Choice Properties Real Estate Investment Trust Reports Solid Results for the Fourth Quarter Ended December 31, 2013

Closed the year on strong footing and well positioned to benefit from future potential growth opportunities

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Brampton, Ontario, Feb. 18, 2014 /CNW/ - Choice Properties Real Estate Investment Trust ("Choice Properties" or the "Trust") (TSX: CHP.UN) announced today its consolidated financial results for the fourth quarter ended December 31, 2013. The results for the fourth quarter of 2013 were in line with the forecast disclosed in the Trust's Initial Public Offering (the "IPO") prospectus dated June 26, 2013 (the "Prospectus") adjusted to reflect the period of operations from July 5 to December 31, 2013 (the "Adjusted Forecast").

Quarter Highlights:

- Funds from Operations ("FFO") per unit of $0.225 in line with Adjusted Forecast of $0.223 per unit;
- Net loss of $6.5 million, impacted by fair value adjustment for investment properties and Exchangeable Units - excluding these adjustments, net income for the quarter was $36.8 million compared with Adjusted Forecast of $34.6 million;
- Operational performance on-plan with occupancy rate at 97.7%;
- Portfolio continued to grow with the acquisition of 12 additional properties for approximately $186 million;
- Solid capital structure maintained with a debt service coverage ratio of 3.4 times; and
- Subsequent to the close of the quarter, Choice Properties successfully completed a $450 million issuance of senior unsecured debentures.

"I am pleased with the excellent progress that we made in the first six months of operations since our initial public offering. The team delivered on plan and closed the year with solid results," said John Morrison, President and Chief Executive Officer. "Looking ahead, we will focus on growth through development, acquisitions, and active management opportunities inherent in our portfolio to create and deliver value for all of our stakeholders."

Financial and Operational Summary

(in thousands of Canadian dollars, except per unit amounts) (unaudited)	Fourth Quarter Actual	Fourth Quarter Adjusted Forecast(1)	2013 Actual	2013 Adjusted Forecast(1)
Number of properties	435	425	435	425
Gross Leasable Area ("GLA" in million square feet)	36.3	35.3	36.3	35.3
Occupancy	97.7%	97.9%	97.7%	97.9%
Rental revenue	$ 164,852	$ 162,328	$ 318,507	$ 317,141
Net Operating Income ("NOI")(2)	$ 114,108	$ 112,257	$ 222,267	$ 220,450
Net Income / (Loss)	$ (6,478)	$ 34,575	$ 67,148	$ 64,237
Net Income per unit diluted	$ (0.018)	$ 0.098	$ 0.185	$ 0.181
Funds from Operations ("FFO")(2) per unit diluted	$ 0.225	$ 0.223	$ 0.437	$ 0.427
Adjusted Funds from Operations ("AFFO")(2) per unit diluted	$ 0.176	$ 0.180	$ 0.360	$ 0.352
Adjusted Funds from Operations(2) payout ratio	92.3%	90.3%	88.6%	90.6%
Distributions per unit	$ 0.162501	$ 0.162501	$ 0.318917	$ 0.318917
Total assets (in millions)	$ 7,448		$ 7,448	
Debt to total assets(3)	47.0%		47.0%	
Debt service coverage(3)	3.4x		3.4x	

(1) Based on operations beginning on July 5, 2013.
(2) See "Non-GAAP Financial Measures" beginning on page 5.
(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.

Financial Highlights for the Quarter:

- Net Operating Income(1) - Fourth quarter NOI(1) of $114.1 million was $1.9 million higher than Adjusted Forecast. The positive variance was driven primarily by the acquisition of investment properties during the quarter. Based on the initial portfolio of 425 properties, same property NOI(1) of $112.0 million was $0.3 million or 0.3% lower than Adjusted Forecast. This decline was attributable to $342,000 of non-recoverable expenses and $136,000 from the reversal of straight-line rent revenues, offset by $137,000 of net operating expense recoveries and base rent increase of $40,000.

