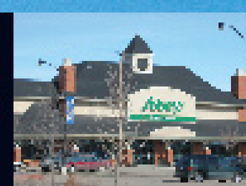
York Mills Gardens
York Mills Road & Leslie Street, Toronto

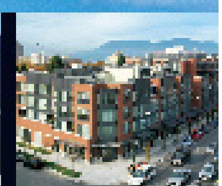
Le Campanile
Place du Commerce & boul. Île-des-Soeurs, Montréal

College Square
Baseline Road & Woodroffe Avenue, Ottawa

Northgate Centre
137th Avenue & 97th Street, Edmonton



McKenzie Towne Centre
McKenzie Towne Gate & High Street SE, Calgary



The Olive
Cambie Street & 16th Avenue, Vancouver

LOCATION
LOCATION
LOCATION

FIRST CAPITAL

Shopping For Everyday Life.

FIRST CAPITAL®

Shopping For Everyday Life®

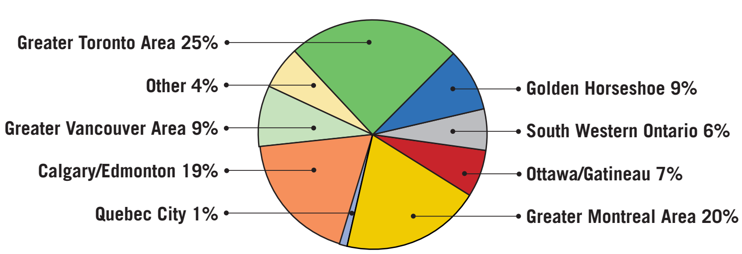
LOCATION LOCATION LOCATION First Capital Realty [TSX:FCR] is Canada's leading owner, developer and operator of supermarket-anchored neighbourhood and community shopping centres located predominantly in growing metropolitan areas. Our properties are where consumers shop for everyday life – the daily purchases that add up to hundreds of billions of dollars in North America every year. First Capital is also the second largest shareholder of Equity One (NYSE:EQY), one of the largest shopping centre REITs in the southern United States.

FINANCIAL HIGHLIGHTS

	At March 31	
('000s except per share amounts)	**2007**	2006
Equity market capitalization	**$ 2,087,569**	$ 1,830,657
Total enterprise value	**$ 4,236,010**	$ 3,481,520
Number of properties	**161**	137
Gross leasable area (square feet)	**18,884,000**	16,398,000
Debt to aggregate assets	**57.3%**	56.0%
Debt to market capitalization	**45.7%**	44.5%
Common shares outstanding	**76,216,457**	71,483,814
	Three months ended March 31	
	2007	2006
Property rental revenue	**$ 90,509**	$ 77,939
Net operating income	**$ 56,697**	$ 46,421
Funds from operations (FFO)	**$ 31,039**	$ 27,025
FFO – comparable basis	**$ 30,013**	$ 27,025
FFO per diluted share	**$ 0.40**	$ 0.37
FFO per diluted share – comparable basis	**$ 0.39**	$ 0.37
Weighted average diluted shares - FFO	**76,791,907**	72,168,535

REVENUE

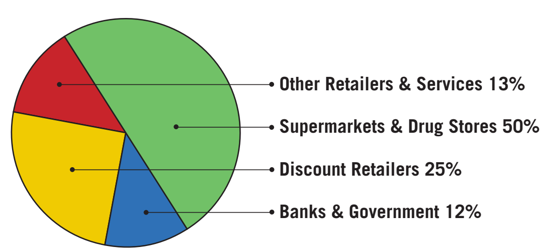
ALL TENANTS BY MAJOR URBAN AREAS



Over 90% of our annual minimum rents are from urban markets

REVENUE

TOP 30 TENANTS BY TYPE OF RETAIL



Our Top 30 tenants comprise over 58% of total annual minimun rents

TOP 30 TENANTS

1	SOBEYS	11	ROYAL BANK	21	LCBO
2	LOBLAWS	12	CIBC	22	SAQ
3	SHOPPERS DRUG MART	13	H.Y LOUIE GROUP	23	BLOCKBUSTER
4	METRO	14	SCOTIABANK	24	WINNERS
5	ZELLERS / HOME OUTFITTERS	15	STAPLES	25	TIM HORTONS
6	CANADIAN TIRE	16	SAVE-ON-FOODS	26	FUTURE SHOP
7	CANADA SAFEWAY	17	REITMANS	27	LINENS 'N THINGS
8	TD CANADA TRUST	18	ROGERS	28	PHARMA PLUS
9	WAL-MART	19	CARA OPERATIONS	29	BANK OF MONTREAL
10	RONA	20	DOLLARAMA	30	YUM! BRANDS

FIRST QUARTER OPERATING HIGHLIGHTS

- Invested $176 million in acquisitions, development activities and property improvements.
- Added 861,000 square feet of gross leasable area from acquisitions and development coming on line.
- Added two development sites comprising 38.6 acres.
- 4.8% same property NOI growth; 10.5% increase on renewal leases.
- Occupancy of 95.0% compares to 95.7% at December 31, 2006; acquisitions during the quarter at 89.5% occupancy; closures for redevelopment totalled 126,600 square feet.
- Net new leasing totalled 126,300 square feet including development coming on line and renewal leasing totalled 283,000 square feet.
- Average lease rate per occupied square foot increased by 2.6% to $14.05 at March 31, 2007 compared to the prior year first quarter.
- Completed new leasing on existing space totalling 105,000 square feet at an average rate of $17.81 per square foot representing a 52.4% increase versus lost leases in the quarter.

Report to Shareholders

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

The financial data has been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP") and all amounts are in Canadian dollars, unless otherwise noted.

INTRODUCTION

Management's Discussion and Analysis ("MD&A") of the financial condition and results of operations for First Capital Realty Inc. (the "Company") is intended to provide readers with an assessment of performance during the first quarter of this year and the prior year and summarizes the results of operations and financial condition for the three month period ended March 31, 2007. It should be read in conjunction with the 2007 First Quarter Unaudited Interim Consolidated Financial Statements and the Company's 2006 Financial Statements and MD&A contained in the Company's 2006 Annual Report. Additional information, including the Company's 2006 Annual Report and Annual Information Form are available on SEDAR's website at www.sedar.com and on the Company's website at www.firstcapitalrealty.ca.

First Capital Realty Inc. (TSX:FCR) is Canada's leading owner, developer and operator of supermarket-anchored neighbourhood and community shopping centres located predominantly in growing metropolitan areas. As of March 31, 2007, the Company owned interests in 161 properties, including seven under development, totalling approximately 18.9 million square feet of gross leasable area and nine land sites in the planning stage for future retail development. Over 84% of its properties are anchored by a supermarket and/or drug store, the two most popular destinations for everyday shopping.

The Company also owns 13.9 million shares (approximately 19.0%) of Equity One, Inc. ("Equity One"), a neighbourhood and community shopping centre REIT (real estate investment trust) operating primarily in the southern and northeastern United States. The assets of Equity One are similar to those of the Company and at March 31, 2007 comprised 176 properties totalling 17.9 million square feet. Including properties held through its investment in Equity One, at March 31, 2007 the Company had interests in 337 properties totalling approximately 36.8 million square feet of gross leasable area.

The Company's properties are summarized as follows:

March 31	**2007**			2006		
	Number of Properties(1)	**Gross Leasable Area (000s sq. ft.)**	**Percent Occupied**	Number of Properties	Gross Leasable Area (000s sq. ft.)	Percent Occupied
Ontario	**62**	**8,310**	**96.4%**	54	7,612	95.8%
Quebec	**54**	**5,194**	**94.4%**	47	4,388	93.3%
Alberta	**24**	**3,725**	**93.9%**	21	3,037	94.1%
British Columbia	**17**	**1,473**	**92.1%**	11	1,174	96.6%
Other Provinces	**4**	**182**	**88.8%**	4	187	88.2%
Total	**161**	**18,884**	**95.0%**	137	16,398	94.7%

(1) Includes seven properties currently under development.

