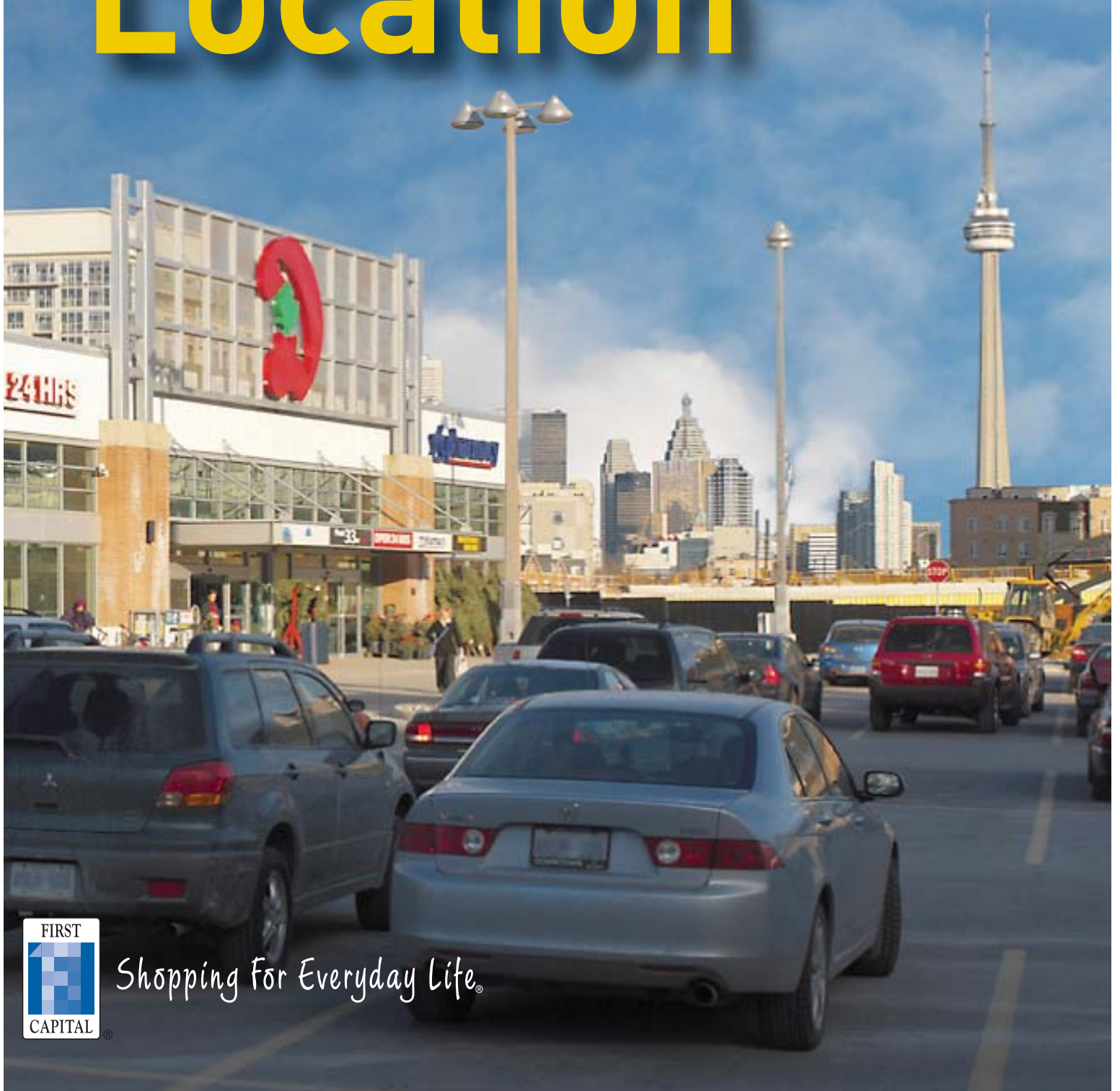


Location

FIRST CAPITAL REALTY INC.
First Quarter Report 2006

Location

Location



Shopping For Everyday Life.

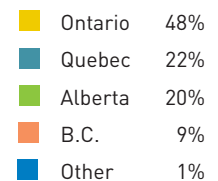
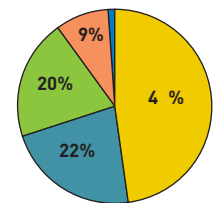


First Capital Realty [TSX:FCR] is Canada's leading owner, developer and operator of supermarket-anchored neighbourhood and community shopping centres located predominantly in growing metropolitan areas. First Capital is also the second largest shareholder of Equity One (NYSE:EQY), one of the largest shopping centre REITs in the southern United States.

FINANCIAL HIGHLIGHTS

('000s except per share amounts)	Three months ended March 31	
	2006	2005
Number of properties	137	110
Gross leasable area (square feet)	16,398,000	13,511,000
Real estate investments	\$ 2,548,350	\$ 1,942,079
Shareholders' equity	\$ 847,048	\$ 741,998
Revenues	\$ 79,569	\$ 61,061
Net operating income (NOI)	\$ 46,421	\$ 36,784
Funds from operations (FFO)	\$ 27,025	\$ 19,296
FFO per diluted share	\$ 0.37	\$ 0.35
Debt to gross total assets	56.0%	55.2%
Debt to market capitalization	44.5%	48.6%
Common shares outstanding	71,483,814	63,545,523

