Currency Translation

The functional currency of the Trust is the Canadian dollar. The assets and liabilities of foreign operations that have a functional currency different from that of the Trust are translated into Canadian dollars at the foreign currency exchange rate in effect at the balance sheet date. The resulting foreign currency exchange gains or losses are recognized in the foreign currency translation adjustment as part of other comprehensive income ("OCI"). When such foreign operation is disposed of, the related foreign currency translation reserve is recognized in net earnings as part of the gain or loss on disposal. On the partial disposal of such foreign operation, the relevant proportion is reclassified to net income.

Asset and liabilities denominated in foreign currency held in foreign operations that have the same functional currency as the Trust are translated into Canadian dollars at the foreign currency exchange rate in effect at the balance sheet date. The resulting foreign currency exchange gains or losses are recognized in net income. Revenue and expenses of foreign operations are translated into Canadian dollars at the foreign currency exchange rates that approximate the rates in effect at the dates when such items are transacted.

Prior to disposing its only investment property in the United States during the year ended December 31, 2020, this investment property was considered a foreign operation, which was financially and operationally independent from its Canadian business. Assets and liabilities of this foreign operation were translated at the rate of exchange in effect at the balance sheet date while revenue and expense items were translated at the average exchange rate for the period. Gains or losses on translation were included in OCI as foreign currency translation gains or losses. When there was a reduction in the net investment as a result of a dilution or sale, or reduction in equity of the foreign operation as a result of a dividend, amounts previously recognized in accumulated other comprehensive income ("AOCI") were reclassified to net income.

r. Exchangeable Units

The Class B LP Units of the Trust's subsidiary, the Partnership, are exchangeable into Trust Units at the option of the holder (the "Exchangeable Units"). GWL holds all the Exchangeable Units. These Exchangeable Units are considered puttable instruments and are required to be classified as financial liabilities at FVTPL. Distributions paid on the Exchangeable Units are accounted for as interest expense.

s. Trust Units

With certain restrictions, the Units of Choice Properties are redeemable at the option of the holder, and, therefore, are considered puttable instruments in accordance with IAS 32, "Financial Instruments - Presentation" ("IAS 32"). Puttable instruments are required to be accounted for as financial liabilities, except where certain conditions are met in accordance with IAS 32, in which case, the puttable instruments may be presented as equity.

To be presented as equity, a puttable instrument must meet all of the following conditions: (i) it must entitle the holder to a pro-rata share of the entity's net assets in the event of the entity's dissolution; (ii) it must be in the class of instruments that is subordinate to all other instruments; (iii) all instruments in the class in (ii) above must have identical features; (iv) other than the redemption feature, there can be no other contractual obligations that meet the definition of a liability; and (v) the expected cash flows for the instrument must be based substantially on the profit or loss of the entity or change in fair value of the instrument. The Trust Units meet the conditions of IAS 32 and, accordingly, are presented as equity in the consolidated financial statements.

t. Revenue Recognition

Property Rental Revenue

Choice Properties has retained substantially all of the risks and benefits of ownership of its investment properties and therefore accounts for its leases with tenants as operating leases. The Trust commences revenue recognition on its leases based on a number of factors. In most cases, revenue recognition under a lease begins when the tenant takes possession of, or controls, the physical use of the leased property. Generally, this occurs on the later of the lease commencement date, or when the Trust is required to make additions to the leased property in the form of tenant improvements, upon substantial completion of such additions.

The Trust's revenues are earned from lease contracts with tenants and include both a lease component and a non-lease component. The Trust recognizes revenue from lease components on a straight-line basis over the lease term, including the recovery of property taxes and insurance, which is included in revenue in the consolidated statements of income (loss) and comprehensive income (loss) due to its operating nature, except for contingent rental income which is recognized when it arises. An accrued straight-line rent receivable is recorded from tenants for the difference between the straight-line rent and the rent that is contractually due from the tenant.

The lease agreements include certain services offered to tenants such as cleaning, utilities, security, landscaping, snow removal, property maintenance costs, as well as other support services. The consideration charged to tenants for these services includes fees charged based on a percentage of the rental income and reimbursement of certain expenses incurred. The Trust has determined that these services constitute a distinct non-lease component (transferred separately from the right to use the underlying asset) and are within the scope of IFRS 15, "Revenue from Contracts with Customers" ("IFRS 15"). These property management services are considered one performance obligation, meeting the criteria for over time recognition and are recognized in the period that recoverable costs are incurred, or services are performed.

Interest Income

Interest income is the interest earned on the amounts advanced under the Trust's mezzanine loans, vendor take-back loans and joint venture financing arrangements together with bank interest earned from deposits. Interest income is recognized in accordance with the terms set out in the financing arrangements using the effective interest method.

Fee Income

Fee income consists mainly of property management fees, leasing fees, project management fees and other miscellaneous fees. Property management fees are generally based on a percentage of property revenues and are recognized when earned in accordance with the property management or co-ownership agreements. Leasing fees are incurred when the Trust is the leasing manager for co-owned properties and are recognized when earned in accordance with the property management or co-ownership agreements.

Residential Development Inventory

The revenue generated from contracts with customers on the sale of residential condominium units is recognized at a point in time when control of the asset (i.e. condominium unit) has transferred to the purchaser (i.e., generally, when the purchaser takes possession of the condominium unit) as the purchaser has the ability to direct the use of and obtain substantially all of the remaining benefits from the asset. The amount of revenue recognized is based on the transaction price included in the purchasers' contracts. Any funds received prior to the purchasers taking possession of their respective assets are recognized as deferred revenue (contractual liability).

Lease Termination Income

Lease termination income represents amounts earned from tenants in connection with the cancellation or the early termination of their remaining lease obligations and is recognized when a lease termination agreement is signed, and collection is reasonably assured.

u. Unit-Based Compensation

The Trust has five unit-based compensation plans. The (1) Unit Option, (2) Restricted Unit ("RU"), (3) Performance Unit ("PU"), (4) Trustee Deferred Unit ("DU") and (5) Unit-Settled Restricted Unit ("URU") plans are accounted for as cash-settled awards, as the Trust is an open-ended trust making its units redeemable, and thus requiring its unit-based compensation plans to be recognized as a liability and carried at fair value. The fair value in respect of each plan is re-measured at each balance sheet date. Compensation expense is recognized in general and administrative expenses over the vesting period for each tranche with a corresponding change in the liability.

Unit Option Plan

Unit Options have a five to ten year term, vest 25% cumulatively on each anniversary date of the grant and are exercisable at the designated Unit price, which is based on the greater of the volume weighted average trading price of a Unit for the five trading days prior to the date of grant or the trading day immediately preceding the grant date. The fair value of each tranche is valued separately using a Black-Scholes option pricing model, and includes the following assumptions:

- The expected distribution yield is estimated based on the expected annual distribution prior to the balance sheet date and the closing unit price as at the balance sheet date;
- The expected Unit price volatility is estimated based on the average volatility of the Trust over a period consistent with the expected life of the options;
- The risk-free interest rate is estimated based on the Government of Canada bond yield in effect at the balance sheet date for a term to maturity equal to the expected life of the options; and
- The effect of expected exercise of options prior to expiry is incorporated into the weighted average expected life of the options, which is based on expectations of option holder behaviour.

Restricted Unit Plan

Restricted Units entitle certain employees to receive the value of the RU award in cash or Units at the employees' discretion 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 Unit at the balance sheet date.

Performance Unit Plan

Performance Units 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 Unit and an estimate of the performance conditions being met at the balance sheet date.

Trustee Deferred Unit Plan

Non-management members of the Board are required to receive a portion of their annual retainer in the form of DUs 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. DUs vest upon grant. The fair value of each DU granted is measured based on the market value of a Unit at the balance sheet date.

Unit-Settled Restricted Unit Plan

Unit-Settled Restricted Units are accounted for as cash-settled awards. Typically, full vesting of the URUs would not occur until the employee had remained with Choice Properties for three or five years from the grant date. 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. The fair value of each URU granted is measured based on the market value of a Unit at the balance sheet date, less a discount to account for the vesting and holding period restriction placed on the URUs.

v. Income Taxes

Choice Properties qualifies as a "mutual fund trust" and a real estate investment trust ("REIT") under the Income Tax Act (Canada). Certain legislation relating to the federal income taxation of Specified Investment Flow Through trusts or partnerships ("SIFT") provide that certain distributions from a SIFT will not be deductible in computing the SIFT's taxable income and that the SIFT will be subject to tax on such distributions at a rate that is substantially equivalent to the general tax rate applicable to Canadian corporations.

Under the SIFT rules, the taxation regime will not apply to a REIT that meets prescribed conditions relating to the nature of its assets and revenue (the "REIT Conditions") and distributions may be deducted against the REIT's taxable income. Choice Properties has reviewed the SIFT rules and has assessed its interpretation and application to its assets and revenue and has determined that it meets the REIT Conditions. The Trustees intend to annually distribute all taxable income directly earned by Choice Properties to Unitholders and to deduct such distributions for income tax purposes and, accordingly, no net current income tax expense or deferred income tax assets or liabilities have been recorded in the consolidated financial statements related to its Canadian investment properties.

The Trust also consolidates certain taxable entities in Canada and in the United States for which current and deferred income taxes are recorded. Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the asset and liability method of accounting for temporary differences arising between the financial statement carrying values of existing assets and liabilities and their respective income tax bases. Deferred tax is measured using enacted or substantively enacted income tax rates expected to apply in the years in which those temporary differences are expected to be recovered or settled. A deferred tax asset is recognized for temporary differences as well as unused tax losses and credits to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same taxation authority on the same taxable entity, or on different taxable entities where Choice Properties intends to settle its current tax assets and liabilities on a net basis.

Deferred tax is recorded on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Trust and it is probable that the temporary difference will not reverse in the foreseeable future.

Note 3. Critical Accounting Judgments and Estimates

The preparation of the consolidated financial statements requires management to make judgments and estimates in applying Choice Properties' accounting policies that affect the reported amounts and disclosures made in the consolidated financial statements and accompanying notes.

Within the context of these consolidated financial statements, a judgment is a decision made by management in respect of the application of an accounting policy, a recognized or unrecognized financial statement amount and/or note disclosure, following an analysis of relevant information that may include estimates and assumptions. Estimates and assumptions are used mainly in determining the measurement of balances recognized or disclosed in the consolidated financial statements and are based on a set of underlying data that may include management's historical experience, knowledge of current events and conditions and other factors that are believed to be reasonable under the circumstances. Management continually evaluates the estimates and judgments it uses.

The following are the accounting policies subject to judgments and key sources of estimation uncertainty that Choice Properties believes could have the most significant impact on the amounts recognized in the consolidated financial statements. Choice Properties' significant accounting policies are disclosed in Note 2.

a. Investment Properties

Judgments Made in Relation to Accounting Policies Applied

Judgment is applied in determining whether certain costs are additions to the carrying value of investment properties, identifying the point at which substantial completion of a development property occurs, and identifying the attributable borrowing costs to be included in the carrying value of the development property. Choice Properties also applies judgment in determining whether the properties it acquires are considered to be asset acquisitions or business combinations. Choice Properties considers all properties acquired in the current year to be asset acquisitions.

