Choice Properties REIT

2020 Third Quarter Report

West Block | Toronto ON

175 Bloor St East | Toronto ON

Letter to Unitholders

Fellow Unitholders,

The COVID-19 pandemic continues to evolve, impacting our communities and our day-to-day lives. In response, we are taking thoughtful actions to mitigate the effects of the pandemic on our business operations and focusing on the best interests of our employees, tenants and other stakeholders. While we are encouraged by signs of the economy reopening in some areas and the positive impact that is having on most of our tenants, we acknowledge that uncertainty persists. With that backdrop in mind, we are pleased with our financial results this past quarter, demonstrating that our business model, stable tenant base and disciplined approach to financial management continue to position us well.

Our diversified portfolio of office, retail and industrial properties is well occupied at 97.0% and leased to high-quality tenants across Canada. Our retail portfolio is primarily leased to either grocery stores, pharmacies or other necessity-based tenants, who continue to perform well in this environment.

Rent collection for the third quarter was approximately 98%, reflecting the stability of our necessity-based portfolio. We have supported those tenants most impacted by the pandemic by participating in the government's CECRA program. For the quarter, we reported a $4.7 million bad debt expense for uncollected rents on a proportionate share basis, the majority of which relates to abatements for tenants participating in CECRA.

Our development program provides us with opportunities to add high-quality real estate to our portfolio at a reasonable cost. We continue to deliver commercial properties through a mix of at-grade retail intensification and larger scale greenfield development. In the quarter, we completed and transferred $88.2 million of properties under development. Through our active pipeline, we are also expanding our growing presence in the rental residential market, and we expect two of our larger rental residential projects in Toronto to be completed in 2021.

Beyond our development program, we continue to focus on our capital recycling program to improve the overall quality of our portfolio. This focus was evident in the past quarter as we completed $32.3 million of dispositions and $248.0 million of acquisitions, including the acquisition of the Weston Centre, a multi-tenant office and retail site that includes a Loblaw grocery store located in mid-town Toronto, and the remaining ownership interest in West Block, a mixed-use site that combines retail shops anchored by a Loblaw grocery store and office space located in downtown Toronto.

Subsequent to the quarter end we completed or entered into agreements to complete additional dispositions of $309.0 million and acquisitions of $85.9 million of highly sought-after industrial assets. This transaction activity demonstrates our ability to generate stable and growing net operating income through strategic acquisitions and highlights the liquidity in our existing portfolio.

Our business is supported by an industry leading balance sheet that provides Choice Properties flexibility in the face of broader market volatility. From a liquidity perspective, we have approximately $1.5 billion available under our credit facility. In 2020, we have made significant progress in further strengthening our balance sheet, including refinancing our debt maturities, increasing our weighted average term of debt and increasing our available liquidity by issuing $1 billion of unsecured debentures, the proceeds of which were primarily used to meet all debt maturities until the third quarter of 2021. In the quarter, DBRS Limited upgraded our issuer rating to BBB(high).

Our operating results for the third quarter were strong and reflect the strength and stability of our income producing portfolio. We are confident that the strategic and operating decisions we have made across our business positions us well to withstand the pandemic and assist our tenants where we can. Our top priority remains ensuring the health and well- being of our employees and tenants, and we are working diligently to ensure that our business continues to run as smoothly and effectively as possible.

We thank you for your continued support and confidence.

Rael L. Diamond

President & Chief Executive Officer

November 4, 2020

North Barrie Crossing | Barrie ON

Management's Discussion and Analysis

(1) See Section 13, "Non-GAAP Financial Measures", of this MD&A.
(2) To be read in conjunction with the "Forward-Looking Statements" included in the Notes for Readers located on page 4 of this MD&A.

Notes for Readers

Please refer to the Choice Properties Real Estate Investment Trust ("Choice Properties" or the "Trust") unaudited consolidated financial statements for the three and nine months ended September 30, 2020 and accompanying notes ("Q3 2020 Financial Statements") when reading this Management's Discussion and Analysis ("MD&A") as well as the Trust's Audited Financial Statements and MD&A for the year ended December 31, 2019. In addition, this MD&A should be read in conjunction with the Trust's "Forward-Looking Statements" as listed below. Choice Properties' Q3 2020 Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS" or "GAAP") and were authorized for issuance by the Board of Trustees ("Board").

In addition to using performance measures determined in accordance with IFRS, Choice Properties' management also measures performance using certain additional non-GAAP measures and provides these measures in this MD&A so that investors may do the same. Such measures do not have any standardized definitions prescribed under IFRS and are, therefore, unlikely to be comparable to similar measures presented by other real estate investment trusts or enterprises. Please refer to Section 13, "Non-GAAP Financial Measures" for a list of defined non-GAAP financial measures and reconciliations thereof.

On May 4, 2018, Choice Properties completed the acquisition of Canadian Real Estate Investment Trust ("CREIT") for total consideration of $3.7 billion (the "Acquisition Transaction"). The impact of the Acquisition Transaction on the Trust's operating results and key performance indicators is discussed throughout this MD&A.

This Third Quarter Report, including this MD&A, contains forward-looking statements about Choice Properties' objectives, 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 and events can be found in various sections of this MD&A, including but not limited to, Section 3, "Investment Properties", Section 5, "Results of Operations", Section 6, "Leasing Activity", Section 7, "Results of Operations - Segment Information", and Section 12, "Impact of COVID-19". 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 the Trust's 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 the Trust's actual results to differ materially from those expressed, implied or projected in the forward-looking statements, including those described in the "Enterprise Risks and Risk Management" section of this MD&A and the Trust's Annual Information Form ("AIF") for the year ended December 31, 2019. Selected highlights of such risks and uncertainties include:

- the duration and impact of the COVID-19 pandemic on the business, operations and financial condition of Choice Properties and its tenants, as well as on consumer behaviours and the economy in general;
- failure by Choice Properties to realize the anticipated benefits associated with its strategic priorities and major initiatives, including failure to develop quality assets and effectively manage development, redevelopment, and renovation initiatives;
- failure by Choice Properties to effectively and efficiently manage its property and leasing management processes;
- failure by Choice Properties to anticipate, identify and react to demographic changes, including shifting consumer preferences toward electronic commerce, which may result in a decrease in demand for physical space by retail tenants;
- the inability of Choice Properties' information technology infrastructure to support the requirements of Choice Properties' business, failure by Choice Properties to identify and respond to business disruptions, or the occurrence of any internal or external security breaches, denial of service attacks, viruses, worms or other known or unknown cyber security or data breaches;
- changes in economic conditions, including changes in interest rates and the rate of inflation; and
- changes in Choice Properties' competitiveness in the real estate market.

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.

Choice Properties' financial results are impacted by adjustments to the fair value of the Exchangeable Units, unit-based compensation and investment properties. Exchangeable Units and unit-based compensation liabilities are recorded at their fair value based on the market trading price of the Trust Units, which results in a negative impact to the financial results when the Trust Unit price rises and a positive impact when the Trust Unit price declines. Investment properties are recorded at fair value based on valuations performed by the Trust's internal valuation team. These adjustments to fair value impact certain of the GAAP reported figures of the Trust, including net income.

Additional risks and uncertainties are discussed in Choice Properties' materials filed with the Canadian securities regulatory authorities from time to time, including without limitation, the Trust's AIF for the year ended December 31, 2019. 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 Third Quarter Report. 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.

Choice Properties is an unincorporated, open-ended mutual fund trust governed by the laws of the Province of Ontario and established pursuant to a declaration of trust amended and restated as of May 2, 2018, as may be amended from time to time (the "Declaration of Trust"). Choice Properties' Trust Units are listed on the Toronto Stock Exchange ("TSX") and are traded under the symbol "CHP.UN".

The Trust was created in 2013 from the owned real estate of Loblaw Companies Limited ("Loblaw"), the Trust's primary tenant and prior to November 2018, the Trust's largest Unitholder. On November 1, 2018, Loblaw and George Weston Limited ("GWL") completed a reorganization under which Loblaw spun out its direct effective interest in Choice Properties to its majority shareholder, GWL. As of September 30, 2020, GWL had a 61.5% direct effective interest in Choice Properties. Choice Properties' ultimate parent is Wittington Investments, Limited ("Wittington").

Additional information about Choice Properties has been filed electronically with the Canadian securities regulatory authorities through the System for Electronic Document Analysis and Retrieval ("SEDAR") and is available online at www.sedar.com.

The information in this MD&A is current to November 4, 2020, unless otherwise noted.

All amounts in this MD&A are reported in thousands of Canadian dollars, except where otherwise noted.


BEER STORE
Mee
WELCOME
OPEN
BEER STORE
RITSON ROAD
Meet Beer.
Cold Beer

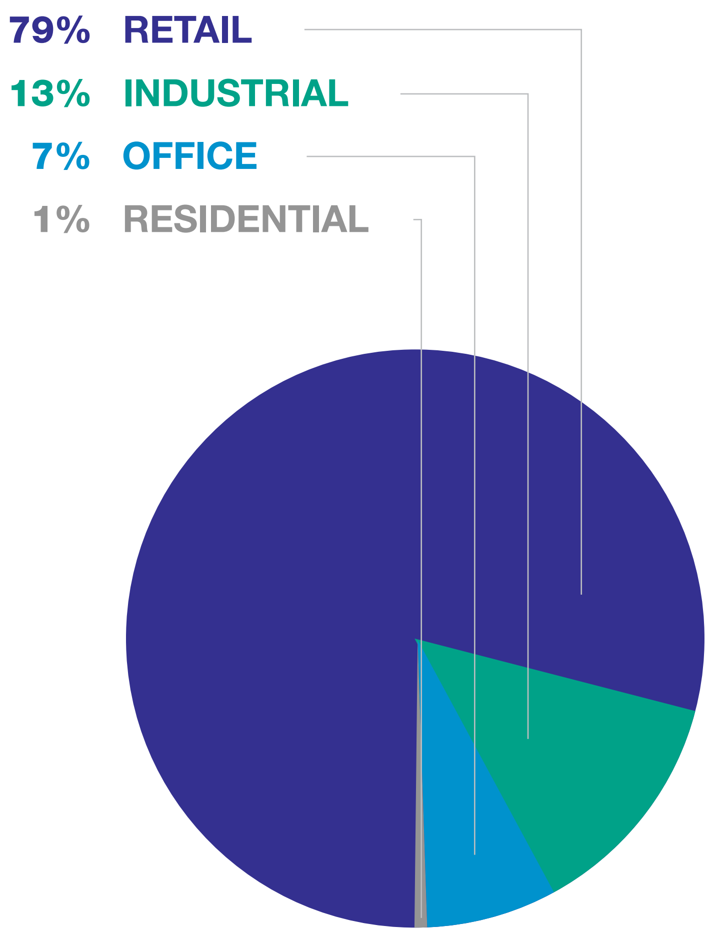
3201 Greenbank Road | Ottawa ON

Our Portfolio Mix

To generate long-term value by owning, managing and developing a diversified portfolio of high-quality properties.

Portfolio Mix by Asset Class (i)(ii)

For the three months ended September 30, 2020



(i) As a % of total NOI on a cash basis[1]
(ii) Residential properties are included in the retail segment for reporting purposes.

A Stable Retail Portfolio

Strategic and Diversified Retail Tenant Mix

Retail Portfolio

The retail portfolio is primarily focused on necessity-based retail tenants. Management views the retail portion of the portfolio as the foundation for maintaining reliable cash flow. In addition to having a national footprint concentrated in Canada's largest markets, stability is attained through a strategic relationship and long-term leases with Loblaw, Canada's largest retailer. This relationship provides Choice Properties with access to future tenancy and related opportunities with Loblaw, Shoppers Drug Mart and other members of the Loblaw group of companies.

	% of NOI (i)
Loblaw	**66%**
Specialty Retailers	**7%**
Essential Personal Service	**6%**
Restaurants & Cafes	**6%**
Fitness & Other Personal Services	**4%**
Value Retailers	**3%**
Grocery Stores & Pharmacy	**3%**
Furniture & Home	**3%**
Other	**2%**
	100%

(i) Calculated as a % of total NOI on a cash basis(1) for the three months ended September 30, 2020.

Great Plains Business Park | Calgary AB

Industrial Portfolio

The industrial portfolio is centred around distribution facilities, warehouses, and buildings used for light manufacturing of a size and configuration that readily accommodates the diverse needs of a broad range of tenants. Management's focus in this sector is on large, purpose-built distribution assets for Loblaw and high-quality "generic" industrial assets. The properties are located in target distribution markets across Canada, where Choice Properties can build up critical mass to enjoy management efficiencies and to accommodate the expansion or contraction requirements of the tenant base. The term "generic" refers to product that appeals to a wide range of potential users, so that the leasing or re-leasing time frame is reduced.


110 Yonge Street | Toronto ON

Office Portfolio

The office portfolio is focused on large, well-located buildings in target markets, with an emphasis on the downtown core in some of Canada's largest cities. Management's objective is to seek institutional partners for these assets as a means to diversify risk. As the managing partner, Choice Properties' overall returns are enhanced through the generation of fee income from the day-to-day management and leasing activities at these properties.


VIA123 | Toronto ON

Residential Portfolio (i)

The residential portfolio is a recent addition to the Choice Properties asset mix. Rental residential real estate provides additional income diversification and generates further investment opportunities for asset base growth. Many of these opportunities to develop residential properties are by densifying existing retail sites with residential buildings. The Choice Properties portfolio of residential properties is located in Canada's largest cities and includes both newly developed purpose-built rental buildings and residential-focused mixed-use communities, many of which are in close proximity to public transportation.

(i) Residential properties are included in the retail segment for reporting purposes.

Our Portfolio Mix

RETAIL

577	97.5%	46.4M
Properties	Occupancy	sq. ft. GLA

INDUSTRIAL

112	96.6%	16.1M
Properties	Occupancy	sq. ft. GLA

OFFICE

15	92.9%	3.4M
Properties	Occupancy	sq. ft. GLA

RESIDENTIAL (i)

3		0.2M
Properties		sq. ft. GLA

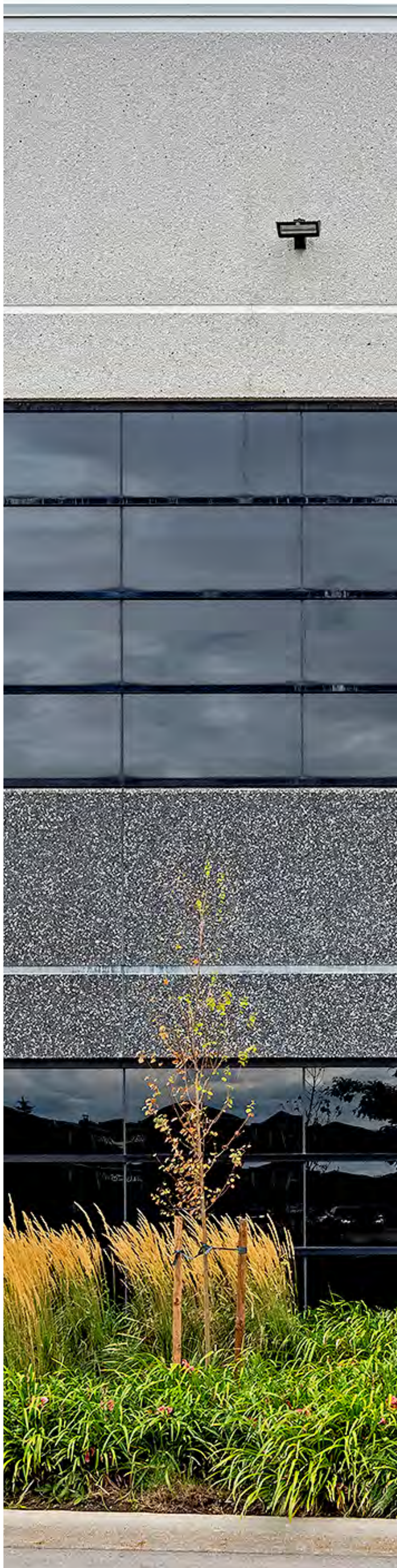
DEVELOPMENT

10	2	6
Retail	Industrial	Residential

TOTAL

725	97.0%	66.1M
Properties (ii)	Occupancy	sq. ft. GLA

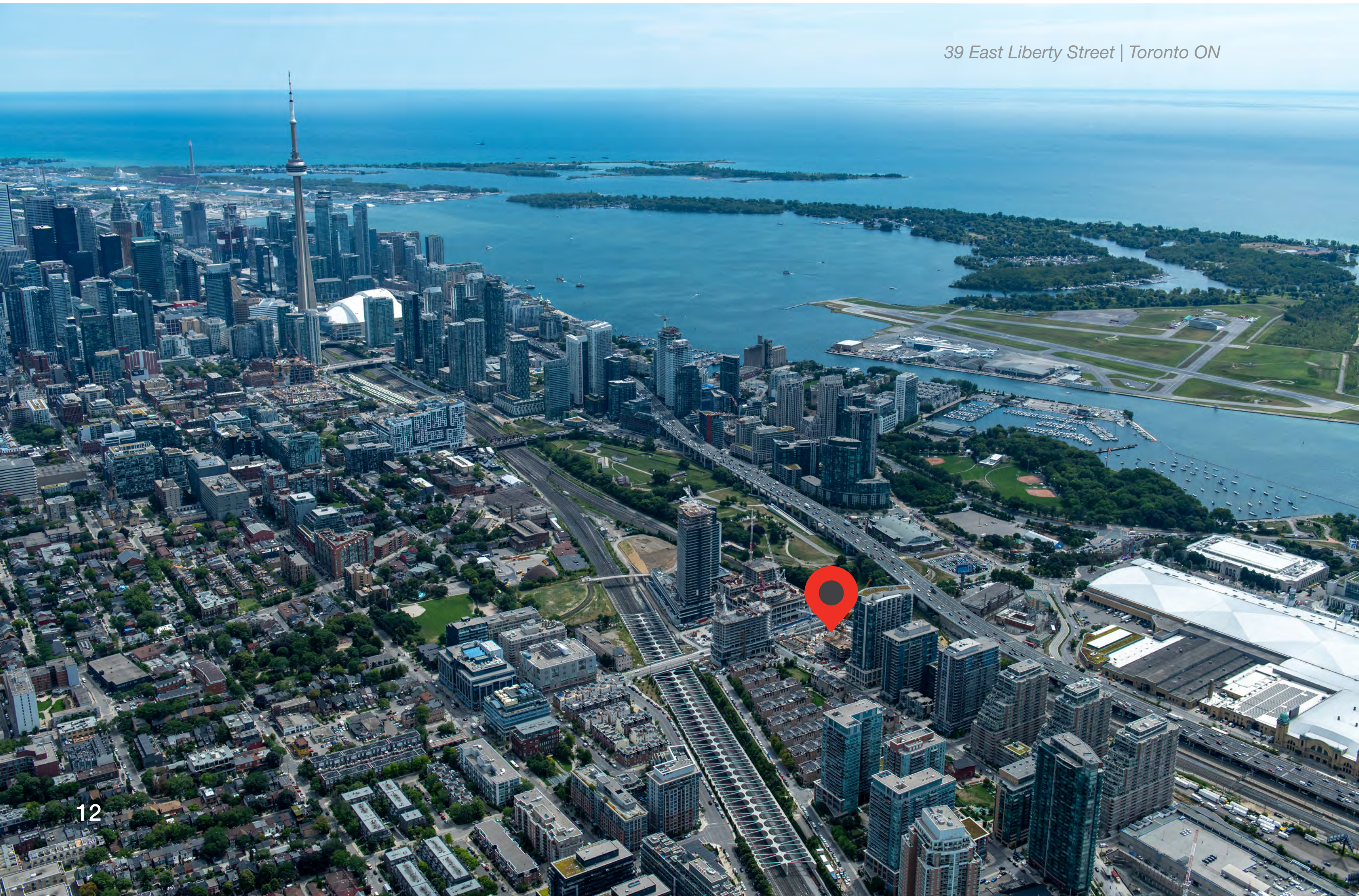
(i) Residential properties are included in the retail segment for reporting purposes.
(ii) Includes development properties.



25 Cottrelle Blvd | Brampton ON

Development Program

Development initiatives are a key component of Choice Properties' business model, providing the opportunity to add high quality real estate at a reasonable cost. Choice Properties has internal development capabilities as well as established relationships with strong real estate developers. With significant intensification and redevelopment opportunities and a long-term pipeline of potential mixed-use development projects, Choice Properties is well positioned for long-term growth and value creation.



39 East Liberty Street | Toronto ON

Oshawa Gateway | Oshawa ON

Erin Ridge Shopping Centre | St. Albert AB

Rendering of Golden Mile | Toronto ON


Rendering of 390 Dufferin Street | Toronto ON

Intensification

Intensifications are focused on adding retail density within the existing portfolio. As at September 30, 2020, Choice Properties had 18 active intensification projects representing a total of 196,000 square feet.

Greenfield Development

Development activities include greenfield projects that are primarily focused on unenclosed retail shopping centres and industrial parks. As at September 30, 2020, Choice Properties had 16 greenfield development projects in the pipeline that, upon completion, will comprise approximately 0.9 million square feet. A total of $260.1 million has been invested to date in the pipeline. The Trust currently expects to invest a total of $27.1 million[2] in the next three to five years.

An advantage of greenfield developments is that they lend themselves to phased construction creating flexibility to time developments to take advantage of changing market conditions.

Mixed-Use Development

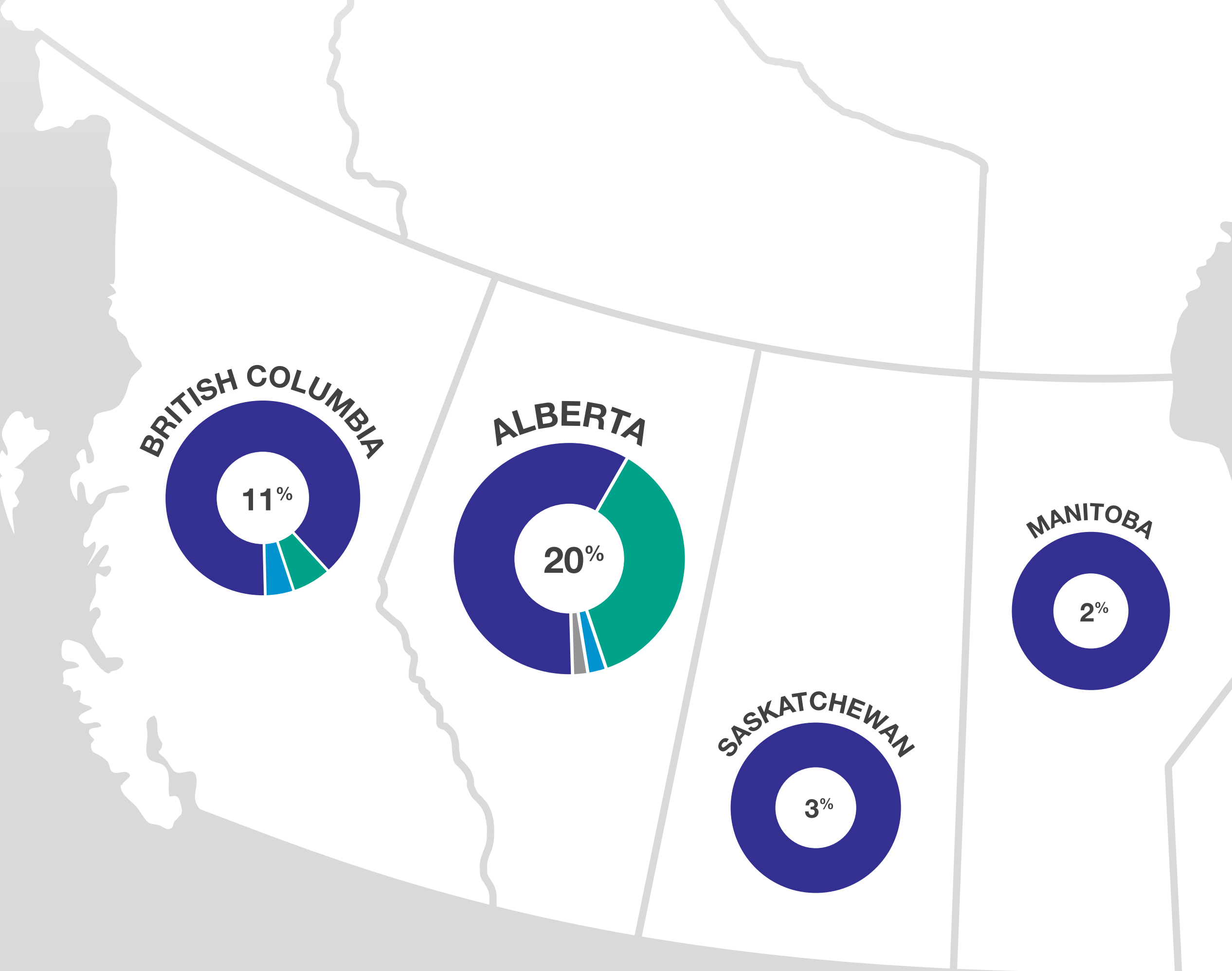
Choice Properties currently has a number of sites planned for mixed-use development with five of these sites in an active pre-development stage. The five properties are in key urban markets, including three sites in Toronto, Ontario, and one in Coquitlam, British Columbia. These developments are residential focused, mixed-use communities with close proximity to public transportation. A total of $50.6 million has been invested to date on land acquisition and other initial development costs. The Trust expects to invest an additional $34.2 million[2] on pre-development activities for these projects over the next two to five years before beginning construction. The projects are in various phases of pre-development, and Choice Properties continues to work on finalizing the assembly of land parcels for the developments.

Residential

Choice Properties has six residential projects in the pipeline representing 1,119 residential units. As at September 30, 2020, a total of $160.2 million had been invested in these projects and Choice Properties expects to invest an additional $349.3 million[2] to complete the developments.

Ownership by Asset Class

Net operating income excluding bad debt expense, cash basis (1) (ii), shown in percentage below

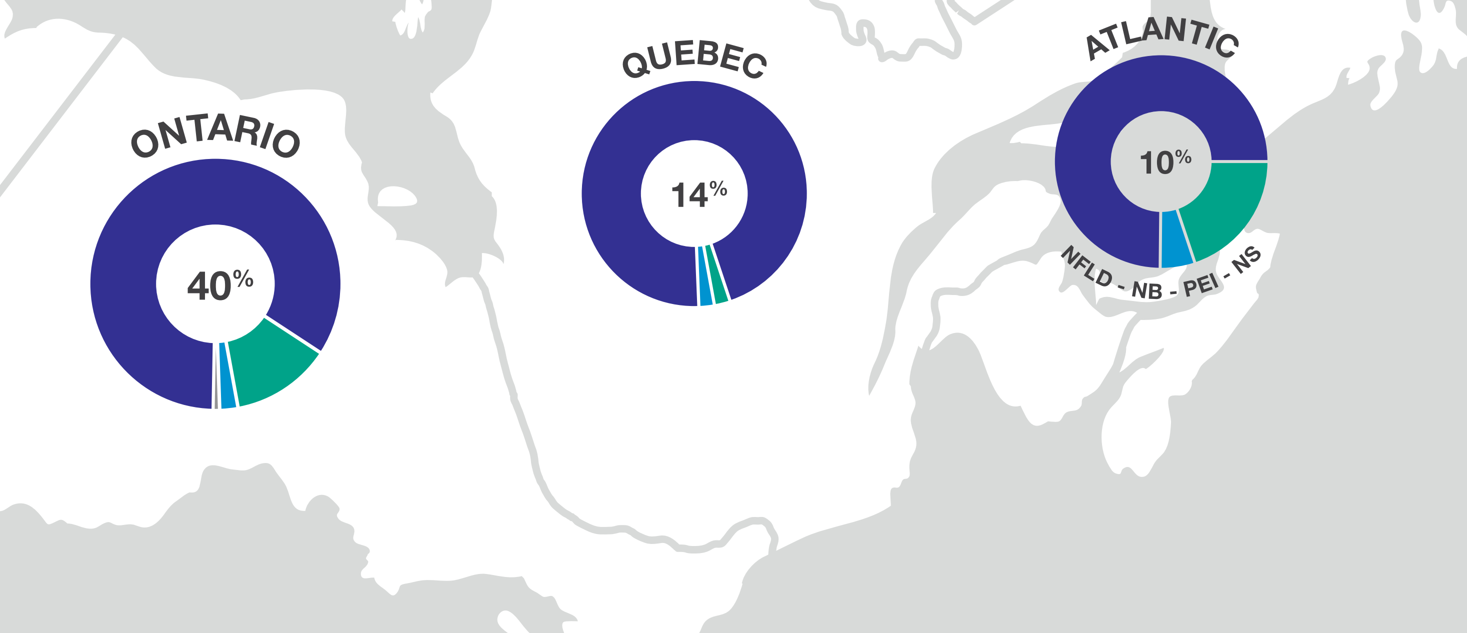


British Columbia		Alberta		Saskatchewan		Manitoba		Ontario	
Total	**45**	**Total**	**135**	**Total**	**17**	**Total**	**14**	**Total**	**280**
Retail	40	Retail	79	Retail	17	Retail	14	Retail	235
Industrial	3	Industrial	52	Industrial	0	Industrial	0	Industrial	37
Office	2	Office	2	Office	0	Office	0	Office	7
Residential	0	Residential	2	Residential	0	Residential	0	Residential	1

(i) As at September 30, 2020.
(ii) For the three months ended September 30, 2020.

707 INCOME PRODUCING **PROPERTIES** (i)

577	RETAIL
112	INDUSTRIAL
15	OFFICE
3	RESIDENTIAL



Quebec

Total	113
Retail	109
Industrial	2
Office	2
Residential	0

New-foundland

Total	9
Retail	8
Industrial	1
Office	0
Residential	0

New-Brunswick

Total	28
Retail	26
Industrial	2
Office	0
Residential	0

Prince Edward Island

Total	4
Retail	4
Industrial	0
Office	0
Residential	0

Nova Scotia

Total	62
Retail	45
Industrial	15
Office	2
Residential	0

Key Performance Indicators and Selected Financial Information

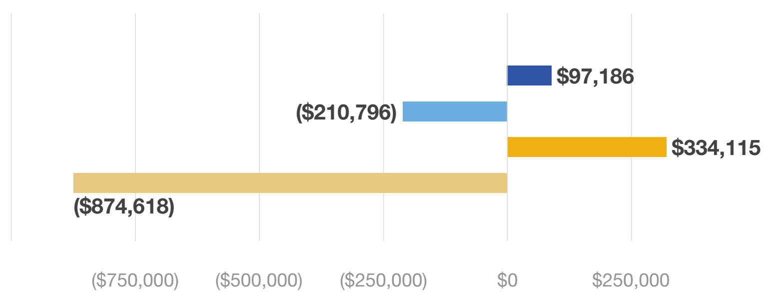
The analysis of the indicators focuses on trends and significant events affecting the financial condition and results of operations.

Q3 2020 | Q3 2019 | YTD 2020 | YTD 2019 | YTD Q2 2020

NET INCOME (LOSS)

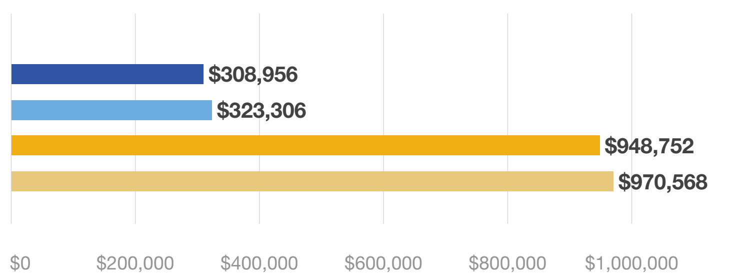
The quarterly increase compared to prior year was mainly due to a favourable change in the adjustment to fair value on the Exchangeable Units and a favourable change in the fair value of investment properties, partially offset by an increase in bad debt expense and rent abatements under the Canada Emergency Commercial Rent Assistance ("CECRA") rent relief program across the portfolio.

On a year-to-date basis, net income increased primarily due to a favourable change in the adjustment to fair value on the Exchangeable Units and reduced interest and financing charges, partially, offset by declines related to unfavourable changes in the fair value of investment properties and increased bad debt expense.



RENTAL REVENUE (GAAP)

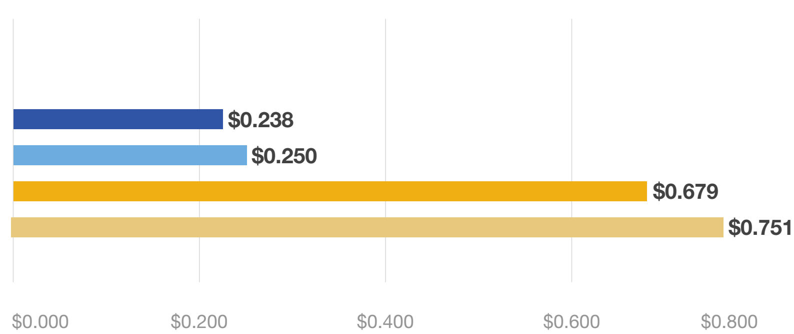
The quarterly and year-to-date decrease was primarily due to the forgone revenue from the September 2019 disposition of a 30-property portfolio for $426.3 million to an affiliate of Oak Street Real Estate Capital LLC (the "Oak Street disposition").



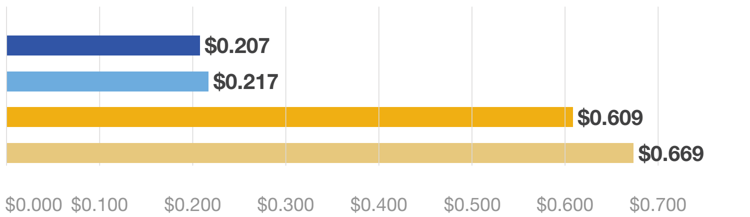
FFO PER UNIT DILUTED [1]

Funds from operations decreased in the current quarter and on a year-to-date basis primarily due to an increase in bad debt expense and a reduction in net operating income attributable to the Oak Street disposition, partially offset by the effect of deleveraging activities by the Trust through use of proceeds from the Oak Street disposition and the May 2019 equity offering.

The decline on a per unit basis was also impacted by the higher weighted average number of units outstanding as a result of the May 2019 equity offering where proceeds were used to lower debt levels, as well as the units issued as consideration for the acquisition of two assets from Wittington in the current quarter.



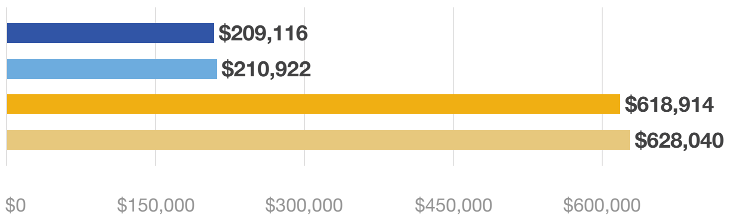
*As at and for the three and nine months ended September 30, 2020 and 2019 ($ thousands except where otherwise indicated).