Summary Consolidated Information and Highlights

(unaudited) *(thousands of dollars, except per share amounts)*	**March 31 2007**	March 31 2006
Operation Information		
Gross leasable area (square feet)	**18,884,000**	16,398,000
Number of properties (1)	**161**	137
Development land pipeline (acreage)	**294**	239
Portfolio occupancy	**95.0%**	94.7%
Rate per occupied square foot	**$ 14.05**	$ 13.70
Financial Information		
Gross shopping centre investments (2)	**$ 2,824,739**	$ 2,308,448
Land and shopping centres under development	**$ 210,293**	$ 123,290
Real estate investments, net book value	**$ 3,100,565**	$ 2,532,039
Total assets	**$ 3,211,714**	$ 2,633,046
Mortgages and credit facilities (3)	**$ 1,448,441**	$ 1,350,863
Senior unsecured debentures payable (3)	**$ 495,568**	$ 199,826
Convertible debentures payable (3)	**$ 186,097**	$ 97,036
Shareholders' equity	**$ 920,226**	$ 847,048
Capitalization and Leverage		
Shares outstanding	**76,216,457**	71,483,814
Enterprise value	**$ 4,236,010**	$ 3,481,520
Debt to market capitalization (4)	**45.7%**	44.5%
Debt to aggregate assets (4)	**57.3%**	56.0%

	Three months ended	
	March 31 2007	March 31 2006
Revenues	**$ 93,625**	$ 79,569
Net operating income – Canada (5)	**$ 56,697**	$ 46,421
Net income	**$ 7,875**	$ 6,696
Basic earnings per share	**$ 0.10**	$ 0.09
Diluted earnings per share	**$ 0.10**	$ 0.09
Equity One		
Dividends from Equity One (Cdn$)	**$ 4,816**	$ 4,674
Dividends from Equity One (US$)	**$ 4,171**	$ 4,002
Average exchange on dividends (US$ to Cdn$)	**1.15**	1.17
Dividends		
Total dividends	**$ 23,688**	$ 21,493
Per common share	**$ 0.31**	$ 0.30
Dividends reinvested by shareholders (6)	**$ 18,389**	$ 16,595

Report to Shareholders – continued

	Three months ended	
	March 31 2007	March 31 2006
Funds from Operations (7)		
Funds from operations	**$ 31,039**	$ 27,025
Per diluted share	**$ 0.40**	$ 0.37
Weighted average diluted shares – FFO	**76,791,907**	72,168,535

(1) Includes properties currently under development.

(2) Gross shopping centre investments is comprised of the gross book value of shopping centres, deferred costs and intangible assets less intangible liabilities.

(3) March 31, 2007 figures are presented net of unamortized financing costs. See Changes in Accounting Policies.

(4) Calculated in accordance with the indentures governing the issuance of senior unsecured debentures.

(5) Net operating income is a non-Generally Accepted Accounting Principles ("GAAP") measure of operating performance. See definition of Net Operating Income.

(6) 2007 includes $18.4 million of dividends payable at March 31, 2007 that were reinvested in April 2007 and 2006 includes $16.6 million of dividends payable at March 31, 2006 that were reinvested in April 2006.

(7) Funds from operations is a measure of operating performance that is not defined by GAAP. See Definition and Reconciliation of Funds From Operations.

BUSINESS AND OPERATIONS REVIEW

Investments in Real Estate

The Company's total investment in its acquisition, development and portfolio improvement activities during the first quarter is summarized as follows:

($ millions)	**2007**	2006
Gross real property investments, January 1	**$ 2,867**	$ 2,261
Acquisition of income-producing properties	**122**	115
Acquisition of additional interests in existing properties	**—**	10
Acquisition of additional space and land parcels adjacent to existing properties	**13**	32
Acquisition of land for development	**15**	—
Development activities and portfolio improvements	**26**	15
Disposition of shopping centre	**(7)**	—
Other	**(1)**	(2)
Gross real property investments, March 31	**$ 3,035**	$ 2,431
Gross shopping centre investments	**$ 2,825**	$ 2,308
Land and shopping centres under development	**210**	123
Gross real property investments, March 31	**$ 3,035**	$ 2,431

During the first quarter of 2007, the Company acquired interests in three income-producing shopping centres: one in Ontario, one in Quebec and one in Alberta totalling 699,000 square feet of gross leasable area. The aggregate acquisition amount of $121.5 million, including closing costs, was funded with cash and assumed mortgages of $5.8 million.

The Company acquired additional space adjacent to an existing property adding 55,000 square feet of gross leasable area. The aggregate acquisition amount of $13.1 million, including closing costs, was funded through $5.1 million in assumed debt with the balance paid in cash. The Company also invested $15.5 million in the acquisition of two land sites adding 38.6 acres of commercial land for future development.

During the three months ended March 31, 2007, the Company also disposed of a 126,000 square foot retail property in Ontario for cash proceeds of $6.4 million resulting in a gain of $0.3 million.

2007 Development Activities

In the first quarter of 2007, newly developed retail space came on line at the following shopping centres:

Property Name	City	Province	Square Feet	Major Tenants
Galeries Normandie	Montreal	Quebec	52,300	IGA Extra
Faubourg des Prairies	Montreal	Quebec	45,200	IGA
Clairfields Common	Guelph	Ontario	4,900	Shoeless Joe's
Other developments			5,000	
Total			107,400	

At Galeries Normandie in Montreal, Quebec, a 50,200 square foot IGA Extra was completed. At Faubourg des Prairies, in Montreal, Quebec, a 42,600 square foot IGA was completed. At Clairfields Common in Guelph, Ontario, a 4,900 square foot Shoeless Joe's was completed.

Development of 107,400 square feet (including two new supermarkets) was brought on line during the first quarter, leased at an average rate of $14.31 per square foot. These successfully completed development projects contribute value to the Company by providing a better return on invested capital and by increasing available retail space, improving the tenant mix or accommodating existing tenants' expansion or format changes.

The Company expects to realize similar value in its investments in development initiatives that are currently not generating income but which are expected to contribute significantly to the future growth of the Company.

At March 31, 2007, the Company owned 294 acres of land sites and parcels available for future development. This inventory provides the Company with opportunities for growth in its existing portfolio and new development in its target urban markets. The Company's development sites and properties as at March 31, 2007 are summarized as follows:

	Number of Sites/Properties	Acreage	Developable Square Feet
Properties under development	7	43	490,600
Square footage under development in existing properties	10	34	318,900
Land parcels adjacent to/part of existing properties	36	115	1,069,100
Land sites held for future development	12	179	1,747,000
Total	65	371	3,625,600

In addition to the acquisitions of income-producing properties and development assets, the Company invested $26 million during the first quarter in its active development projects and improvements to existing properties in the portfolio.

Leasing and Occupancy

Net new leases in the first quarter totalled 126,300 square feet including development coming on line. The Company achieved a 52.4% increase in rates on new leases versus lost leases in the quarter. Renewal leasing totalled 283,000 square feet in the quarter. The Company achieved a 10.5% increase on the renewal lease rates over the expiring rates.

The average rate per occupied square foot at March 31, 2007 increased to $14.05 including the impact of the 2007 acquisitions, which had an average lease rate of $13.20 per square foot. This compares to an average rate of $13.95 per square foot at December 31, 2006.

Portfolio occupancy at March 31, 2007 of 95.0% compares to 95.7% at December 31, 2006 and 94.7% at March 31, 2006. Properties acquired during the quarter were at 89.5% occupancy while closures for redevelopment totalled 126,600 square feet, providing potential for future income growth through leasing and redevelopment activities.

FINANCIAL REVIEW

Changes in Accounting Policies

Effective January 1, 2007, the Company adopted several new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA") including comprehensive income, financial instruments and hedges. The standards were applied on a retroactive basis without restatement of prior periods. The effect of adopting these standards is fully described in Note 2 of the Company's consolidated interim financial statements for the first quarter of 2007. The significant changes for the Company are summarized as follows:

- application of the effective interest method of amortization of debt issue costs which were previously amortized on a straight-line basis;
- recognition at fair value of both marketable securities and designated interest rate swaps; and
- presentation of debt net of issue costs.

A summary of the effect of the changes on the Company's balance sheet as at January 1, 2007 (the adoption date) is as follows:

(thousands of dollars)	Increase/(Decrease)
Assets	$ (16,177)
Liabilities	(17,042)
Shareholders' Equity	$ 865

The effect on the Company's statement of comprehensive income for the three months ended March 31, 2007 is summarized as follows:

(thousands of dollars)	Increase/(Decrease)
Net income	$ 687
Other comprehensive income (loss)	(1,273)
Comprehensive income (loss)	$ (586)

Management, in preparing this MD&A, has presented results for the three months ended March 31, 2007 using both the new accounting standards as well as the accounting standards that applied in 2006 where applicable. Where results for the three months ended March 31, 2007 are compared to the results for March 31, 2006 using GAAP that was applicable prior to January 1, 2007, these are referred to as "comparable basis".

Funds from Operations

In Management's view, funds from operations ("FFO") is a commonly accepted and meaningful indicator of financial performance in the real estate industry. First Capital Realty believes that financial analysts, investors and shareholders are better served when the clear presentation of comparable period operating results generated from FFO disclosure supplements Canadian generally accepted accounting principles ("GAAP") disclosure. The Company's method of calculating FFO may be different from methods used by other corporations or REITs and accordingly, may not be comparable to such other corporations or REITs. FFO is presented to assist investors in analyzing the Company's performance. FFO: (i) does not represent cash flow from operating activities as defined by GAAP, (ii) is not indicative of cash available to fund all liquidity requirements, including payment of dividends and capital for growth and (iii) should not be considered as an alternative to GAAP net income for the purpose of evaluating operating performance.

Funds from Operations – RealPac Recommendations

First Capital Realty calculates FFO in accordance with the recommendations of the Real Property Association of Canada ("RealPac"). The definition is meant to standardize the calculation and disclosure of FFO across real estate entities in Canada, and is modelled on the definition adopted by the National Association of Real Estate Investment Trusts ("NAREIT") in the United States.