Key Sources of Estimation

The fair value of income producing properties is dependent on future cash flows over the holding period and terminal capitalization rates and discount rates applicable to those assets. The review of future cash flows involves assumptions relating to occupancy, rental rates and residual value. In addition to reviewing future cash flows, management assesses changes in the business climate and other factors, which may affect the ultimate value of the property. These assumptions may not ultimately be achieved.

b. Joint Arrangements

Judgments Made in Relation to Accounting Policies Applied

Judgment is applied in determining whether the Trust has joint control and whether the arrangements are joint operations or joint ventures. In assessing whether the joint arrangements are joint operations or joint ventures, management applies judgment to determine the Trust's rights and obligations in the arrangement based on factors such as the structure, legal form and contractual terms of the arrangement.

c. Leases

Judgments Made in Relation to Accounting Policies Applied

Choice Properties is required to make judgments in determining whether certain leases are operating or finance leases, in particular long-term leases. All tenant leases where Choice Properties is the lessor have been determined to be operating leases.

d. Income Taxes

Judgments Made in Relation to Accounting Policies Applied

Choice Properties is a mutual fund trust and a REIT as defined in the *Income Tax Act (Canada)*. Choice Properties is not liable to pay Canadian income taxes provided that its taxable income is fully distributed to Unitholders each year. Choice Properties is a REIT if it meets the prescribed conditions under the *Income Tax Act (Canada)*. Choice Properties uses judgment in reviewing these conditions in assessing its interpretation and application to its assets and revenue.

Choice Properties has determined that it qualifies as a REIT for the current period. Choice Properties expects to continue to qualify as a REIT under the *Income Tax Act (Canada)*, however, should it no longer qualify, it would not be able to flow through its taxable income to Unitholders and would therefore be subject to tax.

Note 4. Investment Property and Other Transactions

The following table summarizes the investment properties acquired in the year ended December 31, 2021:

(\$ thousands)						Consideration			
Location	Date of Acquisition	Segment	Ownership Interest Acquired	Purchase Price	Purchase Price incl. Related Costs	Mortgage Receivable Settlement	Contingent Consideration ⁽ⁱ⁾	Assumed Liabilities	Cash
Consolidated investments									
Toronto, ON	Sep 2	Retail	100%	\$ 30,300	\$ 31,574	\$ —	\$ —	\$ —	\$ 31,574
Toronto, ON	Nov 12	Retail	100%	22,423	23,365	—	—	—	23,365
Acquisitions from third-parties				52,723	54,939	—	—	—	54,939
Equity accounted joint ventures									
Calgary, AB	Feb 1	Industrial	50% ⁽ⁱⁱ⁾	25,375	25,375	4,846	—	—	20,529
Caledon, ON ⁽ⁱ⁾	Mar 30	Land ⁽ⁱⁱⁱ⁾	85%	138,000	138,000	—	38,000	—	100,000
Caledon, ON	Nov 22	Land ⁽ⁱⁱⁱ⁾	85%	7,735	7,945	—	—	—	7,945
Acquisitions in equity accounted joint ventures				171,110	171,320	4,846	38,000	—	128,474
Total acquisitions in consolidated investments									
Financial real estate assets									
Guelph, ON	Dec 10	Retail	100%	14,777	15,134	—	—	3,182	11,952
Acquisitions of financial real estate assets (Note 33)				14,777	15,134	—	—	3,182	11,952
Total acquisitions				\$ 238,610	\$ 241,393	\$ 4,846	\$ 38,000	\$ 3,182	\$ 195,365

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

Notes to the Consolidated Financial Statements

The following table summarizes the investment properties sold in the year ended December 31, 2021:

(\$ thousands except where otherwise indicated)					Consideration	
Location	Date of Disposition	Segment	Ownership Interest	Sale Price excl. Selling Costs	Mortgage receivable advanced	Cash
Investment properties						
Brampton, ON	Jan 19	Land ⁽ⁱ⁾	70%	\$ 25,000	\$ —	\$ 25,000
Brampton, ON	Mar 31	Land	50%	5,000	—	5,000
Kanata, ON	Aug 19	Land	50%	4,147	—	4,147
St-Hyacinthe, QC	Oct 4	Land	100%	3,800	—	3,800
Calgary, AB	Nov 1	Retail	100%	36,000	—	36,000
Portfolio of 2 assets across Canada	Dec 6	Retail	100%	52,250	—	52,250
Magog, QC ⁽ⁱⁱ⁾	Dec 15	Retail	100%	22,000	—	22,000
Quebec, QC	Dec 20	Retail	50%	49,625	—	49,625
Portfolio of 5 assets in Calgary, AB	Dec 20	Industrial	100%	45,000	—	45,000
Drummondville, QC ⁽ⁱⁱ⁾	Dec 22	Retail	100%	11,500	—	11,500
Dispositions of investment properties				254,322	—	254,322
Equity accounted joint ventures						
Richmond Hill, ON	Feb 1	Land	50%	66,375	—	66,375
Oshawa, ON	Dec 15	Retail	50%	3,025	—	3,025
Waterloo, ON	Dec 22	Land	50%	5,250	5,250	—
Dispositions from equity accounted joint ventures				74,650	5,250	69,400
Total dispositions				\$ 328,972	\$ 5,250	\$ 323,722

- (i) On January 19, 2021, the Trust sold its 70% interest which resulted in a disposition of the property under development for \$25,000 and a distribution to the subsidiary's 30% non-controlling interest of \$7,801.
- (ii) Property disposition included a Loblaw lease (Note 33).

Notes to the Consolidated Financial Statements

During the year ended December 31, 2020, Choice Properties completed the following acquisitions:

(\$ thousands)										
Location	Date of Acquisition	Segment	Ownership Interest Acquired	Purchase Price	Purchase Price incl. Related Costs	Consideration				
						Issuance of Trust / Exchangeable Units ⁽ⁱⁱ⁾	Assumed Liabilities	Mortgage Receivable Settlement	Cost-to-Complete Receivable	Cash
Consolidated investments										
Toronto, ON	Jun 10	Land	100%	\$ 8,100	\$ 8,190	\$ —	\$ —	\$ —	\$ —	\$ 8,190
Acquisition from Loblaw (Note 33)				8,100	8,190	—	—	—	—	8,190
Portfolio of 6 assets across Canada	Dec 18	Industrial	100%	81,500	82,357	79,100	2,400	—	—	857
Acquisitions from GWL (Note 33)				81,500	82,357	79,100	2,400	—	—	857
Toronto, ON	Jul 31	Office	100%	128,500	130,754	128,500	—	—	—	2,254
Toronto, ON ⁽ⁱ⁾	Jul 31	Office	60%	80,435	65,350	80,435	—	—	(16,404)	1,319
Acquisitions from Wittington (Note 33)				208,935	196,104	208,935	—	—	(16,404)	3,573
Coquitlam, BC	Feb 11	Retail	100%	21,150	21,840	—	—	—	—	21,840
Toronto, ON	Apr 9	Land	100%	8,000	8,354	—	—	—	—	8,354
Barrie, ON	Sep 23	Retail	100%	50,000	51,899	—	—	50,000	—	1,899
Portfolio of 4 assets across Canada	Oct 16	Industrial	100%	85,895	87,330	—	—	—	—	87,330
Calgary, AB	Dec 22	Retail	N/A	1,500	2,885	—	—	—	—	2,885
Acquisitions from third-parties				166,545	172,308	—	—	50,000	—	122,308
Total acquisitions in consolidated investments				465,080	458,959	288,035	2,400	50,000	(16,404)	134,928
Financial real estate assets										
Portfolio of 5 assets across Canada	Nov 24	Retail	100%	45,673	46,712	—	—	—	—	46,712
Acquisitions of financial real estate assets (Note 33)				45,673	46,712	—	—	—	—	46,712
Total acquisitions				\$ 510,753	\$ 505,671	\$ 288,035	\$ 2,400	\$ 50,000	\$ (16,404)	\$ 181,640

- (i) Represents the 60% additional ownership interest acquired from Wittington, increasing the Trust's ownership interest in this property to 100%. As a result, this property has been transferred from an equity accounted joint venture to a consolidated investment as of the acquisition date. Balance includes investment properties and working capital. Refer to Note 33 for additional details.
- (ii) The assets acquired from Wittington were satisfied in full by the issuance of 16,500,000 Units of Choice Properties (Note 33). The assets acquired from GWL were satisfied in full by the issuance of 5,824,742 Exchangeable Units (Note 33).

Notes to the Consolidated Financial Statements

The following table summarizes the investment properties sold in the year ended December 31, 2020:

(\$ thousands except where otherwise indicated)					Consideration		
Location	Date of Disposition	Segment	Ownership Interest	Sale Price excl. Selling Costs	Cash	Lease Receivable from Equity Accounted Joint Venture	Debt Assumed by Purchaser
Assets held for sale							
Chicago, USA	Jan 24	Retail	100%	\$ 97,800	\$ 97,800	\$ —	\$ —
Dispositions of assets held for sale				97,800	97,800	—	—
Investment properties							
Edmonton, AB	Jan 29	Residential	50%	9,750	2,561	—	7,189
Creston, BC	Feb 3	Retail (parcel)	100%	375	375	—	—
Halifax, NS	Feb 13	Office	100%	26,700	8,956	—	17,744
Milton, ON	Sep 28	Industrial	100%	22,613	22,613	—	—
Portfolio of 11 assets across Canada ⁽ⁱ⁾	Oct 28	Retail	50%	169,040	169,040	—	—
Quebec City, QC	Nov 23	Retail (parcel)	50%	5,000	5,000	—	—
Portfolio of 3 assets across Canada	Nov 27	Retail	100%	64,000	64,000	—	—
Portfolio of 5 assets across Canada ⁽ⁱⁱ⁾	Dec 1	Retail	100%	43,400	43,400	—	—
Windsor, ON ⁽ⁱⁱⁱ⁾	Dec 23	Retail	100%	51,000	51,000	—	—
Dispositions of investment properties				391,878	366,945	—	24,933
Total dispositions in consolidated investments				489,678	464,745	—	24,933
Equity accounted joint ventures							
Ottawa, ON	Jul 1	Land	100% ⁽ⁱ⁾	19,468	—	19,468	—
Disposition to equity accounted joint venture				19,468	—	19,468	—
Total dispositions				\$ 509,146	\$ 464,745	\$ 19,468	\$ 24,933

(i) On July 1, 2020, the Trust entered into a 99-year ground lease with an equity accounted joint venture in which the Trust has a 50% ownership interest. Under IFRS 16, this arrangement is accounted for as a disposition by the Trust and the inception of a lease receivable between the Trust and the limited partnership (Note 13). The limited partnership has recognized an acquisition of investment property and a corresponding lease liability as part of this transaction (Note 6).

(ii) Choice Properties sold two portfolios consisting of 16 retail properties that were leased to Loblaw (Note 33).

