

## Choice Properties Real Estate Investment Trust Reports Continued Growth for the Third Quarter of 2017

**Toronto, November 7, 2017 /CNW/** - Choice Properties Real Estate Investment Trust ("Choice Properties" or the "Trust") (TSX: CHP.UN) today announced its condensed consolidated financial results for the third quarter ended September 30, 2017. The Trust's Quarterly Report will be available in the Investor Relations section of the Trust's website at [www.choicereit.ca](http://www.choicereit.ca), filed with SEDAR and available at [www.sedar.com](http://www.sedar.com).

### Quarter Highlights:

- Reported rental revenue of \$206.8 million, an increase of \$10.5 million or 5.3% compared with \$196.3 million in the third quarter of 2016;
- Reported net income of \$303.1 million, an increase of \$89.4 million compared with a net income of \$213.7 million in the third quarter of 2016. The third quarter of 2017 included a net fair value adjustment gain of \$252.5 million (2016 - net gain of \$168.4 million);
- Reported Funds from Operations ("FFO")<sup>(1)</sup> per unit diluted of \$0.263, an increase of \$0.015, or 6.0%, compared with \$0.248 in the third quarter of 2016;
- Acquired investment properties (retail and land), from third-party vendors for a combined purchase price of \$27.9 million. The retail properties added approximately 65,000 square feet of gross leasable area ("GLA"), at a weighted average capitalization rate of 6.9%;
- Constructed 66,000 square feet of GLA for 2017 projects, delivering 26 new ancillary retail units thus completing the targeted GLA of 347,000 square feet for 2017; and
- Maintained ancillary occupancy and increased organic Net Operating Income ("NOI")<sup>(1)</sup> for the quarter by 3.6% to \$140.6 million from \$135.7 million in 2016.

"Choice Properties' steadfast focus on the execution of its strategic plan continued to deliver positive operational and financial results in the third quarter of 2017," said John Morrison, President and Chief Executive Officer. "Our investments during the quarter resulted in successful acquisitions, completion of new gross leasable area for our tenants, and maintained the quality of our portfolio as well as its high occupancy rate. Supported by a solid base with predictable cash flows, we remain confident in our capacity to further unlock the value creation potential in our portfolio as we continue our intensification program and build momentum for our mixed-use redevelopment projects."

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

## Financial and Operational Summary

As at or for the three months ended September 30  
(\$ thousands except where otherwise indicated)  
(unaudited)

|  | 2017       | 2016       |
|--|------------|------------|
| Number of properties   | 540        | 530        |
| Gross Leasable Area ("GLA") (in millions of square feet)       | 43.8       | 42.9       |
| Occupancy  | 98.9%      | 98.8%      |
| Rental revenue   | \$ 206,750 | \$ 196,275 |
| Net Operating Income ("NOI") <sup>(1)</sup>                    | \$ 145,422 | \$ 137,835 |
| Net Income <sup>(i)</sup>                                      | \$ 303,095 | \$ 213,718 |
| Net Income <sup>(i)</sup> per unit diluted                     | \$ 0.733   | \$ 0.521   |
| Funds from Operations ("FFO") <sup>(1)</sup> per unit diluted  | \$ 0.263   | \$ 0.248   |
| Adjusted Cash Flow from Operations ("ACFO") <sup>(1)</sup>     | \$ 81,940  | \$ 88,369  |
| Adjusted Cash Flow from Operations <sup>(1)</sup> payout ratio | 92.9%      | 82.2%      |
| Distribution declared per unit                                 | \$ 0.1850  | \$ 0.1775  |
| Total assets (in millions)                                     | \$ 9,702   | \$ 9,156   |
| Debt to total assets <sup>(ii)</sup>                           | 44.6%      | 45.9%      |
| Debt service coverage <sup>(ii)</sup>                          | 3.6x       | 3.6x       |