AFFO PER UNIT DILUTED (1)

Adjusted funds from operations declined primarily due to an overall reduction in funds from operations and increased tenant improvement and direct leasing costs, partially offset by a decline in property capital costs and straight line rent.

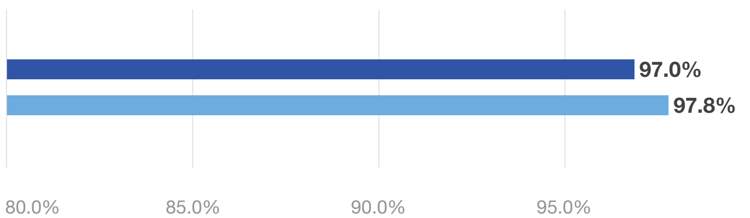
For the three and nine months ended September 30, 2020, the AFFO payout ratio was 89.9% and 91.0%, respectively.



SAME-ASSET NOI, CASH BASIS (1)

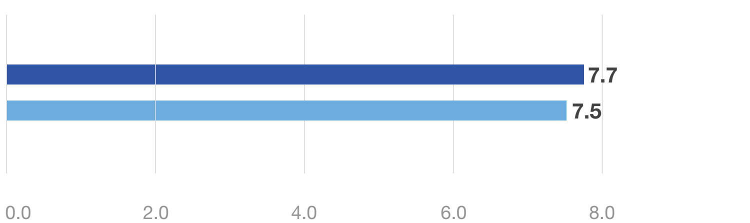
The decrease of 0.9% and 1.5% for the three and nine months ended September 30, 2020, respectively, was mainly due to an increase in bad debt expense, offset by the contribution from contractual rental steps in the retail segment.

Excluding bad debt expense, same-asset NOI on a cash basis increased by 1.2% and 1.5% for the three and nine months ended September 30, 2020, respectively.



PERIOD END OCCUPANCY

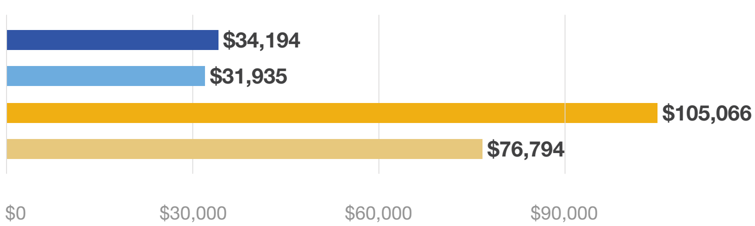
Overall period end occupancy decreased compared to the prior year, primarily due to temporary vacancies in the Ontario industrial portfolio.



NORMALIZED DEBT TO EBITDAFV (1)

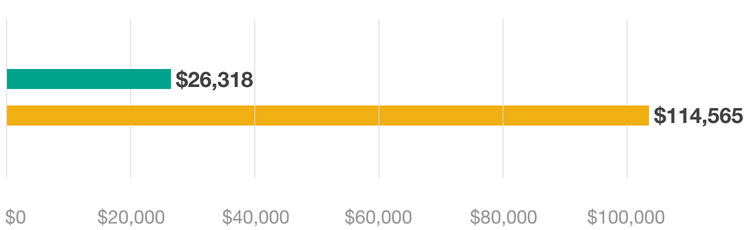
The increase in normalized debt to EBITDAFV is primarily due to an increase in bad debt expense during the second and third quarter of 2020 partially offset by deleveraging from the capital raised through the May 2019 equity offering.

Debt to EBITDAFV on a 12-month normalized basis excluded the non-GAAP and proforma results from the Oak Street disposition.



DEVELOPMENT SPENDING (PROPORTIONATE) (1)

Development activity reflects spending on active projects during the three and nine months ended September 30, 2020 and 2019.



TRANSFERS FROM PROPERTIES UNDER DEVELOPMENT TO INCOME PRODUCING (PROPORTIONATE) (1)

As at September 30, 2020, thirteen phases were transferred during the year from properties under development to income producing, adding 255,000 square feet in GLA to the income- producing portfolio.

Third Quarter Financial Performance

During the three months ended September 30, 2020

Operating

- Reported net income for the quarter of $97.2 million. Included in this amount was an $18.3 million adjustment due to a favourable change in the fair value of investment properties on a proportionate share basis(1), partially offset by $4.7 million in bad debt expense and a $15.6 million decrease related to the adjustment to the fair value of the Exchangeable Units attributable to the unit price increase for Choice Properties during the quarter.
- Reported FFO per unit diluted(1) for the quarter was $0.238. Excluding the effect of the bad debt expense, FFO per Unit would have been $0.244.
- AFFO per unit diluted(1) for the quarter was $0.207, reflecting a 89.9% payout ratio. The decrease in AFFO reflects the decline in FFO for the quarter and increased spending on capital projects, partially offset by a reduction in straight-line rental revenue.
- Same-asset NOI on a cash basis, excluding bad debt expense(1) increased by 1.2% over the same quarter in 2019 primarily due to contractual rental steps in the retail portfolio and increased leasing activity across the portfolio. Including bad debt expense, same-asset NOI on a cash basis declined by 0.9%.
- Period end occupancy remained strong at 97.0%, with retail at 97.5%, industrial at 96.6% and office at 92.9%.
- Net fair value gain on investment properties was $18.3 million on a proportionate share basis(1) primarily due to an increase in industrial valuations, partially offset by declines in office values.

Investing

- Acquired two real estate assets from Wittington for an aggregate purchase price of $208.9 million, which was satisfied in full by the issuance of 16.5 million Trust Units of Choice Properties. The assets included (i) the remaining 60% interest in West Block, a mixed-use retail and office site in Toronto that is anchored by a Loblaws grocery store, and (ii) the Weston Centre, a multi-tenant office and retail site in Toronto, which is also the head office for Choice Properties.
- The Trust's $50 million bid to acquire a retail property in Barrie, Ontario, that was the underlying security for one of the Trust's mezzanine loans, was accepted by the court-appointed receiver. The consideration for the acquisition was forgiving the mezzanine loan that was previously secured by this asset.
- Sold an industrial asset in Milton, Ontario for $22.6 million.
- Entered into a 99-year ground lease through the Trust's 50/50 joint venture with a partner for a residential development in Ottawa, Ontario. Under GAAP, the ground lease is recorded as a disposition to the joint venture. At the Trust's share, the land was disposed for $9.7 million to be paid by the joint venture over the lease term.
- Ongoing investment in the development program with $34.2 million of spending during the quarter on intensification, greenfield, mixed-use and residential development projects on a proportionate share basis(1).
- Transferred $88.2 million of properties under development to income producing status during the quarter, delivering 255,000 square feet of new GLA year-to-date on a proportionate share basis(1).

Financing

- Refinanced a $15.6 million mortgage upon renewal during the quarter, at 2.30% maturing in September 2022. Discharged two mortgages for $14.7 million upon maturity during the quarter that were at a weighted average rate of 3.57%.
- Ended quarter with debt-to-gross book value(1) at 43.8%, and normalized debt to EBITDAFV(1) and interest coverage ratios(1) of 7.7 and 3.4 times, respectively.
- Strong liquidity position with approximately $1.5 billion of available credit and an $11.9 billion pool of unencumbered properties.
- DBRS Limited (DBRS Morningstar) upgraded the Issuer Rating and Senior Unsecured Debenture rating on Choice Properties Limited Partnership and Choice Properties REIT to BBB (high), with all trends being rated as Stable.

3333 James Snow Parkway | Milton ON


culture

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1. KEY PERFORMANCE INDICATORS AND SELECTED FINANCIAL INFORMATION

Choice Properties has identified key financial and operating performance indicators that were derived from, and should be read in conjunction with, the unaudited interim period condensed consolidated financial statements of the Trust dated September 30, 2020 and 2019. The analysis of the indicators focuses on trends and significant events affecting the financial condition and results of operations of the Trust.

As at or for the three months ended September 30 ($ thousands except where otherwise indicated)		2020		2019
Number of investment properties		725		726
GLA (in millions of square feet)		66.1		65.5
Occupancy*		97.0%		97.8%
Total assets (GAAP)	$	15,364,646	$	15,500,017
Total liabilities (GAAP)	$	(11,899,869)	$	(12,637,236)
Rental revenue (GAAP)	$	308,956	$	323,306
Net income (loss)	$	97,186	$	(210,796)
Net income (loss) per unit diluted	$	0.137	$	(0.301)
FFO[1] per unit diluted*	$	0.238	$	0.250
FFO[1] payout ratio*		78.4%		74.0%
AFFO[1] per unit diluted*	$	0.207	$	0.217
AFFO[1] payout ratio*		89.9%		85.2%
Distribution declared per Unit	$	0.185	$	0.185
Weighted average number of Units outstanding – diluted		711,582,778		700,010,054
Debt to total assets[i]*		43.8%		43.5%
Debt service coverage[i]*		3.0x		3.1x
Normalized Debt to EBITDAFV[1][ii]*		7.7x		7.5x
Indebtedness[iii] – weighted average term to maturity*		6.1 years		5.5 years
Indebtedness[iii] – weighted average interest rate*		3.65%		3.75%

* Denotes a key performance indicator

(i) Debt ratios exclude Exchangeable Units, see Section 4, "Liquidity and Capital Resources". The ratios are non-GAAP financial measures calculated based on the Trust Indentures, as supplemented.

(ii) As at September 30, 2019, Debt to EBITDAFV calculated on a trailing 12-month normalized basis excludes the effect of the Oak Street disposition.

(iii) Indebtedness reflects senior unsecured debentures and mortgages only.

2. BALANCE SHEET

The following table reconciles Choice Properties' balance sheet on a GAAP basis to a proportionate share basis[1] as at the dates indicated:

	As at September 30, 2020			As at December 31, 2019		
($ thousands)	GAAP Basis	Reconciliation	Proportionate Share Basis[1]	GAAP Basis	Reconciliation	Proportionate Share Basis[1]
Assets						
Investment properties	$ 14,080,000	$ 941,000	$ 15,021,000	$ 14,373,000	$ 938,000	$ 15,311,000
Equity accounted joint ventures	563,754	(563,754)	—	606,089	(606,089)	—
Mortgages, loans and notes receivable	178,566	—	178,566	332,286	—	332,286
Intangible assets	29,250	—	29,250	30,000	—	30,000
Accounts receivable and other assets	186,225	(21,315)	164,910	95,030	(12,219)	82,811
Assets held for sale	298,550	—	298,550	97,800	—	97,800
Cash and cash equivalents	28,301	18,006	46,307	41,990	9,494	51,484
Total Assets	$ 15,364,646	$ 373,937	$ 15,738,583	$ 15,576,195	$ 329,186	$ 15,905,381
Liabilities and Equity						
Long term debt	$ 6,487,335	$ 346,369	$ 6,833,704	$ 6,413,452	$ 314,798	$ 6,728,250
Credit facility	53,306	—	53,306	127,233	—	127,233
Exchangeable Units	4,983,712	—	4,983,712	5,424,368	—	5,424,368
Trade payables and other liabilities	375,516	27,568	403,084	513,124	14,388	527,512
Total Liabilities	11,899,869	373,937	12,273,806	12,478,177	329,186	12,807,363
Equity						
Unitholders' equity	3,456,976	—	3,456,976	3,090,217	—	3,090,217
Non-controlling interests	7,801	—	7,801	7,801	—	7,801
Total Equity	3,464,777	—	3,464,777	3,098,018	—	3,098,018
Total Liabilities and Equity	$ 15,364,646	$ 373,937	$ 15,738,583	$ 15,576,195	$ 329,186	$ 15,905,381

Balance Sheet Analysis (GAAP Basis)

Line Item	$ Change	Variance Commentary
Investment properties and Assets held for sale	$ (92,250)	The decrease compared to December 31, 2019 is primarily attributable to an unfavourable fair value adjustment on investment properties of $324,000, and dispositions of $176,000, offset by various property acquisitions for $286,000, capital and operating capital expenditures of $68,000, transfers from equity accounted joint ventures of $43,000 and straight line rent amortization of $10,000.
Equity accounted joint ventures	(42,335)	Net decrease primarily attributable to transferring the Trust's 40% interest in a joint venture to investment properties upon acquisition of the joint venture partner's 60% share, coupled with an unfavourable adjustment in the fair value for properties held in joint ventures and higher bad debt expense.
Mortgages, loans and notes receivable	(153,720)	The decrease was primarily attributable to the timing of distributions paid for Exchangeable Units of the Trust held by GWL, which were deferred in exchange for advances on notes receivable. In addition, during the current quarter, a specific mortgage receivable was settled upon acquisition of the underlying investment property which was used as security for the mortgage (see Section 3.10). These declines were partially offset by additional advances to various partners during the year.
Working Capital	215,114	Net change was primarily due to increased rent receivables from tenants (refer to discussion in Section 12) coupled with an increase in prepaid property taxes and a decline in the distribution payable owing to GWL upon settlement in the first quarter.
Long term debt and credit facility	(44)	Debt levels have remained consistent as the issuance of Series N, O and P senior unsecured debentures, totaling $1,000,000, was partially offset by redemptions of Series E, 8, C, and B-C senior unsecured debentures totaling $900,000, a $21,000 net decrease in mortgages payable, and a $75,000 reduction in draws on the credit facility.
Exchangeable Units	(440,656)	As this liability is measured at fair value, the change was due to the decrease in the unit price for Choice Properties since December 31, 2019.
Unitholders' equity	366,759	Net increase was primarily due to the issuance of Trust Units on acquisition of two investment properties, coupled with year-to-date net income, partially offset by distributions to Unitholders.

3. INVESTMENT PROPERTIES

To expand the portfolio and participate in development opportunities, Choice Properties owns varying interests in real estate entities that hold investment properties. Under GAAP, many of these interests are recorded as equity accounted joint ventures and, as such, the Trust's share of the investment properties owned by these entities is presented on the balance sheet as a summarized value, not as part of the total investment properties. In addition, the Trust also has financial real estate assets which are not included with its investment properties as prepared under GAAP. Refer to Section 13.1, "Investment Properties Reconciliation", for a reconciliation of the continuity of investment properties determined in accordance with GAAP.

The following continuity schedules present Choice Properties' portfolio inclusive of its financial real estate assets and equity accounted joint ventures prepared on a proportionate share basis[1] for the periods ended, as indicated:

	Three Months			Nine Months		
As at or for the periods ended September 30, 2020 ($ thousands)	Income producing properties	Properties under development	Investment Properties[i]	Income producing properties	Properties under development	Investment Properties[i]
GAAP balance, beginning of period	$13,895,000	$ 175,000	$ 14,070,000	$14,210,000	$ 163,000	$ 14,373,000
Adjustments to reflect investment properties held in equity accounted joint ventures and a financial real estate asset on a proportionate share basis[i]	659,000	301,000	960,000	675,000	263,000	938,000
Non-GAAP proportionate share balance[1], beginning of period	14,554,000	476,000	15,030,000	14,885,000	426,000	15,311,000
Acquisitions of investment properties[ii]	182,654	65,349	248,003	204,494	81,893	286,387
Capital expenditures						
Development capital[iii]	—	32,782	32,782	—	101,963	101,963
Building improvements	1,508	—	1,508	2,521	—	2,521
Capitalized interest[iv]	—	1,412	1,412	—	3,103	3,103
Operating capital expenditures						
Property capital	7,151	—	7,151	10,648	—	10,648
Direct leasing costs	2,466	—	2,466	6,009	—	6,009
Tenant improvement allowances	6,555	—	6,555	15,977	—	15,977
Amortization of straight-line rent	3,715	—	3,715	11,882	—	11,882
Transfer to assets held for sale	(298,550)	—	(298,550)	(298,550)	—	(298,550)
Transfers from properties under development	88,247	(88,247)	—	114,565	(114,565)	—
Dispositions	(22,613)	—	(22,613)	(59,438)	—	(59,438)
Disposition to equity accounted joint venture	(9,734)	—	(9,734)	(9,734)	—	(9,734)
Adjustment to fair value of investment properties	17,601	704	18,305	(350,374)	(10,394)	(360,768)
Non-GAAP proportionate share balance[1], September 30, 2020	**$14,533,000**	**$ 488,000**	**$ 15,021,000**	**$14,533,000**	**$ 488,000**	**$ 15,021,000**

(i) Refer to Section 13.1, "Investment Properties Reconciliation" for a reconciliation of the continuity of investment properties determined in accordance with GAAP.
(ii) Includes acquisition costs.
(iii) Development capital included $nil and $486 of site intensification payments paid to Loblaw for the three and nine months ended September 30, 2020, respectively.
(iv) Interest was capitalized to qualifying development projects based on a weighted average interest rate of 3.70% (December 31, 2019 - 3.70%).

Included in certain investment properties acquired from Loblaw is excess land with development potential. Choice Properties will compensate Loblaw, over time, with intensification payments determined by a site intensification payment grid as outlined in the Strategic Alliance Agreement (see Section 9, "Related Party Transactions"), should Choice Properties pursue activity resulting in the intensification of the excess land. The fair value of this excess land has been recorded in the unaudited interim condensed consolidated financial statements.

3.1 Valuation Method

Investment properties are measured at fair value, primarily determined using the discounted cash flow method. Under this methodology, discount rates are applied to the projected annual operating cash flows, generally over a minimum term of ten years, including a terminal value based on a capitalization rate applied to the estimated NOI[1] in the terminal year. The portfolio is internally valued with external appraisals performed each quarter for a portion of the portfolio. The majority of the properties will be subject to an external appraisal at least once over a four-year period. The fair value of investment properties reflects, among other things, rental income from current leases and assumptions about rental income from future leases in light of current market conditions.

Valuations are most sensitive to changes in capitalization rates. Choice Properties' valuation inputs, including capitalization rates, are supported by quarterly reports from independent nationally recognized valuation firms. Below are the weighted averages of key rates used in the valuation models for the Trust's investment properties (including those within equity accounted joint ventures) by asset class:

As at September 30, 2020	**Retail**	**Industrial**	**Office**	**Total Investment Properties**
Discount rate	**7.00%**	**6.52%**	**6.22%**	**6.86%**
Terminal capitalization rate	**6.24%**	**5.72%**	**5.32%**	**6.09%**
Overall capitalization rate	**6.08%**	**5.50%**	**5.15%**	**5.92%**

As at December 31, 2019	Retail	Industrial	Office	Total Investment Properties
Discount rate	6.88%	6.51%	6.05%	6.77%
Terminal capitalization rate	6.24%	5.78%	5.29%	6.10%
Overall capitalization rate	5.97%	5.48%	5.13%	5.84%

Valuation Commentary

The Trust recorded a favourable adjustment to the fair value of investment properties of $18.3 million for the three months ended September 30, 2020 and an unfavourable adjustment to the fair value of investment properties of $360.8 million for the nine months ended September 30, 2020.

The economic environment resulting from the COVID-19 pandemic has had an impact on the valuation of the Trust's properties. At this stage the impact on fair value has been based more on macro assumptions and judgement rather than independent third party data or transactions involving comparable properties. Given the level of uncertainty in economic fundamentals and the potential impact of certain tenants, market valuations may have more volatility than in other periods.

During the three months ended September 30, 2020, the Trust revalued its portfolio primarily through adjustments to contractual changes in cash flows, changes in market rents, pending transactions and macro considerations. Based on external data points, the Trust revalued its large bay industrial portfolio in Greater Toronto Area, reflecting the strength in leasing fundamentals in this segment and market. In addition, the Trust adjusted discount rates in the office portfolio by +25 bps, reflecting the increased risk premiums due to short term demand risks in the office segment, as a result of the COVID-19 pandemic. This adjustment excluded the Calgary market, which was previously adjusted by +50 bps in the three months ended March 31, 2020. Grocery-anchored retail continued to demonstrate ongoing resilience, resulting in consistent valuations with prior periods.

During the three months ended September 30, 2020, management determined that no further changes in discount rates were warranted, unless otherwise noted above. The net increase in the fair value of investment properties for the quarter was primarily due to a change in leasing assumptions in the industrial portfolio reflecting the strong underlying fundamentals, which was substantiated by third party data points.

3.2 Investment Property Transactions

Acquisitions of Investment Properties

The following table summarizes the investment properties acquired in the nine months ended September 30, 2020:

($ thousands except where otherwise indicated)						Consideration			
Location	Date of Acquisition	Segment	Ownership Interest	GLA (square feet)	Purchase Price incl. Related Costs	Issuance of Trust Units	Mortgage Receivable Settlement	Cost to Complete Receivable	Cash
Acquisitions from related parties									
Toronto, ON	Jun 10	Land	100%	N/A	$ 8,190	$ —	$ —	$ —	$ 8,190
Toronto, ON	Jul 31	Office	100%	328,260	130,754	128,500	—	—	2,254
Toronto, ON(i)	Jul 31	Office	60%	262,000	65,350	80,435	—	(16,404)	1,319
Total acquisitions from related parties				**590,260**	**204,294**	**208,935**	**—**	**(16,404)**	**11,763**
Acquisitions from third-parties									
Coquitlam, BC	Feb 11	Retail	100%	9,400	21,840	—	—	—	21,840
Toronto, ON	Apr 9	Land	100%	3,200	8,354	—	—	—	8,354
Barrie, ON	Sep 23	Retail	100%	156,460	51,899	—	50,000	—	1,899
Total acquisitions from third-parties				**169,060**	**82,093**	**—**	**50,000**	**—**	**32,093**
Total acquisitions				**759,320**	**$ 286,387**	**$ 208,935**	**$ 50,000**	**$ (16,404)**	**$ 43,856**

(i) Represents the 60% additional ownership interest acquired from Wittington, increasing the Trust's ownership interest in this property to 100%.

Disposition of Investment Properties and Assets Held for Sale

The following table summarizes the dispositions in the nine months ended September 30, 2020:

($ thousands except where otherwise indicated)					Consideration		
Location	Date of Disposition	Segment	Ownership Interest	Sale Price excl. Selling Costs	Cash	Lease Receivable	Debt Assumed by Purchaser
Assets held for sale							
Chicago, USA	Jan 24	Retail	100%	$ 97,800	$ 97,800	$ —	$ —
Dispositions of assets held for sale				**97,800**	**97,800**	**—**	**—**
Investment properties							
Edmonton, AB	Jan 29	Residential	50%	9,750	2,561	—	7,189
Creston, BC	Feb 3	Retail (parcel)	100%	375	375	—	—
Halifax, NS	Feb 13	Office	100%	26,700	8,956	—	17,744
Milton, ON	Sep 28	Industrial	100%	22,613	22,613	—	—
Dispositions of investment properties				**59,438**	**34,505**	**—**	**24,933**
Equity Accounted Joint Ventures							
Ottawa, ON	Jul 1	Land	50%(i)	9,734	—	9,734	—
Disposition to equity accounted joint venture				**9,734**	**—**	**9,734**	**—**
Total dispositions				**$ 166,972**	**$ 132,305**	**$ 9,734**	**$ 24,933**

(i) On July 1, 2020, the Trust entered into a 99-year ground lease with an equity accounted joint venture in which the Trust has a 50% ownership interest. On a proportionate share basis, the disposition reflects the Trust's joint venture partner's 50% interest in the land held by the joint venture, with the lease receivable at the Trust reflecting the balance owing to the Trust by its joint venture partner for the corresponding ground lease payments.

3.3 Development Activities

Choice Properties believes that the development of properties to their highest and best use is a key driver of accretive growth. The Trust's pipeline of development opportunities includes: (i) intensification of excess density within its existing retail portfolio (see Section 3.4, "Intensification"), (ii) greenfield developments including retail and industrial projects (see Section 3.5, "Greenfield Development"), (iii) mixed-use development in urban markets (see Section 3.6, "Mixed-Use Development") and (iv) residential development (see Section 3.7, "Residential").

Choice Properties' development program on a proportionate share basis[1] as at September 30, 2020 is summarized below:

($ thousands except where otherwise indicated)	GLA (square feet)			Total Investment[i]			
Project type	**Currently under development**	**Future[2] development**	**Total development**	**To-date**	**In progress[2](ii)**	**Future[2](iii)**	**Total**
Intensification							
Retail - Active	51,000	—	51,000	$ 9,550	$ 7,479	$ —	**$ 17,029**
Retail - In Planning	—	145,000	145,000	4,664	—	50,715	**55,379**
Subtotal intensification	**51,000**	**145,000**	**196,000**	**14,214**	**7,479**	**50,715**	**72,408**
Greenfield development							
Retail	314,000	98,000	412,000	240,550	24,449	7,715	**272,714**
Industrial	—	450,000	450,000	19,505	2,684	37,084	**59,273**
Subtotal greenfield development	**314,000**	**548,000**	**862,000**	**260,055**	**27,133**	**44,799**	**331,987**
Mixed-use							
Mixed-use	—	—	—	50,569	34,239	—	**84,808**
Subtotal mixed-use	**—**	**—**	**—**	**50,569**	**34,239**	**—**	**84,808**
Residential							
Residential	897,000	—	897,000	160,237	349,271	—	**509,508**
Subtotal residential	**897,000**	**—**	**897,000**	**160,237**	**349,271**	**—**	**509,508**
Total development - cost	**1,262,000**	**693,000**	**1,955,000**	**$ 485,075**	**$ 418,122**	**$ 95,514**	**$ 998,711**
Total development - fair value				**$ 488,000**			

(i) Compiled on a non-GAAP proportionate share basis[1]. Investment to-date was compiled on a cash basis, excluding adjustments to fair value of on-going projects.
(ii) In progress investments relate to estimated spending on projects that have commenced.
(iii) Future investments relate to planned projects that have not yet commenced.

3.4 Intensification

Intensifications are focused on adding retail density within the existing portfolio. As at September 30, 2020, Choice Properties had 18 ongoing intensification projects representing a total of 196,000 square feet. This includes:

- 5 intensification projects under active development representing 51,000 square feet and a total investment of approximately $17.0 million to complete[(2)] over the next one to two years; and
- 13 intensification projects in planning representing 145,000 square feet. If proceeded with as planned, these projects will require a total investment of approximately $55.4 million to complete[(2)] over the next two to four years.

3.5 Greenfield Development

Development activities include greenfield projects that are primarily focused on retail shopping centres and industrial parks. As at September 30, 2020, Choice Properties had 16 greenfield development projects in the pipeline that, upon completion, will comprise approximately 0.9 million square feet. A total of $260.1 million has been invested to date in the pipeline. The Trust currently expects to invest a total of $27.1 million[(2)] in these projects over the next three to five years.

An advantage of greenfield developments is that they lend themselves to phased construction, thereby creating flexibility to time developments to take advantage of changing market conditions.

Choice Properties had 5 greenfield retail properties under active development as at September 30, 2020, representing 314,000 square feet, of which 90% has been pre-leased.

As at September 30, 2020, a total of $106.7 million has been invested in these 5 developments. The Trust expects to invest an additional $21.2 million to complete the developments before transferring them to income producing properties[(2)].

The greenfield projects, at the Trust's ownership share, currently under active development as at September 30, 2020 are as follows:

($ thousands except where otherwise indicated)		GLA (square feet)			Total investment[(i)]		
Project / Location	**Ownership %**	**Committed to lease**	**Not committed to lease**	**Total**	**To-date**	**In progress[(2)]**	**Total**
Retail							
1 Harvest Pointe, Edmonton, AB	50%	18,000	—	**18,000**	$ 2,700	$ 5,795	**$ 8,495**
2 Harvest Hills, Edmonton, AB	50%	49,000	7,000	**56,000**	6,025	10,030	**16,055**
3 Sunwapta West (Coopers) Lands, Edmonton, AB	50%	63,000	—	**63,000**	10,952	1,187	**12,139**
4 Erin Ridge Retail Lands, St. Albert, AB	50%	—	3,000	**3,000**	1,078	749	**1,827**
5 Bathurst and Lake Shore, Toronto, ON	100%	152,000	22,000	**174,000**	85,912	3,435	**89,347**
Total active greenfield development		**282,000**	**32,000**	**314,000**	**$ 106,667**	**$ 21,196**	**$ 127,863**
Total non-active greenfield development					**$ 153,388**	**$ 5,937**	
Total greenfield development					**$ 260,055**	**$ 27,133**	

(i) Compiled on a non-GAAP proportionate share basis[(1)]. Investment to-date was compiled on a cash basis, excluding adjustments to fair value of on-going projects.

3.6 Mixed-Use Development

Choice Properties currently has a number of sites planned for mixed-use development with five of these sites in an active pre-development stage. The five properties are in key urban markets, including four sites in Toronto, Ontario, and one in Coquitlam, British Columbia. These developments are residential focused, mixed-use communities in close proximity to public transportation. A total of $50.6 million has been invested to date on land acquisition and other initial development costs. The Trust expects to invest an additional $34.2 million(2) on pre-development activities for these projects over the next two to five years before beginning construction. The projects are in various phases of pre-development, and Choice Properties continues to work on finalizing the assembly of land parcels for the developments.

434-455 North Rd., Coquitlam, BC
The approximately seven acre site is in the City of Coquitlam in the Greater Vancouver Area. The site is well located and transit oriented, in close proximity to Lougheed Town Centre Station on the Vancouver SkyTrain system. The current redevelopment plans contemplate a mixed-use project with a focus on high density residential and retail at grade.

The site was approved for a transit oriented, mixed-use development through the City of Coquitlam's Official Community Plan and Choice Properties is currently in design discussions with the City in preparation of making a formal approval.

1806-1880 Eglinton Ave E., Toronto, ON
The approximately 19 acre site is located along Eglinton Avenue in the Golden Mile district of Toronto. The current redevelopment plans contemplate a large, mixed-use master-plan community to be built in phases with a focus on high density residential and retail uses. The site is directly adjacent to new transit stations along the first phase of the Eglinton Crosstown LRT, which is currently under construction.

The Official Plan and Zoning By-law Amendment Applications were submitted to the City of Toronto and the Trust is working with the City on their Secondary Planning Study for the Golden Mile Area.

2280 Dundas St. W., Toronto, ON
The approximately 15 acre site is located at the southeast corner of Dundas Street West and Bloor Street West in Toronto. The site is at the intersection of several major transit corridors including a TTC subway station, a GO train station and the Union-Pearson Express train. The current redevelopment plans contemplate a large mixed-use community integrated with the surrounding transit services with a focus on high density residential, office, retail and other community uses.

The Official Plan Application was submitted to the City of Toronto and Choice Properties is preparing a Rezoning Application for submission to the City.

985 Woodbine Ave., Toronto, ON
The approximately 1.6 acre site is located at the north east intersection of Woodbine Avenue and Danforth Avenue in the Danforth neighbourhood of Toronto. The site is directly adjacent to the Woodbine TTC subway station. The current redevelopment plan contemplates two mid-rise rental residential buildings with retail at grade.

The Rezoning Application was submitted to the City of Toronto and the Trust is in discussions with the City.

685 Warden Ave., Toronto, ON
The approximately 6.5 acre site is located near the intersection of St. Clair Avenue and Warden Avenue in Toronto. The site is adjacent to the Warden TTC subway station. Choice Properties is currently in the early stages of the development concept creation.

3.7 Residential

Choice Properties has six residential projects in the pipeline representing 1,119 residential units. As at September 30, 2020, a total of $160.2 million had been invested in these projects and Choice Properties expects to invest an additional $349.3 million(2) to complete the developments before transferring them to income producing properties. Choice Properties' residential development projects, at the Trust's ownership share(1), as at September 30, 2020, are as follows:

($ thousands except where otherwise indicated)			GLA(ii) (square feet)			Total investment(ii) (iii)		
Project / Location	Ownership %	Number of Units	Commercial under development	Residential under development	Total	To-date	In progress(2)	Total
Residential								
1 Bovaird West, Brampton, ON	50%	149	—	149,000	**149,000**	$ 7,271	$ 79,228	**$ 86,499**
2 Kirkwood Ave., Ottawa, ON (iv)	50%	126	—	101,000	**101,000**	3,766	47,336	**51,102**
3 Dufferin St., Toronto, ON	47%	187	32,000	156,000	**188,000**	75,104	15,559	**90,663**
4 East Liberty St., Toronto, ON	47%	207	—	127,000	**127,000**	47,733	31,182	**78,915**
5 Sheppard Ave. West, Toronto, ON (i)	50%	100	5,000	64,000	**69,000**	5,234	33,604	**38,838**
6 Grosvenor-Grenville, Toronto, ON (i)	50%	350	8,000	255,000	**263,000**	21,129	142,362	**163,491**
Total residential		**1,119**	**45,000**	**852,000**	**897,000**	**$ 160,237**	**$ 349,271**	**$509,508**

(i) Preliminary stages of development.

(ii) Choice Properties' share.

(iii) Compiled on a non-GAAP proportionate share basis(1). Investment to-date was compiled on a cash basis, excluding adjustments to fair value of on-going projects.

(iv) On July 1, 2020, the Trust entered into a 99-year ground lease with an equity accounted joint venture in which the Trust has a 50% ownership interest. Total investment represents the Trust's share of project costs.

3.8 Completed Developments

For the nine months ended September 30, 2020, Choice Properties transferred the following from properties under development to income producing properties as presented on a proportionate share basis[(1)]:

($ thousands except where otherwise indicated)				
Project / Location	**Property type**	**Ownership %**	**Transferred GLA (square feet)**	**Cost of assets transferred**
Intensification				
1 Mahogany Village Market, Calgary, AB	Retail	100 %	4,322	$ 2,688
2 Sunwapta Centre, Edmonton AB	Retail	50 %	3,257	1,336
3 Stony Plain Road, Edmonton, AB	Retail	100 %	2,065	750
4 Mayor McGrath Drive, Lethbridge, AB	Retail	100 %	16,058	7,543
5 Winners Circle, Arnprior, ON	Retail	100 %	7,967	3,142
6 South Edmonton Common, Edmonton, AB	Retail	50 %	3,530	1,584
7 Pioneer Park, Kitchener, ON	Retail	100 %	28,138	8,909
Subtotal intensification			**65,337**	**25,952**
Greenfield development				
1 Oshawa Retail Lands, Oshawa, ON	Retail	50 %	11,398	4,456
2 Erin Ridge Retail Lands, St. Albert, AB	Retail	50 %	24,636	8,088
3 Harvest Pointe, Edmonton AB	Retail	50 %	5,593	2,663
4 Bathurst and Lake Shore, Toronto, ON	Office	100 %	69,400	46,460
5 Great Plains Business Park, Calgary, AB	Industrial	50 %	78,534	14,718
6 Richmond Rd. (Land), Ottawa, ON[(i)]	Retail	100 %	n/a	5,490
Subtotal greenfield development			**189,561**	**81,875**
Total Transferred Properties at Cost			**254,898**	**$ 107,827**
Total Transferred Properties at Fair Value				**$ 114,565**

(i) Represents the ground lease with an equity accounted joint venture to facilitate the Kirkwood Ave. residential development project.

3.9 Development Project Capital

Choice Properties expects to invest a total of approximately $347 million, at the Trust's ownership share[(1)], by the end of the year 2022[(2)].

