Choice Properties Real Estate Investment Trust Reports Results for the Second Quarter Ended June 30, 2014

Solid Financial Performance and Continued Portfolio Growth Through Acquisitions While Maintaining High Occupancy

Brampton, Ontario, July 21, 2014 /CNW/ - Choice Properties Real Estate Investment Trust ("Choice Properties" or the "Trust") (TSX: CHP.UN) announced today its consolidated financial results for the second quarter ended June 30, 2014. The results were in line with the forecast (the "Forecast") disclosed in the Trust's initial public offering (the "IPO") prospectus dated June 26, 2013.

Quarter Highlights:

- Funds from operations ("FFO")(1) per unit of $0.228(2) was $0.007 higher than Forecast of $0.221 per unit;
- Accretive acquisition of a 20 property portfolio from Loblaw Companies Limited ("Loblaw"), valued at approximately $200 million, added approximately 1.2 million square feet of gross leasable area;
- Operational performance remained on plan, with an occupancy rate of 97.7%; and
- Solid capital structure, with a debt service coverage ratio(3) of 3.4 times.

"I am pleased to report another solid quarter for Choice Properties. It has been just over a year since our initial public offering and we have exceeded our first full 12-month FFO forecast by 6.7%, excluding a non-cash finance charge related to the replacement of Transferor Notes. We executed our strategy and delivered growth in our portfolio, driven by acquisitions, while maintaining a high occupancy rate through active property management." said John Morrison, President and Chief Executive Officer. "For the remainder of the year, we will continue to build on the momentum of our growth strategy and remain focused on strengthening our business platform through system and process implementation and the internalization of our property management platform."

Financial and Operational Summary

(in thousands of Canadian dollars, except per unit amounts) (unaudited)	Second Quarter		Year-to-date	
	Actual	Forecast	Actual	Forecast
Number of properties	456	425	456	425
Gross Leasable Area ("GLA" in millions of square feet)	37.6	35.3	37.6	35.3
Occupancy	97.7%	97.9%	97.7%	97.9%
Rental revenue	$ 170,339	$ 163,992	$ 337,384	327,974
Net Operating Income ("NOI")(1)	$ 118,681	$ 112,025	$ 234,013	$ 224,083
Net Income (Loss)	$ (1,538)	$ 33,854	$ (9,709)	$ 68,638
Net Income (Loss) per unit diluted	$ (0.004)	$ 0.096	$ (0.026)	$ 0.194
Funds from Operations ("FFO")(1) per unit diluted (4)	$ 0.228	$ 0.221	$ 0.453	$ 0.444
Adjusted Funds from Operations ("AFFO")(1) per unit diluted	$ 0.184	$ 0.179	$ 0.369	$ 0.359
Adjusted Funds from Operations(1) payout ratio	88.3%	90.8%	88.1%	90.5%
Distributions per unit	$ 0.162501	$ 0.162501	$ 0.325002	$ 0.325002
Total assets (in millions)	$ 7,719	—	$ 7,719	—
Debt to total assets(3)	46.3%	—	46.3%	—
Debt service coverage(3)	3.4x	—	3.4x	—

(1) See "Non-GAAP Financial Measures" beginning on page 4.
(2) Excluding the impact of a non-cash finance charge related to the replacement of the Transferor Notes with senior unsecured debentures that have terms substantially similar terms and were subsequently sold by Loblaw to unrelated parties.
(3) Debt ratios include Class C LP Units but exclude Exchangeable Units. The ratios are non-GAAP financial measures calculated based on the Trust Indenture, as supplemented.
(4) FFO per unit on a diluted basis was $0.091 and $0.322 for the second quarter and year-to-date results, respectively, before the reversal of the finance charge related to the Transferor Notes transactions.

Financial Highlights for the Quarter:

- **Net Operating Income**[1] - Second quarter NOI[1] of $118.7 million was $6.7 million higher than Forecast. The positive variance was driven primarily by the acquisition of investment properties following the Trust's IPO, which contributed $5.2 million to NOI[1]. Based on the initial portfolio of 425 properties, same property NOI[1] of $113.5 million was $1.5 million better than Forecast. This improvement was primarily attributable to $0.9 million in lease surrender revenue and improved cost recoveries.
- **Net Income / Loss** - Second quarter net loss was $1.5 million. The loss was driven by a $52.3 million non-cash finance charge related to the replacement of Transferor Notes with senior unsecured debentures that have substantially similar terms and that were subsequently sold by Loblaw to unrelated parties. After adjusting net income to reverse this non-cash finance charge and the $11.3 million gain from fair value adjustments, net income was $39.4 million, $5.5 million greater than Forecast of $33.9 million. This increase was primarily attributable to NOI[1] from acquisitions not included in the Forecast, and general and administrative expenses of $1.0 million less than Forecast, which were partially offset by higher net interest expense and other financing charges of $2.9 million.
- **Funds from Operations**[1] - Second quarter FFO[1] was $34.4 million or $0.091 per unit, compared with Forecast of $78.1 million or $0.221 per unit. FFO[1] was impacted by the $52.3 million non-cash finance charge. Excluding this charge, the Trust's second quarter FFO[1] was $86.7 million or $0.228 per unit. This improvement was driven by post-IPO acquisitions and by general and administrative expenses being lower than Forecast.
- **Adjusted Funds from Operations**[1] - Second quarter AFFO[1] was $69.8 million or $0.184 per unit, compared with Forecast of $63.3 million or $0.179 per unit. The improvement in AFFO[1] was driven by NOI[1] from post-IPO acquisitions and lower than Forecast general and administrative expenses.
- **Distributions** declared during the quarter totaled $0.162501 per unit for an AFFO[1] payout ratio of 88.3%.

Operational Highlights:

- **Leasing Profile** - During the second quarter of 2014, Choice Properties entered into binding leases or offers to lease totaling 166,809 square feet, of which 78,078 square feet represented the renewal of expiring leases.
- **Occupancy** - At June 30, 2014 the Trust's portfolio occupancy rate was 97.7%, unchanged from December 31, 2013.
- **Accretive Acquisitions** - During the second quarter of 2014, Choice Properties acquired a 20-property portfolio from Loblaw for an aggregate purchase price of approximately $198.5 million, excluding transaction costs. The acquisition was immediately accretive, with an overall year-one capitalization rate of 6.50%. The 20 properties are located across Canada, added more than 1.2 million square feet of gross leasable area and are expected to provide an estimated annual stabilized NOI of approximately $13 million.
- **Development Program** - The Trust continued to progress on development projects, with construction completed to deliver new GLA for two new retail tenants at its Toronto, Ontario property, and remained on track for the construction of a new Fortinos bannered Loblaw store in Stoney Creek, Ontario. Both of these projects are expected to open to consumers in the second half of 2014. Construction of a Real Canadian Superstore in Surrey, British Columbia continued to proceed on plan to deliver new GLA in 2015.
- **Active Management** - During the quarter, implementation of Choice Properties' ERP system progressed to the functional testing phase in preparation for the internalization of the Trust's property management platform.

Capital Structure:

- **Capacity to invest for further growth** - At June 30, 2014, the Trust's debt service coverage ratio[2] was 3.4 times. With stable cash flow from operations and access to a $500 million unsecured revolving credit facility, 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. Although the economic environment, particularly with respect to interest rates, creates some uncertainty, Choice Properties expects that its solid balance sheet, and secure and reliable cash flows from long-term leases will enable it to meet its ongoing obligations and support further growth. Choice Properties believes that the current Canadian retail and commercial real estate markets are relatively stable, and present development, acquisition and improved tenancy potential for future growth. As a result, the Trust expects to execute on its opportunities to develop and redevelop existing at-grade excess density, acquire assets from a dedicated pipeline from Loblaw's remaining portfolio and strengthen its underlying operations through improved leasing strategies and active property management. Over the longer-term, Choice Properties will seek to further expand through its development program with Loblaw and third parties and purchase third-party assets that meet its investment criteria.

(1) See "Non-GAAP Financial Measures" beginning on page 4.
(2) Debt ratios include Class C LP Units but exclude Exchangeable Units. The ratios are non-GAAP financial measures calculated based on the Trust Indenture, as supplemented.

Forward-Looking Statements

This press release contains forward-looking statements about Choice Properties' objectives, plans, goals, aspirations, strategies, financial condition, results of operations, cash flows, performance, prospects and opportunities. Specific statements with respect to anticipated future results can be found in various sections included but not limited to Section 3 "Objectives and Strategies", Section 5 "Investment Properties", Section 7 "Results of Operations", Section 8 "Other Measures of Performance", Section 10 "Liquidity and Capital Resources" and Section 16 "Outlook" in the MD&A of Choice Properties' Second Quarter 2014 Report to Unitholders. Forward-looking statements are typically identified by words such as "expect", "anticipate", "believe", "foresee", "could", "estimate", "goal", "intend", "plan", "seek", "strive" , "will", "may", "should" and similar expressions, as they relate to Choice Properties and its management.

