Choice Properties Real Estate Investment Trust Reports Solid Results for the Fourth Quarter of 2016

Toronto, February 15, 2017 /CNW/ - Choice Properties Real Estate Investment Trust ("Choice Properties" or the "Trust") (TSX: CHP.UN) today announced its consolidated financial results for the fourth quarter ended December 31, 2016. The Trust's Annual Report to Unitholders will be available in the Investor Relations section of the Trust's website at www.choicereit.ca, filed with SEDAR and available at www.sedar.com.

Quarter Highlights:

- Reported rental revenue of $197.7 million, an increase of $6.6 million or 3.5% compared with $191.1 million in the fourth quarter of 2015;
- Reported net income of $255.6 million, an increase of $215.2 million compared with net income of $40.4 million in the fourth quarter of 2015. The fourth quarter of 2016 included a fair value adjustment gain of $209.5 million (2015 - net loss of $7.5 million);
- Reported Funds from Operations ("FFO")(1) per unit diluted of $0.251, an increase of $0.004, or 1.6%, compared with $0.247 in the fourth quarter of 2015;
- Acquired a portfolio of five properties from Loblaw for an aggregate purchase price of $40.9 million. The new portfolio was immediately accretive with an estimated stabilized Net Operating Income ("NOI")(1) of approximately $2.6 million, representing an implied capitalization rate of 6.5%.
- Purchased two investment properties, from third-party vendors, for an aggregate purchase price of approximately $13.6 million, adding approximately 37,000 square feet of ancillary GLA in sites adjacent to Choice Properties owned sites which are anchored by Loblaw food stores;
- Completed the construction of 232,000 square feet of Gross Leasable Area ("GLA"), including the construction of a 29,000 square foot Loblaw food store on newly acquired land in Edmonton, Alberta;
- Improved ancillary occupancy and increased organic NOI(1) by 1.0% to $133.0 million from $131.6 million in the fourth quarter of 2015; and
- Entered into an additional $250 million senior unsecured committed revolving credit facility.

Annual Highlights:

- Reported annual rental revenue of $783.6 million, an increase of $40.5 million or 5.4% compared with $743.1 million in 2015;
- Reported net loss of $223.1 million, a change of $67.8 million compared with a net loss of $155.3 million in 2015. The year ended 2016 included a fair value adjustment net loss of $406.9 million (2015 - net loss of $338.5 million);
- Reported FFO(1) per unit diluted of $1.000, an increase of $0.034, or 3.5%, compared with $0.966 for the year ended December 31, 2015;
- Added 16 properties to the portfolio, including three investment properties adjacent to existing Choice Properties owned sites with future redevelopment potential;
- Constructed for tenants' possession 807,000 square feet of new GLA contributing to the completion of 21 projects spanning 763,000 square feet and generating a weighted average yield of approximately 8%;
- Improved ancillary occupancy and increased organic NOI(1) for the year by 1.8% to $507.7 million from $498.8 million in 2015;
- Issued $350 million of senior unsecured debentures to refinance the redemption of $300 million Series 5 Debentures, locking in attractive rates and extending Choice Properties' weighted average term to maturity of its debt instruments, and entered into an additional $250 million senior unsecured committed revolving credit facility, lowering refinancing risk and increasing financial flexibility and liquidity; and
- Increased annual distributions from $0.65 per unit to $0.67 per unit effective as of January 29, 2016 and further increased distributions to $0.71 per unit per annum effective as of July 29, 2016 for a total increase of 9.2%. Distributions per unit declared in the year ended December 31, 2016 totalled $0.69, a $0.04 or 6.2% increase over the year ended December 31, 2015.

"2016 was another successful year for Choice Properties. With the team's focused execution, our strategy contributed to our progress, to our development and delivered improved financial and operational performance." said John Morrison, President and Chief Executive Officer. "We continued to acquire quality assets and actively manage our portfolio, and the momentum in our development program resulted in significant value creation, with new GLA completed and a strong foundation for future development. I am pleased with the progress the team delivered and the value that we created for our stakeholders."