($ thousands)		2020 remainder		2021		2022		Total
Intensification	$	3,000	$	18,000	$	31,000	$	52,000
Greenfield development		7,000		34,000		7,000		48,000
Mixed-use		2,000		14,000		11,000		27,000
Residential		22,000		95,000		103,000		220,000
Estimated total capital annual spend[(i)]	**$**	**34,000**	**$**	**161,000**	**$**	**152,000**	**$**	**347,000**

(i) Compiled on a non-GAAP proportionate share basis[(1)].

3.10 Mortgages, Loans and Notes Receivable

As a means to generate acquisition opportunities, Choice Properties has established a program with a group of strong real estate developers whereby Choice Properties provides mezzanine and/or co-owner financing. Such financing activities generally provide Choice Properties with an option or other rights to acquire an interest in the developed income-producing property. Mortgages and loans receivable represent amounts advanced under mezzanine loans, joint venture financing, vendor take-back financing and other arrangements.

($ thousands)		**As at September 30, 2020**		As at December 31, 2019
Mortgages receivable	**$**	**172,957**	$	185,350
Loans receivable		**5,609**		5,649
Notes receivable from related party		**—**		144,287
Allowance for expected credit losses on mortgage receivable		**—**		(3,000)
Mortgages, loans and notes receivable	**$**	**178,566**	$	332,286

The non-interest bearing short term notes receivable of $144,287 were repaid by GWL in January 2020.

In the first quarter of 2020, the borrower on the Trust's $23,000 mortgage receivable for an asset in Barrie, Ontario, defaulted on its loan from the Trust. The loan was secured by a property that is adjacent to a grocery anchored shopping centre owned by the Trust. The loan was also cross-collateralized by two other properties where the Trust is a joint venture partner with the borrower. The Trust's security was subordinate to a senior lender who provided construction financing.

After default, the Trust repaid the borrower's obligation to the senior lender of $43,000 such that the Trust became the only secured creditor on the property. In the second quarter of 2020, the Trust applied to the court to have a receiver appointed, who launched a process to market and sell the property. The Trust submitted an unconditional bid to the receiver to acquire the property. In September 2020, the Trust's offer was accepted by the court and ownership of the property was transferred by court order to the Trust. Upon close of the acquisition, the allowance for expected credit losses associated with this mortgage receivable was written off.

The Trust has approximately $120 million of secured mortgages to other third-party borrowers. These loans are with borrowers who are strategic development partners of the Trust and have strong credit metrics.

4. LIQUIDITY AND CAPITAL RESOURCES

4.1 Major Cash Flow Components

For the periods ended September 30 ($ thousands)	Three Months 2020	Three Months 2019	Three Months Change	Nine Months 2020	Nine Months 2019	Nine Months Change
Cash and cash equivalents, beginning of period	$ 108,339	$ 26,679	$ 81,660	$ 41,990	$ 30,713	$ 11,277
Cash flows from operating activities	79,837	129,409	(49,572)	389,273	373,096	16,177
Cash flows from (used in) investing activities	(15,165)	313,121	(328,286)	112,163	185,262	(73,099)
Cash flows from (used in) financing activities	(144,710)	(414,263)	269,553	(515,125)	(534,125)	19,000
Cash and cash equivalents, end of period	$ 28,301	$ 54,946	$ (26,645)	$ 28,301	$ 54,946	$ (26,645)

Cash Flows from Operating Activities

Three Months	Nine Months
The decrease in cash flows from operating activities is primarily due to the early receipt of certain July rents in the second quarter of 2020.	The increase in cash flows from operating activities is due to lower working capital requirements, offset by decreased collections in relation to COVID-19.

Cash flows from operating activities are partially used to fund ongoing operations and expenditures for leasing capital and property capital[(2)].

Cash Flows from (used in) Investing Activities

Three and Nine Months

The decrease in cash flows from investing activities was primarily due to the receipt of proceeds from the Oak Street disposition in the third quarter of 2019 in addition to an increase net repayments from mortgages, loan, and notes receivable advances and a decrease in spending on acquisitions of and additions to investment properties in the current quarter versus the prior year comparative period.

Cash Flows from (used in) Financing Activities

Three Months	Nine Months
The decrease in cash used in financing activities was primarily due to the use of proceeds from the Oak Street disposition to repay outstanding term loans in the third quarter of 2019. Offset by an increase in distributions paid on exchangeable units, due to the deferral of the distributions in exchange for notes receivable.	The decrease in cash used in financing activities was attributable to a net repayments of borrowings, offset by an issuance of trust units, in the prior year comparative period. The decrease was further offset by an increase in distributions paid on exchangeable units, due to the deferral of the distributions in exchange for notes receivable in the current period.

4.2 Liquidity and Capital Structure

Choice Properties expects to fund its ongoing operations and finance future growth primarily through the use of: (i) existing cash; (ii) cash flows from operations; (iii) short term financing through the committed credit facility; (iv) the issuance of unsecured debentures and equity (including Exchangeable Units), subject to market conditions; and (v) secured mortgages. Given reasonable access to capital markets, Choice Properties does not foresee any impediments in obtaining financing to satisfy its short- and long-term financial obligations, including its capital investment commitments[2].

($ thousands)	As at September 30, 2020	As at December 31, 2019	Change
Cash and cash equivalents - proportionate share basis[1]	$ 46,307	$ 51,484	$ (5,177)
Unused portion of the credit facility	1,443,000	1,368,000	75,000
Liquidity	$ 1,489,307	$ 1,419,484	$ 69,823
Unencumbered assets - proportionate share basis[1]	$ 11,900,000	$ 11,800,000	$ 100,000

Base Shelf Prospectus
On March 4, 2020, Choice Properties filed a Short Form Base Shelf Prospectus allowing for the issuance of up to $2,000,000 of Units and debt securities, or any combination thereof over a 25-month period.

4.3 Components of Total Debt

Choice Properties' debt structure was as follows:

			Proportionate Share Basis[1]	
As at September 30, 2020 ($ thousands)	GAAP Basis	Proportionate Share Basis[1]	Weighted average term to maturity (years)	Weighted average interest rate (%)
Construction loans	$ 25,193	$ 147,607	1.0	2.50%
Credit facility	57,000	57,000	2.6	1.87%
Less: Debt placement costs	(3,694)	(3,694)		
Variable rate debt	78,499	200,913	1.4	2.32%
Senior unsecured debentures	5,275,000	5,275,000	6.2	3.61%
Mortgages payable	1,209,227	1,435,596	5.6	3.83%
Less: Debt placement costs, discounts and premiums	(22,085)	(24,499)		
Fixed rate debt	6,462,142	6,686,097	6.1	3.65%
Total debt, net	$ 6,540,641	$ 6,887,010		

			Proportionate Share Basis[1]	
As at December 31, 2019 ($ thousands)	GAAP Basis	Proportionate Share Basis[1]	Weighted average term to maturity (years)	Weighted average interest rate (%)
Construction loans	$ 24,842	$ 114,601	1.4	3.71%
Credit facility	132,000	132,000	3.3	3.46%
Less: Debt placement costs	(4,767)	(4,767)		
Variable rate debt	152,075	241,834	2.4	3.58%
Senior unsecured debentures	5,175,000	5,175,000	5.1	3.67%
Mortgages payable	1,230,569	1,458,224	5.5	4.01%
Less: Debt placement costs, discounts and premiums	(16,959)	(19,575)		
Fixed rate debt	6,388,610	6,613,649	5.2	3.74%
Total debt, net	$ 6,540,685	$ 6,855,483		

Construction Loans
For the purpose of financing the development of certain retail, industrial and residential properties, various investments in equity accounted joint ventures and co-ownerships have variable rate non-revolving construction facilities in which certain subsidiaries of the Trust guarantee its own share. These construction loans, which mature throughout 2020 to 2022, have a maximum amount available to be drawn at the Trust's ownership interest of $228,632 (December 31, 2019 - $225,477).

As at September 30, 2020, $147,607 was drawn and the construction loans had a weighted average effective interest rate of 2.50% and a weighted average term to maturity of 1.0 years.

Credit Facility
Choice Properties has a $1,500,000 senior unsecured committed revolving credit facility maturing May 4, 2023, provided by a syndicate of lenders. The credit facility bears interest at variable rates of either Prime plus 0.20% or Bankers' Acceptance rate plus 1.20%. The pricing is contingent on Choice Properties' credit ratings from either DBRS and S&P remaining at BBB (high). As at September 30, 2020, $57,000 was drawn under the syndicated facility.

The credit facility contains certain financial covenants. As at September 30, 2020, the Trust was in compliance with all its financial covenants for the credit facility.

Senior Unsecured Debentures
On January 20, 2020, Choice Properties redeemed the $300,000 series 8 senior unsecured debenture bearing interest at 3.60% due April 20, 2020.

On March 3, 2020, Choice Properties completed a $500,000 dual-tranche offering of senior unsecured debentures on a private placement basis. The first tranche was the $400,000 series N senior unsecured debenture bearing interest at 2.98% per annum maturing on March 4, 2030, while the second tranche was the $100,000 series O senior unsecured debenture bearing interest at 3.83% per annum maturing on March 4, 2050. The net proceeds of the issuances were used to repay existing indebtedness, including the early redemption in full on March 13, 2020, of the $250,000 series E senior unsecured debenture bearing interest at 2.30% due September 14, 2020.

On May 21, 2020, Choice Properties completed a $500,000 offering on a private placement basis of the series P senior unsecured debenture bearing interest at 2.85% per annum maturing on May 21, 2027. The net proceeds of the issuance were used to repay existing indebtedness, including the early redemptions in full on June 12, 2020, of the $100,000 series B-C senior unsecured debenture bearing interest at 3.06% due January 15, 2021 and the $250,000 series C senior unsecured debenture bearing interest at 3.50% due February 8, 2021, as well as to repay all or a portion of the balance drawn on the Trust's credit facility.

Summary of Total Debt Activities
The following outlines the net changes to the components of Choice Properties' variable rate debt on a non-GAAP proportionate share basis[1] during the nine months ended September 30, 2020:

For the nine months ended September 30, 2020 ($ thousands)		Credit facility		Construction loans		Total variable rate debt
Principal balance outstanding, beginning of period	$	132,000	$	114,601	$	246,601
Net advances (repayments)		(75,000)		33,006		(41,994)
Principal balance outstanding, end of period	**$**	**57,000**	**$**	**147,607**	**$**	**204,607**

The following outlines the changes to the components of Choice Properties' fixed rate debt on a non-GAAP proportionate share basis[1] during the nine months ended September 30, 2020:

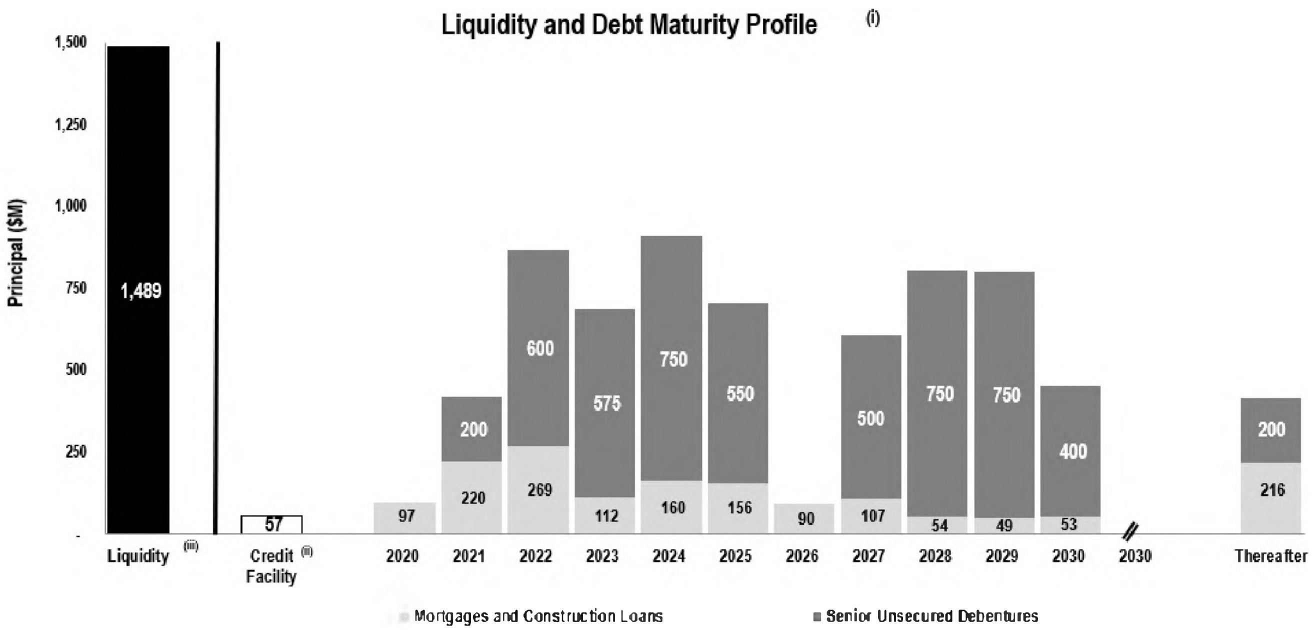
For the nine months ended September 30, 2020 ($ thousands)		Senior unsecured debentures		Mortgages payable		Total fixed rate debt
Principal balance outstanding, beginning of period	$	5,175,000	$	1,458,224	$	6,633,224
Issuances		1,000,000		72,674		1,072,674
Repayments		(900,000)		(70,368)		(970,368)
Assumed by purchaser on sale		—		(24,934)		(24,934)
Principal balance outstanding, end of period	**$**	**5,275,000**	**$**	**1,435,596**	**$**	**6,710,596**

Schedules of Repayments and Cash Flow Activities

The schedule of principal repayment of total long term debt, on a non-GAAP proportionate share basis[1], based on maturity, is as follows:

As at September 30, 2020 ($ thousands)	Credit facility	Construction loans	Senior unsecured debentures	Mortgages payable	Total
2020 remainder	$ —	$ 12,367	$ —	$ 84,255	**$ 96,622**
2021	—	90,078	200,000	130,132	**420,210**
2022	—	45,162	600,000	223,577	**868,739**
2023	57,000	—	575,000	112,391	**744,391**
2024	—	—	750,000	160,385	**910,385**
Thereafter	—	—	3,150,000	724,856	**3,874,856**
Total debt outstanding	**$ 57,000**	**$ 147,607**	**$ 5,275,000**	**$ 1,435,596**	**$ 6,915,203**

In order to reduce refinancing risk, Choice Properties attempts to stagger debt maturities and future financing obligations to ensure no large maturities or financing needs occur in any one year.



(i) Presented on a non-GAAP proportionate share basis[1].
(ii) The credit facility matures on May 4, 2023.
(iii) Includes cash and cash equivalents.

4.4 Financial Condition

Choice Properties is subject to certain financial and non-financial covenants in its senior unsecured debentures, credit facility and term loans, that include maintaining certain leverage and debt service ratios. These ratios are monitored by management on an ongoing basis to ensure compliance. Choice Properties was in compliance with all these covenants as at September 30, 2020 and December 31, 2019.

The Trust's compliance with leverage and coverage ratios, as they relate to its debentures, are shown below:

		As at September 30, 2020	As at December 31, 2019
Debt to Total Assets Ratio(i)	Limit: Maximum excluding convertible debt is 60.0%	**43.8%**	**43.1%**
Debt Service Coverage Ratio(i)	Limit: Minimum 1.5x	**3.0x**	3.0x
Debt to EBITDAFV(1)(i)(ii)(iv)		**7.7x**	7.3x
Interest Coverage Ratio(1)(iii)		**3.4x**	3.5x

(i) Debt ratios exclude Exchangeable Units. The ratios are non-GAAP financial measures calculated based on the Trust Indentures, as supplemented.

(ii) Refer to Section 13.8, "Earnings Before Interest, Taxes, Depreciation, Amortization and Fair Value", for a reconciliation of net income to EBITDAFV used in this ratio.

(iii) Refer to Section 13.7, "Net Interest Expense and Other Financing Charges Reconciliation", for a reconciliation of proportionate share basis(1) to GAAP basis for net interest expense and other financing charges used in the ratio.

(iv) On September 30, 2019, Choice Properties completed the Oak Street disposition and utilized the proceeds to repay debt. The debt to EBITDAFV ratio is calculated on a trailing 12-month basis which would include the earnings of the properties sold as part of the Oak Street disposition. Normalized to exclude the income (loss) from the Oak Street disposition, the Debt/EBITDAFV ratio as at December 31, 2019 was 7.5x.

4.5 Credit Ratings

Choice Properties' debt securities are rated by two independent credit rating agencies: DBRS and S&P. Choice Properties' ratings are linked to and equivalent to those of Loblaw, largely because of Loblaw's significant relationship with the Trust, and the contractual arrangements and the strategic relationship between the Trust and Loblaw. On September 17, 2020, DBRS upgraded the Choice Properties rating to BBB (high) with a stable trend, while on June 22, 2020, S&P confirmed the Choice Properties rating at BBB with a stable outlook. A credit rating of BBB- or higher is an investment grade rating.

The following table sets out the current credit ratings for Choice Properties as at September 30, 2020:

	DBRS		**S&P**	
Credit ratings (Canadian standards)	Credit rating	Trend	Credit rating	Outlook
Issuer rating	BBB (high)	Stable	BBB	Stable
Senior unsecured debentures	BBB (high)	Stable	BBB	N/A

4.6 Unit Equity

Unit equity, for the purposes of this MD&A, includes both Units and Exchangeable Units, which are economically equivalent to Units and receive equal distributions. The following is a continuity of Choice Properties' unit equity:

	Nine months ended September 30, 2020	Year ended December 31, 2019
Units, beginning of period	**310,292,869**	278,202,559
Units issued through equity financing	**—**	30,042,250
Units issued to related party as consideration for an investment property acquisition	**16,500,000**	—
Distribution in Units	**—**	1,569,400
Consolidation of Units	**—**	(1,569,400)
Units issued under unit-based compensation arrangements	**307,877**	2,203,950
Units repurchased for unit-based compensation arrangements	**(159,083)**	(155,890)
Units, end of period	**326,941,663**	310,292,869
Exchangeable Units, beginning and end of period	**389,961,783**	389,961,783
Total Units and Exchangeable Units, end of period	**716,903,446**	700,254,652

Normal Course Issuer Bid ("NCIB")
Choice Properties may from time to time purchase Units in accordance with the rules prescribed under applicable stock exchange or regulatory policies. On November 15, 2019, Choice Properties received approval from the TSX to purchase up to 25,856,839 Units during the twelve-month period from November 19, 2019 to November 18, 2020, by way of a NCIB over the facilities of the TSX or through alternative trading systems. Choice Properties intends to file a Notice of Intention to make a NCIB with the TSX upon the expiry of its current NCIB.

Units Issued under Unit-Based Compensation Arrangements
Units were issued as part of settlements under the Unit Option Plan and the Unit-Settled Restricted Unit Plan.

Units Repurchased for Unit-Based Compensation Arrangement
The Trust acquired Units under its NCIB during the nine months ended September 30, 2020 and the year ended December 31, 2019, which were then granted to certain employees in connection with the Unit-Settled Restricted Unit Plan, and are subject to vesting conditions and disposition restrictions.

Distributions
In the nine months ended September 30, 2020, Choice Properties declared $391,746 in distributions (September 30, 2019 - $380,787), including distributions to holders of Exchangeable Units, which are reported as interest expense. The distributions declared for the periods ended September 30, 2020 and September 30, 2019 were as follows:

	Three Months			Nine Months		
For the periods ended September 30 ($ thousands)	**2020**	2019	Change	**2020**	2019	Change
Total distributions declared	**$ 132,628**	$ 129,470	$ 3,158	**$ 391,746**	$ 380,787	$ 10,959

Choice Properties' Board retains full discretion with respect to the timing and quantum of distributions, however the total income distributed will not be less than the amount necessary to ensure the Trust will not be liable to pay income taxes under Part I of the *Income Tax Act (Canada)*. The taxable income allocated to the Trust and Exchangeable Unitholders may vary in certain taxation years. Over time, such differences, in aggregate, are expected to be minimal.

At its most recent meeting on November 4, 2020, the Board reviewed and approved the current rate of distributions of $0.74 per unit per annum. In determining the amount of distributions to be made to Unitholders, Choice Properties' Board considers many factors, including provisions in its Declaration of Trust, macro-economic and industry specific environments, the overall financial condition of the Trust, future capital requirements, debt covenants, and taxable income. In accordance with Choice Properties' Distribution Policy, management and the Board regularly review Choice Properties' rate of distributions to assess the stability of cash and non-cash distributions.

Distribution Reinvestment Plan ("DRIP")
Choice Properties instituted a DRIP that allows eligible Unitholders to elect to automatically reinvest their regular monthly cash distributions in additional Units and to receive a bonus distribution in Units equivalent to 3% of each distribution. On April 25, 2018, the Board temporarily suspended the DRIP commencing with the distribution declared in May 2018. On February 12, 2020, the Board approved an amendment and reinstatement of the DRIP. The Board also approved the elimination of the 3% bonus distribution under the amended DRIP. Subsequent to the Board approval on February 12, 2020 and in response to market disruptions caused by the COVID-19 pandemic, the Trust made the decision to continue suspending the DRIP. The DRIP will remain suspended until further notice.

4.7 Adjusted Cash Flow from Operations ("ACFO")

Adjusted Cash Flow from Operations[1] excludes most of the short-term fluctuations in non-cash working capital, such as property tax instalments, and the timing of semi-annual debenture instalments, although some fluctuations between quarters for operational cash flows still exist. ACFO[1] also adjusts cash flows from operating activities for the working capital required for operating capital expenditures to maintain productive capacity of the investment properties which adds volatility to the values due to seasonality of capital projects. Management includes this non-GAAP measure in its assessment of cash flow available for distributions. Refer to Section 13.5, "Adjusted Cash Flow from Operations", for a reconciliation of ACFO[1] to cash flows from operating activities, as determined in accordance with GAAP.

The table below summarizes the ACFO[1] metrics:

	Three Months			Nine Months		
For the periods ended September 30 ($ thousands)	**2020**	2019	Change	**2020**	2019	Change
Adjusted Cash Flow from Operations[1]	**$ 159,371**	$ 150,016	$ 9,355	**$ 450,438**	$ 461,014	$ (10,576)
Cash distributions declared	**(132,628)**	(129,470)	(3,158)	**(391,746)**	(380,787)	(10,959)
Cash retained after cash distributions	**$ 26,743**	$ 20,546	$ 6,197	**$ 58,692**	$ 80,227	$ (21,535)
ACFO[1] payout ratio	**83.2%**	86.3 %	(3.1)%	**87.0 %**	82.6 %	4.4 %

Three Months	Nine Months
ACFO increased compared to the prior year primarily as a result of a favourable change in non-cash working capital, partially offset by a decrease in cash flows from operating activities in the current quarter. ACFO payout ratio decreased primarily due to the increased distributions declared as a result of the units issued in exchange for acquiring two assets from Wittington.	ACFO decreased primarily due to unfavourable changes in non-cash working capital, lower acquisition transaction costs and the allowance for expected credit loss on a mortgage receivable recorded in the second quarter, partially offset by an increase in cash flows from operating activities. ACFO payout ratio increased primarily due to the decline in ACFO coupled with the increased distributions declared as a result of the units issued in exchange for acquiring two assets from Wittington, as well as the additional units issued from the May 2019 equity offering.

4.8 Financial Instruments

Designated hedging derivatives consist of interest rate swaps to hedge the interest rate associated with an equivalent amount of variable rate mortgages. During the nine months ended September 30, 2020, an interest rate swap was settled upon maturity of the underlying variable rate mortgage. In addition, a variable rate mortgage was renewed and upfinanced which resulted in the associated interest rate swap being increased and designated at a higher notional amount.

The impact of the hedging instruments on the consolidated balance sheets was as follows:

($ thousands)	Notional Amount	Net Asset (Liability)	Line Item in Balance Sheet
As at September 30, 2020			
Interest rate swaps	$ 258,700	$ (7,860)	Other assets or Other liabilities
As at December 31, 2019			
Interest rate swaps	276,700	(2,629)	Other assets or Other liabilities

The unrealized gain and loss recorded in OCI for the three and nine months ended September 30, 2020 was a fair value gain of $574 and loss of $5,231, respectively (September 30, 2019 - a fair value gain of $808 and loss of $3,837, respectively).

4.9 Off-Balance Sheet Arrangements

Choice Properties issues letters of credit to support guarantees related to its investment properties including maintenance and development obligations to municipal authorities. As at September 30, 2020, the aggregate gross potential liability related to these letters of credit totalled $34,156 including $1,543 posted by Loblaw with the Province of Ontario and City of Toronto on behalf of Choice Properties related to deferral of land transfer tax on properties acquired from Loblaw subsequent to the initial public offering (December 31, 2019 - $36,110 including $1,790 posted by Loblaw).

5. RESULTS OF OPERATIONS

Choice Properties' results, as reported under GAAP, for the three and nine months ended September 30, 2020 and September 30, 2019 are summarized below:

For the periods ended September 30 ($ thousands)	Three Months 2020	2019	Change	% Change	Nine Months 2020	2019	Change	% Change
Net Operating Income								
Rental revenue	**$ 308,956**	$ 323,306	$ (14,350)	(4.4)%	**$ 948,752**	$ 970,568	$ (21,816)	(2.2)%
Property operating costs	**(84,234)**	(87,422)	3,188	(3.6)%	**(287,556)**	(274,260)	(13,296)	4.8 %
	224,722	235,884	(11,162)	(4.7)%	**661,196**	696,308	(35,112)	(5.0)%
Other Income and Expenses								
Interest income	**3,806**	3,551	255	7.2 %	**10,869**	11,095	(226)	(2.0)%
Fee income	**918**	958	(40)	(4.2)%	**3,280**	3,026	254	8.4 %
Net interest expense and other financing charges	**(133,478)**	(140,922)	7,444	(5.3)%	**(407,599)**	(417,950)	10,351	(2.5)%
General and administrative expenses	**(8,837)**	(9,627)	790	(8.2)%	**(27,940)**	(29,532)	1,592	(5.4)%
Allowance for expected credit losses on mortgage receivable	**—**	—	—	— %	**(7,830)**	—	(7,830)	— %
Share of income (loss) from equity accounted joint ventures	**(3,608)**	2,448	(6,056)	(247.4)%	**(14,606)**	29,662	(44,268)	(149.2)%
Amortization of intangible assets	**(250)**	—	(250)	— %	**(750)**	—	(750)	— %
Foreign exchange gain reclassified from other comprehensive income	**—**	—	—	— %	**1,184**	—	1,184	— %
Acquisition transaction costs and other related expenses	**—**	(1,954)	1,954	(100.0)%	**(1,589)**	(8,363)	6,774	(81.0)%
Adjustment to fair value of unit-based compensation	**353**	(1,661)	2,014	(121.3)%	**863**	(8,853)	9,716	(109.7)%
Adjustment to fair value of Exchangeable Units	**(15,599)**	(296,371)	280,772	(94.7)%	**440,656**	(1,138,689)	1,579,345	(138.7)%
Adjustment to fair value of investment properties	**29,159**	(4,723)	33,882	N/M	**(323,619)**	(12,042)	(311,577)	N/M
Income (Loss) before Income Taxes	**97,186**	(212,417)	309,603	(145.8)%	**334,115**	(875,338)	1,209,453	(138.2)%
Income taxes	**—**	1,621	(1,621)	(100.0)%	**—**	720	(720)	(100.0)%
Net Income (Loss)	**$ 97,186**	$ (210,796)	$ 307,982	(146.1)%	**$ 334,115**	$ (874,618)	$1,208,733	(138.2)%

Net Income (Loss)

Three Months	Nine Months
The quarterly increase compared to prior year was mainly due to a favourable change in the adjustment to fair value on the Exchangeable Units and a favourable change in the fair value of investment properties, partially offset by an increase in bad debt expense and rent abatements under the Canada Emergency Commercial Rent Assistance ("CECRA") rent relief program across the portfolio.	The year-to-date increase was primarily due to a favourable change in the adjustment to fair value on the Exchangeable Units and unit-based compensation, in addition to a decline in acquisition transaction costs and other related expenses and a reduction in interest and financing charges, partially offset by declines related to unfavourable changes in the fair value of investment properties, an increase in bad debt expense, a reduced contribution from equity accounted joint ventures and an allowance for expected credit losses related to a specific mortgage receivable.

Adjustments to fair value can vary widely from quarter-to-quarter as they are impacted by market factors such as the Trust's Unit price and market capitalization rates.

Rental Revenue and Property Operating Costs

For the periods ended September 30 ($ thousands)	Three Months 2020	Three Months 2019	Three Months Change	Nine Months 2020	Nine Months 2019	Nine Months Change
Net Operating Income						
Rental revenue	**$ 308,956**	$ 323,306	$ (14,350)	**$ 948,752**	$ 970,568	$ (21,816)
Property operating costs	**(84,234)**	(87,422)	3,188	**(287,556)**	(274,260)	(13,296)
	$ 224,722	$ 235,884	$ (11,162)	**$ 661,196**	$ 696,308	$ (35,112)

Three and Nine Months

Rental revenue is comprised primarily of base rent, including straight-line rent, and recoveries from tenants for property taxes, insurance, operating costs and qualifying capital expenditures. Growth in rental revenue is materially impacted by newly acquired or constructed assets.

Property operating costs are comprised primarily of expenses to manage and maintain the properties for the benefit of the tenants, including realty taxes and insurance, that are recoverable under the leases of most tenants. Non-recoverable operating costs do not directly benefit the tenants and include property management fees paid by the Trust for properties managed by its partners.

The decrease in net operating income was primarily driven by the bad debt expense recorded for tenants affected by the COVID-19 pandemic and the reduced contribution from properties sold during the year ended December 31, 2019 and in the nine months ended September 30, 2020, partially offset by contributions from acquisitions and additional revenue from completed development transfers. In addition, during the three and nine months ended September 30, 2020, the Trust and its tenants benefited from COVID-related realty tax relief measures provided by various municipalities. These measures are reflected in net operating income through a reduction in realty tax expense and a corresponding decline in realty tax recovery revenue.

Interest Income

For the periods ended September 30 ($ thousands)	Three Months 2020	Three Months 2019	Three Months Change	Nine Months 2020	Nine Months 2019	Nine Months Change
Interest income on mortgages and loans receivable	**$ 3,085**	$ 3,551	$ (466)	**$ 9,296**	$ 10,783	$ (1,487)
Income from financial real estate asset	**361**	—	361	**1,093**	—	1,093
Other interest income	**67**	—	67	**187**	312	(125)
Interest Income	**$ 3,806**	$ 3,551	$ 255	**$ 10,869**	$ 11,095	$ (226)

Three Months

The increase in interest income is primarily due to income earned from the financial real estate asset acquired in 2019 offset by the timing of advances and repayments made on the mortgages and loans receivable, with fewer mortgages outstanding for the full quarter as compared to the prior year.

Nine Months

The decline in interest income is primarily due to timing of advances and repayments made on the mortgages and loans receivable, with fewer mortgages outstanding on a year-to-date basis as compared to the prior year, offset by income earned from the financial real estate asset acquired in 2019.

Fee Income

Fees charged to third-parties include property management fees, leasing fees and project management fees relating to co-owned properties which serves as a cash flow supplement to enhance returns from the co-owned assets. Choice Properties provides property management services to Loblaw and also administers certain services in connection with Loblaw's gas bar subleases (see Section 9, "Related Party Transactions").

For the periods ended September 30 ($ thousands)	Three Months 2020	Three Months 2019	Three Months Change	Nine Months 2020	Nine Months 2019	Nine Months Change
Fees charged to related party	$ 210	$ 107	$ 103	$ 637	$ 677	$ (40)
Fees charged to third-parties	708	851	(143)	2,643	2,349	294
Fee Income	$ 918	$ 958	$ (40)	$ 3,280	$ 3,026	$ 254

Three Months

Fee income is impacted by changes in the portfolio and the timing of leasing transactions and project activity. Higher related party leasing fees during the current quarter were partially offset by lower property management and leasing fees from co-owners.

Nine Months

Fee income is impacted by changes in the portfolio and the timing of leasing transactions and project activity. On a year-to-date basis, the increase is primarily due to an increase in project management and leasing fees charged to co-owners, partially offset by a reduction in related party management fees.

Net Interest Expense and Other Financing Charges

For the periods ended September 30 ($ thousands)	Three Months 2020	Three Months 2019	Three Months Change	Nine Months 2020	Nine Months 2019	Nine Months Change
Interest on senior unsecured debentures(i)	$ 47,825	$ 47,861	$ (36)	$ 148,915	$ 134,661	$ 14,254
Interest on mortgages	12,473	13,094	(621)	36,950	39,608	(2,658)
Interest on credit facility and term loans	1,084	5,470	(4,386)	6,079	26,096	(20,017)
Interest on right-of-use asset	49	69	(20)	175	212	(37)
Distributions on Exchangeable Units(ii)	72,143	72,143	—	216,430	216,430	—
Amortization of debt discounts and premiums	81	(926)	1,007	(1,900)	(2,797)	897
Amortization of debt placement costs	1,084	4,158	(3,074)	3,554	7,338	(3,784)
Capitalized interest	(1,261)	(947)	(314)	(2,604)	(3,598)	994
Net interest expense and other financing charges	$ 133,478	$ 140,922	$ (7,444)	$ 407,599	$ 417,950	$ (10,351)

(i) Includes early redemption premiums of $6.8 million paid during the nine months ended September 30, 2019.

(ii) Represents interest on indebtedness due to related parties.

Three Months

The quarterly decrease was primarily due to the completion of refinancing activity over the last year at lower interest rates. In the prior year the Trust incurred certain one-time charges when making repayments towards its term loan.

Nine Months

The year-to-date decrease was primarily due to refinancing activity completed over the last year at lower interest rates, in addition to there being no interest and debt placement costs related to term loan which was repaid in the prior year.

This decrease was partially offset by an early redemption premium paid of $6.8 million for two unsecured debentures maturing in 2021 that were repaid in the current year.

General and Administrative Expenses

For the periods ended September 30 ($ thousands)	Three Months 2020	2019	Change	Nine Months 2020	2019	Change
Salaries, benefits and employee costs	$ 11,235	$ 10,978	$ 257	$ 35,411	$ 33,136	$ 2,275
Investor relations and other public entity costs	577	544	33	1,795	1,645	150
Professional fees	1,471	864	607	3,309	2,165	1,144
Information technology costs	1,144	652	492	3,040	2,373	667
Services Agreement expense charged by related party(i)	852	804	48	2,415	2,297	118
Amortization of other assets	264	91	173	319	100	219
Office related costs	572	898	(326)	2,081	2,847	(766)
Other	178	647	(469)	1,095	1,502	(407)
	16,293	15,478	815	49,465	46,065	3,400
Less:						
Capitalized to investment properties	(2,025)	(971)	(1,054)	(4,697)	(2,322)	(2,375)
Allocated to recoverable operating expenses	(5,431)	(4,880)	(551)	(16,828)	(14,211)	(2,617)
General and administrative expenses	$ 8,837	$ 9,627	$ (790)	$ 27,940	$ 29,532	$ (1,592)

The Services Agreement is described in Section 9, "Related Party Transactions".