Forward-looking statements reflect Choice Properties' current estimates, beliefs and assumptions, which are based on management's perception of historic trends, current conditions and expected future developments, as well as other factors it believes are appropriate in the circumstances. Choice Properties' expectation of operating and financial performance is based on certain assumptions, including assumptions about future growth potential, prospects and opportunities, industry trends, future levels of indebtedness, current tax laws, current economic conditions 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 those expressed, implied or projected in the forward-looking statements, including, those described in Section 12 "Enterprise Risks and Risk Management" in the MD&A of Choice Properties' Second Quarter 2014 Report to Unitholders. Such risks and uncertainties include:

- changes in economic conditions, including changes in interest rates, and the rates of inflation or deflation;
- the inability of Choice Properties to maintain and leverage 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 presented in the Trust's prospectus dated June 26, 2013;
- changes in Loblaw's business, activities or circumstances which may impact Choice Properties, including Loblaw's inability to make rent payments or perform its obligations under the Loblaw leases;
- failure to manage its growth effectively in accordance with its growth strategy or acquire assets on an accretive basis;
- changes in Choice Properties' capital expenditure and fixed cost requirements;
- the inability of the Partnership to make distributions or other payments or advances;
- the inability of Choice Properties to obtain financing;
- changes in Choice Properties' degree of financial leverage;
- changes in laws or regulatory regimes, which may affect Choice Properties, including changes in the tax treatment of the Trust and its distributions to Unitholders or the inability of the Trust to continue to qualify as a "mutual fund trust" and as a "real estate investment trust", as such terms are defined in the *Income Tax Act* (Canada);
- changes in Choice Properties' competitiveness in the real estate market or the unavailability of desirable commercial real estate assets.

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 Trust's 2013 Annual Information Form. 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 press release. 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 Financial Measures

Choice Properties 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 Choice Properties' 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 is defined as 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 certain 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. Except as otherwise noted, Choice Properties calculates its FFO in accordance with the Real Property Association of Canada White Paper on Funds from Operations for IFRS issued in April 2014. 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.

Funds from Operations Payout Ratio FFO payout ratio is calculated as the distributions per unit divided by the FFO per unit diluted.

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. AFFO includes a reduction for capital expenditures for maintaining 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.

Adjusted Funds from Operations Payout Ratio AFFO payout ratio is calculated as the distributions per unit divided by the AFFO per unit diluted.

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

For the periods ended June 30, 2014 (in thousands of Canadian dollars, except per unit amounts) (unaudited)	Second Quarter Actuals	Second Quarter Forecast	Year-to-date Actuals	Year-to-date Forecast
Rental revenue	$ 170,339	$ 163,992	$ 337,384	$ 327,974
Reverse - Straight-line rental revenue	(8,713)	(8,098)	(17,275)	(16,196)
Property operating costs	(42,945)	(43,869)	(86,096)	(87,695)
Net Operating Income(1)	$ 118,681	$ 112,025	$ 234,013	$ 224,083
Net Income (Loss)	$ (1,538)	$ 33,854	$ (9,709)	$ 68,638
Fair value adjustments on Exchangeable Units	(11,085)	—	37,208	—
Fair value adjustments on investment properties	(201)	—	(91)	—
Fair value adjustments on unit-based compensation	(140)	—	(228)	—
Distributions on Exchangeable Units	47,382	44,281	93,544	88,562
Amortization of tenant improvement allowances	2	—	452	—
Funds from Operations(1)(3)	$ 34,420	$ 78,135	$ 121,176	$ 157,200
Reverse: Finance charge	52,253	—	48,911	—
Funds from Operations(1) excluding finance charge	$ 86,673	$ 78,135	$ 170,087	$ 157,200
Funds from Operations(1)	$ 34,420	$ 78,135	$ 121,176	$ 157,200
Straight-line rental revenue	(8,713)	(8,098)	(17,275)	(16,196)
Amortization of finance charges	52,642	911	50,755	1,616
Unit-based compensation expense	641	360	1,058	576
Property capital expenditures - incurred	(2,266)	(7,323)	(2,742)	(14,646)
Property capital expenditures - normalized(2)	(6,837)	—	(12,578)	—
Leasing capital expenditures	(122)	(694)	(1,922)	(1,388)
Adjusted Funds from Operations(1)	$ 69,765	$ 63,291	$ 138,472	$ 127,162
AFFO(1) per unit - basic	$ 0.184	$ 0.179	$ 0.369	$ 0.359
AFFO(1) per unit - diluted	$ 0.184	$ 0.179	$ 0.369	$ 0.359
AFFO(1) payout ratio	88.3%	90.8%	88.1%	90.5%
Distribution per unit	$ 0.162501	$ 0.162501	$ 0.325002	$ 0.325002
Weighted average Units outstanding - basic	379,146,225	353,997,871	375,521,228	353,997,871
Weighted average Units outstanding - diluted	379,658,338	353,997,871	375,766,533	353,997,871
Number of Units outstanding, end of quarter	383,670,554	353,997,871	383,670,554	353,997,871

(1) See “Non-GAAP Financial Measures” beginning on page 4.
(2) Seasonality impacts the timing of capital expenditures. The AFFO calculation was adjusted for this factor to make the quarters more comparable.
(3) FFO per unit on a diluted basis is $0.091 and $0.322 for the three months and six months periods respectively, before the reversal for finance charge related to the Transferor Notes transactions.