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

Financial and Operational Summary

As at or for the three months ended December 31 ($ thousands except where otherwise indicated) (unaudited)		2016		2015
Number of properties		**535**		519
Gross Leasable Area ("GLA") (in millions of square feet)		**43.6**		41.6
Occupancy		**98.9%**		98.6%
Rental revenue	**$**	**197,713**	$	191,057
Net Operating Income ("NOI")(1)	**$**	**139,745**	$	132,133
Net Income(i)	**$**	**255,574**	$	40,401
Net Income(i) per unit diluted	**$**	**0.621**	$	0.099
Funds from Operations ("FFO")(1) per unit diluted	**$**	**0.251**	$	0.247
Adjusted Funds from Operations ("AFFO")(1) per unit diluted	**$**	**0.199**	$	0.201
Adjusted Funds from Operations(1) payout ratio - diluted		**89.2%**		80.8%
Distribution declared per unit	**$**	**0.1775**	$	0.1625
Total assets (in millions)	**$**	**9,435**	$	8,906
Debt to total assets(ii)		**44.5%**		44.5%
Debt service coverage(ii)		**3.5x**		3.6x

(i) Net income included a positive adjustment of $107,800 and a negative adjustment of $95,418 for the fair value of Exchangeable Units, and positive adjustments of $101,661 and $87,902 for the fair value of investment properties, for the three months ended December 31, 2016 and December 31, 2015, respectively. Net income before adjustments to fair value(1) was $46,113 and $47,917 for the three months ended December 31, 2016 and December 31, 2015, respectively.

(ii) Debt ratios include Class C LP Units but exclude Exchangeable Units. The ratios are non-GAAP financial measures calculated based on the trust indentures, as supplemented.

Financial Results for the Quarter:

- **Rental Revenue** - Fourth quarter rental revenue totalled $197.7 million, an increase of $6.6 million or 3.5% compared with $191.1 million in the fourth quarter of 2015. Properties owned throughout both comparative periods contributed $2.2 million to the increase.
- **Net Operating Income**(1) - NOI(1) for the fourth quarter of 2016 was $139.7 million, an increase of $7.6 million, or 5.8%, compared with the fourth quarter of 2015. The increase in NOI(1) was primarily driven by $3.0 million from properties acquired subsequent to the third quarter of 2015 and $3.7 million from new developments. Excluding NOI(1) from developments and acquisitions subsequent to September 30, 2015, NOI(1) was $133.0 million, $1.4 million, or 1.0%, higher than the $131.6 million achieved in the fourth quarter of 2015. This improvement was primarily driven by growth in capital recoveries, improvements in ancillary occupancy, and higher average rents per square foot on new ancillary leases.
- **Net Income** - Net income for the fourth quarter of 2016 was $255.6 million compared to net income of $40.4 million in the fourth quarter of 2015. Adjustments to fair value measures were the primary cause of the variance between these comparative periods.
- **Net Income before Adjustments to Fair Value**(1) - Fourth quarter net income before adjustments to fair value(1) of $46.1 million compared with $47.9 million reported in the fourth quarter of 2015. Increases to net interest expense and other financing charges, including distributions on Exchangeable Units, offset the NOI(1) increases achieved.
- **Funds from Operations**(1) - FFO(1) for the fourth quarter of 2016 was $103.1 million or $0.251 per unit diluted, compared with $100.5 million or $0.247 per unit diluted in the fourth quarter of 2015. The year-over-year improvement in FFO(1) of $0.004 per unit diluted was primarily driven by growth in NOI(1) partially offset by higher net interest expense, excluding distributions on Exchangeable Units.
- **Adjusted Funds from Operations**(1) - AFFO(1) for the fourth quarter of 2016 was $81.8 million or $0.199 per unit diluted, compared with $82.0 million or $0.201 per unit diluted in the same quarter of 2015. The decline in AFFO(1) was driven by higher net interest expense, excluding distributions on Exchangeable Units, and an increase in capital expenditures required to maintain the rent revenue stream of the growing portfolio, partially offset by growth in NOI(1).