Three Months

The quarterly decline was primarily due to higher salary related and information technology costs, much of which was capitalized to investment properties and allocated to recoverable operating costs.

Nine Months

The year-to-date decline was primarily due to higher salary related and information technology costs, much of which was capitalized to investment properties and allocated to recoverable operating costs.

6. LEASING ACTIVITY

Choice Properties' leasing activities are focused on driving value by:

- focusing on property operations and striving for superior service to tenants;
- managing properties to maintain high levels of occupancy;
- increasing rental rates when market conditions permit; and
- adding tenants in complementary business sectors to retail sites anchored by Loblaw food and drug stores.

The following table detail the changes for in-place occupancy by segment for the three months ended September 30, 2020:

(in thousands of square feet except where otherwise indicated)	June 30, 2020									Three Months September 30, 2020		
	Leasable	Occupied	Occupied %	Expiries	New	Renewals	Subtotal: Absorption	Portfolio changes(i)	New/ (Disposed) vacancy	**Leasable**	**Occupied**	**Occupied %**
Retail	46,196	45,128	97.7%	(497)	99	310	(88)	181	21	**46,399**	**45,221**	**97.5%**
Industrial	16,135	15,312	94.9%	(719)	538	364	183	27	(99)	**16,064**	**15,522**	**96.6%**
Office	3,050	2,823	92.6%	(49)	11	31	(7)	387	11	**3,448**	**3,204**	**92.9%**
Total	65,381	63,263	96.8%	(1,265)	648	705	88	595	(67)	**65,911**	**63,947**	**97.0%**

(i) Represents changes in occupied square footage arising from acquisitions, dispositions, intensifications, expansions, and transfers from properties under development.

The following table details the changes for in-place occupancy by segment for the nine months ended September 30, 2020:

(in thousands of square feet except where otherwise indicated)	December 31, 2019									Nine Months September 30, 2020		
	Leasable	Occupied	Occupied %	Expiries	New	Renewals	Subtotal: Absorption	Portfolio changes(i)	New/ (Disposed) vacancy	**Leasable**	**Occupied**	**Occupied %**
Retail	46,315	45,371	98.0%	(1,259)	226	824	(209)	59	24	**46,399**	**45,221**	**97.5%**
Industrial	16,142	15,807	97.9%	(2,150)	846	990	(314)	29	(108)	**16,064**	**15,522**	**96.6%**
Office	3,188	2,975	93.3%	(190)	31	130	(29)	257	3	**3,448**	**3,204**	**92.9%**
Total	65,645	64,153	97.7%	(3,599)	1,103	1,944	(552)	345	(81)	**65,911**	**63,947**	**97.0%**

(i) Represents changes in occupied square footage arising from acquisitions, dispositions, intensifications, expansions, and transfers from properties under development.

Three Months	Nine Months
Period end occupancy increased from 96.8% at June 30, 2020 to 97.0% at September 30, 2020. During the quarter, Choice Properties had positive absorption of 89,000 square feet, highlighted by increased leasing in the Ontario industrial portfolio.	Period end occupancy declined from 97.7% at December 31, 2019 to 97.0% at September 30, 2020. Negative absorption during the year was primarily due to vacancies in Ontario and Quebec retail portfolios, as well as the Ontario and Alberta industrial portfolios.
The portfolio change of approximately 595,000 square feet primarily related to the acquisitions in the Ontario retail and office portfolios.	Portfolio changes primarily related to the disposition of a retail property in United States and an office property in Halifax, Nova Scotia during the first quarter, partially offset by the acquisitions in the Ontario retail and office portfolios during the year.

Choice Properties' principal tenant, Loblaw, represents 56.3% of its total GLA (December 31, 2019 - 56.3%). At September 30, 2020, the weighted average lease term-to-maturity on the Loblaw leases was 7.6 years (December 31, 2019 - 8.2 years).

(in millions of square feet except where otherwise indicated)	**As at September 30, 2020**			As at December 31, 2019		
	Portfolio GLA	**Occupied GLA**	**Occupancy (%)**	Portfolio GLA	Occupied GLA	Occupancy (%)
Loblaw banners	**37.1**	**37.1**	**100.0%**	37.0	37.0	100.0%
Third-party tenants	**28.8**	**26.9**	**93.4%**	28.7	27.2	94.8%
Total commercial GLA	**65.9**	**64.0**	**97.0%**	65.7	64.2	97.7%

The lease maturity profile for Choice Properties' portfolio as at September 30, 2020 was as follows:

(in thousands of square feet except where otherwise indicated)	Third-party GLA	Loblaw GLA	Total GLA	Expiring GLA as a % of total GLA	Expiring annualized base rent ($ 000's)	Average expiring base rent (per square foot)
Month-to-month	416	90	506	0.8 %	$ 6,595	$ 13.03
2020 remainder	704	—	704	1.0 %	8,554	12.15
2021	2,468	107	2,575	3.9 %	34,586	13.43
2022	3,369	67	3,436	5.2 %	48,845	14.22
2023	3,606	3,890	7,496	11.4 %	106,975	14.27
2024	3,077	2,943	6,020	9.1 %	83,820	13.92
2025	3,662	3,262	6,924	10.5 %	89,801	12.97
2026 & Thereafter	9,549	26,737	36,286	55.1 %	597,672	16.47
Vacant	1,964	—	1,964	3.0 %	—	—
Total	**28,815**	**37,096**	**65,911**	**100.0 %**	**$ 976,848**	**$ 14.82**

	Retail segment		Industrial segment		Office segment		Total	
(in thousands of square feet except where otherwise indicated)	GLA	Expiring GLA as a % of total GLA	GLA	Expiring GLA as a % of total GLA	GLA	Expiring GLA as a % of total GLA	GLA	Expiring GLA as a % of total GLA
Month-to-month	420	0.6%	58	0.1%	28	0.1%	506	0.8 %
2020 remainder	343	0.5%	270	0.4%	91	0.1%	704	1.0 %
2021	1,449	2.2%	922	1.4%	204	0.3%	2,575	3.9 %
2022	1,425	2.2%	1,617	2.5%	394	0.5%	3,436	5.2 %
2023	5,123	7.8%	2,020	3.1%	353	0.5%	7,496	11.4 %
2024	4,201	6.4%	1,507	2.3%	312	0.5%	6,020	9.1 %
2025	4,349	6.6%	2,330	3.5%	245	0.4%	6,924	10.5 %
2026 & Thereafter	27,911	42.3%	6,800	10.3%	1,575	2.4%	36,286	55.1 %
Vacant	1,178	1.8%	540	0.8%	246	0.4%	1,964	3.0 %
Total	**46,399**	**70.4%**	**16,064**	**24.4%**	**3,448**	**5.2%**	**65,911**	**100.0 %**

Top 10 Tenants

Choice Properties' ten largest tenants for the three months ended September 30, 2020, represented approximately 64.0% of gross rental revenue, as calculated on a proportionate share basis(1). The names noted below may be the names of the parent entities and are not necessarily the parties to the leases.

	Tenants	% of Gross Rental Revenue	GLA (square feet)
1.	Loblaw	56.1 %	37,096
2.	Canadian Tire	2.4 %	1,868
3.	TJX Companies	1.0 %	617
4.	Dollarama	0.9 %	522
5.	Staples	0.7 %	426
6.	GoodLife	0.7 %	338
7.	Liquor Control Board of Ontario (LCBO)	0.6 %	212
8.	TD Canada Trust	0.6 %	153
9.	Sobeys	0.5 %	338
10.	Lowe's	0.5 %	522
Total		**64.0 %**	**42,092**

7. RESULTS OF OPERATIONS - SEGMENT INFORMATION

7.1 Net Income and Segment NOI Reconciliation

Choice Properties operates in three reportable segments: retail, industrial and office. Management measures and evaluates the performance of the Trust based on net operating income which is presented by segment below at the proportionate share of the related revenue and expenses for these properties, while other net income (loss) items are reviewed on a consolidated GAAP basis.

The following table reconciles net income on a proportionate share basis[1] to net income (loss) as determined in accordance with GAAP for the three months ended September 30, 2020:

($ thousands)	Retail	Industrial	Office	Proportionate Share Basis[1](ii)	Consolidation and eliminations(i)	GAAP Basis(ii)
Rental revenue, excluding straight-line rental revenue and lease surrender revenue	$ 251,296	$ 41,397	$ 26,808	$ 319,501	$ (14,636)	$ 304,865
Property operating costs	(69,127)	(10,493)	(9,990)	(89,610)	5,376	(84,234)
Net Operating Income, Cash Basis[1]	**182,169**	**30,904**	**16,818**	229,891	(9,260)	220,631
Straight line rental revenue	1,435	1,393	887	3,715	(538)	3,177
Lease surrender revenue	363	551	—	914	—	914
Net Operating Income, Accounting Basis	**183,967**	**32,848**	**17,705**	234,520	(9,798)	224,722
Other Income and Expenses						
Interest income				3,184	622	3,806
Fee income				918	—	918
Net interest expense and other financing charges				(135,408)	1,930	(133,478)
General and administrative expenses				(8,837)	—	(8,837)
Share of income (loss) from equity accounted joint ventures				—	(3,608)	(3,608)
Amortization of intangible assets				(250)	—	(250)
Adjustment to fair value of unit-based compensation				353	—	353
Adjustment to fair value of Exchangeable Units				(15,599)	—	(15,599)
Adjustment to fair value of investment properties				18,305	10,854	29,159
Net Income (Loss)				$ 97,186	$ —	$ 97,186

(i) Reconciling items adjust Choice Properties' proportionate share of joint ventures to reflect the equity method of accounting under GAAP.

The following table reconciles net income on a proportionate share basis[1] to net income (loss) as determined in accordance with GAAP for the nine months ended September 30, 2020:

($ thousands)	Retail	Industrial	Office	Proportionate Share Basis[1]	Consolidation and eliminations[i]	GAAP Basis
Rental revenue, excluding straight-line rental revenue and lease surrender revenue	$ 776,167	$ 127,404	$ 78,268	$ 981,839	$ (44,845)	$ 936,994
Property operating costs	(238,923)	(34,486)	(30,577)	(303,986)	16,430	(287,556)
Net Operating Income, Cash Basis[1]	**537,244**	**92,918**	**47,691**	677,853	(28,415)	649,438
Straight line rental revenue	7,077	2,960	1,845	11,882	(1,153)	10,729
Lease surrender revenue	372	551	106	1,029	—	1,029
Net Operating Income, Accounting Basis	**544,693**	**96,429**	**49,642**	690,764	(29,568)	661,196
Other Income and Expenses						
Interest income				9,960	909	10,869
Fee income				3,280	—	3,280
Net interest expense and other financing charges				(413,715)	6,116	(407,599)
General and administrative expenses				(27,940)	—	(27,940)
Allowance for expected credit losses on mortgage receivable				(7,830)	—	(7,830)
Share of income (loss) from equity accounted joint ventures				—	(14,606)	(14,606)
Amortization of intangible assets				(750)	—	(750)
Foreign exchange gain reclassified from other comprehensive income				1,184	—	1,184
Acquisition transaction costs and other related expenses				(1,589)	—	(1,589)
Adjustment to fair value of unit-based compensation				863	—	863
Adjustment to fair value of Exchangeable Units				440,656	—	440,656
Adjustment to fair value of investment properties				(360,768)	37,149	(323,619)
Net Income (Loss)				$ 334,115	$ —	$ 334,115

(i) Reconciling items adjust Choice Properties' proportionate share of joint ventures to reflect the equity method of accounting under GAAP.

7.2 Net Operating Income Summary[1]

NOI[1] is a supplemental measure of operating performance widely used in the real estate industry. There is no industry-defined definition of NOI[1]. Refer to Section 13.2, "Net Operating Income", of this MD&A, for a definition of NOI[1] and a reconciliation to net income (loss) determined in accordance with GAAP.

Management also measures performance of operating segments using NOI[1] as calculated on a proportionate share basis[1] and, in particular, same-asset NOI which isolates Management's success at dealing with certain key performance factors. "Same-Asset" refers to those properties that were owned and operated by Choice Properties for the entire 21 months ended September 30, 2020, and where such properties had no changes to income as a result of acquisitions, dispositions, new developments, redevelopments and expansions, intensifications, transfers, or demolitions (collectively, "Transactions"). NOI related to Transactions for the period are presented separately from the same-asset financial results.

Choice Properties' NOI[1] is calculated on a proportionate share basis[1] to incorporate Choice Properties' investment in co-owned properties as if they were owned directly, for the three and nine months ended September 30, 2020 and September 30, 2019 is summarized below.

Summary - Accounting Basis

	Three Months				Nine Months			
For the periods ended September 30 ($ thousands)	**2020**	2019	Change	% Change	**2020**	2019	Change	% Change
Rental revenue	**$289,946**	$294,782	$ (4,836)	(1.6)%	**$896,689**	$891,613	$ 5,076	0.6 %
Straight line rental revenue	**2,612**	5,088	(2,476)	(48.7)%	**9,522**	17,343	(7,821)	(45.1)%
Property operating costs excluding bad debt expense	**(76,411)**	(83,789)	7,378	(8.8)%	**(258,655)**	(262,716)	4,061	(1.5)%
Same-Asset NOI, Accounting Basis, excluding bad debt expense	**216,147**	216,081	66	— %	**647,556**	646,240	1,316	0.2 %
Bad debt expense	**(4,419)**	(71)	(4,348)	N/M	**(19,120)**	(857)	(18,263)	N/M
Same-Asset NOI, Accounting Basis	**211,728**	216,010	(4,282)	(2.0)%	**628,436**	645,383	(16,947)	(2.6)%
Transactions NOI including straight line rental revenue, excluding bad debt expense	**22,200**	29,411	(7,211)		**62,376**	81,556	(19,180)	
Bad debt expense	**(322)**	(5)	(317)		**(1,077)**	(5)	(1,072)	
Transactions NOI, Accounting Basis	**21,878**	29,406	(7,528)		**61,299**	81,551	(20,252)	
Lease surrender revenue	**914**	2,372	(1,458)		**1,029**	2,372	(1,343)	
Total NOI, Accounting Basis	**$234,520**	$247,788	$(13,268)		**$690,764**	$729,306	$ (38,542)	

Summary - Cash Basis

For the periods ended September 30 ($ thousands)	Three Months 2020	Three Months 2019	Three Months Change	Three Months % Change	Nine Months 2020	Nine Months 2019	Nine Months Change	Nine Months % Change
Rental revenue	**$289,946**	$294,782	$ (4,836)	(1.6)%	**$896,689**	$891,613	$ 5,076	0.6 %
Property operating costs excluding bad debt expense	**(76,411)**	(83,789)	7,378	(8.8)%	**(258,655)**	(262,716)	4,061	(1.5)%
Same-Asset NOI, Cash Basis, excluding bad debt expense	**213,535**	210,993	2,542	1.2 %	**638,034**	628,897	9,137	1.5 %
Bad debt expense	**(4,419)**	(71)	(4,348)	N/M	**(19,120)**	(857)	(18,263)	N/M
Same-Asset NOI, Cash Basis	**209,116**	210,922	(1,806)	(0.9)%	**618,914**	628,040	(9,126)	(1.5)%
Transactions NOI excluding bad debt expense	**21,097**	28,130	(7,033)		**60,016**	78,336	(18,320)	
Bad debt expense	**(322)**	(5)	(317)		**(1,077)**	(5)	(1,072)	
Transactions NOI, Cash Basis	**20,775**	28,125	(7,350)		**58,939**	78,331	(19,392)	
Total NOI, Cash Basis	**$229,891**	$239,047	$ (9,156)		**$677,853**	$706,371	$ (28,518)	

Three Months

NOI decreased compared to prior year primarily due to higher bad debt expense recorded on account of COVID-19. Excluding bad debt expense, same-asset NOI increased 1.2% on a cash basis primarily due to leasing activity and contractual rent steps in the retail segment, partially offset by declines in the office segment.

The decline in transaction NOI was primarily due to the properties sold as part of the Oak Street disposition, partially offset by the contribution from acquisitions and development transfers.

In addition, during the three months ended September 30, 2020, the Trust and its tenants benefited from COVID-related realty tax relief measures provided by various municipalities. These measures are reflected in NOI through a reduction in realty tax expense and a corresponding decline in realty tax recovery revenue.

Nine Months

NOI decreased on a year-to-date basis primarily due to higher bad debt expense recorded on account of COVID-19. Excluding bad debt expense, same-asset NOI increased 1.5% on a cash basis primarily driven by leasing activity and contractual rent steps in the retail segment, in addition to increased contribution across all asset classes.

The decline in transaction NOI was primarily due to the properties sold as part of the Oak Street disposition, partially offset by the contribution from acquisitions and development transfers.

In addition, during the nine months ended September 30, 2020, the Trust and its tenants benefited from COVID-related realty tax relief measures provided by various municipalities. These measures are reflected in NOI through a reduction in realty tax expense and a corresponding decline in realty tax recovery revenue.

Retail Segment

For the periods ended September 30 ($ thousands)	Three Months 2020	2019	Change	% Change	Nine Months 2020	2019	Change	% Change
Rental revenue	**$230,073**	$233,769	$ (3,696)	(1.6)%	**$710,942**	$705,641	$ 5,301	0.8 %
Property operating costs excluding bad debt expense	**(59,647)**	(65,332)	5,685	(8.7)%	**(202,365)**	(204,559)	2,194	(1.1)%
Same-Asset NOI, Cash Basis, excluding bad debt expense	**170,426**	168,437	1,989	1.2 %	**508,577**	501,082	7,495	1.5 %
Bad debt expense	**(3,971)**	(85)	(3,886)	N/M	**(17,104)**	(659)	(16,445)	N/M
Same-Asset NOI, Cash Basis	**166,455**	168,352	(1,897)	(1.1)%	**491,473**	500,423	(8,950)	(1.8)%
Transactions NOI excluding bad debt expense	**16,034**	20,288	(4,254)		**46,810**	57,328	(10,518)	
Bad debt expense	**(320)**	(4)	(316)		**(1,039)**	4	(1,043)	
Transactions NOI, Cash Basis	**15,714**	20,284	(4,570)		**45,771**	57,332	(11,561)	
Total NOI, Cash Basis	**$182,169**	$188,636	$ (6,467)		**$537,244**	$557,755	$ (20,511)	

Three Months

The 1.2% increase in same-asset NOI excluding bad debt expense was primarily driven by leasing activity and contractual rent steps across the Ontario and Western regions. A decrease in realty tax expenses due to relief measures provided by various municipalities contributed to a reduction in realty taxes and a corresponding decline in recovery rental revenue.

Transaction NOI declined primarily due to the properties sold as part of the Oak Street disposition, partially offset by the contribution from acquisitions and development transfers.

Nine Months

The 1.5% increase in same-asset NOI excluding bad debt expense was primarily driven by leasing activity and contractual rent steps across the Ontario and Western regions.

The decline in transaction NOI was primarily due to the properties sold as part of the Oak Street disposition, partially offset by the contribution from acquisitions and development transfers.

Industrial Segment

For the periods ended September 30 ($ thousands)	Three Months 2020	2019	Change	% Change	Nine Months 2020	2019	Change	% Change
Rental revenue	**$ 35,948**	$ 35,908	$ 40	0.1 %	**$111,246**	$110,824	$ 422	0.4 %
Property operating costs excluding bad debt expense	**(8,514)**	(9,267)	753	(8.1)%	**(29,260)**	(29,927)	667	(2.2)%
Same-Asset NOI, Cash Basis, excluding bad debt expense	**27,434**	26,641	793	3.0 %	**81,986**	80,897	1,089	1.3 %
Bad debt expense	**(236)**	31	(267)	N/M	**(602)**	(52)	(550)	N/M
Same-Asset NOI, Cash Basis	**27,198**	26,672	526	2.0 %	**81,384**	80,845	539	0.7 %
Transactions NOI excluding bad debt expense	**3,706**	7,169	(3,463)		**11,534**	19,090	(7,556)	
Bad debt expense	**—**	(1)	1		**—**	(1)	1	
Transactions NOI, Cash Basis	**3,706**	7,168	(3,462)		**11,534**	19,089	(7,555)	
Total NOI, Cash Basis	**$ 30,904**	$ 33,840	$ (2,936)		**$ 92,918**	$ 99,934	$ (7,016)	

Three and Nine Months

Same-asset industrial NOI on a cash basis excluding bad debt expense increased by 3.0% and 1.3% for the three and nine months ended September 30, 2020, respectively. The increase primarily due to leasing activity in the Ontario region.

Transaction NOI declined as compared to the prior periods mainly due to the distribution centres sold as part of the Oak Street disposition, partially offset by the contribution from acquisitions and development transfers.

Office Segment

For the periods ended September 30 ($ thousands)	Three Months 2020	Three Months 2019	Three Months Change	Three Months % Change	Nine Months 2020	Nine Months 2019	Nine Months Change	Nine Months % Change
Rental revenue	$ 23,925	$ 25,105	$ (1,180)	(4.7)%	$ 74,501	$ 75,148	$ (647)	(0.9)%
Property operating costs excluding bad debt expense	(8,250)	(9,190)	940	(10.2)%	(27,030)	(28,230)	1,200	(4.3)%
Same-Asset NOI, Cash Basis, excluding bad debt expense	15,675	15,915	(240)	(1.5)%	47,471	46,918	553	1.2 %
Bad debt expense	(212)	(17)	(195)	N/M	(1,414)	(146)	(1,268)	N/M
Same-Asset NOI, Cash Basis	15,463	15,898	(435)	(2.7)%	46,057	46,772	(715)	(1.5)%
Transactions NOI excluding bad debt expense	1,357	673	684		1,672	1,918	(246)	
Bad debt expense	(2)	—	(2)		(38)	(8)	(30)	
Transactions NOI, Cash Basis	1,355	673	682		1,634	1,910	(276)	
Total NOI, Cash Basis	$ 16,818	$ 16,571	$ 247		$ 47,691	$ 48,682	$ (991)	

Three Months

Same-asset office NOI excluding bad debt expense decreased by 1.5% on a cash basis primarily due to lower transient parking revenue offset by positive leasing activity in the Ontario and Western regions.

The increase in transaction NOI is mainly due to the acquisition of two office assets in Toronto during the current quarter.

Nine Months

Same-asset office NOI excluding bad debt expense increased 1.2% on a cash basis primarily due to positive leasing activity in the Ontario and Western regions, partially offset by lower transient parking revenue.

The decline in transaction NOI is due to the year-to-date foregone revenue from an office property sold in the first quarter of 2020, partially offset by contributions from the two office assets acquired in the current quarter.

7.3 Other Key Performance Indicators

FFO[1] and AFFO[1] are included in the Trust's summary of key performance indicators. See Section 13, "Non-GAAP Financial Measures", of this MD&A, for details on how these measures are defined, calculated and reconciled to GAAP financial measures and why management uses these measures. FFO[1] and AFFO[1] for the three and nine months ended September 30, 2020 and September 30, 2019 are summarized below:

For the periods ended September 30 ($ thousands)	Three Months			Nine Months		
	2020	2019	Change	**2020**	2019	Change
Funds from Operations[1]	**$ 169,173**	$ 174,982	$ (5,809)	**$ 480,488**	$ 514,483	$ (33,995)
FFO[1][i] per unit basic	**$ 0.238**	$ 0.250	$ (0.012)	**$ 0.679**	$ 0.751	$ (0.072)
FFO[1][i] per unit diluted	**$ 0.238**	$ 0.250	$ (0.012)	**$ 0.679**	$ 0.751	$ (0.072)
FFO[1][i] payout ratio - diluted	**78.4 %**	74.0 %	4.4 %	**81.5 %**	74.0 %	7.5 %
Adjusted Funds from Operations[1]	**$ 147,594**	$ 152,032	$ (4,438)	**$ 430,540**	$ 458,508	$ (27,968)
AFFO[1][i] per unit basic	**$ 0.207**	$ 0.217	$ (0.010)	**$ 0.609**	$ 0.669	$ (0.060)
AFFO[1][i] per unit diluted	**$ 0.207**	$ 0.217	$ (0.010)	**$ 0.609**	$ 0.669	$ (0.060)
AFFO[1][i] payout ratio - diluted	**89.9 %**	85.2 %	4.7 %	**91.0 %**	83.0 %	8.0 %
Distribution declared per Unit	**$ 0.185**	$ 0.185	$ —	**$ 0.555**	$ 0.555	$ —
Weighted average Units outstanding - basic	**711,403,446**	699,714,149	11,689,297	**707,322,302**	685,230,831	22,091,471
Weighted average Units outstanding - diluted	**711,582,778**	700,010,054	11,572,724	**707,537,645**	685,491,674	22,045,971
Number of Units outstanding, end of period	**716,903,446**	700,247,802	16,655,644	**716,903,446**	700,247,802	16,655,644

Funds from Operations ("FFO")[1]

FFO[1] is calculated 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 2019. From time to time the Trust may enter into transactions that materially impact the calculation and are excluded from the calculation for management's review purposes. Refer to Section 13.3, "Funds from Operations", for a reconciliation of FFO[1] to net income determined in accordance with GAAP.

Three and Nine Months

Funds from operations decreased in the current quarter and on a year-to-date basis primarily due to an increase in bad debt expense and a reduction in net operating income attributable to the Oak Street disposition, partially offset by the effect of deleveraging activities by the Trust through use of proceeds from the Oak Street disposition and the May 2019 equity offering.

The decline on a per unit basis was also impacted by the higher weighted average number of units outstanding as a result of the May 2019 equity offering where proceeds were used to lower debt levels, as well as the units issued as consideration for the acquisition of two assets from Wittington in the current quarter.

Adjusted Funds from Operations ("AFFO")[1]

Choice Properties calculates AFFO[1] 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 2019. From time to time the Trust may enter into transactions that materially impact the calculation and are excluded from the calculation for management's review purposes. Refer to Section 13.4, "Adjusted Funds from Operations", for a reconciliation of AFFO[1] to net income determined in accordance with GAAP.

Three and Nine Months

Adjusted funds from operations declined primarily due to an overall reduction in funds from operations and increased tenant improvement and direct leasing costs, partially offset by a decline in property capital costs and straight line rent.

The increase in the AFFO payout ratio was primarily as a result of the higher weighted average number of units outstanding following the May 2019 equity offering and consideration provided for two office properties acquired in the current quarter, leading to increased cash distributions, coupled with the decline in AFFO year-over-year as noted above.

Operating Capital Expenditures

Choice Properties endeavours to fund operating capital requirements from cash flows from operations.

For the periods ended September 30 ($ thousands)	Three Months			Nine Months		
	2020	2019	Change	**2020**	2019	Change
Property capital	**$ 7,151**	$ 8,038	$ (887)	$ 10,648	$ 11,799	$ (1,151)
Leasing capital:						
Direct leasing costs	**2,466**	2,047	419	6,009	5,073	936
Tenant improvement allowances	**6,555**	4,786	1,769	15,977	14,004	1,973
Total operating capital expenditures, proportionate share basis[1]	**$ 16,172**	$ 14,871	$ 1,301	**$ 32,634**	$ 30,876	$ 1,758

Property Capital

Property capital expenditures incurred to sustain the investment properties' existing GLA are considered to be operational and are deducted in the calculation of AFFO[1] and ACFO[1]. During the nine months ended September 30, 2020, Choice Properties incurred $10,648 of property capital expenditures, which may be recoverable from tenants under the terms of their leases over the useful life of the improvements (2019 - $11,799). Recoverable capital improvements may include items such as parking lot resurfacing and roof replacements. These items are recorded as part of investment properties and the recoveries from tenants are recorded as revenue.

Leasing Capital

Capital expenditures for leasing activities, such as leasing commissions or tenant improvement allowances, are considered to be operational and are deducted in the calculation of AFFO[1] and ACFO[1]. Leasing capital varies with tenant demand and the balance between new and renewal leasing, as capital expenditures relating to securing new tenants are generally higher than the costs for renewing existing tenants.

8. QUARTERLY RESULTS OF OPERATIONS

The following is a summary of selected consolidated financial information for each of the eight most recently completed quarters.

($ thousands except where otherwise indicated)	Third Quarter 2020	Second Quarter 2020	First Quarter 2020	Fourth Quarter 2019	Third Quarter 2019	Second Quarter 2019	First Quarter 2019	Fourth Quarter 2018
Number of investment properties	725	724	724	726	726	756	756	753
Gross leasable area (in millions of square feet)	66.1	65.6	65.6	65.8	65.5	68.0	67.7	66.8
Occupancy	97.0 %	96.8 %	97.5 %	97.7 %	97.8 %	97.7 %	97.4 %	97.7 %
Rental revenue (GAAP)	$ 308,956	$ 314,885	$ 324,911	$ 317,986	$ 323,306	$ 324,289	$ 322,973	$ 322,793
Net income (loss)	$ 97,186	$ (95,813)	$ 332,742	$ 293,261	$ (210,796)	$ 238,310	$ (902,132)	$ 281,099
Net income (loss) per Unit	$ 0.136	$ (0.137)	$ 0.475	$ 0.419	$ (0.301)	$ 0.341	$ (1.348)	$ 0.421
Net income (loss) per Unit diluted	$ 0.137	$ (0.137)	$ 0.475	$ 0.419	$ (0.301)	$ 0.347	$ (1.346)	$ 0.419
Net operating income, cash basis[1]	$ 229,891	$ 216,431	$ 231,531	$ 234,949	$ 239,047	$ 234,715	$ 232,609	$ 232,506
FFO[1]	$ 169,173	$ 140,645	$ 170,670	$ 165,795	$ 174,982	$ 170,241	$ 169,260	$ 171,872
FFO[1] per Unit - diluted	$ 0.238	$ 0.201	$ 0.244	$ 0.237	$ 0.250	$ 0.248	$ 0.252	$ 0.256
AFFO[1]	$ 147,594	$ 131,173	$ 151,773	$ 129,187	$ 152,032	$ 151,803	$ 154,673	$ 110,332
AFFO[1] per Unit - diluted	$ 0.207	$ 0.187	$ 0.217	$ 0.184	$ 0.217	$ 0.221	$ 0.231	$ 0.165
Distribution declared per Unit	$ 0.185	$ 0.185	$ 0.185	$ 0.185	$ 0.185	$ 0.185	$ 0.185	$ 0.185
Market price per Unit - closing	$ 12.78	$ 12.74	$ 12.92	$ 13.91	$ 14.44	$ 13.68	$ 14.06	$ 11.52
Units outstanding, period end	716,903,446	700,403,446	700,403,446	700,254,652	700,247,802	699,572,174	669,312,915	668,164,342
Debt to total assets[i]	43.8 %	44.3 %	43.8 %	43.1 %	43.5 %	45.0 %	47.6 %	47.2 %
Debt service coverage[i]	3.0x	2.6x	3.1x	3.0x	3.1x	3.0x	3.0x	3.0x

(i) The Exchangeable Units are excluded from the debt ratio calculations. The ratios are non-GAAP financial measures calculated based on the Trust Indentures, as supplemented.

Choice Properties' quarterly results were impacted by acquisition and disposition activity and the development of additional GLA. In addition, net income (loss) was impacted by fluctuations in adjustments to fair value of Exchangeable Units, investment properties, and unit-based compensation and therefore was often not comparable from quarter to quarter.

9. RELATED PARTY TRANSACTIONS

Choice Properties' parent corporation is George Weston Limited ("GWL"), which as at September 30, 2020 which held a 61.5% direct effective interest in the Trust through ownership of 50,661,415 Units and all of the Exchangeable Units, which are economically equivalent to and exchangeable to Units. GWL is also the parent company of Loblaw, with ownership of 52.2% of Loblaw's outstanding common shares as at September 30, 2020. In addition, Mr. W. Galen Weston, the controlling shareholder of GWL, beneficially owned, directly and indirectly through entities he controls (other than GWL) 16,734,738 Units, representing approximately 2.3% of the outstanding Units as at September 30, 2020.

In the normal course of operations, Choice Properties enters into various transactions on market terms with related parties. Loblaw represents approximately 56.1% of Choice Properties' quarterly rental revenue on a proportionate share basis(1) and 56.3% of its commercial GLA as at September 30, 2020 (December 31, 2019 - 56.3% and 56.3%, respectively).

Acquisitions
On July 31, 2020, Choice Properties acquired two real estate assets from Wittington Properties Limited, a subsidiary of Wittington, for an aggregate purchase price of $208,935, excluding transaction costs, which was satisfied in full by the issuance of 16,500,000 Units of Choice Properties. The transaction was measured at market terms and conditions. The assets acquired included: (i) an office property in Toronto, Ontario, for $128,500 and (ii) the remaining 60% interest of the joint venture for 500 Lake Shore Boulevard West in Toronto, Ontario, for $80,435, less a cost-to-complete receivable of $16,404, giving the Trust 100% ownership of the joint venture.

On June 10, 2020, Choice Properties acquired a development property from Loblaw for a purchase price of $8,100, excluding transaction costs. The acquisition was settled with cash.

In the year ended December 31, 2019, Choice Properties acquired two investment properties and one financial real estate asset from Loblaw with an aggregate purchase price of $59,118, excluding transaction costs. The Trust also acquired an industrial property from GWL for a purchase price of $13,250, excluding transaction costs. All transactions were settled with cash.

Dispositions
In the year ended December 31, 2019, Choice Properties completed two dispositions of retail properties which had Loblaw leases, for an aggregate sale price of $9,975, excluding transaction costs.

On September 30, 2019, Choice Properties completed the disposition of a portfolio of 30 income producing properties which had Loblaw leases for an aggregate sale price of $426,318, excluding transaction costs. Immediately prior to the closing date, Loblaw and Choice Properties agreed to amend certain applicable leases such that each lease had a remaining term of at least 12 years and Choice Properties' right to collect future capital recoveries by the purchaser would be waived.

Operating Lease
Choice Properties was a tenant in an acquired office asset in Toronto, Ontario, having entered into a ten-year lease with Wittington Properties Limited, in 2014 with lease payments totalling $2,664 over the term of the lease. As of the acquisition date, Choice Properties de-recognized its right-of-use assets and lease liabilities associated with the office lease and will cease paying rents to Wittington Properties Limited.

Services Agreement
GWL provides Choice Properties with corporate, administrative and other support services for an annualized cost of $3,095 (2019 - $3,095). For the nine months ended September 30, 2020, the total cost was $2,415 (2019 - $804).

Strategic Alliance Agreement
The Strategic Alliance Agreement creates a series of rights and obligations between Choice Properties and Loblaw intended to establish a preferential and mutually beneficial business and operating relationship. The Strategic Alliance Agreement expires on July 5, 2023. The Strategic Alliance Agreement provides Choice Properties with important rights that are expected to meaningfully contribute to the Trust's growth. Subject to certain exceptions, rights include:

- Choice Properties has the right of first offer to purchase any property in Canada that Loblaw seeks to sell;
- Loblaw is generally required to present shopping centre property acquisitions in Canada to Choice Properties to allow the Trust a right of first opportunity to acquire the property itself; and
- Choice Properties has the right to participate in future shopping centre developments involving Loblaw.