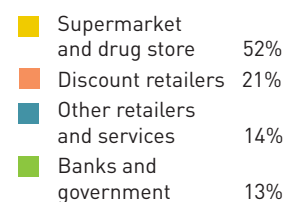
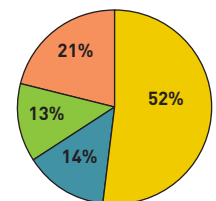
ANNUAL MINIMUM RENT BY PROVINCE



FIRST QUARTER HIGHLIGHTS

- Property rental revenue increased 29% to \$77.9 million from \$60.3 million.
- Invested \$172 million in acquisitions, development activities and property improvements.
- Debt to market capitalization improved to 44.5% compared to 48.6% at March 31, 2005.
- Net operating income (NOI) increased 26% to \$46.4 million.
- Funds from operations (FFO) rose 40% to \$27.0 million.
- FFO of \$0.37 per diluted share compared to \$0.35 in the prior year first quarter.
- Weighted average common shares in the quarter for FFO was 72,168,535 compared to 54,730,436 in the prior year first quarter.
- Added 610,500 square feet of gross leasable area from the acquisition of four income-producing properties, totalling 482,000 square feet, additional space adjacent to existing properties totalling 101,000 square feet and development coming on-line totalling 27,500 square feet.
- 2.3% same property NOI growth; 5.5% increase on renewal leases.
- Occupancy increased to 94.7% from 93.9% last year.
- Net new leasing including development coming on-line totals 113,500 square feet; renewal leasing totals 281,800 square feet.
- Completed new leasing totalling 68,000 square feet at an average rate of \$17.86 per square foot, representing an 18.7% increase versus lost leases in the quarter.
- Average rate per occupied square foot increased by 3.2% to \$13.70 at March 31, 2006 compared to the prior period.

TOP 30 TENANTS ANNUAL MINIMUM RENT BY TYPE



REPORT TO SHAREHOLDERS

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

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.

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 2005 Annual Report.

Factors that could cause actual results or events to differ materially from those expressed or implied by forward-looking statements, 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.

These forward-looking statements are made as of May 9, 2006.

The accounting principles that the financial data has been prepared in accordance with is 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 financial condition and results of operations is intended to provide readers with an assessment of our performance during the first quarter of this year and the prior year and summarizes our results of operations and financial condition for the three month period ended March 31, 2006. It should be read in conjunction with the 2006 First Quarter Unaudited Interim Consolidated Financial Statements and Notes and the Company's 2005 Financial Statements and MD&A contained in the Company's 2005 Annual Report. Additional information, including the Company's 2005 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.

REPORT TO SHAREHOLDERS continued

SUMMARY CONSOLIDATED INFORMATION AND HIGHLIGHTS

<i>(unaudited)</i> <i>(thousands of dollars, except per share amounts)</i>	Three months ended	
	March 31 2006	March 31 2005
Operation Information		
Gross leasable area (sq. ft.)	16,398,000	13,511,000
Number of properties ⁽¹⁾	137	110
Development land acreage owned	280	154
Portfolio occupancy	94.7%	93.9%
Rate per occupied square foot	\$ 13.70	\$ 13.27
Financial Information		
Gross real property investments	\$2,450,470	\$1,786,685
Total real estate investments	\$2,548,350	\$1,942,079
Total assets	\$2,633,046	\$2,007,137
Mortgages, credit facilities and debentures payable	\$1,550,689	\$1,054,492
Convertible debentures payable	\$ 97,036	\$ 96,839
Shareholders' equity	\$ 847,048	\$ 741,998
Net operating income – Canada ⁽²⁾	\$ 46,421	\$ 36,784
Net earnings	\$ 6,696	\$ 6,351
Net earnings per share	\$ 0.09	\$ 0.27
Net income per diluted share	\$ 0.09	\$ 0.10
Equity One		
Dividends received from Equity One (Cdn\$)	\$ 4,674	\$ 4,532
Dividends from Equity One (US\$)	\$ 4,002	\$ 3,696
Average exchange on dividends (US\$ to Cdn\$)	\$ 1.17	\$ 1.23
Debt to market capitalization⁽³⁾	44.5%	48.6%
Debt to gross total assets ⁽³⁾	56.0%	55.2%
Dividends per common share		
– regular	\$ 0.30	\$ 0.30
– special	\$ —	\$ 0.20
Dividends	\$ 21,493	\$ 27,671
Dividends reinvested by shareholders ⁽⁴⁾	\$ 16,595	\$ —
Funds from Operations		
Funds from operations ⁽⁵⁾	\$ 27,025	\$ 19,296
Funds from operations per diluted share	\$ 0.37	\$ 0.35
Weighted average diluted shares – FFO	72,168,535	54,730,436

(1) Includes six properties currently under development or turned over to tenants for completion.

(2) Net operating income is a non Generally Accepted Accounting Principles ("GAAP") measure of operating performance. See definition under "Net Operating Income" in the Financial Review section of this MD&A.

(3) Calculated in accordance with the Series A and B unsecured debenture indenture.

(4) Consists of dividends payable at March 31, 2006 that were reinvested in April, 2006.

(5) Funds from operations is a measure of operating performance that is not defined by GAAP. See "Funds from Operations" in the Financial Review section of this MD&A for an explanation and reconciliation of funds from operations to net income.

BUSINESS AND OPERATIONS REVIEW

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, 2006, the Company owned interests in 137 properties, including six under development, totalling approximately 16.4 million square feet of gross leasable area. Over 90% of its properties are anchored by a supermarket and/or drug store, the two most popular destinations for everyday shopping.