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

Operational Results for the Quarter:

- **Accretive Acquisitions** - On October 26, 2016, Choice Properties acquired a portfolio of five properties from Loblaw. The aggregate purchase price of $40.9 million, excluding acquisition costs, was settled through the issuance of 878,713 Exchangeable Units and cash. The new portfolio was immediately accretive with an estimated stabilized NOI(1) of approximately $2.6 million, representing an implied capitalization rate of 6.5%. The acquired properties expanded the portfolio by 394,034 square feet and had an occupancy rate of 99.7% when acquired. The portfolio includes the potential to develop up to 344,000 square feet of incremental GLA, including the development of a new 29,000 square foot Loblaw food store on a parcel of land in Edmonton, Alberta, which opened in December 2016.
- On December 22, 2016, Choice Properties acquired retail properties in Courtenay, British Columbia and Beaverton, Ontario, from third-party vendors, at a combined purchase price of $13.6 million, excluding acquisition costs, which was settled in cash. The acquisition added 36,543 square feet of ancillary GLA in sites adjacent to existing Choice Properties owned sites which are anchored by a Loblaw food store. The acquired properties in Courtenay and Beaverton were immediately accretive with capitalization rates of 6.5% and 8.4%, respectively. Upon acquisition, the properties were combined with adjacent Choice Properties owned sites and re-categorized as multi-tenant properties.
- **Development Progress -** In the fourth quarter of 2016, completed the construction of 232,000 square feet of Gross Leasable Area ("GLA"), including the construction of a 29,000 square foot Loblaw food store on newly acquired land in Edmonton, Alberta.
- **Development Pipeline -** Choice Properties expects to invest a total of approximately $387.2 million (including $95.2 million of costs spent to date) to develop up to 1,326,000 square feet of GLA by the end of 2019. Development yields are expected to be accretive upon tenant occupancy.
- **Leasing Activity -** In the fourth quarter of 2016, Choice Properties entered into leases for approximately 416,000 square feet of GLA with an average lease term of 9.3 years. This total included approximately 112,000 square feet of lease renewals, which represented a renewal rate of 65.4% for the quarter with an average increase over expiring base rent rates of 7.0%.
- **Occupancy -** At December 31, 2016, the Trust's portfolio occupancy rate was 98.9%, compared to 98.6% as at December 31, 2015.

Capital Structure:

- **Strengthened Financial Flexibility Through Debt Financing -** On December 23, 2016, Choice Properties entered into a new bi-lateral $250,000 senior unsecured committed revolving credit facility with a lender maturing December 21, 2018. The credit facility bears interest at variable rates of either: Prime plus 0.25% or Bankers' Acceptance rate plus 1.25%. Subsequent to the quarter, Choice Properties redeemed, at par, $200 million of Series 6 senior unsecured debentures.
- **Capacity to Invest for Further Growth -** As at December 31, 2016, the Trust's debt service coverage ratio(2) was 3.5x times. With stable cash flows from operations and access to several funding sources; including $750 million from two unsecured revolving credit facilities, the Trust believes it has the financial capacity to meet ongoing obligations and invest for further growth.
- **Distributions -** Distributions per unit declared during the quarter totalled $0.1775, for an AFFO(1) payout ratio of 89.2% (2015 - $0.1625 and 80.8%). Distributions per unit declared in the fourth quarter of 2016 increased by 9.2% over the comparative period in 2015.

Outlook

Choice Properties continues to drive value creation through accretive acquisitions, strategic development and active management of its portfolio of properties. This strategy supports the Trust's goal to expand its asset base and increase monthly distributions to unitholders.

Choice Properties is well positioned to meet its current obligations and to invest for future growth. The Trust's competitive advantages include: a sizable asset base that is geographically diverse across Canada; long-term leases and a strategic alliance with Loblaw; and an existing development pipeline, supported by sound financial management focused on maintaining a solid balance sheet and its investment grade credit ratings.

In 2017, Choice Properties expects to:

- Acquire additional properties from Loblaw and third-party vendors on an accretive basis when opportunities arise;
- Invest approximately $192.1 million in development projects expected to be completed in 2017 and future years;
- Complete the development of approximately 337,000 square feet of GLA with an expected yield ranging from 6% to 9%;
- Maintain a total occupancy rate of approximately 98%, with the occupancy rate for ancillary GLA in the 90% range; and
- Continue to align growth in distributions with stable, growing cash flows.

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

(2) Debt ratios include Class C LP Units but exclude Exchangeable Units. The ratios are non-GAAP financial measures calculated based on the trust indentures, as supplemented.

