Choice Properties Real Estate Investment Trust Reports Solid Third Quarter 2013 Results

Executing on Growth Strategy with Financial and Operating Performance In Line with Expectations

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Brampton, Ontario, Nov. 11, 2013 /CNW/ - Choice Properties Real Estate Investment Trust ("Choice Properties" or the "Trust") (TSX: CHP.UN) announced today its unaudited interim consolidated financial results for the quarter ended September 30th, 2013 for operations that commenced July 5, 2013, the date of its initial public offering (the "IPO"). Choice Properties compared its results to the third quarter 2013 forecast disclosed in the Trust's IPO prospectus dated June 26, 2013 (the "Prospectus") adjusted to reflect the period of operations from July 5 to September 30, 2013 (the "Adjusted Forecast").

Quarter Highlights:

- Financial results in line with Adjusted Forecast(1), with AFFO(2) slightly ahead at $0.184 per unit compared to Adjusted Forecast(1) of $0.172 per unit;
- Operational performance on-plan with occupancy rate at 97.6%;
- Immediate focus on growth strategy with acquisition of ten properties subsequent to quarter-end; and
- Solid capital structure maintained with a debt service coverage ratio of 3.3 times providing capacity to invest for further growth.

"We initiated the execution of our growth strategy immediately after closing our IPO. Our financial and operating results are tracking to plan, and the Choice Properties team is fully engaged in enhancing and growing our portfolio through active property management, accretive acquisitions and strategic development," said John Morrison, President and Chief Executive Officer, Choice Properties REIT. "I am very pleased with the progress we have made as we continue to move forward in building a leading real estate entity to consistently create and deliver value to our Unitholders."

Financial and Operational Summary

(in thousands of Canadian dollars, except per unit amounts) (unaudited)	Q3 2013(1)	Adjusted Forecast(1) Q3 2013
Number of properties	425	425
Gross Leasable Area ("GLA" in million square feet)	35.3	35.3
Occupancy	97.6%	97.9%
Rental revenue	$ 153,655	$ 154,812
Net Operating Income ("NOI")(2)	$ 108,159	$ 108,192
Net Income	$ 73,626	$ 29,661
Net Income per unit diluted	$ 0.205	$ 0.084
Funds from Operations ("FFO")(2) per unit diluted	$ 0.212	$ 0.204
Adjusted Funds from Operations ("AFFO")(2) per unit diluted	$ 0.184	$ 0.172
Adjusted Funds from Operations(2) payout ratio	85.0%	90.9%
Distributions per unit	$ 0.156416	$ 0.156416
Total assets (in millions)	$ 7,174	
Debt to total assets(3)	49.4%	
Debt service coverage(3)	3.3x	

(1) Based on operations beginning on July 5, 2013.
(2) See "Non-GAAP Measures" beginning on page 5.
(3) Debt ratios include Class C LP Units but exclude Exchangeable Units. The ratios are non-GAAP measures calculated based on the Trust Indenture as supplemented.

Financial Highlights:

- **Third quarter financial results are tracking to Adjusted Forecast**[1] - Third quarter AFFO[2] was $66.3 million or $0.184 per unit, compared to Adjusted Forecast[1] AFFO[2] of $60.9 million or $0.172 per unit. The improvement over Adjusted Forecast[1] AFFO[2] was primarily driven by lower than expected general and administration expenses due to cost management, lower interest expense as a result of early repayment of debt, and lower than expected capital expenditures attributed to timing.
- **Funds from Operations**[2] - Third quarter FFO[2] was $76.1 million or $0.212 per unit, compared with Adjusted Forecast[1] FFO[2] of $72.3 million or $0.204 per unit. The improvement was driven by lower than expected general and administrative expenses, and interest expense, as described above.
- **Net Income** - Third quarter net income was $73.6 million impacted by a $75.5 million gain attributed to fair market value adjustments on investment properties and a loss of $35.4 million due to fair value of financial instruments.
- **Net Operating Income**[2] - Third quarter NOI[2] was $108.2 million, flat compared with Adjusted Forecast[1].
- **Distributions** declared during the quarter totaled $0.156416 per unit for an AFFO[2] payout ratio of 85.0%.