The Company also owns 13.3 million shares (approximately 17.7%) of Equity One, Inc., a neighbourhood and community shopping centre REIT operating primarily in the southern United States. The assets of Equity One are similar to those of the Company and at March 31, 2006 comprised 196 properties totalling 20.2 million square feet. Including properties held through its investment in Equity One, at March 31, 2006 the Company had interests in 333 properties totalling approximately 36.6 million square feet of gross leasable area.

The Company's properties are summarized as follows:

March 31	2006			2005		
	Number of Properties	Gross Leasable Area (000s sq. ft.)	Percent Occupied	Number of Properties	Gross Leasable Area (000s sq. ft.)	Percent Occupied
Ontario	54	7,612	95.8%	45	6,312	94.1%
Quebec	47	4,388	93.3%	41	4,149	94.4%
Alberta	21	3,037	94.1%	15	2,274	92.1%
British Columbia	11	1,174	96.6%	5	592	96.9%
Other	4	187	88.2%	4	184	88.9%
Total	137	16,398	94.7%	110	13,511	93.9%

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

(\$ millions)	2006	2005
Gross real property investments, January 1	\$ 2,275	\$ 1,685
Acquisition of income-producing properties	115	73
Acquisition of additional interests in existing properties	10	—
Acquisition of additional space and land parcels adjacent to existing properties	32	3
Active development and portfolio improvement	15	20
Other	3	6
Gross real property investments, March 31	\$ 2,450	\$ 1,787

During the first quarter of 2006, the Company acquired interests in four income-producing shopping centres: one in Toronto, Ontario and three in Calgary, Alberta, adding 482,000 square feet of gross leasable area. The aggregate acquisition amount of \$115 million, including closing costs, was funded through \$3.9 million in assumed debt with the balance paid in cash.

REPORT TO SHAREHOLDERS continued

The Company acquired additional space and land parcels at or adjacent to existing properties adding 101,000 square feet of gross leasable area at three properties and 4.6 acres of expansion land at three others. The Company also acquired the remaining interests in two income-producing shopping centres, one in Toronto, Ontario and one in Edmonton, Alberta. The aggregate acquisition amount of \$42 million, including closing costs, was funded through \$6.9 million of assumed mortgages with the balance paid in cash.

In the first quarter of 2006, 27,500 square feet of newly developed retail space came on-line in the following shopping centres:

Property Name	City	Province	Gross Leasable Area (Square Feet)
McLaughlin Corners	Brampton	Ontario	7,000
Parkway Centre	Peterborough	Ontario	5,200
Wellington Corners	London	Ontario	5,000
Red Deer Village	Red Deer	Alberta	1,500
Strandherd Crossing	Ottawa	Ontario	4,000
Brantford Mall	Brantford	Ontario	3,000
West Lethbridge Town Centre	Lethbridge	Alberta	1,800
Total			27,500

At the Company's McLaughlin Corners development in Brampton, Ontario, 7,000 square feet of new space was completed in the quarter, including a 2,100 square foot Citi Financial. At Parkway Centre in Peterborough, Ontario, a 5,200 square foot Montana's restaurant was completed. At Wellington Corners in London, Ontario, 5,000 square feet of new space was completed, including a 1,550 square foot Starbucks. At Red Deer Village in Red Deer, Alberta, a 1,500 square foot Starbucks was completed. At Strandherd Crossing in Ottawa, Ontario, 4,000 square feet of new commercial retail unit space was completed in the quarter. Construction of an 84,000 square foot mixed use building continues at the Company's King Liberty property in downtown Toronto, Ontario with scheduled construction completion in the second quarter of 2006.

The 27,500 square feet of space developed and brought on-line during the quarter was leased at an average rate of \$25.32 per square foot. These successfully completed development projects contribute value to the Company's existing and newly developed properties 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.

In addition, 75,000 square feet of space adjacent to Chartwell Shopping Centre was reclassified from development to income-producing space.

The Company's development sites and properties as at March 31, 2006 are summarized as follows:

	Number of Sites/Properties	Acreage	Developable Square Feet
Properties under development	4	21.4	321,000
Square footage under development in existing properties	5	19.6	230,500
Land parcels adjacent to/ part of existing properties	32	85.6	921,600
Land sites held for future development	11	153.0	1,445,000
	52	279.6	2,918,100

In addition to the acquisitions of income-producing properties and development assets, the Company invested \$15 million during the first quarter in its active development projects and improvements to existing properties in the portfolio.

Leasing and Occupancy

Leasing activity in the first quarter resulted in net new leasing of 113,500 square feet, including development coming on-line, while renewal leasing totalled 281,800 square feet. The Company achieved a 5.5% increase on renewal leases over expiring rates. The average rate per occupied square foot at March 31, 2006 increased to \$13.63 per square foot prior to acquisitions, from \$13.61 at December 31, 2005 and from \$13.27 at March 31, 2005.

The occupancy level of the portfolio at March 31, 2006 was 94.7% compared to 95% at December 31, 2005 and 93.9% at March 31, 2005. Included in the total vacancy is approximately 182,000 square feet, or 1.1% of the portfolio, which is undergoing or being held for redevelopment.

Properties acquired during the three month period ended March 31, 2006 had an average lease rate per occupied square foot of \$15.60 and occupancy of 90.4%.