- (i) Net income included positive adjustments of \$174,894 and \$123,673 for the fair value of Exchangeable Units, and positive adjustments of \$77,604 and \$44,757 for the fair value of investment properties for the three months ended September 30, 2017 and September 30, 2016, respectively. Net income before adjustments to fair value<sup>(1)</sup> was \$50,597 and \$45,288 for the three months ended September 30, 2017 and September 30, 2016, 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** - Third quarter rental revenue totalled \$206.8 million, an increase of \$10.5 million or 5.3% compared with \$196.3 million in the third quarter of 2016. Properties owned throughout both comparative periods contributed \$8.3 million to the increase.
- **Net Operating Income**<sup>(1)</sup> - NOI<sup>(1)</sup> for the third quarter of 2017 was \$145.4 million, an increase of \$7.6 million, or 5.5%, compared with the third quarter of 2016, including an increase in NOI<sup>(1)</sup> of \$1.5 million from properties acquired subsequent to June 30, 2016 and \$1.2 million from new developments. Excluding NOI<sup>(1)</sup> from acquisitions and developments, NOI<sup>(1)</sup> was \$140.6 million, \$4.9 million, or 3.6%, higher than the \$135.7 million achieved in the third quarter of 2016. This improvement was primarily driven by rent steps in Loblaw leases and higher average rents per square foot on ancillary leases.
- **Net Income** - Net income for the third quarter of 2017 was \$303.1 million compared to a net income of \$213.7 million in the third quarter of 2016. Adjustments to fair value measures were the primary cause of the variance between these comparative periods.
- **Net Income before Adjustments to Fair Value**<sup>(1)</sup> - Third quarter net income before adjustments to fair value<sup>(1)</sup> of \$50.6 million compared with \$45.3 million reported in the third quarter of 2016. The increase was driven by an increase of net property income, partially offset by an increase to net interest expense and other financing charges, including distributions on Exchangeable Units.
- **Funds from Operations**<sup>(1)</sup> - FFO<sup>(1)</sup> for the third quarter of 2017 was \$108.9 million or \$0.263 per unit diluted, compared with \$101.9 million or \$0.248 per unit diluted in the third quarter of 2016. The year-over-year improvement in FFO<sup>(1)</sup> of \$0.015 per unit diluted was primarily driven by growth in net property income partially offset by higher net interest expense, excluding distributions on Exchangeable Units.
- **Adjusted Cash Flow from Operations**<sup>(1)</sup> - ACFO<sup>(1)</sup> for the third quarter of 2017 was \$81.9 million, representing an excess of \$5.8 million over distributions paid during the quarter, which is a decrease of \$10.0 million compared to an excess of \$15.8 million in the third quarter of 2016. The year-over-year decrease in ACFO<sup>(1)</sup> is indicative of fluctuations in the timing of cash flows from operating working capital.
- **Distributions** - Distributions per unit declared during the quarter totalled \$0.1850, for an ACFO<sup>(1)</sup> payout ratio of 92.9% (2016 - \$0.1775 and 82.2%, respectively).

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

### Operational Results for the Quarter:

- **Acquisitions** - In the third quarter of 2017, Choice Properties completed six acquisitions, from third-party vendors, for a combined purchase price of \$27.9 million. These properties included two retail properties located in St-Raymond, Quebec and Uxbridge, Ontario, adding approximately 65,000 square feet of GLA, anchored by approximately 49,000 square feet of Loblaw leases, at an accretive weighted average capitalization rate of 6.9%. The remaining four properties were parcels of land acquired for development, two of which are located in Toronto, Ontario and one each in Ancienne Lorette, Quebec and Spruce Grove, Alberta.
- **Development Progress** - In the third quarter of 2017, Choice Properties constructed 66,000 square feet towards its 2017 projects, delivering 26 new retail spaces for third-party tenants, primarily at greenfield sites in Surrey, British Columbia and Barrie, Ontario as well as an intensification site in St. Albert, Alberta, thus completing the targeted GLA of 347,000 square feet for 2017.
- **Leasing Activity** - In the third quarter of 2017, Choice Properties entered into leases for approximately 193,000 square feet of GLA with an average lease term of 9.0 years. This total included approximately 68,000 square feet of lease renewals, with an average increase over expiring base rent rates of 11.7%, and approximately 61,000 square feet for new developments at an average base rent per square foot of \$30.74.
- **Occupancy** - At September 30, 2017, the Trust's portfolio occupancy rate was 98.9%, compared to 98.8% as at September 30, 2016.