Operational Highlights:

- **Leasing Profile** - During the third quarter of 2013, Choice Properties entered into binding leases or offers to lease totaling 216,000 square feet, of which approximately 78.9% of the GLA represented the renewal of expiring tenants.
- **Occupancy** - At September 30, 2013 the Trust's portfolio occupancy rate was 97.6%, essentially unchanged from the close of the IPO.
- **Established foundations of business platform and growing bench strength** - During the third quarter, the Trust launched new systems and processes, and established a base operating structure, including launching the first phase of its enterprise resource planning system and assembling a team of professionals.
- **Completed accretive acquisitions** - Subsequent to the quarter, the Trust acquired a portfolio of nine properties from Loblaw Companies Limited ("Loblaw") and a single-tenant retail store from a third-party. The properties, located across Canada, add more than 900,000 sq. ft. of GLA to the Trust's portfolio. The acquisitions, which include a warehouse of more than 450,000 square feet, were immediately accretive with an estimated stabilized NOI[2] of $10.7 million, representing an overall year-one capitalization rate of 6.65%, adjusted for expected development costs. The properties provide site intensification and re-development potential of which 95,000 sq. ft. are currently underway.

Capital Structure:

- **Closed IPO and issued $600 million of unsecured debentures** - On July 5, 2013, the Trust completed the IPO of 40 million Units for net proceeds of $360.5 million and issued two series of senior unsecured debentures: (i) $400 million 5-year; and (ii) $200 million 10-year, with coupons of 3.554% and 4.903%, respectively. Concurrently, the Trust acquired a portfolio of 425 properties comprising 415 retail properties, 9 warehouse properties and 1 office complex from Loblaw.
- **IPO over-allotment option exercised in full** - On July 17, 2013, the Trust issued a further 6 million Units resulting in net proceeds of $57.0 million pursuant to the exercise of the over-allotment option granted to the underwriters of the IPO. Proceeds were used to prepay $60.0 million of the Trust's outstanding transferor notes.
- **Capacity to invest for further growth** - At September 30, 2013, the Trust's debt to total assets ratio[3] was 49.4%. With strong cash flow from operations, access to a $500 million credit facility and a debt service coverage ratio[3] of 3.3 times, the Trust has the capacity to meet ongoing obligations and invest for further growth.

Outlook

Choice Properties is focused on building its business platform and is dedicated to enhancing and growing its asset base to consistently create and deliver value to Unitholders. On a same-property basis, Choice Properties remains on plan with its forecast despite an uncertain economic environment. In addition, Choice Properties continues to seek and execute on opportunities to strengthen underlying operations through active property management, opportunities for expansion through its development program and opportunities for strategic and accretive acquisitions including Loblaw's remaining owned retail space and third party assets.

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(3) Debt ratios include Class C LP Units but exclude Exchangeable Units. The ratios are non-GAAP measures calculated based on the Trust Indenture as supplemented.

Management Discussion and Analysis and Unaudited Interim Consolidated Financial Statements and Notes

Information appearing in this news release is a select summary of results. This news release should be read in conjunction with Choice Properties' 2013 Third Quarter Report to Unitholders, which includes the unaudited interim consolidated financial statements and Management's Discussion and Analysis ("MD&A") for the Trust and is available at www.choicereit.ca and on SEDAR at www.sedar.com.

Conference Call and Webcast

Senior management will host a conference call to discuss the results tomorrow, November 12, 2013 at 10:00AM (ET). To access via teleconference, please dial (647) 427-7450. A playback will be made available two hours after the event at (416) 849-0833, access code: 72273057. To access the conference call via webcast, a link is available at www.choicereit.ca in the "Events and Webcast" section under "News and Events".