The Company's funds from operations are calculated below:

	Three months ended	
(unaudited) *(thousands of dollars, except per share amounts)*	**March 31 2007**	March 31 2006
Net income for the period	**$ 7,875**	$ 6,696
Add (deduct):		
Amortization of shopping centres, deferred costs and intangible assets	**18,441**	14,256
Gain on disposition of income-producing shopping centre	**(333)**	—
Equity income from Equity One	**(4,426)**	(4,312)
Funds from operations from Equity One	**6,517**	6,930
Future income taxes	**2,965**	3,455
Funds from operations	**$ 31,039**	$ 27,025
Less: effect of changes in accounting policies	**(1,026)**	—
Funds from operations on a comparable basis	**$ 30,013**	$ 27,025
Weighted average diluted shares – FFO	**76,791,907**	72,168,535
FFO per diluted share	**$ 0.40**	$ 0.37
FFO per diluted share on a comparable basis	**$ 0.39**	$ 0.37

Funds from Operations

Funds from operations for the three months ended March 31, 2007 totalled $31.0 million, or $0.40 per diluted common share, compared to $27.0 million, or $0.37 per diluted common share in 2006. The Company adopted new accounting standards as described under the heading "Changes in Accounting Policies" above. On a comparable basis, FFO totalled $30.0 million or $0.39 per diluted share. The increase in FFO in the three month period is primarily due to the Company's income-producing property acquisitions and development projects coming on line in the first quarter of 2007 and to a lesser degree, unrealized gains on marketable securities, partially offset by increased interest and corporate expenses.

Net Operating Income

Net operating income ("NOI") is defined as property rental revenue less property operating costs. In Management's opinion, net operating income is useful in analyzing the operating performance of the Company's shopping centre portfolio. Net operating income is not a measure defined by GAAP and there is no standard definition of net operating income. Accordingly, net operating income may not be comparable with similar measures presented by other entities. Net operating income should not be construed as an alternative to net income or cash flow from operating activities determined in accordance with GAAP.

	Three months ended	
(unaudited) *(thousands of dollars)*	**March 31 2007**	March 31 2006
Same property	**$ 41,859**	$ 39,934
2006 Acquisitions	**7,032**	776
2007 Acquisitions	**214**	—
Development and redevelopment	**5,504**	4,295
Revenue recognized on a straight-line basis	**1,609**	1,023
Amortization of above- and below-market leases	**479**	393
Net operating income	**$ 56,697**	$ 46,421
Property rental revenue	**$ 90,509**	$ 77,939
Property operating costs	**33,812**	31,518
	$ 56,697	$ 46,421

Net operating income for the three months ended March 31, 2007 totalled $56.7 million, compared to $46.4 million in the first quarter of 2006, an increase of $10.3 million or 22.2%. Acquisitions during 2007, combined with the full impact of acquisitions in the prior year, contributed $7.2 million to net operating income in the quarter, while development and redevelopment activities contributed a further $5.5 million. Same property net operating income increased 4.8%, generating growth of $1.9 million in the first quarter 2007.

Interest and other income

Interest and other income for the three months ended March 31, 2007 totalled $3.1 million, compared to $1.6 million in the first quarter of 2006, an increase of $1.5 million. The increase results primarily from $1.0 million of unrealized gains on marketable securities held-for-trading, a $0.3 million gain on a shopping centre disposition and gains on interest rate swaps of $0.4 million.

Interest Expense

	Three months ended	
(unaudited) *(thousands of dollars)*	**March 31 2007**	March 31 2006
Mortgages		
Secured by properties	**$ 15,330**	$ 15,002
Credit facilities and loans		
Unsecured	**186**	—
Secured by properties	**384**	1,519
Secured by investment in Equity One	**2,637**	2,318
	18,537	18,839
Senior Unsecured Debentures		
Coupon interest	**6,100**	1,281
Amortization of discount	**10**	—
Convertible Debentures		
Coupon interest	**2,712**	1,356
Amortization of discount	**128**	46
Total interest expense on a comparable basis	**27,487**	21,522
Amortization of deferred financing and deferred issued costs	**898**	—
Effect of applying the effective interest method	**18**	—
Total interest expense	**$ 28,403**	$ 21,522

The increase in interest expense from mortgages and credit facilities is primarily due to higher average balances of mortgages and credit facilities as a result of the Company's acquisition and development activities. The increase in interest expense from Senior Unsecured Debentures is due to the following debt issuances:

Series	Date of Issue	Par Value	Coupon Rate
B	March 30, 2006	$100 million	5.25%
C	August 1, 2006	$100 million	5.49%
D	September 18, 2006	$100 million	5.34%
E	January 31, 2007	$100 million	5.36%

The increase in convertible debenture interest expense is due to the interest on the $100 million of par value 5.50% convertible unsecured subordinated debentures issued on November 30, 2006.

Corporate Expenses

Corporate expenses for the three months ended March 31, 2007 totalled $5.2 million, compared to $4.3 million in the first quarter of 2006, an increase of $0.9 million. Corporate expenses have increased as a result of portfolio growth and related staffing levels. In addition, corporate expenses include costs for all other real estate activities and for general corporate purposes and net capital taxes.

The Company manages all of its acquisitions, development and redevelopment and leasing activities internally. Certain internal costs directly related to development and initial leasing of the properties, including salaries and related costs, are capitalized in accordance with GAAP to land and shopping centres under development, as incurred. Certain costs associated with our internal leasing staff are capitalized to deferred leasing costs and amortized over the lives of the related leases. Amounts capitalized to real estate investments for properties undergoing development or redevelopment and deferred leasing costs during the three months ended March 31, 2007 totalled $2.6 million, compared to $1.6 million in the prior year comparative period. Amounts capitalized are based on specific leasing activities and development projects underway. The increase in capitalized costs in 2007 is due to the growth of the portfolio and the increase in properties under development.

Amortization Expense

Amortization expense has increased to $18.7 million in the three month period ended March 31, 2007 compared to $15.1 million in the prior year comparative period. The increase is primarily due to the amortization of newly acquired properties and development coming on line. This is offset by amortization of deferred financing and deferred issue costs of $0.9 million that were reclassified to interest expense in accordance with the changes in accounting standards.

Equity One

The Company recorded $4.4 million of equity income from Equity One in the three month period ended March 31, 2007, an increase of $0.1 million over the prior year comparative period.

The Company received dividends from Equity One of US$4.2 million, or US$0.30 per share, in the three month period ended March 31, 2007, compared to US$4.0 million, or US$0.30 per share, in the three month period ended March 31, 2006. The Canadian dollar equivalent of this dividend is $4.8 million in the first quarter of 2007 and $4.7 million in the comparable period of 2006. The absolute dividend increase has been offset by a decline in the average currency exchange rate for the three month period ended March 31, 2007.

Income Taxes

Income tax expense decreased to $3.6 million in the three month period ended March 31, 2007 from $4.7 million in the prior year comparative period. The decrease is due in part to a decline in pre-tax income, a decline in substantively enacted tax rates, and from a $0.6 million decline in Large Corporations Tax. In the second quarter of 2006, the Federal government eliminated the Large Corporations Tax retroactive to January 1, 2006.

Net Income

Net income for the three months ended March 31, 2007 amounted to $7.9 million or 10 cents per share basic and diluted. Excluding the effect of changes in accounting standards, net income was $7.2 million or 9 cents per share basic and diluted. This compares to $6.7 million, or 9 cents per share basic and diluted, for the three months ended March 31, 2006. The increase in net income is primarily due to the Company's income-producing property acquisitions and development projects coming on line, offset by increased interest, amortization and corporate expenses.

CAPITAL STRUCTURE AND LIQUIDITY

On January 31, 2007, the Company completed the sale of $100 million principal amount of 5.36% Series E unsecured debentures maturing on January 31, 2014. The senior unsecured debentures are rated BBB(low) with a stable trend by Dominion Bond Rating Services and Baa(3) with a stable outlook by Moody's Investor Services.

On March 5, 2007, the Company completed a $250 million three-year unsecured revolving credit facility syndicated with six financial institutions. Two of the Company's three existing secured credit facilities were cancelled effective the same date. As a result, $0.5 million of unamortized deferred financing costs were recorded as a loss on settlement of debt. As of March 5, 2007, properties with a gross book value of $195.4 million were released as security under the existing secured credit facilities. The remaining secured facility expired on April 30, 2007 and was not renewed.

As at March 31, 2007, the Company had undrawn credit facilities of $112.8 million compared to $99.8 million at December 31, 2006. The gross book value of unencumbered assets was $1,043 million at March 31, 2007 compared to $704 million at December 31, 2006.

Shareholders' equity has increased to $920 million at March 31, 2007, from $912 million at December 31, 2006.

During the first quarter, the Company granted 1,321,552 options with a strike price of $27.57, some of which were granted conditional on approval by the Shareholders. The options granted include 750,000 of options granted to the President and Chief Executive Officer that vest one-fifth on each of the five anniversary dates following the grant date. The remaining options were granted to employees and vest one-third on each of the three anniversary dates following the date of grant.