### Capital Structure:

- **Capacity to Invest for Further Growth** - As at September 30, 2017, the Trust's debt service coverage ratio<sup>(2)</sup> was 3.6 times. With stable cash flows from operations and access to several funding sources, including from our senior unsecured committed revolving credit facilities, the Trust believes it has the financial capacity to meet ongoing obligations and invest for further growth.

### 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. With these key differentiators, Choice Properties believes that it is well positioned to achieve its strategic goals despite an increasingly competitive landscape, underscored by ever changing square footage requirements in the retail industry.

For 2017, Choice Properties expects to:

- Acquire additional properties from Loblaw and third-party vendors on an accretive basis when opportunities arise;
- Invest approximately \$155 million in development projects, including mixed-use projects, completed in 2017 and future years; and
- Maintain a total occupancy rate of approximately 98%, with the occupancy rate for ancillary GLA in the 90% range.

(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, opportunities, and legal and regulatory matters. 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' Third Quarter 2017 Report. 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, tax laws, economic conditions and competition. Management's estimates, beliefs and assumptions are inherently subject to significant business, economic, competitive and other uncertainties and contingencies regarding future events and as such, are subject to change. Choice Properties can give no assurance that such estimates, beliefs and assumptions will prove to be correct.

Numerous risks and uncertainties could cause 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 Cash Flow from Operations (“ACFO”). 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’s *White Paper on Funds from Operations & Adjusted Funds from Operations for IFRS* issued in February 2017. 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.

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

**Adjusted Cash Flow from Operations** ACFO 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 ACFO in accordance with the Real Property Association of Canada’s *White Paper on Adjusted Cashflow from Operations (ACFO) for IFRS* issued in February 2017. The purpose of the White Paper was to provide reporting issuers and investors with greater guidance on the definitions of ACFO and to help promote more consistent disclosure from reporting issuers.

Choice Properties considers ACFO an input to determining the appropriate level of distributions to Unitholders as it adjusts cash flows from operations for other sustainable economic cash flows.

**Adjusted Cash Flow from Operations Payout Ratio** ACFO Payout ratio is calculated as the total distributions declared, divided by the ACFO.