(iii) Property disposition included a Loblaw lease (Note 33)

Note 5. Investment Properties

(\$ thousands)	Note	Income producing properties	Properties under development	Year Ended December 31, 2021	Year ended December 31, 2020
Balance, beginning of year		\$ 14,199,000	\$ 190,000	\$ 14,389,000	\$ 14,373,000
Acquisitions - including purchase costs of \$2,216 (2020 - \$10,283)	4	54,939	—	54,939	458,959
Capital expenditures					
Development capital ⁽ⁱ⁾		—	51,167	51,167	57,693
Building improvements		4,086	—	4,086	10,948
Capitalized interest ⁽ⁱⁱ⁾	24	—	2,642	2,642	4,231
Operating capital expenditures					
Property capital		60,012	—	60,012	33,112
Direct leasing costs		6,426	—	6,426	6,519
Tenant improvement allowances		16,379	—	16,379	19,269
Amortization of straight-line rent		7,893	—	7,893	13,946
Transfer from equity accounted joint ventures	6	143,103	—	143,103	42,687
Transfers from properties under development		30,290	(30,290)	—	—
Transfers to residential development inventory	10	—	(10,142)	(10,142)	—
Dispositions	4	(220,173)	(34,149)	(254,322)	(391,878)
Disposition to equity accounted joint venture		—	—	—	(19,468)
Adjustment to fair value of investment properties		405,045	53,772	458,817	(220,018)
Balance, end of year		\$ 14,707,000	\$ 223,000	\$ 14,930,000	\$ 14,389,000

(i) Development capital included \$2,208 of site intensification payments paid to Loblaw (December 31, 2020 - \$995) (Note 33).

(ii) Interest was capitalized to qualifying development projects based on a weighted average interest rate of 3.64% (December 31, 2020 - 3.70%).

Included in certain investment properties acquired from Loblaw is excess land with development potential. Choice Properties will compensate Loblaw, over time, with intensification payments determined by a site intensification payment grid as outlined in the Strategic Alliance Agreement (Note 33) 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 consolidated financial statements.

Valuation Methodology and Process

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

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

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

Income Producing Properties

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

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

Properties Under Development

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

Impact of COVID-19

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

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

Significant Valuation Assumptions

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

	As at December 31, 2021		As at December 31, 2020	
	Range	Weighted average	Range	Weighted average
Total Income Producing Properties				
Discount rate	5.00% - 11.45%	6.68%	4.75% - 11.45%	6.83%
Terminal capitalization rate	4.25% - 10.95%	5.95%	4.00% - 10.95%	6.07%
Retail				
Discount rate	5.00% - 11.45%	6.89%	5.00% - 11.45%	6.97%
Terminal capitalization rate	4.25% - 10.95%	6.16%	4.50% - 10.95%	6.23%
Industrial				
Discount rate	5.00% - 8.50%	6.01%	4.75% - 9.00%	6.50%
Terminal capitalization rate	4.25% - 7.75%	5.33%	4.00% - 8.50%	5.73%
Office				
Discount rate	5.25% - 8.75%	6.25%	5.25% - 8.50%	6.21%
Terminal capitalization rate	4.25% - 7.75%	5.42%	4.25% - 7.75%	5.32%

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

Independent Appraisals

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

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

	2021		2020	
	Number of income producing properties	Fair value	Number of income producing properties	Fair value
(\$ thousands except where otherwise indicated)				
March 31	18	\$ 625,000	18	\$ 765,000
June 30	20	1,070,000	18	850,000
September 30	19	890,000	18	675,000
December 31	21	1,070,000	21	715,000
Total	78	\$ 3,655,000	75	\$ 3,005,000

Fair Value Sensitivity

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

Rate Sensitivity	Terminal Capitalization Rate			Discount Rate		
	Weighted Average Terminal Capitalization Rate	Fair Value	Change in Fair Value	Weighted Average Discount Rate	Fair Value	Change in Fair Value
(0.75)%	5.20 %	\$ 16,003,000	\$ 1,296,000	5.93 %	\$ 15,583,000	\$ 876,000
(0.50)%	5.45 %	15,523,000	816,000	6.18 %	15,276,000	569,000
(0.25)%	5.70 %	15,098,000	391,000	6.43 %	14,985,000	278,000
— %	5.95 %	14,707,000	—	6.68 %	14,707,000	—
0.25%	6.20 %	14,350,000	(357,000)	6.93 %	14,437,000	(270,000)
0.50%	6.45 %	14,019,000	(688,000)	7.18 %	14,155,000	(552,000)
0.75%	6.70 %	13,715,000	(992,000)	7.43 %	13,894,000	(813,000)

Note 6. 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 December 31, 2021		As at December 31, 2020	
	Number of joint ventures	Ownership interest	Number of joint ventures	Ownership interest
Retail	15	25% - 75%	16	25% - 75%
Industrial	1	50%	2	50%
Residential	3	47% - 50%	3	47% - 50%
Land, held for development	2	50% - 85%	1	50%
Total equity accounted joint ventures	21		22	
Choice Properties' investment in equity accounted joint ventures (\$ thousands)		\$ 564,378		\$ 573,649

Summarized financial information for equity accounted joint ventures at 100% and Choice Properties' ownership interest are set out below:

(\$ thousands)	Ownership	As at December 31, 2021					Net assets at 100%
		Current assets	Non-current assets	Current liabilities	Non-current liabilities		
Horizon Business Park LP	50%	\$ 5,102	\$ 242,051	\$ (36,628)	\$ —	\$	210,525
Tullamore Industrial LP	85%	1,312	172,691	(10,657)	—		163,346
Dartmouth Crossing Master LP	75%	44,995	199,444	(22,643)	(125,240)		96,556
Other joint ventures	25-50%	23,986	1,263,212	(251,876)	(523,867)		511,455
Net assets at 100%		\$ 75,395	\$ 1,877,398	\$ (321,804)	\$ (649,107)	\$	981,882
Investment in equity accounted joint ventures		\$ 49,292	\$ 1,027,634	\$ (164,503)	\$ (348,045)	\$	564,378

Notes to the Consolidated Financial Statements

Year ended December 31, 2021

(\$ thousands)	Ownership	Rental Revenue	Property operating costs	Interest income	Interest expense	Adjustment to fair value	Net income (loss) and comprehensive income (loss) at 100%
Horizon Business Park LP	50%	\$ 16,430	\$ (4,922)	\$ —	\$ —	\$ 12,214	\$ 23,722
Tullamore Industrial LP	85%	—	—	1	—	—	1
Dartmouth Crossing Master LP	75%	21,285	(9,410)	427	(4,946)	5,505	12,861
Other joint ventures	25-50%	60,949	(20,984)	2,023	(12,240)	67,527	97,275
Net income and comprehensive income at 100%		\$ 98,664	\$ (35,316)	\$ 2,451	\$ (17,186)	\$ 85,246	\$ 133,859
Share of net income (loss) and comprehensive income (loss) in equity accounted joint ventures		\$ 53,910	\$ (19,771)	\$ 341	\$ (9,682)	\$ 42,154	\$ 66,952

As at December 31, 2020

(\$ thousands)	Ownership	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Net assets at 100%
Horizon Business Park LP	50%	\$ 2,935	\$ 214,776	\$ (25,289)	\$ —	\$ 192,422
Great Plains Business Park LP	50%	2,231	211,374	(4,472)	(17,475)	191,658
Other joint ventures	25-75%	40,884	1,404,613	(413,693)	(301,007)	730,797
Net assets at 100%		\$ 46,050	\$ 1,830,763	\$ (443,454)	\$ (318,482)	\$ 1,114,877
Investment in equity accounted joint ventures		\$ 25,141	\$ 948,938	\$ (218,536)	\$ (181,894)	\$ 573,649

Year ended December 31, 2020

(\$ thousands)	Ownership	Rental Revenue	Property operating costs	Interest income	Interest expense	Adjustment to fair value	Net income (loss) and comprehensive income (loss) at 100%
Horizon Business Park LP	50%	\$ 15,353	\$ (4,458)	\$ —	\$ —	\$ (3,110)	\$ 7,785
Great Plains Business Park LP	50%	17,466	(4,599)	(7)	—	(3,089)	9,771
Other joint ventures	25-75%	79,883	(31,470)	2,772	(16,823)	(61,304)	(26,942)
Net income and comprehensive income at 100%		\$ 112,702	\$ (40,527)	\$ 2,765	\$ (16,823)	\$ (67,503)	\$ (9,386)
Share of net income (loss) and comprehensive income (loss) in equity accounted joint ventures		\$ 59,614	\$ (21,986)	\$ 1,496	\$ (9,024)	\$ (35,670)	\$ (5,570)

Notes to the Consolidated Financial Statements

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

(\$ thousands)	Note	Year ended December 31, 2021
Balance, beginning of year		\$ 573,649
Contributions to equity accounted joint ventures		152,805
Distributions from equity accounted joint ventures		(124,751)
Total cash flow activities		28,054
Transfers from equity accounted joint venture to consolidated investments	5	(141,868)
Acquisition of equity accounted joint venture partner's interest upon settlement of mortgage receivable	4	4,846
Mortgage receivable advanced upon disposition of equity accounted joint venture	11	(6,098)
Contingent consideration payable recognized on acquisition within equity accounted joint venture	4	38,000
Accretion of contingent consideration payable		843
Share of income (loss) from equity accounted joint ventures		66,952
Total non-cash activities		(37,325)
Balance, end of year		\$ 564,378

Note 7. 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 consolidated financial statements.

	As at December 31, 2021		As at December 31, 2020	
	Number of co-owned properties	Ownership interest	Number of co-owned properties	Ownership interest
Retail	38	50% - 75%	39	50% - 75%
Industrial	2	50% - 67%	2	50% - 67%
Office	6	50%	6	50%
Residential	6	50%	6	50%
Land, held for development	—	— %	1	50%
Total co-ownership property interests	52		54	

Note 8. Subsidiaries

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

Note 9. Financial Real Estate Assets

(\$ thousands)	Note	Year Ended December 31, 2021	Year ended December 31, 2020
Balance, beginning of year		\$ 68,373	\$ 22,800
Acquisitions		15,134	46,712
Additions		540	9
Interest income (loss) from financial real estate assets due to changes in value	22	2,556	(1,148)
Balance, end of year		\$ 86,603	\$ 68,373

Financial real estate assets are land and buildings purchased by the Trust that did not meet the criteria of a transfer of control under IFRS 15, "Revenue from Contracts with Customers", due to the sale-leaseback arrangement with the seller of the asset. In accordance with IFRS 16, "Leases", the Trust recognized these acquisitions as financial instruments under IFRS 9, "Financial Instruments". As at December 31, 2021 The weighted average discount rate and terminal capitalization rate used to determine the fair value of the Trust's financial real estate assets are 6.76% and 6.16%. An increase of 0.75% in the discount rate or terminal capitalization rate would result in a decrease of \$4,600 or \$5,500 in the value of the financial real estate assets. While a decrease of 0.75% in the discount rate or terminal capitalization rate would result in an increase of \$4,800 or \$7,000 in the value of the financial real estate assets.