FINANCIAL REVIEW**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 stockholders 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 net income (which is determined in accordance with GAAP) 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:

<i>(unaudited)</i> <i>(thousands of dollars)</i>	Three months ended	
	March 31 2006	March 31 2005
Net income for the period	\$ 6,696	\$ 6,351
Add (deduct):		
Amortization of shopping centres, deferred costs and intangible assets	14,256	10,375
Equity income from Equity One	(4,312)	(4,554)
Funds from operations from Equity One	6,930	6,407
Future income taxes	3,455	717
Funds from operations	\$ 27,025	\$ 19,296

Funds from operations for the three months ended March 31, 2006 totalled \$27.0 million or \$0.37 per diluted common share, compared to \$19.3 million or \$0.35 in the first quarter of 2005. The increase in FFO in the three month period ended March 31, 2006 is primarily due to the Company's income-producing property acquisitions and development projects coming on-line.

Net Operating Income

Net operating income is defined as property rental revenue less property operating costs (see note 10 to the consolidated financial statements). 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.

<i>(unaudited)</i> <i>(thousands of dollars)</i>	Three months ended	
	March 31 2006	March 31 2005
Same property	\$ 30,375	\$ 29,681
2005 Acquisitions	7,400	756
2006 Acquisitions	853	—
Development and redevelopment	6,538	5,058
Straight-line rent	1,189	832
Market rent adjustments	393	287
Lease termination, sold properties and other non-recurring amounts	(327)	170
Net operating income	\$ 46,421	\$ 36,784

Net operating income for the three months ended March 31, 2006 totalled \$46.4 million, compared to \$36.8 million in the first quarter of 2005, an increase of \$9.6 million or 26.2%. Acquisitions during 2006, combined with the full impact of acquisitions in the prior year, contributed \$8.3 million to net operating income in the quarter, while development and redevelopment activities contributed a further \$6.5 million. Same property net operating income increased 2.3%, generating growth of \$0.7 million in the first quarter 2006.

REPORT TO SHAREHOLDERS continued

Interest and other income

Interest and other income for the three months ended March 31, 2006 totalled \$1.6 million, compared to \$0.8 million in the first quarter of 2005, an increase of \$0.8 million. The increase results primarily from \$0.5 million of gains on marketable securities.

Interest Expense

<i>(thousands of dollars)</i>	Three months ended	
	March 31 2006	March 31 2005
Mortgages and credit facilities		
Secured by properties	\$ 16,521	\$ 13,813
Secured by investment in Equity One	2,318	1,332
	18,839	15,145
Unsecured Debentures	1,281	—
Convertible Debentures		
Coupon interest	1,356	4,640
Accretion and amortization	46	939
Total interest expense	\$ 21,522	\$ 20,724

The increase in interest expense from mortgages and credit facilities is primarily due to higher balances of mortgages and credit facilities. Mortgages and credit facilities payable have increased as a result of the Company's acquisition and development activities and totalled \$1.4 billion at March 31, 2006 compared with \$1.1 billion at March 31, 2005.

On June 21, 2005, the Company issued \$100 million of Series A senior unsecured debentures at a coupon rate of 5.08%. On March 30, 2006, the Company issued a further \$100 million of Series B senior unsecured debentures at a coupon rate of 5.25%.

The reduction in convertible debenture interest expense is due to the redemption of the 7.25% series of convertible debentures in March 2005 and the 7.0% series of convertible debentures in September 2005. Interest on convertible debentures consists of interest on the December 2005 issuance of \$100 million principal amount of 5.50% convertible unsecured subordinated debentures.

Corporate Expenses

Corporate expenses for the three months ended March 31, 2006 totalled \$4.3 million compared to \$3.0 million in 2005. Corporate expenses have increased as a result of portfolio growth and related staffing levels including the full internalization of development, leasing, legal, construction management and tenant coordination which was initiated in the fourth quarter of 2004 and completed during 2005. 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 and deferred leasing costs during the three months ended March 31, 2006 totalled \$1.8 million compared to \$0.8 million in the prior year comparative period. The increase in capitalized costs is due to the full internalization of these activities commencing in the fourth quarter of 2004 and subsequent operations during 2005.

Amortization Expense

Amortization expense has increased to \$15.1 million in the three month period ended March 31, 2006 compared to \$11.0 million in the prior year comparative period. The increase is primarily due to the amortization of newly acquired properties and development coming on-line.

Equity One

The Company received dividends from Equity One of US\$4.0 million, or US\$0.30 per share, in the three month period ended March 31, 2006, compared to US\$3.7 million, or US\$0.29 per share, in the three month period ended March 31, 2005. The Canadian dollar equivalent of this dividend is \$4.7 million in the first quarter of 2006 and \$4.5 million in the comparable period of 2005. The absolute dividend increase has been offset by a decline in the average currency exchange rate for the three month period ended March 31, 2006.

Income Taxes

Income tax expense increased to \$4.7 million in the three month period ended March 31, 2006 from \$1.9 million in the prior year comparative period. The increase is due to the increase in net income before taxes as well as the one-time tax effect of the redemption of the 7.25% convertible debentures in the three months ended March 31, 2005.

Net Income

Net income for the three months ended March 31, 2006 amounted to \$6.7 million or 9 cents per share basic and diluted. This compares to \$6.4 million, or 27 cents per share basic and 10 cents per share diluted, for the three months ended March 31, 2005. The increase in net income is primarily due to the Company's income-producing property acquisitions and development projects coming on-line. Net income in 2005 included the accounting recognition of a non-cash gain on the redemption of convertible debentures and the related tax impacts. The decrease in the basic earnings per share relates to the contributed surplus of \$8.4 million recorded on the redemption of the convertible debentures in 2005.

REPORT TO SHAREHOLDERS continued

Financing Activities

On March 30, 2006, the Company completed the sale of \$100 million principal amount of 5.25% Series B senior unsecured debentures maturing on March 30, 2011. The debentures are rated BBB(low) with a stable trend by Dominion Bond Rating Services. Net proceeds from the offering were used to repay amounts owing on the Company's credit facilities, to fund future acquisitions and development activities and for general corporate purposes.