## Choice Properties Real Estate Investment Trust

### Calculation of Non-GAAP Financial Measures

| For the periods ended September 30<br>(in thousands of Canadian dollars, except per unit amounts)<br>(unaudited) | Three Months |             | Nine Months |              |
|--|--------------|-------------|-------------|--------------|
|  | 2017         | 2016        | 2017        | 2016         |
| <b>Rental revenue</b>  | \$ 206,750   | \$ 196,275  | \$ 618,809  | \$ 585,861   |
| Reverse - Straight-line rental revenue   | (8,030)      | (8,695)     | (26,648)    | (27,423)     |
| Property operating costs   | (53,298)     | (49,745)    | (160,303)   | (151,431)    |
| Net Operating Income <sup>(1)</sup>  | 145,422      | 137,835     | 431,858     | 407,007      |
| NOI <sup>(1)</sup> from newly acquired properties  | (1,658)      | (170)       | (9,786)     | (2,950)      |
| NOI <sup>(1)</sup> from new developments   | (3,159)      | (1,979)     | (11,240)    | (3,254)      |
| NOI <sup>(1)</sup> for Same Properties, with same GLA  | \$ 140,605   | \$ 135,686  | \$ 410,832  | \$ 400,803   |
| <b>Net Income (Loss)</b>   | \$ 303,095   | \$ 213,718  | \$ 368,812  | \$ (478,646) |
| Adjustment to fair value of Exchangeable Units   | (174,894)    | (123,673)   | (57,238)    | 637,391      |
| Adjustment to fair value of investment properties  | (77,604)     | (44,757)    | (162,758)   | (7,384)      |
| Adjustment to fair value of investment property held in equity<br>accounted joint venture                        | —            | —           | 1,250       | (13,640)     |
| Net Income before Adjustments to Fair Value <sup>(1)</sup>   | 50,597       | 45,288      | 150,066     | 137,721      |
| Adjustment to fair value of unit-based compensation  | (1,391)      | (489)       | 201         | 4,534        |
| Interest otherwise capitalized for development in equity<br>accounted joint venture                              | 112          | 82          | 304         | 240          |
| Distributions on Exchangeable Units  | 58,828       | 56,287      | 173,304     | 162,517      |
| Amortization of tenant improvement allowances  | 228          | 165         | 590         | 365          |
| Internal expenses for leasing  | 522          | 546         | 1,627       | 1,617        |
| <b>Funds from Operations<sup>(1)</sup></b>   | \$ 108,896   | \$ 101,879  | \$ 326,092  | \$ 306,994   |
| FFO <sup>(1)</sup> per unit - diluted  | \$ 0.263     | \$ 0.248    | \$ 0.790    | \$ 0.749     |
| FFO <sup>(1)</sup> payout ratio - diluted  | 70.2%        | 71.5%       | 69.0%       | 68.4%        |
| Distribution declared per unit   | \$ 0.1850    | \$ 0.1775   | \$ 0.5450   | \$ 0.5125    |
| Weighted average Units outstanding - diluted   | 413,445,869  | 410,254,616 | 412,871,899 | 409,618,643  |

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

| For the periods ended September 30<br>(\$ thousands)<br>(unaudited)  | Three Months      |            | Nine Months       |            |
|--|-------------------|------------|-------------------|------------|
|  | 2017              | 2016       | 2017              | 2016       |
| <b>Cash flows from operating activities</b>  | <b>\$ 164,042</b> | \$ 158,275 | <b>\$ 309,537</b> | \$ 296,855 |
| Interest paid  | (45,564)          | (43,520)   | (150,500)         | (142,404)  |
| Cash flows from operating activities less interest paid  | <b>118,478</b>    | 114,755    | <b>159,037</b>    | 154,451    |
| Add (deduct) impact of the following:  |                   |            |                   |            |
| Net interest expense and other financing charges in excess of interest paid <sup>(1)</sup>   | (54,119)          | (52,775)   | (143,929)         | (133,410)  |
| Distributions on Exchangeable Units included in net interest expense and other financing charges                                     | 58,828            | 56,287     | 173,304           | 162,517    |
| Gain on settlement of bond forward contracts   | —                 | —          | —                 | (2,682)    |
| Interest income in excess of interest received <sup>(1)</sup>  | 44                | 557        | 334               | 1,634      |
| Interest otherwise capitalized for development in equity accounted joint venture   | 112               | 82         | 304               | 240        |
| Share of interest income from joint venture  | 66                | —          | 185               | —          |
| Portion of internal expenses for leasing relating to development activity  | 261               | 273        | 814               | 809        |
| Property capital expenditures - incurred   | (22,320)          | (24,074)   | (24,301)          | (25,849)   |
| Property capital expenditures - normalized <sup>(2)</sup>  | 11,070            | 14,074     | (9,449)           | (4,151)    |
| Leasing capital expenditures - incurred  | (1,077)           | (2,395)    | (3,443)           | (4,030)    |
| Adjustment for changes in non-cash working capital items which are not indicative of sustainable operating cash flows <sup>(3)</sup> | (29,403)          | (18,415)   | 107,698           | 97,254     |
| <b>Adjusted Cash Flow from Operations<sup>(4)</sup></b>  | <b>\$ 81,940</b>  | \$ 88,369  | <b>\$ 260,554</b> | \$ 246,783 |
| Total distributions declared   | \$ 76,163         | \$ 72,617  | \$ 224,140        | \$ 209,472 |
| <b>ACFO<sup>(4)</sup> payout ratio</b>   | <b>92.9%</b>      | 82.2%      | <b>86.0%</b>      | 84.9%      |