Note 10. 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	Year Ended December 31, 2021	Year ended December 31, 2020
Balance, beginning of year		\$ —	\$ —
Transfers from investment properties	5	10,142	—
Balance, end of year		\$ 10,142	\$ —

Note 11. Mortgages, Loans and Notes Receivable

(\$ thousands)	Note	As at December 31, 2021	As at December 31, 2020
Mortgages receivable classified as amortized cost ⁽ⁱ⁾		\$ 89,944	\$ 111,882
Mortgages receivable classified as fair value through profit and loss ("FVTPL")		96,623	53,588
Loans receivable classified as amortized cost ⁽ⁱ⁾		—	2,285
Notes receivable from GWL classified as amortized cost ⁽ⁱ⁾	33	168,334	96,191
Mortgages, loans and notes receivable		\$ 354,901	\$ 263,946
Classified as:			
Non-current		\$ 109,526	\$ 117,457
Current		245,375	146,489
		\$ 354,901	\$ 263,946

(i) The fair value of the mortgages, loans and notes receivable classified as amortized cost was \$257,800 (December 31, 2020 - \$208,700) (Note 28).

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.

	December 31, 2021		December 31, 2020	
	Weighted average effective interest rate	Weighted average term to maturity (years)	Weighted average effective interest rate	Weighted average term to maturity (years)
Mortgages receivable	7.11%	1.7	7.31%	2.1
Loans receivable	— %	—	8.00 %	3.7
Total	7.11%	1.7	7.32%	2.2

Notes Receivable from GWL

Non-interest bearing short-term notes totalling \$96,191 were repaid by GWL in January 2021 (Note 33). Non-interest bearing short-term notes totalling \$170,849 were issued during the year ended December 31, 2021 to GWL. \$2,515 of the notes issued were repaid in August 2021 and the remaining \$168,334 were repaid in January 2022 (Note 33).

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	\$ 74,795	\$ 50,947	\$ 52,451	\$ —	\$ —	\$ 6,128	\$ 184,321
Loans receivable	—	—	—	—	—	—	—
Notes receivable from GWL	168,334	—	—	—	—	—	168,334
Total principal repayments	243,129	50,947	52,451	—	—	6,128	352,655
Interest accrued	2,246	—	—	—	—	—	2,246
Total repayments	\$ 245,375	\$ 50,947	\$ 52,451	\$ —	\$ —	\$ 6,128	\$ 354,901

Notes to the Consolidated Financial Statements

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

		December 31, 2021			
(\$ thousands)	Note	Mortgages receivable	Loans receivable	Notes receivable from GWL	Mortgages, loans and notes receivable
Balance, beginning of year		\$ 165,470	\$ 2,285	\$ 96,191	\$ 263,946
Advances		61,094	1,517	170,849	233,460
Repayments		(46,082)	(3,783)	(98,706)	(148,571)
Interest received		(7,847)	(65)	—	(7,912)
Total cash flow activities		7,165	(2,331)	72,143	76,977
Reversal of expected credit loss on mortgage receivable		1,502	—	—	1,502
Settlement upon acquisition of investment property	4	(4,846)	—	—	(4,846)
Advance upon disposition of West Waterloo ⁽ⁱ⁾	4	6,098	—	—	6,098
Interest accrued	22	11,178	46	—	11,224
Total non-cash activities		13,932	46	—	13,978
Balance, end of year		\$ 186,567	\$ —	\$ 168,334	\$ 354,901

(i) Includes the advance of \$5,250 for the principal balance of the vendor take-back mortgage and \$848 of miscellaneous fees incurred on behalf of the borrower.

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

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

In November 2021, the Trust advanced \$9,400 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 December 2021, the Trust advanced \$5,250, net of fees and the repayment of a previous loan balance, in a vendor take-back mortgage. The mortgage was issued as a part of the disposition of its interest in a property under development in Waterloo, Ontario.

The Trust has issued approximately \$184,000 of secured mortgages to other third-party borrowers. These loans are with borrowers who are strategic development partners 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 12. Intangible Assets

The intangible assets for Choice Properties relate to its third-party revenue streams associated with property and asset management contracts for co-ownership property interests and joint ventures. The Trust has the continuing rights, based on the co-ownership agreements, to property and asset management fees from investment properties where it manages the interests of co-owners. As at December 31, 2021, the carrying value was \$28,000 (December 31, 2020 - \$29,000), net of accumulated amortization of \$2,000 (December 31, 2020 - \$1,000).

Note 13. Accounts Receivable and Other Assets

(\$ thousands)	Note	As at December 31, 2021	As at December 31, 2020
Rent receivables ⁽ⁱ⁾ - net of expected credit loss of \$17,066 (2020 - \$20,041)		\$ 12,815	\$ 19,341
Accrued recovery income		14,476	13,375
Lease receivable		22,351	19,405
Other receivables		13,711	13,474
Cost-to-complete receivable	33	8,501	13,721
Due from related parties ⁽ⁱⁱ⁾	33	2,044	—
Restricted cash		239	780
Prepaid property taxes		4,465	10,070
Prepaid insurance		813	185
Other assets		18,335	17,846
Right-of-use assets - net of accumulated amortization of \$1,290 (2020 - \$1,241)		1,956	4,081
Deferred tax asset	17	2,673	1,981
Deferred acquisition costs and deposits on land		8,630	1,419
Designated hedging derivatives	28	3,266	377
Accounts receivable and other assets		\$ 114,275	\$ 116,055
Classified as:			
Non-current		\$ 42,098	\$ 38,104
Current		72,177	77,951
		\$ 114,275	\$ 116,055

(i) Includes net rent receivable of \$1,474 from Loblaw, \$nil from GWL and \$nil from Wittington (December 31, 2020 - \$36, \$13 and \$131) (Note 33).

(ii) Other receivables due from related parties include \$2,044 from Loblaw (December 31, 2020 - \$nil) (Note 33).

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.

Note 14. Long Term Debt

(\$ thousands)	As at December 31, 2021	As at December 31, 2020
Senior unsecured debentures	\$ 5,107,760	\$ 5,255,529
Mortgages payable	1,109,344	1,204,799
Construction loans	12,906	25,193
Long term debt	\$ 6,230,010	\$ 6,485,521
Classified as:		
Non-current	\$ 5,711,500	\$ 6,158,246
Current	518,510	327,275
	\$ 6,230,010	\$ 6,485,521

Senior Unsecured Debentures

(\$ thousands)				As at December 31, 2021	As at December 31, 2020
Series	Issuance / Assumption Date	Maturity Date	Effective Interest Rate		
B	Jul. 5, 2013	Jul. 5, 2023	4.90%	\$ 200,000	\$ 200,000
D	Feb. 8, 2014	Feb. 8, 2024	4.29%	200,000	200,000
F	Nov. 24, 2015	Nov. 24, 2025	4.06%	200,000	200,000
G	Mar. 7, 2016	Mar. 7, 2023	3.20%	250,000	250,000
H	Mar. 7, 2016	Mar. 7, 2046	5.27%	100,000	100,000
I	Jan. 12, 2018	Mar. 21, 2022	3.01%	—	300,000
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	—
9	Jul. 4, 2013	Sep. 20, 2021	3.60%	—	200,000
10	Jul. 4, 2013	Sep. 20, 2022	3.84%	300,000	300,000
D-C	May 4, 2018	Jan. 18, 2023	3.30%	125,000	125,000
Total principal outstanding				5,125,000	5,275,000
Debt discounts and premiums - net of accumulated amortization of \$16,575 (2020 - \$15,522)				(961)	(2,014)
Debt placement costs - net of accumulated amortization of \$15,250 (2020 - \$12,301)				(16,279)	(17,457)
Senior unsecured debentures				\$ 5,107,760	\$ 5,255,529

As at December 31, 2021, the senior unsecured debentures had a weighted average effective interest rate of 3.56% and a weighted average term to maturity of 5.4 years (December 31, 2020 - 3.61% and 6.0 years, respectively). Senior unsecured debentures Series B through Series Q were issued by the Trust, Series D-C was assumed by the Trust on May 4, 2018, following the acquisition of Canadian Real Estate Investment Trust, and Series 10 was issued by the Partnership.

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

Notes to the Consolidated Financial Statements

On November 30, 2021, the Trust completed a \$350,000 offering on a private placement basis of the series Q senior unsecured debenture bearing interest at 2.46% per annum maturing on November 30, 2026. The debentures were issued as green bonds pursuant to the Trust's Green Financing Framework, which Sustainalytics, a global leader in providing ESG research and analysis, reviewed and confirmed as being aligned with the International Capital Markets Association's Green Bond Principles 2021 and the Loan Market Association Green Loan Principles 2021.

The Trust intends to allocate the net proceeds from the issuance of the series Q senior unsecured debentures to fund the financing and/or refinancing of eligible green projects as described in the Trust's Green Financing Framework. Prior to the allocation of the net proceeds of the issuance to eligible green projects, the Trust used the net proceeds of the issuance to repay existing indebtedness, including the early redemption of the Trust's \$300,000 principal amount of 3.01% series I senior unsecured debentures on December 10, 2021, and to repay a portion of the balance drawn on the Trust's credit facility. The Trust incurred early repayment charges of approximately \$1,500 upon redeeming the series I senior unsecured debentures.

Mortgages Payable

(\$ thousands)	As at December 31, 2021	As at December 31, 2020
Mortgage principal	\$ 1,112,310	\$ 1,206,638
Net debt discounts and premiums - net of accumulated amortization of \$5,968 (2020 - \$5,602)	(1,300)	(934)
Debt placement costs - net of accumulated amortization of \$307 (2020 - \$138)	(1,666)	(905)
Mortgages payable	\$ 1,109,344	\$ 1,204,799

As at December 31, 2021, the mortgages had a weighted average effective interest rate of 3.75% and a weighted average term to maturity of 5.2 years (December 31, 2020 - 3.83% and 5.5 years, respectively).

Construction Loans

As at December 31, 2021, \$12,906 was outstanding on the construction loans (December 31, 2020 - \$25,193), with a weighted average effective interest rate of 2.08% and a weighted average term to maturity of 6.0 years which are due on demand (December 31, 2020 - 2.42% and 0.3 years, respectively).

For the purpose of financing the development of certain retail, industrial and residential properties, various investments in equity accounted joint ventures and co-ownerships have variable rate non-revolving construction facilities in which certain subsidiaries of the Trust guarantee its own share. These construction loans, which mature throughout 2022 and 2031, have a maximum amount available to be drawn at the Trust's ownership interest of \$293,151, of which \$227,462 relates to equity accounted joint ventures as at December 31, 2021 (December 31, 2020 - \$226,145 and \$198,002, respectively).