In the aggregate, the Company issued approximately 1.0 million common shares during the three month period ended March 31, 2007 primarily from the following activities:

- on January 11, 2007 the Company issued 681,881 common shares at a net price of $26.83 to participants in the Dividend Reinvestment Plan ("DRIP"); and
- on March 31, 2007, the Company issued 204,818 common shares at a net price of $26.78 as payment of the interest due to holders of the 5.50% convertible debentures.

Report to Shareholders – continued

QUARTERLY FINANCIAL INFORMATION

	2007	2006				2005		
($000s except per share and other data)	**Q1**	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Property rental revenue	**90,509**	87,815	81,592	78,634	77,939	70,936	70,235	63,403
Property rental expense	**33,812**	30,481	29,236	29,119	31,518	25,676	26,864	23,769
Net operating income	**56,697**	57,334	52,356	49,515	46,421	45,260	43,371	39,634
Net income	**7,875**	12,035	6,542	20,686	6,696	7,626	8,740	6,479
Basic earnings per share	**$0.10**	$ 0.16	$ 0.09	$ 0.28	$ 0.09	$ 0.11	$ 0.26	$ 0.10
Diluted earnings per share	**$0.10**	$ 0.16	$ 0.09	$ 0.28	$ 0.09	$ 0.11	$ 0.14	$ 0.10
Weighted average diluted shares outstanding — EPS	**76,791,907**	76,024,888	74,997,493	77,690,795	72,168,535	71,311,303	69,758,875	64,327,921
Funds from operations	**31,039**	32,688	28,540	28,933	27,025	26,889	25,379	23,102
Funds from operations/ share diluted	**$0.40**	$ 0.43	$ 0.38	$ 0.39	$ 0.37	$ 0.38	$ 0.39	$ 0.36
Weighted average diluted shares outstanding — FFO	**76,791,907**	76,024,888	74,997,493	73,987,091	72,168,535	71,311,303	65,355,568	64,327,921
Dividend	**$0.31**	$ 0.31	$ 0.31	$ 0.31	$ 0.30	$ 0.30	$ 0.30	$ 0.30
Total assets	**3,211,714**	3,060,879	2,849,611	2,714,534	2,633,046	2,469,288	2,389,404	2,214,076
Total mortgages and credit facilities	**1,448,441**	1,388,650	1,304,611	1,378,861	1,350,863	1,297,040	1,331,505	1,167,915
Shareholders' equity	**920,226**	911,593	895,440	890,214	847,048	842,544	836,464	732,714
Other Data								
Number of properties	**161**	158	151	143	137	133	128	118
Gross leasable area	**18,884,000**	18,166,000	17,338,000	16,793,000	16,398,000	15,712,000	15,377,000	14,420,000
Occupancy %	**95.0%**	95.7%	95.4%	95.1%	94.7%	95.0%	94.7%	94.7%

Refer to the respective MD&A and the Quarterly Financial Statements for discussion and analysis relating to the three quarters in 2005 and the four quarters in 2006.

EVENTS SUBSEQUENT TO MARCH 31, 2007

Dividend Reinvestment Plan ("DRIP")

On April 5, 2007, the Company issued 691,319 common shares at a net price of $26.60 to participants in the DRIP.

Issuance of Senior Unsecured Debentures

On April 15, 2007, the Company issued $100 million of Series F senior unsecured debentures at a coupon rate of 5.32% for net proceeds of $99.3 million. These debentures mature October 30, 2014 with interest payable on April 30 and October 30 each year.

Take-over bid for Sterling Centrecorp Inc.

On April 29, 2007, the Company announced that it intends to make an all-cash take-over bid to acquire all of the outstanding common shares of Sterling Centrecorp Inc. ("Sterling"), at a price of $1.62 per share. This offer price represents a 29% premium over the consideration offered in the going-private transaction proposed by SCI Acquisition Inc. ("SCI Acquisition"), and an 80% premium over the closing price of the Sterling common shares on the Toronto Stock Exchange on February 7, 2007, the last trading day prior to the announcement of the SCI Acquisition transaction. The offer will be subject to customary conditions, except that it will not be subject to any minimum tender condition, and will be subject to the condition that the plan of arrangement proposed by Sterling and SCI Acquisition does not receive final approval. First Capital Realty and its affiliates currently own approximately 8.4% of Sterling's outstanding common shares.

The Ontario Securities Commission announced that it has convened a hearing to consider whether SCI Acquisition and the parties to support agreements in respect of the proposed plan of arrangement are "joint actors" for the purposes of Ontario securities laws. The votes of "joint actors" would be excluded from the vote by minority shareholders at the upcoming meeting.

First Capital Realty also announced that it intends to make a concurrent offer to acquire all of the outstanding 8.5% convertible unsecured debentures of Sterling at 105% of the principal amount thereof, together with accrued and unpaid interest. This purchase price is the same as that provided for in connection with the plan of arrangement. This offer would be subject to the same conditions as the concurrent offer for common shares, as well as a further condition that at least 39% of the outstanding Sterling common shares shall have been tendered to First Capital Realty's offer.

First Capital Realty intends to make the formal offers as soon as reasonably possible.

This disclosure does not constitute an offer for or solicitation of Sterling common shares in any jurisdiction. Any such offer or solicitation will be made only by formal offer and only in those jurisdictions where First Capital Realty may legally do so.

Quarterly Dividend

The Company announced that it will pay a second quarter dividend of 0.31 per common share on July 10, 2007 to shareholders of record on June 27, 2007.

OUTLOOK

Certain statements included in this MD&A constitute forward-looking statements, including those identified by the expressions "anticipate", "believe", "plan", "estimate", "expect", "intend" and similar expressions to the extent they relate to the Company or its Management. The forward-looking statements are not historical facts but reflect the Company's current expectations regarding future results or events and are based on information currently available to Management. Certain material factors and assumptions were applied in providing these forward-looking statements.

Report to Shareholders – continued

Management believes that the expectations reflected in forward-looking statements are based upon reasonable assumptions; however, Management can give no assurance that actual results will be consistent with these forward-looking statements. These forward-looking statements are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations, including the matters discussed under "Risk Management" in the MD&A contained in the Company's 2006 Annual Report which is available on SEDAR at www.sedar.com.

Factors that could cause actual results or events to differ materially from those expressed or implied by forward-looking statements in addition to those described in the "Risk Management" section include, but are not limited to, general economic conditions, the availability of new competitive supply of retail properties which may become available either through construction or sublease, First Capital Realty's ability to maintain occupancy and to lease or re-lease space at current or anticipated rents, tenant bankruptcies, financial difficulties and defaults, changes in interest rates, changes in operating costs, First Capital Realty's ability to obtain insurance coverage at a reasonable cost and the availability of financing.

Readers, therefore, should not place undue reliance on any such forward-looking statements. Further, a forward-looking statement speaks only as of the date on which such statement is made. First Capital Realty undertakes no obligation to publicly update any such statement or to reflect new information or the occurrence of future events or circumstances.

These forward-looking statements are made as of May 8, 2007.

Over the past several years First Capital Realty has made significant progress in growing its business and generating accretive growth in funds from operations.

The current acquisition environment remains extremely competitive. Nevertheless, the Company will continue to acquire properties that are well-located and of high quality, where they add strategic value and/or operating synergies provided they will be accretive to FFO over the long term.

Development and redevelopment activities will continue to provide the Company with opportunities to participate in growth markets and once completed, generate higher returns on investment.

With respect to acquisitions of both income-producing and development properties, the Company will continue to focus on maintaining the sustainability and growth potential of rental income to ensure that among other things, refinancing risk is minimized. This is particularly important in the current environment with decreasing capitalization rates resulting from increasing real estate prices.

Specifically, Management is focusing on the following four areas to achieve its objectives in 2007:

- same property net operating income growth;
- development and redevelopment activities;
- increasing efficiency and productivity of operations; and
- improving the cost of capital.

Overall, Management is confident that the quality of the Company's real estate will continue to generate sustainable and growing cash flows while producing superior returns on investment over the long term.