- (1) The timing of the recognition of interest expense and income differs from the payment and collection. The ACFO calculations for the three and nine months ended September 30, 2017 and September 30, 2016 were adjusted for this factor to make the quarters more comparable.
- (2) Seasonality impacts the timing of capital expenditures. The ACFO calculations for the three and nine months ended September 30, 2017 and September 30, 2016 were adjusted for this factor to make the quarters more comparable based on the annual anticipated spend of approximately \$1.00 per square foot.
- (3) ACFO is adjusted each quarter for fluctuations in non-cash working capital due to the timing of transactions for realty taxes prepaid or payable, and prepaid insurance. The payments for these operating expenses tend to have quarterly, seasonal fluctuations that even out on an annual basis. Also, variability in non-cash working capital was created, in the first quarter of 2017, when rental payments for January 2017, of \$57,135, plus the related sales taxes payable, of \$6,334, were received in advance from Loblaw. ACFO is also adjusted each quarter to remove fluctuations in non-cash working capital due to capital expenditure accruals, which are not related to sustainable operating activities.
- (4) See "Non-GAAP Financial Measures" beginning on page 5.

## Selected Financial Information

The following includes quarterly financial information prepared by management in accordance with IFRS and based on the Trust's Third Quarter 2017 Report. 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](http://www.choicereit.ca).

### Choice Properties Real Estate Investment Trust Condensed Consolidated Balance Sheets

| (unaudited)<br>(in thousands of Canadian dollars) | As at<br>September 30, 2017 | As at<br>December 31, 2016 |
|---|-----------------------------|----------------------------|
| <b>Assets</b>                                     |                             |                            |
| Non-current Assets                                |                             |                            |
| Investment properties                             | \$ 9,400,000                | \$ 9,098,000               |
| Equity accounted joint venture                    | 21,965                      | 19,070                     |
| Accounts receivable and other assets              | 5,313                       | 5,888                      |
| Notes receivable                                  | 2,505                       | 2,360                      |
|   | <b>9,429,783</b>            | <b>9,125,318</b>           |
| Current Assets                                    |                             |                            |
| Accounts receivable and other assets              | 38,402                      | 14,882                     |
| Notes receivable                                  | 233,821                     | 290,009                    |
| Cash and cash equivalents                         | —                           | 5,113                      |
|   | <b>272,223</b>              | <b>310,004</b>             |
| <b>Total Assets</b>                               | <b>\$ 9,702,006</b>         | <b>\$ 9,435,322</b>        |
| <b>Liabilities and Unitholders' Equity</b>        |                             |                            |
| Non-current Liabilities                           |                             |                            |
| Long term debt and Class C LP Units               | \$ 3,329,759                | \$ 3,726,991               |
| Credit facilities                                 | 520,000                     | 172,000                    |
| Exchangeable Units                                | 4,226,066                   | 4,283,304                  |
| Trade payables and other liabilities              | 2,320                       | 1,397                      |
|   | <b>8,078,145</b>            | <b>8,183,692</b>           |
| Current Liabilities                               |                             |                            |
| Bank indebtedness                                 | 269                         | —                          |
| Long term debt and Class C LP Units               | 399,974                     | 201,723                    |
| Trade payables and other liabilities              | 311,590                     | 472,762                    |
|   | <b>711,833</b>              | <b>674,485</b>             |
| <b>Total Liabilities</b>                          | <b>8,789,978</b>            | <b>8,858,177</b>           |
| Equity  |                             |                            |
| Unitholders' equity                               | 904,257                     | 569,374                    |
| Non-controlling interests                         | 7,771                       | 7,771                      |
| <b>Total Equity</b>                               | <b>912,028</b>              | <b>577,145</b>             |
| <b>Total Liabilities and Equity</b>               | <b>\$ 9,702,006</b>         | <b>\$ 9,435,322</b>        |