Schedules of Repayments and Cash Flow Activities

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

(\$ thousands)	2022	2023	2024	2025	2026	Thereafter	Total
Senior unsecured debentures	\$ 300,000	\$ 575,000	\$ 750,000	\$ 550,000	\$ 350,000	\$ 2,600,000	\$ 5,125,000
Mortgages payable	216,837	76,954	158,185	153,493	64,547	442,294	1,112,310
Construction loans	4,686	—	—	—	—	8,220	12,906
Total	\$ 521,523	\$ 651,954	\$ 908,185	\$ 703,493	\$ 414,547	\$ 3,050,514	\$ 6,250,216

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

	December 31, 2021			
	Senior unsecured debentures	Mortgages payable	Construction loans	Long term debt
(\$ thousands)				
Balance, beginning of year	\$ 5,255,529	\$ 1,204,799	\$ 25,193	\$ 6,485,521
Issuances and advances	350,000	34,072	8,220	392,292
Repayments	(500,000)	(128,400)	(20,507)	(648,907)
Debt placement costs	(1,770)	(930)	—	(2,700)
Total cash flow activities	(151,770)	(95,258)	(12,287)	(259,315)
Amortization of debt discounts and premiums	1,053	(366)	—	687
Amortization of debt placement costs	2,948	169	—	3,117
Total non-cash activities	4,001	(197)	—	3,804
Balance, end of year	\$ 5,107,760	\$ 1,109,344	\$ 12,906	\$ 6,230,010

Note 15. Credit Facility

Choice Properties has a \$1,500,000 senior unsecured committed revolving credit facility provided by a syndicate of lenders. The credit facility bears interest at variable rates of either Prime plus 0.20% or Bankers' Acceptance rate plus 1.20%. The pricing is contingent on the credit ratings for Choice Properties from either DBRS and S&P remaining at BBB (high). As at December 31, 2021, \$nil was drawn under the syndicated facility (December 31, 2020 - \$nil). For the year ended December 31, 2021, \$1,614 of amortization of the credit facility's deferred financing costs are included in net interest expense and other financing charges (December 31, 2020 - \$1,430). The unamortized balance for debt placement costs at December 31, 2021 of \$3,555 have been included in other assets (Note 13) (2020 - \$3,337).

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

During the year ended December 31, 2021, the maturity date for the credit facility was extended to June 24, 2026.

Note 16. 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 December 31, 2021		As at December 31, 2020	
(\$ thousands except where otherwise indicated)		Units	Amount	Units	Amount
Units, beginning of year		326,941,663	\$ 3,652,620	310,292,869	\$ 3,409,836
Units issued to related party as part of investment properties acquisition		—	—	16,500,000	208,935
Distribution in Units		—	—	2,277,457	29,425
Consolidation of Units		—	—	(2,277,457)	—
Units issued under unit-based compensation arrangements	19	837,071	9,332	307,877	4,841
Reclassification of vested Unit-Settled Restricted Units liability to equity		—	1,548	—	1,929
Units repurchased for unit-based compensation arrangements	19	(189,887)	(2,559)	(159,083)	(2,346)
Units, end of year		327,588,847	\$ 3,660,941	326,941,663	\$ 3,652,620
Exchangeable Units, beginning of year		395,786,525	\$ 5,149,182	389,961,783	\$ 5,424,368
Units issued to related party as part of investment properties acquisition		—	—	5,824,742	79,100
Adjustment to fair value of Exchangeable Units		—	862,815	—	(354,286)
Exchangeable Units, end of year		395,786,525	\$ 6,011,997	395,786,525	\$ 5,149,182
Total Units and Exchangeable Units, end of year		723,375,372		722,728,188	

Units Issued to Related Party as part of Investment Properties Acquisition

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

Distribution in Units and Consolidation of Units

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

Normal Course Issuer Bid ("NCIB")

Choice Properties may from time to time purchase Units in accordance with the rules prescribed under applicable stock exchange or regulatory policies. On November 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 19).

Units Repurchased for Unit-Based Compensation Arrangement

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

Distributions

Choice Properties' Board retains full discretion with respect to the timing and quantum of distributions, however the total income distributed will not be less than the amount necessary to ensure the Trust will not be liable to pay income taxes under Part I of the *Income Tax Act (Canada)* (Note 17). 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 year ended December 31, 2021, Choice Properties declared cash distributions of \$0.740 per unit (December 31, 2020 - \$0.740), or \$535,104 in aggregate, including distributions to holders of Exchangeable Units, which are reported as interest expense (December 31, 2020 - \$554,157). 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.

Base Shelf Prospectus

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

Note 17. Income Taxes

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

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

(\$ thousands)	Year Ended	
	December 31, 2021	December 31, 2020
Current income tax recovery (expense)	\$ (13)	\$ 226
Deferred income tax recovery	692	1,571
Income tax recovery	\$ 679	\$ 1,797

A deferred income tax asset of \$2,673 (Note 13) was recognized due to temporary differences between the carrying value and the tax basis of net assets held in the Trust’s taxable subsidiaries (December 31, 2020 - \$1,981).

Note 18. Trade Payables and Other Liabilities

(\$ thousands)	Note	As at	As at
		December 31, 2021	December 31, 2020
Trade accounts payable		\$ 40,283	\$ 20,493
Accrued liabilities and provisions		106,744	108,016
Accrued acquisition transaction costs and other related expenses		38,643	38,655
Accrued capital expenditures ⁽ⁱ⁾		67,967	59,765
Accrued interest expense		53,402	57,171
Due to related party ⁽ⁱⁱ⁾	33	193,927	121,264
Contingent consideration		38,843	—
Unit-based compensation	19	14,285	12,930
Distributions payable ⁽ⁱⁱⁱ⁾		20,344	20,344
Right-of-use lease liabilities		1,920	4,224
Tenant deposits		21,960	19,867
Deferred revenue		20,162	20,710
Designated hedging derivatives	28	1,925	6,560
Trade payables and other liabilities		\$ 620,405	\$ 489,999
Classified as:			
Non-current		\$ 22,332	\$ 13,734
Current		598,073	476,265
		\$ 620,405	\$ 489,999

(i) Includes payable to Loblaw of \$nil for construction allowances (December 31, 2020 - \$7,869) (Note 33).

(ii) Includes distributions accrued on Exchangeable Units of \$192,741 payable to GWL (December 31, 2020 - \$120,598); \$835 payable for shared costs incurred by GWL, the Services Agreement expense and other related party charges (December 31, 2020 - \$332); and \$351 of reimbursed contract revenue and other related party charges payable to Loblaw (December 31, 2020 - \$334).

(iii) Includes distributions payable to GWL of \$3,124 and Wittington of \$1,018 (December 31, 2020 - \$3,124 and \$1,018) (Note 33).

Contingent Consideration

On March 30, 2021, the Trust acquired an 85% interest in future industrial development land in Caledon, Ontario, for \$138,000 (Note 4). The purchase price comprised a \$100,000 cash payment and a commitment to pay the remaining \$38,000 balance based on certain milestones being met over the development lifecycle, which represented the then present value of the estimated amount payable. The present value of the estimated amount payable is \$38,843 as at December 31, 2021.

Note 19. Unit-Based Compensation

(\$ thousands)	Year Ended	
	December 31, 2021	December 31, 2020
Unit Option plan	\$ 662	\$ 202
Restricted Unit plans	3,592	3,495
Performance Unit plan	970	503
Trustee Deferred Unit plan	1,961	1,144
Unit-based compensation expense	\$ 7,185	\$ 5,344
Recorded in:		
General and administrative expenses	\$ 5,605	\$ 4,838
Adjustment to fair value of unit-based compensation	1,580	506
	\$ 7,185	\$ 5,344

As at December 31, 2021, the carrying value of the unit-based compensation liability was \$14,285 (December 31, 2020 - \$12,930) (Note 18).

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:

	Year ended December 31, 2021		Year ended December 31, 2020	
	Number of awards	Weighted average exercise price/unit	Number of awards	Weighted average exercise price/unit
Outstanding Unit Options, beginning of year	1,082,640	\$ 12.54	1,287,314	\$ 12.51
Exercised	(647,184)	12.34	(148,794)	12.09
Cancelled	—	—	(54,414)	13.15
Expired	—	—	(1,466)	13.93
Outstanding Unit Options, end of year	435,456	\$ 12.84	1,082,640	\$ 12.54
Unit Options exercisable, end of year	292,592	\$ 13.13	706,804	\$ 12.56

The assumptions used to measure the fair value of the Unit Options under the Black-Scholes model (level 2) were as follows:

	As at December 31, 2021	As at December 31, 2020
Expected average distribution yield	5.03%	5.54%
Expected average Unit price volatility	13.38% - 21.46%	15.58% - 35.02%
Average risk-free interest rate	0.001% - 0.84%	0.01% - 0.27%
Expected average remaining life of options	0.1 - 1.7 Years	0.1 - 2.7 Years

The following table details the Unit Options outstanding as at December 31, 2021:

Exercise Price	Expiry Date	Number of Unit Options outstanding as at December 31, 2021	Remaining weighted average life (in years)
\$14.21	2024	174,454	2.2
\$11.92	2025	261,002	3.2
\$11.92 to \$14.21		435,456	2.7

Restricted Unit Plans

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

Restricted Unit Plan

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

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

(Number of awards)	Year Ended December 31, 2021	Year ended December 31, 2020
Outstanding Restricted Units, beginning of year	405,713	484,544
Granted	119,134	69,227
Reinvested	22,014	24,451
Exercised	(104,563)	(161,044)
Cancelled	(2,724)	(11,465)
Outstanding Restricted Units, end of year	439,574	405,713

Unit-Settled Restricted Unit Plan

Under the terms of the Unit-Settled Restricted Unit (“URU”) plan, certain employees are granted URUs which are subject to vesting conditions and disposition restrictions. Typically, full vesting of the URUs will not occur until the employee has remained with Choice Properties for three or five years from the date of grant. Depending on the nature of the grant, the URUs are subject to a six- or seven-year holding period during which the Units cannot be disposed. There were 996,896 URUs vested but still subject to disposition restrictions as at December 31, 2021 (December 31, 2020 - 764,385).

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

(Number of awards)	Year Ended December 31, 2021	Year ended December 31, 2020
Outstanding Unit-Settled Restricted Units, beginning of year	588,534	624,419
Granted	189,887	159,083
Vested	(177,502)	(194,968)
Outstanding Unit-Settled Restricted Units, end of year	600,919	588,534

Performance Unit Plan

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

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

	Year Ended	Year ended
(Number of awards)	December 31, 2021	December 31, 2020
Outstanding Performance Units, beginning of year	135,695	103,868
Granted	82,847	59,273
Reinvested	9,403	7,241
Exercised	(30,336)	(40,205)
Cancelled	—	(3,543)
Added by performance factor	—	9,061
Outstanding Performance Units, end of year	197,609	135,695

Trustee Deferred Unit Plan

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

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

	Year Ended	Year ended
(Number of awards)	December 31, 2021	December 31, 2020
Outstanding Trustee Deferred Units, beginning of year	368,290	277,139
Granted	82,969	76,632
Reinvested	18,942	17,338
Exercised	(80,739)	(2,819)
Outstanding Trustee Deferred Units, end of year	389,462	368,290

Note 20. Rental Revenue

Rental revenue is comprised of the following:

(\$ thousands)	Related Parties ⁽ⁱ⁾	Third-party	Year ended December 31, 2021	Related Parties ⁽ⁱ⁾	Third-party	Year ended December 31, 2020
Base rent	\$ 526,632	\$ 357,396	\$ 884,028	\$ 526,348	\$ 347,929	\$ 874,277
Property tax and insurance recoveries	146,172	100,301	246,473	146,407	96,882	243,289
Operating cost recoveries	62,999	86,091	149,090	57,138	86,034	143,172
Lease surrender and other revenue	1,798	10,932	12,730	27	9,849	9,876
Rental revenue	\$ 737,601	\$ 554,720	\$ 1,292,321	\$ 729,920	\$ 540,694	\$ 1,270,614

(i) Refer to Note 33, 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.