Consolidated Balance Sheets

(unaudited) *(thousands of dollars)*	**March 31 2007**	December 31 2006
ASSETS		
Real Estate Investments		
Shopping centres (note 3)	**$ 2,535,498**	$ 2,423,801
Land and shopping centres under development (note 4)	**210,293**	178,347
Deferred costs	**77,332**	74,778
Intangible assets	**38,475**	31,868
	2,861,598	2,708,794
Investment in Equity One, Inc.	**224,461**	228,665
Loans, mortgages and other real estate assets (note 5)	**33,157**	24,056
	3,119,216	2,961,515
Other assets (note 6)	**35,796**	47,129
Amounts receivable (note 7)	**33,272**	28,070
Cash and cash equivalents	**6,403**	6,810
Future income tax assets	**17,027**	17,355
	$ 3,211,714	$ 3,060,879
LIABILITIES		
Mortgages and credit facilities (note 8)	**$ 1,448,441**	$ 1,388,650
Accounts payable and other liabilities (note 9)	**95,971**	106,145
Intangible liabilities	**18,651**	18,453
Senior unsecured debentures (note 10)	**495,568**	399,813
Convertible debentures (note 11)	**186,097**	192,189
Future income tax liabilities	**46,760**	44,036
	2,291,488	2,149,286
SHAREHOLDERS' EQUITY	**920,226**	911,593
	$ 3,211,714	$ 3,060,879

See accompanying notes to the interim consolidated financial statements

Consolidated Statements of Earnings

(unaudited) (thousands of dollars, except per share amounts)	Three months ended **March 31 2007**	 March 31 2006
REVENUE		
Property rental revenue	**$ 90,509**	$ 77,939
Interest and other income (note 13)	**3,116**	1,630
	93,625	79,569
EXPENSES		
Property operating costs	**33,812**	31,518
Interest expense (note 14)	**28,403**	21,522
Amortization (note 15)	**18,679**	15,149
Corporate expenses	**5,215**	4,291
	86,109	72,480
Equity income from Equity One, Inc.	**4,426**	4,312
Loss on settlement of debt (note 8)	**(483)**	—
Income before income taxes	**11,459**	11,401
Income taxes:		
Current	**619**	1,250
Future	**2,965**	3,455
	3,584	4,705
Net income	**$ 7,875**	$ 6,696
Earnings per common share (note 16)		
Basic	**$ 0.10**	$ 0.09
Diluted	**$ 0.10**	$ 0.09

See accompanying notes to the interim consolidated financial statements

Consolidated Statements of Comprehensive Income

(unaudited) *(thousands of dollars)*	Three months ended March 31 2007	March 31 2006
NET INCOME	**$ 7,875**	$ 6,696
OTHER COMPREHENSIVE INCOME (note 2)		
Unrealized foreign currency (loss) gain on translating self-sustaining foreign operations	**(714)**	341
Other comprehensive income of Equity One, Inc. (net of tax of $12)	**22**	—
Loss on cash flow hedges of interest rates (net of tax of $97)	**(198)**	—
Unrealized loss on available-for-sale marketable securities (net of tax of $105)	**(200)**	—
Reclassification of adjustment for gains and losses on cash flow hedges of interest rates included in income (net of tax of $90)	**(183)**	—
Other comprehensive (loss) income	**(1,273)**	341
COMPREHENSIVE INCOME	**$ 6,602**	$ 7,037

See accompanying notes to the interim consolidated financial statements

Consolidated Statements of Shareholders' Equity

(unaudited) *(thousands of dollars)*	Share Capital	Deficit	Accumulated Other Comprehensive Income/(Loss)	Contributed Surplus	Convertible Debentures Equity Component	Warrants	Options and Deferred Share Units	Total
	(note 12)		(note 2)		(note 11)	(note 12)	(note 12)	
Shareholders' equity, December 31, 2006	**$ 1,128,926**	**$ (236,567)**	**$ (14,170)**	**$ 19,513**	**$ 9,030**	**$ 236**	**$ 4,625**	**$ 911,593**
Effect of changes in accounting policies on January 1, 2007 (note 2)	**—**	**454**	**408**	**—**	**—**	**—**	**—**	**862**
Changes during the period:								
Net income	**—**	**7,875**	**—**	**—**	**—**	**—**	**—**	**7,875**
Dividends	**—**	**(23,688)**	**—**	**—**	**—**	**—**	**—**	**(23,688)**
Dividends reinvested in common shares	**18,295**	**—**	**—**	**—**	**—**	**—**	**—**	**18,295**
Payment of interest on convertible debentures	**5,485**	**—**	**—**	**—**	**—**	**—**	**—**	**5,485**
Options	**—**	**—**	**—**	**—**	**—**	**—**	**113**	**113**
Exercise of options	**450**	**—**	**—**	**—**	**—**	**—**	**(12)**	**438**
Deferred share units	**—**	**—**	**—**	**—**	**—**	**—**	**118**	**118**
Restricted share units	**—**	**—**	**—**	**—**	**—**	**—**	**482**	**482**
Issue costs	**(74)**	**—**	**—**	**—**	**—**	**—**	**—**	**(74)**
Other comprehensive loss	**—**	**—**	**(1,273)**	**—**	**—**	**—**	**—**	**(1,273)**
Shareholders' equity, March 31, 2007	**$ 1,153,082**	**$ (251,926)**	**$ (15,035)**	**$ 19,513**	**$ 9,030**	**$ 236**	**$ 5,326**	**$ 920,226**

See accompanying notes to the interim consolidated financial statements

Consolidated Statements of Shareholders' Equity – continued

(unaudited) (thousands of dollars)	Share Capital	Deficit	Accumulated Other Comprehensive Income/(loss)	Contributed Surplus	Convertible Debentures Equity Component	Warrants	Options and Deferred Share Units	Total
	(note 12)		(note 2)		(note 11)	(note 12)	(note 12)	
Shareholders' equity, December 31, 2005	$ 1,022,701	$ (191,584)	$ (14,577)	$ 19,513	$ 3,015	$ 472	$ 3,004	$ 842,544
Changes during the period:								
Net income	—	6,696	—	—	—	—	—	6,696
Dividends	—	(21,493)	—	—	—	—	—	(21,493)
Dividends reinvested in common shares	16,026	—	—	—	—	—	—	16,026
Payment of interest on convertible debentures	1,537	—	—	—	—	—	—	1,537
Options	—	—	—	—	—	—	118	118
Exercise of options	911	—	—	—	—	—	(19)	892
Deferred share units	—	—	—	—	—	—	160	160
Restricted share units	—	—	—	—	—	—	191	191
Issue costs	36	—	—	—	—	—	—	36
Other comprehensive income	—	—	341	—	—	—	—	341
Shareholders' equity, March 31, 2006	$ 1,041,211	$ (206,381)	$ (14,236)	$ 19,513	$ 3,015	$ 472	$ 3,454	$ 847,048

See accompanying notes to the interim consolidated financial statements

Consolidated Statements of Cash Flows

(unaudited) *(thousands of dollars)*	Three months ended **March 31 2007**	March 31 2006
CASH FLOW PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Net income	**$ 7,875**	$ 6,696
Items not affecting cash (note 17a)	**20,272**	13,803
Deferred leasing costs	**(547)**	(1,574)
Dividends received from Equity One, Inc.	**4,816**	4,674
Net change in non-cash operating items (note 17b)	**(9,585)**	(5,745)
Cash provided by operating activities	**22,831**	17,854
INVESTING ACTIVITIES		
Acquisition of shopping centres (note 3)	**(123,664)**	(136,963)
Acquisition of land for development (note 4)	**(15,529)**	(9,159)
Proceeds from disposition of shopping centre	**6,400**	—
Expenditures on shopping centres	**(3,525)**	(3,770)
Expenditures on land and shopping centres under development	**(22,283)**	(9,656)
(Increase) decrease in loans and mortgage receivable	**(227)**	3,214
Investment in marketable securities	**(19,950)**	(5,694)
Proceeds from disposition of marketable securities	**12,542**	10,004
Cash used in investing activities	**(166,236)**	(152,024)
FINANCING ACTIVITIES		
Mortgage financings and credit facilities		
Borrowings, net of financing costs	**114,486**	132,410
Principal instalment payments	**(9,999)**	(8,501)
Repayments on maturity	**(55,895)**	(82,489)
Issuance of common shares, net of issue costs	**339**	969
Issuance of senior unsecured debentures, net of issue costs (note 10)	**99,102**	98,773
Payment of dividends	**(5,067)**	(5,181)
Cash provided by financing activities	**142,966**	135,981
Effect of currency rate movement on cash balances	**32**	(4)
(Decrease) increase in cash and cash equivalents	**(407)**	1,807
Cash and cash equivalents, beginning of the period	**6,810**	5,335
Cash and cash equivalents, end of the period	**$ 6,403**	$ 7,142

See accompanying notes to the interim consolidated financial statements

Notes to the Consolidated Financial Statements

(unaudited)

1. SIGNIFICANT ACCOUNTING POLICIES

The accompanying unaudited interim consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The accounting principles used in these interim consolidated financial statements are consistent with those used in the Company's December 31, 2006 annual consolidated financial statements except as described in Note 2. These interim consolidated financial statements do not include all the information and disclosure required by Canadian GAAP for annual financial statements, and should be read in conjunction with the December 31, 2006 annual consolidated financial statements.

2. CHANGES IN ACCOUNTING POLICIES

Effective January 1, 2007, the Company adopted several new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA"). The standards are applied on a retroactive basis without restatement of prior periods. They include Section 1530, Comprehensive Income; Section 3855, Financial Instruments – Recognition and Measurement; and Section 3865, Hedges.

(i) Comprehensive income – CICA Section 1530

Comprehensive income consists of net income and other comprehensive income ("OCI"). OCI includes unrealized gains and losses on financial assets classified as available-for-sale, unrealized foreign currency translation amounts arising from self-sustaining foreign operations, and changes in the fair value of the effective portion of hedging instruments. The Company's consolidated financial statements now include consolidated statements of comprehensive income. The cumulative amount of other comprehensive income is presented as a new category in the consolidated statements of shareholders' equity. The cumulative currency translation account has been reclassified to accumulated other comprehensive income.