- Net Income / Loss - Fourth quarter net loss of $6.5 million. Excluding the gain on fair value adjustment for investment properties of $68.8 million and the loss of fair value adjustment for Exchangeable Units of $112.0 million, which were not included in the Adjusted Forecast, net income for the quarter of $36.8 million compared with Adjusted Forecast of $34.6 million. This increase was attributable to the NOI(1) from acquisitions and savings from general and administrative expenses, partially offset by higher finance charges due to the issuance of Exchangeable Units.

- Funds from Operations(1) - Fourth quarter FFO(1) was $82.8 million or $0.225 per unit, compared with Adjusted Forecast of $78.9 million or $0.223 per unit. The improvement was driven by the acquisition of investment properties during the quarter and savings from general and administrative expenses. On a per unit basis, the positive variance was partially offset by the impact of 6,000,000 Units issued as a result of the exercise of the over-allotment granted in connection with the IPO. The Adjusted Forecast does not include Units related to exercising the over-allotment.

- Adjusted Funds from Operations(1) - Fourth quarter AFFO(1) was $64.7 million or $0.176 per unit, compared to Adjusted Forecast AFFO(1) of $63.7 million or $0.180 per unit. NOI(1) from acquisitions and savings from general and administrative expenses positively impacted AFFO(1). The increase was partially offset by capital spending delayed from the third quarter. On a per unit basis, AFFO(1) was negatively affected by the issuance of additional units as a result of the over-allotment, which was not included in the Adjusted Forecast.

- Distributions - declared during the quarter totaled $0.162501 per unit for an AFFO(1) payout ratio of 92.3%.

Operational Highlights:

- Leasing Profile - During the fourth quarter of 2013, Choice Properties entered into binding leases or offers to lease totaling 236,496 square feet, of which approximately 76.2% of the GLA represented the renewal of expiring leases.

- Occupancy - At December 31, 2013 the Trust's portfolio occupancy rate was 97.7%, essentially unchanged from the IPO.

- Accretive Acquisitions - During the fourth quarter of 2013, the Trust acquired nine investment properties from Loblaw, and a single-tenant retail store from a third-party as previously announced in October 2013. In December 2013, Choice Properties acquired an additional two properties from Loblaw: a parcel of land for future development, located in a prime retail node in Surrey, BC, and a small shopping centre in Toronto, ON. The 12 properties were purchased for a total of $186 million, are located across Canada, and added almost one million square feet 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 overall year-one capitalization rate of 6.64%, including expected development costs. Two of the properties were single tenant retail and have since been combined with previously owned adjacent stand-alone Loblaw bannered stores and re-classified as multi-tenant sites.

- Development Program - Three of the acquired properties mentioned above provide development potential. Construction has already commenced on two of these properties. At 3730 Lakeshore Blvd. in Toronto, ON, the Trust is constructing approximately 20,000 square feet of GLA for two ancillary tenants and at 103 Highway 8, in Stoney Creek, ON, the Trust is constructing a new Fortinos grocery store of approximately 75,000 square feet. The total investment for the two projects is approximately $20.5 million with an expected blended yield of 7.1%. These two development projects remain on target to be complete in 2014.

- Active Management - subsequent to the quarter, Choice Properties initiated the transition of leasing and property management functions for its multi-tenant sites from third party managers. The Trust expects to build a team of dedicated internal personnel committed to enhance the performance of its assets with best-in-class management.

(1) See "Non-GAAP Financial Measures" beginning on page 5.

Capital Structure:

- **Distribution Reinvestment Plan -** During the quarter, the Trust implemented a Distribution Reinvestment Plan ("DRIP") enabling eligible Unitholders to have their cash distributions used to purchase Units of the Trust and receive "bonus distributions" of Units equal in value to 3.0% of each distribution. The DRIP began with eligible Unitholders of record on November 29, 2013 and the first issuance of Units from the DRIP was on December 16, 2013. As of the December 31, 2013 record date, the participation rate in the DRIP was 24.5% or 5.8% including Class B LP units.

- **Capacity to invest for further growth -** At December 31, 2013, the Trust's debt service coverage ratio(1) was 3.4 times. With strong cash flow from operations and access to a $500 million credit facility, the Trust has the capacity to meet ongoing obligations and invest for further growth.