Future base rent revenue, excluding adjustments for straight-line rent, for the years ended December 31 is as follows:

(\$ thousands)	
2022	\$ 867,113
2023	820,128
2024	740,737
2025	669,301
2026	584,151
Thereafter	1,955,021
Total	\$ 5,636,451

Note 21. Property Operating Costs

(\$ thousands)	Year Ended	
	December 31, 2021	December 31, 2020
Property taxes and insurance	\$ 261,905	\$ 256,930
Recoverable operating costs	111,404	103,310
Non-recoverable operating costs	6,997	23,776
Property operating costs	\$ 380,306	\$ 384,016

Included in non-recoverable operating expenses are expected credit losses of \$4,388 for the year ended December 31, 2021, respectively (2020 - \$21,694, respectively). Refer to Note 13 for discussion on rents receivable and the related expected credit losses.

Note 22. Interest Income

(\$ thousands)	Note	Year Ended	
		December 31, 2021	December 31, 2020
Interest income from mortgages and loans receivable	11	\$ 11,224	\$ 12,309
Interest income earned from financial real estate assets		4,295	1,741
Interest income (expense) from financial real estate assets due to changes in value	9	2,556	(1,148)
Other interest income		2,004	737
Interest income		\$ 20,079	\$ 13,639

Note 23. Fee Income

(\$ thousands)	Note	Year Ended	
		December 31, 2021	December 31, 2020
Fees charged to related party	33	\$ 315	\$ 858
Fees charged to third parties		3,486	3,558
Fee income		\$ 3,801	\$ 4,416

Note 24. Net Interest Expense and Other Financing Charges

(\$ thousands)	Note	Year Ended	
		December 31, 2021	December 31, 2020
Interest on senior unsecured debentures		\$ 186,671	\$ 189,978
Fees incurred on early repayment of debentures		1,512	6,763
Interest on mortgages and construction loans		46,260	48,960
Interest on credit facility		4,275	7,316
Interest on right-of-use lease liabilities		147	216
Amortization of debt discounts and premiums	14	687	(1,806)
Amortization of debt placement costs	14,15	4,731	4,592
Distributions on Exchangeable Units ⁽ⁱ⁾	33	292,884	288,932
		537,167	544,951
Less: Capitalized interest ⁽ⁱⁱ⁾	5	(2,642)	(4,231)
Net interest expense and other financing charges		\$ 534,525	\$ 540,720

(i) Represents interest on indebtedness due to GWL.

(ii) Interest was capitalized to qualifying development projects based on a weighted average interest rate of 3.64% (2020 - 3.70%).

Note 25. General and Administrative Expenses

(\$ thousands)	Note	Year Ended	
		December 31, 2021	December 31, 2020
Salaries, benefits and employee costs		\$ 51,302	\$ 47,940
Investor relations and other public entity costs		2,616	2,318
Professional fees		4,079	4,506
Information technology costs		6,324	4,460
Services Agreement charged by related party	33	3,094	3,095
Amortization of other assets		1,294	548
Office related costs		2,861	2,590
Other		483	901
Total general and administrative expenses		72,053	66,358
Less:			
Capitalized to investment properties		(7,076)	(6,682)
Allocated to recoverable operating expenses		(24,060)	(22,958)
General and administrative expenses		\$ 40,917	\$ 36,718

Note 26. Other Fair Value Gains (Losses), Net

(\$ thousands)	Note	Year Ended	
		December 31, 2021	December 31, 2020
Adjustment to fair value of unit-based compensation	19	\$ (1,580)	\$ (506)
Fair value gain from release of holdback payable	18	—	6,750
Adjustment to fair value on mortgage receivable classified as FVTPL	11	—	(4,034)
Other fair value gains (losses), net		\$ (1,580)	\$ 2,210

Note 27. Financial Risk Management

As a result of holding and issuing financial instruments, Choice Properties is exposed to credit risk, market risk and liquidity and capital availability risk. The following is a description of those risks and how the exposures are managed:

a. Credit Risk

Choice Properties is exposed to credit risk resulting from the possibility that counterparties could default on their financial obligations to Choice Properties. Exposure to credit risk relates to rent receivables, cash and cash equivalents, short-term investments, security deposits, derivatives, and mortgages, loans and notes receivable.

Choice Properties mitigates the risk of credit loss related to rent receivables by evaluating the creditworthiness of new tenants, obtaining security deposits wherever permitted by legislation, ensuring its tenant mix is diversified and by limiting its exposure to any one tenant (except Loblaw). Choice Properties establishes for expected credit losses with respect to rent receivables. The allowance is determined on a tenant-by-tenant basis based on the specific factors related to the tenant.

The risk related to cash and cash equivalents, short-term investments, security deposits, and derivatives is reduced by policies and guidelines that require Choice Properties to enter into transactions only with Canadian financial and government institutions that have a minimum short-term rating of "A-2" and a long-term credit rating of "A-" from S&P or an equivalent credit rating from another recognized credit rating agency and by placing minimum and maximum limits for exposures to specific counterparties and instruments.

The risk related to its mortgages, loans and notes receivable arise in the event that the borrowers default on the repayment of such financing. Choice Properties has established a program with a group of strategic development partners whereby the Trust provides financing in the form of mezzanine loans, joint venture financing, vendor take-back financing and other arrangements. In exchange, the Trust generally receives an option or other rights to acquire an

interest in real property assets. The Trust mitigates this risk by ensuring the loans are well secured by real property assets and by obtaining guarantees where necessary.

Despite such mitigation efforts, if Choice Properties' counterparties default, it could have a material adverse impact on Choice Properties' financial condition or results of operations and its ability to make distributions to Unitholders.

b. Market Risk

Interest Rate Risk

Choice Properties requires extensive financial resources to complete the implementation of its strategy. Successful implementation of Choice Properties' strategy will require cost effective access to additional funding. There is a risk that interest rates may increase which could impact long-term borrowing costs and negatively impact financial performance.

The majority of Choice Properties' debt is financed at fixed rates with maturities staggered over 28 years, thereby mitigating the exposure to near term changes in interest rates. To the extent that Choice Properties incurs variable rate indebtedness (such as borrowings under the Revolving Credit Facility), this will result in fluctuations in Choice Properties' cost of borrowing as interest rates change. If interest rates rise, Choice Properties' operating results and financial condition could be materially adversely affected and the amount of cash available for distribution to Unitholders would decrease.

Choice Properties' Revolving Credit Facility and the Debentures also contain covenants that require it to maintain certain financial ratios on a consolidated basis. If Choice Properties does not maintain such ratios, its ability to make distributions to Unitholders may be limited or suspended.

Choice Properties analyzes its interest rate risk and the impact of rising and falling interest rates on operating results and financial condition on a regular basis. An increase of 1.0% per annum in the variable component of the interest rate for the credit facility would result in an increase to liabilities and a decrease in net income of \$15,000 (2020 - \$15,000) (assuming fully drawn credit facility).

Unit Price Risk

Choice Properties is exposed to Unit price risk as a result of the issuance of the Exchangeable Units, which are economically equivalent to and exchangeable for Units, as well as the issuance of unit-based compensation. The Exchangeable Units and unit-based compensation liabilities are recorded at their fair value based on market trading prices. The Exchangeable Units and unit-based compensation negatively impact net income when the Unit price rises and positively impact net income when the Unit price declines.

An increase of \$1.00 in the underlying price of Choice Properties' Units would result in an increase to liabilities and decrease in net income due to Exchangeable Units of \$395,787 (2020 - \$395,787) and Unit-based compensation liabilities of \$1,299 (2020 - \$1,568).

c. Liquidity and Capital Availability Risk

Liquidity risk is the risk that Choice Properties cannot meet a demand for cash or fund its obligations as they come due. Although a portion of the cash flows generated by the Properties is devoted to servicing such outstanding debt, there can be no assurance that Choice Properties will continue to generate sufficient cash flows from operations to meet interest payments and principal repayment obligations upon an applicable maturity date. If Choice Properties is unable to meet interest payments or principal repayment obligations, it could be required to renegotiate such payments or issue additional equity or debt or obtain other financing. The failure of Choice Properties to make or renegotiate interest or principal payments or issue additional equity or debt or obtain other financing could materially adversely affect Choice Properties' financial condition and results of operations and decrease or eliminate the amount of cash available for distribution to Unitholders.

The real estate industry is highly capital intensive. Choice Properties requires access to capital to fund operating expenses, property maintenance costs, development spending, other capital expenditures, and to refinance indebtedness. Although Choice Properties expects to have access to the Revolving Credit Facility, there can be no assurance that it will otherwise have access to sufficient capital or access to capital on favourable terms. Further, in certain circumstances, Choice Properties may not be able to borrow funds due to limitations set forth in the Declaration of Trust, the Indenture, as supplemented by the Supplemental Indenture, and the Fifth Supplemental Assumed Indenture. Failure by Choice Properties to access required capital could have a material adverse effect on its financial condition or results of operations and its ability to make distributions to Unitholders.

Notes to the Consolidated Financial Statements

Liquidity and capital availability risks are mitigated by maintaining appropriate levels of liquidity, by diversifying the Trust's sources of funding, by maintaining a well-diversified debt maturity profile and actively monitoring market conditions.

The undiscounted future principal and interest payments on Choice Properties' debt instruments are as follows:

(\$ thousands)	2022	2023	2024	2025	2026	Thereafter	Total
Senior unsecured debentures	\$ 482,630	\$ 740,990	\$ 896,052	\$ 665,996	\$ 451,680	\$ 2,954,742	\$ 6,192,090
Mortgages payable	253,498	109,860	186,130	174,880	81,390	508,787	1,314,545
Construction loans ⁽ⁱ⁾	4,686	—	—	—	—	8,220	12,906
Credit facility ⁽ⁱ⁾	—	—	—	—	—	—	—
Total	\$ 740,814	\$ 850,850	\$ 1,082,182	\$ 840,876	\$ 533,070	\$ 3,471,749	\$ 7,519,541

(i) Excludes interest on the revolving credit facility and construction loans at a floating interest rate.