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

| (unaudited)<br>(in thousands of Canadian dollars)                             | Three months<br>ended<br>September 30,<br>2017 | Three months<br>ended<br>September 30,<br>2016 | Nine months<br>ended<br>September 30,<br>2017 | Nine months<br>ended<br>September 30,<br>2016 |
|---|--|--|---|---|
| <b>Net Property Income</b>  |  |  |   |   |
| Rental revenue from investment properties                                     | \$ 206,750                                     | \$ 196,275                                     | \$ 618,809                                    | \$ 585,861                                    |
| Property operating costs  | (53,298)                                       | (49,745)                                       | (160,303)                                     | (151,431)                                     |
|   | <b>153,452</b>                                 | 146,530  | <b>458,506</b>                                | 434,430                                       |
| <b>Other Income and Expenses</b>  |  |  |   |   |
| General and administrative expenses   | (4,332)  | (5,436)  | (16,585)                                      | (22,470)                                      |
| Property management and other administration fees<br>charged to related party | 669  | 150  | 1,003   | 549   |
| Amortization of other assets  | (233)  | (231)  | (699)   | (697)   |
| Net interest expense and other financing charges                              | (99,683)                                       | (96,295)                                       | (294,429)                                     | (275,814)                                     |
| Interest Income   | 658  | 570  | 2,085   | 1,723   |
| Share of income (loss) from joint venture                                     | 66   | —  | (1,065)                                       | 13,640  |
| Adjustment to fair value of Exchangeable Units <sup>(1)</sup>                 | 174,894  | 123,673  | 57,238  | (637,391)                                     |
| Adjustment to fair value of investment properties                             | 77,604   | 44,757   | 162,758                                       | 7,384   |
| <b>Net Income (Loss) and Comprehensive Income (Loss)</b>                      | <b>\$ 303,095</b>                              | \$ 213,718                                     | <b>\$ 368,812</b>                             | \$ (478,646)                                  |

(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**  
**Condensed Consolidated Statements of Cash Flows**