- **Strengthened capital structure through debt financings -** Subsequent to the quarter on February 6, 2014, Choice Properties issued $450 million of series C and series D senior unsecured debentures, with a weighted average term of 8.33 years and a weighted average coupon rate of 3.85% per annum. The net proceeds of the offering will be used by the Trust to repay existing indebtedness and for general business purpose.

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. While the economic environment, particularly with respect to interest rates, introduces uncertainty, Choice Properties remains on plan with its Forecast, as presented in the Trust's IPO prospectus dated June 26, 2013, and expects to realize the growth opportunities inherent in its portfolio. The Trust continues to execute on opportunities including existing at-grade excess density available for development and redevelopment, a dedicated pipeline of assets from Loblaw's remaining portfolio and potential to strengthen 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 in partnership with Loblaw and third parties and purchase third-party assets that meet its investment criteria.

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' 2013 Annual Report to Unitholders, which includes the 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 on February 18, 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: 30398743. 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 retail and commercial real estate across Canada. Choice Properties' portfolio spans approximately 36.3 million square feet of gross leasable area and consists of 435 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 development, accretive acquisitions and active management. 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.

(1) 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. As Choice Properties is a new entrant into the real estate investment trust 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", "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 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 and leverage its relationship with Loblaw Companies Limited ("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;
- 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;
- failure to meet its forecasted financial results for the periods set out in the "Financial Forecast" section of the IPO Prospectus;
- 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 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); and
- changes in Choice Properties' competitiveness in the real estate market or the unavailability of desirable commercial real estate space.

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 of the Management's Discussion and Analysis of the Trust's 2013 Annual Report. 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 Real Estate Investment Trust ("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 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 International Financial Reporting Standards ("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 in 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.

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. FFO is also adjusted for 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.

The following table reconciles NOI to GAAP property revenue and expenses measures and reconciles FFO and AFFO to GAAP net income / (loss) measures as reported in the Consolidated Statement of Income and Comprehensive Income for the fourth quarter and fiscal year ended December 31, 2013.

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

For the quarter ended December 31, 2013 and the period from May 21, 2013 (date of formation) to December 31, 2013 (in thousands of Canadian dollars, except per unit amounts)	Fourth Quarter	Fourth Quarter Forecast	2013	Adjusted Forecast(1)
Rental revenue	$ 164,852	$ 162,328	$ 318,507	$ 317,141
Reverse - Straight-line rent	(8,375)	(8,098)	(16,484)	(15,841)
Property operating costs	(42,369)	(41,973)	(79,756)	(80,850)
Net Operating Income(3)	$ 114,108	$ 112,257	$ 222,267	$ 220,450
Net Income / (Loss)	$ (6,478)	$ 34,575	$ 67,148	$ 64,237
Fair value adjustments on Exchangeable Units	111,976	—	147,401	—
Fair value adjustments on investment properties	(68,750)	—	(144,289)	—
Fair value adjustments on unit-based compensation	24	—	17	—
Distributions on Exchangeable Units	45,984	44,281	88,607	86,904
Amortization of tenant improvements allowances	8	—	8	—
Funds from Operations(3)	82,764	78,856	158,892	151,141
Business start-up costs	(450)	—	2,524	3,574
Straight-line rental revenue	(8,375)	(8,098)	(16,484)	(15,841)
Amortization of finance charges	851	702	1,095	1,357
Unit-based compensation expense	438	225	808	335
Property capital expenditures – incurred	(7,769)	(7,323)	(8,934)	(14,646)
Property capital expenditures - normalized(2)	(1,877)	—	(5,712)	—
Leasing capital expenditures	(902)	(694)	(1,250)	(1,388)
Adjusted Funds from Operations(3)	$ 64,680	$ 63,668	$ 130,939	$ 124,532
AFFO(3) per unit – basic	$ 0.176	$ 0.180	$ 0.360	$ 0.352
AFFO(3) per unit – diluted	$ 0.176	$ 0.180	$ 0.360	$ 0.352
AFFO(3) payout ratio	92.3%	90.3%	88.6%	90.6%
Distribution per unit	$ 0.162501	$ 0.162501	$ 0.318917	$ 0.318917
Weighted average Units outstanding – basic	367,911,089	353,997,871	363,642,405	353,997,871
Weighted average Units outstanding – diluted	368,059,697	353,997,871	363,767,339	353,997,871
Number of Units outstanding, end of quarter	371,688,983	353,997,871	371,688,983	353,997,871

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

(2) Anticipated quarterly sustainable capital is approximately $14,646; however, only $8,934 was incurred as at December 31, 2013

(3) See “Non-GAAP Financial Measures” beginning on page 5.