(ii) Financial instruments – recognition and measurement – CICA Section 3855

Section 3855 establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. All financial instruments are required to be measured at fair value on initial recognition. Measurement in subsequent periods depends on whether the financial instrument has been classified as held-for-trading, available-for-sale, held-to-maturity, loans and receivables, or other liabilities.

Financial assets and liabilities classified as held-for-trading are required to be measured at fair value with gains and losses recognized in net income. The Company has currently classified certain of its marketable securities as held-for-trading. None of the Company's liabilities are currently classified as held-for-trading. Previously, all of the Company's marketable securities were recorded at cost.

Available-for-sale financial assets are required to be measured at fair value with unrealized gains and losses recognized in OCI. Certain of the Company's marketable securities are classified as available-for-sale.

Financial assets classified as held-to-maturity, loans and receivables and financial liabilities (other than those held-for-trading) are required to be measured at amortized cost. This classification applies to the majority of the Company's financial assets and liabilities including loans, mortgages, amounts receivable, accounts payable, credit facilities and debentures. The Company now applies the effective interest method of amortization for any transaction costs or fees, premiums or discounts to mortgages, debentures and credit facilities and presents the amortization as non-cash interest expense. Mortgages, debentures and all associated credit facilities are now presented net of all issue costs, premiums and discounts. Previously, these costs were included in other assets and amortized on a straight-line basis.

The classifications above do not apply to the Company's investment in Equity One Inc., which continues to be accounted for using the equity method.

Derivative instruments are recorded on the balance sheet at fair value including those derivatives that are embedded in a financial instrument or other contract but are not closely related to the host financial instrument or contract. Changes in the fair values of derivative instruments are required to be recognized in net income, except for derivatives that are designated as cash flow hedges. The fair value changes for the effective portion of such cash flow hedges are recognized in OCI. The Company has no significant derivative instruments other than its interest rate swaps.

The standard specifically excludes CICA Section 3065, Leases, from the definition of financial instruments, except for derivatives that are embedded in a lease contract.

(iii) Hedges – CICA Section 3865

Section 3865 specifies the criteria under which hedge accounting can be applied and how hedge accounting should be executed for each of the permitted hedging strategies: fair value hedges, cash flow hedges and hedges of a foreign currency exposure of a net investment in a self-sustaining foreign operation.

As at the date of adoption of Section 3865, the Company had interest rate swaps which are now recorded in the balance sheet at fair value. The change in fair value with respect to the swaps that have been designated is recorded in other comprehensive income. The change in fair value with respect to swaps that are not designated as hedges under the section, as well as the ineffective portion of designated hedges, are recorded in net income with interest and other income. Previously, only the fair value of undesignated or ineffective hedges was recorded in net income.

(iv) Effect of adopting CICA Section 1530, 3855 and 3865

The effect of the adoption of these new standards on the balance sheet as at March 31, 2007 and the statement of earnings for the three months then ended is set out in the following tables:

March 31, 2007 Increase (decrease) *(unaudited)* *(thousands of dollars)*	Recognition of Equity One other comprehensive income	Application of the effective interest method	Reclass of deferred costs	Recognition of fair values of marketable securities	Recognition of fair values of designated hedges	Total effect
ASSETS						
Real Estate Investments						
Shopping centres	$ —	$ —	$ —	$ —	$ —	$ —
Land and shopping centres under development	—	—	—	—	—	—
Deferred costs	—	—	—	—	—	—
Intangible assets	—	—	—	—	—	—
	—	—	—	—	—	—
Investment in Equity One, Inc.	(1,635)	—	—	—	—	(1,635)
Loans, mortgages and other real estate assets	—	—	—	908	—	908
	(1,635)	—	—	908	—	(727)
Other assets	—	942	(18,908)	—	1,408	(16,558)
Amounts receivable	—	—	—	—	—	—
Cash and cash equivalents	—	—	—	—	—	—
Future income tax assets	—	—	—	—	—	—
	$ (1,635)	$ 942	$ (18,908)	$ 908	$ 1,408	$ (17,285)
LIABILITIES						
Mortgages and credit facilities	$ —	$ —	$ 121	$ —	$ —	$ 121
Accounts payable and other liabilities	—	177	(8,577)	—	—	(8,400)
Intangible liabilities	—	—	—	—	—	—
Senior unsecured debentures	—	—	(4,232)	—	—	(4,232)
Convertible debentures	—	—	(6,220)	—	—	(6,220)
Future income tax liabilities	(564)	252	—	300	465	453
	(564)	429	(18,908)	300	465	(18,278)
SHAREHOLDERS' EQUITY	(1,071)	513	—	608	943	993
	$ (1,635)	$ 942	$ (18,908)	$ 908	$ 1,408	$ (17,285)

Notes to the Consolidated Financial Statements – continued

Three months ended March 31, 2007 Increase (decrease) *(unaudited)* *(thousands of dollars, except per share amounts)*	Application of the effective interest method	Reclass of amortization of deferred costs	Recognition of fair values of marketable securities	Total effect
REVENUE				
Property rental revenue	$ —	$ —	$ —	$ —
Interest and other income	—	—	1,044	1,044
	—	—	1,044	1,044
EXPENSES				
Property operating costs	—	—	—	—
Interest expense	18	898	—	916
Amortization	—	(898)	—	(898)
Corporate expenses	—	—	—	—
	18	—	—	18
Equity income from Equity One, Inc.	—	—	—	—
Loss on settlement of debt	—	—	—	—
Income (loss) before income taxes	(18)	—	1,044	1,026
Income taxes:				
Current	—	—	—	—
Future	(6)	—	345	339
	(6)	—	345	339
Net Income	**$ (12)**	**$ —**	**$ 699**	**$ 687**
Earnings per common share				
Basic	$ —	$ —	$ 0.01	$ 0.01
Diluted	$ —	$ —	$ 0.01	$ 0.01

3. SHOPPING CENTRES

(thousands of dollars)	**March 31 2007**	December 31 2006
Land	**$ 641,729**	$ 613,367
Buildings and improvements	**2,053,305**	1,958,536
	2,695,034	2,571,903
Accumulated amortization	**(159,536)**	(148,102)
	$ 2,535,498	$ 2,423,801

The Company acquired interests in three (2006 – four) income-producing shopping centres and additional space adjacent to one shopping centre (2006 – three), comprising 0.8 million (2006 – 0.6 million) square feet, as follows:

	Three months ended	
(thousands of dollars)	**March 31 2007**	March 31 2006
Allocation of purchase price:		
Shopping centres	**$ 118,098**	$ 140,338
Shopping centres under development	**7,636**	—
Deferred costs	**3,948**	2,865
Intangible assets	**6,375**	9,431
Intangible liabilities	**(955)**	(4,658)
Total purchase price, including acquisition costs	**135,102**	147,976
Less mortgages assumed on acquisition and vendor-take-back mortgages	**(10,994)**	(10,825)
Difference between principal amount and fair value of assumed mortgages	**(444)**	(188)
Net cash outlay for acquisitions	**$ 123,664**	$ 136,963
The acquisitions were funded as follows:		
Cash and credit facilities	**$ 123,664**	$ 136,963
Proceeds from mortgages	**—**	—
Net cash outlay for acquisitions	**$ 123,664**	$ 136,963

During the three months ended March 31, 2007, the Company sold a shopping centre for proceeds of $6.4 million resulting in a gain of $0.3 million.

4. LAND AND SHOPPING CENTRES UNDER DEVELOPMENT

The Company acquired land and shopping centres under development as follows:

	Three months ended	
(thousands of dollars)	**March 31 2007**	March 31 2006
Purchase price of land and shopping centres acquired for development or redevelopment	**$ 15,529**	$ 9,159
Less mortgages assumed on acquisition and vendor-take-back mortgages	**—**	—
Net cash outlay for acquisitions, funded through cash and credit facilities	**$ 15,529**	$ 9,159

In addition, during the three months ended March 31, 2007, the Company completed developments with a book value of $12.9 million (2006 – $32.0 million) that were transferred to shopping centres.

Interest expense and incremental direct internal costs capitalized to development properties during the three months ended March 31, 2007 totalled $3.0 million (2006 – $1.8 million) and $0.6 million (2006 – $0.7 million), respectively. The costs to complete projects currently under development are estimated at $57.4 million.

Notes to the Consolidated Financial Statements – continued

5. LOANS, MORTGAGES AND OTHER REAL ESTATE ASSETS

(thousands of dollars)	**March 31 2007**	December 31 2006
Loans and mortgages receivable from development partners (a)	**$ 11,258**	$ 11,031
Real estate marketable securities	**21,899**	13,025
	$ 33,157	$ 24,056

(a) The Company has funded its partners' share of certain development activities. The loans bear interest at an average rate of 8.4% (2006 – 8.4%) and are repayable from the partners' share of proceeds generated from refinancings or sales. The Company has taken assignments of the development partners' equity interests in the development partnerships as security for the loans receivable.