| (unaudited)<br>(in thousands of Canadian dollars)                 | Three months<br>ended<br>September 30,<br>2017 | Three months<br>ended<br>September 30,<br>2016 | Nine months<br>ended<br>September 30,<br>2017 | Nine months<br>ended<br>September 30,<br>2016 |
|---|--|--|---|---|
| <b>Operating Activities</b>                                       |  |  |   |   |
| Net income (loss)   | \$ 303,095                                     | \$ 213,718                                     | \$ 368,812                                    | \$ (478,646)                                  |
| Straight-line rental revenue                                      | (8,030)  | (8,695)  | (26,648)                                      | (27,423)                                      |
| Amortization of tenant improvement allowances                     | 228  | 165  | 590   | 365   |
| Amortization of other assets                                      | 233  | 231  | 699   | 697   |
| Net interest expense and other financing charges                  | 99,683   | 96,295   | 294,429                                       | 275,814                                       |
| Interest income   | (658)  | (570)  | (2,085)                                       | (1,723)                                       |
| Value of unit-based compensation granted                          | (525)  | 171  | 2,834   | 6,827   |
| Share of loss (income) from joint venture                         | (66)   | —  | 1,065   | (13,640)                                      |
| Adjustment to fair value of Exchangeable Units                    | (174,894)                                      | (123,673)                                      | (57,238)                                      | 637,391                                       |
| Adjustment to fair value of investment properties                 | (77,604)                                       | (44,757)                                       | (162,758)                                     | (7,384)                                       |
| Interest received   | 614  | 13   | 1,751   | 89  |
| Net change in non-cash working capital                            | 21,966   | 25,377   | (111,914)                                     | (95,512)                                      |
| <b>Cash Flows from Operating Activities</b>                       | <b>164,042</b>                                 | <b>158,275</b>                                 | <b>309,537</b>                                | <b>296,855</b>                                |
| <b>Investing Activities</b>                                       |  |  |   |   |
| Acquisitions of investment properties                             | (28,941)                                       | (19,920)                                       | (47,216)                                      | (139,815)                                     |
| Additions to investment properties                                | (51,632)                                       | (74,203)                                       | (98,858)                                      | (130,598)                                     |
| Additions to fixtures and equipment                               | (38)   | —  | (146)   | (338)   |
| Equity investment contribution                                    | (2,200)  | 4,000  | (3,960)                                       | 4,000   |
| Proceeds of disposition   | 34,745   | —  | 34,745  | —   |
| <b>Cash Flows used in Investing Activities</b>                    | <b>(48,066)</b>                                | <b>(90,123)</b>                                | <b>(115,435)</b>                              | <b>(266,751)</b>                              |
| <b>Financing Activities</b>                                       |  |  |   |   |
| Long term debt  |  |  |   |   |
| Issued - Senior unsecured debentures, net of debt placement costs | —  | (217)  | —   | 347,854                                       |
| Principal repayments - Senior unsecured debentures                | —  | —  | (200,000)                                     | (300,000)                                     |
| Principal repayments - Mortgage                                   | (327)  | (306)  | (964)   | (901)   |
| Gain on settlement of bond forward contracts                      | —  | —  | —   | 2,682   |
| Credit facilities   |  |  |   |   |
| Net advances  | 4,000  | 61,000   | 348,000                                       | 203,000                                       |
| Debt placement costs  | (275)  | —  | (275)   | (275)   |
| Change in bank indebtedness                                       | 269  | (4,232)  | 269   | —   |
| Notes receivable  |  |  |   |   |
| Issued to related party   | (70,390)                                       | (66,792)                                       | (207,197)                                     | (195,620)                                     |
| Repaid by related party   | —  | —  | 263,574                                       | 248,463                                       |
| Trust Unit issuance costs   | —  | —  | —   | (133)   |
| Cash received on exercise of options                              | —  | 136  | 25  | 732   |
| Cash paid on vesting of restricted units                          | —  | (1,493)  | (1,142)                                       | (1,493)                                       |
| Interest paid   | (45,564)                                       | (43,520)                                       | (150,500)                                     | (142,404)                                     |
| Distributions paid on Exchangeable Units                          | —  | —  | (217,324)                                     | (202,204)                                     |
| Distributions paid to Unitholders                                 | (11,501)                                       | (10,944)                                       | (33,681)                                      | (32,375)                                      |
| <b>Cash Flows used in Financing Activities</b>                    | <b>(123,788)</b>                               | <b>(66,368)</b>                                | <b>(199,215)</b>                              | <b>(72,674)</b>                               |
| Change in cash and cash equivalents                               | (7,812)  | 1,784  | (5,113)                                       | (42,570)                                      |
| Cash and cash equivalents, beginning of period                    | 7,812  | —  | 5,113   | 44,354  |
| <b>Cash and Cash Equivalents, end of period</b>                   | <b>\$ —</b>                                    | <b>\$ 1,784</b>                                | <b>\$ —</b>                                   | <b>\$ 1,784</b>                               |

## **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' Third Quarter 2017 Report to Unitholders, which includes the unaudited interim period condensed consolidated financial statements and MD&A for the Trust and is available at [www.choicereit.ca](http://www.choicereit.ca) and on SEDAR at [www.sedar.com](http://www.sedar.com).

### **Conference Call and Webcast**

Senior management will host a conference call to discuss the results on November 8, 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: 82419627. To access the conference call via webcast, a link is available at [www.choicereit.ca](http://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 other commercial real estate across Canada. Choice Properties' portfolio spans approximately 43.8 million square feet of gross leasable area and consists of 540 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](http://www.choicereit.ca) and Choice Properties' issuer profile at [www.sedar.com](http://www.sedar.com).

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