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 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 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 Sheet

(in thousands of Canadian dollars) (audited)	As at December 31, 2013
Assets	
Non-current Assets	
Investment properties	$ 7,287,759
Accounts receivable and other assets	7,693
	7,295,452
Current Assets	
Accounts receivable and other assets	100,885
Cash and cash equivalents	51,405
	152,290
Total Assets	$ 7,447,742
Liabilities and Unitholders' Equity	
Non-current Liabilities	
Long term debt and Class C LP Units	$ 3,286,442
Exchangeable Units	2,988,466
Trade payables and other liabilities	379
	6,275,287
Current Liabilities	
Long term debt due within one year	89,725
Trade payables and other liabilities	211,078
	300,803
Total Liabilities	6,576,090
Unitholders' Equity	871,652
Total Liabilities and Unitholders' Equity	$ 7,447,742

Choice Properties Real Estate Investment Trust
Consolidated Statement of Income / (Loss) and Comprehensive Income / (Loss)

For the quarter ended December 31, 2013 and the period from May 21, 2013 (date of formation) to December 31, 2013 (in thousands of Canadian dollars)	Fourth Quarter (unaudited)	2013 (audited)
Net Property Income		
Rental revenue from investment properties	$ 164,852	$ 318,507
Property operating costs	42,369	79,756
Net Property Income	122,483	238,751
Other Income (Expenses)		
General and administrative expenses	(4,789)	(12,234)
Amortization of other assets	(188)	(472)
Interest income	144	324
Interest expense and other financing charges	(192,878)	(303,510)
Fair value adjustment on investment properties	68,750	144,289
Net Income / (Loss) and Comprehensive Income / (Loss)	$ (6,478)	$ 67,148

Choice Properties Real Estate Investment Trust
Consolidated Statement of Cash Flows

For the quarter ended December 31, 2013 and the period from May 21, 2013 (date of formation) to December 31, 2013 (in thousands of Canadian dollars)	Fourth Quarter (unaudited)	2013 (audited)
Operating Activities		
Net Income / (Loss)	$ (6,478)	$ 67,148
Amortization of straight-line rent	(8,375)	(16,484)
Amortization of tenant improvement allowances	8	8
Net interest expense and other financing charges	192,734	303,186
Amortization of other assets	188	472
Value of unit-based compensation granted	462	825
Fair value adjustment on investment properties	(68,750)	(144,289)
Change in non-cash working capital	(30,173)	(13,612)
Direct leasing costs	(313)	(416)
Tenant improvement allowances	(589)	(834)
Interest received	144	324
Cash Flows from Operating Activities	78,858	196,328
Investing Activities		
Acquisition of initial properties	—	(23,910)
Acquisitions of investment properties	(73,316)	(73,316)
Additions to buildings and building improvements	(3,149)	(3,334)
Additions to recoverable improvements	(7,471)	(8,451)
Additions to fixtures and equipment	580	(2,871)
Cash Flows used in Investing Activities	(83,356)	(111,882)
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	(12,358)	(17,345)
Issuance of Trust Units	—	660,000
Trust Unit issue costs	(1,207)	(43,733)
Distributions to Unitholders	(13,070)	(22,017)
Cash Flows used in Financing Activities	(26,635)	(33,041)
Change in cash and cash equivalents	(31,133)	51,405
Cash and cash equivalents, beginning of period	82,538	—
Cash and Cash Equivalents, end of period	$ 51,405	$ 51,405

For further information:
Kim Lee
Vice President, Investor Relations and Financial Planning & Analysis
Choice Properties Real Estate Investment Trust
t (905) 861-2256 **e** kim.lee@choicereit.ca