Forward-Looking Statements

This press release contains forward-looking statements about Choice Properties' objectives, outlook, 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 of this press release and in the MD&A of Choice Properties' 2016 Annual 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, outlook 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' 2016 Annual Report. Such risks and uncertainties include:

- changes in economic conditions, including changes in interest rates, and the rate of inflation;
- 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; (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 properties held by Loblaw); and (iv) the Strategic Alliance Agreement between Choice Properties and Loblaw;
- 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 its leases;
- failure to manage its growth effectively in accordance with its growth strategy or acquire assets on an accretive basis;
- changes in timing to obtain municipal approvals, development costs, and tenant leasing and occupancy of properties under development, redevelopment, or intensification;
- changes in Choice Properties' capital expenditure and fixed cost requirements;
- the inability of Choice Properties Limited 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)*; and
- 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 2016 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 reports non-GAAP financial measures, including, but not limited to, Net Operating Income ("NOI"), Net Income before Adjustments to Fair Value, Funds from Operations ("FFO"), and Adjusted Funds from Operations ("AFFO"). 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 IFRS when analyzing 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.

These measures do not have a standardized meaning prescribed by IFRS 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 IFRS.

A comprehensive list of non-GAAP measures are defined and discussed in the Trust's 2016 Annual Report.

Net Operating Income NOI is defined as rental revenue, excluding straight-line rent, from investment properties less property operating costs. NOI is a key performance indicator as it evaluates the operating performance of the portfolio and represents a measure over which management has control. It is also a key input in determining the fair value of the portfolio. 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.

Net Income before Adjustments to Fair Value Net Income (or net loss) as calculated under IFRS excluding adjustments to fair value of Exchangeable Units, investment properties and investment property held in equity-accounted joint venture.

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.

Choice Properties calculates FFO by adjusting net income (or net loss) for items that do not arise from operating activities, such as adjustments to fair value.

Adjusted Funds from Operations AFFO is a supplemental measure of operating performance widely used in the real estate industry. Choice Properties views AFFO as an alternative measure of cash generated from operations and considers AFFO generated as one of its inputs in determining the appropriate level of distribution to Unitholders.

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 property capital expenditures, required for sustaining productive capacity 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.

AFFO payout ratio is calculated as the distribution declared per unit divided by the AFFO per unit diluted.

Choice Properties Real Estate Investment Trust

Calculation of Non-GAAP Financial Measures

For the periods ended December 31 (in thousands of Canadian dollars, except per unit amounts) (unaudited)	Three Months **2016**	Three Months 2015	Year End **2016**	Year End 2015
Rental revenue	**$ 197,713**	$ 191,057	**$ 783,574**	$ 743,100
Reverse - Straight-line rental revenue	**(9,159)**	(9,121)	**(36,582)**	(36,656)
Property operating costs	**(48,809)**	(49,803)	**(200,240)**	(192,179)
Net Operating Income[1]	**$ 139,745**	$ 132,133	**$ 546,752**	$ 514,265
Net Income (Loss)	**$ 255,574**	$ 40,401	**$ (223,072)**	$ (155,276)
Adjustment to fair value of Exchangeable Units	**(107,800)**	95,418	**529,591**	410,518
Adjustment to fair value of investment properties	**(101,661)**	(87,902)	**(109,045)**	(71,981)
Adjustment to fair value of investment property held in equity accounted joint venture	**—**	—	**(13,640)**	—
Net Income before Adjustments to Fair Value[1]	**46,113**	47,917	**183,834**	183,261
Adjustment to fair value of unit-based compensation	**(225)**	379	**4,309**	888
Interest otherwise capitalized for development in equity accounted joint venture[2]	**84**	—	**324**	—
Distributions on Exchangeable Units	**56,444**	51,461	**218,961**	202,804
Amortization of tenant improvement allowances	**207**	101	**572**	251
Internal expenses for leasing[3]	**518**	666	**2,135**	1,771
Funds from Operations[1]	**$ 103,141**	$ 100,524	**$ 410,135**	$ 388,975
Straight-line rental revenue	**(9,159)**	(9,121)	**(36,582)**	(36,656)
Effective interest rate amortization of finance charges	**521**	(314)	**1,117**	(1,227)
Unit-based compensation expense	**859**	643	**3,152**	2,139
Property capital expenditures - incurred	**(16,343)**	(24,653)	**(42,192)**	(32,466)
Property and leasing capital expenditures - normalized[4]	**4,151**	18,692	**—**	—
Leasing capital expenditures - incurred	**(1,354)**	(3,784)	**(5,384)**	(7,884)
Adjusted Funds from Operations[1]	**$ 81,816**	$ 81,987	**$ 330,246**	$ 312,881
FFO[1] per unit - diluted	**$ 0.251**	$ 0.247	**$ 1.000**	$ 0.966
AFFO[1] per unit - diluted	**$ 0.199**	$ 0.201	**$ 0.805**	$ 0.777
AFFO[1] payout ratio - diluted	**89.2%**	80.8%	**85.7%**	83.7%
Distribution declared per unit	**$ 0.1775**	$ 0.1625	**$ 0.6900**	$ 0.6500
Weighted average Units outstanding - basic	**410,104,744**	407,210,616	**409,023,586**	402,090,617
Weighted average Units outstanding - diluted	**411,272,728**	407,774,742	**410,034,555**	402,582,183
Number of Units outstanding, end of period	**410,557,333**	408,063,609	**410,557,333**	408,063,609