Included in certain investment properties acquired from Loblaw is excess land with development potential. In accordance with the Strategic Alliance Agreement, Choice Properties will compensate Loblaw, over time, with intensification payments, as Choice Properties pursues development, intensification or redevelopment of such excess land. The payments to Loblaw are calculated in accordance with a payment grid that takes into account the region, market ranking and type of use for the property.

Property Management Agreement
Choice Properties provides Loblaw with property management services for Loblaw's properties with third-party tenancies on a fee for service basis with automatic one-year renewals.

Lease Surrender Payments
In the year ended December 31, 2019, Loblaw made lease surrender payments of $3,156 to the Trust.

Reimbursed Contract Revenue
On certain properties sold to Choice Properties, the revenue received with respect to solar rooftop leases was incorrectly allocated to Choice Properties. During the year ended December 31, 2019, Choice Properties reimbursed Loblaw $7,100 for revenue received in prior periods, and Choice Properties and Loblaw acknowledged that all future revenue and liabilities relating to the solar rooftop leases and related rooftop repair costs belong to Loblaw.

Sublease Administration Agreement
On July 17, 2017, in connection with Loblaw's sale of substantially all of its gas bar operations, Choice Properties agreed to provide Loblaw with certain administrative services in respect of the subleases on a fee for service basis for an initial five-year term with automatic one-year renewals.

Site Intensification Payments
Choice Properties compensated Loblaw with intensification payments of $486 in connection with completed gross leasable area for which tenants took possession during the nine months ended September 30, 2020 (December 31, 2019 - $4,577).

Distributions on Exchangeable Units
GWL holds all of the Exchangeable Units issued by Choice Properties Limited Partnership, a subsidiary of Choice Properties. During the three and nine months ended September 30, 2020, distributions declared on the Exchangeable Units totaled $72,143 and $216,430 (September 30, 2019 - $72,143 and $216,430) of which $24,048 were payable to GWL (December 31, 2019 - $168,334).

Trust Unit Distributions
In the three and nine months ended September 30, 2020, Choice Properties declared cash distributions of $9,372 and $28,117 on the Units held by GWL (September 30, 2019 - $9,372 and $27,179). There were no non-cash distributions paid by the issuance of additional Trust Units during the three and nine months ended September 30, 2020 (September 30, 2019 - $Nil). As at September 30, 2020, $3,124 of Trust Unit distributions declared were payable to GWL (December 31, 2019 - $3,124).

Joint Venture
On December 9, 2014, Choice Properties and its joint venture partner, Wittington Properties Limited, completed the acquisition of 500 Lake Shore Boulevard West in Toronto, Ontario, for $15,576 from Loblaw. Choice Properties accounted for its investment in the joint venture as an equity accounted joint venture until July 31, 2020, when the Trust acquired the remaining 60% interest from Wittington Properties Limited, after which the 100% owned joint venture will be accounted for on a consolidated basis. Wittington Properties Limited will continue to act as development and construction manager for the commercial space at 500 Lake Shore Boulevard West until development is completed. The Trust recorded a $16,404 receivable from Wittington Properties Limited for 60% of the remaining costs to complete the development.

Choice Properties contributed $6,200 to the joint venture and received distributions of $nil during the nine months ended September 30, 2020 (December 31, 2019 - contributions $13,240 and distributions $nil). The joint venture earned interest income during the nine months ended September 30, 2020 of $2,102 (2019 - $82).

10. INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining a system of disclosure controls and procedures to provide reasonable assurance that all material information relating to the Trust is gathered and reported to senior management on a timely basis so that appropriate decisions can be made regarding public disclosure.

Management is also responsible for establishing and maintaining adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial reports for external purposes in accordance with IFRS.

In designing such controls, it should be recognized that due to inherent limitations, any controls, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives and may not prevent or detect misstatements. Additionally, management is required to use judgment in evaluating controls and procedures.

Changes in Internal Control over Financial Reporting

There were no changes in Choice Properties' internal controls over financial reporting in the third quarter of 2020 that materially affected or are reasonably likely to materially affect the Trust's internal control over financial reporting.

11. ENTERPRISE RISKS AND RISK MANAGEMENT

A detailed full set of risks applicable to the Choice Properties business are included in the Trust's AIF for the year ended December 31, 2019 and MD&A in the 2019 Annual Report, which are hereby incorporated by reference. The 2019 Annual Report and AIF are available online on www.sedar.com; those risks and risk management strategies remain unchanged. In addition, the Trust has identified a new risk factor related to the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", which is further discussed below.

COVID-19

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic. The duration and impact of the COVID-19 pandemic on the Trust remains unknown at this time. As such, it is not possible to reliably estimate the length and severity of COVID-19-related impacts on the financial results and operations of the Trust.

As a response to the COVID-19 pandemic, the Trust introduced several protocols to protect its employees, tenants and guests including mandating that employees work from home to the full extent possible, increasing sanitation and health and safety measures at its properties and restricting access to its office buildings. Management established a COVID-19 response team to coordinate critical aspects of crisis management and continues to actively execute its pandemic plan to ensure business continuity while safeguarding the well being of its employees, tenants, and guests.

As COVID-19 related restrictions are being lifted in many provinces, the Trust is actively supporting its tenants and employees through the process of reopening its properties, and ensuring they have the information required to reopen safely, in compliance with public health measures. The Trust is implementing additional safety measures at all of its properties, including increased frequency in cleaning and disinfecting as well as physical distancing practices. As the COVID-19 pandemic evolves, the Trust will continue to act according to direction provided by the Federal, Provincial and Municipal governments. The Trust continues to prepare for future waves of the pandemic as well as the implications of economic recovery and opening activities. The Trust continues to closely monitor business operations and may take further actions in response to directives of government and public health authorities or that are in the best interests of employees, tenants, suppliers or other stakeholders, as necessary.

These changes and any additional changes in operations in response to COVID-19 could materially impact the financial results of the Trust and may include tenants' ability to pay rent in full or at all, consumer demand for tenants' products or services, potential changes in leasing activity, temporary or long-term stoppage of development projects, temporary or long-term labour shortages or disruptions, temporary or long-term impacts on domestic and global supply chains, increased risks to IT systems and networks and the Trust's ability to access capital on acceptable terms or at all. Uncertain economic conditions resulting from the COVID-19 pandemic may, in the short or long term, materially adversely impact operations and the financial performance of the Trust.

The spread of COVID-19 has caused an economic slowdown and increased volatility in financial markets, which has negatively impacted the market price for the equity securities of the Trust. Governments and central banks have responded with monetary and fiscal interventions intended to stabilize economic conditions. However, it is not currently known how these interventions will impact debt and equity markets or the economy generally. Although the ultimate impact of COVID-19 on the global economy and its duration remains uncertain, disruptions caused by COVID-19 may materially adversely affect the performance of the Trust. Uncertain economic conditions resulting from the COVID-19 outbreak may, in the short or long term, materially adversely impact the Trust's tenants and/or the debt and equity markets, both of which could materially adversely affect the Trust's operations and financial performance.

12. IMPACT OF COVID-19[(2)]

Choice Properties is Canada's preeminent diversified REIT with a real estate platform that is positioned to deliver both income stability and long-term growth for our investors, underpinned by disciplined financial management. While the duration and longer-term impact of the COVID-19 pandemic cannot be predicted at this time, Choice Properties remains confident that our business model and disciplined approach to financial management will allow us to weather the impact of COVID-19.

As one of Canada's largest landlords, the Trust continued to support its tenants who have been negatively impacted by the pandemic by providing rent relief through rent deferrals and other arrangements, including participating in the CECRA program.

Choice Properties' strong balance sheet provides the flexibility necessary to help insulate the Trust in the face of broader market volatility. During 2020, the Trust made significant progress in further strengthening its balance sheet, including refinancing unsecured debt maturities, increasing the weighted average term of debt and increasing available liquidity by issuing $1 billion of unsecured debentures, the proceeds of which were primarily used to address all unsecured debt maturities until the third quarter of 2021 and repay amounts drawn on the credit facility. From a liquidity perspective, the Trust has approximately $1.5 billion available under the credit facility and approximately $11.9 billion in unencumbered assets.

We are continuing to review the value of our properties affected by the COVID-19 pandemic, as the economic environment resulting from the COVID-19 pandemic has had an impact on the valuation of the Trust's properties. Given the level of uncertainty in economic fundamentals and the potential impact of certain tenants, market valuations may have more volatility than in other periods. We remain committed to owning high-quality assets with long-term value propositions.

On October 9, 2020, the federal government announced the Canada Emergency Rent Subsidy ("CERS") to replace the CECRA program, which expired at the end of September. The CERS program will provide support for eligible businesses that have experienced a revenue drop due to COVID-19, by subsidizing a percentage of their eligible expenses (including rent and interest on commercial mortgages) on a sliding scale, for a maximum of 65%. In addition to the 65% subsidy, the CERS program includes support by way of a top-up subsidy of 25% for eligible businesses temporarily shut down by a mandatory public health order. In total, a qualifying business could potentially have up to 90% of their rent or mortgage interest payment subsidized. The program will be in effect until December 19, 2020, after which the parameters will be revisited for a period extending to June 2021. Importantly, the new subsidy will be provided directly to tenants, unlike CECRA which required landlords to abate 25% of a qualified tenant's rent, with 50% covered by federal and provincial government forgivable loans, and the tenant responsible for the remaining 25%. While additional details on the program are pending, the new subsidy extends support for tenants and provides additional targeted support for businesses forced to temporarily close on public health orders and should be particularly helpful to those business that have endured significant financial pressures through the pandemic. Management will monitor the impact of this program on the collectability of the Trust's receivables as the program is implemented by the government.

It is impossible to forecast the duration and full scope of the economic impact of COVID-19 and other consequential changes it will have on Choice Properties' business and operations, both in the short term and the long term. Certain aspects of the Trust's business and operations that have been and could be potentially impacted include rental income, occupancy, tenant improvements, future demand for space and market rents, which all ultimately impact the underlying valuation of investment property. Refer to Section 3.1, "Valuation Method" and Section 11, "Enterprise Risks and Risk Management" for a discussion about the risks associated with the COVID-19 pandemic.

Update on Rent Collection

In addition to the qualifying small businesses and independent tenants that the Trust agreed to assist with rent deferrals, the Trust received numerous letters from other tenants asking for rental concessions or simply stating that they are not going to pay their rent during the pandemic. The amounts deferred for qualifying tenants are due to be repaid over a 12-month period and as of November 4, 2020, there was approximately $5.8 million of monthly contractual rent deferred, net of expected credit losses. We have also been in discussions with our larger tenants who have been adversely affected by COVID-19 and have reviewed rent deferral and/or abatement requests on a case by case basis, while fully reserving our rights as a landlord.

During the three months ended September 30, 2020 the Trust collected or expects to collect approximately 98% of contractual rents:

% Collected	Second Quarter 2020	Third Quarter 2020
Retail	**88%**	**98%**
Industrial	**97%**	**99%**
Office[1]	**89%**	**95%**
Total	**89%**	**98%**

[1] Uncollected portion primarily relates to retail tenants in office buildings

Rent receivables are recognized initially at fair value, subsequently at amortized cost and, where relevant, adjusted for the time value of money. The Trust assesses on a forward-looking basis the expected credit losses associated with its rent receivables. A recognition of a loss allowance is made for the lifetime expected credit losses on initial recognition of the receivable.

In determining the expected credit losses the Trust takes into account the payment history and future expectations of likely default events (i.e. asking for rental concessions, applications for rental relief through government programs such as the CECRA program, or stating they will not be making rental payments on the due date) based on actual or expected insolvency filings or company voluntary arrangements and likely deferrals of payments due, and potential abatements to be granted by the landlord under CECRA. These assessments are made on a tenant-by-tenant basis.

The Trust's assessment of expected credit losses is inherently subjective due to the forward-looking nature of the assessments. As a result, the value of the expected credit loss is subject to a degree of uncertainty and is made on the basis of assumptions which may not prove to be accurate with the unprecedented uncertainty caused by COVID-19. Based on its review, the Trust recorded bad debt expense of $4.7 million in property operating costs, on a proportionate share basis[1], during the three months ended September 30, 2020, with a corresponding amount recorded as an expected credit loss against its rent receivables.

($ thousands)		**Six months ended September 30, 2020**	**As a %**
Total tenant billings	$	729,422	100.0 %
Less: CECRA collections		(10,257)	1.4 %
Less: Amounts received and deferrals repaid to date		(693,215)	95.0 %
Balance outstanding		25,950	3.6 %
Total rents expected to be collected pursuant to deferral arrangements		(5,803)	0.8 %
Total rents to be collected excluding collectible deferrals		20,147	2.8 %
Less: Provision recorded		(19,298)	2.7 %
Balance expected to be recovered in time	$	849	0.1 %

The Trust's provision for the six months ended September 30, 2020, is comprised of the following:

($ thousands)		**Six months ended September 30, 2020**
Provisions for CECRA-eligible tenants (reflects 25% landlord share)	$	(5,371)
Provisions for tenants with negotiated rent abatements		(9,203)
Provisions for additional expected credit losses		(4,724)
Total provision recorded	$	(19,298)

13. NON-GAAP FINANCIAL MEASURES

The financial statements of Choice Properties are prepared in accordance with GAAP. However, in this MD&A, a number of measures are presented that do not have any standardized meaning under GAAP. Such measures and related per-unit amounts therefore should not be construed as alternatives to net income or cash flow from operating activities determined in accordance with GAAP and may not be comparable to similar measures presented by other real estate investment trusts or enterprises. These terms are defined below and are cross referenced, as applicable, to a reconciliation elsewhere in this MD&A to the most comparable GAAP measure. Choice Properties 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.

Non-GAAP Measure	Description	Reconciliation
Proportionate Share	• Represents financial information adjusted to reflect the Trust's equity accounted joint ventures and its share of net income (losses) from equity accounted joint ventures on a proportionately consolidated basis at the Trust's ownership percentage of the related investment. • Management views this method as relevant in demonstrating the Trust's ability to manage the underlying economics of the related investments, including the financial performance and cash flows and the extent to which the underlying assets are leveraged, which is an important component of risk management.	Section 2, "Balance Sheet"
Net Operating Income ("NOI"), Accounting Basis	• Defined as property rental revenue including straight line rental revenue, reimbursed contract revenue and lease surrender revenue, less direct property operating expenses and realty taxes, and excludes certain expenses such as interest expense and indirect operating expenses in order to provide results that reflect a property's operations before consideration of how it is financed or the costs of operating the entity in which it is held. • Management believes that NOI is an important measure of operating performance for the Trust's commercial real estate assets that is used by real estate industry analysts, investors and management, while also being a key input in determining the fair value of the Choice Properties portfolio.	Section 7.1, "Net Income and Segment NOI Reconciliation"
NOI, Cash Basis	• Defined as property rental revenue excluding straight line rental revenue, direct property operating expenses and realty taxes and excludes certain expenses such as interest expense and indirect operating expenses in order to provide results that reflect a property's operations before consideration of how it is financed or the costs of operating the entity in which it is held. • Useful measure in understanding period-over-period changes in income from operations due to occupancy, rental rates, operating costs and realty taxes.	Section 7.1, "Net Income and Segment NOI Reconciliation"
Same-Asset NOI, Cash Basis *and* *Same-Asset NOI, Accounting Basis*	• Same-asset NOI is used to evaluate the period-over-period performance of those properties owned and operated by Choice Properties since January 1, 2019, inclusive. • NOI from properties that have been (i) purchased, (ii) disposed, or (iii) subject to significant change as a result of new development, redevelopment, expansion, or demolition (collectively, "Transactions") are excluded from the determination of same-asset NOI. • Same-asset NOI, Cash Basis is useful in evaluating the realization of contractual rental rate changes embedded in lease agreements and/or the expiry of rent-free periods, while also being a useful measure in understanding period-over-period changes in NOI due to occupancy, rental rates, operating costs and realty taxes, before considering the changes in NOI that can be attributed to the Transactions, the Acquisition Transaction and development activities.	Section 7.2, "Net Operating Income Summary"

Funds from Operations ("FFO")	• Calculated in accordance with the Real Property Association of Canada's ("REALpac") *White Paper on Funds from Operations & Adjusted Funds from Operations for IFRS* issued in February 2019. • Management considers FFO to be a useful measure of operating performance as it adjusts for items included in net income (or net loss) that do not arise from operating activities or do not necessarily provide an accurate depiction of the Trust's past or recurring performance, such as adjustments to fair value of Exchangeable Units, investment properties and unit-based compensation. From time to time the Trust may enter into transactions that materially impact the calculation and are eliminated from the calculation for management's review purposes. • Management uses and believes that FFO is a useful measure of the Trust's performance that, when compared period over period, reflects the impact on operations of trends in occupancy levels, rental rates, operating costs and realty taxes, acquisition activities and interest costs.	Section 15.3, "Funds from Operations"
Adjusted Funds from Operations ("AFFO")	• Calculated in accordance with REALpac's *White Paper on Funds from Operations & Adjusted Funds from Operations for IFRS* issued in February 2019. • Management considers AFFO to be a useful measure of operating performance as it further adjusts FFO for capital expenditures that sustain income producing properties and eliminates the impact of straight-line rent. AFFO is impacted by the seasonality inherent in the timing of executing property capital projects. • In calculating AFFO, FFO is adjusted by excluding straight-line rent adjustments, as well as costs incurred relating to internal leasing activities and property capital projects. Working capital changes, viewed as short-term cash requirements or surpluses, are deemed financing activities pursuant to the methodology and are not considered when calculating AFFO. • Capital expenditures which are excluded and not deducted in the calculation of AFFO comprise those which generate a new investment stream, such as constructing a new retail pad during property expansion or intensification, development activities or acquisition activities. • Accordingly, AFFO differs from FFO in that AFFO excludes from its definition certain non-cash revenues and expenses recognized under IFRS, such as straight-line rent, but also includes capital and leasing costs incurred during the period which are capitalized for IFRS purposes. From time to time the Trust may enter into transactions that materially impact the calculation and are eliminated from the calculation for management's review purposes.	Section 15.4, "Adjusted Funds from Operations"
Adjusted Cash Flow from Operations ("ACFO")	• Calculated in accordance with REALpac's *White Paper on Adjusted Cashflow from Operations (ACFO) for IFRS* issued in February 2019. • Management views ACFO as a useful measure of the cash generated from operations after providing for operating capital requirements, and in evaluating the ability of Choice Properties to fund distributions to Unitholders. ACFO adjusts cash flows from operations as calculated under GAAP including, but not limited to, removing the effects of distributions on Exchangeable Units, deducting amounts for property capital expenditures to sustain existing GLA and for leasing capital expenditures. • The resulting ACFO will include the impact of the seasonality of property capital expenditures and the impact of fluctuations from normal operating working capital, such as changes to net rent receivable from tenants, trade accounts payable and accrued liabilities. • From time to time the Trust may enter into transactions that materially impact the calculation and are eliminated from the calculation for management's review purposes.	Section 15.5, "Adjusted Cash Flow from Operations"

Earnings before Interest, Taxes, Depreciation, Amortization and Fair Value ("EBITDAFV")	• Defined as net income attributable to Unitholders, reversing, where applicable, income taxes, interest expense, amortization expense, depreciation expense, adjustments to fair value and other adjustments as allowed in the Trust Indentures, as supplemented. • Management believes EBITDAFV is useful in assessing the Trust's ability to service its debt, finance capital expenditures and provide for distributions to its Unitholders.	Section 15.8, "Earnings before Taxes, Depreciation, Amortization and Fair Value"
Cash Retained after Distributions	• Represents the portion of ACFO retained within Choice Properties which can be used to invest in new acquisitions, development properties and capital activity.	Section 15.6, "Distribution Excess / Shortfall Analysis"
Total Debt	• Defined as variable rate debt (construction loans and credit facility) and fixed rate debt (senior unsecured debentures and mortgages), as measured on a proportionate share basis, and does not include the Exchangeable Units which are included as part of Unit Equity on account of the Exchangeable Units being economically equivalent and receiving equal distributions to the Trust Units. • Total Debt is also presented on a net basis to include the impact of other finance charges such as debt placement costs and discounts or premiums.	Section 4.3, "Components of Total Debt"
Debt to Total Assets	• Determined by dividing Total Debt (as defined above) by total assets as presented on a proportionate basis and can be interpreted as the proportion of the Trust's assets that are financed by debt. • Management believes this ratio is useful in evaluating the Trust's flexibility to incur additional financial leverage.	Section 4.4, "Financial Condition"
Debt Service Coverage	• Calculated as EBITDAFV divided by interest expense on the Total Debt and all regularly scheduled principal payments made with respect to indebtedness during such period (other than any balloon, bullet or similar principal payable at maturity or which repays such indebtedness in full). This ratio is calculated based on the Trust Indentures, as supplemented. • The debt service coverage ratio is useful in determining the ability of Choice Properties to service the interest requirements of its outstanding debt.	Section 4.4, "Financial Condition"
Debt to EBITDAFV *and* *Normalized Debt to EBITDAFV*	• Calculated as Total Debt divided by EBITDAFV. • This ratio is used to assess the financial leverage of Choice Properties, to measure its ability to meet financial obligations and to provide a snapshot of its balance sheet strength. • Management also presents this metric on a trailing 12-month normalized basis to exclude the proforma results of the Acquisition Transaction, lease surrender revenue and the Oak Street disposition.	Section 4.4, "Financial Condition"
Interest Coverage	• Calculated as EBITDAFV divided by interest expense on the Total Debt incurred by Choice Properties for the period. • The interest coverage ratio is useful in determining Choice Properties' ability to service the interest requirements of its outstanding debt.	Section 4.4, "Financial Condition"

13.1 Investment Properties Reconciliation

To expand the portfolio and participate in development opportunities, Choice Properties owns varying interests in real estate entities which hold investment properties. Under GAAP, many of these interests are recorded as equity accounted joint ventures and, as such, the Trust's portion of the investment properties of these entities is presented on the balance sheet as a summarized value, not as part of the total investment properties. While the reconciliation for Choice Properties' balance sheet on a GAAP basis to a proportionate share basis[1] is detailed in Section 2, "Balance Sheet", the following continuity schedule presents Choice Properties' investment properties inclusive of its proportionate share ownership in equity accounted joint ventures for the period ended as indicated:

	Three Months			Nine Months		
As at September 30, 2020 ($ thousands)	GAAP Basis	Reconciliation	Proportionate Share Basis[1]	GAAP Basis	Reconciliation	Proportionate Share Basis[1]
Balance, beginning of period	$ 14,070,000	$ 960,000	$ 15,030,000	$ 14,373,000	$ 938,000	$ 15,311,000
Acquisitions of investment properties[i]	248,003	—	248,003	286,387	—	286,387
Capital expenditures						
Development capital	8,583	24,199	32,782	32,706	69,257	101,963
Building improvements	1,625	(117)	1,508	2,416	105	2,521
Capitalized interest	1,261	151	1,412	2,604	499	3,103
Operating capital expenditures						
Property capital	7,214	(63)	7,151	10,520	128	10,648
Direct leasing costs	2,356	110	2,466	5,468	541	6,009
Tenant improvement allowances	6,566	(11)	6,555	14,558	1,419	15,977
Amortization of straight-line rent	3,177	538	3,715	10,729	1,153	11,882
Transfers to assets held for sale	(298,550)	—	(298,550)	(298,550)	—	(298,550)
Transfer from equity accounted joint ventures	42,687	(42,687)	—	42,687	(42,687)	—
Dispositions	(22,613)	—	(22,613)	(59,438)	—	(59,438)
Disposition to equity accounted joint venture	(19,468)	9,734	(9,734)	(19,468)	9,734	(9,734)
Adjustment to fair value of investment properties	29,159	(10,854)	18,305	(323,619)	(37,149)	(360,768)
Balance, as at September 30, 2020	**$ 14,080,000**	**$ 941,000**	**$ 15,021,000**	**$ 14,080,000**	**$ 941,000**	**$ 15,021,000**

(i) Includes acquisition costs.

13.2 Net Operating Income

The following table reconciles net income (loss), as determined in accordance with GAAP, to NOI, Cash Basis for the periods ended as indicated. Refer to Section 7, "Results of Operations - Segment Information" and Section 13, "Non-GAAP Financial Measures", for further details about this non-GAAP measure.

For the periods ended September 30 ($ thousands)	Three Months 2020	Three Months 2019	Three Months Change	Nine Months 2020	Nine Months 2019	Nine Months Change
Net income (loss)	**$ 97,186**	$ (210,796)	$ 307,982	**$ 334,115**	$ (874,618)	$ 1,208,733
Straight line rental revenue	**(3,177)**	(5,960)	2,783	**(10,729)**	(19,713)	8,984
Allowance for expected credit losses on mortgage receivable	**—**	—	—	**7,830**	—	7,830
Lease surrender revenue	**(914)**	(2,372)	1,458	**(1,029)**	(2,372)	1,343
General and administrative expenses	**8,837**	9,627	(790)	**27,940**	29,532	(1,592)
Fee income	**(918)**	(958)	40	**(3,280)**	(3,026)	(254)
Net interest expense and other financing charges	**133,478**	140,922	(7,444)	**407,599**	417,950	(10,351)
Interest income	**(3,806)**	(3,551)	(255)	**(10,869)**	(11,095)	226
Share of income (loss) from equity accounted joint ventures	**3,608**	(2,448)	6,056	**14,606**	(29,662)	44,268
Amortization of intangible assets	**250**	—	250	**750**	—	750
Foreign exchange gain reclassified from other comprehensive income	**—**	—	—	**(1,184)**	—	(1,184)
Acquisition transaction costs and other related expenses	**—**	1,954	(1,954)	**1,589**	8,363	(6,774)
Adjustment to fair value of unit-based compensation	**(353)**	1,661	(2,014)	**(863)**	8,853	(9,716)
Adjustment to fair value of Exchangeable Units	**15,599**	296,371	(280,772)	**(440,656)**	1,138,689	(1,579,345)
Adjustment to fair value of investment properties	**(29,159)**	4,723	(33,882)	**323,619**	12,042	311,577
Income taxes	**—**	(1,621)	1,621	**—**	(720)	720
Net Operating Income, Cash Basis	**220,631**	227,552	(6,921)	**649,438**	674,223	(24,785)
Adjustments for equity accounted joint ventures	**9,260**	11,495	(2,235)	**28,415**	32,148	(3,733)
Proportionate Share Net Operating Income, Cash Basis	**$ 229,891**	$ 239,047	$ (9,156)	**$ 677,853**	$ 706,371	$ (28,518)

13.3 Funds from Operations

The following table reconciles net income, as determined in accordance with GAAP, to Funds from Operations for the periods ended as indicated. Refer to Section 7, "Results of Operations - Segment Information" and Section 13, "Non-GAAP Financial Measures", for further details about this non-GAAP measure.

	Three Months			Nine Months		
For the periods ended September 30 ($ thousands)	2020	2019	Change	2020	2019	Change
Net income (loss)	$ 97,186	$ (210,796)	$ 307,982	$ 334,115	$ (874,618)	$ 1,208,733
Amortization of intangible assets	250	—	250	750	—	750
Foreign exchange gain reclassified from other comprehensive income	—	—	—	(1,184)	—	(1,184)
Acquisition transaction costs and other related expenses	—	1,954	(1,954)	1,589	8,363	(6,774)
Adjustment to fair value of unit-based compensation	(353)	1,661	(2,014)	(863)	8,853	(9,716)
Adjustment to fair value of Exchangeable Units	15,599	296,371	(280,772)	(440,656)	1,138,689	(1,579,345)
Adjustment to fair value of investment properties	(29,159)	4,723	(33,882)	323,619	12,042	311,577
Adjustment to fair value of investment property held in equity accounted joint ventures	10,854	7,510	3,344	37,149	(2,683)	39,832
Interest otherwise capitalized for development in equity accounted joint ventures	961	1,327	(366)	4,107	3,591	516
Exchangeable Units distributions	72,143	72,143	—	216,430	216,430	—
Internal expenses for leasing	1,692	1,710	(18)	5,432	4,536	896
Income taxes	—	(1,621)	1,621	—	(720)	720
Funds from Operations	$ 169,173	$ 174,982	$ (5,809)	$ 480,488	$ 514,483	$ (33,995)
FFO per Unit - diluted[i]	$ 0.238	$ 0.250	$ (0.012)	$ 0.679	$ 0.751	$ (0.072)
FFO payout ratio - diluted[i][ii]	78.4 %	74.0 %	4.4 %	81.5 %	74.0 %	7.5 %
Distribution declared per Unit	$ 0.185	$ 0.185	$ —	$ 0.555	$ 0.555	$ —
Weighted average Units outstanding - diluted	711,582,778	700,010,054	11,572,724	707,537,645	685,491,674	22,045,971

(i) FFO payout ratio is calculated as cash distributions declared divided by FFO.

13.4 Adjusted Funds from Operations

The following table reconciles FFO to AFFO for the periods ended as indicated. Refer to Section 7, "Results of Operations - Segment Information" and Section 13, "Non-GAAP Financial Measures", for further details about this non-GAAP measure.

	Three Months			Nine Months		
For the periods ended September 30 ($ thousands)	2020	2019	Change	2020	2019	Change
Funds from Operations	$ 169,173	$ 174,982	$ (5,809)	$ 480,488	$ 514,483	$ (33,995)
Add (deduct) impact of the following:						
Internal expenses for leasing	(1,692)	(1,710)	18	(5,432)	(4,536)	(896)
Straight line rental revenue	(3,715)	(6,369)	2,654	(11,882)	(20,563)	8,681
Property capital	(7,151)	(8,038)	887	(10,648)	(11,799)	1,151
Direct leasing costs	(2,466)	(2,047)	(419)	(6,009)	(5,073)	(936)
Tenant improvements	(6,555)	(4,786)	(1,769)	(15,977)	(14,004)	(1,973)
Adjusted Funds from Operations	$ 147,594	$ 152,032	$ (4,438)	$ 430,540	$ 458,508	$ (27,968)
AFFO per unit - diluted[i]	$ 0.207	$ 0.217	$ (0.010)	$ 0.609	$ 0.669	$ (0.060)
AFFO payout ratio - diluted[i][ii]	89.9 %	85.2 %	4.7 %	91.0 %	83.0 %	8.0 %
Distribution declared per Unit	$ 0.185	$ 0.185	$ —	$ 0.555	$ 0.555	$ —
Weighted average Units outstanding - diluted	711,582,778	700,010,054	11,572,724	707,537,645	685,491,674	22,045,971

(i) AFFO payout ratio is calculated as cash distributions declared divided by AFFO.

13.5 Adjusted Cash Flow from Operations

The following table reconciles cash flows from operating activities to ACFO, as determined in accordance with GAAP, for the periods ended as indicated. Refer to Section 4.7, "Adjusted Cash Flow from Operations" and Section 13, "Non-GAAP Financial Measures", for further details about this non-GAAP measure.

For the periods ended September 30 ($ thousands)	Three Months 2020	2019	Change	Nine Months 2020	2019	Change
Cash flows from operating activities	**$ 79,837**	$ 129,409	$ (49,572)	**$ 389,273**	$ 373,096	$ 16,177
Add (deduct) impact of the following:						
Net interest expense and other financing charges in excess of interest paid(i)	**(49,057)**	(50,117)	1,060	**(188,137)**	(192,339)	4,202
Distributions on Exchangeable Units included in net interest expense and other financing charges	**72,143**	72,143	—	**216,430**	216,430	—
Interest and other income in excess of interest received(i)	**539**	1,237	(698)	**2,711**	4,328	(1,617)
Interest otherwise capitalized for development in equity accounted joint ventures	**961**	1,327	(366)	**4,107**	3,591	516
Allowance for expected credit losses on mortgage receivable	**—**	—	—	**(7,830)**	—	(7,830)
Portion of internal expenses for leasing relating to development activity	**846**	855	(9)	**2,716**	2,268	448
Property capital expenditures on a proportionate share basis	**(7,151)**	(8,038)	887	**(10,648)**	(11,799)	1,151
Leasing capital expenditures on a proportionate share basis	**(9,021)**	(6,833)	(2,188)	**(21,986)**	(19,077)	(2,909)
Acquisition transaction costs and other related expenses	**—**	1,954	(1,954)	**1,589**	8,363	(6,774)
Adjustments for proportionate share of income from equity accounted joint ventures(ii)	**7,246**	9,958	(2,712)	**22,543**	26,979	(4,436)
Adjustment for changes in non-cash working capital items not indicative of sustainable operating cash flows(iii)	**63,028**	(1,879)	64,907	**39,670**	49,174	(9,504)
Adjusted Cash Flow from Operations	**$ 159,371**	$ 150,016	$ 9,355	**$ 450,438**	$ 461,014	$ (10,576)
Cash distributions declared	**132,628**	129,470	3,158	**391,746**	380,787	10,959
Cash retained after distributions(iv)	**$ 26,743**	$ 20,546	$ 6,197	**$ 58,692**	$ 80,227	$ (21,535)
ACFO payout ratio(iv)	**83.2 %**	86.3 %	(3.1)%	**87.0 %**	82.6 %	4.4 %

(i) The timing of the recognition of interest expense and income differs from the payment and collection. The ACFO calculations for the periods ended September 30, 2020 and September 30, 2019 were adjusted for this factor to make the periods more comparable[2].

(ii) Excludes adjustment to fair value of investment properties for equity accounted joint ventures.

(iii) 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. 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.

(iv) Adjusted Cash Flow from Operations payout ratio is calculated as the cash distributions declared divided by the ACFO.

Based on the Real Property Association of Canada's *White Paper on Adjusted Cashflow from Operations (ACFO) for IFRS* issued in February 2019, Choice Properties adjusts ACFO for amounts included in the net change in non-cash working capital, a component of cash flows from operating activities, to eliminate fluctuations that are not indicative of sustainable cash available for distribution. The resulting remaining impacts on ACFO from changes in non-cash working capital are calculated below:

For the periods ended September 30 ($ thousands)	Three Months 2020	2019	Change	Nine Months 2020	2019	Change
Net change in non-cash working capital(i)	**$ (53,622)**	$ (4,198)	$ (49,424)	**$ (27,236)**	$ (54,601)	$ 27,365
Adjustment for changes in non-cash working capital items not indicative of sustainable operating cash flows	**63,028**	(1,879)	64,907	**39,670**	49,174	(9,504)
Net non-cash working capital increase included in ACFO	**$ 9,406**	$ (6,077)	$ 15,483	**$ 12,434**	$ (5,427)	$ 17,861

(i) As calculated under GAAP and disclosed in the Trust's unaudited interim period condensed consolidated financial statements.