About Choice Properties Real Estate Investment Trust

Choice Properties Real Estate Investment Trust is an owner, manager and developer of well-located commercial real estate across Canada. Choice Properties' portfolio spans approximately 36.2 million square feet of gross leasable area and consists of 433 properties primarily focused on supermarket-anchored shopping centres, stand-alone supermarkets and other commercial properties. Choice Properties' strategy is to create value by enhancing and optimizing its portfolio through active property management, accretive acquisitions and strategic development. Choice Properties' principal tenant, and largest Unitholder and lender is Loblaw Companies Limited, Canada's largest food retailer. Choice Properties' strong alliance with Loblaw positions it well for future growth. For more information, visit Choice Properties' website at www.choicereit.ca and Choice Properties' issuer profile at www.sedar.com.

Forward-Looking Statements

This press release may contain forward-looking statements about Choice Properties' objectives, plans, goals, aspirations, strategies, financial condition, results of operations, cash flows, performance, prospects and opportunities. As Choice Properties is a new entrant into the market and has only been operating since July 2013, it is required to compare its results to forecasted results rather than historical results. Forward-looking statements are typically identified by words such as "expect", "anticipate", "believe", "foresee", "could", "estimate", "goal", "intend", "plan", "seek", "strive" , "will", "may", and "should" and similar expressions, as they relate to Choice Properties and its management.

Forward-looking statements reflect Choice Properties' current estimates, beliefs and assumptions, which are based on management's perception of historic trends, current conditions and expected future developments, as well as other factors it believes are appropriate in the circumstances. Choice Properties' expectation of operating and financial performance is based on certain assumptions including assumptions about future growth potential, prospects and opportunities, industry trends remaining unchanged, future levels of indebtedness, the tax laws as currently in effect remaining unchanged, the current economic conditions remaining unchanged and no new competition in the market that leads to reduced revenues and profitability. 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 Choice Properties' actual results to differ materially from the estimates, beliefs and assumptions expressed or implied in the forward-looking statements, including, but not limited to:

- the inability of Choice Properties to maintain its relationship with Loblaw, or changes to its relationship with Loblaw, including in respect of (i) Loblaw's retained interest in Choice Properties and its current intention with respect thereto, (ii) the services to be provided to Choice Properties (whether directly or indirectly) by Loblaw, (iii) expected transactions to be entered into between Loblaw and Choice Properties (including Choice Properties' acquisition of certain interests in properties held by Loblaw) and (iv) the Strategic Alliance Agreement;
- failure to execute its internal and external growth strategies;
- failure to meet Choice Properties' forecasted financial results for the periods set out in the "Financial Forecast" section of the Prospectus;
- changes in Choice Properties' capital expenditure requirements;
- changes in Choice Properties' distribution policy and the distributions to be paid to holders of Trust Units ("Unitholders") and holders of Partnership Units;
- changes in the tax treatment of Choice Properties and its distributions to Unitholders;
- the inability of Choice Properties to execute on its debt strategy;
- the inability of Choice Properties to access to sources of debt and/or equity financing;
- changes in compensation and governance practices by Choice Properties;
- changes in legislative and regulatory developments which may affect Choice Properties;
- the inability of Choice Properties to meet its stated obligations;
- the inability of Choice Properties to expand its asset base and make accretive acquisitions;
- changes in the percentage of cash distributions to be paid to Unitholders that will be tax deferred in 2013; and
- the inability of Choice Properties to qualify as a mutual fund trust, as defined in the Income Tax Act (Canada), and as a real estate investment trust, as defined in the specified investment flow through rules.

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. Additional risks and uncertainties are discussed in Choice Properties' materials filed with the Canadian securities regulatory authorities from time to time, including the "Enterprise Risks and Risk Management" section on pages 19 to 28 of the Trust's 2013 Third Quarter MD&A. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect Choice Properties' expectations only as of the date of filing the MD&A. Except as required by applicable law, Choice Properties does not undertake to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Non-GAAP Measures

The Trust uses the following non-GAAP financial measures: FFO, AFFO and NOI. The Trust believes these non-GAAP financial measures provide useful information to both management and investors in measuring the financial performance and financial condition of the Trust for the reasons outlined below.