Note 28. 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 December 31, 2021				As at December 31, 2020			
(\$ thousands)	Note	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets									
Fair value through profit and loss:									
Mortgages, loans and notes receivable	11	\$ —	\$ —	\$ 96,623	\$ 96,623	\$ —	\$ —	\$ 53,588	\$ 53,588
Lease receivable	13	—	—	22,351	22,351	—	—	19,405	19,405
Financial real estate assets	9	—	—	86,603	86,603	—	—	68,373	68,373
Designated hedging derivatives	13	—	3,266	—	3,266	—	377	—	377
Amortized cost:									
Mortgages, loans and notes receivable - SPPI	11	—	—	257,800	257,800	—	—	208,700	208,700
Cash and cash equivalents	30 (c)	84,304	—	—	84,304	207,219	—	—	207,219
Liabilities									
Fair value through profit and loss:									
Exchangeable Units	16	6,011,997	—	—	6,011,997	5,149,182	—	—	5,149,182
Unit-based compensation	18	—	14,285	—	14,285	—	12,930	—	12,930
Designated hedging derivatives	18	—	1,925	—	1,925	—	6,560	—	6,560
Amortized cost:									
Long term debt	14	—	6,526,570	—	6,526,570	—	7,071,105	—	7,071,105
Credit facility	15	—	—	—	—	—	—	—	—

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 year ended December 31, 2021, an interest rate swap was settled upon maturity of the underlying variable rate mortgage. As at December 31, 2021, the interest rates ranged from 2.8% to 4.4% (December 31, 2020 - 1.8% to 4.4%).

Notes to the Consolidated Financial Statements

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

(\$ thousands)	Note	Maturity Date	Notional Amount	As at December 31, 2021	As at December 31, 2020
Derivative assets					
Interest rate swaps	13	Sep 2026 - Jun 2030	\$ 69,878	\$ 3,266	\$ 377
Derivative liabilities					
Interest rate swaps	18	Mar 2022 - Nov 2025	131,568	1,925	6,560

During the year ended December 31, 2021, the Trust recorded an unrealized fair value gain in OCI of \$6,343 (December 31, 2020 - fair value loss of \$3,554).

Note 29. Capital Management

In order to maintain or adjust its capital structure, Choice Properties may issue new Units and debt, repay debt, or adjust the amount of distributions paid to Unitholders. Choice Properties manages its capital structure with the objective of:

- complying with the guidelines set out in its Declaration of Trust;
- complying with debt covenants;
- maintaining credit rating metrics consistent with those of investment grade REITs;
- ensuring sufficient liquidity is available to support its financial obligations and to execute its operating and strategic plans;
- maintaining financial capacity and flexibility through access to capital to support future growth and development; and
- minimizing its cost of capital while taking into consideration current and future industry, market and economic risks and conditions.

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

Financing activity during the year ended December 31, 2021 and 2020, consisted of the repayment and issuance of various senior unsecured debentures (Note 14) and the issuance of Trust and Exchangeable Units as consideration for investment property acquisitions (Notes 4 and 16).

Choice Properties has certain key covenants in its debentures and its committed credit facility. The key financial covenants include debt service ratios and leverage ratios, as defined in the respective agreements. These ratios are measured by the Trust on an ongoing basis to ensure compliance with the agreements. Choice Properties was in compliance with each of the key financial covenants under these agreements as at December 31, 2021 and December 31, 2020.

The following schedule details the capitalization of Choice Properties:

(\$ thousands)	Note	As at December 31, 2021	As at December 31, 2020
Liabilities			
Senior unsecured debentures	14	\$ 5,125,000	\$ 5,275,000
Mortgages payable	14	1,112,310	1,206,638
Construction loans	14	12,906	25,193
Exchangeable units	16	6,011,997	5,149,182
Equity			
Unitholders' equity	16	3,310,191	3,514,739
Non-controlling interests	16	—	7,801
Total		\$ 15,572,404	\$ 15,178,553

Note 30. Supplemental Cash Flow Information**(a) Items not affecting cash and other items**

(\$ thousands)	Note	Year Ended	
		December 31, 2021	December 31, 2020
Straight line rental revenue	5	\$ (7,893)	\$ (13,946)
Unit based compensation expense included in general and administrative expenses	19	5,605	4,838
Reversal of (allowance for) expected credit loss on mortgage receivable	11	(1,502)	7,830
Amortization of intangible assets	12	1,000	1,000
Foreign exchange gain reclassified from other comprehensive income		—	(1,184)
Adjustment to fair value of Exchangeable Units	16	862,815	(354,286)
Adjustment to fair value of investment properties	5	(458,817)	220,018
Other fair value (gains) losses, net	26	1,580	(2,210)
Items not affecting cash and other items		\$ 402,788	\$ (137,940)

(b) Net change in non-cash working capital

(\$ thousands)	Note	Year Ended	
		December 31, 2021	December 31, 2020
Net change in accounts receivable and other assets	13	\$ 1,780	\$ (43,825)
Add back (deduct):			
Additions to (disposition of) right of use assets	13	(1,518)	(1,841)
Additions to lease receivable	13	—	19,468
Transfer from mortgage receivable	11	—	500
Cost-to-complete receivable acquired	4	—	16,404
Accounts receivable and other assets transferred from equity accounted joint venture	13	—	765
Net change in deferred financing costs included in other assets	13	218	3,337
Change to designated hedging derivative assets	13	2,889	195
Net change in trade payables and other liabilities	18	130,406	(23,125)
Add back (deduct):			
Disposition of (additions to) lease liabilities	18	1,684	1,921
Net change in distributions payable	18	—	(1,018)
Net change in unit-based compensation liability	18	(1,355)	(1,522)
Net change to accrued interest expense		(68,448)	53,506
Contingent consideration payable recognized on acquisition within equity accounted joint venture	4	(38,843)	—
Trade payables and other liabilities transferred from equity accounted joint venture	4	(1,235)	(7,003)
Liability assumed on acquisition of investment property	5	(3,182)	(2,400)
Change to designated hedging derivative liabilities	18	4,635	(3,749)
Release of holdback payable	19, 27	—	6,750
Impact of foreign exchange rate changes		(166)	(126)
Impact of currency translation		—	3,420
Net change in non-cash working capital		\$ 26,865	\$ 21,657

(c) Cash and cash equivalents

(\$ thousands)	As at	
	December 31, 2021	December 31, 2020
Cash	\$ 84,304	\$ 72,248
Short-term investments	—	134,971
Cash and cash equivalents	\$ 84,304	\$ 207,219

Note 31. Segment Information

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

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

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

(\$ thousands)	Retail	Industrial	Office	Consolidation and eliminations ⁽ⁱ⁾	Year ended December 31, 2021
Rental revenue	\$ 1,029,532	\$ 196,541	\$ 127,584	\$ (61,336)	\$ 1,292,321
Property operating costs	(297,429)	(50,976)	(53,286)	21,385	(380,306)
Net Operating Income, Accounting Basis	732,103	145,565	74,298	(39,951)	912,015
Less:					
Straight line rental revenue	(2,747)	(5,218)	(2,139)	2,211	(7,893)
Lease surrender revenue	(2,758)	(47)	(1,558)	—	(4,363)
Net Operating Income, Cash Basis	726,598	140,300	70,601	(37,740)	899,759
Add back: cash basis reconciling items					12,256
Net operating income, accounting basis					912,015
Interest income					20,079
Fee income					3,801
Net interest expense and other financing charges					(534,525)
General and administrative expenses					(40,917)
Reversal of (allowance for) expected credit loss on mortgage receivable					1,502
Share of income (loss) from equity accounted joint ventures					66,952
Amortization of intangible assets					(1,000)
Other fair value gains (losses), net					(1,580)
Adjustment to fair value of Exchangeable Units					(862,815)
Adjustment to fair value of investment properties					458,817
Income (Loss) before income taxes					22,329
Income tax recovery					679
Net Income (Loss)					\$ 23,008

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

Notes to the Consolidated Financial Statements

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

(\$ thousands)	Retail	Industrial	Office	Consolidation and eliminations ⁽ⁱ⁾	Year ended December 31, 2020
Rental revenue	\$ 1,042,088	\$ 176,631	\$ 113,938	\$ (62,043)	\$ 1,270,614
Property operating costs	(314,602)	(46,700)	(44,841)	22,127	(384,016)
Net Operating Income, Accounting Basis	727,486	129,931	69,097	(39,916)	886,598
Less:					
Straight line rental revenue	(8,538)	(4,172)	(3,403)	2,167	(13,946)
Lease surrender revenue	(1,053)	(989)	(278)	362	(1,958)
Net Operating Income, Cash Basis	717,895	124,770	65,416	(37,387)	870,694
Add back: cash basis reconciling items					15,904
Net operating income, accounting basis					886,598
Interest income					13,639
Fee income					4,416
Net interest expense and other financing charges					(540,720)
General and administrative expenses					(36,718)
Reversal of (allowance for) expected credit loss on mortgage receivable					(7,830)
Share of income (loss) from equity accounted joint ventures					(5,570)
Amortization of intangible assets					(1,000)
Foreign exchange gain reclassified from other comprehensive income					1,184
Acquisition transaction costs and other related expenses					(1,589)
Other fair value gains (losses), net					2,210
Adjustment to fair value of Exchangeable Units					354,286
Adjustment to fair value of investment properties					(220,018)
Income (Loss) before income taxes					448,888
Income tax recovery					1,797
Net Income (Loss)					\$ 450,685

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

Note 32. 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 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 December 31, 2021, the aggregate gross potential liability related to these letters of credit totalled \$32,579 (December 31, 2020 - \$33,916). In the current year, the letter of credit posted by Loblaw on behalf of Choice Properties was cancelled, the remaining balance is \$nil (December 31, 2020 - \$1,543).

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

CPH Master LP guarantees certain debt assumed by purchasers in connection with past dispositions of properties made by Canadian Real Estate Investment Trust prior to being acquired by the Trust in May 2018. These guarantees will remain until the debt is modified, refinanced or extinguished. Credit risks arise in the event that the purchasers default on repayment of their debt. These credit risks are mitigated by the recourse which the Trust has under these guarantees, in which case the Trust would have a claim against the underlying property. In the current year, the debt associated with such guarantees has been fully repaid. Therefore, the remaining exposure to credit risk is \$nil. (December 31, 2020 - \$35,671).

c. Commitments

Choice Properties has entered into contracts for development and property capital projects and has other contractual obligations such as operating rents. The Trust is committed to future payments of approximately \$436,000, of which \$26,000 relates to equity accounted joint ventures as at December 31, 2021 (December 31, 2020 - \$376,000 and \$55,000, respectively).

d. Contingent Liabilities

The Trust held debt obligations in the amount of \$250,051 in its equity accounted joint ventures as at December 31, 2021 (December 31, 2020 - \$191,873). Generally, the Trust is only liable for its proportionate share of the obligations of the co-ownerships and equity accounted joint ventures in which it participates, except in limited circumstances. Credit risk arises in the event that the partners default on the payment of their proportionate share of such obligations. This credit risk is mitigated as the Trust generally has recourse under its co-ownership agreements and joint venture arrangements in the event of default of its partners, in which case the Trust's claim would be against both the underlying real estate investments and the partners that are in default. Management believes that the assets of its co-ownerships and joint ventures are sufficient for the purpose of satisfying any obligation of the Trust should the Trust's partner default.

Note 33. Related Party Transactions

Choice Properties' parent corporation is GWL, which as at December 31, 2021, held either directly or indirectly, a 61.7% effective interest in the Trust through ownership of 50,661,415 Units and all of the Exchangeable Units, which are economically equivalent to and exchangeable to Units. GWL is also the parent company of Loblaw, with ownership of 52.6% of Loblaw's outstanding common shares as at December 31, 2021. Choice Properties' ultimate parent is Wittington Investments, Limited.