13.6 Distribution Excess / Shortfall Analysis

The tables below summarize the excess or shortfall of certain GAAP and non-GAAP measures over cash distributions declared:

	Three Months			Nine Months		
For the periods ended September 30 ($ thousands)	**2020**	2019	Change	**2020**	2019	Change
Cash flows from operating activities	**$ 79,837**	$ 129,409	$ (49,572)	**$ 389,273**	$ 373,096	$ 16,177
Less: Cash distributions declared	**(132,628)**	(129,470)	(3,158)	**(391,746)**	(380,787)	(10,959)
Excess (shortfall) of cash flows provided by operating activities over cash distributions declared	**$ (52,791)**	$ (61)	$ (52,730)	**$ (2,473)**	$ (7,691)	$ 5,218

	Three Months			Nine Months		
For the periods ended September 30 ($ thousands)	**2020**	2019	Change	**2020**	2019	Change
Net income (loss)	**$ 97,186**	$ (210,796)	$ 307,982	**$ 334,115**	$ (874,618)	$ 1,208,733
Add: Distributions on Exchangeable Units included in net interest expense and other financing charges	**72,143**	72,143	—	**216,430**	216,430	—
Net income (loss) attributable to Unitholders excluding distributions on Exchangeable Units	**169,329**	(138,653)	307,982	**550,545**	(658,188)	1,208,733
Less: Cash distributions declared	**(132,628)**	(129,470)	(3,158)	**(391,746)**	(380,787)	(10,959)
Excess (shortfall) of net income (loss) attributable to Unitholders, less distributions on Exchangeable Units, over cash distributions declared	**$ 36,701**	$ (268,123)	$ 304,824	**$ 158,799**	$(1,038,975)	$ 1,197,774

	Three Months			Nine Months		
For the periods ended September 30 ($ thousands)	**2020**	2019	Change	**2020**	2019	Change
Adjusted Cash Flow from Operations[1]	**$ 159,371**	$ 150,016	$ 16,953	**$ 450,438**	$ 461,014	$ (10,576)
Less: Cash distributions declared	**(132,628)**	(129,470)	(3,158)	**(391,746)**	(380,787)	(10,959)
Excess of ACFO after distributions	**$ 26,743**	$ 20,546	$ 6,197	**$ 58,692**	$ 80,227	$ (21,535)

Choice Properties' cash flows provided by operating activities was less than its cash distributions declared for the three and nine months ended September 30, 2020. Management believes there will be sufficient cash flows such that there will not be an economic return of capital in the 2020 fiscal year[2].

Management anticipates that distributions declared will, in the foreseeable future, continue to vary from net income as this GAAP measure includes adjustments to fair value and other non-cash items[2].

13.7 Net Interest Expense and Other Financing Charges Reconciliation

The following tables reconcile net interest expense and other financing charges on a proportionate share basis to net interest expense and other financing charges as determined in accordance with GAAP for the three and nine months ended September 30, 2020 and 2019:

For the three months ended September 30 ($ thousands)	2020 Proportionate Share Basis(1)	2020 Consolidation and eliminations(i)	2020 GAAP Basis	2019 Proportionate Share Basis(1)	2019 Consolidation and eliminations(i)	2019 GAAP Basis
Interest on senior unsecured debentures	$ 47,825	$ —	$ 47,825	$ 47,861	$ —	$ 47,861
Interest on mortgages	14,479	(2,006)	12,473	16,515	(3,421)	13,094
Interest on credit facility and term loans	1,084	—	1,084	5,470	—	5,470
Subtotal (for use in Debt Service Coverage(1) calculation)	63,388	(2,006)	61,382	69,846	(3,421)	66,425
Distributions on Exchangeable Units(ii)	72,143	—	72,143	72,143	—	72,143
Subtotal (for use in EBITDAFV(1) calculation)	135,531	(2,006)	133,525	141,989	(3,421)	138,568
Interest on right of use asset	49	—	49	69	—	69
Effective interest rate amortization of debt discounts and premiums	123	(42)	81	(883)	(43)	(926)
Effective interest rate amortization of debt placement costs	1,117	(33)	1,084	4,199	(41)	4,158
Capitalized interest	(1,412)	151	(1,261)	(2,129)	1,182	(947)
Net interest expense and other financing charges	$ 135,408	$ (1,930)	$ 133,478	$ 143,245	$ (2,323)	$ 140,922

For the nine months ended September 30 ($ thousands)	2020 Proportionate Share Basis(1)	2020 Consolidation and eliminations(i)	2020 GAAP Basis	2019 Proportionate Share Basis(1)	2019 Consolidation and eliminations(i)	2019 GAAP Basis
Interest on senior unsecured debentures	$ 148,915	$ —	$ 148,915	$ 134,661	$ —	$ 134,661
Interest on mortgages	43,340	(6,390)	36,950	47,586	(7,978)	39,608
Interest on credit facility and term loans	6,079	—	6,079	26,096	—	26,096
Subtotal (for use in Debt Service Coverage(1) calculation)	198,334	(6,390)	191,944	208,343	(7,978)	200,365
Distributions on Exchangeable Units(ii)	216,430	—	216,430	216,430	—	216,430
Subtotal (for use in EBITDAFV(1) calculation)	414,764	(6,390)	408,374	424,773	(7,978)	416,795
Interest on right of use asset	175	—	175	212	—	212
Effective interest rate amortization of debt discounts and premiums	(1,774)	(126)	(1,900)	(2,671)	(126)	(2,797)
Effective interest rate amortization of debt placement costs	3,653	(99)	3,554	7,422	(84)	7,338
Capitalized interest	(3,103)	499	(2,604)	(4,780)	1,182	(3,598)
Net interest expense and other financing charges	$ 413,715	$ (6,116)	$ 407,599	$ 424,956	$ (7,006)	$ 417,950

(i) Reconciling items adjust Choice Properties' proportionate share of joint ventures to reflect the equity method of accounting under GAAP.

13.8 Earnings Before Interest, Taxes, Depreciation, Amortization and Fair Value

The following table reconciles net income, as determined in accordance with GAAP, to EBITDAFV for the periods ended as indicated. Refer to Section 13, "Non-GAAP Financial Measures", for further details about this non-GAAP measure.

	Three Months			Nine Months		
For the periods ended September 30 ($ thousands)	2020	2019	Change	2020	2019	Change
Net income (loss)	$ 97,186	$ (210,796)	$ 307,982	$ 334,115	$ (874,618)	$ 1,208,733
Add (deduct) impact of the following:						
Acquisition transaction costs and other related expenses	–	1,954	(1,954)	1,589	8,363	(6,774)
Adjustment to fair value of unit-based compensation	(353)	1,661	(2,014)	(863)	8,853	(9,716)
Adjustment to fair value of Exchangeable Units	15,599	296,371	(280,772)	(440,656)	1,138,689	(1,579,345)
Adjustment to fair value of investment properties	(29,159)	4,723	(33,882)	323,619	12,042	311,577
Adjustment to fair value of investment property held in equity accounted joint ventures	10,854	7,510	3,344	37,149	(2,683)	39,832
Interest expense(i)	135,531	141,989	(6,458)	414,764	424,773	(10,009)
Amortization of other assets	264	91	173	319	100	219
Amortization of intangible assets	250	–	250	750	–	750
Income taxes	–	(1,621)	1,621	–	(720)	720
Earnings Before Interest, Taxes, Depreciation, Amortization and Fair Value (EBITDAFV)	$ 230,172	$ 241,882	$ (11,710)	$ 670,786	$ 714,799	$ (44,013)

(i) As calculated in Section 13.7, "Net Interest Expense and Other Financing Charges Reconciliation".

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Financial Statements

Financial Results

Choice Properties Real Estate Investment Trust
Condensed Consolidated Balance Sheets

(in thousands of Canadian dollars) (unaudited)	Note		**As at September 30, 2020**		As at December 31, 2019
Assets					
Investment properties	4	**$**	**14,080,000**	$	14,373,000
Equity accounted joint ventures	5		**563,754**		606,089
Mortgages, loans and notes receivable	8		**178,566**		332,286
Intangible assets	9		**29,250**		30,000
Accounts receivable and other assets	10		**186,225**		95,030
Assets held for sale	3,4		**298,550**		97,800
Cash and cash equivalents			**28,301**		41,990
Total Assets		**$**	**15,364,646**	$	15,576,195
Liabilities and Equity					
Long term debt	11	**$**	**6,487,335**	$	6,413,452
Credit facility	12		**53,306**		127,233
Exchangeable Units	13		**4,983,712**		5,424,368
Trade payables and other liabilities	15		**375,516**		513,124
Total Liabilities			**11,899,869**		12,478,177
Equity					
Unitholders' equity			**3,456,976**		3,090,217
Non-controlling interests	7		**7,801**		7,801
Total Equity			**3,464,777**		3,098,018
Total Liabilities and Equity		**$**	**15,364,646**	$	15,576,195

Contingent Liabilities and Financial Guarantees (Note 27)
See accompanying notes to the unaudited interim period condensed consolidated financial statements

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

(in thousands of Canadian dollars) (unaudited)	Note	Three Months September 30, 2020	Three Months September 30, 2019	Nine Months September 30, 2020	Nine Months September 30, 2019
Net Operating Income					
Rental revenue	17	**$ 308,956**	$ 323,306	**$ 948,752**	$ 970,568
Property operating costs	18	**(84,234)**	(87,422)	**(287,556)**	(274,260)
		224,722	235,884	**661,196**	696,308
Other Income and Expenses					
Interest income	19	**3,806**	3,551	**10,869**	11,095
Fee income	20	**918**	958	**3,280**	3,026
Net interest expense and other financing charges	21	**(133,478)**	(140,922)	**(407,599)**	(417,950)
General and administrative expenses	22	**(8,837)**	(9,627)	**(27,940)**	(29,532)
Allowance for expected credit losses on mortgage receivable	8	**—**	—	**(7,830)**	—
Share of income (loss) from equity accounted joint ventures	5	**(3,608)**	2,448	**(14,606)**	29,662
Amortization of intangible assets	9	**(250)**	—	**(750)**	—
Foreign exchange gain reclassified from other comprehensive income		**—**	—	**1,184**	—
Acquisition transaction costs and other related expenses		**—**	(1,954)	**(1,589)**	(8,363)
Adjustment to fair value of unit-based compensation	16	**353**	(1,661)	**863**	(8,853)
Adjustment to fair value of Exchangeable Units	13	**(15,599)**	(296,371)	**440,656**	(1,138,689)
Adjustment to fair value of investment properties	4	**29,159**	(4,723)	**(323,619)**	(12,042)
Income (Loss) before income taxes		**97,186**	(212,417)	**334,115**	(875,338)
Income taxes	14	**—**	1,621	**—**	720
Net Income (Loss)		**$ 97,186**	$ (210,796)	**$ 334,115**	$ (874,618)
Net Income (Loss)		**$ 97,186**	$ (210,796)	**$ 334,115**	$ (874,618)
Other Comprehensive Income (Loss)					
Foreign exchange gain (loss) on currency translation		**—**	785	**1,016**	(3,014)
Foreign exchange gain on currency translation reclassified to earnings		**—**	—	**(1,184)**	—
Unrealized gain (loss) on designated hedging instruments	23	**574**	808	**(5,231)**	(3,837)
Other comprehensive income (loss)		**574**	1,593	**(5,399)**	(6,851)
Comprehensive Income (Loss)		**$ 97,760**	$ (209,203)	**$ 328,716**	$ (881,469)

See accompanying notes to the unaudited interim period condensed consolidated financial statements

Choice Properties Real Estate Investment Trust
Condensed Consolidated Statements of Changes in Equity

For the nine months ended September 30, 2020 (in thousands of Canadian dollars) (unaudited)		Attributable to Choice Properties' Unitholders						
	Note	**Trust Units**	**Cumulative net income**	**Accumulated other comprehensive loss**	**Cumulative distributions to Unitholders**	**Total Unitholders' equity**	**Non-controlling interests**	**Total equity**
Equity, December 31, 2019		$ 3,409,836	$ 361,049	$ (1,264)	$ (679,404)	$ 3,090,217	$ 7,801	$ 3,098,018
Net income		—	334,115	—	—	334,115	—	334,115
Other comprehensive loss		—	—	(5,399)	—	(5,399)	—	(5,399)
Distributions		—	—	—	(175,316)	(175,316)	—	(175,316)
Units issued, net of costs	13	208,935	—	—	—	208,935	—	208,935
Issuance of Units under unit-based compensation arrangements	13	4,841	—	—	—	4,841	—	4,841
Reclassification of vested Unit-Settled Restricted Units liability to equity	13	1,929	—	—	—	1,929	—	1,929
Repurchase of Units for unit-based compensation arrangements	13	(2,346)	—	—	—	(2,346)	—	(2,346)
Equity, September 30, 2020		**$ 3,623,195**	**$ 695,164**	**$ (6,663)**	**$ (854,720)**	**$ 3,456,976**	**$ 7,801**	**$ 3,464,777**

For the nine months ended September 30, 2019 (in thousands of Canadian dollars) (unaudited)		Attributable to Choice Properties' Unitholders						
	Note	Trust Units	Cumulative net income	Accumulated other comprehensive income	Cumulative distributions to Unitholders	Total Unitholders' equity	Non-controlling interests	Total equity
Equity, December 31, 2018		$ 2,978,343	$ 942,406	$ 7,369	$ (435,933)	$ 3,492,185	$ 7,801	$ 3,499,986
Net loss		—	(874,618)	—	—	(874,618)	—	(874,618)
Other comprehensive loss		—	—	(6,851)	—	(6,851)	—	(6,851)
Distributions		—	—	—	(164,357)	(164,357)	—	(164,357)
Units issued, net of costs	13	380,758	—	—	—	380,758	—	380,758
Issuance of Units under unit-based compensation arrangements	13	28,299	—	—	—	28,299	—	28,299
Reclassification of vested Unit-Settled Restricted Units liability to equity	13	1,661	—	—	—	1,661	—	1,661
Repurchase of Units for unit-based compensation arrangements	13	(2,097)	—	—	—	(2,097)	—	(2,097)
Equity, September 30, 2019		$ 3,386,964	$ 67,788	$ 518	$ (600,290)	$ 2,854,980	$ 7,801	$ 2,862,781

See accompanying notes to the unaudited interim period condensed consolidated financial statements

Choice Properties Real Estate Investment Trust
Condensed Consolidated Statements of Cash Flows

(in thousands of Canadian dollars) (unaudited)	Note	Three Months September 30, 2020	Three Months September 30, 2019	Nine Months September 30, 2020	Nine Months September 30, 2019
Operating Activities					
Net income (loss)		**$ 97,186**	$ (210,796)	**$ 334,115**	$ (874,618)
Straight line rental revenue	4	**(3,177)**	(5,960)	**(10,729)**	(19,713)
Net interest expense and other financing charges	21	**133,478**	140,922	**407,599**	417,950
Interest paid		**(84,421)**	(90,805)	**(219,462)**	(225,611)
Interest income	19	**(3,806)**	(3,551)	**(10,869)**	(11,095)
Interest income received		**3,267**	2,314	**8,158**	6,767
Unit-based compensation expense	16	**634**	2,837	**2,732**	12,948
Allowance for expected credit losses on mortgage receivable	8	**—**	—	**7,830**	—
Share of income (loss) from equity accounted joint ventures	5	**3,608**	(2,448)	**14,606**	(29,662)
Amortization of intangible assets	9	**250**	—	**750**	—
Foreign exchange gain reclassified from other comprehensive income		**—**	—	**(1,184)**	—
Adjustment to fair value of Exchangeable Units	13	**15,599**	296,371	**(440,656)**	1,138,689
Adjustment to fair value of investment properties	4	**(29,159)**	4,723	**323,619**	12,042
Net change in non-cash working capital	25	**(53,622)**	(4,198)	**(27,236)**	(54,601)
Cash Flows from Operating Activities		**79,837**	129,409	**389,273**	373,096
Investing Activities					
Acquisitions of investment properties	3	**(5,472)**	(23,462)	**(43,856)**	(79,523)
Additions to investment properties	4	**(26,344)**	(24,857)	**(65,668)**	(86,595)
Contributions to equity accounted joint ventures	5	**(10,043)**	(6,606)	**(26,157)**	(77,175)
Distributions from equity accounted joint ventures	5	**5,846**	11,063	**17,437**	47,431
Mortgages, loans and notes receivable advances	8	**(6,537)**	(73,559)	**(61,185)**	(117,286)
Mortgages, loans and notes receivable repayments	8	**4,772**	2,749	**159,287**	54,788
Proceeds from dispositions	3	**22,613**	427,793	**132,305**	443,622
Cash Flows from (used in) Investing Activities		**(15,165)**	313,121	**112,163**	185,262
Financing Activities					
Proceeds from issuance of debentures, net	11	**—**	(424)	**994,681**	746,078
Repayments of debentures	11	**—**	—	**(900,000)**	(300,000)
Net advances (repayments) of mortgages payable	11	**(18,100)**	413	**3,203**	(92,153)
Net advances on construction loans	11	**—**	207	**351**	3,179
Net advances (repayments) of credit facility and term loans	12	**5,000**	(365,000)	**(75,000)**	(958,000)
Issuance of units	13	**—**	—	**—**	395,056
Trust Unit issuance costs	13	**—**	—	**—**	(14,298)
Cash received on exercise of options		**—**	7,824	**1,799**	22,537
Cash paid on vesting of restricted and performance units		**—**	—	**(2,798)**	(1,738)
Repurchase of Units for unit-based compensation arrangement	13	**—**	—	**(2,346)**	(2,097)
Distributions paid on Exchangeable Units		**(72,143)**	(252)	**(360,717)**	(170,513)
Distributions paid on Trust Units		**(59,467)**	(57,031)	**(174,298)**	(162,176)
Cash Flows from (used in) Financing Activities		**(144,710)**	(414,263)	**(515,125)**	(534,125)
Change in cash and cash equivalents		**(80,038)**	28,267	**(13,689)**	24,233
Cash and cash equivalents, beginning of period		**108,339**	26,679	**41,990**	30,713
Cash and Cash Equivalents, End of Period		**$ 28,301**	$ 54,946	**$ 28,301**	$ 54,946

Supplemental disclosure of non-cash operating, investing and financing activities (Note 25)
See accompanying notes to the unaudited interim period condensed consolidated financial statements

Note 1. Nature and Description of the Trust

Choice Properties Real Estate Investment Trust ("Choice Properties" or the "Trust") is an unincorporated, open-ended mutual fund trust governed by the laws of the Province of Ontario and established pursuant to a declaration of trust amended and restated as of May 2, 2018, as may be amended from time to time (the "Declaration of Trust"). Choice Properties, Canada's preeminent diversified real estate investment trust, is the owner, manager and developer of a high-quality portfolio of commercial retail, industrial, office and residential properties across Canada. The principal, registered, and head office of Choice Properties is located at 22 St. Clair Avenue East, Suite 500, Toronto, Ontario, M4T 2S5. Choice Properties' trust units ("Trust Units" or "Units") are listed on the Toronto Stock Exchange ("TSX") and are traded under the symbol "CHP.UN".

Choice Properties commenced operations on July 5, 2013 when it issued Units and debt for cash pursuant to an initial public offering (the "IPO") and completed the acquisition of 425 properties from Loblaw Companies Limited and its subsidiaries ("Loblaw"). Pursuant to a reorganization transaction on November 1, 2018, Loblaw spun out its 61.6% effective interest in Choice Properties to George Weston Limited ("GWL"). As at September 30, 2020, GWL held a 61.5% direct effective interest in Choice Properties. Choice Properties' ultimate parent is Wittington Investments, Limited ("Wittington").

The active subsidiaries of the Trust included in Choice Properties' consolidated financial statements are Choice Properties Limited Partnership (the "Partnership"), Choice Properties GP Inc. (the "General Partner") and CPH Master Limited Partnership ("CPH Master LP").

Note 2. Significant Accounting Policies

The significant accounting policies and critical accounting estimates and judgments as disclosed in Choice Properties' 2019 audited annual consolidated financial statements have been applied consistently in the preparation of these unaudited interim period condensed consolidated financial statements. The unaudited interim period condensed consolidated financial statements are presented in Canadian dollars.

Statement of Compliance

The unaudited interim period condensed consolidated financial statements of Choice Properties are prepared in accordance with International Financial Reporting Standards ("IFRS" or "GAAP") and International Accounting Standard ("IAS") 34, "Interim Financial Reporting", as issued by the International Accounting Standards Board ("IASB"). These unaudited interim period condensed consolidated financial statements should be read in conjunction with the Trust's audited consolidated financial statements and accompanying notes for the year ended December 31, 2019.

These unaudited interim period condensed consolidated financial statements were authorized for issuance by Choice Properties' Board of Trustees ("Board") on November 4, 2020.

Impact of COVID-19

The outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in the federal and provincial governments enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses resulting in an economic slowdown. Global equity and capital markets have also experienced significant volatility and weakness. The governments have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions.

It is not possible to forecast with certainty the duration and full scope of the economic impact of COVID-19 and other consequential changes it will have on the Trust's business and operations, both in the short term and in the long term. In a long term scenario, certain aspects of the Trust's business and operations that could potentially be impacted include rental income, occupancy, tenant inducements, future demand for space, and market rents, which all ultimately impact the underlying valuation of investment property.

In the preparation of these unaudited interim period condensed consolidated financial statements, the Trust has incorporated the potential impact of COVID-19 into its estimates and assumptions that affect the carrying amounts of its assets and liabilities, and the reported amount of its results using the best available information as of September 30, 2020. Actual results could differ from those estimates. The estimates and assumptions that the Trust considers critical and/or could be impacted by COVID-19 include those underlying the valuation of investment properties, the carrying amount of its investment in equity accounted joint ventures, the estimate of any expected credit losses on its accounts receivable or loans and mortgages receivable and determining the values of financial instruments for disclosure purposes.

Note 3. Investment Property and Other Transactions

During the nine months ended September 30, 2020, Choice Properties completed the following acquisitions:

($ thousands)						Consideration			
Location	Date of Acquisition	Segment	Ownership Interest Acquired	Purchase Price	Purchase Price incl. Related Costs	Issuance of Trust Units	Mortgage Receivable Settlement	Cost-to-Complete Receivable	Cash
Consolidated investments									
Toronto, ON	Jun 10	Land	100%	$ 8,100	$ 8,190	$ —	$ —	$ —	$ 8,190
Acquisitions from Loblaw				8,100	8,190	—	—	—	8,190
Toronto, ON	Jul 31	Office	100%	128,500	130,754	128,500	—	—	2,254
Toronto, ON(i)	Jul 31	Office	60%	80,435	65,350	80,435	—	(16,404)	1,319
Acquisitions from Wittington (Note 28)				208,935	196,104	208,935	—	(16,404)	3,573
Coquitlam, BC	Feb 11	Retail	100%	21,150	21,840	—	—	—	21,840
Toronto, ON	Apr 9	Land	100%	8,000	8,354	—	—	—	8,354
Barrie, ON	Sep 23	Retail	100%	50,000	51,899	—	50,000	—	1,899
Acquisitions from third-parties				79,150	82,093	—	50,000	—	32,093
Total acquisitions				**$ 296,185**	**$ 286,387**	**$ 208,935**	**$ 50,000**	**$ (16,404)**	**$ 43,856**

(i) Represents the 60% additional ownership interest acquired from Wittington, increasing the Trust's ownership interest in this property to 100%. As a result, this property has been transferred from an equity accounted joint venture to a consolidated investment as of the acquisition date. Balance includes investment properties and working capital. Refer to Note 3 and Note 28 for additional details.

The following table summarizes the investment properties sold in the nine months ended September 30, 2020:

($ thousands except where otherwise indicated)					Consideration		
Location	Date of Disposition	Segment	Ownership Interest	Sale Price excl. Selling Costs	Cash	Lease Receivable from Equity Accounted Joint Venture	Debt Assumed by Purchaser
Assets held for sale							
Chicago, USA	Jan 24	Retail	100%	$ 97,800	$ 97,800	$ —	$ —
Dispositions of assets held for sale				**97,800**	**97,800**	**—**	**—**
Investment properties							
Edmonton, AB	Jan 29	Residential	50%	9,750	2,561	—	7,189
Creston, BC	Feb 3	Retail (parcel)	100%	375	375	—	—
Halifax, NS	Feb 13	Office	100%	26,700	8,956	—	17,744
Milton, ON	Sep 28	Industrial	100%	22,613	22,613	—	—
Dispositions of investment properties				**59,438**	**34,505**	**—**	**24,933**
Equity Accounted Joint Ventures							
Ottawa, ON	Jul 1	Land	100%(i)	19,468	—	19,468	—
Disposition to equity accounted joint venture				**19,468**	**—**	**19,468**	**—**
Total dispositions				**$ 176,706**	**$ 132,305**	**$ 19,468**	**$ 24,933**

(i) On July 1, 2020, the Trust entered into a 99-year ground lease with an equity accounted joint venture in which the Trust has a 50% ownership interest. Under IFRS 16, "Leases", this arrangement is accounted for as a disposition by the Trust and the inception of a lease receivable between the Trust and the limited partnership (Note 10). The limited partnership has recognized an acquisition of investment property and a corresponding lease liability as part of this transaction (Note 5).

Note 4. Investment Properties

($ thousands)	Note	Income producing properties	Properties under development	Nine months ended September 30, 2020	Year ended December 31, 2019
Balance, beginning of period		$ 14,210,000	$ 163,000	$ 14,373,000	$ 14,501,000
Acquisitions - including purchase costs of $6,606 (2019 - $3,258)	3	204,494	81,893	286,387	109,526
Capital expenditures					
Development capital[i]		—	32,706	32,706	67,750
Building improvements		2,416	—	2,416	2,227
Capitalized interest[ii]	21	—	2,604	2,604	4,424
Operating capital expenditures					
Property capital		10,520	—	10,520	30,264
Direct leasing costs		5,468	—	5,468	7,331
Tenant improvement allowances		14,558	—	14,558	19,536
Amortization of straight-line rent		10,729	—	10,729	25,146
Transfer to assets held for sale		(298,550)	—	(298,550)	(97,800)
Transfer from equity accounted joint ventures		—	42,687	42,687	181,909
Transfers from properties under development		91,393	(91,393)	—	—
Dispositions	3	(59,438)	—	(59,438)	(467,908)
Disposition to equity accounted joint venture	3	(19,468)	—	(19,468)	—
Foreign currency translation		—	—	—	(5,971)
Adjustment to fair value of investment properties		(327,122)	3,503	(323,619)	(4,434)
Balance, end of period		$ 13,845,000	$ 235,000	$ 14,080,000	$ 14,373,000

(i) Development capital included $486 of site intensification payments paid to Loblaw (December 31, 2019 - $4,577) (Note 28).
(ii) Interest was capitalized to qualifying development projects based on a weighted average interest rate of 3.70% (December 31, 2019 - 3.70%).

Included in certain investment properties acquired from Loblaw is excess land with development potential. Choice Properties will compensate Loblaw, over time, with intensification payments determined by a site intensification payment grid as outlined in the Strategic Alliance Agreement (Note 28) should Choice Properties pursue activity resulting in the intensification of such excess land. The fair value of this excess land has been recorded in the consolidated financial statements.

On October 30, 2020, Choice Properties completed the disposition of a 50% non-managing interest in a retail property portfolio for an aggregate sale price of $151.1 million, excluding transaction costs, comprising of ten assets and 591,000 square feet to an institutional partner. The purchaser has the option to acquire three additional assets comprising 207,000 square feet for an aggregate sale price of $50.5 million. Additionally, the Trust entered into an agreement to dispose of two retail property portfolios comprising eight assets and 507,000 square feet for an aggregate sale price of $107.4 million. These portfolios are classified as assets held for sale as at September 30, 2020.

Valuation Methodology and Process

The investment properties (including those owned through equity accounted joint ventures) are measured at fair value using valuations prepared by the Trust's internal valuation team. The team reports directly to the Chief Financial Officer, with the valuation processes and results reviewed by Management at least once every quarter. The valuations exclude any portfolio premium or value for the management platform and reflect the highest and best use for each of the Trust's investment properties.

As part of Management's internal valuation program, the Trust considers external valuations performed by independent national real estate valuation firms for a cross-section of properties that represent different geographical locations and asset classes across the Trust's portfolio. On a quarterly basis, the valuation team reviews and updates, as deemed necessary, the valuation models to reflect current market data. Updates may be made to significant assumptions related to capitalization rates, terminal capitalization rates, discount rates and future cash flow assumptions such as market rents, as well as current leasing and/or development activity, renewal probability, downtime on lease expiry, vacancy allowances, and expected maintenance costs.

When an external valuation is obtained, the internal valuation team assesses all major inputs used by the independent valuators in preparing their valuation reports and holds discussions with the independent valuators on the reasonableness of their assumptions. The reports are then used by the internal valuation team for consideration in preparing the valuations as reported in these consolidated financial statements.

Income Producing Properties

Income producing properties are valued using the discounted cash flow method. Under the discounted cash flow method, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life, generally over a minimum term of 10 years, including a terminal value based on the application of a terminal capitalization rate applied to estimated net operating income, a non-GAAP measure, in the terminal year. This method involves the projection of future cash flows for the specific asset. To the future cash flows a market-derived discount rate is applied to establish the present value of the income stream associated with the asset. The terminal capitalization rate is separately determined and may differ from the discount rate.

The duration of the future cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews, new and renewed leasing and related re-leasing, redevelopment, or refurbishment. The appropriate duration is typically driven by market behaviour that is a characteristic of the related asset class. The future cash flows are typically estimated as gross income less vacancy, non-recoverable expenses, collection losses, lease incentives, maintenance costs, agent and commission costs and other operating and management expenses. The future cash flows, along with an estimate of the terminal value anticipated at the end of the projection period, are then discounted.

Properties Under Development

Properties under active development are generally valued with reference to market land values and costs invested to date. Where significant leasing and construction is in place and the future income stream is reasonably determinable, the development property is valued on a discounted cash flow basis which includes future cash outflow assumptions for future capital outlays, construction and development costs. Development risks such as planning, zoning, licenses, and building permits are considered in the valuation process. Properties not under active development, such as land parcels held for future development, are valued based on comparable sales of commercial land.

Impact of COVID-19

The Trust reviewed its future cash flow projections and the valuation of its properties in light of the COVID-19 pandemic during the nine months ended September 30, 2020. The Trust expects that COVID-19 will have the most notable impact on its non-grocery anchored retail portfolio. The carrying value for the Trust's investment properties reflects its best estimate for the highest and best use as at September 30, 2020.

It is not possible to forecast with certainty the duration and full scope of the economic impact of COVID-19 and other consequential changes it will have on the Trust's business and operations, both in the short term and in the long term. In a long term scenario, certain aspects of the Trust's business and operations that could potentially be impacted include rental income, occupancy, tenant inducements, future demand for space, and market rents, which all ultimately impact the underlying valuation of its investment properties.

Significant Valuation Assumptions

The following table highlights the significant assumptions used in determining the fair value of the Trust's income producing properties by asset class:

	As at September 30, 2020		As at December 31, 2019	
Total Investment Properties	**Range**	**Weighted average**	Range	Weighted average
Discount rate	**5.00% - 11.45%**	**6.87%**	5.00% - 11.45%	6.77%
Terminal capitalization rate	**4.25% - 10.95%**	**6.10%**	4.25% - 10.95%	6.11%
Overall capitalization rate	**4.00% - 10.70%**	**5.92%**	4.00% - 10.70%	5.84%
Retail				
Discount rate	**5.00% - 11.45%**	**7.00%**	5.00% - 11.45%	6.89%
Terminal capitalization rate	**4.50% - 10.95%**	**6.24%**	4.50% - 10.95%	6.24%
Overall capitalization rate	**4.00% - 10.70%**	**6.08%**	4.00% - 10.70%	5.97%
Industrial				
Discount rate	**5.25% - 9.00%**	**6.55%**	5.25% - 9.00%	6.51%
Terminal capitalization rate	**4.50% - 8.50%**	**5.77%**	4.75% - 8.50%	5.78%
Overall capitalization rate	**4.25% - 8.25%**	**5.52%**	4.25% - 8.25%	5.48%
Office				
Discount rate	**5.25% - 8.50%**	**6.21%**	5.00% - 8.25%	6.05%
Terminal capitalization rate	**4.25% - 7.75%**	**5.32%**	4.25% - 7.50%	5.29%
Overall capitalization rate	**4.00% - 7.50%**	**5.15%**	4.00% - 7.00%	5.13%

The significant assumptions and inputs used in the valuation techniques to estimate the fair value of investment properties are classified as Level 3 in the fair value hierarchy as certain inputs for the valuation are not based on observable market data points.

Independent Appraisals

Properties are typically independently appraised at the time of acquisition. In addition, Choice Properties has engaged independent nationally-recognized valuation firms to appraise its investment properties such that the majority of the portfolio will be independently appraised at least once over a four-year period. When an independent appraisal is obtained, the internal valuation team assesses all major inputs used by the independent valuators in preparing their reports and holds discussions with them on the reasonableness of their assumptions. The reports are then used by the internal valuation team for consideration in preparing the valuations as reported in these consolidated financial statements.

The properties independently appraised each year represent a subset of the property types and geographic distribution of the overall portfolio. A breakdown of the aggregate fair value of investment properties independently appraised each quarter, in accordance with the Trust's policy, is as follows:

	2020		2019	
($ thousands except where otherwise indicated)	**Number of investment properties**	**Fair value**	Number of investment properties	Fair value
March 31	**18**	**$ 765,000**	22	$ 785,000
June 30	**18**	**850,000**	26	800,000
September 30	**18**	**675,000**	18	645,000
December 31	**—**	**—**	19	800,000
Total	**54**	**$ 2,290,000**	85	$ 3,030,000

Fair Value Sensitivity

The following table summarizes fair value sensitivity for the portion of the Trust's investment properties which is most sensitive to changes in capitalization rates:

Capitalization rate sensitivity increase/(decrease) ($ thousands)	Weighted average overall capitalization rate	Fair value of investment properties	Fair value variance	% Change
(0.75)%	5.17%	$ 16,123,000	$ 2,043,000	15 %
(0.50)%	5.42%	15,379,000	1,299,000	9 %
(0.25)%	5.67%	14,701,000	621,000	4 %
—%	5.92%	14,080,000	—	— %
0.25%	6.17%	13,509,000	(571,000)	(4)%
0.50%	6.42%	12,983,000	(1,097,000)	(8)%
0.75%	6.67%	12,497,000	(1,583,000)	(11)%

Note 5. Equity Accounted Joint Ventures

Choice Properties accounts for its investments in joint ventures using the equity method. These investments hold primarily development properties and some income producing properties. The table below summarizes the Trust's investment in joint ventures.