Management uses these and other non-GAAP financial measures to exclude the impact of certain expenses and income that must be recognized under GAAP when analyzing underlying operating performance, as the excluded items are not necessarily reflective of the Trust's underlying operating performance or impact the comparability of financial performance between periods. From time to time, the Trust may exclude additional items if it believes doing so would result in a more effective analysis of underlying operating performance. The exclusion of certain items does not imply that they are non-recurring.

These measures do not have a standardized meaning prescribed by GAAP and therefore they may not be comparable to similarly titled measures presented by other publicly traded REITs, and should not be construed as an alternative to other financial measures determined in accordance with GAAP.

Net Operating Income NOI from operations is defined a cash rental revenue from investment properties less property operating costs. NOI is used as a key indicator of performance as it represents a measure over which management has control. The Trust evaluates performance of management by comparing the performance of the portfolio adjusted for the effects of one-time items and current year acquisitions. The Trust's method of calculating NOI may differ from other issuers' methods and, accordingly, may not be comparable to NOI reported by other issuers.

Funds from Operations FFO is not a term defined under IFRS and may not be comparable to similar measures used by other real estate entities. Choice Properties calculates its FFO in accordance with the Real Property Association of Canada White Paper on Funds from Operations for IFRS issued November 2012. The purpose of the White Paper was to provide reporting issuers and investors with greater guidance on the definition of FFO and to help promote more consistent disclosure from reporting issuers.

An advantage of the FFO measure is improved comparability between Canadian and foreign REITs. FFO adds back to net income items that do not arise from operating activities, such as fair value adjustments. FFO, however, still includes non-cash revenues related to accounting for straight-line rent and makes no deduction for the recurring capital expenditures necessary to sustain the existing earnings stream.

Adjusted Funds from Operations AFFO is a supplemental measure of operating performance widely used in the real estate industry. Choice Properties calculates AFFO by adjusting FFO for non-cash income and expense items such as amortization of straight-line rents and finance charges. FFO is also adjusted for expenditures for sustaining productive capacity required for sustaining property infrastructure and revenue from real estate properties and direct leasing costs. Property capital expenditures do not occur evenly over the fiscal year. The property capital expenditures in the AFFO calculation are adjusted to reflect an average annual spending level.

There is currently no standard industry-defined measure of AFFO. As such, Choice Properties' method of calculating AFFO may differ from that of other real estate entities and, accordingly, may not be comparable to such amounts reported by other issuers.

The following table reconciles NOI to GAAP property revenue and expenses measures and reconciles FFO and AFFO to GAAP net income measures as reported in the Unaudited Interim Consolidated Statement of Income and Comprehensive Income for the quarter ended September 30, 2013.

Choice Properties Real Estate Investment Trust
Reconciliation of Non-GAAP Measures to GAAP Measures

For the quarter ended September 30, 2013 (in thousands of Canadian dollars, except per unit amounts) (unaudited)		Actual		Adjusted Forecast(1)
Rental revenue	$	153,655	$	154,812
Reverse - Straight-line rent		(8,109)		(7,743)
Property operating costs		(37,387)		(38,877)
Net Operating Income	$	108,159	$	108,192
Net Income	$	73,626	$	29,661
Fair value adjustments on Exchangeable Units		35,425		—
Fair value adjustments on investment properties		(75,539)		—
Fair value adjustments on unit-based compensation		(7)		—
Distributions on Exchangeable Units		42,623		42,623
Amortization of tenant improvements allowances		—		—
Funds from Operations	$	76,128	$	72,284
Business start-up costs		2,974		3,574
Straight-line rental revenue		(8,109)		(7,743)
Amortization of finance charges		245		655
Unit-based compensation expense		370		110
Property capital expenditures(2)		(5,000)		(7,323)
Leasing capital expenditures		(348)		(694)
Adjusted Funds from Operations	$	66,260	$	60,863
AFFO per unit - basic	$	0.184	$	0.172
AFFO per unit - diluted	$	0.184	$	0.172
AFFO payout ratio		85.0%		90.9%
Distribution per unit	$	0.156416	$	0.156416
Weighted average units outstanding - basic		359,179,689		353,997,871
Weighted average units outstanding - diluted		359,286,244		353,997,871
Number of units outstanding, end of quarter		359,997,871		353,997,871

(1) Based on operations beginning on July 5, 2013

(2) Anticipated quarterly sustainable capital is approximately $5,000; however, only $1,165 was incurred in the quarter.