Selected Financial Information

The following includes quarterly financial information prepared by management in accordance with IFRS and based on the Trust's Second Quarter 2014 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 Trust's Prospectus, dated June 26, 2013, and 2013 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
Consolidated Balance Sheets

(in thousands of Canadian dollars) (unaudited)		As at June 30, 2014		As at December 31, 2013
Assets				
Non-current Assets				
Investment properties	$	7,524,823	$	7,287,759
Accounts receivable and other assets		6,255		7,693
		7,531,078		7,295,452
Current Assets				
Accounts receivable and other assets		159,322		100,885
Assets held for sale		13,480		—
Cash and cash equivalents		14,868		51,405
		187,670		152,290
Total Assets	$	7,718,748	$	7,447,742
Liabilities and Unitholders' Equity				
Non-current Liabilities				
Long term debt and Class C LP Units	$	3,434,244	$	3,286,442
Credit facility		89,981		—
Exchangeable Units		3,145,306		2,988,466
Trade payables and other liabilities		976		379
		6,670,507		6,275,287
Current Liabilities				
Long term debt due within one year		—		89,725
Trade payables and other liabilities		207,482		211,078
		207,482		300,803
Total Liabilities		6,877,989		6,576,090
Unitholders' Equity		840,759		871,652
Total Liabilities and Unitholders' Equity	$	7,718,748	$	7,447,742

Choice Properties Real Estate Investment Trust
Consolidated Statement Loss and Comprehensive Loss

(in thousands of Canadian dollars) (unaudited)	Quarter ended June 30, 2014	Year-to-date June 30, 2014
Net Property Income		
Rental revenue from investment properties	$ 170,339	$ 337,384
Property operating costs	(42,945)	(86,096)
Net Property Income	127,394	251,288
Other Expenses		
General and administrative expenses	(5,362)	(10,691)
Amortization of other assets	(132)	(263)
Net interest expense and other financing charges	(134,724)	(212,926)
Fair value adjustment on Exchangeable Units	11,085	(37,208)
Fair value adjustment on investment properties	201	91
Net Loss and Comprehensive Loss	$ (1,538)	$ (9,709)

Choice Properties Real Estate Investment Trust
Consolidated Statement of Cash Flows

(in thousands of Canadian dollars) (Unaudited)	Quarter ended June 30, 2013	Year-to-date June 30, 2014
Operating Activities		
Net Loss	$ (1,538)	$ (9,709)
Amortization of straight-line rent	(8,713)	(17,275)
Amortization of tenant improvement allowances	2	452
Amortization of other assets	132	263
Net interest expense and other financing charges	134,724	212,926
Value of unit-based compensation granted	501	830
Fair value adjustment on Exchangeable Units	(11,085)	37,208
Fair value adjustment on investment properties	(201)	(91)
Leasing capital expenditures	(122)	(1,922)
Interest received	85	200
Change in non-cash working capital	(27,093)	(67,164)
Cash Flows from Operating Activities	86,692	155,718
Investing Activities		
Acquisitions of investment properties	(80,816)	(96,555)
Additions to investment properties	(7,132)	(14,254)
Additions to fixtures and equipment	(196)	(359)
Cash Flows used in Investing Activities	(88,144)	(111,168)
Financing Activities		
Long term debt		
Issued - Senior unsecured debentures net of debt placement costs	—	447,540
Retired - Transferor Notes	—	(440,000)
Credit facility net of debt placement costs	89,981	89,981
Note receivable from related party - net	(58,335)	(24,003)
Interest paid	(13,260)	(60,241)
Distributions on Exchangeable Units	—	(73,219)
Distributions to Unitholders	(10,384)	(21,145)
Cash Flows from (used in) Financing Activities	8,002	(81,087)
Change in cash and cash equivalents	6,550	(36,537)
Cash and cash equivalents, beginning of period	8,318	51,405
Cash and Cash Equivalents, end of period	$ 14,868	$ 14,868

Management Discussion and Analysis and Financial Statements and Notes

Information appearing in this news release is a consolidated select summary of results. This news release should be read in conjunction with Choice Properties' Second Quarter Report to Unitholders, which includes the consolidated financial statements and 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 on July 22, 2014 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: 64192467.
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 37.6 million square feet of gross leasable area and consists of 456 properties primarily focused on supermarket-anchored shopping centres and stand-alone supermarkets. 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 is Loblaw Companies Limited, Canada's largest 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.

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