	Note	**As at September 30, 2020**		As at December 31, 2019	
		Number of joint ventures	**Ownership interest**	Number of joint ventures	Ownership interest
Retail		**16**	**25% - 75%**	16	25% - 75%
Industrial		**2**	**50%**	2	50%
Residential		**4**	**47% - 50%**	3	47% - 50%
Mixed-use, with related party	28	**—**	**— %**	1	40%
Total equity accounted joint ventures		**22**		22	
Choice Properties' investment in equity accounted joint ventures ($ thousands)			**$ 563,754**		$ 606,089

	Three Months		**Nine Months**	
($ thousands)	**September 30, 2020**	September 30, 2019	**September 30, 2020**	September 30, 2019
Choice Properties' share of income (loss) and comprehensive income (loss) from equity accounted joint ventures	**$ (3,608)**	$ 2,448	**$ (14,606)**	$ 29,662

The following table reconciles the changes in cash flows from equity accounted joint ventures:

($ thousands)		Nine months ended September 30, 2020
Balance, beginning of period	$	606,089
Contributions to equity accounted joint ventures		26,157
Distributions from equity accounted joint ventures		(17,437)
Total cash flow activities		8,720
Transfers from equity accounted joint venture to consolidated investments(i)		(36,449)
Share of income (loss) from equity accounted joint ventures		(14,606)
Total non-cash activities		(51,055)
Balance, end of period	**$**	**563,754**

(i) Represents the Trust's ownership interest in an equity accounted joint venture that was transferred to a consolidated investment following the acquisition of the remaining 60% interest not already owned. Refer to Note 3 and Note 28 for additional details.

Note 6. Co-Ownership Property Interests

Choice Properties has the following co-owned property interests and includes its proportionate share of the related assets, liabilities, revenue and expenses of these properties in the unaudited interim period condensed consolidated financial statements.

	As at September 30, 2020		As at December 31, 2019	
	Number of co-owned properties	**Ownership interest**	Number of co-owned properties	Ownership interest
Retail	**28**	**50% - 75%**	28	50% - 75%
Industrial	**2**	**50% - 67%**	2	50% - 67%
Office	**6**	**50%**	6	50%
Residential	**5**	**50%**	6	50%
Land, held for development	**2**	**50%**	2	50%
Total co-ownership property interests	**43**		44	

Note 7. Subsidiaries

On November 7, 2014, Choice Properties acquired a 70% controlling interest in Choice Properties PRC Brampton Limited Partnership ("Brampton LP"), a subsidiary which holds land intended for future retail development in Brampton, Ontario. As a result, Choice Properties consolidated the results of this subsidiary and recognized a 30% non-controlling interest for the interests of PL Ventures Ltd., a subsidiary of PenEquity Realty Corporation ("PenEquity"). Operating activities have not begun at Brampton LP. In the nine months ended September 30, 2020 and September 30, 2019, Brampton LP did not distribute to the partners.

Note 8. Mortgages, Loans and Notes Receivable

($ thousands)	Note	As at September 30, 2020	As at December 31, 2019
Mortgages receivable[i]		$ 172,957	$ 185,350
Loans receivable[i]		5,609	5,649
Notes receivable from related party[i]	28	—	144,287
Allowance for expected credit losses on mortgage receivable		—	(3,000)
Mortgages, loans and notes receivable		**$ 178,566**	$ 332,286
Classified as:			
Non-current		**$ 100,253**	$ 99,523
Current		**78,313**	232,763
		$ 178,566	$ 332,286

(i) The fair value of the mortgages, loans and notes receivable includes $81,843 classified as fair value through profit and loss ("FVTPL") and $95,988 classified as amortized cost (December 31, 2019 - $85,809 and $246,300, respectively) (Note 23).

Mortgages and Loans Receivable

Mortgages and loans receivable represent amounts advanced under mezzanine loans, joint venture financing, vendor take-back financing and other arrangements. Choice Properties mitigates its risk by diversifying the number of entities and assets to which it loans funds. As at September 30, 2020, the Trust recorded an allowance for expected credit losses of $nil (December 31, 2019 - $3,000).

	September 30, 2020		December 31, 2019	
	Weighted average effective interest rate	**Weighted average term to maturity (years)**	Weighted average effective interest rate	Weighted average term to maturity (years)
Mortgages receivable	**7.24%**	**1.8**	7.52%	2.0
Loans receivable	**8.00%**	**4.3**	8.00%	1.1
Total	**7.26%**	**1.9**	7.54%	2.0

Notes Receivable from Related Party

Non-interest-bearing short-term notes totalling $144,287 were repaid by GWL in January 2020 (Note 28). No notes have been issued in 2020.

Schedules of Maturity and Cash Flow Activities

The schedule of repayment of mortgages, loans and notes receivable based on maturity and redemption rights is as follows:

($ thousands)	2020 Remainder	2021	2022	2023	2024	Thereafter	Total
Principal repayments							
Mortgages receivable	$ 47,234	$ 44,319	$ 54,198	$ —	$ 18,966	$ 6,228	**$ 170,945**
Loans receivable	—	—	—	—	5,609	—	**5,609**
Total principal repayments	**47,234**	**44,319**	**54,198**	**—**	**24,575**	**6,228**	**176,554**
Interest accrued	2,012	—	—	—	—	—	**2,012**
Total repayments	**$ 49,246**	**$ 44,319**	**$ 54,198**	**$ —**	**$ 24,575**	**$ 6,228**	**$ 178,566**

The following table reconciles the changes in cash flows from investing activities for mortgages, loans and notes receivable:

				Nine months ended September 30, 2020
($ thousands)	Mortgages receivable[(i)]	Loans receivable	Notes receivable from related party	Mortgages, loans and notes receivable
Balance, beginning of period	$ 182,350	$ 5,649	$ 144,287	**$ 332,286**
Advances	60,426	759	—	**61,185**
Repayments	(14,241)	(759)	(144,287)	**(159,287)**
Interest received	(6,179)	(405)	—	**(6,584)**
Total cash flow activities	40,006	(405)	(144,287)	**(104,686)**
Net write-off for expected credit losses on mortgage receivable	(7,830)	—	—	**(7,830)**
Settlement upon acquisition of investment property	(50,000)	—	—	**(50,000)**
Transferred to accounts receivable	(500)	—	—	**(500)**
Interest accrued	8,932	364	—	**9,296**
Total non-cash activities	(49,398)	364	—	**(49,034)**
Balance, end of period	**$ 172,958**	**$ 5,608**	**$ —**	**$ 178,566**

(i) Mortgages receivable is presented net of allowance for expected credit losses of $nil (December 31, 2019 - $3,000).

Choice Properties invests in mortgages and loans to facilitate acquisitions. Credit risks arise if the borrowers default on repayment of their mortgages and loans to the Trust. Choice Properties' receivables, including mezzanine financings, are typically subordinate to prior ranking mortgage charges and generally represent equity financing for the Trust's co-owners or development partners. Not all of the Trust's mezzanine financing activities will result in acquisitions. At the time of advancing financing, the Trust's co-owners or development partners would typically have some of the equity invested in the form of cash with the balance being financed by third-party lenders and Choice Properties.

In the event of a large commercial real estate market correction, the fair market value of an underlying property may be unable to support the investment. The Trust mitigates this risk by obtaining guarantees and registered mortgage charges, which are often cross-collateralized on several different commercial properties that are in various stages of development.

In the first quarter of 2020, the borrower on the Trust's $23,000 mortgage receivable for an asset in Barrie, Ontario, defaulted on its loan from the Trust. The loan was secured by a property that is adjacent to a grocery anchored shopping centre owned by the Trust. The loan was also cross-collateralized by two other properties where the Trust is a joint venture partner with the borrower. The Trust's security was subordinate to a senior lender who provided construction financing.

After default, the Trust repaid the borrower's obligation to the senior lender of $43,000 such that the Trust became the only secured creditor on the property. In the second quarter of 2020, the Trust applied to the court to have a receiver appointed, who launched a process to market and sell the property. The Trust submitted an unconditional bid to the receiver to acquire the property. In September 2020, the Trust's offer was accepted by the court and ownership of the property was transferred by court order to the Trust (Notes 3 and 4). Upon close of the acquisition, the allowance for expected credit losses associated with this mortgage receivable was written off.

The Trust has approximately $120 million of secured mortgages to other third-party borrowers. These loans are with borrowers who are strategic development partners of the Trust and have strong credit metrics.

Note 9. Intangible Assets

Choice Properties' intangible assets relate to the third-party revenue streams associated with property and asset management contracts for co-ownership property interests and joint ventures. The Trust has the continuing rights, based on the co-ownership agreements, to property and asset management fees from investment properties where it manages the interests of co-owners. As at September 30, 2020, the carrying value, net of accumulated amortization, was $29,250 (December 31, 2019 - $30,000).

Note 10. Accounts Receivable and Other Assets

($ thousands)	Note		As at September 30, 2020		As at December 31, 2019
Rent receivables[i] - net of expected credit loss of $17,891 (2019 - $5,159)		**$**	**33,101**	$	8,284
Accrued recovery income			**14,481**		24,485
Lease receivable	3		**19,702**		—
Other receivables			**20,735**		9,901
Cost-to-complete receivable	3, 28		**16,404**		—
Due from related parties[ii]	28		**1,019**		756
Restricted cash			**701**		679
Prepaid property taxes			**33,274**		10,905
Prepaid insurance			**1,400**		313
Other assets			**14,000**		7,921
Right-of-use assets - net of accumulated amortization of $1,085 (2019 - $988)			**4,247**		6,967
Financial real estate asset			**22,800**		22,800
Deferred tax asset	14		**410**		410
Deferred acquisition costs and deposits on land			**3,839**		1,427
Designated hedging derivatives	23		**112**		182
Accounts receivable and other assets		**$**	**186,225**	$	95,030
Classified as:					
Non-current		**$**	**58,540**	$	35,367
Current			**127,685**		59,663
		$	**186,225**	$	95,030

(i) Includes net rent receivable of $62 from Loblaw and $131 from Wittington (December 31, 2019 - $71 and $nil).
(ii) Other net receivables due from related parties includes $254 from GWL and $765 from Loblaw (December 31, 2019 - $756 and $nil).

Rent receivables
Rent receivables are recognized initially at fair value, subsequently at amortized cost and, where relevant, adjusted for the time value of money. The Trust assesses on a forward-looking basis the expected credit losses associated with its rent receivables. A recognition of a loss allowance is made for the lifetime expected credit losses on initial recognition of the receivable.

The duration and impact of the COVID-19 pandemic is unknown at this time, as is the efficacy of the government's interventions. As a result of COVID-19, the Trust has agreed to assist small businesses and independent tenants with rent deferrals and has received numerous letters from other tenants asking for rental concessions or stating that they are not going to pay rent during the pandemic.

In determining the expected credit losses the Trust takes into account the payment history and future expectations of likely default events (i.e. asking for rental concessions, applications for rental relief through government programs such as the Canada Emergency Commercial Rent Assistance ("CECRA") program, or stating they will not be making rental payments on the due date) based on actual or expected insolvency filings or company voluntary arrangements and likely deferrals of payments due, and potential abatements to be granted by the landlord under CECRA. These assessments are made on a tenant-by-tenant basis.

The Trust's assessment of expected credit losses is inherently subjective due to the forward-looking nature of the assessments. As a result, the value of the expected credit loss is subject to a degree of uncertainty and is made on the basis of assumptions which may not prove to be accurate with the unprecedented uncertainty caused by COVID-19.

Note 11. Long Term Debt

($ thousands)	As at September 30, 2020	As at December 31, 2019
Senior unsecured debentures	$ 5,254,575	$ 5,158,342
Mortgages payable	1,207,567	1,230,268
Construction loans	25,193	24,842
Long term debt	$ 6,487,335	$ 6,413,452
Classified as:		
Non-current	$ 6,186,665	$ 5,697,841
Current	300,670	715,611
	$ 6,487,335	$ 6,413,452

Senior Unsecured Debentures

($ thousands)

Series	Issuance / Assumption Date	Maturity Date	Effective Interest Rate	As at September 30, 2020	As at December 31, 2019
B	Jul. 5, 2013	Jul. 5, 2023	4.90%	$ 200,000	$ 200,000
C	Feb. 8, 2014	Feb. 8, 2021	3.50%	—	250,000
D	Feb. 8, 2014	Feb. 8, 2024	4.29%	200,000	200,000
E	Feb. 5, 2015	Sep. 14, 2020	2.30%	—	250,000
F	Nov. 24, 2015	Nov. 24, 2025	4.06%	200,000	200,000
G	Mar. 7, 2016	Mar. 7, 2023	3.20%	250,000	250,000
H	Mar. 7, 2016	Mar. 7, 2046	5.27%	100,000	100,000
I	Jan. 12, 2018	Mar. 21, 2022	3.01%	300,000	300,000
J	Jan. 12, 2018	Jan. 10, 2025	3.55%	350,000	350,000
K	Mar. 8, 2018	Sep. 9, 2024	3.56%	550,000	550,000
L	Mar. 8, 2018	Mar. 8, 2028	4.18%	750,000	750,000
M	Jun. 11, 2019	Jun. 11, 2029	3.53%	750,000	750,000
N	Mar. 3, 2020	Mar. 4, 2030	2.98%	400,000	—
O	Mar. 3, 2020	Mar. 4, 2050	3.83%	100,000	—
P	May 22, 2020	May 21, 2027	2.85%	500,000	—
8	Jul. 4, 2013	Apr. 20, 2020	3.20%	—	300,000
9	Jul. 4, 2013	Sep. 20, 2021	3.57%	200,000	200,000
10	Jul. 4, 2013	Sep. 20, 2022	3.84%	300,000	300,000
B-C	May 4, 2018	Jan. 15, 2021	3.06%	—	100,000
D-C	May 4, 2018	Jan. 18, 2023	3.30%	125,000	125,000
Total principal outstanding				5,275,000	5,175,000
Debt discounts and premiums - net of accumulated amortization of $15,776 (2019 - $14,857)				(2,268)	(1,349)
Debt placement costs - net of accumulated amortization of $11,601 (2019 - $9,130)				(18,157)	(15,309)
Senior unsecured debentures				$ 5,254,575	$ 5,158,342

As at September 30, 2020, the senior unsecured debentures had a weighted average effective interest rate of 3.61% and a weighted average term to maturity of 6.2 years (December 31, 2019 - 3.67% and 5.1 years, respectively). Senior unsecured debentures Series B through Series P were issued by the Trust, Series B-C and D-C were assumed by the Trust, and Series 8 through Series 10 were issued by the Partnership.

On January 20, 2020, Choice Properties redeemed the $300,000 series 8 senior unsecured debenture bearing interest at 3.60% due April 20, 2020.

On March 3, 2020, Choice Properties completed a $500,000 dual-tranche offering of senior unsecured debentures on a private placement basis. The first tranche was the $400,000 series N senior unsecured debenture bearing interest at 2.98% per annum maturing on March 4, 2030, while the second tranche was the $100,000 series O senior unsecured debenture bearing interest at 3.83% per annum maturing on March 4, 2050. The net proceeds of the issuances were used to repay existing indebtedness, including the early redemption in full on March 13, 2020, of the $250,000 series E senior unsecured debenture bearing interest at 2.30% due September 14, 2020.

On May 21, 2020, Choice Properties completed a $500,000 offering on a private placement basis of the series P senior unsecured debenture bearing interest at 2.85% per annum maturing on May 21, 2027. The net proceeds of the issuance were used to repay existing indebtedness, including the early redemptions in full on June 12, 2020, of the $100,000 series B-C senior unsecured debenture bearing interest at 3.06% due January 15, 2021 and the $250,000 series C senior unsecured debenture bearing interest at 3.50% due February 8, 2021, as well as to repay all or a portion of the balance drawn on the Trust's credit facility. The Trust incurred early repayment charges of $6.8 million upon redeeming the series B-C and series C debentures.

Mortgages Payable

($ thousands)		**As at September 30, 2020**		As at December 31, 2019
Mortgage principal	**$**	**1,209,227**	$	1,230,569
Net debt discounts and premiums - net of accumulated amortization of $5,442 (2019 - $4,461)		**(774)**		207
Debt placement costs - net of accumulated amortization of $139 (2019 - $129)		**(886)**		(508)
Mortgages payable	**$**	**1,207,567**	$	1,230,268

As at September 30, 2020, the mortgages had a weighted average effective interest rate of 3.84% and a weighted average term to maturity of 5.8 years (December 31, 2019 - 4.05% and 5.6 years, respectively).

Construction Loans

As at September 30, 2020, $25,193 was outstanding on the construction loans (December 31, 2019 - $24,842), with a weighted average effective interest rate of 2.58% and a weighted average term to maturity of 0.4 years (December 31, 2019 - 3.77% and 0.9 years, respectively).

For the purpose of financing the development of certain retail, industrial and residential properties, various investments in equity accounted joint ventures and co-ownerships have variable rate non-revolving construction facilities in which certain subsidiaries of the Trust guarantee its own share. These construction loans, which mature throughout 2020 to 2022, have a maximum amount available to be drawn at the Trust's ownership interest of $228,632, of which $198,056 relates to equity accounted joint ventures as at September 30, 2020 (December 31, 2019 - $225,477 and $194,902 respectively).

Schedules of Repayments and Cash Flow Activities

The schedule of principal repayment of long term debt, based on maturity, is as follows:

($ thousands)	**2020 remainder**	**2021**	**2022**	**2023**	**2024**	**Thereafter**	**Total**
Senior unsecured debentures	$ —	$ 200,000	$ 600,000	$ 575,000	$ 750,000	$ 3,150,000	**$ 5,275,000**
Mortgages payable	8,372	106,209	216,433	108,984	156,858	612,371	**1,209,227**
Construction loans	12,367	12,826	—	—	—	—	**25,193**
Total	**$ 20,739**	**$ 319,035**	**$ 816,433**	**$ 683,984**	**$ 906,858**	**$ 3,762,371**	**$ 6,509,420**

The following table reconciles the changes in cash flows from financing activities for long term debt:

($ thousands)	Senior unsecured debentures	Mortgages payable	Construction loans	Nine months ended September 30, 2020 Long term debt
Balance, beginning of period	$ 5,158,342	$ 1,230,268	$ 24,842	**$ 6,413,452**
Issuances	1,000,000	69,434	351	**1,069,785**
Repayments	(900,000)	(65,843)	—	**(965,843)**
Debt placement costs	(5,319)	(388)	—	**(5,707)**
Total cash flow activities	94,681	3,203	351	**98,235**
Assumed by purchaser	—	(24,933)	—	**(24,933)**
Amortization of debt discounts and premiums	(919)	(981)	—	**(1,900)**
Amortization of debt placement costs	2,471	10	—	**2,481**
Total non-cash activities	1,552	(25,904)	—	**(24,352)**
Balance, end of period	**$ 5,254,575**	**$ 1,207,567**	**$ 25,193**	**$ 6,487,335**

Note 12. Credit Facility

($ thousands)	As at September 30, 2020	As at December 31, 2019
Credit facility		
$1,500,000 syndicated	**$ 57,000**	$ 132,000
Debt placement costs - net of accumulated amortization of $6,788 (2019 - $5,715)	**(3,694)**	(4,767)
Credit facility	**$ 53,306**	$ 127,233
Classified as:		
Non-current	**$ 53,306**	$ 127,233
Current	**—**	—
	$ 53,306	$ 127,233

Choice Properties has a $1,500,000 senior unsecured committed revolving credit facility maturing May 4, 2023, provided by a syndicate of lenders. The credit facility bears interest at variable rates of either Prime plus 0.20% or Bankers' Acceptance rate plus 1.20%. The pricing is contingent on Choice Properties' credit ratings from either DBRS and S&P remaining at BBB (high). As at September 30, 2020, $57,000 was drawn under the syndicated facility.

The credit facility contains certain financial covenants. As at September 30, 2020, the Trust was in compliance with all its financial covenants for the credit facility.

Schedule of Cash Flow Activities

The following table reconciles the changes in cash flows from financing activities for the credit facility:

($ thousands)	Nine months ended September 30, 2020 Credit facility
Balance, beginning of period	**$ 127,233**
Net repayments of $1,500,000 syndicated credit facility	**(75,000)**
Amortization of debt placement costs - non-cash activities	**1,073**
Balance, end of period	**$ 53,306**

Note 13. Unitholders' Equity

Trust Units (authorized - unlimited)

Each Trust Unit ("Unit") represents a single vote at any meeting of Unitholders and entitles the Unitholder to receive a pro-rata share of all distributions. With certain restrictions, a Unitholder has the right to require Choice Properties to redeem its Units on demand. Upon receipt of a redemption notice by Choice Properties, all rights to and under the Units tendered for redemption shall be surrendered and the holder thereof shall be entitled to receive a price per unit as determined by a market formula and shall be paid in accordance with the conditions provided for in the Declaration of Trust.

Exchangeable Units (authorized - unlimited)

Exchangeable Units issued by the Partnership are economically equivalent to Units, receive distributions equal to the distributions paid on the Units and are exchangeable, at the holder's option, to Units. All Exchangeable Units are held by GWL.

The 70,881,226 Exchangeable Units issued on May 4, 2018 in connection with the acquisition of Canadian Real Estate Investment Trust contain voting and exchange restrictions which will expire based on the following schedule:

Voting and exchange rights restriction period expiration dates	Numbers of Exchangeable Units eligible for voting and transfer
July 5, 2027	22,988,505
July 5, 2028	22,988,505
July 5, 2029	24,904,216

Special Voting Units

Each Exchangeable Unit is accompanied by one Special Voting Unit which provides the holder thereof with a right to vote on matters respecting the Trust equal to the number of Units that may be obtained upon the exchange of the Exchangeable Units for which each Special Voting Unit is attached.

Units Outstanding

	Note	**As at September 30, 2020**		As at December 31, 2019	
($ thousands except where otherwise indicated)		**Units**	**Amount**	Units	Amount
Units, beginning of period		**310,292,869**	**$ 3,409,836**	278,202,559	$ 2,978,343
Units issued through equity financing, net of issuance costs		**—**	**—**	30,042,250	380,758
Units issued to related party as part of investment properties acquisition	28	**16,500,000**	**208,935**	—	—
Distribution in Units		**—**	**—**	1,569,400	21,721
Consolidation of Units		**—**	**—**	(1,569,400)	—
Units issued under unit-based compensation arrangements	16	**307,877**	**4,841**	2,203,950	29,055
Reclassification of vested Unit-Settled Restricted Units liability to equity		**—**	**1,929**	—	2,081
Units repurchased for unit-based compensation arrangements	16	**(159,083)**	**(2,346)**	(155,890)	(2,122)
Units, end of period		**326,941,663**	**$ 3,623,195**	310,292,869	$ 3,409,836
Exchangeable Units, beginning of period		**389,961,783**	**$ 5,424,368**	389,961,783	$ 4,492,359
Adjustment to fair value of Exchangeable Units		**—**	**(440,656)**	—	932,009
Exchangeable Units, end of period		**389,961,783**	**$ 4,983,712**	389,961,783	$ 5,424,368
Total Units and Exchangeable Units, end of period		**716,903,446**		700,254,652	

Normal Course Issuer Bid ("NCIB")

Choice Properties may from time to time purchase Units in accordance with the rules prescribed under applicable stock exchange or regulatory policies. On November 15, 2019, Choice Properties received approval from the TSX to purchase up to 25,856,839 Units during the twelve-month period from November 19, 2019 to November 18, 2020, by way of a NCIB over the facilities of the TSX or through alternative trading systems. Choice Properties intends to file a Notice of Intention to make a NCIB with the TSX upon the expiry of its current NCIB.

Units Issued under Unit-Based Compensation Arrangements

Units were issued as part of settlements under the Unit Option Plan and the Unit-Settled Restricted Unit Plan (Note 16).

Units Repurchased for Unit-Based Compensation Arrangement
The Trust acquired Units under its NCIB during the nine months ended September 30, 2020 and the year ended December 31, 2019, which were then granted to certain employees in connection with the Unit-Settled Restricted Unit Plan, and are subject to vesting conditions and disposition restrictions.

Distributions
Choice Properties' Board retains full discretion with respect to the timing and quantum of distributions, however the total income distributed will not be less than the amount necessary to ensure the Trust will not be liable to pay income taxes under Part I of the *Income Tax Act (Canada)* (Note 14). The taxable income allocated to the Trust and Exchangeable Unitholders may vary in certain taxation years. Over time, such differences, in aggregate, are expected to be minimal.

In the nine months ended September 30, 2020, Choice Properties declared cash distributions of $0.555 per unit (September 30, 2019 - $0.555), or $391,746 in aggregate, including distributions to holders of Exchangeable Units, which are reported as interest expense (September 30, 2019 - $380,787). Distributions declared to Unitholders of record at the close of business on the last business day of a month are paid on or about the 15th day of the following month.

The holders of Exchangeable Units may elect to defer receipt of all, or a portion of distributions declared by the Partnership until the first date following the end of the fiscal year. If the holder elects to defer, the Partnership will loan the holder the amount equal to the deferred distribution without interest, and the loan will be due and payable in full on the first business day following the end of the fiscal year the loan was advanced.

Distribution Reinvestment Plan ("DRIP")
Choice Properties instituted a DRIP that allows eligible Unitholders to elect to automatically reinvest their regular monthly cash distributions in additional Units and to receive a bonus distribution in Units equivalent to 3% of each distribution.

On April 25, 2018, the Board temporarily suspended the DRIP commencing with the distribution declared in May 2018. On February 12, 2020, the Board approved an amendment and reinstatement of the DRIP. The Board also approved the elimination of the 3% bonus distribution under the amended DRIP. Subsequent to the Board approval on February 12, 2020 and in response to market disruptions caused by the COVID-19 pandemic, the Trust made the decision to continue suspending the DRIP. The DRIP will remain suspended until further notice.

Base Shelf Prospectus
On March 4, 2020, Choice Properties filed a Short Form Base Shelf Prospectus allowing for the issuance of up to $2,000,000 of Units and debt securities, or any combination thereof over a 25-month period.

Note 14. Income Taxes

The Trust is taxed as a "mutual fund trust" and a REIT under the *Income Tax Act (Canada)*. The Trustees intend to distribute all of the Trust's taxable income to the Unitholders and accordingly, the Trust is not taxable on its Canadian investment property income. The Trust is subject to taxation on certain taxable entities in Canada and the United States.

Income taxes recognized in the consolidated statements of income (loss) and comprehensive income (loss) was as follows:

	Three Months		Nine Months	
($ thousands)	**September 30, 2020**	September 30, 2019	**September 30, 2020**	September 30, 2019
Current income taxes	**$ —**	$ 160	**$ —**	$ 431
Deferred income taxes	**—**	(1,781)	**—**	(1,151)
Income tax expense	**$ —**	$ (1,621)	**$ —**	$ (720)

A deferred income tax asset of $410 (Note 10) was recognized due to temporary differences between the carrying value and the tax basis of net assets held in the Trust's taxable subsidiaries (December 31, 2019 - $410).

Note 15. Trade Payables and Other Liabilities

($ thousands)	Note	**As at September 30, 2020**	As at December 31, 2019
Trade accounts payable		**$ 31,563**	$ 9,430
Accrued liabilities and provisions		**115,412**	83,010
Accrued acquisition transaction costs and other related expenses		**38,951**	38,999
Accrued capital expenditures(i)		**56,794**	60,807
Accrued interest expense		**34,009**	61,352
Due to related party(ii)	28	**25,052**	179,111
Unit-based compensation	16	**10,363**	11,408
Distributions payable(iii)		**20,344**	19,326
Right-of-use lease liabilities		**4,374**	7,138
Tenant deposits		**16,534**	16,882
Deferred revenue		**14,148**	22,850
Designated hedging derivatives	23	**7,972**	2,811
Trade payables and other liabilities		**$ 375,516**	$ 513,124
Classified as:			
Non-current		**$ 14,260**	$ 12,267
Current		**361,256**	500,857
		$ 375,516	$ 513,124

(i) Includes payable to Loblaw of $17,334 for construction allowances (2019 - $5,278).
(ii) Includes distributions accrued on Exchangeable Units of $24,048 payable to GWL (2019 - $168,334) and $206 payable for shared costs incurred by GWL, the Services Agreement expense and other related party charges (2019 - $3,676) (Note 28).
(iii) Includes distributions payable to GWL of $3,124 (December 31, 2019 - $3,124).

Note 16. Unit-Based Compensation

Choice Properties' unit-based compensation expense was:

	Three Months		**Nine Months**	
($ thousands)	**September 30, 2020**	September 30, 2019	**September 30, 2020**	September 30, 2019
Unit Option plan	**$ (242)**	$ 1,046	**$ (277)**	$ 6,233
Restricted Unit plans	**592**	1,319	**2,110**	4,114
Performance Unit plan	**90**	120	**322**	775
Trustee Deferred Unit plan	**194**	352	**577**	1,826
Unit-based compensation expense	**$ 634**	$ 2,837	**$ 2,732**	$ 12,948
Recorded in:				
General and administrative expenses	**$ 987**	$ 1,176	**$ 3,595**	$ 4,095
Adjustment to fair value of unit-based compensation	**(353)**	1,661	**(863)**	8,853
	$ 634	$ 2,837	**$ 2,732**	$ 12,948

As at September 30, 2020, the carrying value of the unit-based compensation liability was $10,363 (December 31, 2019 - $11,408) (Note 15).

Unit Option Plan

Choice Properties maintains a Unit Option plan for certain employees. Under this plan, Choice Properties may grant Unit Options totalling up to 19,744,697 Units, as approved at the annual and special meeting of Unitholders on April 29, 2015. The Unit Options vest in tranches over a period of four years. The following is a summary of Choice Properties' Unit Option plan activity:

	Nine months ended September 30, 2020			Year ended December 31, 2019		
	Number of awards		**Weighted average exercise price/unit**	Number of awards		Weighted average exercise price/unit
Outstanding Unit Options, beginning of period	**1,287,314**	**$**	**12.51**	3,764,107	$	11.66
Exercised	**(148,794)**	**$**	**12.09**	(2,048,060)	$	11.04
Cancelled	**(54,414)**	**$**	**13.15**	(417,439)	$	11.96
Expired	**(1,466)**	**$**	**13.93**	(11,294)	$	14.21
Outstanding Unit Options, end of period	**1,082,640**	**$**	**12.54**	1,287,314	$	12.51
Unit Options exercisable, end of period	**705,580**	**$**	**12.56**	561,779	$	12.27

Restricted Unit Plans

Choice Properties has a Restricted Unit Plan and a Unit-Settled Restricted Unit Plan as described below.

Restricted Unit Plan

Restricted Units ("RU") entitle certain employees to receive the value of the RU award in cash or Units at the end of the applicable vesting period, which is usually three years in length. The RU plan provides for the crediting of additional RUs in respect of distributions paid on Units for the period when a RU is outstanding. The fair value of each RU granted is measured based on the market value of a Trust Unit at the balance sheet date. No RUs had vested as at September 30, 2020 (December 31, 2019 - nil).

The following is a summary of Choice Properties' RU plan activity:

(Number of awards)	**Nine months ended September 30, 2020**	Year ended December 31, 2019
Outstanding Restricted Units, beginning of period	**484,544**	446,341
Granted	**69,227**	239,483
Reinvested	**18,799**	26,547
Exercised	**(160,851)**	(106,355)
Cancelled	**(11,242)**	(121,472)
Outstanding Restricted Units, end of period	**400,477**	484,544

Unit-Settled Restricted Unit Plan

Under the terms of the Unit-Settled Restricted Unit ("URU") plan, certain employees are granted URUs which are subject to vesting conditions and disposition restrictions. Typically, full vesting of the URUs will not occur until the employee has remained with Choice for three or five years from the date of grant. Depending on the nature of the grant, the URUs are subject to a six- or seven-year holding period during which the Units cannot be disposed. There were 763,609 URUs vested but still subject to disposition restrictions as at September 30, 2020 (December 31, 2019 - 1,147,753).

The following is a summary of Choice Properties' URU plan activity for units not yet vested:

(Number of awards)	**Nine months ended September 30, 2020**	Year ended December 31, 2019
Outstanding Unit-Settled Restricted Units, beginning of period	**624,419**	717,815
Granted	**159,083**	155,946
Cancelled	**—**	(40,796)
Vested	**(194,347)**	(208,546)
Outstanding Unit-Settled Restricted Units, end of period	**589,155**	624,419

Performance Unit Plan
Performance Units ("PU") entitle certain employees to receive the value of the PU award in cash or Units at the end of the applicable performance period, which is usually three years in length, based on the Trust achieving certain performance conditions. The PU plan provides for the crediting of additional PUs in respect of distributions paid on Units for the period when a PU is outstanding. The fair value of each PU granted is measured based on the market value of a Trust Unit at the balance sheet date. There were no PUs vested as at September 30, 2020 (December 31, 2019 - nil).

The following is a summary of Choice Properties' PU plan activity:

(Number of awards)	**Nine months ended September 30, 2020**	Year ended December 31, 2019
Outstanding Performance Units, beginning of period	**103,868**	104,449
Granted	**59,273**	50,686
Reinvested	**5,352**	5,867
Exercised	**(40,205)**	(58,282)
Cancelled	**(3,543)**	(21,471)
Added by performance factor	**9,061**	22,619
Outstanding Performance Units, end of period	**133,806**	103,868

Trustee Deferred Unit Plan
Non-management members of the Board are required to receive a portion of their annual retainer in the form of Deferred Units ("DU") and may also elect to receive up to 100% of their remaining fees in DUs. Distributions paid earn fractional DUs, which are treated as additional awards. The fair value of each DU granted is measured based on the market value of a Unit at the balance sheet date. All DUs vest when granted, however, they cannot be exercised while Trustees are members of the Board.

The following is a summary of Choice Properties' DU plan activity:

(Number of awards)	**Nine months ended September 30, 2020**	Year ended December 31, 2019
Outstanding Trustee Deferred Units, beginning of period	**277,139**	302,589
Granted	**58,385**	68,123
Reinvested	**12,531**	17,046
Cancelled	**—**	(185)
Exercised	**—**	(110,434)
Outstanding Trustee Deferred Units, end of period	**348,055**	277,139

Note 17. Rental Revenue

Rental revenue is comprised of the following:

	Three Months			**Nine Months**		
($ thousands)	**Related Parties(i)**	**Third-party**	**September 30, 2020**	**Related Parties(i)**	**Third-party**	**September 30, 2020**
Base rent	**$ 131,887**	**$ 87,165**	**$ 219,052**	**$ 394,118**	**$ 259,664**	**$ 653,782**
Property tax and insurance recoveries	**33,346**	**21,269**	**54,615**	**111,135**	**72,442**	**183,577**
Operating cost recoveries	**12,477**	**20,135**	**32,612**	**42,456**	**61,814**	**104,270**
Lease surrender and other revenue	**11**	**2,666**	**2,677**	**11**	**7,112**	**7,123**
Rental revenue	**$ 177,721**	**$ 131,235**	**$ 308,956**	**$ 547,720**	**$ 401,032**	**$ 948,752**

(i) Refer to Note 28, Related Party Transactions.

	Three Months			Nine Months		
($ thousands)	Related Parties(i)	Third-party	September 30, 2019	Related Parties(i)	Third-party	September 30, 2019
Base rent	$ 138,373	$ 86,119	$ 224,492	$ 415,357	$ 254,788	$ 670,145
Property tax and insurance recoveries	38,530	23,537	62,067	117,178	72,313	189,491
Operating cost recoveries	11,615	20,023	31,638	39,233	61,887	101,120
Lease surrender and other revenue	2,106	3,003	5,109	2,106	7,706	9,812
Rental revenue	$ 190,624	$ 132,682	$ 323,306	$ 573,874	$ 396,694	$ 970,568

(i) Refer to Note 28, Related Party Transactions.