Shareholders' equity has increased to \$847 million at March 31, 2006, from \$843 million at December 31, 2005.

The Company adopted a Dividend Reinvestment Plan ("DRIP") in May 2005 enabling Canadian resident shareholders who hold at least 500 common shares to reinvest cash dividends into additional common shares to be purchased through the Company's transfer agent directly from First Capital Realty without charge. Shareholders who elect to participate in the DRIP will reinvest in additional common shares at a discount of 2% 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. A total of 707,876 common shares were issued to shareholders participating in the DRIP on January 9, 2006.

In the aggregate, the Company issued approximately 0.8 million common shares during the three month period ended March 31, 2006, including the above transactions, the exercise of options, and the payment of interest on its convertible debentures in shares.

QUARTERLY FINANCIAL INFORMATION

<i>(thousands of dollars)</i>	Total Revenue	Net Income	Earnings Per Share	
			Basic	Diluted
Q2 2004	\$ 54,072	\$ 3,534	\$ 0.08	\$ 0.08
Q3 2004	\$ 56,480	\$ 5,385	\$ 0.17	\$ 0.15
Q4 2004	\$ 61,465	\$ 6,030	\$ 0.12	\$ 0.12
Q1 2005	\$ 61,061	\$ 6,351	\$ 0.27	\$ 0.10
Q2 2005	\$ 64,648	\$ 6,479	\$ 0.10	\$ 0.10
Q3 2005	\$ 71,192	\$ 8,740	\$ 0.26	\$ 0.14
Q4 2005	\$ 71,741	\$ 7,626	\$ 0.11	\$ 0.11
Q1 2006	\$ 79,569	\$ 6,696	\$ 0.09	\$ 0.09

EVENTS SUBSEQUENT TO MARCH 31, 2006

Subsequent to quarter end, the Company acquired four income-producing shopping centres: two in Ontario, one in British Columbia and one in Quebec, adding 158,000 square feet. The aggregate acquisition amount of \$38 million was funded through \$10.1 million in assumed debt with the balance paid in cash.

On April 6, 2006, the Company issued 668,356 common shares at a net price of \$24.83 to participants in the Dividend Reinvestment Plan.

On April 11, 2006, the Company issued 1,000,000 common shares for gross proceeds of \$25.75 million.

On April 26, 2006, Equity One completed the sale of 29 of its Texas properties to a joint venture with a third party investor in a transaction valued at approximately US\$388 million. Equity One will realize approximately US\$310 million from the transaction, while retaining a 20% interest and continuing to manage the properties. Equity One will record a gain of approximately \$90 million, and expects to pay a special dividend of up to US\$1.50 per common share in the second quarter.

On May 5, 2006, the Company completed the sale of 135,000 common shares at a price of \$25.75 per common share for gross proceeds of \$3.48 million, pursuant to an over-allotment option, granted to underwriters, in connection with the April 11, 2006 share offering.

OUTLOOK

First Capital Realty has made significant progress in the first quarter toward achieving its 2006 goals:

- to increase the size of the Company's income-producing portfolio through acquisition and development while maintaining and enhancing asset quality;
- to increase the cash flow from operations through increased rental rates and portfolio occupancy;
- to continue to grow the business while maintaining a responsible and prudent leverage ratio, taking into consideration the Company's covenants on its outstanding unsecured debentures; and
- to further increase the market capitalization and public float of the Company.

First Capital Realty has a focussed and clear strategy for managing and growing its business, and management believes the Company is well positioned to continue to deliver increasing value to investors over the long term. Management expects that focussed acquisitions, proactive management of its assets, aggressive leasing efforts and successful development initiatives should result in increased net operating income and continued strength in the occupancy of the Company's portfolio and that the Company's superior locations and well-maintained properties will continue to attract and retain tenants that provide customers with daily necessities.

REPORT TO SHAREHOLDERS continued

The acquisition environment, as well as the retail business continues to be extremely competitive. Nevertheless, the Company will continue to acquire properties that are well-located and of high quality, which add strategic value and/or operating synergies and will be accretive to FFO over the long term.

Development and redevelopment activities, despite increasing costs, should 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.

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

First Capital Realty is maintaining its diluted FFO per share guidance at \$1.52 to \$1.56 per diluted share, assuming the current interest rate environment, a U.S. exchange rate of \$1.11 Canadian, and 2006 acquisitions of over \$280 million.

CONSOLIDATED BALANCE SHEETS

	<i>(unaudited)</i>	
<i>(thousands of dollars)</i>	March 31 2006	December 31 2005
ASSETS		
Real Estate Investments		
Shopping centres (note 2)	\$2,103,438	\$1,939,775
Land and shopping centres under development (note 3)	123,290	136,475
Deferred costs	56,665	52,938
Intangible assets	32,610	24,340
	2,316,003	2,153,528
Investment in Equity One, Inc.	212,428	211,830
Loans, mortgages and other real estate assets	19,919	26,912
	2,548,350	2,392,270
Other assets	42,095	37,592
Amounts receivable	21,864	17,026
Cash and cash equivalents	7,142	5,335
Future income tax assets	13,595	17,065
	\$2,633,046	\$2,469,288
LIABILITIES		
Mortgages and credit facilities (note 4)	\$1,350,863	\$1,297,040
Accounts payable and other liabilities	107,675	102,116
Unsecured debentures (note 5)	199,826	100,000
Convertible debentures (note 6)	97,036	96,990
Future income tax liabilities	30,598	30,598
	1,785,998	1,626,744
SHAREHOLDERS' EQUITY (note 7)	847,048	842,544
	\$2,633,046	\$2,469,288