6. OTHER ASSETS

(thousands of dollars)	**March 31 2007**	December 31 2006
Deferred financing, issue and interest rate hedge costs (net of accumulated amortization (2006 – $7,066))	**$ —**	$ 16,701
Interest rate swaps at fair value	**1,162**	—
Prepaid expenses and deposits related to property operations	**24,037**	19,838
Deposits and costs on properties under option	**6,303**	6,176
Other assets (net of accumulated amortization of $1,172 (2006 – $1,004))	**4,294**	4,414
	$ 35,796	$ 47,129

Effective January 1, 2007, mortgages, debentures and all associated credit facilities are presented net of all deferred financing and issue costs (note 2).

7. AMOUNTS RECEIVABLE

(thousands of dollars)	**March 31 2007**	December 31 2006
Trade receivables	**$ 16,035**	$ 11,962
Rent revenue recognized on a straight-line basis	**16,301**	14,998
Corporate and other amounts receivable	**936**	1,110
	$ 33,272	$ 28,070

8. MORTGAGES AND CREDIT FACILITIES

(thousands of dollars)	**March 31 2007**	December 31 2006
Mortgages payable	**$ 1,190,099**	$ 1,190,788
Secured by investment in Equity One, Inc.:		
Floating rate (hedged with interest rate swaps)	**40,411**	52,443
Floating rate	**121,233**	110,276
Credit facilities outstanding		
Canadian dollar	**96,577**	35,143
	1,448,320	1,388,650
Add unamortized deferred financing costs		
and premiums and discounts, net	**121**	—
	$ 1,448,441	$ 1,388,650

The weighted average interest rate on mortgages payable at March 31, 2007 was 6.34% (December 31, 2006 – 6.36%), and the weighted average term to maturity was 5.7 years (December 31, 2006 – 5.9 years).

On March 5, 2007, the Company completed a $250 million three-year unsecured revolving credit facility syndicated with six financial institutions. Two of the Company's three existing secured credit facilities were cancelled effective the same date. As a result, $0.5 million of unamortized deferred financing costs were recorded as a loss on settlement of debt. As of March 5, 2007, properties with a gross book value of $195.4 million were released as security under the existing secured credit facilities. The remaining secured facility expired on April 30, 2007 and was not renewed.

9. ACCOUNTS PAYABLE AND OTHER LIABILITIES

(thousands of dollars)	**March 31 2007**	December 31 2006
Trade payables and accruals	**$ 50,172**	$ 50,314
Accrued interest	**12,556**	14,798
Dividends payable	**23,564**	23,342
Interest rate swaps at fair value	**—**	389
Tenant deposits	**7,142**	6,470
Differences between principal amounts and fair values of assumed mortgages	**—**	8,573
Other liabilities	**2,537**	2,259
	$ 95,971	$ 106,145

Effective January 1, 2007, the differences between principal amounts and fair values of assumed mortgages are presented with mortgages and credit facilities.

Notes to the Consolidated Financial Statements – continued

10. SENIOR UNSECURED DEBENTURES

(thousands of dollars)					**March 31 2007**	December 31 2006
Series	Date of Issue	Maturity Date	Cash Proceeds	Interest Rate		
A	June 21, 2005	June 21, 2012	$ 99,980	5.080%	**$ 100,000**	$ 100,000
B	March 30, 2006	March 30, 2011	$ 99,830	5.250%	**99,857**	99,851
C	August 1, 2006	December 1, 2011	$ 99,980	5.490%	**99,983**	99,981
D	September 18, 2006	April 1, 2013	$ 99,980	5.340%	**99,983**	99,981
E	January 31, 2007	January 31, 2014	$ 99,977	5.360%	**99,977**	—
Less unamortized issue costs (note 2)					**(4,232)**	—
					$ 495,568	$ 399,813

Each series was issued with a principal amount of $100 million, with interest payable semi-annually.

11. CONVERTIBLE DEBENTURES

(thousands of dollars)				**March 31 2007**			December 31 2006		
		Interest Rate							
Date of Issue	Maturity Date	Coupon	Implicit	**Principal**	**Liability**	**Equity**	Principal	Liability	Equity
December 19, 2005	September 30, 2017	5.50%	5.86%	**$ 100,000**	**$ 97,222**	**$ 3,015**	$ 100,000	$ 97,176	$ 3,015
November 30, 2006	September 30, 2017	5.50%	6.14%	**100,000**	**95,095**	**6,015**	100,000	95,013	6,015
Less unamortized issue costs (note 2)					**(6,220)**			—	
				$ 200,000	**$ 186,097**	**$ 9,030**	$ 200,000	$ 192,189	$ 9,030

In the three months ended March 31, 2007, 204,818 (2006 – 64,754) common shares were issued for $5.5 million (2006 – $1.5 million) to pay interest to holders of convertible debentures.

12. SHAREHOLDERS' EQUITY

(a) Share Capital

The Company has an unlimited number of authorized preference shares and common shares. The preference shares may be issued from time to time in one or more series, each series comprising the number of shares, designations, rights, privileges, restrictions and conditions which the Board of Directors determines by resolution; preference shares are non-voting and rank in priority to the common shares with respect to dividends and distributions upon dissolution. No preference shares have been issued. The common shares carry one vote each and participate equally in the earnings of the Company and the net assets of the Company upon dissolution. Dividends are payable on the common shares as and when declared by the Board of Directors.

The following table sets forth the particulars of the issued and outstanding shares of the Company:

	Number of Common Shares	Stated Capital *(thousands of dollars)*
Issued and outstanding at December 31, 2005	70,645,834	$ 1,022,701
Payment of interest on convertible debentures (note 11)	64,754	1,537
Exercise of options (c)	65,350	911
Dividends reinvested in common shares (d)	707,876	16,026
Issue costs	—	36
Issued and outstanding at March 31, 2006	71,483,814	$ 1,041,211
Issued and outstanding at December 31, 2006	75,297,908	$ 1,128,926
Payment of interest on convertible debentures (note 11)	204,818	5,485
Exercise of options (c)	31,850	450
Dividends reinvested in common shares (d)	681,881	18,295
Issue costs	—	(74)
Issued and outstanding at March 31, 2007	**76,216,457**	**$ 1,153,082**

(b) Warrants

At March 31, 2007, there were 295,204 outstanding share purchase warrants (March 31, 2006 – 628,094) exercisable at $11.80 per share during a three-month exercise period commencing on June 1 and ending on August 31 in each year to 2008, on and subject to certain terms and conditions, and may be exercisable in certain other limited circumstances.

(c) Stock Options

The Company is authorized to grant up to 3,625,000 (March 31, 2006 – 3,625,000) common share options to the employees, officers and directors of the Company and third-party service providers. As of March 31, 2007, nil (March 31, 2006 – 1,425,300) common share options were available to be granted. Options granted by the Company generally expire ten years from the date of grant and vest over three to five years. The outstanding options have exercise prices ranging from $12.42 to $27.57.

	Three months ended March 31, 2007		Three months ended March 31, 2006	
	Common Share Options	**Weighted Average Exercise Price**	Common Share Options	Weighted Average Exercise Price
Outstanding, beginning of period	**1,568,968**	**$ 20.58**	1,145,105	$ 17.46
Granted	**1,321,552**	**$ 27.57**	—	$ —
Exercised	**(31,850)**	**$ 13.72**	(65,350)	$ 13.63
Cancelled	**—**	**$ —**	(19,500)	$ 20.80
Outstanding, end of period	**2,858,670**	**$ 23.89**	1,060,255	$ 17.63
Options vested, end of period	**548,776**	**$ 16.52**	405,655	$ 14.39
Weighted average remaining life (years)	**8.9**		8.2	

On March 23, 2007, the Company granted 1,321,552 options with a strike price of $27.57, some of which were granted conditional on approval by the Shareholders. The options granted include 750,000 options granted to the President and Chief Executive Officer that vest one-fifth on each of the five anniversary dates following the grant date. The remaining options were granted to employees and vest one-third on each of the three anniversary dates following the date of grant.

(d) Dividend Reinvestment Plan

The Company's Dividend Reinvestment Plan ("DRIP") allows shareholders who hold at least 500 common shares to reinvest cash dividends into additional common shares at a 2% discount to the weighted average trading price of the common shares on the Toronto Stock Exchange for the five consecutive trading days preceding the dividend payment date.

13. INTEREST AND OTHER INCOME

	Three months ended	
(thousands of dollars)	**March 31 2007**	March 31 2006
Realized gains on sale of marketable securities held for trading	**$ 683**	$ 537
Unrealized gains on marketable securities held-for-trading (note 2)	**1,044**	—
Interest, dividend and distribution income from marketable securities and cash investments	**486**	394
Gain on disposition of shopping centre	**333**	—
Gains on interest rate swaps not designated as hedges	**388**	—
Interest income from development loans	**182**	161
Income from non-recourse cash flow participation loans	**—**	538
	$ 3,116	$ 1,630

14. INTEREST

	Three months ended	
(thousands of dollars)	**March 31 2007**	March 31 2006
Mortgage and credit facility interest expense	**$ 18,540**	$ 18,839
Senior unsecured debenture interest expense	**6,110**	1,281
Convertible debenture interest expense	**2,840**	1,402
Non-cash interest expense (note 2)	**913**	—
Interest expense	**28,403**	21,522
Convertible debenture interest paid in common shares	**(5,485)**	(1,537)
Change in accrued interest	**2,242**	(1,422)
Implicit interest rate in excess of coupon rate on convertible and senior unsecured debentures	**(138)**	(46)
Interest paid in excess of implicit interest on assumed mortgages	**256**	523
Non-cash interest expense	**(913)**	—
Interest capitalized to land and shopping centres under development	**2,981**	1,849
Cash interest paid	**$ 27,346**	$ 20,889

Effective January 1, 2007, amortization of financing costs is presented as non-cash interest expense (note 2).