Choice Properties enters into long-term lease contracts with tenants for space in its properties. Initial lease terms are generally between three and ten years for commercial units and longer terms for food stores and other anchors. Leases generally provide for the tenant to pay Choice Properties base rent, with provisions for contractual increases in base rent over the term of the lease, plus operating cost, property tax and insurance recoveries. Many of the leases with Loblaw are for stand-alone retail sites. Loblaw is directly responsible for the operating costs on such sites.

During the three and nine months ended September 30, 2020, the Trust and its tenants benefited from COVID-related realty tax relief measures provided by various municipalities. These measures are reflected through a reduction in property tax expense (Note 18) and a corresponding decline in property tax recoveries.

Note 18. Property Operating Costs

	Three Months		Nine Months	
($ thousands)	**September 30, 2020**	September 30, 2019	**September 30, 2020**	September 30, 2019
Property taxes and insurance	**$ 57,362**	$ 64,829	**$ 193,396**	$ 198,442
Recoverable operating costs	**22,470**	21,830	**73,656**	73,107
Non-recoverable operating costs	**4,402**	763	**20,504**	2,711
Property operating costs	**$ 84,234**	$ 87,422	**$ 287,556**	$ 274,260

Included in non-recoverable operating expenses are expected credit losses of $4,023 and $18,990 for the three and nine months ended September 30, 2020, respectively (2019 - $52 and $810, respectively). Refer to Note 10 for discussion on rents receivable and the related expected credit losses.

Note 19. Interest Income

		Three Months		Nine Months	
($ thousands)	Note	**September 30, 2020**	September 30, 2019	**September 30, 2020**	September 30, 2019
Interest income on mortgages and loans receivable	8	**$ 3,085**	$ 3,551	**$ 9,296**	$ 10,783
Income from financial real estate asset	10	**361**	—	**1,093**	—
Other interest income		**67**	—	**187**	312
Other income		**293**	—	**293**	—
Interest income		**$ 3,806**	$ 3,551	**$ 10,869**	$ 11,095

Note 20. Fee Income

		Three Months		Nine Months	
($ thousands)	Note	**September 30, 2020**	September 30, 2019	**September 30, 2020**	September 30, 2019
Fees charged to related party	28	**$ 210**	$ 107	**$ 637**	$ 677
Fees charged to third-parties		**708**	851	**2,643**	2,349
Fee income		**$ 918**	$ 958	**$ 3,280**	$ 3,026

Note 21. Net Interest Expense and Other Financing Charges

($ thousands)	Note	Three Months September 30, 2020	Three Months September 30, 2019	Nine Months September 30, 2020	Nine Months September 30, 2019
Interest on senior unsecured debentures		**$ 47,825**	$ 47,861	**$ 148,915**	$ 134,661
Interest on mortgages and construction loans		**12,473**	13,094	**36,950**	39,608
Interest on credit facility and term loans		**1,084**	5,470	**6,079**	26,096
Interest on right-of-use lease liabilities	15	**49**	69	**175**	212
Amortization of debt discounts and premiums	11	**81**	(926)	**(1,900)**	(2,797)
Amortization of debt placement costs	11, 12	**1,084**	4,158	**3,554**	7,338
Distributions on Exchangeable Units(i)	28	**72,143**	72,143	**216,430**	216,430
		134,739	141,869	**410,203**	421,548
Less: Capitalized interest(ii)	4	**(1,261)**	(947)	**(2,604)**	(3,598)
Net interest expense and other financing charges		**$ 133,478**	$ 140,922	**$ 407,599**	$ 417,950

(i) Represents interest on indebtedness due to related parties.
(ii) Interest was capitalized to qualifying development projects based on a weighted average interest rate of 3.70% (2019 - 3.70%).

Note 22. General and Administrative Expenses

($ thousands)	Note	Three Months September 30, 2020	Three Months September 30, 2019	Nine Months September 30, 2020	Nine Months September 30, 2019
Salaries, benefits and employee costs		**$ 11,235**	$ 10,978	**$ 35,411**	$ 33,136
Investor relations and other public entity costs		**577**	544	**1,795**	1,645
Professional fees		**1,471**	864	**3,309**	2,165
Information technology costs		**1,144**	652	**3,040**	2,373
Services Agreement expense charged by related party	28	**852**	804	**2,415**	2,297
Amortization of other assets		**264**	91	**319**	100
Office related costs		**572**	898	**2,081**	2,847
Other		**178**	647	**1,095**	1,502
Total general and administrative expenses		**16,293**	15,478	**49,465**	46,065
Less:					
Capitalized to investment properties		**(2,025)**	(971)	**(4,697)**	(2,322)
Allocated to recoverable operating expenses		**(5,431)**	(4,880)	**(16,828)**	(14,211)
General and administrative expenses		**$ 8,837**	$ 9,627	**$ 27,940**	$ 29,532

Note 23. Financial Instruments

The following table presents the fair value hierarchy of financial assets and liabilities, excluding those classified as amortized cost that are short term in nature.

		As at September 30, 2020				As at December 31, 2019			
($ thousands)	Note	**Level 1**	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
Assets									
Fair value through profit and loss:									
Mortgages, loans and notes receivable	8	$ —	$ —	$ 81,843	$ 81,843	$ —	$ —	$ 85,809	$ 85,809
Lease receivable	10	—	19,702	—	19,702	—	—	—	—
Financial real estate asset	10	—	—	22,800	22,800	—	—	22,800	22,800
Designated hedging derivatives	10	—	112	—	112	—	182	—	182
Amortized cost:									
Mortgages, loans and notes receivable - SPPI	8	—	—	95,988	95,988	—	—	246,300	246,300
Cash and cash equivalents		28,301	—	—	28,301	41,990	—	—	41,990
Liabilities									
Fair value through profit and loss:									
Exchangeable Units	13	4,983,712	—	—	4,983,712	5,424,368	—	—	5,424,368
Unit-based compensation	15	—	10,363	—	10,363	—	11,408	—	11,408
Designated hedging derivatives	15	—	7,972	—	7,972	—	2,811	—	2,811
Amortized cost:									
Long term debt	11	—	7,028,272	—	7,028,272	—	6,627,647	—	6,627,647
Credit facility	12	—	53,306	—	53,306	—	127,233	—	127,233

The carrying value of the Trust's assets and liabilities approximated fair value except for long term debt. The fair value of Choice Properties' senior unsecured debentures was calculated using market trading prices for similar instruments, whereas the fair values for the mortgages was calculated by discounting future cash flows using appropriate discount rates. There were no transfers between levels of the fair value hierarchy during the periods.

Designated Hedging Derivatives

Designated hedging derivatives consist of interest rate swaps to hedge the interest rate associated with an equivalent amount of variable rate mortgages. During the nine months ended September 30, 2020, an interest rate swap was settled upon maturity of the underlying variable rate mortgage. In addition, a variable rate mortgage was renewed and upfinanced which resulted in the associated interest rate swap being increased and designated at a higher notional amount.

The impact of the hedging instruments on the consolidated balance sheets was as follows:

($ thousands)	**Notional Amount**	**Net Asset (Liability)**	**Line Item in Balance Sheet**
As at September 30, 2020			
Interest rate swaps	$ 258,700	$ (7,860)	Other assets or Other liabilities
As at December 31, 2019			
Interest rate swaps	276,700	(2,629)	Other assets or Other liabilities

The unrealized gain and loss recorded in OCI for the three and nine months ended September 30, 2020, was a fair value gain of $574 and loss of $5,231, respectively (September 30, 2019 - a fair value gain of $808 and loss of $3,837, respectively).

Note 24. Capital Management

In order to maintain or adjust its capital structure, Choice Properties may issue new Units and debt, repay debt, or adjust the amount of distributions paid to Unitholders. For further discussion on how Choice Properties manages its capital structure, refer to Note 27, "Capital Management", of the 2019 audited annual consolidated financial statements.

Note 25. Change in Non-Cash Working Capital

($ thousands)	Note	Three Months September 30, 2020	Three Months September 30, 2019	Nine Months September 30, 2020	Nine Months September 30, 2019
Net change in accounts receivable and other assets	10	**$ (31,975)**	$ (4,361)	**$ (91,195)**	$ (70,213)
Add back (deduct):					
Additions to (disposition of) right of use assets		**(1,841)**	—	**(1,841)**	7,955
Additions to lease receivable	10	**19,468**	—	**19,468**	—
Transfer from mortgage receivable	3	**500**	—	**500**	—
Cost-to-complete receivable acquired	3, 5	**16,404**	—	**16,404**	—
Accounts receivable and other assets transferred from equity accounted joint venture	10	**765**	—	**765**	—
Change to designated hedging derivative assets	10	**(3)**	(11)	**(70)**	(902)
Net change in trade payables and other liabilities	15	**(73,938)**	49,033	**(137,608)**	45,665
Add back (deduct):					
Disposition of (additions to) lease liabilities		**1,921**	—	**1,921**	(7,955)
Net change in distributions payable	15	**(1,018)**	(247)	**(1,018)**	(2,181)
Net change in unit-based compensation liability	15	**(404)**	(258)	**1,045**	(3,439)
Net change to accrued interest expense		**22,989**	(47,580)	**173,218**	(20,883)
Trade payables and other liabilities transferred from equity accounted joint venture	3, 5	**(7,003)**	—	**(7,003)**	—
Change to designated hedging derivative liabilities	15	**577**	818	**(5,161)**	(2,935)
Impact of foreign exchange rate changes		**(64)**	—	**(81)**	—
Impact of currency translation		**—**	(1,592)	**3,420**	287
Change in non-cash working capital		**$ (53,622)**	$ (4,198)	**$ (27,236)**	$ (54,601)

Note 26. Segment Information

Choice Properties operates in three reportable segments: retail, industrial and office. The segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker, determined to be the CEO of the Trust. The CEO measures and evaluates the performance of the Trust based on net operating income, cash basis.

Net operating income, cash basis, is defined as property rental revenue less straight line rental revenue, lease surrender revenue, direct property operating expenses and realty taxes and excludes certain expenses such as interest expense and indirect operating expenses in order to provide results that reflect a property's operations before consideration of how it is financed or the costs of operating the entity in which it is held. The amounts are presented by property type below and included in these consolidated financial statements at the proportionate share. The remaining net income (loss) items and the balance sheet are reviewed on a consolidated basis by the CEO and therefore are not included in the segmented disclosure below.

The chart below presents net operating income for the three months ended September 30, 2020, in a manner consistent with internal reporting. The accounting policies of the segments presented here are the same as those described in Note 2 of the annual financial statements.

($ thousands)	Retail	Industrial	Office	Consolidation and eliminations[i]	Three months ended September 30, 2020
Rental revenue	$ 253,094	$ 43,341	$ 27,695	$ (15,174)	$ 308,956
Property operating costs	(69,127)	(10,493)	(9,990)	5,376	(84,234)
Net Operating Income, Accounting Basis	**183,967**	**32,848**	**17,705**	**(9,798)**	**224,722**
Less:					
Straight line rental revenue	(1,435)	(1,393)	(887)	538	(3,177)
Lease surrender revenue	(363)	(551)	—	—	(914)
Net Operating Income, Cash Basis	**182,169**	**30,904**	**16,818**	**(9,260)**	**220,631**
Add back: cash basis reconciling items					4,091
Net operating income, accounting basis					224,722
Interest income					3,806
Fee income					918
Net interest expense and other financing charges					(133,478)
General and administrative expenses					(8,837)
Share of income (loss) from equity accounted joint ventures					(3,608)
Amortization of intangible assets					(250)
Adjustment to fair value of unit-based compensation					353
Adjustment to fair value of Exchangeable Units					(15,599)
Adjustment to fair value of investment properties					29,159
Net Income (Loss)					**$ 97,186**

(i) Reconciling items adjust Choice Properties' proportionate share of joint ventures to reflect the equity method of accounting under IFRS.

The chart below presents net operating income for the three months ended September 30, 2019, in a manner consistent with internal reporting. The accounting policies of the segments presented here are the same as those described in Note 2 of the annual financial statements.

($ thousands)	Retail	Industrial	Office	Consolidation and eliminations[(i)]	Three months ended September 30, 2019
Rental revenue	$ 266,692	$ 46,856	$ 26,976	$ (17,218)	$ 323,306
Property operating costs	(71,348)	(11,619)	(9,769)	5,314	(87,422)
Net Operating Income, Accounting Basis	195,344	35,237	17,207	(11,904)	235,884
Less:					
Straight line rental revenue	(4,420)	(1,325)	(624)	409	(5,960)
Lease surrender revenue	(2,288)	(72)	(12)	—	(2,372)
Net Operating Income, Cash Basis	188,636	33,840	16,571	(11,495)	227,552
Add back: cash basis reconciling items					8,332
Net operating income, accounting basis					235,884
Interest income					3,551
Fee income					958
Net interest expense and other financing charges					(140,922)
General and administrative expenses					(9,627)
Share of income (loss) from equity accounted joint ventures					2,448
Acquisition transaction costs and other related expenses					(1,954)
Adjustment to fair value of unit-based compensation					(1,661)
Adjustment to fair value of Exchangeable Units					(296,371)
Adjustment to fair value of investment properties					(4,723)
Income before income taxes					(212,417)
Income taxes					1,621
Net Income (Loss)					$ (210,796)

(i) Reconciling items adjust Choice Properties' proportionate share of joint ventures to reflect the equity method of accounting under IFRS.

The chart below presents net operating income for the nine months ended September 30, 2020, in a manner consistent with internal reporting. The accounting policies of the segments presented here are the same as those described in Note 2 of the annual financial statements.

($ thousands)	Retail	Industrial	Office	Consolidation and eliminations(i)	Nine months ended September 30, 2020
Rental revenue	**$ 783,616**	**$ 130,915**	**$ 80,219**	**$ (45,998)**	**$ 948,752**
Property operating costs	**(238,923)**	**(34,486)**	**(30,577)**	**16,430**	**(287,556)**
Net Operating Income, Accounting Basis	**544,693**	**96,429**	**49,642**	**(29,568)**	**661,196**
Less:					
Straight line rental revenue	**(7,077)**	**(2,960)**	**(1,845)**	**1,153**	**(10,729)**
Lease surrender revenue	**(372)**	**(551)**	**(106)**	**—**	**(1,029)**
Net Operating Income, Cash Basis	**537,244**	**92,918**	**47,691**	**(28,415)**	**649,438**
Add back: cash basis reconciling items					11,758
Net operating income, accounting basis					661,196
Interest income					10,869
Fee income					3,280
Net interest expense and other financing charges					(407,599)
General and administrative expenses					(27,940)
Allowance for expected credit losses on mortgage receivable					(7,830)
Share of income (loss) from equity accounted joint ventures					(14,606)
Amortization of intangible assets					(750)
Foreign exchange gain reclassified from other comprehensive income					1,184
Acquisition transaction costs and other related expenses					(1,589)
Adjustment to fair value of unit-based compensation					863
Adjustment to fair value of Exchangeable Units					440,656
Adjustment to fair value of investment properties					(323,619)
Net Income (Loss)					**$ 334,115**

(i) Reconciling items adjust Choice Properties' proportionate share of joint ventures to reflect the equity method of accounting under IFRS.

The chart below presents net operating income for the nine months ended September 30, 2019, in a manner consistent with internal reporting. The accounting policies of the segments presented here are the same as those described in Note 2 of the annual financial statements.

($ thousands)	Retail	Industrial	Office	Consolidation and eliminations[i]	Nine months ended September 30, 2019
Rental revenue	$ 799,558	$ 140,435	$ 80,646	$ (50,071)	$ 970,568
Property operating costs	(224,484)	(36,584)	(30,265)	17,073	(274,260)
Net Operating Income, Accounting Basis	575,074	103,851	50,381	(32,998)	696,308
Less:					
Straight line rental revenue	(15,032)	(3,844)	(1,687)	850	(19,713)
Lease surrender revenue	(2,287)	(73)	(12)	—	(2,372)
Net Operating Income, Cash Basis	557,755	99,934	48,682	(32,148)	674,223
Add back: cash basis reconciling items					22,085
Net operating income, accounting basis					696,308
Interest income					11,095
Fee income					3,026
Net interest expense and other financing charges					(417,950)
General and administrative expenses					(29,532)
Share of income (loss) from equity accounted joint ventures					29,662
Acquisition transaction costs and other related expenses					(8,363)
Adjustment to fair value of unit-based compensation					(8,853)
Adjustment to fair value of Exchangeable Units					(1,138,689)
Adjustment to fair value of investment properties					(12,042)
Income before income taxes					(875,338)
Income taxes					720
Net Income (Loss)					$ (874,618)

(i) Reconciling items adjust Choice Properties' proportionate share of joint ventures to reflect the equity method of accounting under IFRS.

Note 27. Contingent Liabilities and Financial Guarantees

Choice Properties is involved in and potentially subject to various claims by third-parties arising from the normal course of conduct of its business including regulatory, property and environmental claims. In addition, Choice Properties is potentially subject to regular audits from federal and provincial tax authorities, and as a result of these audits may receive assessments and reassessments. Although such matters cannot be predicted with certainty, management currently considers Choice Properties' exposure to such claims and litigation, to the extent not covered by Choice Properties' insurance policies or otherwise provided for, not to be material to the consolidated financial statements, but they may have a material impact in future periods.

a. Legal Proceedings

Choice Properties is potentially the subject of various legal proceedings and claims that arise in the ordinary course of business. The outcome of all these proceedings and claims is uncertain. Based on information currently available, any proceedings and claims, individually and in the aggregate, are not expected to have a material impact on Choice Properties.

b. Guarantees

Choice Properties issues letters of credit to support guarantees related to its investment properties including maintenance and development obligations to municipal authorities. As at September 30, 2020, the aggregate gross potential liability related to these letters of credit totalled $34,156 including $1,543 posted by Loblaw with the Province of Ontario and City of Toronto on behalf of Choice Properties related to deferral of land transfer tax on properties acquired from Loblaw subsequent to the IPO (Note 28) (December 31, 2019 - $36,110 including $1,790 posted by Loblaw).

Choice Properties' credit facility and senior unsecured debentures are guaranteed by each of the General Partner, the Partnership and any other person that becomes a subsidiary of Choice Properties (with certain exceptions). In the case of default by the Trust, the indenture trustee will be entitled to seek redress from the guarantors for the guaranteed obligations in the same manner and upon the same terms that it may seek to enforce the obligations of the Trust. These guarantees are intended to eliminate structural subordination, which would otherwise arise as a consequence of Choice Properties' assets being primarily held in various subsidiaries of the Trust.

CPH Master LP guarantees certain debt assumed by purchasers in connection with past dispositions of properties made by Canadian Real Estate Investment Trust prior to being acquired by the Trust in May 2018. These guarantees will remain until the debt is modified, refinanced or extinguished. Credit risks arise in the event that the purchasers default on repayment of their debt. These credit risks are mitigated by the recourse which the Trust has under these guarantees, in which case the Trust would have a claim against the underlying property. The estimated amount of debt at September 30, 2020 subject to such guarantees, and therefore the maximum exposure to credit risk, was $35,929 with an estimated weighted average remaining term of 2.8 years (December 31, 2019 - $36,690 and 3.5 years, respectively).

c. Commitments

Choice Properties has entered into contracts for development and property capital projects and has other contractual obligations such as operating rents. The Trust is committed to future payments of approximately $407,000, of which $72,000 relates to equity accounted joint ventures as at September 30, 2020 (December 31, 2019 - $555,000 and $185,000, respectively).

d. Contingent Liabilities

The Trust held debt obligations in the amount of $193,223 in its equity accounted joint ventures as at September 30, 2020 (December 31, 2019 - $193,172). Generally, the Trust is only liable for its proportionate share of the obligations of the co-ownerships and equity accounted joint ventures in which it participates, except in limited circumstances. Credit risk arises in the event that the partners default on the payment of their proportionate share of such obligations. This credit risk is mitigated as the Trust generally has recourse under its co-ownership agreements and joint venture arrangements in the event of default of its partners, in which case the Trust's claim would be against both the underlying real estate investments and the partners that are in default. Management believes that the assets of its co-ownerships and joint ventures are sufficient for the purpose of satisfying any obligation of the Trust should the Trust's partner default.

Note 28. Related Party Transactions

Choice Properties' parent corporation is George Weston Limited ("GWL"), which as at September 30, 2020which held a 61.5% direct effective interest in the Trust through ownership of 50,661,415 Units and all of the Exchangeable Units, which are economically equivalent to and exchangeable to Units. GWL is also the parent company of Loblaw, with ownership of 52.2% of Loblaw's outstanding common shares as at September 30, 2020. In addition, Mr. W. Galen Weston, the controlling shareholder of GWL, beneficially owned, directly and indirectly through entities he controls (other than GWL) 16,734,738 Units, representing approximately 2.3% of the outstanding Units as at September 30, 2020.

In the normal course of operations, Choice Properties enters into various transactions on market terms with related parties.

Transactions and Agreements with GWL

Acquisitions
In the year ended December 31, 2019, Choice Properties acquired an industrial property from GWL for a purchase price of $13,250, excluding transaction costs. The acquisition was settled with cash.

Services Agreement
GWL provides Choice Properties with corporate, administrative and other support services for an annualized cost of $3,095 (2019 - $3,095).

Operating Lease
Effective January 1, 2018, Choice Properties entered into a sub-lease for additional office space with Weston Foods, a subsidiary of GWL, with a term effective until the end of the existing lease in 2024. Over the term of the sub-lease, lease payments will total $1,282. On July 31, 2020, the Trust acquired the office building in which it was sub-leasing the office space from Weston Foods.

Distributions on Exchangeable Units and Notes Receivable
GWL holds all of the Exchangeable Units issued by Choice Properties Limited Partnership, a subsidiary of Choice Properties. During the three and nine months ended September 30, 2020, distributions declared on the Exchangeable Units totaled $72,143 and $216,430 (September 30, 2019 - $72,143 and $216,430) of which $24,048 were payable to GWL (December 31, 2019 - $168,334).

Trust Unit Distributions
In the three and nine months ended September 30, 2020, Choice Properties declared cash distributions of $9,372 and $28,117 on the Units held by GWL (September 30, 2019 - $9,372 and $27,179). There were no non-cash distributions paid by the issuance of additional Trust Units during the three and nine months ended September 30, 2020 (September 30, 2019 - $Nil). As at September 30, 2020, $3,124 of Trust Unit distributions declared were payable to GWL (December 31, 2019 - $3,124).

Transaction Summary as Reflected in the Consolidated Financial Statements
Transactions with GWL recorded in the consolidated statements of income (loss) and comprehensive income (loss) were comprised as follows:

		Three Months		Nine Months	
($ thousands)	Note	**September 30, 2020**	September 30, 2019	**September 30, 2020**	September 30, 2019
Rental revenue	17	**$ 1,356**	$ 661	**$ 3,353**	$ 2,048
Services Agreement expense	22	**(852)**	(804)	**(2,415)**	(2,297)
Interest expense and other financing charges	21	**(72,143)**	(72,143)	**(216,430)**	(216,430)

The balances due from (to) GWL and subsidiaries were as follows:

($ thousands)	Note	As at September 30, 2020	As at December 31, 2019
Notes receivable	8	$ —	$ 144,287
Other receivables	10	254	756
Exchangeable Units	13	(4,983,712)	(5,424,368)
Accrued liabilities	15	(206)	(3,676)
Distributions payable on Exchangeable Units	15	(24,048)	(168,334)
Distributions payable	15	(3,124)	(3,124)
Due to GWL and subsidiaries		**$ (5,010,836)**	$ (5,454,459)

Transactions and Agreements with Loblaw

Acquisitions
On June 10, 2020, Choice Properties acquired a development property from Loblaw for a purchase price of $8,100, excluding transaction costs. The acquisition was settled with cash.

In the year ended December 31, 2019, Choice Properties acquired two investment properties and one financial real estate asset from Loblaw with an aggregate purchase price of $59,118, excluding transaction costs. The acquisitions were settled with cash.

Dispositions
On September 30, 2019, Choice Properties completed the disposition of a portfolio of 30 income producing properties which had Loblaw leases for an aggregate sale price of $426,318, excluding transaction costs. Immediately prior to the closing date, Loblaw and Choice Properties agreed to amend certain applicable leases such that each lease had a remaining term of at least 12 years and Choice Properties' right to collect future capital recoveries by the purchaser would be waived.

In the year ended December 31, 2019, Choice Properties completed two dispositions of retail properties which had Loblaw leases, for an aggregate sale price of $9,975, excluding transaction costs.

Strategic Alliance Agreement
The Strategic Alliance Agreement creates a series of rights and obligations between Choice Properties and Loblaw intended to establish a preferential and mutually beneficial business and operating relationship. The Strategic Alliance Agreement expires on July 5, 2023. The Strategic Alliance Agreement provides Choice Properties with important rights that are expected to meaningfully contribute to the Trust's growth. Subject to certain exceptions, rights include:

- Choice Properties has the right of first offer to purchase any property in Canada that Loblaw seeks to sell;
- Loblaw is generally required to present shopping centre property acquisitions in Canada to Choice Properties to allow the Trust a right of first opportunity to acquire the property itself; and
- Choice Properties has the right to participate in future shopping centre developments involving Loblaw.

Included in certain investment properties acquired from Loblaw is excess land with development potential. In accordance with the Strategic Alliance Agreement, Choice Properties will compensate Loblaw, over time, with intensification payments, as Choice Properties pursues development, intensification or redevelopment of such excess land. The payments to Loblaw are calculated in accordance with a payment grid that takes into account the region, market ranking and type of use for the property.

Property Management Agreement
Choice Properties provides Loblaw with property management services for Loblaw's properties with third-party tenancies on a fee for service basis with automatic one-year renewals.

Lease Surrender Payments
In the year ended December 31, 2019, Loblaw made lease surrender payments of $3,156 to the Trust.

Reimbursed Contract Revenue
On certain properties sold to Choice Properties, the revenue received with respect to solar rooftop leases was incorrectly allocated to Choice Properties. During the year ended December 31, 2019, Choice Properties reimbursed Loblaw $7,100 for revenue received in prior periods, and Choice Properties and Loblaw acknowledged that all future revenue and liabilities relating to the solar rooftop leases and related rooftop repair costs belong to Loblaw.

Sublease Administration Agreement
On July 17, 2017, in connection with Loblaw's sale of substantially all of its gas bar operations, Choice Properties agreed to provide Loblaw with certain administrative services in respect of the subleases on a fee for service basis for an initial five-year term with automatic one-year renewals.

Site Intensification Payments
Included in certain investment properties acquired from Loblaw is excess land with development potential. Choice Properties will compensate Loblaw, over time, with intensification payments, as Choice Properties pursues development, intensification or redevelopment of such excess lands. The payments to Loblaw are calculated in accordance with a payment grid, set out in the Strategic Alliance Agreement, that takes into account the region, market ranking and type of use for the property.

Choice Properties compensated Loblaw with intensification payments of $486 in connection with completed gross leasable area for which tenants took possession during the nine months ended September 30, 2020 (December 31, 2019 - $4,577).

Letters of Credit
As at September 30, 2020, letters of credit totalling $1,543 were posted by Loblaw with the Province of Ontario and City of Toronto on behalf of Choice Properties related to deferral of land transfer tax on properties acquired from Loblaw (December 31, 2019 - $1,790) (Note 27).

Transaction Summary as Reflected in the Consolidated Financial Statements
Loblaw is also Choice Properties' largest tenant, representing approximately 57.3% of Choice Properties' rental revenue for the nine months ended September 30, 2020 (September 30, 2019 - 58.9%) and 56.3% of its gross leasable area as at September 30, 2019 (December 31, 2019 - 56.3%). Transactions with Loblaw recorded in the consolidated statements of income (loss) and comprehensive income (loss) were comprised as follows:

		Three Months		**Nine Months**	
($ thousands)	Note	**September 30, 2020**	September 30, 2019	**September 30, 2020**	September 30, 2019
Rental revenue	17	**$ 176,101**	$ 189,963	**$ 544,103**	$ 571,826
Fee income	20	**210**	107	**637**	677

The balances due from (to) Loblaw were as follows:

($ thousands)	Note	**As at September 30, 2020**	As at December 31, 2019
Rent receivable and other receivables	10	**$ 827**	$ 71
Accrued liabilities	15	**(525)**	—
Construction allowances payable	15	**(17,334)**	(5,278)
Reimbursed contract payable	15	**(273)**	(7,100)
Due to Loblaw		**$ (17,305)**	$ (12,307)

<u>Transactions and Agreements with Wittington</u>

Acquisitions
On July 31, 2020, Choice Properties acquired two real estate assets from Wittington Properties Limited, a subsidiary of Wittington, for an aggregate purchase price of $208,935, excluding transaction costs, which was satisfied in full by the issuance of 16,500,000 Units of Choice Properties. The transaction was measured at market terms and conditions. The assets acquired included: (i) an office property in Toronto, Ontario, for $128,500 and (ii) the remaining 60% interest of the joint venture for 500 Lake Shore Boulevard West in Toronto, Ontario, for $80,435, less a cost-to-complete receivable of $16,404, giving the Trust 100% ownership of the joint venture (Note 5).

Operating Lease
Choice Properties was a tenant in an acquired office asset in Toronto, Ontario, having entered into a ten-year lease with Wittington Properties Limited, in 2014 with lease payments totalling $2,664 over the term of the lease. As of the acquisition date, Choice Properties de-recognized its right-of-use assets and lease liabilities associated with the office lease and will cease paying rents to Wittington Properties Limited.

Joint Venture

On December 9, 2014, Choice Properties and its joint venture partner, Wittington Properties Limited, completed the acquisition of 500 Lake Shore Boulevard West in Toronto, Ontario, for $15,576 from Loblaw (Note 5). Choice Properties accounted for its investment in the joint venture as an equity accounted joint venture until July 31, 2020, when the Trust acquired the remaining 60% interest from Wittington Properties Limited, after which the 100% owned joint venture will be accounted for on a consolidated basis. Wittington Properties Limited will continue to act as development and construction manager for the commercial space at 500 Lake Shore Boulevard West until development is completed.

Choice Properties contributed $6,200 to the joint venture and received distributions of $nil during the nine months ended September 30, 2020 (December 31, 2019 - contributions $13,240 and distributions $nil). The joint venture earned interest income during the nine months ended September 30, 2020 of $2,102 (2019 - $82).

Summarized financial information for the Trust's share of the related party equity accounted joint venture is set out below:

($ thousands)	**As at September 30, 2020**	As at December 31, 2019
Current assets	**$ —**	$ 7,107
Non-current assets	**—**	117,500
Current liabilities	**—**	(17,565)
Net assets at 100%	**$ —**	$ 107,042
Investment in equity accounted joint venture at 40%	**$ —**	$ 42,817

	Three Months		**Nine Months**	
($ thousands)	**September 30, 2020**	September 30, 2019	**September 30, 2020**	September 30, 2019
Share of income and comprehensive income in equity accounted joint venture at 40%	**$ (11,094)**	$ (2)	**$ (13,305)**	$ 14

Transaction Summary as Reflected in the Consolidated Financial Statements

Transactions with Wittington recorded in the consolidated statements of income (loss) and comprehensive income (loss) were comprised as follows:

		Three Months		**Nine Months**	
($ thousands)	Note	**September 30, 2020**	September 30, 2019	**September 30, 2020**	September 30, 2019
Rental revenue	17	**$ 264**	$ —	**$ 264**	$ —

The balances due from Wittington and subsidiaries were as follows:

($ thousands)	Note	**As at September 30, 2020**	As at December 31, 2019
Rent receivable	10	**$ 131**	$ —
Cost-to-complete receivable	10	**16,404**	—
Distributions payable	15	**(1,018)**	—
Due from Wittington and subsidiaries		**$ 15,517**	$ —

Note 29. Subsequent Events

On October 13, 2020, Choice Properties completed the acquisition of an industrial portfolio for an aggregate purchase price of $85.9 million comprising of four assets. The portfolio is 100% leased to a national logistics company with long-term leases in place.

On October 30, 2020, Choice Properties completed the disposition of a 50% non-managing interest in a retail property portfolio for an aggregate sale price of $151.1 million, excluding transaction costs, comprising of ten assets and 591,000 square feet to an institutional partner. The purchaser has the option to acquire three additional assets comprising 207,000 square feet for an aggregate sale price of $50.5 million.

Additionally, the Trust entered into an agreement to dispose of two retail property portfolios comprising eight assets and 507,000 square feet for an aggregate sale price of $107.4 million.

Corporate Profile

Choice Properties, Canada's preeminent diversified real estate investment trust, is the owner, manager and developer of a high-quality portfolio comprising 725 properties totalling 66.1 million square feet of gross leasable area. Choice Properties owns a portfolio comprised of retail properties predominantly leased to necessity-based tenants; industrial, office and residential assets concentrated in attractive markets; and offers an impressive and substantial development pipeline. Choice Properties' strategic alliance with its principal tenant, Loblaw Companies Limited, the country's leading retailer, is a key competitive advantage providing long-term growth opportunities.

Conference Call and Webcast

Management will host a conference call on Thursday, November 5, 2020 at 10:00AM (ET) with a simultaneous audio webcast. To access via teleconference, please dial (647) 427-7450 or (888) 231-8191. A playback will be made available two hours after the event at (416) 849-0833 or (855) 859-2056, access code: 5442246. The link to the audio webcast will be available on www.choicereit.ca in the "Events and Webcast" section under "News and Events".

Head Office
Choice Properties Real Estate Investment Trust
22 St. Clair Avenue East, Suite 500
Toronto, Ontario M4T 2S5
Tel: 416-960-6990
Toll free:1-855-322-2122
Fax: 905-861-2326

Stock Exchange Listing and Symbol
The Trust's Units are listed on the Toronto Stock Exchange and trade under the symbol "CHP.UN"

Distribution Policy
Choice Properties' Board retains full discretion with respect to the timing and quantum of distributions. Declared distributions are paid to Unitholders of record at the close of business on the last business day of a month on or about the 15th day of the following month.

Independent Auditors
KPMG LLP
Chartered Professional Accountants
Toronto, Canada

Registrar and Transfer Agent
AST Trust Company (Canada)
P.O. Box 700, Station B
Montreal, QC, H3B 3K3
Tel: (416) 682-3860
Tel toll free: 1-800-387-0825 (Canada and US)
Fax: (514) 985-8843 (outside of Canada and US)
Fax toll free: 1 (888) 249-6189 (Canada and US)
E-Mail: inquiries@astfinancial.com
Website: www.astfinancial.com/ca-en

Investor Relations
Tel: 416-960-6990
Toll free: 1-855-322-2122
Email: investor@choicereit.ca
Website: www.choicereit.ca

Additional financial information has been filed electronically with various securities regulators in Canada through the System for Electronic Document Analysis and Retrieval (SEDAR), www.sedar.com. Choice Properties holds a conference call shortly following the release of its quarterly results. These calls are archived in the Investor Relations section of the Trust's website, www.choicereit.ca.

Ce rapport est disponible en français.

Head Office
22 St. Clair Avenue East, Suite 500
Toronto, Ontario M4T 2S5

Choice Properties REIT

West Block | Toronto ON