See accompanying notes to the consolidated interim financial statements

CONSOLIDATED STATEMENTS OF OPERATIONS

<i>(unaudited)</i> <i>(thousands of dollars, except per share amounts)</i>	Three months ended	
	March 31 2006	March 31 2005
REVENUE		
Property rental revenue	\$ 77,939	\$ 60,266
Interest and other income	1,630	795
	79,569	61,061
EXPENSES		
Property operating costs	31,518	23,482
Interest expense (note 8)	21,522	20,724
Amortization	15,149	10,983
Corporate expenses	4,291	2,975
	72,480	58,164
Equity income from Equity One, Inc.	4,312	4,554
Gain on redemption of convertible debentures	—	841
Income before income and other taxes	11,401	8,292
Income and other taxes:		
Current	1,250	1,224
Future	3,455	717
	4,705	1,941
Net income	\$ 6,696	\$ 6,351
Net earnings per common share (note 9)		
Basic	\$ 0.09	\$ 0.27
Diluted	\$ 0.09	\$ 0.10

See accompanying notes to the consolidated interim financial statements

CONSOLIDATED STATEMENTS OF DEFICIT

<i>(unaudited)</i> <i>(thousands of dollars)</i>	Three months ended	
	March 31 2006	March 31 2005
Deficit, beginning of period	\$ (191,584)	\$ (133,163)
Net income for the period	6,696	6,351
Dividends	(21,493)	(27,671)
Deficit, end of period	\$ (206,381)	\$ (154,483)

See accompanying notes to the consolidated interim financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

<i>(unaudited)</i> <i>(thousands of dollars)</i>	Three months ended	
	March 31 2006	March 31 2005
CASH FLOW PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Net income	\$ 6,696	\$ 6,351
Items not affecting cash		
Amortization	14,438	10,434
Amortization of deferred financing fees	711	549
Amortization of above- and below-market leases	(393)	(287)
Amortization of deferred rent receivable	(1,211)	(1,070)
Gain on redemption of convertible debentures	—	(841)
Non-cash compensation expense	394	371
Convertible debenture interest in excess of coupon	46	939
Interest paid in excess of implicit interest on assumed mortgages	(523)	(329)
Convertible debenture interest paid in common shares	1,537	6,390
Equity income from Equity One, Inc.	(4,312)	(4,554)
Future income taxes	3,455	717
Gain on marketable securities	(537)	—
Deferred leasing costs	(1,574)	(1,382)
Dividends received from Equity One, Inc.	4,674	4,532
Net change in non-cash operating items	(5,547)	(5,507)
Cash provided by operating activities	17,854	16,313
INVESTING ACTIVITIES		
Acquisition of shopping centres (note 2)	(136,963)	(47,363)
Acquisition of land for development (note 3)	(9,159)	(3,045)
Expenditures on shopping centres	(3,770)	(6,395)
Expenditures on land and shopping centres under development	(9,656)	(12,330)
Investment in common shares of Equity One, Inc.	—	(4,532)
Decrease in loans and mortgage receivable	3,214	985
Investment in marketable securities	(5,694)	(13,969)
Proceeds on disposition of marketable securities	10,004	863
Cash used in investing activities	(152,024)	(85,786)
FINANCING ACTIVITIES		
Proceeds of mortgage financings and credit facilities	133,314	72,423
Repayments of mortgages payable and credit facilities	(90,990)	(47,565)
Payment of financing fees	(904)	(812)
Issuance of common shares, net of issue costs	969	56,376
Issuance of unsecured debentures, net of issue costs (note 5)	98,773	—
Payment of dividends	(5,181)	(15,398)
Cash provided by financing activities	135,981	65,024
Effect of currency rate movement on cash balances	(4)	15
Increase (decrease) in cash and cash equivalents	1,807	(4,434)
Cash and cash equivalents, beginning of period	5,335	4,883
Cash and cash equivalents, end of period	\$ 7,142	\$ 449
SUPPLEMENTARY INFORMATION		
Cash income taxes paid	\$ 337	\$ 543
Cash interest paid (note 8)	\$ 20,889	\$ 16,304

See accompanying notes to the consolidated interim financial statements

NOTES TO THE CONSOLIDATED INTERIM 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, 2005 annual consolidated financial statements. 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, 2005 annual consolidated financial statements.

2. SHOPPING CENTRES

<i>(thousands of dollars)</i>	March 31 2006	December 31 2005
Land	\$ 504,488	\$ 443,440
Buildings and improvements	1,711,790	1,598,619
	2,216,278	2,042,059
Accumulated amortization	(112,840)	(102,284)
	\$2,103,438	\$1,939,775

The Company acquired properties as follows:

<i>(thousands of dollars)</i>	Three months ended	
	March 31 2006	March 31 2005
Allocation of purchase price:		
Shopping centres	\$ 140,338	\$ 73,703
Deferred costs	2,865	3,887
Intangible assets and liabilities, net	4,773	(3,064)
Total purchase price, including acquisition costs	147,976	74,526
Less mortgages assumed on acquisition	(10,825)	(25,307)
Difference between principal amount and fair value of assumed mortgages	(188)	(1,856)
Net cash outlay for acquisitions	\$ 136,963	\$ 47,363
The acquisitions were funded as follows:		
Proceeds from new mortgages	\$ —	\$ 10,250
Cash and credit facilities	136,963	37,113
Net cash outlay for acquisitions	\$ 136,963	\$ 47,363

3. LAND AND SHOPPING CENTRES UNDER DEVELOPMENT

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

<i>(thousands of dollars)</i>	Three months ended	
	March 31 2006	March 31 2005
Purchase price of land and shopping centres acquired for development or redevelopment	\$ 9,159	\$ 3,045

In addition, during the three months ended March 31, 2006, completed developments with a book value of \$32.0 million (2005 – \$18.2 million) were transferred to shopping centres.