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

(2) Interest expensed in the Trust, relating to qualifying development projects underway in the equity accounted joint venture, was eligible to be added back to FFO[1] in accordance with the Real Property Association of Canada White Paper on Funds from Operations for IFRS issued in April 2014.

(3) Internal expenses for leasing, primarily salaries, were eligible to be added back to FFO[1], based on the definition of FFO[1] in the Real Property Association of Canada White Paper published in April 2014 that provided for an adjustment to incremental leasing expenses for the cost of salaried staff. This adjustment to FFO[1] made results more comparable between real estate entities that expensed their internal leasing departments and those that capitalized the expenses.

(4) Seasonality impacts the timing of capital expenditures. The AFFO[1] calculations for the three months ended December 31, 2016 and December 31, 2015 were adjusted for this factor to make the quarters more comparable.

Selected Financial Information

The following includes quarterly financial information prepared by management in accordance with IFRS and based on the Trust's 2016 Annual Report to Unitholders. This financial information does not contain all disclosures required by IFRS, and accordingly should be read in conjunction with the Trust's 2016 Annual Report, which is 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)	**As at December 31, 2016**	As at December 31, 2015
Assets		
Non-current Assets		
Investment properties	**$ 9,098,000**	$ 8,561,000
Equity accounted joint venture	**19,070**	9,350
Accounts receivable and other assets	**5,888**	9,874
Notes receivable	**2,360**	2,179
	9,125,318	8,582,403
Current Assets		
Accounts receivable and other assets	**14,882**	6,240
Notes receivable	**290,009**	272,892
Cash and cash equivalents	**5,113**	44,354
	310,004	323,486
Total Assets	**$ 9,435,322**	$ 8,905,889
Liabilities and Unitholders' Equity		
Non-current Liabilities		
Long term debt and Class C LP Units	**$ 3,726,991**	$ 3,579,202
Credit facilities	**172,000**	—
Exchangeable Units	**4,283,304**	3,741,895
Trade payables and other liabilities	**1,397**	1,354
	8,183,692	7,322,451
Current Liabilities		
Long term debt and Class C LP Units	**201,723**	302,188
Trade payables and other liabilities	**472,762**	438,177
	674,485	740,365
Total Liabilities	**8,858,177**	8,062,816
Equity		
Unitholders' equity	**569,374**	835,317
Non-controlling interests	**7,771**	7,756
Total Equity	**577,145**	843,073
Total Liabilities and Equity	**$ 9,435,322**	$ 8,905,889

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

	(unaudited)		(audited)	
(in thousands of Canadian dollars)	**Three months ended December 31, 2016**	Three months ended December 31, 2015	**Year ended December 31, 2016**	Year ended December 31, 2015
Net Property Income				
Rental revenue from investment properties	**$ 197,713**	$ 191,057	**$ 783,574**	$ 743,100
Property operating costs	**(48,809)**	(49,803)	**(200,240)**	(192,179)
Net Property Income	**148,904**	141,254	**583,334**	550,921
Other Expenses				
General and administrative expenses	**(6,196)**	(5,148)	**(28,117)**	(21,765)
Amortization of other assets	**(233)**	(279)	**(930)**	(844)
Net interest expense and other financing charges	**(96,442)**	(87,910)	**(370,533)**	(345,051)
Share of income from joint venture	**80**	—	**13,720**	—
Adjustment to fair value of Exchangeable Units(1)	**107,800**	(95,418)	**(529,591)**	(410,518)
Adjustment to fair value of investment properties	**101,661**	87,902	**109,045**	71,981
Net Income (Loss) and Comprehensive Income (Loss)	**$ 255,574**	$ 40,401	**$ (223,072)**	$ (155,276)

(1) The Class B LP Units of the Trust's subsidiary, Choice Properties Limited Partnership, are exchangeable into Trust Units at the option of the holder. Loblaw holds all of the Exchangeable Units. These Exchangeable Units are considered puttable instruments and are required to be classified as financial liabilities at fair value through profit or loss. The distributions paid on the Exchangeable Units are accounted for as interest expense.