Selected Financial Information

The following includes quarterly financial information, which is prepared by management in accordance with IFRS and is based on the Trust's 2013 Third Quarter Report to Unitholders. This financial information does not contain all interim period disclosures required by IFRS, and accordingly, should be read in conjunction with the Prospectus and 2013 Third Quarter Report to Unitholders which are available in the Investor Relations section of the Trust's website at www.choicereit.ca.

Choice Properties Real Estate Investment Trust
Unaudited Interim Consolidated Balance Sheet

(in thousands of Canadian dollars)		As at September 30, 2013
Assets		
Non-current Assets		
Investment properties	$	7,009,800
Accounts receivable and other assets		9,685
		7,019,485
Current Assets		
Accounts receivable and other assets		71,790
Cash and cash equivalents		82,538
		154,328
Total Assets	$	7,173,813
Liabilities and Unitholders' Equity		
Non-current Liabilities		
Long term debt and Class C LP Units	$	3,284,793
Exchangeable Units		2,760,404
Trade payables and other liabilities		137
		6,045,334
Current Liabilities		
Long term debt due within one year		90,632
Trade payables and other liabilities		145,433
		236,065
Total Liabilities		6,281,399
Unitholders' Equity		892,414
Total Liabilities and Unitholders' Equity	$	7,173,813

Choice Properties Real Estate Investment Trust
Unaudited interim Consolidated Statement of Income and Comprehensive Income

For the quarter ended September 30, 2013 and the period from May 21, 2013 (date of formation) to September 30, 2013 (in thousands of Canadian dollars)		2013
Net Property Income		
Rental revenue from investment properties	$	153,655
Property operating costs		37,387
Net Property Income		116,268
Other Income (Expenses)		
General and administrative expenses		(7,445)
Amortization of other assets		(284)
Interest income		180
Interest expense and other financing charges		(110,632)
Fair value adjustment on investment properties		75,539
Net Income and Comprehensive Income	$	73,626

Choice Properties Real Estate Investment Trust
Unaudited Interim Consolidated Statement of Cash Flow

For the quarter ended September 30, 2013 and the period from May 21, 2013 (date of formation) to September 30, 2013 (in thousands of Canadian dollars)	2013
Operating Activities	
Net income	$ 73,626
Amortization of straight-line rent	(8,109)
Net interest expense and other financing charges	110,452
Amortization of other assets	284
Value of unit-based compensation granted	363
Fair value adjustment on investment properties	(75,539)
Change in non-cash working capital	16,561
Direct leasing costs	(103)
Tenant improvement allowances	(245)
Interest received	180
Cash Flows from Operating Activities	117,470
Investing Activities	
Acquisitions of investment properties	(23,910)
Additions to buildings and building improvements	(185)
Additions to recoverable improvements	(980)
Additions to fixtures and equipment	(3,451)
Cash Flows used in Investing Activities	(28,526)
Financing Activities	
Long term debt	
Issued - Senior Unsecured Debentures	600,000
Retired - Transferor Notes	(660,000)
Retired - Class A LP Notes	(544,821)
Capitalization of debt placement costs	(5,125)
Interest paid	(4,987)
Issuance of Trust Units	660,000
Trust Unit issue costs	(42,526)
Distributions to Unitholders	(8,947)
Cash Flows used in Financing Activities	(6,406)
Change in cash and cash equivalents	82,538
Cash and cash equivalents, beginning of period	—
Cash and Cash Equivalents, end of period	$ 82,538

For further information:

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