Interest expense and incremental direct internal costs capitalized to development properties during the three months ended March 31, 2006 totalled \$1.8 million (2005 – \$1.2 million) and \$1.8 million (2005 – \$0.8 million), respectively. The costs to complete projects currently under development are estimated at \$61.5 million.

4. MORTGAGES AND CREDIT FACILITIES

<i>(thousands of dollars)</i>	March 31 2006	December 31 2005
Mortgages payable	\$1,107,552	\$1,080,239
Secured by investment in Equity One, Inc.		
Fixed rate	64,240	63,965
Floating rate	91,823	90,645
Credit facilities outstanding		
Canadian dollar	87,248	62,191
	\$1,350,863	\$1,297,040

The weighted average interest rate on mortgages payable at March 31, 2006 was 6.4% (December 31, 2005 – 6.5%) and the weighted average term to maturity was 6.1 years (December 31, 2005 – 6.4 years).

5. UNSECURED DEBENTURES

On March 30, 2006, the Company issued \$100 million of 5.25% Series B senior unsecured debentures maturing March 30, 2011. Interest is payable semi-annually. The debentures were issued to yield 5.29% so that the cash proceeds, before issue costs, were \$99.8 million.

On June 21, 2005, the Company issued \$100 million of 5.08% Series A senior unsecured debentures, maturing on June 21, 2012. Interest is payable semi-annually.

6. CONVERTIBLE DEBENTURES

On December 19, 2005, the Company issued \$100 million of 5.50% convertible unsecured subordinated debentures due September 30, 2017. The debentures require interest payments semi-annually on March 31 and September 30. Holders of the debentures have the right to convert them into common shares at a share price of \$27.00 through to December 31, 2011 and \$28.00 thereafter to maturity. The Company has the option of repaying the debentures on maturity through the issuance of common shares at 97% of a weighted average trading price of the Company's common shares. The Company also has the option of paying the semi-annual interest through the issuance of common shares valued in the same fashion.

On March 31, 2005, the Company redeemed the outstanding \$161.7 million principal amount of the 7.25% convertible debentures with the issuance of 8,411,386 shares. Prior to the redemption date, holders of \$0.035 million principal amount of 7.25% convertible debentures converted their debentures in accordance with the terms and conditions of the trust indenture. The early redemption of the 7.25% convertible debentures resulted in a non-cash gain of \$0.8 million and an increase in contributed surplus of \$8.4 million. The fair value of the common shares issued to redeem the convertible debentures was based upon the quoted market value of the shares adjusted for price fluctuations, quantities traded, and issue costs.

In the three months ended March 31, 2006, 64,754 (2005 - 338,225) common shares were issued to pay interest to holders of convertible debentures.

7. SHAREHOLDERS' EQUITY

<i>(thousands of dollars)</i>	March 31 2006	December 31 2005
Share capital (a)	\$1,041,211	\$ 1,022,701
Equity component of convertible debentures	3,015	3,015
Warrants (c)	472	472
Options and deferred share units (d)	3,454	3,004
Cumulative currency translation adjustment	(14,236)	(14,577)
Contributed surplus	19,513	19,513
Deficit	(206,381)	(191,584)
	\$ 847,048	\$ 842,544

(a) Share Capital

	Number of Common Shares	Stated Capital <i>(thousands of dollars)</i>
Issued and outstanding at December 31, 2005	70,645,834	\$ 1,022,701
Payment of interest on convertible debentures (note 6)	64,754	1,537
Exercise of options (d)	65,350	911
Dividends reinvested in common shares (e)	707,876	16,026
Issue costs	—	36
Issued and outstanding at March 31, 2006	71,483,814	\$1,041,211

	Number of Common Shares	Stated Capital (thousands of dollars)
Issued and outstanding at December 31, 2004	51,659,583	\$ 673,660
Issuance of common shares (b)	2,700,000	51,975
Redemption of 7.25% convertible debentures	8,411,386	149,891
Conversion of 7.25% convertible debentures	1,434	35
Payment of interest on convertible debentures	338,225	6,390
Exercise of options (d)	434,895	6,167
Issue costs	—	(1,057)
Issued and outstanding at March 31, 2005	63,545,523	\$ 887,061

(b) Issuance of Common Shares

On January 26, 2005, 2,700,000 common shares were issued at a price of \$19.25 per share, for total gross proceeds of \$52.0 million, before commission and issue costs.

(c) Warrants

At March 31, 2006, there were 628,094 outstanding share purchase warrants (December 31, 2005 – 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.

In 2005, 299,311 share purchase warrants were exercised at \$11.80 per share resulting in net proceeds of \$3.5 million. The equity component of the warrants exercised totalling \$0.2 million was transferred to share capital.

(d) Stock Options

The Company is authorized to grant up to 3,625,000 (December 31, 2005 – 3,625,000) common share options to the employees, officers and directors of the Company and third party service providers. As of March 31, 2006, 1,425,300 (December 31, 2005 – 1,405,800) common share options are 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 \$20.80.