Choice Properties Real Estate Investment Trust
Consolidated Statements of Cash Flows

(in thousands of Canadian dollars)	(unaudited) Three months ended December 31, 2016	Three months ended December 31, 2015	(audited) Year ended December 31, 2016	Year ended December 31, 2015
Operating Activities				
Net income (loss)	**$ 255,574**	$ 40,401	**$ (223,072)**	$ (155,276)
Straight-line rental revenue	**(9,159)**	(9,121)	**(36,582)**	(36,656)
Amortization of tenant improvement allowances	**207**	101	**572**	251
Amortization of other assets	**233**	279	**930**	844
Net interest expense and other financing charges	**96,442**	87,910	**370,533**	345,051
Value of unit-based compensation granted	**634**	1,022	**7,461**	3,027
Share of income from joint venture	**(80)**	—	**(13,720)**	—
Adjustment to fair value of Exchangeable Units	**(107,800)**	95,418	**529,591**	410,518
Adjustment to fair value of investment properties	**(101,661)**	(87,902)	**(109,045)**	(71,981)
Interest received	**13**	20	**102**	99
Net change in non-cash working capital	**99,497**	48,050	**3,852**	32,649
Cash Flows from Operating Activities	**233,900**	176,178	**530,622**	528,526
Investing Activities				
Acquisitions of investment properties	**(43,873)**	(31,003)	**(183,688)**	(247,404)
Additions to investment properties	**(62,522)**	(85,737)	**(193,120)**	(169,871)
Additions to fixtures and equipment	**(46)**	49	**(384)**	(480)
Notes receivable issued to third-party	**—**	—	**—**	(1,565)
Equity investment distribution (contribution)	**—**	(1,000)	**4,000**	(3,120)
Cash Flows used in Investing Activities	**(106,441)**	(117,691)	**(373,192)**	(422,440)
Financing Activities				
Long term debt				
Issued - Senior unsecured debentures, net of debt placement costs	**(140)**	198,628	**347,714**	447,038
Principal repayments - Senior unsecured debentures	**—**	—	**(300,000)**	—
Principal repayments - Mortgage	**(311)**	(291)	**(1,212)**	(1,040)
Gain on settlement of bond forward contracts	**—**	—	**2,682**	—
Credit facilities				
Net advancements (repayments)	**(31,000)**	(133,000)	**172,000**	(122,000)
Debt placement costs	**—**	—	**(275)**	(292)
Notes receivable				
Issued to related party	**(67,954)**	(62,953)	**(263,574)**	(248,463)
Repaid by related party	**—**	—	**248,463**	236,328
Cash received on exercise of options	**—**	—	**732**	321
Cash paid on vesting of restricted units	**—**	—	**(1,493)**	—
Interest paid	**(13,893)**	(13,713)	**(156,297)**	(144,528)
Distributions paid on Exchangeable Units	**—**	—	**(202,204)**	(190,078)
Distributions paid to Unitholders	**(10,847)**	(10,418)	**(43,222)**	(40,410)
Contribution from non-controlling interest	**15**	—	**15**	60
Cash Flows used in Financing Activities	**(124,130)**	(21,747)	**(196,671)**	(63,064)
Change in cash and cash equivalents	**3,329**	36,740	**(39,241)**	43,022
Cash and cash equivalents, beginning of year	**1,784**	7,614	**44,354**	1,332
Cash and Cash Equivalents, end of year	**$ 5,113**	$ 44,354	**$ 5,113**	$ 44,354

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' 2016 Annual 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 February 16, 2017 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: 48533502. To access the conference call via webcast, a link is available at www.choicereit.ca in the "Events and Webcasts" 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 other commercial real estate across Canada. Choice Properties' portfolio spans approximately 43.6 million square feet of gross leasable area and consists of 535 properties primarily focused on supermarket and drug store anchored shopping centres and stand-alone supermarkets and drug stores. Choice Properties' strategy is to create value by enhancing and optimizing its portfolio through accretive acquisitions, strategic development and active property management. 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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