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

Transactions and Agreements with GWL

Acquisitions

During the year ended December 31, 2020, Choice Properties acquired six industrial assets from Weston Foods (Canada) Inc., a wholly-owned subsidiary of GWL, a purchase price of \$81,500, excluding transaction costs. The acquisition was satisfied in full through the issuance of 5,824,742 Exchangeable Units for \$79,100 (Notes 4 and 16) and assumed liabilities of \$2,400 (Note 4). Weston Foods (Canada) Inc. amalgamated with George Weston Limited in July 2021 and the Exchangeable Units held by Weston Foods (Canada) Inc. were transferred to GWL. On December 29, 2021, GWL completed the sale of its entire Weston Foods bakery business and any leases with Weston Foods (Canada) Inc. were transferred to a third-party buyer as part of the sale.

Services Agreement

For the year ended December 31, 2021, GWL provided Choice Properties with corporate, administrative and other support services for an annualized cost of \$3,094 (2020 - \$3,095).

Operating Lease

Effective January 1, 2018, Choice Properties entered into a sub-lease for additional office space with Weston Foods, a subsidiary of GWL, with a term effective until the end of the existing lease in 2024. Over the term of the sub-lease, lease payments will total \$1,282. On July 31, 2020, the Trust acquired the office building in which it was sub-leasing the office space from Weston Foods.

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 year ended December 31, 2021, distributions declared on the Exchangeable Units totalled \$292,884 (December 31, 2020 - \$288,932).

As at December 31, 2021, Choice Properties had distributions on Exchangeable Units payable to GWL of \$192,741 (December 31, 2020 - 120,598). The payable to GWL includes deferred distributions of \$168,334 to be paid on the first business day of the 2022 fiscal year (December 31, 2020 - \$96,191; 2021).

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 seven months ended July 31, 2021, GWL elected to receive all distributions from Choice Properties Limited Partnership in the form of loans. For the remainder of the year ended December 31, 2021, GWL elected to receive the distributions in cash. As such, non-interest bearing short-term notes totalling \$170,849 were issued to GWL during the year ended December 31, 2021. \$2,515 of the notes issued were repaid in August 2021 and the remaining \$168,334 were repaid in January 2022. Non-interest bearing short-term notes totalling \$96,191 with respect to the loans received in the 2020 fiscal year were repaid by GWL in January 2021.

Trust Unit Distributions

During the year ended December 31, 2021, Choice Properties declared cash distributions of \$37,490 on the Units held by GWL (December 31, 2020 - \$37,490). As at December 31, 2021, \$3,124 of Trust Unit distributions declared were payable to GWL (December 31, 2020 - \$3,124). There were no non-cash distributions settled through the issuance of additional Trust Units during the year ended December 31, 2021 (December 31, 2020 - \$4,660).

Transaction Summary as Reflected in the Consolidated Financial Statements

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

(\$ thousands)	Note	Year Ended	
		December 31, 2021	December 31, 2020
Rental revenue	20	\$ 13,995	\$ 4,971
Services Agreement expense	25	(3,094)	(3,095)
Distributions on Exchangeable Units	24	(292,884)	(288,932)

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

(\$ thousands)	Note	As at	
		December 31, 2021	December 31, 2020
Notes receivable	11	\$ 168,334	\$ 96,191
Rent receivable	13	—	13
Exchangeable Units	16	(6,011,997)	(5,149,182)
Accrued liabilities	18	(835)	(332)
Distributions payable on Exchangeable Units	18	(192,741)	(120,598)
Distributions payable on Trust Units	18	(3,124)	(3,124)
Due to GWL and subsidiaries		\$ (6,040,363)	\$ (5,177,032)

Transactions and Agreements with Loblaw
Acquisitions

During year ended December 31, 2021, Choice Properties acquired a financial real estate asset from Loblaw for a purchase price of \$14,777, excluding transaction costs (Note 4).

During the year ended December 31, 2020, Choice Properties acquired a development property from Loblaw for a purchase price of \$8,100, excluding transaction costs. Choice Properties also acquired from Loblaw five financial real estate assets for a purchase price of \$45,673, excluding transaction costs. Each acquisition was settled with cash (Note 4).

Dispositions

During year ended December 31, 2021, Choice Properties disposed of 2 retail properties which had Loblaw leases for an aggregate sale price of \$33,500, excluding transaction costs.

During the year ended December 31, 2020, Choice Properties disposed interests in 17 retail properties which had Loblaw leases for an aggregate sale price of \$263,440, excluding transaction costs.

Strategic Alliance Agreement

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

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

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

Property Management Agreement

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

Lease Surrender Payments

During the year ended December 31, 2021, Loblaw made lease surrender payments of \$1,764 to the Trust (December 31, 2020 - \$nil).

Sublease Administration Agreement

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

Site Intensification Payments

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

Choice Properties compensated Loblaw with intensification payments of \$2,208 in connection with completed gross leasable area for which tenants took possession during the year ended December 31, 2021 (December 31, 2020 - \$995).

Letters of Credit

As at December 31, 2021, letters of credit totalling \$nil were posted by Loblaw with the Province of Ontario and City of Toronto on behalf of Choice Properties related to deferral of land transfer tax on properties acquired from Loblaw (December 31, 2020 - \$1,543) (Note 32).

Transaction Summary as Reflected in the Consolidated Financial Statements

Loblaw is the largest tenant for Choice Properties, representing approximately 55.9% of Choice Properties' rental revenue for the year ended December 31, 2021 (December 31, 2020 - 57.0%) and 56.0% of its gross leasable area as at December 31, 2021 (December 31, 2020 - 55.3%). Transactions with Loblaw recorded in the consolidated statements of income (loss) and comprehensive income (loss) were comprised as follows:

(\$ thousands)	Note	Year Ended	
		December 31, 2021	December 31, 2020
Rental revenue	20	\$ 721,994	\$ 724,292
Fee income	23	65	858

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

(\$ thousands)	Note	As at	As at
		December 31, 2021	December 31, 2020
Rent receivable	13	\$ 1,474	\$ 36
Other receivables	13	2,044	—
Accrued liabilities	18	(85)	(26)
Construction allowances payable	18	—	(7,869)
Reimbursed contract payable	18	(266)	(308)
Due from (to) Loblaw		\$ 3,167	\$ (8,167)

Transactions and Agreements with Wittington

Acquisitions

On July 31, 2020, Choice Properties acquired two real estate assets from Wittington Properties Limited, a subsidiary of Wittington, for an aggregate purchase price of \$208,935, excluding transaction costs, which was satisfied in full by the issuance of 16,500,000 Units of Choice Properties. The transaction was measured at market terms and conditions. The assets acquired included: (i) an office property in Toronto, Ontario, for \$128,500 and (ii) the remaining 60% interest of the joint venture for 500 Lake Shore Boulevard West in Toronto, Ontario, for \$80,435, less a cost-to-complete receivable of

Notes to the Consolidated Financial Statements

\$16,404, giving the Trust 100% ownership of the joint venture (Note 4).

Operating Lease

Choice Properties was a tenant in an acquired office asset in Toronto, Ontario, having entered into a ten-year lease with Wittington Properties Limited, in 2014, with lease payments totalling \$2,664 over the term of the lease. As of the acquisition date, Choice Properties derecognized its right-of-use assets and lease liabilities associated with the office lease and ceased paying rent to Wittington Properties Limited.

Property Management Agreement

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

Joint Venture

On December 9, 2014, Choice Properties and its joint venture partner, Wittington Properties Limited, completed the acquisition of 500 Lake Shore Boulevard West in Toronto, Ontario, for \$15,576 from Loblaw. Choice Properties accounted for its investment in the joint venture as an equity accounted joint venture until July 31, 2020, when the Trust acquired the remaining 60% interest from Wittington Properties Limited, after which the 100% owned joint venture is accounted for on a consolidated basis. Wittington Properties Limited continued to act as development and construction manager for the commercial space at 500 Lake Shore Boulevard West until the development was completed.

Choice Properties contributed \$6,200 to the joint venture and received distributions of \$nil during the year ended December 31, 2020. The joint venture earned interest income during the year ended December 31, 2020 of \$2,102.

Summarized financial information for the Trust's share of the related party equity accounted joint venture is set out below:

(\$ thousands)	Year Ended	
	December 31, 2021	December 31, 2020
Share of income (loss) and comprehensive income (loss) in equity accounted joint venture at 40%	\$ —	\$ (13,305)

Trust Unit Distributions

During the year ended December 31, 2021, Choice Properties declared cash distributions of \$12,210 on the Units held by Wittington (December 31, 2020 - \$6,105). As at December 31, 2021, \$1,018 of Trust Unit distributions declared were payable to Wittington (December 31, 2020 - \$1,018). There were no non-cash distributions settled through the issuance of additional Trust Units during the year ended December 31, 2021 (December 31, 2020 - \$1,485).

Transaction Summary as Reflected in the Consolidated Financial Statements

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

(\$ thousands)	Note	Year Ended	
		December 31, 2021	December 31, 2020
Rental revenue	20	\$ 1,612	\$ 657
Fee income	23	250	—

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

(\$ thousands)	Note	As at	
		December 31, 2021	December 31, 2020
Rent receivable	13	\$ —	\$ 131
Cost-to-complete receivable	13	8,501	13,721
Distributions payable	18	(1,018)	(1,018)
Due from Wittington and subsidiaries		\$ 7,483	\$ 12,834

Transactions with Key Personnel

Key personnel are comprised of Trustees and certain members of the executive team of Choice Properties. Compensation of key personnel was as follows:

(\$ thousands)	December 31, 2021	December 31, 2020
Salaries, trustee fees, incentives and short-term employee benefits	\$ 3,612	\$ 3,416
Unit-based compensation recorded in:		
General and administrative expenses	3,689	3,148
Adjustment to fair value of unit-based compensation	684	217
Compensation of key personnel	\$ 7,985	\$ 6,781

Note 34. Subsequent Events

Subsequent to the year-end, the Trust entered into an agreement to increase its interest in the East Liberty and the Brixton residential development projects for consideration of \$25,000. The agreement included the purchase of one of our partners' existing interest in the projects and the cancellation of the same partners' option to increase their equity interest in the projects. The transaction closed in January 2022, following which the Trust's interest in these projects is now 50%.

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, February 17, 2022 at 10:00AM (ET) with a simultaneous audio webcast. To access via teleconference, please dial (236) 389-2653 or (833) 921-1643 and enter the event passcode: 2690932. The link to the audio webcast will be available on www.choicereit.ca/events-webcasts.

Head Office

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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

Kerry D. Adams²

President, K. Adams & Associates
Limited

Christie J.B. Clark¹

Corporate Director

L. Jay Cross¹

President, The Howard Hughes Corporation

Graeme M. Eadie²

Corporate Director

Karen A. Kinsley¹

Corporate Director

R. Michael Latimer²

Corporate Director

Nancy H.O. Lockhart²

Corporate Director

Dale R. Ponder¹

Corporate Director

¹ Audit Committee

² Governance, Compensation and Nominating Committee

Ce rapport est disponible en français.



Value for Generations

ChoiceProperties

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