15. AMORTIZATION

	Three months ended	
(thousands of dollars)	**March 31 2007**	March 31 2006
Shopping centres	**$ 13,034**	$ 10,633
Deferred costs	**3,656**	2,574
Intangible assets	**1,751**	1,049
Amortization of real estate assets	**18,441**	14,256
Deferred financing fees (note 14)	**—**	710
Other assets	**238**	183
	$ 18,679	$ 15,149

Notes to the Consolidated Financial Statements – continued

16. PER SHARE CALCULATIONS

The following tables set forth the computation of per share amounts:

	Three months ended	
(thousands of dollars, except per share amounts)	**March 31 2007**	March 31 2006
Basic and diluted net income available to common shareholders	**$ 7,875**	$ 6,696
Denominator		
Weighted average shares outstanding for basic per share amounts	**76,225,640**	71,546,193
Outstanding warrants	**169,495**	318,119
Outstanding options	**396,772**	304,223
Denominator for diluted net income available to common shareholders	**76,791,907**	72,168,535
Basic and diluted earnings per share	**$ 0.10**	$ 0.09

The following securities were not included in the diluted per share calculation as the effect would have been anti-dilutive:

		Number of shares if converted or exercised	
	Exercise Price	**March 31 2007**	March 31 2006
Convertible debentures – 5.5%	$ 27.00	**7,405,132**	3,703,703

17. SUPPLEMENTAL CASH FLOW INFORMATION

(a) Items not affecting cash from operating activities

	Three months ended	
(thousands of dollars)	**March 31 2007**	March 31 2006
Amortization	**$ 18,679**	$ 15,149
Amortization of above- and below-market leases	**(479)**	(393)
Rent revenue recognized on a straight-line basis	**(1,609)**	(1,023)
Gain on disposition of shopping centre	**(333)**	—
Realized gain on sale of marketable securities	**(683)**	(537)
Unrealized gain on investment in marketable securities	**(1,044)**	—
Loss on settlement of debt	**483**	—
Non-cash compensation expense	**582**	404
Interest paid in excess of implicit interest on assumed mortgages	**(256)**	(523)
Debenture interest in excess of coupon	**138**	46
Convertible debenture interest paid in common shares	**5,485**	1,537
Other non-cash interest expense	**913**	—
Equity income from Equity One, Inc.	**(4,426)**	(4,312)
Future income taxes	**2,965**	3,455
Unrealized gains on certain interest rate swaps	**(143)**	—
	$ 20,272	$ 13,803

(b) Net change in non-cash operating items

The net change in non-cash operating assets and liabilities consists of the following:

	Three months ended	
(thousands of dollars)	**March 31 2007**	March 31 2006
Amounts receivable	**$ (3,946)**	$ (3,850)
Prepaid expenses	**(3,863)**	(3,074)
Accounts payable and accrued liabilities	**(2,060)**	1,113
Other working capital changes	**284**	66
	$ (9,585)	$ (5,745)

(c) Interest and income taxes

	Three months ended	
(thousands of dollars)	**March 31 2007**	March 31 2006
Cash income taxes paid	**$ 446**	$ 337
Cash interest paid (note 14)	**$ 27,346**	$ 20,889

18. SEGMENTED INFORMATION

The Company and its subsidiaries operate in the shopping centre segment of the real estate industry in both Canada and the United States.

Income by geographic segment for the three months ended March 31, 2007, is summarized as follows:

(thousands of dollars)	**Canada**	**U.S.**	**Total**
Property rental revenue	**$ 90,509**	**$ —**	**$ 90,509**
Property operating costs	**33,812**	**—**	**33,812**
Income before the undernoted items	**56,697**	**—**	**56,697**
Equity income from Equity One, Inc.	**—**	**4,426**	**4,426**
Interest and other income	**3,095**	**21**	**3,116**
Interest expense	**25,723**	**2,680**	**28,403**
Corporate expenses	**4,884**	**331**	**5,215**
Loss on settlement of debt	**483**	**—**	**483**
Income before amortization	**28,702**	**1,436**	**30,138**
Amortization	**18,679**	**—**	**18,679**
Income before income taxes	**$ 10,023**	**$ 1,436**	**$ 11,459**

Income by geographic segment for the three months ended March 31, 2006, is summarized as follows:

(thousands of dollars)	Canada	U.S.	Total
Property rental revenue	$ 77,939	$ —	$ 77,939
Property operating costs	31,518	—	31,518
Income before the undernoted items	46,421	—	46,421
Equity income from Equity One, Inc.	—	4,312	4,312
Interest and other income	1,630	—	1,630
Interest expense	19,202	2,320	21,522
Corporate expenses	4,000	291	4,291
Income before amortization	24,849	1,701	26,550
Amortization	15,070	79	15,149
Income before income taxes	$ 9,779	$ 1,622	$ 11,401

19. SUBSEQUENT EVENTS

(a) On April 5, 2007, the Company issued 691,319 common shares at a net price of $26.60 to participants in the Dividend Reinvestment Plan.

(b) On April 15, 2007, the Company issued $100 million of Series F senior unsecured debentures at a coupon rate of 5.32% for net proceeds of $99.3 million. These debentures mature October 30, 2014 with interest payable on April 30 and October 30 each year.

(c) On April 29, 2007, the Company announced that it intends to make an all-cash take-over bid to acquire all of the outstanding common shares of Sterling Centrecorp Inc. ("Sterling"), at a price of $1.62 per share. This offer price represents a 29% premium over the consideration offered in the going-private transaction proposed by SCI Acquisition Inc. ("SCI Acquisition"), and an 80% premium over the closing price of the Sterling common shares on the Toronto Stock Exchange on February 7, 2007, the last trading day prior to the announcement of the SCI Acquisition transaction. The offer will be subject to customary conditions, except that it will not be subject to any minimum tender condition, and will be subject to the condition that the plan of arrangement proposed by Sterling and SCI Acquisition does not receive final approval. First Capital Realty and its affiliates currently own approximately 8.4% of Sterling's outstanding common shares.

The Ontario Securities Commission announced that it has convened a hearing to consider whether SCI Acquisition and the parties to support agreements in respect of the proposed plan of arrangement are "joint actors" for the purposes of Ontario securities laws. The votes of "joint actors" would be excluded from the vote by minority shareholders at the upcoming meeting.

First Capital Realty also announced that it intends to make a concurrent offer to acquire all of the outstanding 8.5% convertible unsecured debentures of Sterling at 105% of the principal amount thereof, together with accrued and unpaid interest. This purchase price is the same as that provided for in connection with the plan of arrangement. This offer would be subject to the same conditions as the concurrent offer for common shares, as well as a further condition that at least 39% of the outstanding Sterling common shares shall have been tendered to First Capital Realty's offer.

First Capital Realty intends to make the formal offers as soon as reasonably possible.

This disclosure does not constitute an offer for or solicitation of Sterling common shares in any jurisdiction. Any such offer or solicitation will be made only by formal offer and only in those jurisdictions where First Capital Realty may legally do so.

(d) The Company announced that it will pay a second quarter dividend of $0.31 per common share on July 10, 2007 to shareholders of record on June 27, 2007.

20. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to reflect the presentation adopted in the current year.

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Richmond, British Columbia V7C 5V2
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Toronto Stock Exchange Listings

Common Shares:	FCR
5.50% Convertible Cdn Debentures:	FCR.DB.A
5.50% Convertible US Debentures:	FCR.DB.B
Warrants:	FCR.WT

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Brian Kozak
Vice President, Western Canada

Barbara A. Silverberg
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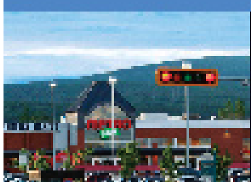
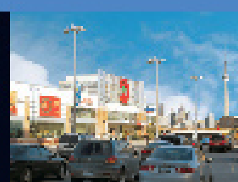


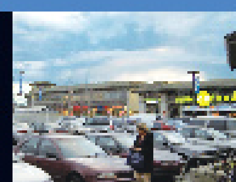
Carrefour St. David
Avenue St. David Ouest & rue Clemenceau, Québec City

Tuscany Market
Tuscany Boulevard & Tuscany Way NW, Calgary

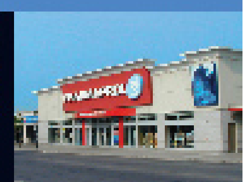
Olde Oakville Market Place
Cornwall Road & Trafalgar Road, Oakville



Shops at King Liberty
King Street West & Atlantic Avenue, Toronto



Terra Nova
No.1 Road & Westminster Hwy., Richmond



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