	Three months ended March 31 2006		Three months ended March 31 2005	
	Common Share Options	Weighted Average Exercise Price	Common Share Options	Weighted Average Exercise Price
Outstanding, beginning of period	1,145,105	\$ 17.46	1,257,550	\$ 14.49
Granted	—	\$ —	15,000	\$ 19.11
Exercised	(65,350)	\$ 13.63	(434,895)	\$ 13.99
Cancelled	(19,500)	\$ 20.80	(15,000)	\$ 13.82
Outstanding, end of period	1,060,255	\$ 17.63	822,655	\$ 14.49
Options vested at end of period	405,655	\$ 14.39	302,197	\$ 13.58
Weighted average remaining life (years)	8.2		7.9	

On April 10, 2006, the Company granted an additional 350,140 options with an exercise price of \$24.75 to employees.

(e) Dividend Reinvestment Plan

The Company adopted a Dividend Reinvestment Plan ("DRIP") in May 2005. Shareholders who hold at least 500 common shares can elect 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.

8. INTEREST

	Three months ended	
	March 31 2006	March 31 2005
<i>(thousands of dollars)</i>		
Mortgage and credit facility interest expense	\$ 18,839	\$ 15,145
Unsecured debenture interest expense	1,281	—
Convertible debenture interest expense	1,402	5,579
Interest expense	21,522	20,724
Convertible debenture interest paid in common shares	(1,537)	(6,390)
Change in accrued interest	(1,422)	1,371
Implicit interest rate in excess of coupon rate on convertible debentures	(46)	(939)
Interest paid in excess of implicit interest on assumed mortgages	523	329
Interest capitalized to land and shopping centres under development	1,849	1,209
Cash interest paid	\$ 20,889	\$ 16,304

9. PER SHARE CALCULATIONS

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

	Three months ended	
	March 31 2006	March 31 2005
<i>(thousands of dollars, except per share amounts)</i>		
Net Income	\$ 6,696	\$ 6,351
Contributed surplus on settlement of convertible debentures	—	8,433
Basic net income available to common shareholders	6,696	14,784
Contributed surplus on settlement of convertible debentures	—	(8,433)
Interest expense and issue costs amortization, net of tax	—	2,314
Gain on redemption of convertible debentures	—	(2,364)
Diluted net income	\$ 6,696	\$ 6,301
Denominator		
Weighted average shares outstanding for basic per share amounts	71,546,193	54,067,694
Convertible debentures	—	6,553,476
Outstanding warrants	318,119	373,029
Outstanding options	304,223	289,713
Denominator for diluted net income available to common shareholders	72,168,535	61,283,912
Basic earnings per share	\$ 0.09	\$ 0.27
Diluted earnings per share	\$ 0.09	\$ 0.10

The following securities were not included in the diluted per share calculation for the three month periods ended March 31, 2006 and 2005 as the effect would have been anti-dilutive:

	Exercise Price	Number of shares if converted or exercised	
		March 31 2006	March 31 2005
Convertible debentures — 5.5%	\$ 27.00	3,703,703	—
Convertible debentures — 7.0%	\$ 22.71	—	4,403,307

10. 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.

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

<i>(thousands of dollars)</i>	Canada	U.S.	Total
Property rental revenue	\$ 77,939	\$ —	\$ 77,939
Property operating costs	31,518	—	31,518
Net operating income	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
Operating income before amortization	24,849	1,701	26,550
Amortization	15,070	79	15,149
Operating income	\$ 9,779	\$ 1,622	\$ 11,401

Operating income by geographic segment for the three months ended March 31, 2005 is summarized as follows:

<i>(thousands of dollars)</i>	Canada	U.S.	Total
Property rental revenue	\$ 60,266	\$ —	\$ 60,266
Property operating costs	23,482	—	23,482
Net operating income	36,784	—	36,784
Equity income from Equity One, Inc.	—	4,554	4,554
Interest and other income	795	—	795
Interest expense	19,392	1,332	20,724
Corporate expenses	2,668	307	2,975
Operating income before amortization	15,519	2,915	18,434
Amortization	10,949	34	10,983
Operating income	\$ 4,570	\$ 2,881	\$ 7,451

11. SUBSEQUENT EVENTS

- (a) Subsequent to quarter end, the Company acquired four income-producing shopping centres: two in Ontario, one in British Columbia and one in Quebec, adding 158,000 square feet. The aggregate acquisition amount of \$38 million was funded through \$10.1 million in assumed debt with the balance paid in cash.
- (b) On April 6, 2006, the Company issued 668,356 common shares at a net price of \$24.83 to participants in the Dividend Reinvestment Plan.
- (c) On April 11, 2006, the Company issued 1,000,000 common shares for gross proceeds of \$25.75 million.
- (d) On April 26, 2006, Equity One completed the sale of 29 of its Texas properties to a joint venture with a third party investor in a transaction valued at approximately US\$388 million. Equity One will realize approximately US\$310 million from the transaction, while retaining a 20% interest and continuing to manage the properties. Equity One will record a gain of approximately \$90 million, and expects to pay a special dividend of up to US\$1.50 per common share in the second quarter.
- (e) On May 5, 2006, the Company completed the sale of 135,000 common shares at a price of \$25.75 per common share for gross proceeds of \$3.48 million, pursuant to an over-allotment option, granted to underwriters, in connection with the April 11, 2006 share offering.

12. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to reflect the current period's presentation.

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TORONTO STOCK EXCHANGE LISTINGS

Common Shares:	FCR
Warrants:	FCR.WT
5.50% Debentures – CDN	FCR. DB. A
5.50% Debentures – U.S.	FCR. DB. B

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